STRATEGIES ADOPTED FOR COMPETITIVE ADVANTAGE BY IMPORTATION AND MARKETING OIL FIRMS IN KENYA

CATHERINE CELINE MUSAU

A RESEARCH PROJECT SUBMITTED IN PARTIAL FULFILMENT OF THE REQUIREMENT FOR THE AWARD OF THE DEGREE OF MASTER OF BUSINESS ADMINISTRATION, SCHOOL OF BUSINESS, UNIVERSITY OF NAIROBI

DECLARATION

This research project is my original work and has not been presented for the Award of a degree or diploma in this or any other university.

Signature ……………………………….…. Date…………………………...

Catherine C Musau

D61/74658/2014

This project has been submitted for examination with my approval as the University supervisor.

Signature……………………………..….. Date ………………………….

Prof. Martin Ogutu,

Lecturer, Department of Business Administration,

School of Business,

University of Nairobi.

ACKNOWLEDGEMENTS

First and foremost, I thank the Almighty God who gave me the physical and mental strength to undertake and accomplish this project in the prescribed period of time.

I wish to extend my heartfelt gratitude to my supervisor Prof. Martin Ogutu for his patience, guidance towards this research, his recommendations and suggestions that have been valuable during this projectperiod.

My sincere gratitude also goes to all those who consented to questionnaires and shared their thoug hts towards this research project including the managers of the oil firms in the sample, the reference of other writers who have undertaken similar research material that have contributed to the completion of this research.

Finally, I would like to thank my family and friends who have always been supportive, and their endless encouragement during the research period.

DEDICATION

I dedicate this research project to my son Prince Uhuru and the entire family.

ABSTRACT

A competitive strategy aims at gaining and maintaining competitive advantage over business rivals. For a firm to formulate appropriate strategies that will enable it respond effectively to environmental competitive pressures, it is prudent that the firm understands the underlying sources of the competitive pressure in its industry. The purpose of this study was to determine the strategies adopted by oil marketing firms in Kenya to remain competitive. The study employed a descriptive survey research design.

The population of this study was the oil-marketing companies in Kenya. A questionnaire was used to collect data from 35 CEOs, business development managers and the marketing managers of oil arketing firms. The data obtained from the respondents was analyzed through descriptive data analyzing techniques by employing a social science software program. The study found that majority (54%) of the respondents indicated that there was a high practice of proper capacity utilization; storage facilities, blending and filling plants; 71% indicated that there was a high strategic location of storage, filling and loading facilities. A significant number (84%) indicated that there was consistent product availability. A ignificant number (79%) of respondents also indicated that there was high use of high equipment and facility reliability. A significant number (76%) indicated that their oil firms used segmented markets as a method of competitive advantage.

A significant number (75%) of the participants indicated that there was high investment in local network expansion by increasing number of stations. The study concluded that the strategies adopted by the oil firms included the cost leadership strategy, differentiation strategy, focus strategy and market expansion strategy. The researcher also concluded that cost leadership and focus strategies were the most widely used competitive strategies. The researcher also concluded that the cost leadership strategy, differentiation strategy and focus strategy were effective in enhancing the competitiveness of the oil firms. The researcher recommended that the firms should focus on adopting cost leadership strategies to ensure that that their profit margin increases.

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CHAPTER ONE: INTRODUCTION

1.1 Background of the Study

The highly competitive environment along with customers' demands for tailored products and services has forced organizations to continuously evaluate, improve and reengineer their operations. These operations have a noticeable contribution in companies' efforts to meet customers' expectations in areas such as place convenience, waiting time convenience, delivery time convenience, and after sales convenience that are easily visible and assessable by the final customer and consequently delineating its purchasing behavior (Welch & Welch, 2005). As a result, firms have sought ways to gain a competitive advantage over their competitor's especially with the trend of globalization picking up. One avenue that firms have pursued to improve their competitive position in this new business environment has been to establish appropriate competitive strategies in their operations, and consequently gain necessary competitive advantage to these firms (Raiborn *et al.,* 2009).Indeed as (Pearce and Robinson, 2001) earlier opined, the days when firms could simply wait for clients to beat a path to their door are long gone and therefore, organizations must realize that their services and products, regardless of how good they are, simply do not sell themselves.

This study is anchored on two theories namely, resource based theory and the competitive advantage theory. The resource based theory is important for this study because it points out that any firm is essentially a pool of resources and capabilities which determine the strategy and performance of the firm since if all firms in the market have the same pool of resources and capabilities, all firms will create the same value thus no competitive advantage is available in the industry (Barney, 1991). The basis of the resource-based view is therefore that successful firms will find their future competitiveness on the development of distinctive and unique capabilities. The second theory postulates that a firm will realize competitive

advantage when it is implementing a value creating strategy not simultaneously being implemented by any current or potential player (Passemard&Calantone, 2000). This includes adoption of appropriate competitive strategies.

The energy industry in Kenya past has more recently gone through significant changes in terms of concentration (mergers and acquisitions) and the rules of the game. The major oil corporations have been highly vertical integrated for a long time and have over the past couple of years begun to reconfigure and re-orientate their respective value chains to respond appropriately to the changing landscape. The number of new entrants to the sector from independent oil firms has introduced a new dimension to the market and this will call for introduction of appropriate strategies that will maintain the various players' market shares and interest.

1.1.1 Competitive Strategies

Competitive strategy is that part of business strategy that deals with management's plan for competing successfully- how to build sustainable competitive advantage, how to outmaneuver your rivals, how to defend oneself against competitive pressure or how to strengthen the firm's market positioning (Thompson & Strickland, 1996). Competitive strategy is the distinctive approach which a firm uses or intends to use in order to succeed in the market place and it involves positioning the business to maximize the value of capabilities that distinguish it from its competitors (Porter, 1980). The essence of formulating competitive strategies is relating a company to match a company to its environment. Porter (1980) argues that although the relevant environment is very broad, the key aspect of the firm's environment is the industry or industries in which it competes. Therefore industry structure has a strong influence in determining the competitive rules of the game as well as the strategies potentially available to the firm. Competitive strategy therefore emphasizes the improvement of the competitive position of a firm's products or services in the specific industry or market segment (Welch and

Welch, 2005).

The competitive strategies adopted by a firm result in a competitive advantage. According to Shapiro (2009) competitive strategy encompasses wide variety of strategic and tactical decision making, from pricing of products to investment in production and distribution facilities to contracting practices with customers and input suppliers to research and development expenditures. Competitive advantage grows from value that a firm is able to create for the buyer that exceeds the firm's cost of creating it. The goal of competitive strategy for a business is to find a position in the industry where the firm can best defend itself against competitive forces or can influence them in its favour. An effective competitive strategy takes either offensive or defensive action in order to create a defendable position against the five forces and thereby yield a superior return on the firm. A strategy needs to be fluid as the competition will most likely adapt to the most successful company in your industry, so will the strategy need to change in order to meet this adaptation (Marren, 2010).

1.1.2 Competitive Advantage

Competitive advantage is the ability of the firm to occupy a superior position in an industry and outperform its rivals on the primary performance goal- profitability. A company's superior competitive position allows it to achieve higher profitability than the industry's average (Porter, 1985). Firms strive to survive and succeed in competition by pursuing strategies that enable them to perform better than their competitors. Barney (2008) defines competitive advantage as being sustainable if competitors are unable to imitate the source of advantage or if no one conceives of a better offering. Barney (2008) distinguishes between two types of competitive advantage: temporary and sustainable competitive advantage. Competitive advantage typically results in high profits, but these profits attract competition, and competition limits the duration of competitive advantage in most cases, therefore most competitive advantage is temporary. On the other hand, an organizations competitive

advantages are sustainable if competitors are unable to imitate the source of advantage or if no one conceives of a better offering (Barney, 2008).

Competitive advantage is the pursuit of finding a competition position in an industry, the fundamental arena in which competition takes place. Competitive advantage results in performance outcomes that include: superior customer satisfaction; customer loyalty; market share; and enhanced financial performance (Miles and Covin, 2013). Therefore the purpose of the competitive strategy is to create a profitable and sustainable position against its competitors. The commonly accepted three ways to create competitive advantage, by Porter (1985), are cost efficiency, differentiation, and focusing. Competitive advantage can arise from various sources. According to Porter (1985), a firm can achieve a higher rate of profit (or potential profit) over a rival in one of two ways: either it supplies an identical product or service at a lower cost, in which case the firm possesses a cost advantage; or it can supply a product or service that is differentiated in such a way that the customer is being able to pay a price premium that exceeds the additional cost of the differentiation advantage. Once established, competitive advantage is subject to erosion by competition. This arises because a company with a competitive advantage earn higher than average profits. These profits send a signal to rivals that the company is in possession of some valuable distinctive competence that allows it to create superior value (Hill *et al.,* 2001).

