

**COMPETITIVE STRATEGIES ADOPTED BY LIQUEFIED
PETROLEUM GAS (LPG) MARKETERS IN KENYA TO COPE WITH
COMPETITION**

Date 21/11/2006

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

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**A Management Research Project Submitted in Partial Fulfillment of The
Requirements for the Degree of Master of Business Administration**

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DECLARATION

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

To my parents, Ben and Ruth, husband Pius and dear children Jacqueline and Joan for their love, support and encouragement.

Signed Jane Njoroge

Date 21/11/2006.

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

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ACKNOWLEDGEMENT

My pursuit of the MBA degree would not have been possible without the encouragement, support and assistance of a large number of people. Space does not allow me to name them.

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I would like to thank my husband Pius, children: Jacqueline and Joan for their encouragement and support during the entire duration of my studies. I acknowledge my mother Ruth and late dad, Bernard for their unlimited moral and financial support throughout my education.

All my lecturers were supportive but Dr. Martin Ogutu and Mr. T. M. Mutugu clearly stand out. Dr. Ogutu's vast knowledge, experience and uncompromising stand on quality and detail enriched the quality of this study.

I owe a great debt of gratitude to the managers in the LPG companies for the sacrifice they made by taking time off their busy schedule to complete the questionnaires.

I wish to recognize Mike, for helping administer the questionnaires.

I thank God for financial provision and good health.

Last but not least, I am greatly indebted to my daughter Joan for her cooperation and patience when I dragged her out of bed on Saturday mornings to accompany me to class due to other schedules involving the two of us after class. We missed enough Sunday Services as I got caught up in college work.

And to me, the best (investment) reward I have made in the last four (4) years, the residence as a career wife, mother and student with results expected in all these fields.

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My pursuit of the MBA degree would not have been possible without the encouragement, support and assistance of a large number of people. Space does not allow me to name them all but I am nevertheless extremely grateful to them.

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ABSTRACT

Over the last 10 years, there have been many changes in the Kenyan economy. These changes have had a considerable impact on all industries and the oil industry is no exception having been liberalized in October, 1994. This research project was a census survey to determine the competitive strategies that the LPG marketers who are ideally the oil companies have adopted to respond to this change given that any investor can do business if licensed and has the ability. The study explored characteristics of marketers / factors that influence the competitiveness hence adoption of the various competitive strategies. LPG is marketed in two different forms; bulk and bottled and is generally homogeneous in nature. This study focused on bottled LPG which can only be differentiated through cylinder size and colour, valves, regulator type and brand names. In order to achieve these objectives, a questionnaire was dropped and picked or electronically transmitted to all the companies who transact LPG business in Kenya. In this study, LPG stands for Liquefied Petroleum Gas.

The study established that the industry had encountered challenges such as; illegal filling into competitor cylinders by unscrupulous businessmen, competition from wood energy and kerosene whose prices are lower than those of LPG, high costs of cylinders, uncertainty of product availability and low prices posted by other competitors. Different marketers responded differently to these challenges through such strategies as keeping low overhead costs so as to maintain competitive prices, ensuring product availability, use of exclusive distribution channels, investment in human resource development to ensure good customer care and extension of credit to ratable customers. The study also established that currently, majority of the marketers were multinational companies. Seven respondents were targeted but only six responded.

The study established that the Government has stepped in to standardize the valves. This is meant to encourage more competition by making the product more available and affordable. However, the initial capital outlay still looks way beyond what most investors can afford to start the business.

Further research on the industry can be undertaken by establishing competitive strategies that LPG marketers will undertake after the standardization of the valves given that currently, it is used as a source of differentiation.

Organisations are in stiff competition with each other and especially so when they try to sell similar products and services to the same group of customers. This is even intense when the raw materials are the same and differentiation levels are seen in packaging and branding. Environmental forces largely influence competition within an industry especially those related in technology, economic forces, social and cultural values. Specifically, both the identity of competitors in terms of their characteristics and the type of strategic focus they take may change because of the entry of new firms, deregulation, changing economic conditions or changing social cultural values or technology (Guitinan and Paul, 1994).

Strategic Management plays a key role in facilitating the deployment of a firm's resources in an efficient manner to ensure long-term performance of the firm in a competitive environment. This makes the implementation of competitive strategies critical especially in light of the stiff and ever - increasing competition and complexity of today's world that can make it extremely difficult to assess and take advantage of opportunities open to a firm (Bennet, 1999).

