FACTORS THAT DETERMINE BRAND LOYALTY: THE CASE OF THE PETROLEUM MARKETING INDUSTRY IN KENYA

BY

DOROTHY ZIGHE MARAMI

A Management Research Project submitted in partial fulfillment of the requirement of the Degree of Masters of Business Administration (MBA), Faculty of Commerce, University of Nairobi.

October, 2006

DECLARATION

This project is my original work and has not been submitted for a degree in any other University.

Signed……………………………

Dorothy Z. Marami

Date……7.10.2006……………

This project has been submitted for examination with my approval as a University Supervisor.

Signed…………………………………

Thomas M. Mutugu

Senior Lecturer

Department of Business Administration

University of Nairobi

Date…7-10-2006……………………

DEDICATION

To the memory of my late mother Mary Marami who instilled in me the values of persistence, steadfastness and commitment in pursuit of a worthy cause.

To my father Dawson Marami: In appreciation of your commitment to the quality of my education.

To my husband Dominic Kiarie: Thank you for the daily support and encouragement.

To my sisters: For always being there.

ACKNOWLEDGMENT

I would like to express my sincere gratitude to my supervisor Mr. Tom Mutugu, Senior Lecturer, Department of Business Administration for his invaluable guidance and advice throughout this research. I am especially grateful for his patience and availability for consultation.

I wish to express my appreciation to all the members of staff of the Faculty of Commerce, MBA program for the continued enthusiasm and commitment with which they approach delivery of the various lectures.

I am indebted to my sister Julie Marami who worked at short notice to edit the questionnaires and to Agatha Bett who patiently and diligently conducted the research. Thank you girls!

To my friends Chao Mweu, Wawaka Mwaluma, Patricia Muchiri and Sally Wainaina, I wish to say a special thank you for the assistance in obtaining responses from your organizations at short notice.

TABLE OF CONTENTS

APPENDICES

LIST OF TABLES

ABSTRACT

This study was conducted with the objective of establishing the factors that determine loyalty to a Petroleum Marketing Company in Kenya. A further objective was to determine the most important of these factors. The study was conducted in Nairobi with the focus being determination of factors affecting loyalty to Petrol Stations located in Nairobi.

To achieve the above objective, a sample of 120 car owners and petroleum fuel consumers was identified and questionnaires administered to these individuals. The questionnaire consisted of Likert scale and semi structured questions. Respondents were drawn from willing shoppers at the major shopping malls and from organizations. In the various organizations, a contact person was established to assist in collecting responses in order to improve the response rate. A respondent recruitment guide was used to ensure that the questionnaire was administered to car owners who ultimately were in control of their choice of fueling points.

Analysis of the data collected involved mainly descriptive statistics. Ranking was conducted based on the data generated. In view of the large number of variables under study, factor analysis was conducted to group the variables based on their ascertained inter-relationship.

Data analysis revealed that there are many factors that contribute to a petroleum consumer's choice of a fueling point. Factors such as product quality, expedient service, petrol station attendants' appearance and product knowledge, additional service offered by petrol station's attendants and low price offered emerged as being important.

Factor analysis established seven (7) inter-related groups of variables. It revealed the inter-dependencies of two or more variables which require to be jointly addressed in order to achieve the desired customer perception.

Upon ranking of the individual variables, product quality and guarantees was rated the most important factor. Ranking of the 7 emergent factors comprising of the initial 20 variables, revealed that, willingness by petrol station attendants to offer additional services such as under the bonnet checks, windscreen cleaning and tyre pressure checks was considered the most important factor in determining loyalty to a Petroleum Marketing Company's brand.

CHAPTER ONE

1 INTRODUCTION

1.1 BACKGROUND

The Oil Industry in Kenya is made up of six, major oil, marketing companies and several new entrants. The six major oil companies are Caltex, Kenol, Kobil, Mobil, Shell and Total. Apart from Kenol and Kobil, which are locally owned, the rest are affiliates of international oil companies.

The Oil Industry in Kenya was liberalized in October 1994, whereupon an influx of new entrants into the market was experienced. As of May 2003, the new entrants included international affiliates such as Engen and Jovenna. Other new entrants licensed by the Ministry of Energy to import crude oil as at end 2004 included locally owned companies such as National Oil Corporation of Kenya, Fuelex, Triton, Dalbit, Galana, Metro, Global, Somken and Petro to mention but a few. Apart from these companies, there exist numerous other independent retailers of oil products such as Lenjoka, Albentco, Astrol etc. who purchase fuel from the importing companies. (Source: Ministry of Energy, 2003)

Liberalization has brought about changes in the retail sector of the Oil Industry (Enercon (2), 2001). Low cost constructions featuring two or three old fuel dispensing pumps and above ground tanks make up a service station. In some cases, petrol and kerosene is sold from the backyard of residential houses. (Daily Nation, 15th January, 2004)

Regardless of the retailing location, these new entrants' basis of competition has been price (Wairachu, 2000). The major oil companies have found it difficult to match these aggressive prices due to the high capital injection required to meet international marketing standards. These international standards cover operational areas such as product integrity, safe service stations, quality distribution systems, human resources and information technology. These non- negotiable factors that contribute to the major oil companies' overheads do not feature in the new entrants' pricing equation. Meanwhile, between 1998 and 2002, the economic environment in Kenya has been on the decline. As illustrated by selected performance indicators, the Kenya Monthly Economic Review (December, 2002) reflects a declining GDP growth versus a declining exchange rate, which means Kenyans had to pay more in terms of Kenya Shillings for petroleum products which are purchased in US Dollars. With these statistics, consumers have been forced to find ways of stretching their shilling as much as possible.

In this era of belt-tightening, powerful retailers and customers alike are forced to focus on price. This price emphasis is further fostered by aggressiveness or desperate competitors and by defensive players unwilling to cede market position. (Aaker,1996).

Competition on the basis of price has brought with it a decline in margins, reduced profitability and contributed to operating losses. This is evidenced by Total Oil Kenya Limited, a publicly quoted company, which reported a loss of Kshs. 222 million in 2001. (Total Kenya Limited, 2001 Annual Report & Accounts).

"Marketing professionals sense that an increased emphasis on price, often involving the excessive use of price promotions, is resulting in the deterioration of industries into commodity-like business areas". (Aaker, 1991)

Unfortunately, the oil industry is now exposed to the same deterioration whereby petrol is considered a commodity. The mere fact that the bulk of the product is refined at a common refinery (Kenya Petroleum Refineries in Mombasa), has led to the belief by the consumer, that petrol is petrol wherever it is purchased. (Sokoni, 2001).

Whereas in the past a few of the major oil companies, notably Caltex, attempted to differentiate their offering using additives such as CX-3, this is no longer the case. Various reasons, chief amongst them being the inability to recover the cost of the additive through the pump prices alone, are cited as constraints to this mode of differentiation.

It is little wonder then that price has increasingly become a major factor affecting petrol - purchasing behavior. However, as demonstrated by the declining profitability in this industry, competition on price alone is not sustainable among the major oil companies. To this end, a strategy and different operating platform that will provide a sustainable competitive advantage needs to be identified.

Traditional means of increasing profitability by cutting operating costs have been instituted. These include asset rationalization such as sharing of depots in Mombasa (Caltex/Kobil/Total) and divesting in some areas as experienced by Shell in 2003. (Total Kenya Limited, Annual Report, 2003).

However, this alone cannot provide a long term winning strategy. There is a threshold beyond which cost cutting ceases to contribute to the bottom line. Besides, this is a strategy that has seen better times and is easily copied by competition.

The recognized need is to develop sustainable competitive advantages based upon non-price competition. (Aaker, 1991). One of the identified means is by developing consumer loyalty to a brand.

1.1.1 <u>BRAND AND BRAND LOYALTY</u>

A brand is a distinguishing name and is often enhanced further by a symbol and a slogan. It is intended to identify the goods or services of one seller and to differentiate them from those of competitors.

Stephen King (WPP Group, London) describes brand by comparing it to a product thus "A product is something that is made in a factory; a brand is something that is bought. A product can be copied; a brand is unique. A product can be quickly outdated; a brand is timeless".

To quote Schiffman and Kanuk (2000), "Developing a consistent market share of brand loyal customers is the ultimate goal of any marketing strategy".

For oil marketing companies in Kenya, focus on brand and brand loyalty would be an alternative strategy to the current low price mode of operation. This paper seeks to establish the factors that would lead to brand loyalty and the achievement of the associated values. A combination of these will go a long way in delivering the much sought after profitable growth.

1.2 STATEMENT OF THE PROBLEM

Prior to 1994, the Oil Industry in Kenya was price controlled. This meant that consumers enjoyed the same fuel prices at all retail outlets. The consumer only needed to identify the most conveniently located site to service their fuel requirements. In addition to the location, the consumer was at liberty to determine what retail outlet satisfied other ancillary needs such as speed of service and cleanliness, all at the same price.

Post de-regulation, new oil marketing companies both international and local, convinced of the profitability of the oil industry, decided to enter the retail sector. Ordinarily, a potential service station site requires rigorous appraisal to determine its viability. Whereas the existing major companies invest in these processes, all the new entrants did was to position their retail stations next to the major oil companies' sites and under cut them on price. With the much lower overheads enjoyed by the new entrants, the latter were able to offer prices that were up to Khs 3.00 per liter lower than the major oil companies.