1.1.3 Petroleum Industry in Kenya

The Petroleum industry in Kenya has mainly been influenced by change in legal and regulatory frame work that occurred after deregulation in 1994. This led into the increase in the number of new firms into the industry and has since intensified competition especially at the retailing level (Muthama, 2008). In the petroleum sector, environmental and industry factors change very rapidly that's necessitating frequent review of milestones and thorough strategic monitoring (Chege, 2012).The high demand of petroleum products, price volatility, increased competition and stringent regulatory requirements bring market dynamism in the

petroleum industry require quick responses in matching the firm's resource and capability portfolio with environmental opportunities.

The oil industry in Kenya is characterized by above 75 oil marketers. It is governed by the Kenyan law which covers operations from crude importation, refining and retailing. It is an oligopolistic structure dominated by about 3 major players. The three players control over half of the market share with 54.9% of the total market share as at March 2014 (Total Kenya controlling 21.7%, Vivo Kenya 18.9% and KenolKobil 13.9%) according to PIEA (2014). The sector is very competitive characterized by price controls, common non-differentiable products and strict taxation structure within a liberalized economy therefore requiring adoption of other strategies besides price and its related derivatives as a competitive strategy. There is very stiff competition in this retail sector, both among the expensively invested branded stations which are mainly owned and supported by large petroleum companies both foreign Multinationals and locally owned companies and the other angle of the competition is between the branded stations and the independent stations which are low cost investments.

The petroleum sector is considered as one of the key segments of the economy. Petroleum fuel constitutes the main source of commercial energy in Kenya. Kenya is a net importer of petroleum products. Growth in the profits of the energy sector will depend upon identifying all the variables that can influence profit of a firm including the management of working capital. The inability of a firm to meet its obligations will lead to the disruption of its marketing and distribution process by actions such as labour strikes and blacklisting by suppliers. Key challenges facing the energy and petroleum sector includes high cost of operations which is ever increasing due to poor infrastructure, regulation, volatility in exchange rates, tax administration and burden of government.

1.1.4 Importation and marketing oil firms in Kenya

Kenya's petroleum sector has many players. Oil Marketing Companies form the biggest portion then there is the refinery, storage and transportation companies, the tax collection

bodies, the regulatory commissions and the quality assurance companies among many other players. The OMCs are involved in the importation, exportation and distribution of petroleum products to the end-consumers within the Kenyan territory and to its neighbours like Uganda, Tanzania (northern parts), Rwanda, Burundi, Democratic Republic of Congo (eastern parts) and South Sudan. These countries mostly rely on Kenyan petroleum distribution networks and infrastructure (Shivo, 2012).

As at December 2015 there were 35companies licensed to import petroleum products and market petroleum products in Kenya and more are expected to join(ERC Homepage, 2015). The licensing criteria have been simplified to facilitate the entry of indigenous traders in the oil business. However, the market is still largely oligopolistic with over 55% being controlled by the three main marketing firms. Importation of petroleum products is through the open tendering system which allows all the petroleum firms to access petroleum products at the same price and therefore ensures competition in the petroleum market. Since open tendering system is run through monthly tenders, it entails sourcing of petroleum predominantly from the spot market whereby petroleum is sourced from the open market without any prior contracts (ERC Homepage, 2015).

Governments have employed various policy interventions and strategies to improve access, ensure security of supply of affordable energy and to achieve efficiency and conservation (KIPPRA report, 2010). Faced with the uncertain global sources o f crude oil, the Kenya Government through Energy Regulatory Commission has been regulating fuel prices since December 2010. Some o f the measures aimed at protecting customers have ended up disrupting petroleum products' supply chain activities

1.2 Research Problem

All business firms exist in an open system and this means that they impact and are impacted by the external conditions largely beyond their control and as a consequence, this requires

managers to look beyond the limits of the firm's own operations (Pearce & Robinson, 2002). Therefore, all organizations regardless of the sector in which they operate in need to formulate competitive strategies to respond to the challenges that it faces in the market place. For an organization to become profitable it must put in place strategies that position itself in market dominance and improve the firm's overall performance. The need to respond to market changes on a daily basis and the difficulty of predicting the direction of such changes mean that organizations must focus on their core competences and capabilities (McIvor, 2008). Corporates worldwide have been aggressively trying to build new competencies and capabilities, to remain competitive and grow profits (Mantravadi& Reddy, 2008). As organizations seek to enhance their competitive positions in an increasingly global marketplace, they are discovering that they can cut costs, maintain quality and improve their performance by adopting different strategies which will enable an organization to position itself in market dominance and improve the firm's overall performance.

Oil products are generally expensive fast moving consumables that are similar from one oil firm to another and the ability of a firm to avail the products at their outlets and at the same time appeal to the customers requires that the firm comes up with appropriate strategies that will endear the customers to itself. Over the last ten years, various market changes have taken place in the oil industry in Kenya such as capping of the product prices such that the major product, petroleum products are sold at the same prices in the same locality and this is no longer a differentiating factor among the energy industry players. It is as a result of such challenges that the oil industry players to change tact in order to be competitive by identifying and embracing appropriate drivers of success, like better utilization of its resources (technology, infrastructure and employees), process of delivering quality service to its customers, coming up with strategies to manage its debtors effectively and performance benchmarking through restructuring of its operations.

Several studies have been undertaken in relation to competitive strategies employed by

various firms to counter challenges to their business operating environment. Jonsson and Devonish (2009) recognized that firms that have properly planned and applied competitive strategies have a tendency to have higher performance than those that do not. Competitive strategies can lead to high organizational performance, customer satisfaction and increased competitiveness in the face of competitors. Anampiu (2009) study on the factors that influence strategic decision effectiveness in CfC Stanbic Bank Limited established that strategic decision making process has direct influence on strategic decision effectiveness at CfC Stanbic banks. Nduta (2012) researched on strategies for developing sustainable competitive advantage at Siginon Freight Ltd, Kenya. The study found out that competitive pricing, human resource management, service reliability, safety and security, differentiation, image building coupled with a strong resource base and information technology management was used steer logistics companies carefully into future success. Kimburi (2013) study on the strategies adopted by commercial banks in Kenya to gain sustainable competitive advantage. The study established that banks have to focus on differentiating their products and services as well as a number of activities in their value chain to create a perception of having unique value in the eyes of the customers. In so doing, banks will be able to charge a premium price for its products and services, attract new customers and investors, penetrate new markets with relative ease, attract new talented people seeking employment, attract reliable, reputable suppliers and also draw the attention of strategic partners seeking business alliances. The studies that have been undertaken has been on other sectors and not on the oil firms which has seen the Government regulate the prices charged by the firms on oil thus the need to undertake a study on the strategies that the firms use in order to achieve competitive advantage over other oil firms. This therefore leads to the following research question; what are the strategies that have been adopted by importation and marketing oil firms in Kenya to gain competitive advantage?

1.3 Research Objective

To establish the strategies adopted by importation and marketing oil firms in Kenya to gain competitive advantage.

1.4 Value of the Study

The study will be of value to the management of oil marketing firms as they will potentially identify a number of basic elements, from the study's findings, that are necessary to boosting their performance in the provision of quality service to their customers and general public. The findings of the study will benefit other oil firms by providing valuable insight on the effective strategies that can be adopted in order to improve their performance.

The findings of the study will be relevant to management and practices as it will enable the management of the oil firms to know the influence of various strategies on the overall organizational performance. The findings of the study will expose the effect of strategies on performance and as a result, the companies will be more endowed with knowledge and prepared to fit in the prevailing competitive environment. The results may provide the firms with the ability to identify best strategies that if applied can assist in creating a competitive advantage.

The policy makers will obtain knowledge of the oil industry dynamics and the influence of competitive strategies and therefore they can obtain guidance from this study in designing appropriate policies that will regulate the industry. The study will provide the background information to other researchers and scholars who may want to carry out further research in this area. The study facilitates individual researchers to identify gaps in the current research and carry out research in those areas, the work will also be used by students who will want to study similar area and to come up with comprehensive conclusion and reasoning in regard to competitive strategies.

CHAPTER TWO: LITERATURE REVIEW

2.1 Introduction

This chapter is structured based on the research objectives. It reviews the relevant literature available that focuses on the theoretical framework, the concept of competitive strategies, concept of competitive advantages, competitive strategies and competitive advantage.

2.2 Theoretical Foundations

The study is anchored on Resource Based View theory and Market Based Theory.

