PRODUCT DIFFERENTIATION, CUSTOMER LOYALTY AND MARKET SHARE IN THE OIL MARKETING INDUSTRY IN KENYA

BY

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DECLARATION

This research project is my original work and has not been presented for examination in any other University.

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DEDICATION

This project is dedicated to my late father, Samson Aballa and to my mother, Beatrice Aballa. I treasure you for the gift of life and countless sacrifices made not only towards my education but also towards my success in life.

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ABBREVIATIONS AND ACCRONYMS

AGO:	Automotive Gas Oil
ATM:	Automatic Teller Machine
BP:	British Petroleum
CBD:	Central Business District
CLBM:	Customer Loyalty Business Model
ERC:	Energy Regulatory Commission
IK:	Illuminating Kerosene
KPC:	Kenya Pipeline Company
KPRL:	Kenya Petroleum Refinery Limited
LPG:	Liquid Purified Gas
LSD:	Low Sulphur Diesel
NTSA:	National Transport and Safety Authority
OMC:	Oil Marketing Company
OTS:	Open Tender System
PCC:	Pearson Correlation Coefficient
PIEA:	Petroleum Institute of East Africa
PMS:	Premium Motor Spirit
SPSS:	Statistical Package for Social Scientists
TQM:	Total Quality Management

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ABSTRACT

This study sought to establish the extent to which adoption of product differentiation strategies affect customer loyalty and market share of the oil marketing firms in Kenya. The study utilised a descriptive cross-sectional survey design and the target population comprised of thirty five (35) OMCs in Kenya registered by the Energy Regulatory Commission as at 2017. Primary data was collected using semi-structured questionnaires that were administered to the respondents. Four hundred and eighty three (483) motorists out of the targeted 500 responded translating to a high response rate. Secondary data was retrieved from the statistics of market share of the OMCs between 2015 and 2017. Secondary data was also obtained from the company websites of the OMCs regarding the level of product differentiation adoption rates. Descriptive statistics was used in analysing the data and the results were presented in tables and charts. The study found that the adoption rate of differentiation strategies was very low with only a small percentage of OMCs having a high adoption rate. The most applied strategy was quality while the least applied by the firms was pricing. Product differentiation was found out to have a strong positive correlation to customer loyalty and market share, with customer loyalty showing a greater correlation to market share than product differentiation. The findings also indicated that customer satisfaction has a very strong positive correlation to customer loyalty as customer satisfaction explained a very big percentage of customer loyalty. Pricing and purchase experience strategies had negative correlation to satisfaction while unique hidden features showed the greatest potential of all the differentiation strategies. This is because the OMCs that adopted the strategy also achieved the highest satisfaction score among the respondents, with Total Kenya Limited achieving the highest score. It is therefore recommended that firms should seek to continually differentiate their products from those of competition. This is due to the fact that a new strategy is soon copied by competitors, hence becoming a norm. OMCs are further advised to diversify its operations to include other services which are customer oriented to boost customer experience. The firms are also advised to invest heavily on advertising to sensitize the public, hence improving competitiveness, customer loyalty, market penetration and ultimately profitability. Future studies could aim at determining the effect of other differentiation strategies on market share in other industries.

CHAPTER ONE

INTRODUCTION

1.1 Background of the study

Differentiation of products is a strategic marketing technique practised all over the world. It involves distinguishing a product or service from others, hence increasing its attractiveness to a particular target group. Porter (1980) reaffirms that a firm can only compete either through charging a low price or by differentiating its products and services from those of its rivals. The main objective of most business firms has always focussed on increasing profitability. For this objective to be realized, especially in a homogeneous business environment, customer loyalty is very crucial for a firm to increase its market share. To gain competitive advantage, understanding the performance of an organisation is vital (Porter, 1980; Barney, 1991). Product differentiation, which is the process involving distinguishing of a product or service from competition, is one such strategy that a company can adopt to leverage the firm's activities towards meeting its objectives.

This research study has been anchored on two main theories and a business model i.e. discrete choice theory of product differentiation, the theory of competition and customer loyalty business models, especially the service quality model. The discrete choice theory is derived from the differentiation theory and asserts that for available products within the same industry, customers may have different preferences. According to the theory, companies that want to maintain a good competitive advantage should capitalise on its strengths and minimise weaknesses (Awino, et al., 2011). They should also increase customer loyalty by ensuring their corporate objectives are in line with the needs of their customers and stakeholders. The quality of service and product model by Storbacka, et al. (1994) covers this in detail. The model asserts that customer loyalty is brought about by customer satisfaction. Customer loyalty in turn brings about increased profitability. The model asserts that a customer's recent experience regarding a product or service determines the customer's satisfaction towards the product. This depending on the customer's perceived expectations of the product quality as compared to the actual performance obtained from the product after usage. The model concludes that customer satisfaction is likely to be high when a customer's recent experience surpasses prior expectations of the product. Smith (1776), supports the theory of competition by asserting that competition is the scramble to secure the business of a third party by two or more firms acting independently while selling similar products at the most favourable terms. By branding or altering the quality of their products, companies sell products that are not perfect substitutes for their star products. They are only close substitutes (Storbacka, et al., 1994). According to the theory, competition can be subdivided into perfect and imperfect competition. In imperfect competition, a firm ignores the impact its own prices has on the prices of its rivals because it takes the prices charged by its competitors as given. This is unlikely in perfect competition where the firm maintains spare capacity (Chamberlin, 1933). The theory notes that the main characteristics of monopolistic competition include the following; Many consumers and producers exist hence no business is big enough to have price control in the market, Consumers perceive that there is no difference in prices between competitive products, Businesses have fewer entry and exit barriers of markets, and Producers of products influence price. The above theories are appropriate to this research because they relate a firm's differentiation strategies to customer loyalty and market share.

Market share is the portion of a market that is controlled by particular company or product, hence can be used as a measure of a company's performance. According to Muthiani (2008), the oil marketing companies with the largest market share in Kenya include Vivo Energy(Shell), Total Kenya Limited, KenolKobil, National Oil Corporation and Oil Libya. The Kenyan oil marketing industry is one of the most lucrative, vibrant and fast growing industries in the country, and it contributed an estimated 2.8% to GDP in 2016, with the net domestic sales of petroleum products increasing by 6.5% (KPRL, 2017). The industry has had an upsurge of new entrants due to the discovery of oil petroleum deposits in the country. Oil sales and taxes are expected to earn Kenya Sh66Billion annually with the new discovery and the annual revenue could rise even higher to 360Billion in the next few years due to expected global barrel price increase occasioned by depleting oil reservoirs around the globe (ERC, 2017). The main product, oil petroleum is highly homogenous hence the need to find out whether differentiation is good for business as it normally involves additional costs on the product.

1.1.1 Product Differentiation

The process of adding a range of meaningful and valued differences to a product with the aim of distinguishing what a company offers as compared to its competitors is known as product differentiation (Kotler, 2003). Product differentiation is a strategic process that creates a sense of uniqueness and value in products. (Chamberlin, 1933). As such, companies with differentiated products have a monopoly over markets. They also have the power to control price. However, when products are somewhat similar and consumers are in plenty, the competitive space in the market becomes perfect. This results in a high crossed elasticity of competing companies.

Product differentiation is perfect for creating entry barriers in a market. As companies produce differentiated and unique products for their customers, it moves competition to non-price factors. Cole (2008) states that potential strategies for a product or service that can be adopted by companies include; product features and benefits, operating procedures, brand name recognition, price, guarantees and warrantees, value-added products/services, location and availability, goodwill, and customer incentive programs. In a monopolistic business environment such as the ICT sector, the Medical field, the Oil Marketing industry, the Hotel and Hospitality sector and other service sectors, most of the strategies stated above are already standardised, hence unique and constant differentiation becomes critical if a firm intends to gain competitive advantage against rivals (Storbacka, et al., 1994).

1.1.2 Customer Loyalty

Customer loyalty is the extent to which a customer is devoted to a company's products or services and how strong they tend to select one brand over the competition (Kotler, 2008). This lack of perceived alternatives in a monopoly forces customers to be loyal. Customer loyalty reflects that approach and or commitment of customers to a brand (Dick & Basu, 1994). It also reflects the probability of customers to maintain their relationship or attachment with specific brands (Hayes & Wilson, 1995; Aeker, 1991). To increase their market share, therefore, companies should increase the percentage of customers loyal to their brands (Kotler 2008). According to Beerli et al. (2004), companies can also define loyalty based on inertia. In this model, customers buy products they are accustomed to using (passive loyalty). Unfortunately, when conditions allow, customers with passive loyalty can easily switch to a competitor's brand, even if it provides less positive results (Neringa & Vilte, 2009).

Customer expectations are constantly evolving and organizations are realizing that they are now required to go beyond the primary role of satisfying customer needs by exceeding the customer expectations (Kandampully, 1997). Market liberalization has led to the entry of many players in the market thus increasing the consumer choice and preferences for products being offered. This has made consumers more aware and sceptical on alternative products that have no clear value over its rivals and as a result, organizations have to shift their focus from purely satisfying customer needs to creating loyalty and trust that is long term through mutually beneficial products and services in order to prevent consumers from switching to competitors (Galbreath, 2002).

1.1.3 Market Share

The market share of a company is the percentage of its total sales over a specified time. Companies use this metric to gauge their influence in the market in relation to their competitors. Market share is also good indicator of the relative competitiveness of a company in a market (Wind & Mahajan, 1981). Generally, an increase in market share enables companies to scale up their operations to improve their profitability. Motor vehicles form one of the main consumers of fuel, and according to NTSA (2016), the number of motor vehicles registered in Kenya has increased from 750,000 in the year 2005 to over 2,000,000 in the year 2015. The number of persons holding a valid driving licence is 5 Million as at 2017. The OMC's share this market unequally with majority of share belonging to 5 OMC's (Muthiani 2008)

Market share can be calculated either for a company as a whole or for particular product lines within the company. Richard et al. (2009) states that organizational performance can be derived using three specific options: Financial performance, Shareholder metrics and Market performance. Market share is aggregated by taking the company's sales over the period and dividing it by the total sales of the industry over the same time period. Large market share for a company means better public visibility.

1.1.4 Oil Marketing Industry in Kenya

According to ERC service charter (2007), Oil marketing in Kenya began during the colonial times in 1903. Initially, kerosene was the main import. It was available in tins. Gasoline also came in drums and tins until the Royal Dutch Shell Company established the first depot in Shimanzi on Mombasa Island. As per ERC (2017), 87 companies are currently registered to engage in oil marketing business in Kenya. The petroleum industry in Kenya has five key regulators: the ministry of energy, the ERC, the Kenya pipeline corporation, KPRL, and the oil marketing companies.

The oil sector in Kenya according to ERC (2007) was liberalised in 1994, and it has grown in terms of quality of products and level of service. Enacted in 2006, the Energy Act No. 12 of 2006 transformed the Electricity Regulatory Board (ERB) into the Energy Regulatory Commission (ERC). This commission regulates energy sectors including electricity and petroleum. It also oversees the exportation, importation, storage, and refining of oil. The KPC is a government body that deals with safe, reliable, affordable, and efficient transportation of petroleum product through its pipeline from the port of Mombasa to the main lands (ERC 2017). KPRL is a company that deals with refining crude oil after importation through OTS.

1.2 Research Problem

Companies, especially those operating in an imperfect competition business environment strive to achieve competitive advantage by adopting different strategies. Product differentiation has been perceived to increase customer loyalty which in turn increases a company's market share. Managers of both existing firms and new entrants in the market are however unsure how true this perception is, and to what extent product differentiation actually gives the company a competitive edge while yielding great return on investments, since product differentiation involves additional costs of modifying the original product (Davcik and Sharma, 2015). Some policy makers in companies are worried that product differentiation could be over rated with no significant improvement on profitability yet increasing on operational costs. Since product differentiation involves additional resource allocation, this is a very important decision for management, and if not carefully implemented could have far reaching business consequences, especially where multinational companies are involved.

New entrants into the business environment are most of the time clueless on ways of implementing differentiation strategies that will help improve on profitability and hasten market penetration (Disiru, Iyiola & Ibidunni, 2013).