This worked well with consumers who, being extremely price sensitive and suffering the effects of a declining economy, did not question the reason behind the lower prices posted. Consumers were willing to sacrifice quality and service guarantees for this price differential.

"In this era of lower-priced "value" brands, the market share of private label brands has increased in categories once considered the bastion of brand loyalty". (Schiffman and Kanuk, 2000). This is supported by the fact that, regardless of the major oil companies' long standing presence in the Kenyan market and assumed associations with international brands, this has been of no consequence in the face of a preferential price offer.

According to David A. Aaker (1991), if substantial value exists in the brand and perhaps in its symbol and slogans, consumers will continue to purchase the brand even in the face of competitors with superior features, price and convenience.
It is therefore important that the oil companies focus on building brand loyalty as a means of retaining and growing market share. As brand loyalty increases, the vulnerability of the customer base to competitive action is reduced. (Aaker, 1991)

In summary, this study aims at establishing factors that will lead to brand loyalty in the Petroleum Marketing Industry. It seeks to answer the following problem statements:

i. Are there factors that contribute towards Brand Loyalty in the Oil Industry?
ii. If so, what are the three most important factors which lead to Brand Loyalty?

1.3 OBJECTIVES OF THE STUDY

The main objectives of this study are: -

i. To establish the factors which determine loyalty to an oil company

ii. To further establish the three (3) most important factors which determine loyalty to an oil marketing company. For a company whose marketing tools have not included brand loyalty, three is considered a practical number to focus on and implement in the first instance. Other factors can later be implemented for added value.

1.4 IMPORTANCE OF THE STUDY

This study is expected to be of interest to the following: -

i. Oil marketing companies that wish to build their brand and increase market share through the brand loyalty dimension.

ii. Petroleum product service station dealers interested in growing sales by capitalizing on customer loyalty.

iii. Consumers who would wish to evaluate petroleum service stations on a basis other than price.

iv. Academicians who may want to use this study as a basis for further research into the oil marketing industry in Kenya.

CHAPTER TWO

2.0 LITERATURE REVIEW

2.1 INTRODUCTION

This chapter is a review of literature that is pertinent to this study. It seeks to address the definition of and the factors that affect brand loyalty. The purpose of this chapter is to highlight the inherent value of brand loyalty to the oil marketing companies and ultimately identify possible factors that determine brand loyalty to Oil marketing company's outlets.

2.2 CONCEPT OF BRAND AND BRAND EQUITY

What is a brand?

A brand is essentially a seller's promise to consistently deliver a specific set of features, benefits and services to the buyers. (Kotler, 1999).

A brand is a distinguishing name and/or symbols (such as a logo, trademark or package design) intended to identify the goods and services of either one seller or a group of sellers and to differentiate those goods or services from those of competition. (Aaker, 1996).

As Richard Masters (2005) puts it "Customers buy products but choose brands. While products satisfy a customer's functional needs, brands provide the emotional benefits that connect with their hearts and minds. A brand is a promise of a benefit, it is a combination of perceptions in customers' minds about who you are, what you do and what value you bring to them."

The twentieth century has seen branding take center stage in marketing strategies. With increasing consumer awareness and their demand for greater value for money, marketers are under pressure to differentiate their products.
"The idea has been to reduce the primacy of price upon the purchase decision and accentuate the bases of differentiation". (Aaker 1991).

As put forth by Al and Laura Ries, "Branding pre-sells the product or service to the user. Branding is simply a more efficient way to sell things". (1998)

Tough economic environments dictate that focus be shifted towards rationalization and maximizing returns on existing assets. A key asset is the brand name. This is an often, neglected asset due to its intangible nature and the fact that it does not appear on a company's balance sheet. However, when a brand connects with customers and a relationship is created, customers prefer it to other brands. The stronger this connection is, the stronger the preference for that brand. This preference represents the greatest source of competitive advantage.

D.A Aaker (1996) defines Brand Equity as a set of assets (and liabilities) linked to a brand's name and symbol that adds to (or subtracts from) the value provided by a product or service to a firm and/or that firms' customers.
These assets are linked to the name or symbol of the brand and are categorized as follows:

- Brand Loyalty
- Brand Awareness
- Perceived quality
- Brand associations in additions to perceived quality
- Other proprietary brand assets, for example patents, trademarks, channel relationships etc.

In this study, we shall focus on Brand Loyalty and the factors that affect this particular asset, in relation to the Oil Industry.

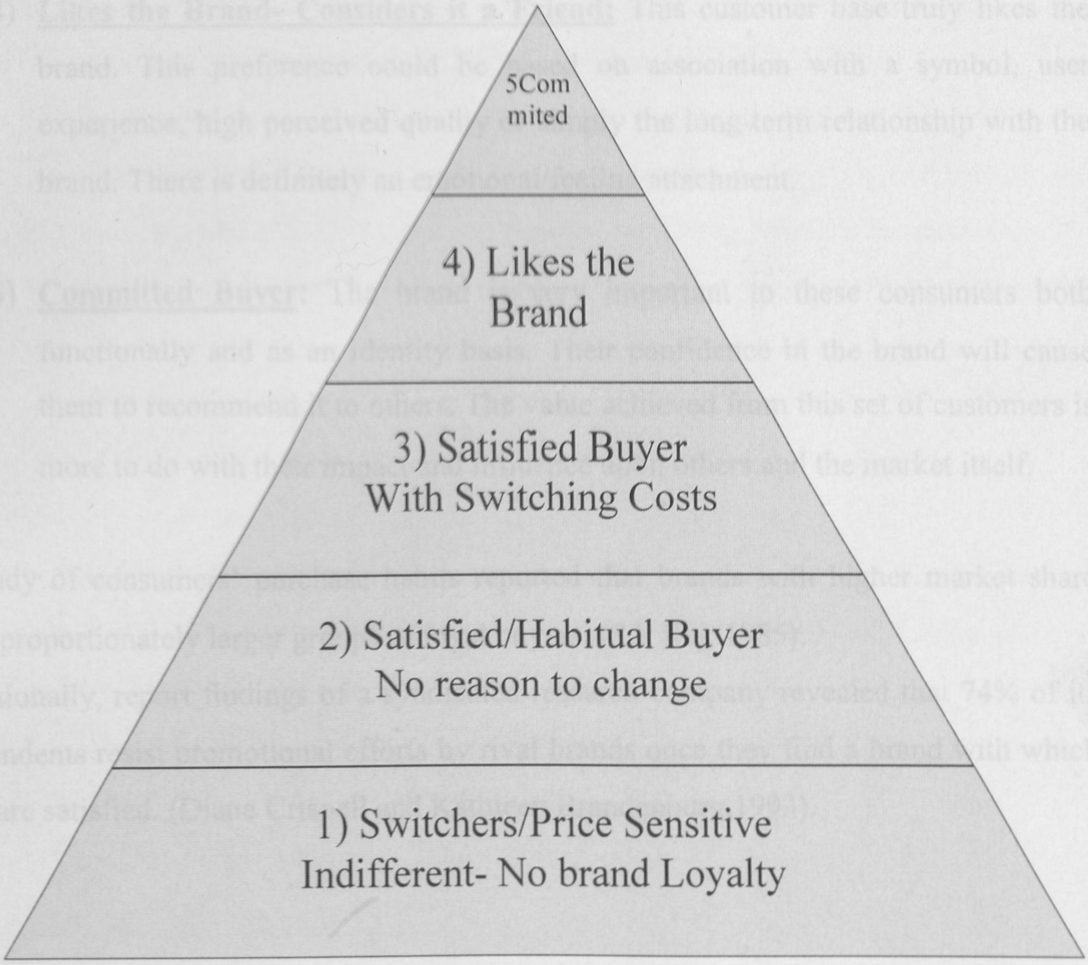
2.3 BRAND LOYALTY

Brand loyalty is a measure of the attachment that a customer has to a brand. It reflects how likely a customer will be to switch to another brand, especially when that brand makes a change, either in price or product features. (Aaker, 1991).

Brand Loyalty is often considered the core of a brand's equity. If customers are indifferent to the brand name and purchase only on the basis product features, price and convenience, little equity is guaranteed. On the other hand, if consumers continue to purchase the brand even in the face of competitors boasting superior features, price, and convenience, it can be comfortably construed that the brand has substantial value.

There are various levels of brand loyalty outlined below in ascending order:

The Loyalty Pyramid (adopted from "Managing Brand Equity" Aaker, 1991, page 40)



1) **<u>Switchers/Price Sensitive/Indifferent:</u>** No Brand Loyalty: each Brand is perceived to be adequate regardless of the brand name. The buyer will be influenced by factors such as convenience or price offered.

2) **<u>Satisfied/Habitual Buyers, No reason to change</u>**: There is no immediate reason for this set of customers to switch unless a competitor demonstrates visible and superior benefits.

3) **<u>Satisfied Buyer with switching costs:</u>** Costs in relation to time, money and performance risk associated with trying another brand. An example in the Oil Industry is in the cooking gas sector where the initial cost includes purchase of a cylinder.

4) **Likes the Brand- Considers it a Friend:** This customer base truly likes the brand. This preference could be based on association with a symbol, user experience, high perceived quality or simply the long-term relationship with the brand. There is definitely an emotional/feeling attachment.