2.2.1 Resource Based View Theory

Resource based theory commonly referred to as resource based view (RBV) can be traced to the works of Penrose (1959), who argued that the fundamental sources and drivers to firms' competitive advantage and superior performance are mainly associated with the attributes of their resources and capabilities which are valuable and costly-to-copy (Peteraf and Bergen, 2003). Building on the assumptions that strategic resources are heterogeneously distributed across firms and that these differences are stable overtime. The resource-based theory argues that any firm is essentially a pool of resources and capabilities which determine the strategy and performance of the firm; and if all firms in the market have the same pool of resources and capabilities, all firms will create the same value and thus no competitive advantage is available in the industry (Barney, 1991). Barney (1991) pointed out that sustained competitive advantage results from strategic assets; which he regarded as those that are internally controlled and permit the firm to formulate and implement strategies that expand its efficiency and effectiveness. Competitive advantage is thus dependant not, as traditionally assumed, on such bases as natural resources, technology or economies of scale, since these are increasingly easy to imitate but rather on the valuable, rare, and hard-to-imitate resources that reside within an organization (Stiles and Kulvisaechana, 2004).

The resource based theory suggests that competitive advantage and performance results are a consequence of firm-specific resources and capabilities that are costly to copy by other competitors (Barney, 1991). These resources and capabilities can be important factors of sustainable competitive advantage and superior firm performance if they possess certain special characteristics. They should be valuable, increasing efficiency and effectiveness, rare, imperfectly imitable and non-substitutable. In an effort to provide a description of competitive advantage the resource based view (RBV) theory is used. It explores the role of key resources which are identified as intangible assets and capabilities that increases competitive performance. At its core is the relationship between customer value, competitive advantage as well as superior performance (Cullen and Parboteeah, 2009). According to the theory, key resources exhibit particular characteristics that enable a firm to implement strategies which meet the needs of customers thereby offering the business' ability to ensure a sustainable competitive advantage. The competitive advantage secured by the key intangible assets which are identified with the use of RBV then are reflected in the superior performance of firms which is again measured in financial terms such as higher profits.

2.2.2 Market Based Theory

The market-based theory (MBV) explains a firm's performance through the external industry structure and the strategic conduct of competitors within the industry (Bain, 1968). According Bain's structure-conduct-performance (SCP) framework and Porter's five forces model, which are two of the best-known theories in the Market-Based View of strategy theory, many scholars believe that the extensive application of competitive strategies will cause more intense competition among firms, and strategies can bring firms competitive advantage by enhancing their ability to take advantage from opportunities, defend against threats, and change their market position (Noble, Sinha and Kumar, 2012). According to his "outside-in" perspective, the performance of a firm and its competitive advantage can be largely attributed to the structure of its industry, for instance, to entry barriers that keep additional competitors at bay and protect profit margins (Peteraf and Bergen, 2003). The primary goal of this outside-in

perspective is to create superior value for customers through the processes of market information acquisition, information dissemination, and coordinated action. An inside-out (RBV) or outside-in (MBV) focus alone, however, is insufficient to achieve superior financial performance. Therefore, some marketing strategy researchers suggest a balanced perspective of inside-out and outside-in capabilities (Vargo and Lusch, 2004).

Baum and Oliver (2011) note that the industry structure (the number of buyers and sellers in the industry, entry/exit barriers, and competitor's cost structures) determines the behavior and strategies of competing firms in that industry. This industry conduct (pricing and product strategies, investments in research and advertising, and distribution strategies) in turn affects the performance of firms in the industry (Noble, Sinha and Kumar, 2012). Following this reasoning, the SCP paradigm explains performance differences between firms largely through the structure of their industries, a factor external to the firm itself. It thereby emphasizes variations in industries' profitability and can assist in estimating the performance level that can be reasonably expected from a company within a certain industry. However, the behavior of an individual firm and its specific assets and resources remain largely neglected. Campbell and Hunt (2011) note that one of the most important and widely cited criticisms of the MBV is its assumption of resource homogeneity and the mobility of resources within an industry. Despite early management scholars' insight that competing firms within an industry are by no means all the same, the MBV considers firms to be homogeneous entities. If temporary heterogeneity in resource allocation occurs between firms, the MBV assumes it will be instantly corrected through market mechanisms and the unlimited mobility of resources.

2.3 Competitive Strategies

A competitive strategy, from a business level perspective, is the achievement of competitive advantage by a business unit in its particular market. Lahtinen and Toppinen (2006) views competitive strategies as more skill-based and involving strategic thinking, innovation, execution, critical thinking, positioning and the art of warfare. He further asserts that

competitive strategies can lead to high organizational performance, customer satisfaction, and increased competitiveness in the face of other rival businesses. However, achieving competitive advantage and increased market share in a competitive environment is rather complex in several aspects as businesses would need to operate with distinguished principles and characteristics in order to continually adapt to change.

Competitive strategy therefore emphasizes the improvement of the competitive position of a firm's products or services in the specific industry or market segment (Welch and Welch, 2005). According to Shapiro (2009) competitive strategy encompasses wide variety of strategic and tactical decision making, from pricing of products to investment in production and distribution facilities to contracting practices with customers and input suppliers to research and development expenditures. Competitive advantage grows from value that a firm is able to create for the buyer that exceeds the firm's cost of creating it. The goal of competitive strategy for a business is to find a position in the industry where the firm can best defend itself against competitive forces or can influence them in its favour. An effective competitive strategy takes either offensive or defensive action in order to create a defendable position against the five forces and thereby yield a superior return on the firm. A strategy needs to be fluid as the competition will most likely adapt to the most successful company in your industry, so will the strategy need to change in order to meet this adaptation (Marren, 2010).

2.4 Porters Generic Strategies

Strategy is an essential part of any effective business plan. By using an effective competitive strategy, an organization finds its industry niche and learns about its customers (Porter, 1980). Porter (1985) asserts there are basic businesses strategies differentiation, cost leadership, and focus and a company performs best by choosing one strategy on which to concentrate. However, many researchers feel a combination of these strategies may offer a company the best chance to achieve a competitive advantage (Hlavacka *et al.*, 2001). Whatever strategy a

business chooses, it must fit with the company and its goals and objectives to gain a competitive advantage (Ross, 1999). Porter's (1980) generic strategies can yield competitive advantage and also ensures long-term profitability, the firm must make a choice between one of the generic strategies rather than end up being “stuck in the middle”.

2.4.1 Differentiation Strategy

David and Uttal, (2005) defined differentiation strategy as positioning a brand in such a way as to differentiate it from the competition and establish an image that is unique. Differentiation reduces competitiveness and the fight for scarce resources, thereby improving performance; but on the other hand, conformity makes all organizations similar and, therefore, the competitive pressures are stronger. Differentiation will create benefits and dominant positions that will last until competitors imitate a firm's key resources, and will be restored through the creation of new opportunities that result in a new competitive advantage and new entry barriers. Differentiation strategies for a sustainable competitive advantage are marketing techniques used by a firm to establish strong identity in a specific market; also called segmentation strategy. As a service oriented business, image is a central factor in an organization effort to differentiate itself from competitors (Campbell and Hunt, 2011). Generally, the way products or services are made available to customers helps to create the image of the particular institution in the mind of the customers. This image is reflected in the customer’s perceptions and feelings about the products or services offered. This is important because customers experience with a particular product or services will affect their attitude towards the company and other product and services as well even if they had never used the other products.

Services are largely intangible offerings and they are normally experienced simultaneously with the occurrence of production and consumption. Often, the interaction between the buyer and the seller renders the service to customers. Since the interactions between a customer and a service provider create opportunities for customers to evaluate services, service quality can

be broadly conceptualized as a customer's overall impression of the relative inferiority/superiority of the organization and its service provisions (Gronroos, 2010). Lewis and Soureli (2006) noted that loyalty in the services sector is more difficult to conceptualize than in the product domain due to the characteristics of services. As the relationship is developed between their service provider and customer, it is less likely for customers to switch. Services are also intangible and heterogeneous. Customers also generally associate higher risk with services more than with goods. The evaluation of services quality is not simple. Often customers will rely on credence attributes to evaluate services quality (Javalgi and Moberg, 2007). According to (Porter, 1996), firms that succeed in a differentiation strategy often have the following internal strengths: access to leading scientific research, highly skilled and creative product development team, strong sales team with the ability to successfully communicate the perceived strengths of the product, corporate reputation for quality and innovation.