The Kenyan oil marketing industry operates in an imperfect monopolistic business environment where fuel price is determined on a monthly basis by ERC, and over 80 OMC's participating in the OTS for supply of fuel. The recent discovery of oil reservoirs in the country is expected to increase the vibrancy of the industry with an upsurge of both local and international investors expected. Due to the large number of players in the industry and price regulations, most of the companies seek to find other cost effective means of increasing market share (Singh, Ehrenberg & Goodhardt, 2007). The study will help in understanding how differentiation strategies adopted by different oil marketing companies reflect on the customer experience and how this in turn relates to market share, bearing in mind that the core product is difficult to differentiate.

While product differentiation has been viewed to affect customer satisfaction and customer loyalty, the extent to which this is the case in the Kenyan oil market is widely unknown. Customer Loyalty has been perceived to affect positively both market share and general profitability of firms operating in competitive markets (Singh, et. al, 2007). What is largely unknown is whether adopting strategies on product differentiation of fuel by OMC's has any economic gain since customers usually purchase more than just fuel when visiting a fuel retail station (Netz & Taylor, 2002) and customer satisfaction appears to be driving the industry. It is also unknown whether there exists any relationship between customer loyalty and profitability of firms operating in the Kenyan Oil Market, since the extent of use of product differentiation is largely unknown. Muthiani (2008), states that price is the most adopted strategy in the Kenyan oil marketing industry. She however fails to illustrate in her study how strategies adopted by OMC's relate to customer loyalty and market share. Furthermore, her study has a gap of time lapse due to enactment of the ERC Act 2007 on price regulation that caused a shift in the market dynamics and need for other competition strategies. Tanui (2007) also fails to identify the impact of the customer loyalty programmes on profitability in his research work.

This research project would fill these gaps by finding out if it is true that product differentiation leads to customer loyalty and if customer loyalty yields economic returns in the Kenyan Oil Market, since other scholars have discredited product differentiation as a means of gaining competitive advantage. Market share was used as a measure of economic returns or profitability since Farshid & Amir (2012), state that business performance and economic profit of a firm can easily be summarized in market share.

This study therefore sought to answer the research question which stated; is there any relationship between product differentiation, customer loyalty and market share in the oil marketing industry of Kenya?

1.3 Research Objective

The main objective of this study was to determine the relationship between product differentiation, customer loyalty and market share in the oil marketing industry of Kenya.

1.4 Value of the Study

This study would contribute to theory knowledge and future research by finding out how true and applicable the discrete choice theory of product differentiation, the competition theory and the CLBM Model are in the Kenya oil marketing industry.

The study could contribute to policy by enabling management's decision and policy makers, new investors and the various government agencies to forecast and make wise, well informed business decisions regarding competitive advantage and market penetration. Such decisions are critical to the existence and survival of a company in the business environment.

The study would contribute to strategic management practice by either supporting or opposing the use of product differentiation as a strategic process of achieving organisational goals such as improving profitability and customer retention, since product differentiation strategies may involve additional costs to the company.

CHAPTER TWO

LITERATURE REVIEW

2.1 Introduction

Although scholars have differed in support of product differentiation as one of the most effective ways of gaining competitive strength against a firm's competitors, its advantages in a market place where prices are regulated is yet to be established, as most firms are unwilling to spend on extra costs whose returns are not rest assured. The has made many firms engaging in oil marketing in Kenya to rely on other strategies that ensure efficiency at all functional areas of the firm, without incurring on extra cost to increase their market share. This chapter examines literature on theoretical foundation of the study which entails review of the influence of product differentiation on customer loyalty and subsequently on market share of a firm engaging especially on a homogenous product.

2.2 Theoretical Foundation of the study

Various theories on product differentiation as a strategy exist in literature of strategic management. This study focuses mainly on two theories and a strategic management business model which are; Discrete Choice Theory of Product Differentiation, Customer Loyalty Business Model (CLBM) and The Competition Theory.

2.2.1 The Discrete Choice Theory of Product Differentiation

The theory was advanced by Anderson, Palma & Thisse (1992). They state that product differentiation, which can be achieved through quality, packaging, colour, design, functionality and style, impacts on consumer's choice. They continue to state that product differentiation having not largely been explored provides a good data source. This is due to the fact that there has been no generally accepted way of modelling the information available. Anderson et al. observe that in order to understand how modern market economies operate, it is very important to understanding the dynamics of product differentiation. They continue to note that discrete choice models of consumer behaviour offers the best analysis for differentiated markets since the discrete choice approach ensures a good avenue for elaborately showing the demand for differentiated products.

When a product or service matches its superior performance with a certain important benefit to the customer, product differentiation occurs (Kotler, 2008). Kotler continues to note that the benefit to the customer can either be tangible or intangible, and should be something that the market needs or values. The customer's perceived benefit will yield customer loyalty to the differentiated brand. According to Anderson et al. (1992), the competitive nature of firms depends on how they manipulate their organizational strengths and weaknesses. Porter (1980) identifies some of the strategies adopted by firms to include product differentiation. A firm can become pleasant to customers with similar needs through brand loyalty, thus limiting the rate of product substitutability between rival firms (Makadok, 2010). Product differentiation exists and thrives because of consumer taste for variety (Beath & Katsoulacos, 1991). Besides pricing, product differentiation can be achieved through image building, distinctive products, high quality, superior products and services, aftersales services, unique packaging and design, product availability, product reliability, and convenience in payment. Pricing is an important element in product differentiation as it determines the level and complexity of differentiation that can be done on the product (Yaprak, 2001).

The discrete choice theory of product differentiation is relevant to the proposed study as it focuses on differentiation strategies and customer loyalty. Anderson et al. notes that a valuable understanding of the existing and often highly technical analysis of both differentiated markets and discrete choice models can be achieved through this theory, which also extends the analysis to develop a meaningful theoretical basis for research in imperfect competition markets. The main emphasis of the theory is in differentiation strategies, competitive advantage, uniqueness, superior performance and positioning, all of which contribute to market share (Anderson et al., 1992).

Limitation of the theory is choice capacity limitation, where an individual is unable to get an appropriate alternative in a given weighted choice sets, hence this can influence the individuals choice process, as the choice capacity of an individual is not observable.

2.2.2 The Theory of Competition

Competition is the contest among sellers of a similar commodity who try to attain same goals such as; increasing profits, sales volume and market share by altering the elements of the marketing mix which include; price, product, place, and promotion (Smith, 1776). Smith asserts that it is an exercise by firms of assigning productive resources to the most highly regarded uses and stimulating efficiency. Porter (1980) identifies five forces that influence a company's competitive strength as follows; Existing competition among suppliers, Threat of new entrants to the market, Buyers bargain power, Suppliers purchasing power and Threat of substitute products (including technology change). Competition in the business environment can be subdivided into two main types i.e. perfect competition and imperfect competition.

Perfect competition was first described by Smith (1776), as a type of market that consists of numerous numbers of firms selling similar commodities with no firm big enough in relation to the entire industry so as to be able to influence selling price of the commodities in the market. Later on, the concept was improved by Knight (1921). According to Knight, the main conditions or components of perfect competition include: Large numbers of firms with no individual firm large enough to control market prices as the prices are dictated by supply and demand, Many buyers or consumers of the product, Homogeneous and Identical products are produced by the companies in the industry hence buyers have no preferences, No entry and exit barriers into the market, Complete information and perfect knowledge of market environment by both buyers and sellers, Profit maximization is the sole objective of the rival firms, and No government intervention.

Imperfect competition according to Smith (1776) is the type of market structure that shows some but not all the features of a competitive market. He classifies imperfect competition as including the following: Oligopoly, Monopoly, Monopsony, Oligopsony, Duopoly, and Monopolistic competition: where many sellers who produce highly differentiated products exist. The differentiated products differ slightly but serve similar purpose.

Limitation of this theory is the over emphasis on price as a major factor affecting completion. Competition in the modern world is controlled by factors other than price.

2.2.3 The Customer Loyalty Business Model

The use of customer loyalty business model is common in strategic management. In this model, companies use their resources to improve the loyalty of customers. They also use their resources to improve the loyalty of stakeholders and therefore, increase their firm's chances of meeting their objectives. The CLBM model by Storbacka, Grönroos & Strandvik (1994) provides more details than the basic loyalty model. However, they present similar conclusions. Customer satisfaction highly depends on the customer's experience while using products and services. If their current experience exceeds the expectation, the probability of retaining a customer is high.
Even with poorly performing products, customer satisfaction might still be high if the customers had low expectation of the product. The model looks at the impact of business relationships on customer satisfaction. It notes that the strength of a business depends on the level of satisfaction customers based on their recent experience.

The model then links customer loyalty to relationship strength. Customer loyalty can be affected by three elements: strength of the relationship, critical episodes and perceived available alternatives (Storbacka et al., 1994). The relationship can easily be terminated if; Better and more suitable alternative providers come into the market, The customer relocates or shifts from the company's location of service, The company handles a critical episode poorly, The customer no longer needs the company's products or services, The relationship strength between company and customer weakens, Unexplainable and unexpected price change of product or service being provided. The last step in the model entails the link between profitability and customer loyalty. All customer loyalty models have the basic assumption that retaining current customers is less costly than getting new ones. Reichheld & Sasser (1990), state that depending on the industry, an increase in customer retention by 5% causes an increase of between 25% to 85% profitability for a firm i.e. in terms of net present value.

Buchanan & Gilles (1990), state that the increase in profitability which is related to customer retention efforts usually come about because of the following reasons; Acquisition cost is only incurred at the start of a relationship hence a lengthy relationship lowers amortized cost. Cost of account maintenance declines as a percentage of the total costs. Long term customers are more likely to buy new products and highly priced supplementary products. The long term customer is less likely of switching to competitor brands and they also tend to be less price sensitive. A long term customer is likely to engage in word of mouth promotions to the public and referrals for free. The long term customers normally tends to be happier about the on-going relationship with the firm, hence they are less likely of switching to competitors. This creates difficulty in both entering the market and gaining competition's market share.

A long term customer is less costly to maintain in case of a complaint since they are more familiar with the processes involved. The customer thus requires less "education" on new changes and is always consistent in their ordering pattern. An increase in customer retention and loyalty therefore eases the employee's work and makes it more enjoyable. In turn, a happy employee will result in greater customer fulfilment in a virtuous circle. For the last step to suffice, the relationship has to be beneficial. Aiming to maintain loyalty of customers who are not profitable to the firm is an unviable and disastrous business model (Storbacka et al., 1994).

Limitation of the model is on the assumption that a firm has to use resources in order to get new customers. This is untrue to some extent as some of the differentiation strategies do not necessarily involve financial resources. Some of the strategies involve policy changes while some could even involve no financial requirement.

2.3 Product Differentiation, Customer Loyalty and Market Share

Several studies have been done in the area of product differentiation, customer loyalty and market share. Porter (2008) indicates that when new entrants come into a competitive market, they bring along with them new capacity. They also come with a desire to gain faster market penetration. Porter continues to acknowledge that this desire has an influence on cost, price and rate of investment needed in order to compete in the market. Barriers to entering the oil industry include; patents, economies of scale, large capital requirements, Government regulations, and Ownership of resources. Firms use product differentiation as a positioning strategy so as to distinguish their products from the competitor's products (Lamb et al., 2004).

A study of the oil industry's competitiveness using porter's five forces framework was done by Hokroh (2014). The aim was to analyse the industry's competitiveness in relation to new firms which are considering entry into the industry. He concluded that the oil industry is faced with much uncertainty. He agrees with (Menghini et al., 1997) that in order to forecast future trends of the industry, a new entrant has to analyse past trends and performance.

According to Porter (2008), the five competitive forces that influence the level of competition in any industry include; purchasing power of suppliers, new entrants threat, presence of substitute products, buyer's bargaining power, and rivalry among firms in the industry. Porter observes that how a firm relates to the industry and the industry's structure determines the success of the firm in the industry. Industry structure as outlined by the five competitive forces elevates competition and profitability. A company needs to understand the basic factors causing the five competitive factors if it intends to reveal the roots of an industry's current profitability and forecast future trends (Porter, 2008). It can therefore be concluded that investing in the oil industry is neutral to a negative proposition (Menghini et al., 1997).