5) **Committed Buyer:** The brand is very important to these consumers both functionally and as an identity basis. Their confidence in the brand will cause them to recommend it to others. The value achieved from this set of customers is more to do with their impact and influence upon others and the market itself.

A study of consumers' purchase habits reported that brands with higher market share have proportionately larger groups of loyal buyers. (S.P Raj, 1985). Additionally, report findings of a syndicated research company revealed that 74% of its respondents resist promotional efforts by rival brands once they find a brand with which they are satisfied. (Diane Crispell and Kathleen Brandenburg,1993).

2.4 CREATING AND MAINTAINING BRAND LOYALTY

Aaker (1991) outlines some basic rules which if followed, would create a loyal customer base for a marketer:

1) Treat the customer right: This involves fostering of positive interactions with the customers which includes being polite, responsive and respectful of the customer.
2) Stay close to the customer: To achieve this, a strong customer culture is advocated. Aaker (1991) cites IBM as an example where even the top executives have account contact and responsibility. Encouraging customer contact is believed to send signals to both the organization and the customer that the customer is valued.

3) Measure/Manage customer satisfaction: Aaker (1991) recommends that regular customer satisfaction surveys be conducted. These surveys need to be timely, sensitive and comprehensive for them to deliver the intended results.
4) Create switching costs: This may involve creating solutions specific to a customer. Loyalty programs such as those employed by Kenya Airways and Emirates are also effective means of creating switching costs for the customer.
5) Provide Extras: Aaker (1991), advocates for the provision of extra, unexpected services as a means of creating customer loyalty. "A simple apology can have the potential to turn even a disastrous situation into a tolerable one". Aaker, 1991.

Having provided an insight into what Brand Loyalty is and the potential means of generating it, we will review what value this important aspect of Brand Equity can and does deliver.

2.5 VALUE OF BRAND LOYALTY

Brand loyalty is a strategic asset that has the potential to generate value in the following ways (Aaker 1991, 1996):

- Reduced marketing costs: It is less costly to retain customers than to obtain new ones
- Trade leverage: a well known brand will ensure preferred shelf space in stores because of the likelihood that these brands will be on the shoppers' lists.
- Attracting new customers: the fact that a brand is well known improves its chances of being selected by first time buyers.

- Time to respond to competitive threats: satisfied, loyal customers will not be intentionally looking for new products. This provides a marketer with lead time to develop strategies to counter attacks from competitors.

- A combination of customers' switching costs and loyalty generates entry barriers because they reduce competitive vulnerability. They render customers less inclined to purchase from rivals.

- Strong customer relationships manifested in channel and brand equity enable a firm to commit human resources to entrepreneurial activity such as new product development rather than continual focus on new customer acquisition.

- If customers are end consumers, customer satisfaction is linked directly to brand equity. For each brand, there are those who like and buy the brand and those who do not. It would be a marketer's goal to ensure that the former category forms a higher percentage of their customer base.

When the firm has a satisfied and loyal customer base, the cash flow from these customers is less susceptible to competitive activity. As a relatively rare and inimitable asset, customer loyalty represents a significant entry barrier to competition and makes the firm's cash flow less vulnerable.

For this reason a variety of marketing programs are geared towards increasing customer loyalty. Switching costs are raised by increasing benefits and reducing risks to more loyal customers.

Research from the services industry demonstrates that customer switching behavior is attributable more often to inadequate and indifferent customer service than to better products or prices (Reichheld 1996).

This suggests that experiential rather than search attributes are more important for facilitating customer retention and loyalty. Additionally, cross-selling of multiple products and services - and therefore increasing the number of brands between firms and their customers – can increase switching costs.

With customer acquisition costs running at least five times retention costs, the mathematical justification of a marketing focus on customer loyalty and retention is not difficult. (Reichheld 1996).

2.6 THE BRAND AS AN ORGANIZATION

Loyalty can be generated through organizational associations. The basic premise is that it takes an organization with a particular set of values, people, programs and assets/ skills to deliver a product or service (D A Aaker, 1996)

Organizational characteristics are difficult to duplicate and can therefore form a solid basis of differentiation. Various case studies have been conducted and can be used to illustrate how loyalty can be achieved through organizational associations.

2.6.1 Values & Culture

Values, such as treating the customer with respect, endear the customer to the brand and provide a basis for a relationship.

2.6.2 People

The Body Shop case study reveals that employees can demonstrate commitment to the values and culture of the organization. This provides credibility to the brand.

2.6.3 Programs

The Saturn case study reveals that the organization engages in many customer-involving programs and celebrations. This portrays an interest in customers beyond selling cars and further enhances the relationship.

The larger the customer base, and the higher the quality of this customer base the higher the loyalty. The quality of this customer base is measured by usage volume, willingness to pay a price premium, lower sales and service costs etc. It is important to recognize that sustained, long-term customer loyalty results in more stable business and therefore a lower cost of capital. This is because, customer loyalty is associated with higher revenue, lower sales and service costs e.g. advertising, promotions, sales, calls etc.

Satisfied customers are more loyal and are willing to pay higher prices. Furthermore, the possession of a large and loyal customer base confers a degree of legitimacy on an organization that is difficult for competitors to emulate.

According to Lane & Jacobsen (1995), intangible assets, such as brand names, enhance the ability of the firm to create earning beyond those generated by tangible assets alone.

2.7 MEASURING BRAND LOYALTY

2.7.1 Price Premium

According to D. A. Aaker (1996), a basic indicator of loyalty is the amount a customer will pay for the brand in comparison with another brand offering similar or fewer benefits. The measures must be defined with respect to a competitor or a group of competitors.

For example:

Question: How much more would you pay to buy product X rather than product Y? Would you prefer product A @ Kshs 1,500 or product B @ Kshs 1,200?

Aaker (1996) cites as an example of the focus on measuring brand loyalty, the Allstate research conducted to identify the key drivers of its brand equity. It focused on what variables influenced the price premium.

Another example cited by Aaker (1996) is that of Intel, a computer manufacturer which tracks its price premium through weekly interviews at computer stores. At these interviews, customers are asked how much of a discount would be needed for the customer to feel comfortable buying a "non-Intel" personal computer. This reveals the price premium conducted by the brand when measured against competing brands.

2.7.2 Customer Satisfaction

Customer satisfaction is a direct measure of how willing customers are to stick to a brand. (Aaker, 1996)

Questions related to user experience can be asked e.g.

- Are you delighted with your experience with this brand?
- Does the product/service meet expectations?
- Would you buy the brand at the next opportunity?
- Would you recommend the product or service to others?
- Were there problems or inconveniences in using the products/service?

2.7.3 Levels of loyalty

To establish levels of loayalty, the following questions can be asked:

- Are you loyal to one brand?
- Do you see most brands as pretty much the same?

However, this measure would only be applicable to the existing customers.

2.8 REVIEW OF STUDIES PREVIOUSLY CARRIED OUT

A summary of the studies previously carried out in relation to brand loyalty follows.

2.8.1 Wambugu (2002): Factors that determine store loyalty: The case of large supermarket chains in Nairobi. The investigation covered issues related to brand loyalty for the chain stores in Kenya.

The research findings indicated that there are up to 12 factors that influence loyalty to a Supermarket. These include prices of the products, availability of all types of merchandise, employees' knowledge of products, employees' warm and courteous behavior, proximity to the consumer etc. Out of these 12 factors, the most important were availability of merchandise, location of the store and its operating hours, in that order.

2.8.2 Murage (2002) studied enhancement of Brand loyalty in the Paint Industry through relationship marketing. The research findings indicated that in the Paint Industry, sales force connections were important in enhancing brand loyalty. In this study, one of the factors we will seek to establish is whether interaction between station dealer and customer is a factor in determining loyalty to a petrol station.

2.8.3 In her study "Competitive Strategies adopted by members of the Kenya Independent Petroleum Dealers Association" Murage (2000) found that the new entrants were finding it difficult to focus on building brand. The reason for this was cited as being the substantial resources required to adopt this strategy.

This supports the much repeated assertion that, an entrenched brand can serve as a barrier to entry.

2.8.4 Isaboke (2001): An investigation into the strategic response by major oil companies in Kenya to the threat of New Entrants:

The literature review cites concerns regarding product adulterations and substandard filling stations as being critical threats posed by new entrants. Other factors of concern were indicated as price wars, evasion of duty and dumping of products by some of the Oil marketing companies. The latter two have since attracted Government of Kenya attention resulting in a decision to use a single entry point (Kipevu Oil Storage Facility-KOSF) for all product imports effective 1st January, 2005.

The study also highlights the decline in profits experienced by the major oil companies post liberalization.

In Isaboke's study, cost leadership was indicated as critical in responding to the threats of new entrants. Branding was only considered a moderately important component in developing a strategic response to competitor attack.

However as M. Porter advised, cutting prices is insanity if the competition can go as low as you can. This is indeed the case with the Oil industry, thus lending credence to the focus on search for an alternative differentiation strategy.

In the same study, the need to differentiate product services was classified as high priority. Isaboke found that branding has been used to some extent to achieve differentiation. He noted that advertising had increased significantly amongst the major oil companies in an attempt to create brand awareness.

2.8.5 Wairachu (2001): A study on changes in marketing mix of oil companies in Kenya findings were that in the new competitive environment, companies had opened new petrol stations in a bid to increase individual market shares. This was obviously not a sustainable strategy as evidenced by the recent exit by major oil companies from some markets (e.g. Shell from Western Kenya in 2003).