The process of service delivery can also be a basis of differentiation Reynolds (2010) points out that it is vital that technology be seen as part of the service, as a method of service delivery rather than a method of administration, if it is not to be seen as a barrier between the business and the customer. Organizations focusing on delivery of quality service must manage demand and capacity of their service delivery that is they may strive to balance capacity utilization and demand at an optimum level in order to meet customer expectations (Palmer, 2011). Campbell and Hunt (2011) asserts that where it is not possible to align supply and demand, the inevitable result is customer waiting strategies for effectively managing waiting lines which include employing operational logic, establishing customers and process, differentiate waiting customers and make waiting fun or at least tolerable.

2.4.2 Low cost Strategy

Cost leadership strategy is usually developed around organization-wide efficiency. The low-cost leadership emphasizes creating competitive advantages by generating and maintaining

low cost positions relative to competitors (Malburg, 2007). Low cost producers typically have a broad scope and may even serve many industry segments, and even operate in related industries. The firm's breadth is often important to its cost advantage. Low cost producers typically sell a standard or no-frills product but the product must be comparable to the competitors' in terms of valued features. Cost leaders must achieve parity or proximity in the bases of differentiation relative to competitors in order to be above-average performers, even though they rely on cost leadership as their competitive advantage. They also place considerable emphasis on reaping absolute cost advantage from all sources. By pursuing low costs, companies not only operate efficiently, but also become an effective price leader, undermining competitors' growth in the industry through its success at price war and undercutting the profitability of competitors. If the firm's cost of sale or cost of raw material is lower than its competitors, then the firm can offer lower prices, higher quality, or both (Spulber, 2009).

A low-cost or cost leadership strategy is effectively implemented when the business designs, produces, and markets a comparable product more efficiently than its competitors. According to (Palepu and Healy, 2008), a firm may produce a relative low profit margin by adopting the strategy of cost leadership. Cost leadership strategy helps firms to produce the standard, high-volume product or service at the most competitive price to customers. By emphasizing on a cost-leadership strategy is kindly to create higher financial performance for firms competing in the emerging economies, as firms can gain a relative advantage because of their lower costs in labour resource and manufacture. In order to achieve a low-cost advantage, an organization must have a low-cost leadership strategy, low-cost manufacturing, and a workforce committed to the low-cost strategy (Sullivan, 2010). The organization must be willing to discontinue any activities in which they do not have a cost advantage and should consider outsourcing activities to other organizations with a cost advantage.

2.5 Marketing Strategies

There are a number of mechanisms which have been employed by marketing teams in raising awareness of products and services offered across the world. Some of the mechanisms are found to be appropriate in one situation or organization as compared to the other. The marketing technique adopted by an organization is dependent on the target population, the product being marketed, the market share of the organization and the budgetary allocation for marketing. Most marketing strategies have elements drawn which include Product, pricing, distribution, Promotion (Smith and Saker, 2012).

2.5.1 Pricing Strategy

Pricing strategy can be used to improve an organization's overall competitiveness. The key to success is to have a well-planned strategy, to establish policies and to constantly monitor prices and operating costs to ensure profits. Luo and Park (2011) suggested that it may be possible to examine the cost-volume-profit relationship of competitors in order to predict their pricing responses. By monitoring movement in the market share of major products, a firm can find out the strengths of their market position; the market share also indicates the strengths of different competitors. Price is an attribute that must be given up or sacrificed to obtain certain kinds of products or services. Customers are normally price conscious in their purchasing behavior and price is also an important factor in choice situations as a consumer's choice typically relies heavily on the price of alternatives. Varki and Colgate (2001) identified that the role of price, as an attribute of performance, may have a direct effect on customers' satisfaction and behavioral intentions.

Customers tend to focus on the fairness of price, especially on price increases and any price increases that customers perceive as unfair may result in switching actions. For consumer products and more so on fast consumer goods, consumers use price as an important extrinsic cue and indicator of product quality or benefits. Customers often perceive high priced brands to be of higher quality and less vulnerable to competitive price cuts than low priced brands

(Dodd, Monroe, and Grewal 2011). Prahalad (2010) argue that companies doing business within the base of pyramid segment should think about developing products that can be affordable to those consumers. With the growing competition in the market, companies more often than not opt for niche strategies to serve specific areas in the market (Gronroos, 2010). They need to make a price-quality trade off to choose their consumers. The right price strategy is crucial for maximizing total revenue.

2.5.2 Distribution Strategy

Marketing distribution is a business structure of interdependent organizations which acts as a product origin to the consumer (Langes and Montgomery, 2005). Products move through marketing channels via physicaldistribution. Physical distribution has five distinct subsystems: warehousing, materials handling andpackaging, inventory control, order processing, and transportation.

Rafiq and Ahmed (2005) argued that distribution is part of merchandising and must be considered in any merchandising system. Distribution management involves; merchandise replenishment, transportation management and distribution center facilities management. The type of distribution system a firm needs is influenced by thebuying system the alcoholic beverages uses, the number of stores the alcoholic beverages has, thegeographic dispersion of the stores, and the characteristics of the merchandise carried.Distribution strategy should be made on the basis of economies of scale. Producers achieve economies of scale through the use of specialization, which breaks down a complex task into smaller, simpler ones and thus creates greater efficiency and lower average production costs. Marketing distribution can also attain economies of scale through specialization, which distribution members can do some things more efficiently than producers because they have built good relationships with their customers (Weingand, 2007).

2.5.3 Promotion Strategies

Promotion consists of the various alternatives that seed firms adopt to inform the customer

about their product and to persuade customers to buy their product. This includes information about the qualities, features, quality management, and benefits the product offers the customer (Yoo, Donthu, and Lee, 2010). To be effective, the promotional strategy must be guided by the marketing concept such as focusing on consumer needs and integrating all activities of the organization to satisfy those needs (Jones, 2010). Such strategies include advertising and direct customer interaction. Good salesmanship is essential for small businesses because of their limited ability to spend on advertising. Promotion strategies play a vital role in the creation of mutually beneficial exchanges between producers and consumers of goods, services or ideas. Such strategies include advertising and direct customer interaction.

Kimball (2002) stated that effective sales promotion campaign enables an organization to successfully out-brand its competitors in a continuous battle for the hearts and minds of customers. The development of a successful promotional mix demands the careful integration of each of the following elements; situation analysis, developing objectives, designing messages, selecting channels, preparing budget, choosing mix and evaluating. In situation analysis, companies are assessing the current position of customer features, the competitive situation and the environment. While assessing the target audience, companies look at the demographics and lifestyles, life stages, usage levels, understanding and perception of services and the organization and the buying process of the targets (Langes and Montgomery, 2005).

2.5.4 Product Strategy

Product related marketing strategies are fundamental in any organization. These strategies include use of product design and use of technology in product development as well as delivery. The product can be argued to be the most important element of the retailing mix, as only with reasonable products will the effort put into such things as pricing and promotions reap any rewards (Rose and Watkins,2007). Product is the principal item offered by a company to satisfy the needs of their consumers. Kotler and Armstrong (2013) noted that some of the strategies adopted in the domain of products are: perceived quality or image, as

the market faces competition, quality and reliability of the product offerings gain importance. Quality in this case is viewed as customer's perception of the product. Perceived quality or image has to be created. Features- with many products in the market, what distinguishes them is the features. The 'first with the new feature' has an advantage similar to the 'first product' in the market. In the consumer non-durables, brand extensions have taken the line of added features. New products face difficulties of acceptability in the market. The first product of its kind has an edge over others and sets the standards for subsequent ones (Ramanuj, 2006). Successful product management relies on a well planned and executed product strategy and product range strategy.

The product is the core of the marketing strategy. Strategies that relate to new product success include overall fit with organization's strengths and a defined opportunity in the environment. There are at least six marketing strategy options related to the newness of products (Thorpe and Morgan, 2007). These are innovation, new product lines, product line extensions, improvements or changes in existing products, repositioning and cost reductions. Consumers patronize a particular retail outlet as a result of convenient location, friendly personnel, desirable prices, and pleasant shopping atmosphere (Lewinson and Delozier, 2012). The patronage reason common to all consumers for visiting a certain a particular store, however is the expectation of finding a product or a set of products that will fulfill some present or future need.

2.6 Competitive Advantage

Competitive advantage is the asymmetry or differential in any firm attribute or factor which allows one firm to better serve the customers than others and therefore create better customer value and as well achieve superior performance (Bramhe, 2011). According to Ozer, (2000), building a competitive advantage involves looking at what the customer wants to ensure customer satisfaction, cost reduction to facilitate better pricing, employee satisfaction to ensure improved delivery of goods and services and finally, profitability for organizations. According to (Alsheikh and Bojei, 2012) there are several ways, in which distinctive

competitive positions can be developed and maintained, one such way is through product service differentiation, which offers a clear image of the bank as well as its products/services in the eyes and minds of customers. Decisions regarding the design of the organization as well as the firm's competitive strategy are very essential in order to gain competitive advantage and thus improve firm performance.