The competitiveness of an industry should be assessed by any new firm considering to enter into the industry by using the five forces (Porter 2008). High degree of uncertainty in the oil industry makes the assessment even more difficult (Hofer et al. cited in Milliken 1987). Therefore, there is need of rethinking our approach towards strategic decision making by not only considering the internal but also the external uncertainty sources, as well as determining the kind of uncertainty being witnessed (Milliken 1987).

A study done by Muthiani (2008) on the product differentiation strategies adopted by Oil companies in Kenya ascertained that Kenyan oil companies have not fully exploited the strengths of product differentiation. In her study, she notes that Shell focuses on customer values as a means of embracing broad based product differentiation. Independent petroleum dealers and National Oil Company target prices sensitive market segments e.g. the public transport sector as a means of differentiating their products. Total Kenya Limited differentiates its products through service delivery by (64%), Shell maximises on quality by (45%), Oilibya Kenya Limited differentiates it's product through use of Non-fuel offers by (54.5%), while the Independent oil marketers rely on price as a means of differentiation by (46%). Brand name or Image is a main form of differentiation utilized by all the major oil marketing companies as a base of their strong foundation. Muthiani asserts that many of these differentiation strategies offered by oil marketers whether through price or quality are unknown to the consumers.

A study carried out by Shafiwu and Mohammed (2013) on the effect of product differentiation on profitability in the petroleum industry of Ghana concluded that firms engage in product differentiate so as to avoid rivalry and price competition. Shafiwu and Mohammed assert that the location of the firm critically impacts on performance. The study was based on 30 oil firms in Ghana and notes that the petroleum industry of Ghana experiences a positive correlation between product differentiation and profitability. The researchers also found out that although the petroleum industry of Ghana has not differentiated products as much as other industries in the country, the consumers have not really patronized the differentiated products. This does not mean that adopting differentiation strategies is not profitable in the industry, since other factors could be responsible for the lack of differentiation (Shafiwu & Mohammed, 2013).

According to Lopo et al. (2013), there are certain situations where market share and customer satisfaction are linked. Increasing customer satisfaction results in an increase in profitability of a company, hence improving the firm's market share. Lopo et al. also note that a company can expect a 12% increase in profitability for every 1% increase in customer satisfaction. Hallowell (1996), in his study on the relationship between customer satisfaction, customer loyalty, and profitability found out that increasing customer satisfaction leads to a positive effect and can dramatically increase profitability. The study was conducted using data retrieved from a large bank's retail-banking operations.

In his study of customer satisfaction, customer loyalty and customer profitability at the individual level, Helgesen (2000), notes that profitability and customer satisfaction are supposed to be positively related. He asserts that since profitability and satisfaction are so self-evidently linked, this relationship is greatly taken for granted yet it should be called the paradigm of customer satisfaction. He notes that the fundamental relationship has not been well examined and only few studies have been done regarding the same. His study concludes that customer satisfaction beyond a certain level influences customer loyalty, but the effect is diminishing. Similarly, customer loyalty beyond a certain level influences customer profitability, but the effect is also diminishing.

A study by the American Quality Foundation (1992) cast doubt as to whether improving customer satisfaction and quality by the use of implementation approaches like TQM are truly achieving the desired results. During the study, several surveys discredited TQM and pointed out its failure in enhancing neither economic returns nor competitiveness. The study revealed that trying to improve on quality by firms is an exercise in futility, further indicating that customer satisfaction has zero competitive gains. Capon, Farley & Hoenig (1990) however identified 20 studies that found positive correlation between quality and economic returns.

Muthiani (2008), states in her study of product differentiation strategies adopted by oil companies in Kenya that most companies have differentiated their product based on price. This has however been surpassed by time, hence creating a time lapse gap since the prices are currently regulated by ERC and no longer offers a competitive advantage. Muthiani failed to co-relate product differentiation with neither customer loyalty nor profitability. This suggests that there is need of conducting a study that takes into account the current business environment, while showing how currently product differentiation influences customer loyalty and profitability.

Tanui (2007), in his research on customer loyalty programmes adopted by oil companies in Nairobi failed to indicate the correlation between the loyalty programmes and market share or profitability, leading to informational gap due to its incompleteness. Shafiwu & Mohammed (2013), did a similar study on the effect of product differentiation on profitability in the petroleum industry of Ghana, but also failed to consider the aspect of customer loyalty. The research also has having been done in Ghana which is different location from Kenya cannot implicitly be used to refer to Kenyan scenario due to differences in the socio-economic cultures of the two countries.

2.4 Summary of Literature Review and Research Gaps

Based on the literature, the studies that have been conducted on product differentiation as a strategy on customer loyalty and profitability include research by Hokroh (2014), Muthiani (2008), Shafiwu & Mohammed (2013), Hallowell (1996), Helgesen (2000) and American Quality Foundation (1992). The studies were done in different geographical regions i.e. Kenya, Ghana, and USA among other countries. The studies are not only limited to the oil marketing industry but other industries with homogenous products like banking industry were also considered. According to the literature, product differentiation has to reach a certain level for it to influence a customer’s loyalty, and customer loyalty must reach a certain level for it to influence profitability. If customer satisfaction is achieved, customer loyalty can dramatically influence profitability (Hallowell, 1996). It is also noted that product differentiation improves a firm’s market share or profitability, but only in the short run. The firm goes back to normal sales in the long run as described by Chamberlin (1933).

Theoretical literature explored on include discrete choice theory of product differentiation fronted by Anderson et al. (1992), which indicates that product differentiation has a great influence on consumer choice. Customer loyalty business model developed by Storbacka et al. (1994) was also looked at. The model concludes that customer satisfaction is dependent on the experience customers have with products and services. The model notes that when the customer expectation is exceeded by a product, the chances of customer loyalty become very high. Theory of competition fronted by Smith (1776) was also considered. It is noted that competition has two types i.e. perfect competition and imperfect competition.

The research gaps noted include time lapse as in the case of Muthiani (2008), geographical location difference as in the case of Shafiwu & Mohammed (2013). No previous research work or study could be traced that was centred on showing the relationship of the three variables i.e. product differentiation, customer loyalty and profitability in the Kenyan oil industry that has price regulation, hence leading to informational gap. The informational gap and time lapse gap in previous studies is what caused the need for this research work, which aimed at establishing if there was any relationship between the three variables in Kenya’s oil market.

CHAPTER THREE

RESEARCH METHODOLOGY

3.1 Introduction

This chapter outlines the methodologies which were adopted for this study. These include research design, the population of the study, sampling technique, data collection and analysis, and presentation techniques that were employed in the study.

3.2 Research Design

The study used a descriptive cross-sectional survey design. Descriptive cross-sectional survey is a research design in which the dependent and independent variables are measured at a specific point in time for a defined population (Cooper and Emory 1995). They also note that this survey design has great reliability, low on costs and convenient for a large population. Descriptive survey helped in establishing the level of product differentiation adoption rates for the OMC's.

According to Cooper and Emory (1995), surveys are appropriate for getting answers from many individuals at one point in time, hence making the research design convenient for the purposes of this research. The cross-sectional design was most suitable for analysing the oil market industry of Kenya since data was collected on the whole industry. Cross-sectional design is often used to prove or disapprove assumptions.

3.3 Population of Study

The population of study was all the registered OMC's in Kenya with a significant market share. According to PIEA, 0.1% was the least significant market share acknowledged in market share results ranking for OMC's over the last few years. Firms with market share lower than 0.1% are normally grouped together into one category as 'others'. The choice of this population of study was based on Chamberlin (1933) stating that significant market share exposes firms to threats of competition, thus forcing them to achieve a certain level of product differentiation. According to

ERC, the total number of registered OMC's as at July 2017 was eighty seven (87) companies. However as at 31st March 2017, PIEA data on market share results indicated that only Thirty five (35) firms attained a market share of 0.1% and above.

The 35 OMC's were thus recruited for the study so as to raise the level of significance of the results. The firms with less than 0.1% market share were very small in size and hence the data on their market shares remained unknown. According to Chamberlin (1933), companies with insignificant market shares have low influence on the market because of lack of absolute data on their market shares.

3.4 Sampling

Respondents for the study, who were to be surveyed regarding the OMC's were motorists. This was because they formed the main consumers of fuel product. A motorist was defined as a person driving a motor vehicle. According to NTSA (2016), the number of motor vehicles registered in Kenya was 2.2 million. This translated to the total number of motorists, assuming each motor vehicle per driver. The sample size for the motorists was five hundred (500). They were identified using a simple random sampling technique whereby every fifth motorists in a randomly selected parking spot in Nairobi's CBD was recruited into the study.

The sample size was determined using Slovin's formular (Galero-Tejero, 2011) as indicated below;

$\mathbf{n = N/(1 + Ne^2)}$ where; n = Minimum sample size,

N = Total Population

e = Error Margin

Therefore; $\mathbf{n = 2{,}200{,}000/(1 + 2{,}200{,}000 \times 0.05^2) = 400}$, proving that the sample size of 500 is statistically significant at 95% confidence level since 400 is the minimum.

According to Ellen (2018), Slovin's formular is most appropriate for determining sample size when the population size is too large to directly sample every member. Harri (2011) asserts that simple random sampling is free from bias and represents the entire population. Furthermore he notes that a sampling unit has no chance of being selected twice when simple random sampling technique is used as a means of data collection.

3.5 Data Collection

Primary data was collected through an introduction letter together with a questionnaire as shown on appendices I and II which were presented physically to the respondents who were motorists in the Nairobi CBD. A total of five hundred (500) questionnaires were administered to motorists in different parking lots. After giving those chosen adequate time to fill in the questionnaires, 483 usable responses were received, representing 96.60 per cent response rate. This could be compared to response rate from similar research carried out on differentiation such as by Muthiani (2008) on product differentiation strategies adopted by oil companies in Kenya received 69% response rate; a study by Heiko, Anders and Lars (2011) on the relationship between differentiation strategy and business performance of European based manufacturing firms received 21% response rate, while a research study by Kamau (2013) on the effects of differentiation strategy on sales performance in supermarkets within Nakuru received 100% response rate. The questionnaire was divided into three sections. Section A contained general information and preferences of the respondent. Section B contained questions investigating the value of product differentiation to the respondent. Section C targeted data aimed at eliciting the extent to which product differentiation affects customer loyalty. Given the nature of the study, all Kenyan citizens driving an automobile were eligible for this study.

Secondary data from the 35 selected OMC's official websites, ERC website and PIEA website was obtained as per appendix III. This data regards the differentiation strategies adopted by the firms and their market shares for the past three years. Every response was recorded against the set variables while quantitative data was analysed and cleaned through the use of SPSS version 21 application software. The data was analysed using descriptive statistics within the SPSS software, and results presented in tables, charts and graphs for easy understanding. The findings of the study are discussed and analysed in three parts namely; Profile of the firms studied, Profile of the customers studied, and the relationship between product differentiation, customer loyalty and market share in the Kenyan Oil Marketing Industry.

3.6 Data Analysis

To determine the relationship between product differentiation and profitability, an average of the OMC's market shares for the past three years was determined and correlated against score on level of differentiation. To test the relationship between product differentiation and customer loyalty, data was extracted from questionnaires and entered into an SPSS database. After cleaning, frequencies were calculated and visualised on tables and charts. The Pearson Correlation Coefficient, Mean and Standard deviation were used in analysing the relationships.

The Pearson correlation coefficient was most appropriate as it not only measures the strength of correlation between variables but also shows the direction of correlation (McDonald 2014).

The Multiple Linear Regression Model was be used to correlate product differentiation, customer loyalty and market share. The relationship was determined using the equation; $\mathbf{Y} = \frac{\mathbf{e(\beta o + \beta 1X1 + \beta 2X2)}}{\mathbf{1+e(\beta o + \beta 1X1 + \beta 2X2)}} = \frac{\mathbf{1}}{\mathbf{1+ e^{-(\beta o + \beta 1X1 + \beta 2X2)}}}$ hence; $\mathbf{Y = \beta o + \beta 1X1 + \beta 2X2 + e}$ where **Y** is Market Share, $\boldsymbol{\beta_0}$, $\boldsymbol{\beta_1}$, and $\boldsymbol{\beta_2}$ are coefficients to be estimated, $\mathbf{X_1}$ and $\mathbf{X_2}$ are the covariates i.e. Product differentiation and Customer Loyalty respectively, while **e** is the exponent function.