2.8.6 Wamathu (1999) findings revealed that all the players in the oil marketing industry had assumed cost leadership as a marketing strategy.

The same research findings also indicate that all major oil companies were focusing on creating a pleasant environment for customers. This was demonstrated by increased renovation/modification of service outlets and emphasis on the appearance of the attendants. This suggests that oil marketing companies recognize that cost leadership and price wars on their own would not be sustainable.

All the major oil companies interviewed in the Wairachu (2001) research confirmed the increasing price wars both in the retail and commercial sector of the oil marketing industry. In the retail sector, the ability by some marketers to offer substantially lower prices than others was blamed on:

- Putting up of inferior filling stations, some of which pose a threat to public safety (Ref: Nation 15th January 2004, where a letter of complaint to the Watchman expressed concern about a petrol station operating in a residential area).
- Fuel adulteration
- Dumping into the local market fuel declared for the export market and thus exempt from local taxes and duties.

One of the conclusions arrived at was that there was a marked increase in promotion of brand names, post versus pre-liberalization as a means of differentiating the product offering. This suggests that the Oil industry in Kenya is laying greater emphasis on brand and the associated added value of brand equity.

Wairachu (2001) study confirms that, to some customers, quality of service offered is more important than price alone. The researcher recommends that service be employed as a vital weapon to achieve a competitive edge in the markets.

This supports the view that cost leadership should not be the only strategy pursued in an attempt to sustain profitability.

2.8.7 Kwena (2002), commented,

"The reason petrol is now considered a commodity is because to the consumer, the product is not differentiated and competition is only on pricing basis".

According to Kellar (1998), a commodity is a product presumably so basic that it cannot be differentiated in the minds of the consumers.

This cannot be said of petroleum products marketed in Kenya where a number of multinational oil companies have gone to great lengths to differentiate their product offering. This is evident through the quality petrol stations built highlighting various images e.g. the Star, Shell, flying horse, environmental friendly, etc.

Kwena (2002) research findings indicate that 66% of the respondents were willing to pay more for their preferred brand of sugar. In addition to this, the hard core loyal customers were willing to travel an extra mile to obtain their favorite sugar.

This says a lot for the value generated by brand loyalty given that Keller (1998) had said it is not possible to differentiate products like shoes and socks.

2.8.8 In his research, Mbau (2000) highlighted the fact that, while high market share generated profits, sustainable market share is achieved primarily through brand equity leadership. This view is supported by Coca-Cola's sustained market share by leveraging its brand equity.

Forbes Global (December 2003) states "The soda is served in more than 200 nations; it's easier to list the markets where Coke isn't.

Kisese (2002), Isaboke (2001), Chepkwony (2001), Murage (2000) have researched on the strategies adopted by various segments of the oil industry.

This review of past researches reveals that, although studies related to the impact of brand on various products have been conducted e.g. Wambugu (2000), Kwena (2002), Mburu (2001), Wanjau (2001), none has been carried out in relation to the petroleum fuel marketing Industry.

The gap identified was the need for an alternative marketing strategy from cost leadership in the Marketing Oil Industry. From review of previous studies, Brand Loyalty was found to be a possible marketing strategy for adoption by Oil Marketing companies and forms the basis of this research. This is with a view to providing an alternative or supplement to the cost leadership strategy currently in use across the oil marketing industry.

2.9 POSSIBLE FACTORS AFFECTING BRAND LOYALTY IN THE PETROLEUM MARKETING INDUSTRY

From the various literature reviews, possible factors affecting brand loyalty are, in no particular order, identified as follows:

According to Wanjau (2001),

- Brand name
- Rate of advertising
- Customer education
- Proper packaging
- Symbol of the Brand
- Number of years the brand has been in operation
- Good image of the Organization

- Employee experience
- Availability of the Brand (Assael, 1998)
- Customer service which may include credit terms, longer operating hours, availability of parking and personalized service (Stanton, 1991)
- Atmospherics – according to Bearden (1995), this includes special events, layout, prices, displays and other factors that attract customers.
- Location- Kotler (1990) indicates that the location of an outlet determines accessibility to the customer
- According to Kwena (2002) other factors influencing consumers' choice of brand include
- Price
- Product quality
- Convenience
- Availability
- User friendliness
- Customer satisfaction
- Heritage
- Origin

Other factors whose impact will be assessed include:

- Corporate Social responsibility perception
- Consistency, reliability
- Rewards e.g. loyalty programs
- Service delivery
- Ancillary conveniences/services e.g. shopping marts, automated teller machines (ATM's), car maintenance
- Dealer/Retailer-Customer relations

The study will attempt to establish what influence these and other factors have, on loyalty to a Petroleum Company/Retail site.

CHAPTER THREE

3.0 RESEARCH DESIGN AND METHODOLOGY

3.1 Introduction

This research design was intended to enable the researcher establish factors that determine/influence fuel consumers' loyalty to an Oil company.

3.2 Research Setting

This research was conducted in Nairobi where 41% of the Oil Industry's retail outlets (commonly referred to as petrol stations) are located. The car ownership in Nairobi is also higher than other parts of the country. In addition to the foregoing, it was noted that, Nairobi, being cosmopolitan in nature, would provide access to respondents from various parts of the country.

Finally, Nairobi was considered convenient taking into account the time and financial resources available to the researcher.

3.3 Population

The target population comprise of car owners of various income brackets, professions, ages and educational backgrounds. For this reason, a cross section of car owners identified at shopping malls and at various places of work was interviewed.

3.4 Sample Size

The researcher targeted a minimum of 120 respondents, drawn from various business sectors and nature of employment in Nairobi. Companies representing the various sectors will be drawn from the Nairobi Stock exchange listing, Parastatals, Government Ministries and privately owned businesses. 5 questionnaires were administered per company to various employees representing different income levels, age brackets and gender to represent the various demographics of car owners who fuel at petrol stations/oil companies' retail outlets. In addition to these, some questionnaires were administered at various up market shopping malls where the likelihood of finding car owners was high.

3.5 Sampling Design

Although the ideal locations where respondents for this research would have been found would have been at the various petrol stations, it was recognized that the time spent by customers at fuelling sites would be inadequate to administer the questionnaire. It would also be unrealistic to expect the petrol station customers to spend additional time at the fuelling site for purposes of filing a questionnaire comprising minimum 30 questions. Likewise, the return rate if the questionnaires were taken away was expected to be low. For this reason, convenience sampling was employed whereby a contact person was established at the companies representing a cross-section of the businesses in Nairobi and therefore a cross section of fuel consumers. For consistency purposes, the contact person was issued with criteria for selecting 2-5 respondents per company. The selection criteria was as follows:

Must at the time of responding own at least one vehicle

At least two will be female

At least one will be from high income range or managerial position

At least one will be from non-managerial position

At least one will be from age bracket below 30 years

At least one will be from age bracket 31 and above

At least one field personnel e.g. sales executive

At least one office based personnel e.g. accountants

It was highlighted that a respondent could satisfy more than one of the listed criteria for example, the female respondent may be aged 31 and above.

3.6 Data Collection

Data collection was from primary sources using a questionnaire as the collection instrument. The questionnaire consisted of structured as well as semi-structured questions.

Part 1 of the questionnaire dwelt upon the consumer's brand preference and factors influencing these preferences.

Part 2 of the questionnaire addressed the respondent's bio-data such as age, income bracket, period of car ownership, education level etc.

3.7 Data Analysis

Before processing the responses, the completed questionnaire was edited for completeness and consistency across respondents. Data was then coded to enable the responses to be categorized for analysis.

For ease of analysis and evaluation, pie charts, tables and graphs were used to present the data collected. Descriptive statistics such as percentages, means and frequency was also used to summarize the data.

Due to the large number of variables considered, factor analysis was also employed. This further enabled establishment of any interdependencies between factors affecting brand loyalty and demographic factors of the respondents such as gender, age, education level etc.

CHAPTER FOUR

4.0 DATA ANALYSIS AND FINDINGS

4.1 Data Editing and Coding

The questionnaires were edited and coded after they were filled in. All the questionnaires returned by the respondents were usable for data analysis.

Table 4.1 Number of respondents

Targeted respondents	Actual Respondents	% Response rate
120	100	83%

Source: Research data

From the table above, the response rate was 83%. This was deemed adequate and sufficient for data analysis purposes. This also compared favorably to other studies such as Wambugu (2002) at 75% and Kwena (2002) at 79%.

4.2 Demographic Characteristics of Respondents

4.2.1 Age

Table 4.2

Age (Years)	Frequency	Percentage
18-29	28	28
30-39	36	36
40-49	26	26
50 and above	10	10
	100	100

Source: Research data

The results above indicate that most of the car owners fall in the age 30-39 bracket representing 36% of the population. It is notable that the second highest car owner frequency is in the 18-29 age bracket. This is indicative of the early income earning capability and the need to own a car either for practical or prestige purposes. The age 40-49 category closely follows at third largest frequency. This frequency spread may be indicative of the coverage that the oil marketing companies need to take into account when developing brand loyalty programs and particularly advertising messages.