1.1.1 The Liquefied Petroleum Gas (LPG) Industry in Kenya

According to Petroleum Institute of East Africa 2005 in collaboration with the major LPG marketers, LPG consumption in Kenya is relatively low and this can be attributed to the historical reason that goes back to the era of a controlled market where marketers were not able to source LPG from other sources apart from Kenya Petroleum Refineries Limited. LPG being a by product of crude, meant that only Petroleum Companies could produce and market LPG. The industry was liberalized in October 1994 opening up for direct import of LPG by registered firms who wished to join the LPG industry.

CHAPTER ONE: INTRODUCTION

1.1 Background

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The liberalization was seen as a positive move that would encourage growth of LPG hence benefit the economy because the investors would invest in infrastructure to cater for the growing market. Other benefits included, relieving pressure put on the environment with resultant depletion of forests and natural vegetation that causes devastating drought and water shortages and give rural families a chance to spend a lot more man-hours on productive income generating activities to meet the goals of sustainable development and poverty eradication other than searching daily for fire wood / charcoal which is still the dominant household energy. Sourcing for water from far distances due to forest depletion is also a major time waster. This would lead to improved quality of life among the population. Many people suffer from respiratory diseases that occur within the households caused by carbon monoxide slow poisoning fumes while burning charcoal, firewood and kerosene. Liberalisation would also trigger more business enterprises thus economic growth related to new expanded market. Finally, this meant more revenue collection for the Government from organized and growing market which is easier to tax.

According to the Petroleum Institute of East Africa 2006, the Liquefied Petroleum Gas (LPG) market in Kenya has five indigenous players namely: Kenya Shell, Chevron, Mobil, Total and Kenol Kobil. There are two recent entrants: British Oxygen Company (BOC) and Triton Kenya. LPG is available both for domestic and commercial use. Domestic consumers are defined as households who are already using LPG for cooking and lighting. Commercial consumers are manufacturing firms who use LPG as a source of energy to fire their boilers or use it as a raw material for instance in the manufacture of aerosols. For this study, we will focus on the domestic sector, the cylinders. the consumption of LPG in Kenya is about 50,000 metric tonnes per annum. The refinery supplies about 80% while 20% is imported through joint industry cargoes. 58% is supplied through cylinders while the balance of 42% is bulk. LPG growth is projected at approximately 5% p.a. Statistics from the Ministry of Energy indicate that the LPG market is unevenly distributed among the players. LPG gives off lower green house gas emissions than alternatives and it is a direct off-set to deforestation.

The latest statistics from the Ministry of Energy as shown on Table 1.1.2, indicate that Total Kenya is leading in market share followed by Kenya Shell. Cylinders from the

different marketers are differentiated by size, colour, valve and regulator type. It is a relatively disciplined market other than interference from the illegal refilling plants.

1.1.2 Liquefied Petroleum Share of Market

Table 1.1.2 shows the share of industry market as at January 2006. This comprises both cylinder and bulk sales.

Table 1.1.2 Liquefied Petroleum Share of Market.

Player	Volume ('000') tonnes per year (2005)	Share of Market
Total	16,016	34.6%
Shell / BP	14,469	31.2%
Mobil	7,826	16.9%
Chevron	6,734	14.5%
Kenol / Kobil	1,274	2.8%

Triton and BOC command less than 1% market share.

Source: Secondary Data – Ministry of Energy.

Refills are purchased from supermarkets, small retail shops and service stations that are conveniently located nearer to the users. Most consumers would either drive down to those outlets to collect these refills or take public transport to the nearest location and if it is near enough, they will walk to the outlet and carry the cylinder on their back or have two individuals carrying the cylinder.

According to the 1999 population census (Central Bureau of Statistics, “Economic Survey.” Government of Kenya, 1999), energy consumption for cooking for households above the poverty line, LPG accounted for 14.1%, Kerosene 17%, Firewood 67.8% and Electricity 1.1%. In terms of lighting, LPG accounted for only 0.2%, Kerosene 83.7%, Electricity 14.5% and Firewood 1.6%. The Research International Focus Group of August 2001 showed that LPG consumption was low because of the perceived LPG high price. The

Government is embarking on a program to standardize valves. This is seen as a solution to making the product more affordable and available.