The choice of this model was due to the nature of the data to be used, as the model is best for describing the discrete choice theory of product differentiation (Greene 2001). All quantitative analyses will be done with a 95% level of confidence and a P value less than <+1 or -1> will be considered significant.

CHAPTER FOUR

DATA ANALYSIS, RESULTS AND INTERPRETATION

4.1 Introduction

The study sought to establish how the different product differentiation strategies adopted by oil marketing companies relates to the customer's loyalty and overall profitability of the companies; with profitability index being market share. This chapter explains and discusses the data as derived from the research instruments including customers surveyed and adoption rate of differentiation strategies by the Oil Marketing Companies

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This chapter covers the following sub sections; Profile of the firms studied: The sub section studied the general characteristics of OMC's market shares and differentiation strategies adopted. Profile of customers studied: The sub section studied customers in terms of product use, gender, customer satisfaction and customer loyalty. Product differentiation, Customer loyalty and Market share: The sub section sought to find out the relationships between and among the three variables by correlating them. The separately correlated variables in the sub section included; product differentiation and market share, customer loyalty and market share, product differentiation, customer satisfaction and customer loyalty, and product differentiation, customer loyalty and market share.

4.2 Profile of the Firms studied

This section presents findings in relation to characteristics of the OMC's in Kenya. These characteristics include; differentiation strategies adopted by the firms, adoption rates, and profitability of the firms with respect to market shares.

4.2.1 Kenyan Oil Marketing Industry

The Kenyan oil market comprises of (87) eighty seven OMC's as at July 2017 according to ERC 2017 as per appendix V. However, out of this entire population, (35) thirty five OMC's have a significant market share of at least 0.1% as per appendix IV. The secondary data on market share was retrieved from PIEA 2018 as presented on figure 4.1.

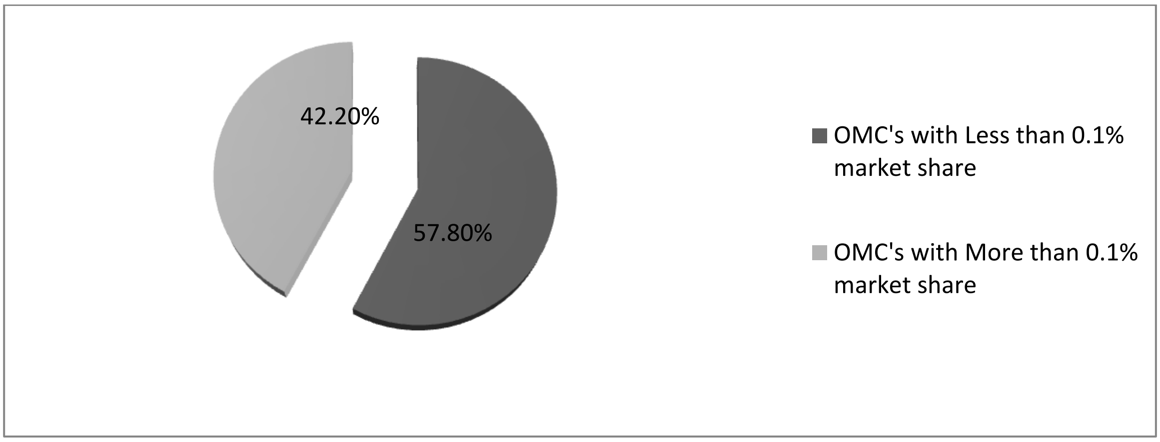

Figure 4. 1: Kenyan oil market

Source: PIEA and ERC 2018

OMC's with a significant market share of at least 0.1% were eligible for this study. The 35 OMC's that met the threshold represented 40.2% of the entire oil marketing industry while 57.80% have an insignificant market share of less than 0.1%.

4.2.2 Differentiation Strategies adopted by the firms

Differentiation strategies according to Anderson et. al (2008), is very important if a company is to achieve competitive advantage. The differentiation strategies adopted by OMC's in Kenya include pricing, quality, distribution, unique features and benefits, and purchase experience. Secondary data on adoption rates of the strategies by the OMC's was retrieved from the company websites as per appendix III and the findings are as presented in figure 4.2.

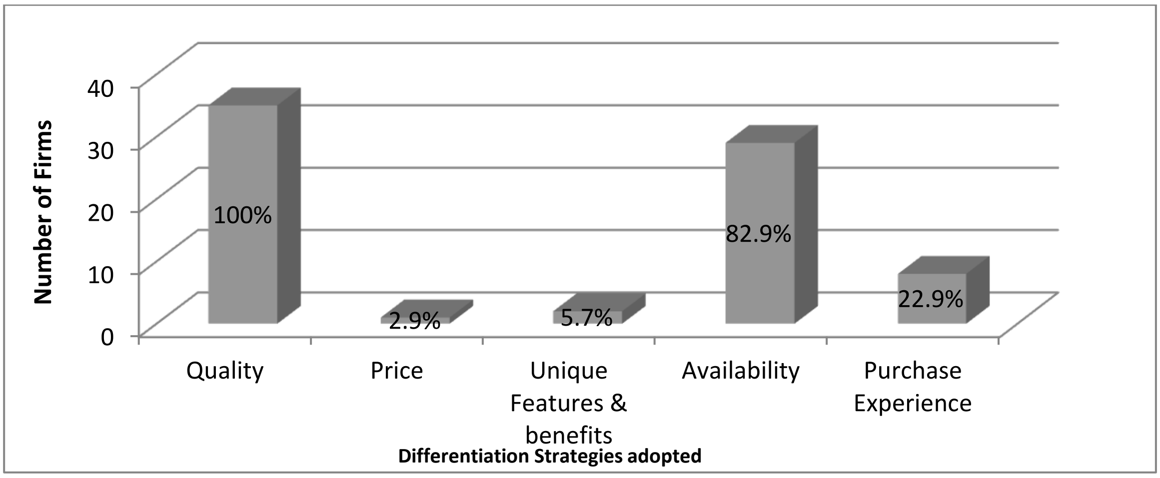

Figure 4. 2: Differentiation Strategies adopted by OMC's

Source: Secondary Data 2018

Only one OMC uses price as a strategy for differentiation since the prices are fixed by ERC. KenolKobil uses this strategy at 2.9%. All the OMC's emphasize on quality at 100% while only two OMC's have fuel with unique features and benefits at a rate of 5.7%. The firms include Total Kenya with Total Excellieum and Vivo Kenya with V-Power. Most of the OMC's emphasise on availability including export distribution at 82.9% while only a few engage in purchase experience by use of Fuel cards that give loyalty points to customers while acting as an alternative means of payment at 22.9%.

It was also found out in the research that out of the 35 firms, only 5 firms have a high rate of adoption. This represents 14.29% of the entire population. This clearly indicates that most firms have not fully taken advantage of the aspect of product differentiation in the oil marketing industry of Kenya. It is also noted that adoption of quality and distribution as differentiation strategies is more popular as opposed to unique product features and purchase experience. Price is the least popular choice of differentiation given the business environment in which the industry operates. It is hence noted that the general adoption rate for the industry is low.

4.3 Profile of the Customers studied

This section presents the findings in respect to the general characteristics of the respondents. The characteristics include; preferred OMC, years of product use, frequency of product use and customer preferences on differentiation.

The target respondents were Motorists in the Nairobi CBD and out of the target total of (500) five hundred questionnaires issued to both male and female motorists of different age groups, (483) four hundred and eighty three were returned. This represented a response rate of 96.60% which the study considered adequate. The customers were thus through primary data collected via questionnaires profiled according to product usage, gender, satisfaction and loyalty.

4.3.1 Product Use Profile

Product use indicates the frequency and period of product use. The purpose of studying this profile was to find out the pattern of product use. The primary data was collected through questionnaire and totals calculated in percentage as per Table 4.1.

Table 4. 1: Product Use by customers

Period of Use	Customers	% No.	Frequency of Purchase	Customers	% No.
1 - 5 Months	69	14%	**Weekly**	192	40%
6 - 12 Months	181	37%	**Monthly**	111	23%
2 - 3 Years	69	14%	**Daily**	180	37%
Over 4 Years	164	34%	**Never**	-	-
TOTAL	**483**	**100%**	**TOTAL**	**483**	**100%**

Source: Primary Data 2018

From the table, it is noted that 37% of motorists have used the product for a year while 40% of motorists purchase the product on a weekly basis, these indicating the highest period and frequency of use respectively. This indicates that majority of the respondents had good knowledge of the product

4.3.2 Gender Profile

Gender plays a big role when it comes to choice of product. The purpose of this profiling was to find out the gender attribute to consumption and promotion of products. Primary data retrieved from questionnaire was analysed and totals presented in percentage as per Table 4.2.

Table 4. 2: Customer analysis per Gender

			REPURCHASE		RECOMMEND	
Gender	**Customers**	**% No.**	**NO**	**YES**	**NO**	**YES**
MALE	340	70%	71	281	1	461
FEMALE	143	30%	9	122	0	21
TOTAL	**483**	**100%**	**80**	**403**	**1**	**482**

Source: Primary Data 2018

It was noted that there are more male motorists than female motorists. It was also noted that the ratio of those likely to repurchase the product as compared to those who would not repurchase was more in female than in male. The researcher also noted that both male and female customers are willing to recommend the product to potential consumers; hence gender played a significant role in repurchase and recommendation of the product.

4.3.3 Customer Satisfaction and Customer Loyalty Profile

Customer satisfaction is deemed to be a function of Customer Loyalty according to Storbacka et. al (1994). The purpose of correlating these two variables is to find out if this relationship is as per the CLBM model holds. Customers were through the questionnaire asked to select their preferred OMC. This was done with the aim of determining the customer's loyalty to a particular oil marketing company. The primary data from questionnaire was analysed by finding out the percentage of customers affiliated to a particular OMC. The respondents were also asked to select the level of satisfaction they achieved from each of the differentiation strategies. Ranking was done on each strategy ranging from 1 to 5, to represent "Not at all important” to “Extremely Important” respectively, and the findings are as presented in Table 4.3.

Table 4. 3: Customers preference of Oil Marketing Companies

OMC	CUSTOMERS	% OF LOYAL CUSTOMERS	SATISFACTION SCORE	% SATISFACTION
AFRIOIL	1	0.21%	3	0.16%
AINUSHAMSI	2	0.41%	6	0.33%
ASPAM	3	0.62%	7	0.38%
BAKRI	2	0.41%	5	0.27%
BANODA	2	0.41%	8	0.44%
CITY OIL	2	0.41%	6	0.33%
EAGOL	3	0.62%	10	0.55%
ENGEN	4	0.83%	14	0.77%
FINEJET	2	0.41%	4	0.22%
FOSSIL	3	0.62%	8	0.44%
GALANA	4	0.83%	12	0.66%
GAPCO	4	0.83%	16	0.88%
GULF	14	2.90%	48	2.64%
HASHI	7	1.45%	23	1.26%
HASS	11	2.28%	31	1.70%
KENOL KOBIL	98	20.29%	326	17.90%
MOGAS	3	0.62%	10	0.55%
NATIONAL OIL	25	5.18%	83	4.56%
OILIBYA	56	11.59%	196	10.76%
OLYMPIC	2	0.41%	7	0.38%
ONE PETROLEUM	4	0.83%	8	0.44%
ORYX	7	1.45%	19	1.04%
PETROCITY	2	0.41%	5	0.27%
RANWAY	1	0.21%	3	0.16%
RH DEVANI	2	0.41%	5	0.27%
RIVAPET	1	0.21%	3	0.16%
ROYAL	2	0.41%	5	0.27%
STABEX	2	0.41%	6	0.33%
TEXAS OIL	1	0.21%	4	0.22%
TOSHA ENERGY	15	3.11%	60	3.29%
TOTAL	95	19.67%	435	23.89%
TOWBA	1	0.21%	3	0.16%
TRISTAR	3	0.62%	11	0.60%
TROJAN	3	0.62%	12	0.66%
VIVO	96	19.88%	419	23.01%
Valid	**483**	**100.00%**	**1821**	**100.00%**

Source: Primary and Secondary Data 2018

The Findings on mean indicated that quality was most satisfying with a mean of 4.87, availability at 4.78, hidden benefits at 4.69, purchase experience at 4.03, and price was least satisfying with a mean of 3.34. The customers selected to be loyal to the 35 OMC’s in different proportions. The OMC’s that were most popular are KenolKobil 20.29%, Oilibya 11.59%, Total Kenya 19.67% and Vivo Energy 19.88%. All the other OMC's had a score of less than 10.0%. The highest satisfaction score was for Total Kenya at 23.89% followed by VIVO Energy at 23.01%.