4.2.2 Education Level

Table 4.3

Level	**Frequency**	**Percentage**
Primary	2	2
Secondary	11	11
College	27	27
University	60	60
Total	100	100

Source: Research data

From the data above, the highest percentage of respondents (60%), have a University education. If college education is taken into account, this means that a total of 87% of the respondents have a minimum of a college education.

It is important to note here that in drawing the population sample, convenience sampling was used and data may not be reflective of the total population distribution. Nevertheless, this would be worthwhile information for oil marketing companies to consider when developing educational and advertising material on products or to communicate changes in product quality.

4.2.3 Expenditure

Table 4.4

Amount per month (Kshs)	Frequency	Percentage
Below 2000	6	6
2000-5000	29	29
5000-10000	26	26
10000-15000	17	17
Above 15000	22	22
Total	100	100

Source: Research data

It is notable that a significant 65% of the respondents spend Kshs. 5000 and above per month on fuel consumption. This is reflective of the rising cost of fuel. It is also a pointer to the importance of fuel as a business driver and hence the attention paid to fuel costs by consumers.

4.2.4 Marital Status

Table 4.5

Marital Status	Frequency	Percentage
Single	32	32
Married	68	68
Total	100	100

Source: Research data

The above data indicates that 68% of the respondents are married whilst 32% are single. This is reflective of the age group of the respondents where 73% of the respondents were age 30 and above.

4.2.5 Gender

Table 4.6 Analysis of Gender

Gender	Frequency	Percentage
Male	64	64
Female	36	36
Total	100	100

Source: Research data

It is evident from the above data that the car owner population of the respondents is predominantly male (at 64%).

4.3 Descriptive Analysis of the factors determining loyalty to a Petrol Station

Table 4.7 Individual Factor Rankings

Factors tested	Mean	Ranking
Availability of all types of fuel at petrol station	4.07	10
Brand name carried by the petrol station e.g. is it one of the major oil companies	3.96	12
Lowest posted price of fuel	4.17	7
Service station has frequent promotions/offers	3.08	18
Relationship with the petrol station dealer (refer definition guide)	2.66	20
Product quality guarantee/assurance	4.69	1
The petrol station offers other facilities such as restaurant, convenience shop, automated teller machines, tyre centre and car maintenance	4.09	9
Service station employee knowledge about products and general car maintenance requirements	4.41	5
Forecourt attendants are neat and appealing	4.11	8
Willingness of the employees to voluntarily offer under the bonnet and tyre pressure checks, windscreen cleaning etc.	4.47	4

Individualized attention to customers e.g. customer known by name	3.21	17
Speedy all round service from fueling to payment processing	4.60	3
Clean restroom/toilets	4.22	6
The petrol station is located near work/home	3.37	15
The petrol station is located in a secure area with adequate lighting	4.61	2
Advertising and the brand's level of corporate social responsibility e.g. community and charity support	3.26	16
Past experience with the brand	3.90	13
Ability to pay using any acceptable credit card	3.98	11
Existence of a loyalty program for frequent buyers e.g. accumulating points for later rewards	3.55	14
Other associations with the brand e.g. relationship with employees of the oil company, business partnership, share ownership	2.83	19

Source: Research data

The questionnaire included a Likert scale as follows:

1	Not at all important
2	Not important
3	Neutral/Does not matter
4	Important
5	Very Important

The mean score for the various factors tabulated in Table 4.7 was derived by obtaining the mean of the scores assigned by all the respondents for each factor. In view of the fact that 4 on the Likert scale represented a rating of Important for the factor reviewed, these factors rated 4 and above were singled out in order of importance as follows:

1) Product quality guarantee/assurance
2) The petrol station is located in a secure area with adequate lighting
3) Speedy all round service from fueling to payment processing
4) Willingness of the employees to voluntarily offer under the bonnet and tyre pressure checks, windscreen cleaning etc.
5) Service station employee knowledge about products and general car maintenance requirements
6) Clean restroom/toilets

7) Lowest posted price of fuel
8) Forecourt attendants are neat and appealing
9) The petrol station offers other facilities such as restaurant, convenience shop, automated teller machines, tyre centre and car maintenance
10) Availability of all types of fuel at petrol station

Rounding the mean scores up to 1 decimal place for interpretation purposes against the LIKERT scale, following additional factors emerged as Important i.e. a scoring of 4 :

11) Ability to pay using any acceptable credit card
12) Brand name carried by the petrol station e.g. is it one of the major oil companies
13) Past experience with the brand
14) Existence of a loyalty program for frequent buyers e.g. accumulating points for later rewards

It is to be noted that although the other 6 factors assessed were not considered important, the respondents indicated their view of these factors as neutral rather than not important.

4.4 Factor Analysis of the factors affecting petrol station loyalty

In recognition of the fact that consumers may consider a group of factors rather than a single factor in determining brand loyalty, it was deemed necessary to further conduct factor analysis.

Table 4.8 Factor Analysis

FACTORS	1	2	3	4	5	6	7	G
Forecourt attendants are neat and appealing	0.786	0.034	0.005	0.089	0.006	0.191	0.107	1
Product quality guarantee/assurance	0.749	0.202	-0.004	-0.061	0.193	-0.044	-0.097	1
Service station employee knowledge about products and general car maintenance requirements	0.534	-0.370	0.229	0.260	0.062	0.182	-0.189	1

The petrol station is located in a secure area with adequate lightening	0.486	0.492	0.298	-0.129	-0.111	0.219	0.288	2
Brand name carried by the petrol station e.g. is it one of the major oil companies	0.108	0.644	0.196	-0.068	0.166	-0.392	0.196	2
Speedy all round service from fueling to payment processing	0.009	0.635	-0.062	-0.010	-0.189	0.449	-0.029	2
Past experience with the brand	0.059	0.747	0.053	0.141	0.093	0.035	-0.185	2
Advertising and the brand's level of corporate social responsibility e.g. community and charity support	0.397	-0.164	0.440	0.085	0.323	0.040	0.332	3
Clean restroom/toilets	0.264	0.047	0.613	0.140	-0.132	0.011	0.049	3
Ability to pay using any acceptable credit card	-0.141	0.195	0.649	0.222	0.108	0.022	-0.007	3
The petrol station offers other facilities such as restaurant, convenience shop, automated teller machines, tyre centre and car maintenance	0.033	-0.081	0.646	-0.362	0.412	0.124	-0.063	3
Individualized attention to customers e.g. customer known by name	0.003	0.003	0.064	0.746	0.186	-0.014	0.278	4
Other associations with the brand e.g. relationship with employees of the oil company, business partnership, share ownership	-0.070	0.340	0.429	0.436	0.200	0.027	0.057	4
Relationship with the petrol station dealer (refer definition guide)	0.115	0.006	0.125	0.809	0.041	0.006	-0.068	4
Existence of a loyalty program for frequent buyers e.g. accumulating points for later rewards	-0.011	-0.029	0.068	0.228	0.726	0.055	0.193	5
Lowest posted price of fuel	0.138	0.107	-0.103	-0.015	0.444	0.575	-0.062	5
Service station has frequent promotions/offers	0.148	0.081	0.088	0.055	0.663	0.089	-0.175	5
Willingness of the employees to voluntarily offer under the bonnet and tyre pressure checks, windscreen cleaning etc.	0.153	-0.011	0.177	-0.002	0.095	0.781	0.082	6
The petrol station is located near work/home	0.076	-0.094	0.096	0.232	-0.045	-0.011	0.755	7
Availability of all types of fuel at petrol station	0.285	-0.230	0.419	0.246	-0.048	-0.087	-0.527	7

Source: Research data

From the above data, individual factors were analysed and grouped into 7 major factors based on the generated correlations and commonalities of the individual factors. These 7 groups serve to highlight factors that may influence the consumer's perception of another factor in the same grouping, leading to either a negative or positive link with the petrol station/brand.

By way of explanation, the respondents' measures of these factors were highly correlated i.e. the rating of one factor highly influenced the scoring of the other factors in the same emerging groups.

Factor 1:

- Forecourt attendants are neat and appealing
- Product quality guarantee/assurance
- Service station employee knowledge about products and general car maintenance requirements

This factor can be summarized as Product Quality and Knowledge

Factor 2:

- The petrol station is located in a secure area with adequate lighting
- Brand name carried by the petrol station e.g. is it one of the major oil companies
- Speedy all round service from fueling to payment processing
- Past experience with the brand

This factor can be named Brand Association and Service Quality

Factor 3:

- Advertising and the brand's level of corporate social responsibility e.g. community and charity support
- Clean restroom/toilets
- Ability to pay using any acceptable credit card
- The petrol station offers other facilities such as restaurant, convenience shop, automated teller machines, tyre centre and car maintenance

This factor can be named Convenience and Corporate Social Responsibility

Factor 4:

- Individualized attention to customers e.g. customer known by name
- Other associations with the brand e.g. relationship with employees of the oil company, business partnership, share ownership
- Relationship with the petrol station dealer (refer definition guide)

This factor can be named Customer Relationships and Individualized Attention

Factor 5:

- Existence of a loyalty program for frequent buyers e.g. accumulating points for later rewards
- Lowest posted price of fuel
- Service station has frequent promotions/offers

This factor will be named Price, Promotions and Loyalty Programs

Factor 6:

- Willingness of the employees to voluntarily offer under the bonnet and tyre pressure checks, windscreen cleaning etc.