Barney (2002) indicates that a firm experiences competitive advantages when its actions in an industry or market create economic value and when few competing firms are engaging in similar actions. Barney goes on to tie competitive advantage to performance, arguing that a firm obtains above-normal performance when it generates greater-than-expected value from the resources it employs. Kurtz and Clow (2009) highlight four requirements for a competitive advantage to qualify to be sustainable: the concept must be valued by customers as to result to additional sales, it must be non-substitutable, the firm must have the resources and capability of delivering competitive advantages to customers and finally it must not be easily copied by customers. Thus a competitive advantage enables a firm to create superior value for its customers and superior profits for itself. Cost advantages are known as positional advantages since they describe the firm's position in the industry as a leader in either cost or differentiation (Porter, 1985).

2.7 Competitive Strategies and Competitive Advantage

Successfully implemented strategies will lift a firm to superior performance by facilitating the firm with competitive advantage to outperform current or potential players (Passemard and Calantone 2010). To gain competitive advantage a business strategy of a firm manipulates the various resources over which it has direct control and these resources have the ability to generate competitive advantage (Reed and Fillippi 2010). Fletcher (2003), states that a firm creates competitive advantage by discovering and applying better and innovative ways to the products and services and ensuring that the market is aware of such acts of innovation. This is a deliberate process to shift the competitive advantage when the rivals fail to perceive new

ways of competing or are unable to respond. One of the ways a firm can gain competitive advantage is by performing the strategically important activities in a more cheaply or different way than its competitors. Additionally, a firm might also deliver benefits that exceed the benefit of its competitors' products.

The importance of having a clearly defined new competitive strategy guiding the strategic process was recognized by Hrebiniak (2006). Competitive strategy provides a clear direction and focuses the effort of the entire organization on a common competitive strategies goal. The competitive strategy needs to specify how the importance of competitive strategies will be communicated to employees to achieve their buy-in and must explicitly reflect the importance that management places on competitive strategies, (Clayton, 2010). Sustainable competitive advantage is not bound only to the physical environment. It includes different perspectives from society and environment, to the economy and organizational processes. As Kim and Mauborgne, (2011), mentions, sustainable competitive advantage has three main pillars which organizations should contribute to their improvement; they include economic, environmental and social performance. Maintaining a competitive advantage requires a strategy that makes the business unique and carries the company forward as the world around it changes.

Kao (2011) proposes that in order to have a sustainable competitive advantage, consumers must perceive some differences between a firm's product offering and the competitor offering. For gaining sustainable competitive advantage, a firm has to optimally utilize its internal resources and capabilities to exploit external opportunities at the same time, gauging the external threats. More emphasis has to be placed on the organization's capability to change, innovate, and be flexible and to learn how to adapt to a rapidly changing environment.

CHAPTER THREE: RESEARCH METHODOLOGY

3.1 Introduction

This chapter discussed the methodology that was used in the study in order to achieve the research objectives. The areas covered include research design, population of the study, data collection procedures and data analysis.

3.2 Research Design

A research design is a strategic blueprint for the collection, measurement and analysis of data whose choice is dependent on the stage to which knowledge about the research topic has advanced (Sekaran&Bougie, 2010). The study used cross sectional survey design. A survey is deemed appropriate as it will enable the researcher to collect data by obtaining opinions, attitudes, behaviors, beliefs or answers from selected respondents in order to understand the group or population represented. A cross sectional study is concerned with determining the frequency with which something occurs or the relationship between variables (Bryman and Bell, 2003). Thus, this approach is appropriate for this study, since the study is intended to collect detailed information through descriptions and is useful for identifying variables.

Cross sectional research has the advantage that the subject is observed in a completely natural and unchanged natural environment and that it allowed respondents to respond in their time frame (Cooper and Schindler, 2003). Sekaran and Bougie (2010) noted that a cross sectional survey seeks to obtain information that describes existing phenomena by asking questions relating to individual perceptions and attitudes. A descriptive cross sectional study is undertaken in order to ascertain and be able to describe the characteristics of the variable of interest in a situation.

3.3 Population of the Study

Population is the complete group of individuals or companies that the researcher wishes to investigate (Sekaran and Bougie, 2010). It is defined in terms of availability of elements, time frame, geographical boundaries and topic of interest. The population of the study comprise of registered oil firms involved in importation and marketing of oil products in Kenya. According to Petroleum Institute of East Africa (2016) there are thirty five (35) oil companies involved in importation and marketing of oil in Kenya and all of them participated hence the study was a census.

3.4 Data Collection

The study used primary data which was collected using semi structured questionnaire. Self-administered questionnaires allow the participants to respond to the questions by themselves and at their own pace. They ease the respondents' burden by giving them the time to think through their responses (Monsen and Horn, 2008).

The questionnaire consisted of both open and closed-ended questions. The closed ended questions provided more structured responses to facilitate tangible recommendations. The closed ended questions were used in the rating of various attributes and this helped in reducing the number of related response in order to obtain more varied response. The open-ended questions provided additional information that may not have been captured in the closed-ended questions. The respondents gave their response in a five point Likert scale.

3.5 Data Analysis

The questionnaires were edited for accuracy, consistency and completeness. However, before final analysis was performed, data was cleaned to eliminate discrepancies and thereafter, classified on the basis of similarity and then tabulated. The data collected was analyzed using descriptive statistics (measures of central tendency and measures of variance).

Data was analyzed using statistical package for social sciences based on the questionnaires. In particular mean scores, standard deviations, percentages and frequency distribution were used to summarize the responses and to show the magnitude of similarities and differences.
Results were presented in tables and charts.

CHAPTER FOUR: DATA ANALYSIS, RESULTS AND DISCUSSION

4.1 Introduction

This chapter presents the findings of the study whose main objective was to determine the strategies adopted by oil marketing firms in Kenya to remain competitive.

4.2 Response rate

The researcher distributed questionnaires to 48 respondents comprising CEOs, business development managers and the marketing managers of oil marketing firms. 35 questionnaires were returned. This accounts for a response rate of 77%, which is above the 70% threshold recommended by Mugenda and Mugenda (2010).

4.3 Organizational characteristics of oil firms

The researcher collected information on the oil firms participating in the study. This included information on the type of ownership of the firm, the number of countries where the company was present, number of employees, number of plants and depots, number of retail outlets and number of years in operation. The findings are presented in this section.

4.3.1 Number of countries where the company was present

Findings in Table 4.1 indicate that 42% of the oil firms in the study were present in over 11 countries while 37% of the companies were present in between 1 and 5 countries. The findings show that the majority of the participating oil firms were spread in many countries.

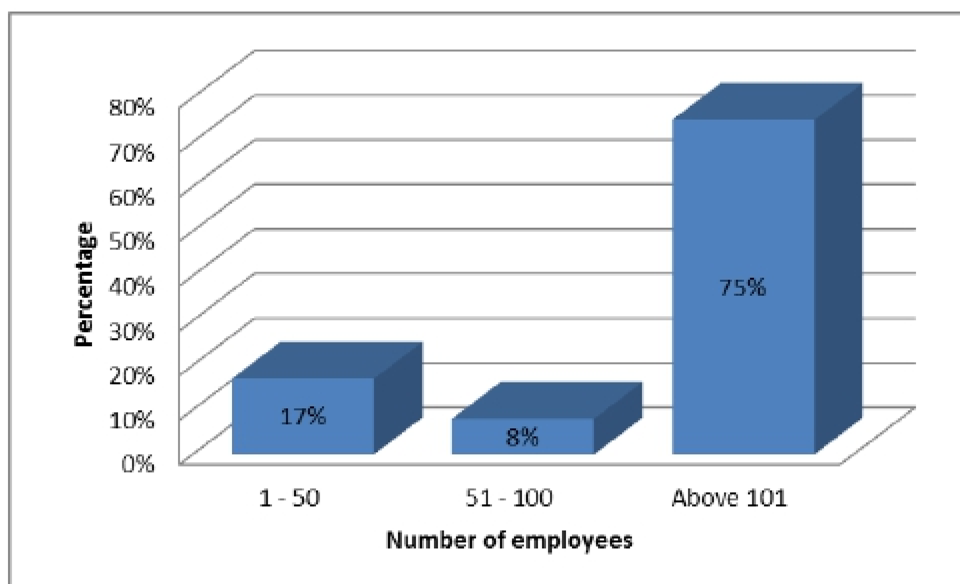
Table 4.1 Number of countries where the company was present

Number of countries	Frequency	Percentage
1 – 5	9	37%
6 – 10	5	21%
Over 11	10	42%
Total	24	100%

4.3.2 Number of employees

A significant number (75%) of the oil firms in the study had over 101 employees. The findings show that that majority of oil firms were big in terms of the number of employees in the company. The large number of employees could be attributed to the presence of these companies in many countries as shown in Table 4.1.