Customers having been requested to give a rating on the level of satisfaction they received from the product, the satisfaction score was correlated against customer loyalty; which was the choice of OMC selected by the respondent. This is because customer satisfaction is deemed to be vital for customer loyalty to exist according to the CLBM model. The aim of correlating satisfaction and loyalty was to establish if there exists any relationship between the variables. The results are as per Table 4.4.

Table 4. 4: Customer Satisfaction and Customer Loyalty Coefficients

		CustomerLoyalty	Satisfaction
Pearson Correlation	CustomerLoyalty	1.000	.989
	Satisfaction	.989	1.000
Sig. (1-tailed)	CustomerLoyalty	.	.000
	Satisfaction	.000	.
N	CustomerLoyalty	35	35
	Satisfaction	35	35

Source: Primary Data, 2018

There was a very close positive relationship between customer satisfaction and customer loyalty with a PCC of 0.989 as per table 4.4.4.2. The R^2 was at 0.977, which indicates that customer satisfaction explains 97.7% of customer loyalty. The PCC of 0.989 which is very close to +1 indicates a strong positivity of the relationship.

4.4 Product differentiation, Customer Loyalty and Market Share

This section sought to identify the relationship between and among the three variables. According to Smith (1776), competition is achieved when a firm differentiates its products. The purpose of correlating these variables was to find out if there existed any significant relationship among the variables to improve organisational competitiveness in the market place. Secondary data on Product differentiation adoption rate was retrieved from the OMC websites. Primary data on customer loyalty was retrieved from the questionnaires while secondary data on market share was retrieved from PIEA records from the year 2015 to 2017. The purpose was to correlate the three variables to find out if there was any significant relationship between and among the variables through multiple linear regression analysis and Pearson correlation coefficient through use of SPSS.

4.4.1 Product Differentiation and Market Share

The purpose of this correlation was to find out if there is a direct relationship between the two variables. Secondary data retrieved from PIEA and the company websites found out through PCC that there is a strong correlation between product differentiation and market share at a level of 0.807.The PCC assumes a P Value of < +1 or -1 >. The result is close to +1, indicating a strong positive correlation.

The researcher found out from SPSS regression analysis that the level of P Value was 0.00 which is less than 0.05. The R^2 was 0.651 thus further proving that product differentiation explains 65.1% of market share, which is very significant. It was also noted that at 95% confidence level, the relationship between product differentiation and market share can be found using the equation; $\mathbf{Y = 2.230(X_1) - 6.806}$ where; **Y** is Market Share, $\mathbf{X_1}$ is Product Differentiation and **6.806** is the constant.

4.4.2 Customer Loyalty and Market Share

The purpose of this correlation was to find out if there is a direct relationship between the two variables. Primary data from questionnaires and Secondary data from PIEA revealed that customer loyalty and market share have a close correlation. The findings retrieved from SPSS using Pearson correlation coefficient indicated a value of 0.927, which is very close to +1. The level of significance was at 0.00, which is less than 0.05 hence indicating very close correlation. Further analysis using regression model indicated that the R^2 value was at 0.860, indicating that there is a close correlation. Customer loyalty explains 86% of market share. It was noted that at 95% confidence level, the relationship between customer loyalty and market share can be summarised using the equation; $\mathbf{Y = 0.971 + 0.129(X_2)}$ where; **Y** is Market Share, $\mathbf{X_2}$ is Customer Loyalty and **0.971** is the constant.

4.4.3 Product Differentiation, Customer Satisfaction and Customer Loyalty.

According to the CLBM model by Storbacka et. al (1994), it is stated that for customer loyalty to exist, the differentiation strategy has to offer some perceived level of satisfaction to the customer. The purpose of correlating these variables was to find out if there is a direct relationship between the variables, since satisfaction is a function of loyalty. According to the discrete choice theory of product differentiation by Anderson et. al (1992), customers choice is influenced by product differentiation.

Primary data was retrieved from questionnaire where the respondents were asked to rate the various product differentiation strategies base on satisfaction and importance derived from the differentiation strategies. The data was analysed using PCC to determine the various relationships between the strategies and satisfaction as presented in Table 4.5.

Table 4. 5: Significance of Product Differentiation on Customer satisfaction

		Satisfaction	Quality	Price	Purch.Exp	Availability	Benefits
Satisfaction	Pearson Correlation	1	**.011**	**-.040**	**-.042**	**.035**	**.033**
	Sig. (2-tailed)		.802	.375	.362	.446	.474
Quality	Pearson Correlation	**.011**	1	-.099*	-.080	-.018	.080
	Sig. (2-tailed)	.802		.029	.079	.694	.081
Price	Pearson Correlation	**-.040**	-.099*	1	.013	-.120**	-.044
	Sig. (2-tailed)	.375	.029		.778	.008	.333
Purch.Experience	Pearson Correlation	**-.042**	-.080	.013	1	-.112*	.029
	Sig. (2-tailed)	.362	.079	.778		.013	.523
Availability	Pearson Correlation	**.035**	-.018	-.120**	-.112*	1	-.012
	Sig. (2-tailed)	.446	.694	.008	.013		.800
Hidden Benefits	Pearson Correlation	**.033**	.080	-.044	.029	-.012	1
	Sig. (2-tailed)	.474	.081	.333	.523	.800	
	N	**483**	**483**	**483**	**483**	**483**	**483**

*Correlation is significant at 0.05 level (2 tailed)

**Correlation is significant at 0.01 level (2 tailed)

Source: Primary Data 2018

Findings indicated that customers valued product quality, product availability and product hidden benefits as compared to price and purchase experience. The three strategies produced positive correlation to satisfaction at 0.011, 0.035 and 0.033 respectively, since they are lower than significance level of 0.05. Price and purchase experience had negative correlations to customer satisfaction at -0.040 and -0.042 respectively, hence showing that they are not very significant to satisfaction.

The findings indicated a positive relationship between product differentiation and Customer loyalty with a PCC of 0.755, based on data retrieved from the OMCs websites on product differentiation and questionnaire targeting customer loyalty. The level of significance was at 0.00 which is less than 0.05, hence indicating high level of significance. It was noted that the R^2 for customer loyalty and product differentiation was at 0.570, which further shows a positive correlation between product differentiation and customer loyalty. The researcher noted that at 95% confidence level, the relationship between customer loyalty and product differentiation can be summarised using the equation; $\mathbf{X_2 = 15.013(X_1) - 50.542}$; where X_2 is Customer Loyalty, X_1 is Product Differentiation and -50.542 is the constant.

4.4.4 Product Differentiation, Customer Loyalty and Market Share

The main aim of this research study was to find out the relationship among the three variables. The CLBM model indicates that Product differentiation leads to customer satisfaction which in turn leads to customer loyalty and finally to profitability Storbacka et. al (1994). Secondary data was collected from the OMC's websites, Primary data on customer loyalty was collected through the questionnaires and Secondary data on market share was retrieved from PIEA website. Correlation was done through SPSS by means of PCC as indicated in Table 4.6.

Table 4. 6: Product differentiation, Customer Loyalty and Market Share Correlations

		MarketShare	ProductDifferentiation	CustomerLoyalty
Pearson Correlation	MarketShare	1.000	**.807**	**.927**
	ProductDifferentiation	**.807**	1.000	**.755**
	CustomerLoyalty	**.927**	**.755**	1.000
Sig. (1-tailed)	MarketShare	.	.000	.000
	ProductDifferentiation	.000	.	.000
	CustomerLoyalty	.000	.000	.
N	MarketShare	35	35	35
	ProductDifferentiation	35	35	35
	CustomerLoyalty	35	35	35

Source: Primary and Secondary Data 2018

It was noted that there is a very strong correlation among the three variables as feedback retrieved from PCC through SPSS indicated that market share in relation to product differentiation and customer loyalty had a value of 0.807 and 0.927 respectively, showing a very close positive correlation. Significance was noted to be at 0.00, hence showing that there is high correlation since the value is lower than the 0.05 significance level.

Further correlation was done through multiple linear regression analysis to find the relationship among the three variables. Data from the analysis is as presented in the model summary retrieved from the regression analysis as presented in Table 4.7.

Table 4. 7: Product differentiation, Customer Loyalty and Market Share Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Change Statistics				
					R Square Change	F Change	df1	df2	Sig. F Change
1	.942[a]	**.887**	.880	1.32721	.887	125.127	2	32	**.000**

a. Predictors: (Constant), CustomerLoyalty, ProductDifferentiation

Source: Primary and Secondary Data 2018

From the model summary from regression done through SPSS indicated an R^2 of 0.887, which further confirms that product differentiation and customer loyalty explain 88.7% of market share as presented in Table 4.7.

Coefficients derived from the equation from linear regression were also determined through SPSS after the regression analysis. The purpose was to depict the relationship in terms of a linear equation to determine the influence each variable had on the others. The findings were as presented in Table 4.8.

Table 4. 8: Product differentiation, Customer Loyalty and Market Share Coefficients

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	**-1.608**	.977		-1.646	**.109**
	ProductDifferentiation	**.686**	.251	.248	2.733	**.010**
	CustomerLoyalty	**.103**	.013	.740	8.149	**.000**

a. Dependent Variable: MarketShare

Source: Primary and Secondary Data 2018

The regression model for the three variables at 95% confidence level can be summarised through the equation; $\mathbf{Y = 0.686(X_1) + 0.103(X_2) - 1.608}$ where; **Y** is Market Share, $\mathbf{X_1}$ is Product Differentiation and $\mathbf{X_2}$ is Customer Loyalty and **-1.608** is the constant.

The equation is a clear indication that product differentiation and customer loyalty have a positive correlation to market share, with a significance level of 0.010 and 0.000 respectively, which is lower than 0.05.

4.5 Discussion of Findings

This section discusses key findings of the study including characteristics of OMC's and customers. It also highlights the findings on the extent of adoption of differentiation strategies by OMC's and their effect on customer loyalty and market share of the OMC's. Findings of the study are related to the results of theoretical foundation studies discussed under literature review.

From this study, high differentiation strategies influences customers preferences, a clear demonstration that customers choice greatly depend on the level of product differentiation as advanced by the discreet choice theory of product differentiation. The findings illustrate that in the oil marketing industry of Kenya, only 14.29% of the OMCs have highly differentiated product, with quality and availability being the most popular among OMCs at 100% and 82.9% adoption rates respectively. Purchase experience is adopted as a differentiation strategy by 22.9% of the firms. Unique benefits and Price are the least popular differentiation strategies among the firms with an adoption rate of 5.7% and 2.9% respectively.

The finding on pricing being the least adopted strategy negates the results of a study by Zaribaf and Yaprak. Zaribaf (2008) established that among the four marketing mix which include price, product, promotion and distributing channels, only price generates income while the other three generate costs, and that besides creating income, price plays a vital role in developing competitive advantage in the market as a strategic factor. Yaprak (2001) found out that price is one of the most important elements of marketing product mix in international markets as it generates cash and determines a company's well-being. The reason behind low adoption of pricing strategy by the OMCs could be explained by the nature of the Kenyan oil marketing industry where prices are regulated by the government, making the strategy highly unattainable. Only one firm; KenolKobil has adopted the strategy by offering discounts on product price on selected outlets.