This factor will be summarized as Added Value by Petrol Station employees

Factor 7:

- The petrol station is located near work/home

- Availability of all types of fuel at petrol station

This factor will be named Petrol Station location and Product range availability

4.5 Factor Ranking

Having established these factor groupings, a further analysis was conducted to rank these larger factors. This was done by generating the mean of the mean scores of the various factors constituting the group.

Table 4.9 Factor Ranking

FACTOR	NAME	MEAN SCORE	RANKING
1	Product Quality and Knowledge	4.40	2
2	Brand Association and Service Quality	4.27	3
3	Convenience and Corporate Social Responsibility	3.89	4
4	Customer Relationships and Individualized Attention	2.90	7
5	Price, Promotions and Loyalty Programs	3.60	6
6	Added Value by Petrol Station employees	4.47	1
7	Petrol Station location and Product range availability	3.72	5

Source: Research data

It is therefore important that, when addressing individual factors, other factors that may positively or negatively impact the individual factor be taken into consideration.

CHAPTER FIVE

5.0 DISCUSSIONS, SUMMARY AND CONCLUSIONS

5.1 Introduction

The objectives of this study were to establish the factors that determine loyalty to an oil marketing company. It was further set to establish the 3 most important factors that impact loyalty to an oil marketing company.

Review of literature highlighted a number of factors that were considered to have an impact on brand loyalty. This study sought to establish whether these factors also applied to the Oil Marketing industry with specific emphasis on the fuel retailing sector.

5.2 Discussions and Conclusions

The findings of the study have been covered in Chapter Four and will be further discussed in this chapter.

5.2.1 Consumer Demographics and Implications for Brand Loyalty Generation

From analysis of the findings, it was evident that although the highest numbers of car owners were in the 30-39 age bracket (35%), the other age brackets 18-29 (27%) and 40-49 (26%) contributed a combined frequency of 53%. In developing loyalty generating strategies, it would therefore be recommended that the full age spectrum be taken into account.

The research findings also pointed to the fact that petroleum fuel consumers were largely of College and University Education levels. Any communication geared toward generating brand loyalty should be developed taking into account these levels of cognizance.

Analysis of the findings, reveal that, 71% of fuel consumers spend Kshs. 5,000 and above per month on petrol. This is a significant amount of spend and these consumers will place importance on value for their money. This is reflected by the high rating accorded to additional service offered by petrol station attendants such as under the bonnet checks, wind screen cleaning etc.

Although only 36% of fuel consumers are female, this is a potential growth target group and it would be recommended that brand building programs be equally geared towards the both the female and male category.

From oral interviews, it was apparent that security would be of significant added value to the female consumer. Oral interviews also revealed that the female car owner is increasingly experiencing limited operating hours given the long working hours. Convenience shops, albeit only for bare essentials while fueling is therefore appreciated.

5.2.2 Factors Determining Loyalty

It is to be noted that of the factors examined, 14 out of 20 were rated as Important. The balance 6 factors whilst not considered important were not rated unimportant but rather neutral. This distinction is important so that whilst addressing the most important factors the others remain in focus for possible attention at a later stage.

Of significance is that out of the 20 individual factors assessed, “lowest posted price of fuel” was ranked at 7. It will be recalled that the Problem Statement highlighted the fact that post de-regulation, the Oil marketing Companies had largely adopted a low price strategy and this was the basis of competition.

As pointed out by Aacker (1991), the recognized need was to develop sustainable competitive advantages based upon non-price competition.

From this research, important factors that will generate sustainable, competitive adjustment can be summarized as:

Product Quality Guarantees, Quick service, Employee added value in terms of offering under the bonnet checks and related services, low prices, clean restrooms, security and adequate lighting at the station, service station attendants’ product knowledge and car maintenance requirements.

Factors such as relationship with the dealer, frequent promotions, individualized attention to customer and advertising were of no significant importance to the consumers. It should however be noted that these were considered as “does not matter” rather than “not important”.

Aside from the individual factor ranking, the factor groupings generated, highlighted the need to ensure that attention is not only paid to the individual factors. The relationship and impact of one factor on another must be taken into account in developing brand loyalty. The research findings highlighted the fact that, additional services offered by service station employees were considered important and were not impacted by any other factors. They further revealed that Product Quality and Guarantees which was ranked very highly as an individual factor could be impacted by the petrol station attendants' general appearance and knowledge about products and general car maintenance requirements. In other words, a company may focus on advertising product quality. However, if the petrol station attendants are poorly dressed and untidy, this would have an adverse impact on the perception of that company's or petrol station's product quality. Similarly, speedy, all round service and brand name were found to be co-related. As an example, regardless of the brand name, if the service is unsatisfactory in terms of speed, this would adversely impact future perception of the brand.

The learning here is that an unsatisfactory service experience at one of the brand outlets, would lead to a negative perception and possible boycott of all the Brand's outlets. It is therefore imperative that speedy service is replicated and consistent at all the Brand's retail outlets.

As observed under individual factors, the grouped factor Price, Promotion and Loyalty Program with a mean score of 3.6, was of low importance to the consumer. The fact that promotions are periodic in nature would lend credence to this finding. In other words, a petrol station or marketing company may experience a surge in sales volume over the promotion periods, this factor on its own is not capable of generating Brand Loyalty.

5.2.3 Most Important Factors affecting Brand Loyalty

The research findings point towards Product Quality and Guarantees (mean score of 4.69) as being the single most important factor in determining brand loyalty to an Oil marketing Company. This may have arisen after various consumer experiences with car mechanical problems resulting from purchase of contaminated product.

The security of the service station (mean score of 4.61), with adequate lighting emphasized, was ranked the second most important factor. This could be as a result of the current focus on insecurity and related incidences reported in the media.

Posting a mean score of 4.60, speedy all round service was ranked a close third in the importance hierarchy. This is perhaps, in recognition of the increasingly hectic life style experienced by Nairobi residents. The amount of time spent at work, in traffic jams, dropping and picking up children from school, leaves minimal time for fueling cars. Minimal turn around time at a petrol station is therefore highly appreciated by customers.

The group factor analysis and mean score evaluation of 4.47 revealed that, Service/Petrol Station employees' additional services such as under the bonnet checks, windscreen cleaning and tyre pressure checks were rated the most important. This is probably because customers consider these additional services added value for the relatively high spend on fuel.

Ranked as second most important factor impacting Brand/outlet Loyalty and with a mean score of 4.40, was Product Quality and Knowledge. As noted under the discussions of individual factors, a strong link was established between petrol station attendants' appearance and product knowledge and the perception of the product quality offered by the Oil Marketing Company.

The third most important factor with a mean score of 4.27 was determined to be Brand Name and Service Quality. It is instructive to note that the associated factors falling under this category are security of the petrol station, speedy service, brand name and past experience with the brand. This means that under-performance on one of these factors such as poor service would impact negatively on the perception of the brand.

5.3 Recommendations

From the research findings, it is apparent that there are factors considered important in generating brand loyalty. Further, some of these factors are strongly related. It is recommended that Oil Marketing companies shift from the traditional price competition platform and focus on these factors.

In creating a brand loyalty generating strategy, Oil Marketing companies need to review the product quality and levels of service offered. In view of the high importance attached to additional services offered by the petrol station attendants, it is recommended that training programs targeted at service station employees be developed. Given the relatively low importance rating assigned to frequent promotions and offers, this spend should perhaps be channeled towards rewarding petrol station attendants. The rewards could be linked to exemplary and consistent service offered to customers as a means of motivating the attendants.

Considering the high importance attached to security of a petrol station, it would be prudent to include this as part of new site selection criteria. Attention is also drawn to the fact that security may be considered a highly important factor at the moment due to the overall levels of insecurity currently being experienced in Nairobi and the country as a whole. Should the country's security problems be addressed in future, this factor may cease to feature as a highly important factor affecting brand loyalty.

Lastly and as in all other business aspects, it is recommended that Oil Marketing Companies continuously keep abreast of the consumer dynamics which impact factor determination and ranking.

5.4 Limitations of the Study

1. The sample size of 120 may not be adequately representative of the population of car owners in Nairobi, thus limiting the generalization of findings.

2. For convenience purposes, the study was conducted in Nairobi. The purchasing behavior of Nairobi consumers may differ from other regions. The factor rating established in this research may therefore not be applicable to other regions in Kenya.

3. The use of pre-determined questions where petroleum marketing language was used may have resulted in responses that are not an accurate reflection of the respondent's view.

5.5 Suggestions for Future Research

This study analyzed very many factors affecting brand loyalty to a Petroleum Marketing Company.

- The researcher suggests that future research be narrowed to the 3 most important factors established to determine the extent to which these impact brand loyalty. It would also be interesting to establish the impact of these factors on profitability.
- This study focused on one aspect of Brand Equity i.e. Brand Loyalty. Further studies can be conducted to asses factors influencing other Brand Equity assets such as Brand Awareness.
- This study did not assess the impact of consumer demographics on Brand Loyalty. Future research could be carried out to ascertain whether education level, gender or age has an impact on Brand Loyalty.