Figure 4.1 Number of employees

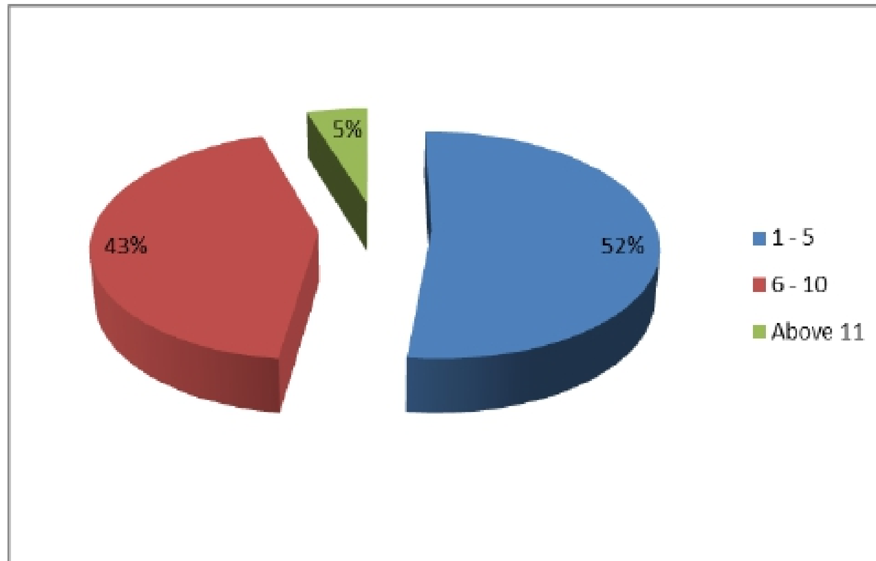


4.3.3 Number of plants and depots

Findings in Figure 4.2 show that majority (52%) of the companies in the study had

between 1 and 5 plants and depots while 43% had between 6 and 10 depots. This shows that the oil firms had few plants and depots.

Figure 4.2 Number of plants and depots



4.3.4 Number of retail outlets

Findings in Table 4.2 indicate that 46% of the oil firms in the study had between 1 and 50 retail outlets while 38% had above 100%. The findings show that oil firms had a large number of outlets across the country.

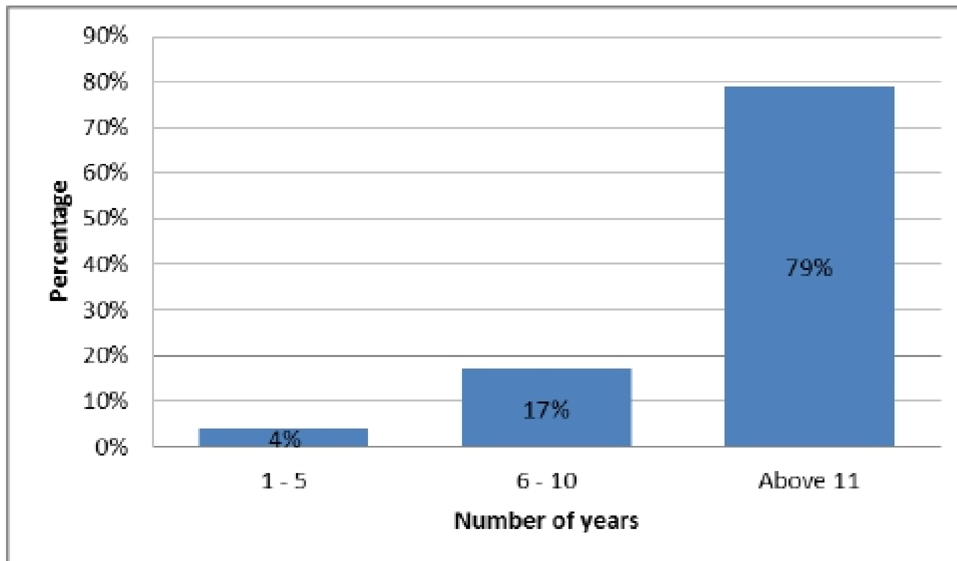
Table 4.2 Number of retail outlets

Number of outlets	Frequency	Percentages
1 – 50	11	46%
51 – 100	4	16%
Above 100	9	38%
Total	24	100%

4.3.5 Number of years of operation

A significant number (79%) of the respondents indicated that their oil firm had been operating in Kenya for over 11 years. The findings show that the oil firms had been in operation for a long time to enable the respondents give resourceful information on the competitive strategies.

Figure 4.3 Number of years of operation



4.3.6 Ownership of oil firms

Findings in Table 4.3 indicate that 41% of the oil firms in the study were chain subsidiaries whereas 27% were owned by individuals (sole proprietorship).

Table 4.3 Ownership of oil firms

Ownership	Frequency	Percentage
Public limited	5	23%
Chain subsidiary	9	41%
Government owned	2	9%
Sole ownership	6	27%
Total	22	100%

4.4 Competitive strategies adopted by oil firms

This section presents findings of the various competitive strategies adopted by the oil firms in the study.

4.4.1 Cost leadership strategy

The researcher sought to find out whether the oil firms in the study adopted cost leadership strategy. This was achieved through asking the respondents to rate the extent to which the strategy was employed in their respective firms.

Table 4.4 Cost leadership strategy

	Very low	Low	Moderate	High	Extremely high
Proper capacity utilization; storage facilities, blending and filling plants	4%	9%	33%	21%	33%
Strategic location of storage, filling and loading facilities	4%	4%	21%	38%	33%
Economies of scale through expansive market share	8%	8%	33%	33%	18%
Low inputs costs	4%	8%	33%	33%	22%
Operational efficiency through reduced wastage of time and resources		8%	25%	50%	17%
Minimising R&D and advertising costss		4%	27%	55%	14%
Paying low wages either directly or outsourcing	17%	29%	29%	13%	12%

Staff retrenchments	42%	21%	29%	4%	4%
Outsourcing of services	17%	13%	48%	18%	4%
Closing and disposal of establishments	21%	21%	37%	17%	4%
Squeezing suppliers on price	4%	4%	35%	35%	22%
Extended period for Payables	4%	13%	35%	17%	31%

Findings in Table 4.4 show that majority (54%) of the respondents indicated that there was a high practice of proper capacity utilization; storage facilities, blending and filling plants; 71% indicated that there was a high strategic location of storage, filling and loading facilities while 52% indicate that there was a high practice of economies of scale through expansive market share. In addition, 55% of the participants indicate that their companies employed low inputs costs. Majority (67%) of the respondents indicated that there was a high operational efficiency through reduced wastage of time and resources while 69% indicate that there was a high practice of minimising R&D and advertising costs.

On the question as to whether the oil firms paid low wages either directly or through outsourcing 46% indicated that this was low while 29% indicated that this was done to a moderate extent. Majority (63%) indicated that there were low staff retrenchments. As to whether the oil firms outsourced their services, 48% indicated that this was done to a moderate extent; 42% of the respondents indicate that there was low closing and disposal of establishments whereas 37% indicated that this was done to a moderate extent. Majority (57%) of the participants indicated that the oil firms squeezed the suppliers on price. 48% of the participants indicate that there was high extended period for Payables whereas 35% indicated that this was done to a moderate extent.

The study finds that majority of the firms employed cost leadership strategy to ensure competitive advantage. The most notable strategies under cost leadership were strategic location of storage, filling and loading facilities, minimising R&D and advertising costs and high operational efficiency through reduced wastage of time and resources. There was also use of low inputs costs and squeezing of suppliers. The study also finds that majority of oil firms avoided retrenchment of workers, closing and disposal of establishments. Outsourcing was done to a moderate extent.

The study therefore finds that in the face of fierce competition and fluctuating prices majority of companies employed the cost leadership strategy. The findings are therefore in agreement with Aosa (1992) who indicated that even without a price war, as the industry matures and prices decline, the firms that can produce more cheaply will remain profitable for a longer period. The findings are also in agreement with porter (1988) who indicated that some of the ways that firms acquire cost advantages are by improving process efficiencies, gaining unique access to a large source of lower cost materials, making optimal outsourcing and vertical integration decisions, or avoiding some costs altogether.