The firms that have highly differentiated product also enjoy the largest preference from customers. According to the customers, the most influential differentiation strategies that provided a positive correlation to customer satisfaction as per the study were quality, unique features and availability. The three strategies had a PCC of 0.011, 0.033 and 0.035 respectively. Price and Purchase experience differentiation strategies had a negative correlation to customer satisfaction with a PCC of -0.40 and -0.42 respectively. The high preference of value-added product differentiation strategy is consistent with findings by Omari et al., Kamau and Anyim. Omari et al. (2014) established that pioneering the concept of uniquely blended products through differentiation produced distinctive and specialized blends of products which increased the number of customers.

According to Kamau (2013), differentiation strategy aims at creating and offering unique and different products and services. Anyim (2012) established that an advantage is only durable if the competitors cannot readily imitate or copy the firm’s superior product and delivery attributes. From the findings; High rate of product differentiation leads to high customer satisfaction, hence leading to high rate of customer loyalty with a PCC of 0.989. High rate of customer loyalty leads to high rate of market share as advanced by the customer loyalty business model. It was found out that there are more male motorists in Kenya than female motorists, with the males more willing to recommend their preferred product as opposed to females.

The rate of product differentiation adoption has a direct impact on market share. The higher the rate of adoption of differentiation strategy by an OMC, the higher the market share of the OMC. This is as advanced by the completion theory. There is a positive correlation between product differentiation and market share as the PCC was at 0.807, which is very close to +1. The R^2 was at 0.651, meaning that product differentiation affects market share by 65.1%. The correlation between customer loyalty and market share is also positive, with a PCC of 0.927 which is very close to +1 and R^2 of 0.860, thus indicating that customer loyalty affects market share by 86%.

The finding also shows that customer loyalty is more influential on market share than product differentiation since the R^2 of customer loyalty is more as compared to product differentiation in relation to market share. The finding also indicated that there is a positive relationship between product differentiation and customer loyalty at a PCC of 0.755 which is close to +1 and R^2 of 0.57 indicating that product differentiation influences customer loyalty by 57%. The findings on the effect of both product differentiation and customer loyalty on market share indicated an R of 0.942 and R^2 of 0.887. This indicates a very strong positive correlation of 88.7% hence confirming that product differentiation and customer loyalty has a very great effect on market share.

The analysis of variance thus assists us to reject the null hypothesis stating that the means of the three variables are equal. This is because the means for product differentiation, customer loyalty and market share are 4.29, 13.8 and 2.75 respectively. The standard deviations for the three variables are 1.38, 27.52 and 3.82 respectively. The findings dispute Fornell (1992), who stated that there is no certainty that market share and customer loyalty are positively correlated. The findings are however, consistent with the discrete choice theory of product differentiation which states that for a firm to remain competitively advantaged, it has to manipulate other variables in line with variety and immutability of the organizational strengths and weaknesses (Awino et al., 2011). The findings also support a study by Bordes (2009) who found out that when buyer values or any dimension in value-adding activities are increased, this results in a need for reconfiguring or improving activities within the firm’s value chain.

CHAPTER FIVE

SUMMARY, CONCLUSION AND RECOMMENDATIONS

5.1 Introduction

This chapter summarizes, concludes and recommends the results of the findings of the research study carried out. It comprises summary of the research findings, conclusions drawn from the study and recommendations. The purpose of the study was to establish the relationship between product differentiation, customer loyalty and market share in the oil marketing industry of Kenya.

5.2 Summary of Findings

The study examined the adoption rates of product differentiation strategies and their effect on both customer loyalty and market share of OMCs in Kenya. It employed five differentiation strategies that included pricing, product availability, purchase experience, unique hidden benefits, and quality. The data was analysed for 35 OMCs which had a market share of more than 0.1% out of the 87 currently registered OMCs, representing 42.2% of the entire OMC population. It was established that all the firms have adopted quality as a differentiation strategy while only one firm adopted pricing as a differentiation strategy. The firms that were found to have highly adopted differentiation strategies were five (5), representing 14.29% of the 35 OMCs.

The respondents in the study were 483 motorists out of a target sample size of 500 motorists. This represented a 96.6% response rate. The surveyed motorists comprised 70% Males and 30% Females, with most motorists having used the product for over a year. It was also noted that most motorists purchase the product weekly. It was established that quality, unique benefits and availability use as differentiation strategies had a positive relation to customer satisfaction while price and purchase experience use as differentiation strategies yielded a negative relation to customer satisfaction. It was also established that most motorists were willing to recommend and repurchase their preferred product. The finding showed that the preferred differentiation strategies amongst the motorists ranged from mean of 3.34 to 4.87; with quality being the most highly used strategy and pricing being the least used.

Analysis of the market shares of the OMCs showed a steady increase in the market shares of firms with high adoption rates of product differentiation, while market shares of the firms with low adoption rates either stagnated or decreased. This showed that the firms with low adoption rates lost customers as those with high adoption rates gained new customers.

From the regression analysis results, the relationship between product differentiation and market share showed that the differentiation strategies studied explain 65.1% of the market share, while the relationship between product differentiation and customer loyalty showed that differentiation strategies studied explain 57% of customer loyalty. The analysis results also showed that customer loyalty explain 86% of market share, while product differentiation and customer loyalty explain 88.7% of market share.

5.3 Conclusion

This study demonstrated a low adoption rate of the five predetermined differentiation strategies (pricing; unique hidden benefits; quality; availability and purchase experience) by oil marketing companies in Kenya. The five strategies have been adopted to a great extent only by 5 out of the 35 OMCs, which indicate that the firms have mainstreamed the application of the strategies fully in their operations. Since the adoption rate is quiet low at 14.29%, there is a possibility that other differentiation strategies are being applied by the firms. To survive in the oil marketing business, adoption of unique hidden product benefits as a strategy by a firm, to a greater extent could be a key factor to consider. The negative effect of price and purchase experience as differentiation strategies is an indication that their application could be largely for other benefits apart from influencing the customer’s loyalty and market share. In this regard, customer loyalty and market share could be attained by other strategies such as relationship marketing and increasing the firms’ resource capacity. Customer satisfaction plays a very big role in customer loyalty and customer loyalty has a very big impact on a firm’s market share.

5.4 Limitations of Study

A number of limitations were encountered in this study including; non response to and incompletion of questionnaires by the target respondents, time and resource constraints.

Out of a target of 500 motorists, 483 complete responses were received translating to 96.6% response rate. This notwithstanding, there were perceptions that the information provided by the respondents may not be treated with strict confidentiality. The respondents feared that the information provided might not be used for the intended purpose. Additionally, some respondents were unwilling to share information for unexplained reasons.

The study required ample time and other resources in order to achieve the researcher's objective without ado. Nonetheless, the time required for carrying out the research and the related resources were limited.

5.5 Recommendations

In view of low adoption rate of unique hidden product benefits as a differentiation strategy, firms should embrace this strategy more. This is because the two companies that have embraced its use achieved the highest satisfaction score i.e. Total Kenya Limited who have differentiated its fuel to Excellium and Vivo Energy who have differentiated its fuel to VPower got satisfaction rate of 23.89% and 23.01% respectively.

The negative effect of price and purchase experience as differentiation strategies should sound an alarm to firms who depend on them, since they can easily reduce a firm's competitive advantage. Strategies that promote the application of differentiation strategies on product should be readily embraced on a continuous basis by OMCs in Kenya. Firms with the aim to enhance market share for survival, growth, and competitiveness in the international market place must be willing and ready to sacrifice resources on a continuous basis to encourage innovations and inventions that might lead to differentiated product.

Innovative ideas should be encouraged, adopted and actualised consistently since competitors tend to copy or improve on their competition's new ideas and policies over the long run period of time. Policies relating to promotions and advertising should also be encouraged to enable brand visibility. Firms should also diversify their activities to include other customer oriented services. Examples of the diversification services might include but not limited to the following; ATMs, Shops, Chemists, Eateries, Car wash services etc. Product availability should not just be concentrated to the local market since motorists who are the target customers should be able to access the product on an international platform hence exports and franchising with multinational OMCs can provide a centre stage for increasing a firm's profitability and the country's foreign exchange earnings along the value chain. Customer relationship building, great customer service and customer focus can also contribute in cementing customer loyalty, hence this will greatly reduce the turnover of customers especially when a dispute occurs or when a competitor introduces a new differentiation strategy into the market.

5.6 Suggestions for Further Study

This study was focused on the relationship between product differentiation, customer loyalty and market share in the oil marketing industry of Kenya. Based on the findings, it is proposed that future research be conducted on any other strategies that could be applied by OMCs.

The study can also be extended to other industries within Kenya and other parts of the world to find out if the relationship still exists and to what extent.

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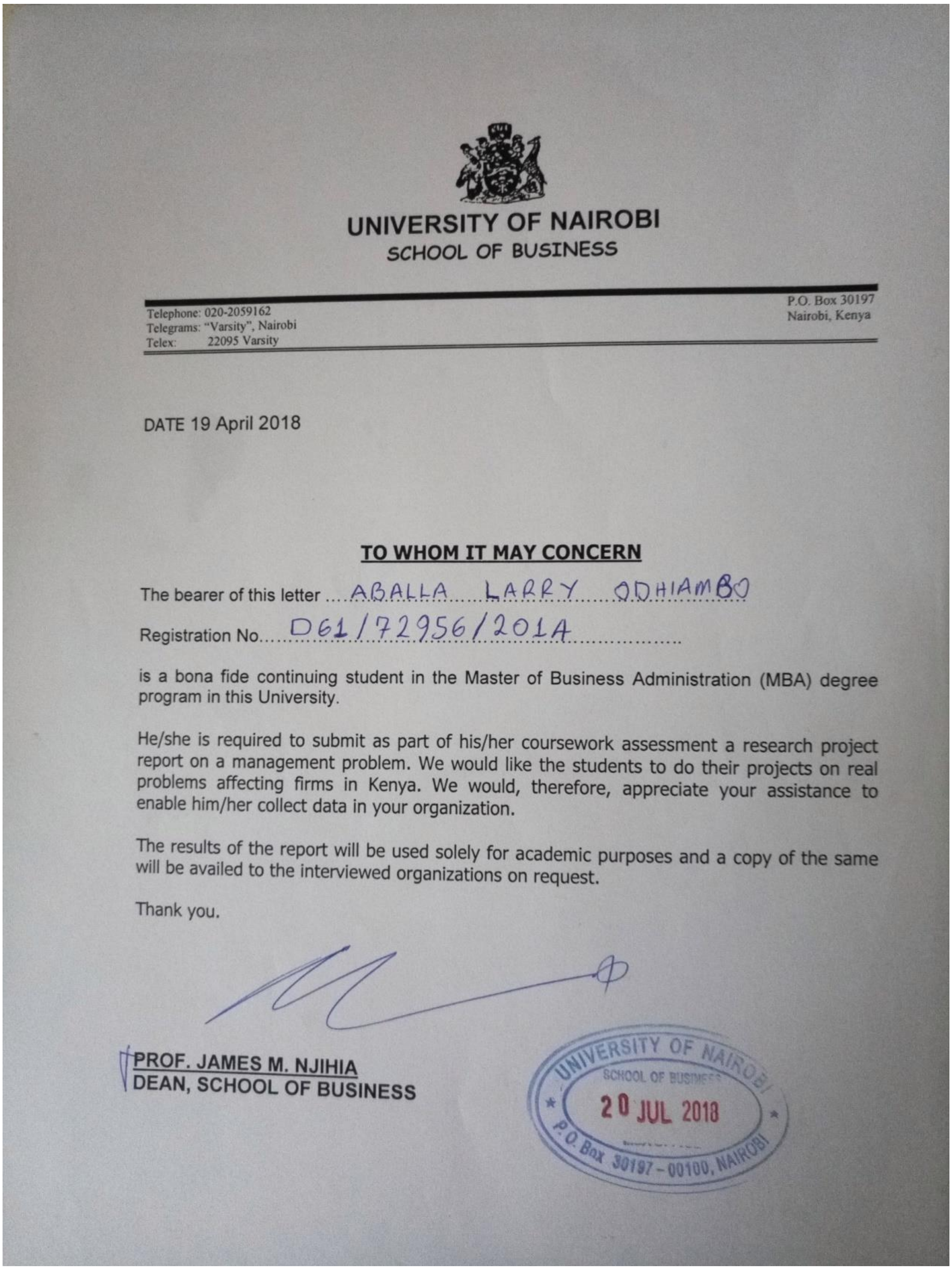
APPENDICES

Appendix I – Letter of Introduction from the University



UNIVERSITY OF NAIROBI
SCHOOL OF BUSINESS

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P.O. Box 30197
Nairobi, Kenya

DATE 19 April 2018

TO WHOM IT MAY CONCERN

The bearer of this letter ABALLA LARRY ODHIAMBO

Registration No. D61/72956/201A

is a bona fide continuing student in the Master of Business Administration (MBA) degree program in this University.