REFERENCES

Aaker, D.A: "Building Strong Brands": New York, Free Press (1996)

Aaker D.A "Managing Brand Equity": New York, Free Press (1991)

Aaker, D.A and Joachimster, E: "Brand Leadership", New York, Free Press (1998)

Assael, H "Consumer Behavior and Marketing Action", NEW York, South Western College Publishing (1998)

Alans, Dick and Kunal Basu: "Customer Loyalty: Towards an Integrated Concepual Framework", Jornal of the Academy of Marketing Science 22 (2), pp 99-123, (1994)

Batra, R. Myers, J. and Aaker, D: "Advertising Management", Prentice-Hall Inc, New Jersey (1996)

Bearden, W.O "Marketing: Principles and Perspectives", Chicago, Rochard D. Irwin Inc (1995)

Crispell, D. and Brandenburg, K: "What's in a Brand", American Demographics 28, (May 1993)

Chepkwony, J: "Strategic responses of Petroleum firms in Kenya to challenges of increased competition in the Industry" Unpublished thesis, University Of Nairobi (2001)

Daily Nation, pp 9, 15th January, 2004

Forbes Global, December 2003, page 13.

Enercon (2): A summarized Review of the Petroleum Industry in Kenya, Unpublished report for a potential offshore supplier, Petroleum Institute of East Africa (PIEA), 2001.

Isaboke, S.M: "An investigation of the strategic responses by Major Oil companies in Kenya to the threat of New Entrants" Unpublished thesis, University Of Nairobi (2001)

Keller, Kevin Lane: "Strategic Brand Management: Managing, Measuring and Building Brand equity" Prentice Hall- India (1998)

Keller L. K, Heckler, S.E and Houston, M.J: "The effects of Brand name suggestiveness on Advertising recall", Journal of Marketing, vol. 62, no. 1 (January, 1998)

Kenya Monthly Economic review, December 2002 http://www.centralbank.go.ke

Kotler, P and Armstrong, G: "Marketing: An Introduction", Prentice Hall- New York (1990)

Kotler, Phillip: "Marketing Management", Prentice Hall- India (1999)

Kotler, Phillip: "Kotler on Marketing- How to Create, Win and Dominate Markets", New York, Free Press (1999)

Kwena, T.F: "The impact of Branding on Consumer choice: The case of new domestic Sugar Brands" Unpublished thesis, University Of Nairobi (2002)

Masters, Richard: Solutions World, Volume 31, Issue 6, http:\\ lubricants.chevron.com (2005)

Mbau, E.P: "Investigating creation and application of Brand equity in Kenya: The case of the pharmaceutical sector" Unpublished thesis, University Of Nairobi (2000)

Mburu, R: "Impact of perceived quality on brand choice: The case of Drinks (Sodas)" Unpublished thesis, University Of Nairobi (2001)

Murage, P W: "The extent of Relationship Marketing Strategies to enhance Brand Loyalty of Industrial customers: The case of the Paint Industry", Unpublished thesis, University Of Nairobi (2002)

Murage, S: "Competitive strategies adopted by members of the Kenya Independent Petroleum Dealers Association", Unpublished thesis, University Of Nairobi (2000)

Park, C.S and Srinivasan, V: "A Survey-based method for Measuring and Understanding Brand Equity and its extendibility", Journal of Marketing Research 31, (May 1994)

Raj, S.P: "Striking a Balance between Brand Popularity and Brand Loyalty" Journal of Marketing 49, Winter, pp. 53-59 (1985)

Riecheld: "Analogies and Arguments", Harvard Business Review March- April 1996, page 56

Ries, A and Ries, L: "The 22 Immutable Laws of Branding", HarperCollins (1998)

Schiffman, L.G and Kanuk, L.L: "Consumer Behavior", Prentice Hall- India (2000)

Sokoni: "The last word, Oil Companies and their hawking tendencies", May, June 2001 issue, Rollout Press Services, 2001.

Stanton, W.J, Etzel, M.J and Walker B.J "Fundamentals of Marketing" New York, McGraw Hill (1991)

Stephen King (WFP Group London), 1998

Srivestrava, R., Sharvani, T.A and Fahey, L: "Market based assets: A framework for analysis", Journal of Marketing, vol. 62, no. 1 (January, 1998)

Total Kenya Limited: Financial Reports, 2000-2003

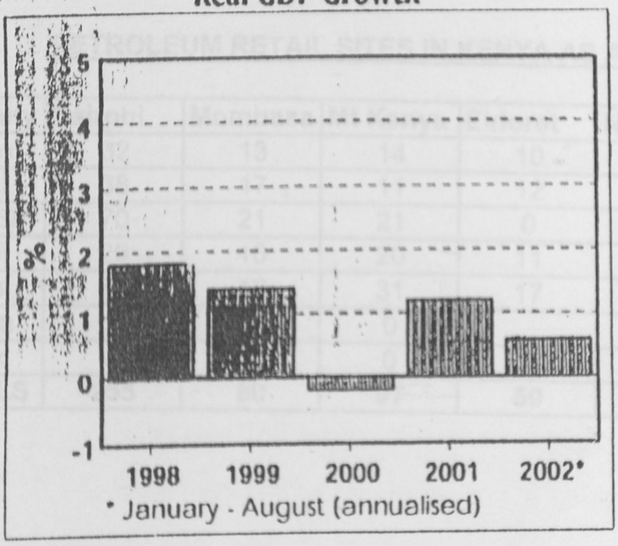
Wairachu, S.K: "Marketing in a liberalized Petroleum Industry- A study on changes in the Marketing Mix of Oil companies in Kenya" Unpublished thesis, University Of Nairobi (2000)

Wamathu, S.K: "Strategic postures and action evaluation in the Kenyan Oil Industry" Unpublished thesis, University Of Nairobi (1999)

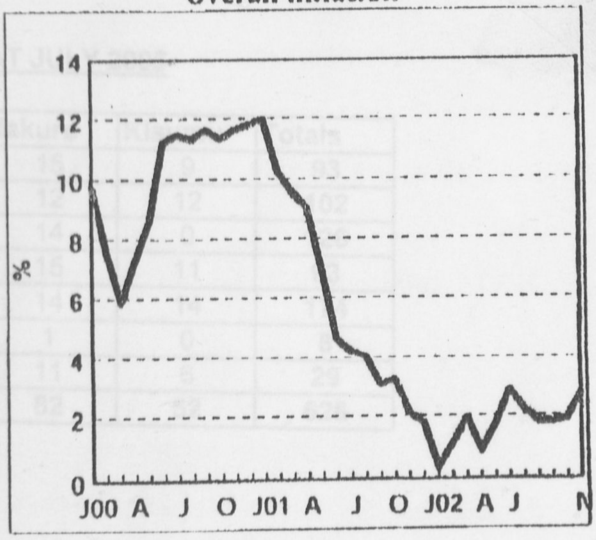
Wanjau, L.N: "An empirical investigation of the extent of usage of brand personality in brand positioning in the lubricants market", Unpublished thesis, University Of Nairobi (2001)

SELECTED PERFORMANCE INDICATORS

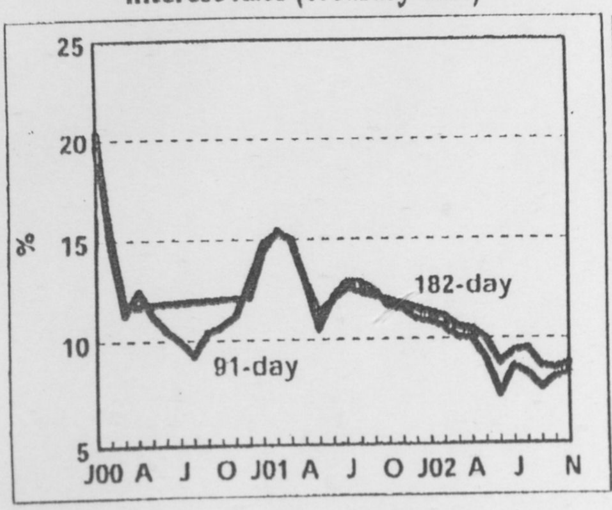
Real GDP Growth



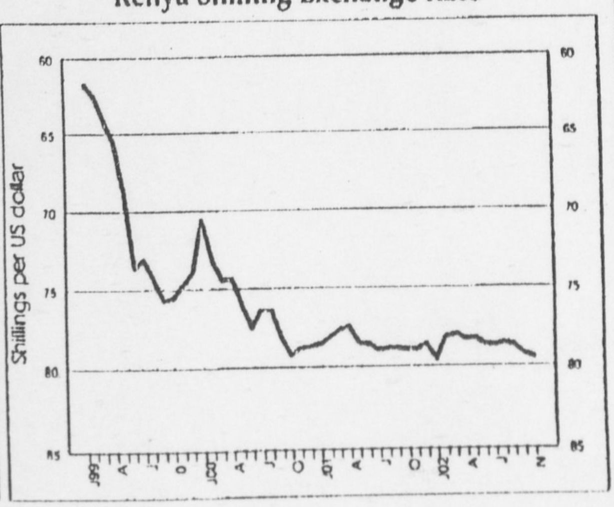
Overall Inflation



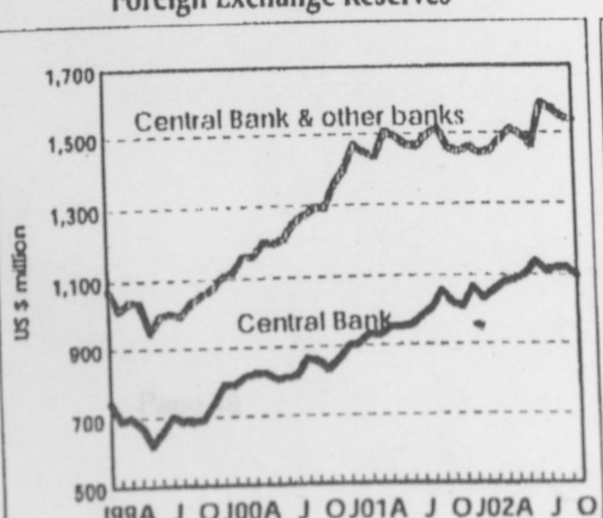
Interest Rate (Treasury Bills)