4.4.2 Differentiation strategy

The researcher sought to find out whether the oil firms in the study adopted differentiation strategy. This was achieved through asking the respondents to rate the extent to which the strategy was employed in their respective firms.

Table 4.5 Differentiation strategy

	Very low	Low	Moderate	High	Extremely high
Rapid product innovation	13%	26%	22%	26%	13%
High quality products	17%	13%	20%	21%	29%
High customer attendance standards	8%	4%	29%	34%	25%
Longer operating hours	4%	21%	29%	25%	21%
Consistent product availability		4%	13%	46%	38%
High Equipment and facility reliability		4%	17%	50%	29%
Brand and Image management		25%	21%	13%	42%
Additional payment methods	4%	17%	25%	21%	33%
Customer incentive programs	8%	13%	33%	42%	4%

Findings in Table 4.5 show that 39% of the participants indicated that there was high rapid product innovation; however, an equal number (39%) indicated that this practice was low in their companies. Majority (59%) indicated that there was high customer attendance standards whereas 46% indicated that there were longer operating hours in their oil firms.

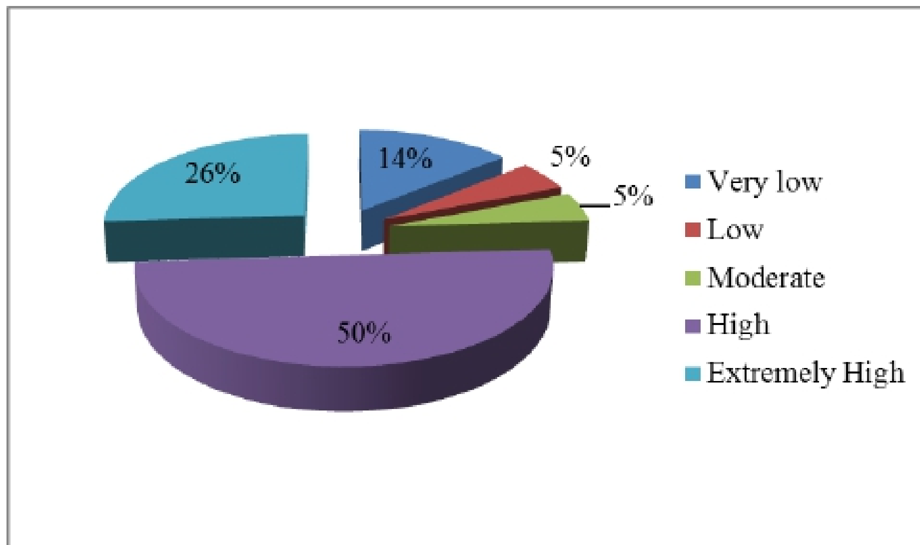
A significant number (84%) indicated that there was consistent product availability. As well, a significant (79%) of respondents indicated that there was high use of high equipment and facility reliability. 55% of the participants indicate that there was high

brand image management whereas 54% indicate that their oil firms adopted additional payment methods. 42% of the respondents indicate that there was high use of value-added products and or services whereas 33% indicate that this was done to a moderate extent. As to whether the oil firms adopted customer incentive programs, 46% of the respondents indicated that this was highly done while 33% indicated that it was done to a moderate extent.

The study therefore finds that majority of oil firms adopted the differentiation strategy in pursuit of competitive advantage. The main strategies employed under differentiation included consistent product availability and high equipment and facility reliability. There was also the use of high customer attendance standards, brand image management and use of additional payment methods. The findings are therefore in agreement with Porter (1998) who indicated that a differentiation strategy calls for the development of a product or service that offers unique attributes that are valued by customers and that customers perceive to be better than or different from the products of the competition.

4.4.3 Focus strategy

The researcher sought to find out whether the oil firms in the study adopted focus strategy. This was achieved through asking the respondents to rate the extent to which there was use of segmented markets.



A significant number (50%) indicated that their oil firms used segmented markets as a method of competitive advantage. Segmented markets ensure that the firms are able to focus on markets with high returns or markets which don't call for high production costs. The findings are therefore in agreement with Hofer and Schendel (1979) who indicated that a firm using a focus strategy often enjoys a high degree of customer loyalty, and this entrenched loyalty discourages other firms from competing directly. Because of their narrow market focus, firms pursuing a focus strategy have lower volumes and therefore less bargaining power with their suppliers.

4.4.4 Use of other strategies

The researcher sought to find out whether the oil firms in the study adopted any other strategy in search of competitive advantage.

Table 4.6 Use of other strategies

	Very low	Low	Moderate	High	Extremely high
Strategic alliances for nonfuel offerings.	13%	17%	21%	25%	25%
Competitive reward and remuneration package to attract and retain highly skilled labour	4%	8%	38%	25%	25%
Investment in Local network expansion – increasing number of stations		8%	17%	29%	46%
Expansion into new markets –		13%	17%	46%	25%
Business Refocusing and restructuring	8%	8%	33%	33%	17%

Findings in Table 4.6 indicate that 50% of the respondents indicated that there was high use of strategic alliance for nonfuel offerings; similarly, (50%) indicated that there was high use of competitive reward and remuneration package to attract and retain highly skilled labor. A significant number (75%) of the participants indicated that there was high investment in local network expansion by increasing number of stations. Half (50%) of the participants indicate that there was high use of business Refocusing and restructuring.

The study therefore finds that apart from the cost leadership and differentiation strategies, the oil companies employed other strategies with an aim of increasing their competitive advantage. The most widely used strategy here was the high investment in local network expansion by increasing number of stations. The companies ventured into new markets by increasing their branches and thereby increasing their profit margin. The findings are therefore in agreement with Barney (1991) who indicated that increased penetration strategies, pricing strategies and market expansion strategies are some of the other strategies that firms adopt in order to enhance their competitive edge over their competitors.

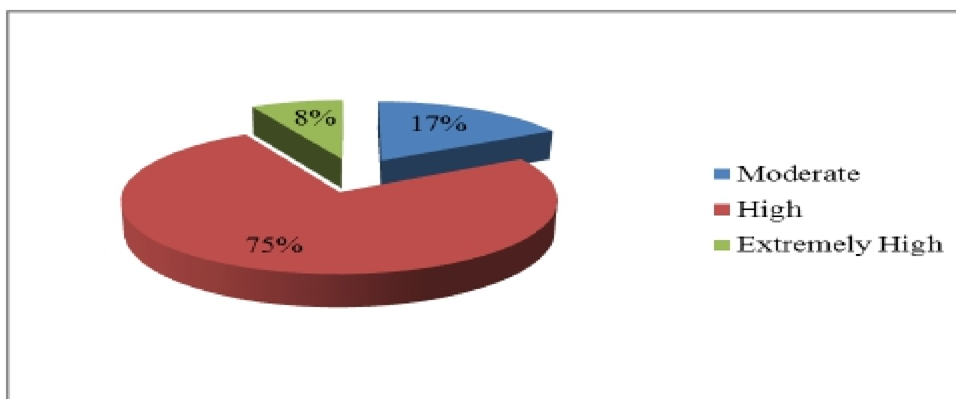
4.5 Competitiveness of oil marketing firms

The researcher sought to find out how competitive the oil firms in the study were.

4.5.1 Competitive strategies and firm success

Participants in the study were asked to indicate how effective the competitive strategies adopted by the firm were in ensuring the success of the organization.

Figure 4.5 Effect of competitive strategies on firm success



A significant number (75%) indicated that the competitive strategies used ensured that the oil firms remained competitive. The findings show that the cost leadership strategy, differentiation strategy and market expansion strategy were effective in enhancing the competitiveness of the oil firms. The findings are therefore in agreement with Porter (1980) who indicated that a competitive strategy aims at gaining and maintaining competitive advantage over business rivals. It is therefore the actions that a firm does which enables it perform better compared to its rivals.

4.5.2 Strategies to enhance the oil marketing business

The respondents in the study were asked to make recommendations regarding government policies and the general environment of the oil marketing business in Kenya. The major theme emerging from the responses was that the oil marketing business had been infiltrated by unscrupulous dealers; the so-called briefcase companies. According to the respondents, these illegal marketers were able to sell at a lower price creating a non-level playing field in the business. The participants recommended a stringent licensing system and emphasis on the implementation on the Energy act. The respondents also recommended quality control measures.

Another major theme emerging from the respondents' recommendations was that of taxation. The participants felt that the taxes for oil marketers were very high. Majority of the respondents felt that the requirement to pay taxes upfront negatively affected the oil marketers' financial position. The respondents recommended that the taxes be reduced and that the government provide incentives and tax breaks for the players in the oil

marketing business. A few participants recommended that kerosene be taxed whereas LPG equipment be tax-free to promote income for the sector.