He/she is required to submit as part of his/her coursework assessment a research project report on a management problem. We would like the students to do their projects on real problems affecting firms in Kenya. We would, therefore, appreciate your assistance to enable him/her collect data in your organization.

The results of the report will be used solely for academic purposes and a copy of the same will be availed to the interviewed organizations on request.

Thank you.

PROF. JAMES M. NJIHIA
DEAN, SCHOOL OF BUSINESS

UNIVERSITY OF NAIROBI
SCHOOL OF BUSINESS
20 JUL 2018
P.O. Box 30197 – 00100, NAIROBI

Appendix II – Research Questionnaire

STUDY ON RELATIONSHIP BETWEEN PRODUCT DIFFERENTIATION, CUSTOMER LOYALTY AND MARKET SHARE OF OIL MARKETING COMPANIES IN KENYA

This questionnaire will be used to collect data purely for academic purposes. Any information provided herein shall be handled with strict confidence. Please do not input any names or identification when filling the questionnaire.

Answer all questions as requested by either filling in the blanks or ticking the most appropriate option.

PART A: GENERAL INFORMATION

Gender: a) Male   b) Female

Vehicle Registration No.……………………

1. Which is your preferred oil marketing company?

- Afrioil
- Ainushamsi
- Aspam
- Bakri
- Banoda
- City Oil
- Eagol
- Engen
- Fine jet
- Fossil Fuels
- Galana
- Gapco
- Gulf
- Hashi
- Hass
- KenolKobil
- Libya Oil
- Mogas
- Nock
- Olympic Petroleum
- One Petroleum
- Oryx
- Petro
- Ranway
- Rh-Devani
- Rivapet
- Royal
- Stabex
- Texas
- Tosha Energy
- Total
- Towba
- Tristar
- Trojan
- Vivo

2. How long have you been using product from the company?

- **1 Point** - 1 - 5 months
- **2 Points** - 6 – 12 months
- **3 Points** - 2 - 3 years
- **4 Points** - Over 4 years
- **0 Point** - Never used

3. What is the frequency of your purchase on the product?

- **1 Point** - Monthly
- **2 Points** - Weekly
- **3 Points** - Daily
- **0 Point** - Never

PART B: VALUE OF PRODUCT DIFFERENTIATION

4. How are the following characteristics important for satisfaction when purchasing the product?

	5 Points Extremely important	**4 Points** Very important	**3 Points** Somewhat important	**2 Points** Not very important	**1 Point** Not at all important
Quality					
Price					
Purchase experience					
Product availability					
Product hidden benefits and features					

5. How satisfying is the product in general?

- **5 Points** - Highly satisfying
- **4 Points** - Somewhat satisfying
- **3 Points** - Indifferent
- **2 Points** - Somewhat dissatisfying
- **1 Point** - Highly dissatisfying

PART C: EXTENT TO WHICH PRODUCT DIFFERENTIATION AFFECTS CUSTOMER LOYALTY

6. Are you likely to re-purchase the product in future considering your experience using the product?

Yes ☐ No ☐

7. Are you likely to recommend the product to others based on your experience with the product?

Yes ☐ No ☐

THANK YOU

Appendix III – Worksheet determining adoption rates of Product Differentiation

	Strategies Adopted on Fuel Product by (OMC)					Score (Yes=2points) (No=0points)		Adoption Rate *<50%=Low* *>50%=High*
OMC	**Unique Benefits**	**Quality**	**Availability**	**Price**	**Purchase Exp.**		**% score**	
Afrioil	No	Yes	Yes	No	No	4	40%	Low
Ainushamsi	No	Yes	Yes	No	No	4	40%	Low
Aspam	No	Yes	Yes	No	No	4	40%	Low
Bakri	No	Yes	Yes	No	No	4	40%	Low
Banoda	No	Yes	Yes	No	No	4	40%	Low
City Oil	No	Yes	Yes	No	No	4	40%	Low
Eagol	No	Yes	Yes	No	No	4	40%	Low
Engen	No	Yes	No	No	No	2	20%	Low
Finejet	No	Yes	Yes	No	No	4	40%	Low
Fossil	No	Yes	Yes	No	No	4	40%	Low
Galana	No	Yes	Yes	No	No	4	40%	Low
Gapco	No	Yes	Yes	No	No	4	40%	Low
Gulf	No	Yes	Yes	No	Yes	6	60%	High
Hashi	No	Yes	Yes	No	Yes	6	60%	Low
Hass	No	Yes	Yes	No	Yes	6	60%	Low
Kenol Kobil	No	Yes	Yes	Yes	Yes	8	80%	High
Mogas	No	Yes	Yes	No	No	4	40%	Low
National Oil	No	Yes	No	No	Yes	4	40%	Low
Oilibya	No	Yes	Yes	No	Yes	6	60%	High
Olympic	No	Yes	Yes	No	No	4	40%	Low
One Pet.	No	Yes	No	No	No	2	20%	Low
Oryx	No	Yes	Yes	No	No	4	40%	Low
Petro City	No	Yes	Yes	No	No	4	40%	Low
Ranway	No	Yes	Yes	No	No	4	40%	Low
Rh Devani	No	Yes	No	No	No	2	20%	Low
Rivapet	No	Yes	Yes	No	No	4	40%	Low
Royal	No	Yes	No	No	No	2	20%	Low
Stabex	No	Yes	Yes	No	No	4	40%	Low
Texas Oil	No	Yes	Yes	No	No	4	40%	Low
Tosha Energy	No	Yes	Yes	No	No	4	40%	Low
Total	Yes	Yes	Yes	No	Yes	8	80%	High
Towba	No	Yes	Yes	No	No	4	40%	Low
Tristar	No	Yes	Yes	No	No	4	40%	Low
Trojan	No	Yes	Yes	No	No	4	40%	Low
Vivo	Yes	Yes	No	No	Yes	6	60%	High

Appendix IV – Worksheet determining size of Market Share

Company name	M/Share 2015	M/Share 2016	M/Share 2017	% Score (Average M/Share)	Size of Market share <Mean = Small & >Mean = Large
Afrioil	0.82	1.71	0.58	1.0	Low
Ainushamsi	1.05	0.91	0.90	1.0	Low
Aspam	0.67	0.51	1.70	1.0	Low
Bakri	1.37	2.26	2.90	2.2	Low
Banoda	0.94	0.68	0.30	0.6	Low
City Oil	0.75	0.81	0.56	0.7	Low
Eagol	0.69	0.81	0.90	0.8	Low
Engen	1.24	0.76	0.90	1.0	Low
Fine jet	0	0.43	0.51	0.3	Low
Fossil Fuels	3.30	3.13	1.90	2.8	High
Galana	1.23	0.75	1.30	1.1	Low
Gapco	4.46	3.11	2.90	3.5	High
Gulf	7.42	7.82	7.50	7.6	High
Hashi	6.84	7.35	1.00	5.1	High
Hass	2.14	2.60	3.10	2.6	Low
Kenol Kobil	12.36	13.83	16.70	14.3	High
Libya Oil	4.40	4.56	5.30	4.8	High
Mogas	1.06	0.98	0.80	0.9	Low
Nock	4.40	4.51	3.20	4.0	High
Olympic	0.79	0.58	0.81	0.7	Low
One Pet.	1.08	0	1.60	0.9	Low
Oryx	1.11	1.32	1.50	1.3	Low
Petro	3.49	3.56	4.10	3.7	High
Ranway	0.12	0.30	0.30	0.2	Low
Rh-Devani	0.62	0.74	0.80	0.7	Low
Rivapet	0.67	0.74	0.80	0.7	Low
Royal	1.68	0	1.60	1.1	Low
Stabex	0.91	0.83	1.30	1.0	Low
Texas	0	0.01	0.43	0.1	Low
Tosha Energy	1.21	1.38	1.20	1.3	Low
Total	14.67	14.20	13.60	14.2	High
Towba	0	0.30	0.30	0.2	Low
Tristar	1.08	1.22	1.10	1.1	Low
Trojan	0.85	0	0.80	0.5	Low
Vivo	12.42	12.98	14.00	13.1	High
TOTAL (%)	**95.84**	**95.70**	**97.19**	**96.2**	
			Mean Score	2.7	

Appendix V – List of Registered OMC's in Kenya

Energy Regulatory Commission

ERC/PET/LIC-3.1

S/N	Licence Number	Company Name	Licence Type Description	Expiry Date	Town
	A. Companies Licensed for Import, Export and Wholesale Petroleum Products (Except LPG)				
1	ERC/PET/2842	TOWBA PETROLEUM COMPANY LIMITED	Petroleum Business Licence (Except LPG)-Import, Export and Wholesale	27-Jun-17	Nairobi
2	ERC/PET/2850	Luqman Petroleum Limited	Petroleum Business Licence (Except LPG)-Import, Export and Wholesale	06-Jul-17	Nairobi
3	ERC/PET/2884	Regnol Oil (K) Limited	Petroleum Business Licence (Except LPG)-Import, Export and Wholesale	26-Jul-17	Nairobi
4	ERC/PET/2905	OIL ENERGY KENYA LIMITED	Petroleum Business Licence (Except LPG)-Import, Export and Wholesale	28-Jul-17	Mombasa
5	ERC/PET/2906	Trinity Energy (K) Limited	Petroleum Business Licence (Except LPG)-Import, Export and Wholesale	28-Jul-17	Nairobi
6	ERC/PET/2918	Ameken Minewest Company Limited	Petroleum Business Licence (Except LPG)-Import, Export and Wholesale	12-Aug-17	NAIROBI
7	ERC/PET/2925	Kosmoil Petroleum (EA) Limited	Petroleum Business Licence (Except LPG)-Import, Export and Wholesale	12-Aug-17	Nairobi
8	ERC/PET/2934	Safari Petroleum Ltd	Petroleum Business Licence (Except LPG)-Import, Export and Wholesale	12-Aug-17	MOMBASA
9	ERC/PET/2946	aftah petroleum(k)ltd	Petroleum Business Licence (Except LPG)-Import, Export and Wholesale	12-Aug-17	KISUMU
10	ERC/PET/2952	Ocean Energy Limited	Petroleum Business Licence (Except LPG)-Import, Export and Wholesale	19-Aug-17	Nairobi
11	ERC/PET/2953	Ramji Haribhai Devani Limited	Petroleum Business Licence (Except LPG)-Import, Export and Wholesale	19-Aug-17	Nairobi
12	ERC/PET/2958	Petrocam Kenya Ltd	Petroleum Business Licence (Except LPG)-Import, Export and Wholesale	19-Aug-17	Nairobi
13	ERC/PET/2962	Axon Energy Limited	Petroleum Business Licence (Except LPG)-Import, Export and Wholesale	19-Aug-17	Nairobi
14	ERC/PET/2969	ARECH PETROLEUM LIMITED	Petroleum Business Licence (Except LPG)-Import, Export and Wholesale	30-Aug-17	NAIROBI
15	ERC/PET/3011	ACER PETROLEUM LIMITED	Petroleum Business Licence (Except LPG)-Import, Export and Wholesale	19-Sep-17	MAVOKO
16	ERC/PET/3012	Prime Regional Supplies Limited	Petroleum Business Licence (Except LPG)-Import, Export and Wholesale	19-Sep-17	Nairobi
17	ERC/PET/3020	Kencor Petroleum Limited	Petroleum Business Licence (Except LPG)-Import, Export and Wholesale	07-Oct-17	Nairobi
18	ERC/PET/3023	AMANA PETROLEUM (KENYA) LIMITED	Petroleum Business Licence (Except LPG)-Import, Export and Wholesale	07-Oct-17	NAIROBI
19	ERC/PET/3032	Tiba Oil Company Limited	Petroleum Business Licence (Except LPG)-Import, Export and Wholesale	07-Oct-17	Nairobi
20	ERC/PET/3033	East African Gasoil Limited	Petroleum Business Licence (Except LPG)-Import, Export and Wholesale	07-Oct-17	Mombasa
21	ERC/PET/3086	Tristar Transport Limited	Petroleum Business Licence (Except LPG)-Import, Export and Wholesale	28-Oct-17	Nairobi
22	ERC/PET/3105	KENOLKOBIL LIMITED	Petroleum Business Licence (Except LPG)-Import, Export and Wholesale	28-Oct-17	NAIROBI
23	ERC/PET/3106	Gulf Energy Limited	Petroleum Business Licence (Except LPG)-Import, Export and Wholesale	28-Oct-17	Nairobi
24	ERC/PET/3107	FUTURES ENERGY COMPANY LIMITED	Petroleum Business Licence (Except LPG)-Import, Export and Wholesale	28-Oct-17	NAIROBI
25	ERC/PET/3113	BLUE SKY ENERGY LIMITED	Petroleum Business Licence (Except LPG)-Import, Export and Wholesale	28-Oct-17	NAIROBI
26	ERC/PET/3114	Heller Petroleum Limited	Petroleum Business Licence (Except LPG)-Import, Export and Wholesale	28-Oct-17	Garissa
27	ERC/PET/3122	GAPCO KENYA LIMITED	Petroleum Business Licence (Except LPG)-Import, Export and Wholesale	17-Nov-17	Nairobi