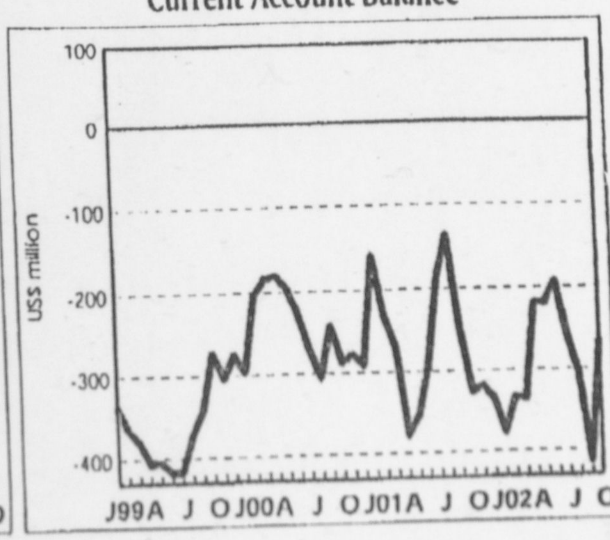
Kenya Shilling Exchange Rate



Foreign Exchange Reserves



Current Account Balance



Source: Central Bank of Kenya

48

APPENDIX (ii)

PETROLEUM RETAIL SITES IN KENYA AS AT JULY 2005

Company	Nairobi	Mombasa	Mt Kenya	Eldoret	Nakuru	Kisumu	Totals
Caltex	32	13	14	10	15	9	**93**
Total	38	17	11	12	12	12	**102**
Shell/BP	70	21	21	0	14	0	**126**
Mobil	26	10	20	11	15	11	**93**
Kenol	80	18	31	17	14	14	**174**
Engen	6	1	0		1	0	**8**
Nock	3	0	0	9	11	6	**29**
TOTALS	**255**	**80**	**97**	**59**	**82**	**52**	**625**

APPENDIX (iii)

DEFINITION GUIDE

(Please use the following definitions to answer the following questionnaire)

1. Service Station is used interchangeably with Petrol station and is used to define retail/re-fuelling outlets
2. Brand Name of the station refers to the mother company e.g. Caltex, Mobil, NOCK, Shell, Total, Kobil, PETRO, SOMKEN etc.
3. Dealer refers to the individual running the Service/Petrol station
4. Forecourt defines the service station area where the pumps are located
5. Major Oil companies refers to Oil companies of a market share size higher than 10 % e.g. Caltex, Kobil, Mobil, Shell, Total

APPENDIX (iv)

QUESTIONNAIRE

(Your assistance is answering the following questions will be highly appreciated)

PART A

1. Please indicate the extent to which these statements are important in your choice of Petrol/Service Station when re-fuelling your car.

	Very important 5	**Importan t 4**	**Neutral 3**	**Not important 2**	**Not at all important 1**
1. Availability of all types of fuel at a petrol station	[ ]	[ ]	[ ]	[ ]	[ ]
2. Brand name carried by the petrol station e.g. is it one of the major oil companies.	[ ]	[ ]	[ ]	[ ]	[ ]
2. Lowest posted price of fuel	[ ]	[ ]	[ ]	[ ]	[ ]
3. Service station has frequent promotions/offers	[ ]	[ ]	[ ]	[ ]	[ ]
4. Relationship with the petrol station Dealer (refer definition guide)	[ ]	[ ]	[ ]	[ ]	[ ]
5. Product quality guarantee/assurance	[ ]	[ ]	[ ]	[ ]	[ ]
6. The Petrol Station offers other facilities such as restaurant, convenience shop, Automated teller machines, tyre centre and car maintenance	[ ]	[ ]	[ ]	[ ]	[ ]
7. Service station employee knowledge about products and general car maintenance requirements	[ ]	[ ]	[ ]	[ ]	[ ]
8. Forecourt attendants are neat and appealing	[ ]	[ ]	[ ]	[ ]	[ ]
9. Willingness of the employees to voluntarily offer under the bonnet and tyre pressure checks, windscreen cleaning etc.	[ ]	[ ]	[ ]	[ ]	[ ]
10. Individualized attention to customers e.g.	[ ]	[ ]	[ ]	[ ]	[ ]

customer known by name

11. Speedy all round service from refueling to payment processing

	Very important 5	Important 4	Neutral 3	Not important 2	Not at all important 1
16. Clean restroom/toilets	[ ]	[ ]	[ ]	[ ]	[ ]
17. The Petrol Station is located near where I work or live	[ ]	[ ]	[ ]	[ ]	[ ]
18. The Petrol station is located in a secure area with adequate lighting	[ ]	[ ]	[ ]	[ ]	[ ]

	Very important 5	Important 4	Neutral 3	Not important 2	Not at all important 1
19. Advertising and the brand's level of Corporate Social responsibility e.g. community and charity support		[ ]	[ ]	[ ]	[ ]
20. Past experience with the Brand	[ ]	[ ]	[ ]	[ ]	[ ]
21. Ability to pay using any acceptable credit card	[ ]	[ ]	[ ]	[ ]	[ ]
22. Existence of a loyalty program for frequent buyers e.g. accumulating points for later rewards	[ ]	[ ]	[ ]	[ ]	[ ]

	Very important 5	Important 4	Neutral 3	Not important 2	Not at all important 1
23. Other associations with the Brand e.g. relationship with employees of the Oil company, business partnerships, share ownership	[ ]	[ ]	[ ]	[ ]	[ ]

2. What are the most important factors in your choice of a Petrol station? Please rank all the factors below starting from No 1 for the most important

i. Availability of all fuel types [ ]
ii. Speedy and efficient service [ ]
iii. Cleanliness of the station
Including restroom facilities [ ]
iv. Existence of a Loyalty program for frequent buyers [ ]
v. Ability to use a credit card [ ]
vi. Attendants general knowledge of appropriate products [ ]
vii. Service station brand name [ ]
viii. Relationship with the service station dealer [ ]
ix. Heritage of the Brand i.e. Local vs. Multinational [ ]
x. Advertising and Level of Corporate Social Responsibility [ ]
xi. Product quality guarantee
xii. Price of fuel [ ]
xiii. Employees' appearance [ ]
xiv. Location of the station [ ]
xv. Availability of other facilities e.g restaurant, ATM etc. [ ]
xvi. Others (specify) ... ...

PART B

1. What is your name? (Optional)...
....
2. Where do you live (Estate) ....
3. Please tick your occupation below as appropriate.

(a) Formal employment

Public

Government [ ]

Parastatal [ ]

Private

Company [ ]

NGO [ ]

(b) Self-employed

Formal business person [ ]

Professional/Consultant [ ]

Informal business person [ ]

Any other specify ______________________

4. Please tick the age bracket in which you fall.

(i).18-29 years [ ]

(ii).30 - 39 years [ ]

(iii).40 - 49 years [ ]

(iv).50 years and above [ ]

5. What is your gender (tick)

Male [ ] Female [ ]

6. What is your education level?

(i). Primary [ ]

(ii). Secondary [ ]

(iii). College [ ]

(iv). University [ ]

7. Please indicate your marital status

(i) Single [ ]

(ii) Married [ ]

8. Please tick the bracket under which you fall according to the amount spent on fuel per month (KShs).

Below 2000 [ ]

2000-5000 [ ]

5000-10000 [ ]

10000-15000 [ ]

Above 15000 [ ]

THANK YOU FOR YOUR CO-OPERATION.

APPENDIX(v)

FACTOR SPECIFICATION

Factors tested
1.Availability of all types of fuel at petrol station
2.Brand name carried by the petrol station e.g. is it one of the major oil companies
3.Lowest posted price of fuel
4.Service station has frequent promotions/offers
5.Relationship with the petrol station dealer (refer definition guide)
6.Product quality guarantee/assurance
7.The petrol station offers other facilities such as restaurant, convenience shop, automated teller machines, tyre centre and car maintenance
8.Service station employee knowledge about products and general car maintenance requirements
9.Forecourt attendants are neat and appealing
10.Willingness of the employees to voluntarily offer under the bonnet and tyre pressure checks, windscreen cleaning etc.
11.Individualized attention to customers e.g. customer known by name
12.Speedy all round service from fueling to payment processing
13.Clean restroom/toilets
14.The petrol station is located near work/home
15.The petrol station is located in a secure area with adequate lighting
16.Advertising and the brand's level of corporate social responsibility e.g. community and charity support
17.Past experience with the brand
18.Ability to pay using any acceptable credit card
19.Existence of a loyalty program for frequent buyers e.g. accumulating points for later rewards
20.Other associations with the brand e.g. relationship with employees of the oil company, business partnership, share ownership