Successfully implemented strategies will lift a firm to superior performance by facilitating the firm with competitive advantage to outperform current or potential players (Passemard and Calantone 2010). To gain competitive advantage a business strategy of a firm manipulates the various resources over which it has direct control and these resources have the ability to generate competitive advantage (Reed and Fillippi 2010). Fletcher (2003), states that a firm creates competitive advantage by discovering and applying better and innovative ways to the products and services and ensuring that the market is aware of such acts of innovation. This is a deliberate process to shift the competitive advantage when the rivals fail to perceive new ways of competing or are unable to respond. One of the ways a firm can gain competitive advantage is by performing the strategically important activities in a more cheaply or different way than its competitors. Additionally, a firm might also deliver benefits that exceed the benefit of its competitors' products.

CHAPTER FIVE: SUMMARY, CONCLUSION AND RECOMMENDATIONS

5.1 Introduction

This chapter provides a summary, conclusion and recommendations drawn from the study. The conclusions are drawn from the objective that the study sought to realize as well as the research findings. The chapter also covers the limitations of the study and makes recommendations on areas that will require more research to enhance greater understanding of the subject area.

5.2 Summary

The purpose of this study was to determine the strategies adopted by oil marketing firms in Kenya to remain competitive. The study employed a descriptive survey research design. The population of this study was the oil-marketing companies in Kenya. A questionnaire was used to collect data from 35 CEOs, business development managers and the marketing managers of oil marketing firms. The data obtained from the respondents was analyzed through descriptive data analyzing techniques by employing a social science software program.

Majority (54%) of the respondents indicated that there was a high practice of proper capacity utilization; storage facilities, blending and filling plants; 71% indicated that there was a high strategic location of storage, filling and loading facilities while 52% indicate that there was a high practice of economies of scale through expansive market share. In addition, 55% of the participants indicate that their companies employed low

inputs costs. Majority (67%) of the respondents indicated that there was a high operational efficiency through reduced wastage of time and resources while 69% indicate that there was a high practice of minimising R&D and advertising costs.

A significant number (84%) indicated that there was consistent product availability. 79% of respondents also indicated that there was high adoption of high equipment and facility reliability. 55% of the participants indicate that there was high brand image management whereas 54% indicate that their oil firms adopted additional payment methods. 42% of the respondents indicate that there was high use of value-added products and or services whereas 33% indicate that this was done to a moderate extent. As to whether the oil firms adopted customer incentive programs, 46% of the respondents indicated that tis was highly done while 33% indicate that this was done to a moderate extent.

A significant number (76%) indicated that their oil firms used segmented markets as a method of competitive advantage. 50% of the respondents indicated that there was high use of strategic alliance for nonfuel offerings; similarly, (50%) indicated that there was high use of competitive reward and remuneration package to attract and retain highly skilled labor. A significant number (75%) of the participants indicated that there was high investment in local network expansion by increasing number of stations. Half (50%) of the participants indicate that there was high use of business Refocusing and restructuring.

5.3 Conclusion

The study found that the oil firms employed various strategies to remain profitable in a largely competitive market. The study concludes that the strategies adopted by the oil firms included the cost leadership strategy, differentiation strategy, focus strategy and market expansion strategy. The researcher also concludes that cost leadership and focus strategies were the most widely used competitive strategies.

The oil firms ensured cost leadership strategy by strategic location of storage, filling and loading facilities, minimising R&D and advertising costs and high operational efficiency through reduced wastage of time and resources. Under differentiation strategy, the oil firms adopted consistent product availability and adoption of high equipment and facility reliability. There was also the use of high customer attendance standards, brand image management and use of additional payment methods. Under market expansion strategy, the oil firms ensured consistent product availability and use of high equipment and facility reliability. There was also the use of high customer attendance standards, brand image management and use of additional payment methods. Under focus strategy, the oil firms used segmented markets as a method of competitive advantage.

The researcher also concludes that the cost leadership strategy, differentiation strategy, focus strategy and market expansion strategy were effective in enhancing the competitiveness of the oil firms.

5.4 Recommendations

Since oil marketers cannot control the prices of oil products, the firms should focus on increases. The government through the Energy Regulation Commission should ensure that the players in the oil marketing business compete on a level ground by enforcing the energy act fully and getting rid of unscrupulous marketers. The government should also remove the price regulation in the oil market to enable oil marketers practice price leadership strategy.

5.5 Limitations of the study

It was difficult to get hold of some of the CEOs, business development managers and the marketing managers of oil marketing firms who are usually busy in their roles. Some of the targeted respondents were not reached and some were unable to respond at all resulting in a less than perfect response rate. The researcher had a very small window of time to carry out the study. The study had also financial implications, which were solely met by the researcher.

5.6 Suggestions for further research

Importation and marketing oil firms in the study focued on competitive strategies employed to gain competitive advantage. Future studies should attempt to check on the operations of importation and marketing oil firms in Kenya.

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APPENDICES

Appendix I: Introduction Letter

Appendix II: Questionnaire

Please give answers in the spaces provided and tick (√) in the box that matches your response to the questions on strategies adopted for competitive advantage by importation and marketing oil firms in Kenya.

Section A: Demographic Characteristics of Respondents

1. Name of the oil firm (Optional)……………………………………

2. What is your highest level of education qualification?

a) Post graduate level ( )

b) University ( )

c) Tertiary College ( )

d) Secondary ( )

3. Length of continuous service with the oil company?

a) Less than five years ( )

b) 5-10 years ( )

c) Over 10 years ( )

4. How long has your oil company been in operation in Kenya?

a) Under 5 years ( ) b) 6 – 10 years ( )

c) 11 – 15 years ( ) d) 16 – 20 years ( )

e) Over 25 years ( )

5. How many employees are there in your company?
   a) Less than 100 ( )
   b) 100 – 499 ( )
   c) Above 500 ( )

Section B: Competitive Strategies

6. To what extent has your company used the following strategies in order to achieve competitive advantage? Use 1-Not at all, 2-Small extent, 3-Moderate extent, 4-Great extent and 5-Very great extent.

Differentiation Strategy	1	2	3	4	5
Ensuring clients don't wait for long before being attended to					
The company gives after sale services to its customers					
The company accepts different modes of payment by customers in order differentiate itself					
The company uses its brand image to differentiate itself					
Longer operating hours					
Consistent product availability					
Customer incentive programs					
Low cost Strategy	**1**	**2**	**3**	**4**	**5**
Pricing below the competitors					
Operational efficiency through reduced wastage of time and resources					
Minimizing research and development and advertising costs					
The company has latest technology that helps to lower costs					
The company pursues tight cost and overhead control					
The company cultivates customer loyalty through service delivery					
Proper capacity utilization; storage facilities, blending and filling plants					
Strategic location of storage, filling and loading facilities					
Outsourcing of non-core services					
The company minimizes its procurement cost					
Pricing Strategy	**1**	**2**	**3**	**4**	**5**
The company prices are below industry average					
The firm monitor competitors' prices and price changes					
The company uses pricing skills and systems to respond quickly to market changes					
The company pricing strategy is realistic and accurate					

The company effectively communicates with customers to ascertain their needs by using the service delivery process as an opportunity to impress on customers Performing the service right to customers by stressing to employees to provide reliable service					
Distribution Strategy	**1**	**2**	**3**	**4**	**5**
The company is located in convenient location					
The company has up-to-date and well-maintained facilities and equipment					
The company has maintained cleanliness and appearance of its facilities					
The company has enough parking for their customers					
The company has designed facilities to achieve specific marketing image objectives					
The firm has extensive branch network					
Promotion Strategy	**1**	**2**	**3**	**4**	**5**
The company advertises its products through various media					
The firm focus on consumer needs and integrating all activities of the organization to satisfy those needs					
The company promotional strategy elicit attention, interest, desire and Action					
Product Strategy	**1**	**2**	**3**	**4**	**5**
The company's product strategy is realistic and accurate					
The company offer a broad product line					
The company uses product design and technology in product development as well as delivery					
The company ensures that quality and reliability of the product offerings gain importance					

Section C: Competitive Advantage

7. To what extent has the adoption of competitive strategies by your company resulted in the following measures of competitive advantage? Use 1- Very low extent, 2-Low extent, 3-Moderate extent, 4- Great extent, 5- Very great extent.

Competitive Advantage	**1**	**2**	**3**	**4**	**5**
Increased market share					
Improved quality of products-services					
Increased customer royalty					
Offering technical support					
More product flexibility					
Reliability of the firm by customers					
Quick delivery of services by customers					
Lower-priced products					
Faster service delivery to customers					
Service and product innovation					