S/N	Licence Number	Company Name	Licence Type Description	Expiry Date	Town
28	ERC/PET/3151	Lake Gas Limited	Petroleum Business Licence (Except LPG)-Import, Export and Wholesale	20-Nov-17	Nairobi
29	ERC/PET/3154	STABEX INTERNATIONAL LTD	Petroleum Business Licence (Except LPG)-Import, Export and Wholesale	30-Nov-17	NAIROBI
30	ERC/PET/3164	Ainushamsi Energy Limited	Petroleum Business Licence (Except LPG)-Import, Export and Wholesale	30-Nov-17	Nairobi
31	ERC/PET/3175	Bakri International Energy Company Limited	Petroleum Business Licence (Except LPG)-Import, Export and Wholesale	30-Nov-17	Head Office
32	ERC/PET/3177	WORLD FUEL SERVICES KENYA LIMITED	Petroleum Business Licence (Except LPG)-Import, Export and Wholesale	01-Dec-17	NAIROBI
33	ERC/PET/3181	Galana Oil Kenya Limited	Petroleum Business Licence (Except LPG)-Import, Export and Wholesale	19-Dec-17	Nairobi
34	ERC/PET/3192	East African Gasoil Limited	Petroleum Business Licence (Except LPG)-Import, Export and Wholesale	19-Dec-17	Head Office
35	ERC/PET/3210	Dalbit Petroleum Limited	Petroleum Business Licence (Except LPG)-Import, Export and Wholesale	13-Jan-18	Head Office
36	ERC/PET/3211	Total Kenya Limited	Petroleum Business Licence (Except LPG)-Import, Export and Wholesale	13-Jan-18	MOMBASA
37	ERC/PET/3218	City Oil (K) Limited	Petroleum Business Licence (Except LPG)-Import, Export and Wholesale	13-Jan-18	NAIROBI
38	ERC/PET/3224	Texas Energy Ltd	Petroleum Business Licence (Except LPG)-Import, Export and Wholesale	13-Jan-18	NAIROBI
39	ERC/PET/3226	Hass Petroleum Kenya Limited	Petroleum Business Licence (Except LPG)-Import, Export and Wholesale	13-Jan-18	NAIROBI
40	ERC/PET/3228	Olympic Petroleum Limited	Petroleum Business Licence (Except LPG)-Import, Export and Wholesale	13-Jan-18	Head Office
41	ERC/PET/3231	Aspam Energy Kenya Limited	Petroleum Business Licence (Except LPG)-Import, Export and Wholesale	13-Jan-18	Head Office
42	ERC/PET/3240	Total Kenya Limited	Petroleum Business Licence (Except LPG)-Import, Export and Wholesale	19-Jan-18	Nairobi
43	ERC/PET/3241	Fossil Fuels Limited	Petroleum Business Licence (Except LPG)-Import, Export and Wholesale	19-Jan-18	MOMBASA
44	ERC/PET/3244	Finejet Limited	Petroleum Business Licence (Except LPG)-Import, Export and Wholesale	19-Jan-18	Nairobi
45	ERC/PET/3248	Petro Oil Kenya Limited	Petroleum Business Licence (Except LPG)-Import, Export and Wholesale	19-Jan-18	Head Office
46	ERC/PET/3249	Pacific Petroleum Limited	Petroleum Business Licence (Except LPG)-Import, Export and Wholesale	19-Jan-18	Head Office
47	ERC/PET/3250	Africil International Limited	Petroleum Business Licence (Except LPG)-Import, Export and Wholesale	19-Jan-18	Nairobi
48	ERC/PET/3253	Libya Oil Kenya Limited	Petroleum Business Licence (Except LPG)-Import, Export and Wholesale	20-Jan-18	NAIROBI
49	ERC/PET/3259	ELIORA ENERGY LIMITED	Petroleum Business Licence (Except LPG)-Import, Export and Wholesale	30-Jan-18	NAIROBI
50	ERC/PET/3260	Royal Energy (K) Limited	Petroleum Business Licence (Except LPG)-Import, Export and Wholesale	30-Jan-18	JOMVU
51	ERC/PET/3266	Oilpoint Kenya Limited	Petroleum Business Licence (Except LPG)-Import, Export and Wholesale	30-Jan-18	Nairobi
52	ERC/PET/3268	Banoda Oil Limited	Petroleum Business Licence (Except LPG)-Import, Export and Wholesale	30-Jan-18	NAIROBI
53	ERC/PET/3286	Hashi Energy Limited	Petroleum Business Licence (Except LPG)-Import, Export and Wholesale	13-Feb-18	Nairobi
54	ERC/PET/3289	ILADE OIL CO. LIMITED	Petroleum Business Licence (Except LPG)-Import, Export and Wholesale	13-Feb-18	nairobi
55	ERC/PET/3305	AWALI GROUP LIMITED	Petroleum Business Licence (Except LPG)-Import, Export and Wholesale	15-Feb-18	NAIROBI
56	ERC/PET/3344	Societe Petroliere Kenya Limited	Petroleum Business Licence (Except LPG)-Import, Export and Wholesale	15-Mar-18	Nairobi
57	ERC/PET/3349	Emkay International Limited	Petroleum Business Licence (Except LPG)-Import, Export and Wholesale	15-Mar-18	Nairobi
58	ERC/PET/3352	ORYX ENERGIES KENYA LIMITED	Petroleum Business Licence (Except LPG)-Import, Export and Wholesale	15-Mar-18	NAIROBI
59	ERC/PET/3358	NETGAS AND ENERGY LIMITED	Petroleum Business Licence (Except LPG)-Import, Export and Wholesale	15-Mar-18	Nairobi
60	ERC/PET/3359	Riva Petroleum Dealers Limited	Petroleum Business Licence (Except LPG)-Import, Export and Wholesale	15-Mar-18	Nakuru

S/N	Licence Number	Company Name	Licence Type Description	Expiry Date	Town
61	ERC/PET/3362	MS OIL LIMITED	Petroleum Business Licence (Except LPG)-Import, Export and Wholesale	15-Mar-18	NAIROBI
62	ERC/PET/3363	NATIONAL OIL CORPORATION OF KENYA	Petroleum Business Licence (Except LPG)-Import, Export and Wholesale	15-Mar-18	NAIROBI
63	ERC/PET/3364	Hashi Energy Limited	Petroleum Business Licence (Except LPG)-Import, Export and Wholesale	15-Mar-18	NAIROBI
64	ERC/PET/3366	Savanna Energy Kenya Limited	Petroleum Business Licence (Except LPG)-Import, Export and Wholesale	15-Mar-18	Nairobi
65	ERC/PET/3371	Widerange Energy Limited	Petroleum Business Licence (Except LPG)-Import, Export and Wholesale	16-Mar-18	NAIROBI
66	ERC/PET/3390	One Petroleum Limited	Petroleum Business Licence (Except LPG)-Import, Export and Wholesale	22-Mar-18	Mombasa
67	ERC/PET/3391	Astrol Petroleum Company Limited	Petroleum Business Licence (Except LPG)-Import, Export and Wholesale	28-Mar-18	Machakos
68	ERC/PET/3392	Vivo Energy Kenya Limited	Petroleum Business Licence (Except LPG)-Import, Export and Wholesale	07-Apr-18	NAIROBI
69	ERC/PET/3395	Bachulal Popatlal (Kenya) Limited	Petroleum Business Licence (Except LPG)-Import, Export and Wholesale	07-Apr-18	KISUMU
70	ERC/PET/3401	Engen Kenya Limited	Petroleum Business Licence (Except LPG)-Import, Export and Wholesale	07-Apr-18	Head Office
71	ERC/PET/3413	Sabili Energy Limited	Petroleum Business Licence (Except LPG)-Import, Export and Wholesale	07-Apr-18	Nairobi
72	ERC/PET/3422	Tosha Petroleum (Kenya) Limited	Petroleum Business Licence (Except LPG)-Import, Export and Wholesale	10-Apr-18	Nairobi
73	ERC/PET/3424	Global Petroleum Products Kenya Limited	Petroleum Business Licence (Except LPG)-Import, Export and Wholesale	10-Apr-18	Head Office
74	ERC/PET/3425	GUUL ENERGY LIMITED	Petroleum Business Licence (Except LPG)-Import, Export and Wholesale	18-Apr-18	NAIROBI
75	ERC/PET/3426	Afro Petroleum LTD	Petroleum Business Licence (Except LPG)-Import, Export and Wholesale	24-Apr-18	Nairobi
76	ERC/PET/3440	Hared Energy Limited	Petroleum Business Licence (Except LPG)-Import, Export and Wholesale	24-Apr-18	Nairobi
77	ERC/PET/3443	Trojan International Limited	Petroleum Business Licence (Except LPG)-Import, Export and Wholesale	24-Apr-18	Nairobi
78	ERC/PET/3446	Moil Kenya Limited	Petroleum Business Licence (Except LPG)-Import, Export and Wholesale	24-Apr-18	Kisumu
79	ERC/PET/3448	Oilcom (K) Limited	Petroleum Business Licence (Except LPG)-Import, Export and Wholesale	24-Apr-18	Nairobi
80	ERC/PET/3457	BRAIN FIELD OIL AND GAS LIMITED	Petroleum Business Licence (Except LPG)-Import, Export and Wholesale	25-Apr-18	Nairobi
81	ERC/PET/3478	GASLINE PETROLEUM LIMITED	Petroleum Business Licence (Except LPG)-Import, Export and Wholesale	24-May-18	STAREHE
82	ERC/PET/3497	Mogas Kenya Limited	Petroleum Business Licence (Except LPG)-Import, Export and Wholesale	24-May-18	NAIROBI
83	ERC/PET/3500	Eppic Oil (K) Limited	Petroleum Business Licence (Except LPG)-Import, Export and Wholesale	24-May-18	Mombasa
84	ERC/PET/3509	ALSAA PETROLEUM KENYA LIMITED	Petroleum Business Licence (Except LPG)-Import, Export and Wholesale	24-May-18	Nairobi
85	ERC/PET/3535	BUSHRA ENERGY LIMITED	Petroleum Business Licence (Except LPG)-Import, Export and Wholesale	06-Jun-18	NAIROBI
86	ERC/PET/3557	Eco Oil Kenya Limited	Petroleum Business Licence (Except LPG)-Import, Export and Wholesale	09-Jun-18	Nairobi
87	ERC/PET/3559	Ranway Traders Limited	Petroleum Business Licence (Except LPG)-Import, Export and Wholesale	09-Jun-18	Head Office