1.1.3 Challenges Facing the LPG Industry

The LPG sector in Kenya has mainly been influenced by the change in legal and regulatory frame work that occurred after it was deregulated in October 1994. This led to the increase in the number of new firms into the industry and has since intensified competition especially at the retailing level (Abekah, 1996; Wamathu, 1999). Researches carried out during the post liberation era in Kenya indicate that firms operating in a deregulated environment in industries such as Motor vehicle, Dairy and Petroleum have made various strategic adjustments to be able to deal with increased competition (Kombo, 1997; Bett, 1995; Abekah, 1996; Wamathu, 1999). To further differentiate them, Abekah (1996) established that the advertising expenditures of the Multinational Oil Companies increased between 1994 and 1996. This was due to promotions aimed at promoting the corporate image of the major firms in the industry to attract more customers and therefore build customer loyalty. Other creative differentiation concepts evident in the industry today include the reduction of LPG prices by introducing smaller and cheaper cooking stoves such as meko by Total Kenya. A review of literature on the industry indicates that some of the challenges that players in the industry in Kenya experience include the issue of large capital requirements. In a study carried out to establish strategic postures and action evaluation in the oil industry, Wamathu (1999) established that large capital outlay required during set up is one of the major factors that create a barrier to entry into the oil industry. This is from Murage Susan's study on her study on the Independent Oil companies.

According to the Petroleum Institute of East Africa, during the pre – liberalization period, to manage product shortage from Kenya Petroleum Refineries, consumers would keep more than one brand of cylinder so that they could purchase the available brand. This was not only dangerous as households are not supposed to store gas but also a loss on investment to the LPG players for having under – utilized cylinders within the market. The

LPG shortage was resolved when oil players were able to import more of it to meet the shortfall. They took the challenge, invested in distribution, improved availability of product, introduced various cylinder sizes and have continued to import LPG to alleviate shortage. The number of imports depends on the demand and the performance of Kenya Petroleum Refineries Limited. The imports are in direct proportion with consumption. The current number of LPG investors has since increased to seven which has intensified competition. Some consumers still hold on to spare cylinders in anticipation of product shortage causing under utilization of idle cylinders and also posing safety concerns.

Apart from the legal players who have branded cylinders, there is rampant illegal filling by unscrupulous businessmen. They fill into the major players' cylinders which is illegal. Despite Government effort to stop this practice, nothing has changed in the market according to Petroleum Institute of East Africa's General Manager, George Wachira. He said security agencies and the market regulators have failed to break the network of illegal LPG market operators "who are filling branded cylinders with uncertified products thereby compromising quality and safety standards." *The Nation* (Nairobi) April 5, 2006. Government initiative to standardise valves could change the face of LPG marketing in Kenya.

1.2 Statement of the Research Problem

The Oil Industry was deregulated in 1994. This meant removal of Government controls giving way to free market system. This intensified competition among the oil marketing companies in Kenya who are ideally the LPG marketers, LPG being a by-product of crude oil. The deregulation meant that the market oil marketers had/have to set their own profit margins and practice no cartels in their operations. This meant competing on price, product and services offered to customers, (Nyolike and Okech, 1999). This impacted on the LPG as well which is a by product of crude oil.

According to the PIEA, the use of LPG is growing quite rapidly in Kenya from a very low base, with recent increases of 5% per year in urban areas. Distribution outlets and resellers

have expanded including service stations, supermarkets and other agencies/distributors. Baby Meko 3 kg cylinder has become readily available and affordable. Savings and credit facilities are increasing access for low-income families in urban and some rural areas for affordability e.g the check-off system by Kenya Union of Savings and Credit Co-Operatives (KUSCCO) and other hire purchase companies. Total Kenya Annual Report (2000) reported that the increase of the participants in the Oil Industry and environment presented a challenge to the industry as a whole. Sull (1999), wrote that when successful companies face big changes in their environment, they often fail to respond effectively.

LPG is a homogeneous product which means that it can only be differentiated not on quality but in terms of packaging, price and service offering. Some LPG marketers are not able to survive the new turn of events due to increased cut throat competition. This is evidenced in the declining share of market. Others have had to adopt urgent measures in form of competitive strategies if not for growth, for retention of market share. New entrants like British Oxygen Company, Kenol Kobil and Triton are seen as fast growing. They have entry strategies like LPG warming lamps, new range of accessories and cooking units.

Previous studies by Isaboke (2001), Chepkwony (2001) and Murage (2001) focused primarily on fuels marketing in the petroleum industry and no study has been done on the marketing of LPG. This study will therefore focus specifically on Competitive Strategies Liquefied Petroleum Gas Marketers have adopted to cope with competition by establishing factors influencing the competitiveness. My study shares closely with Murage Susan on her study on strategies adopted by the KIPEDA to cope with competition especially on the literature review given that the studies are in the same industry but studies on different products.

1.3 Objective of the Study

This study has the following objectives:

- a) To determine Competitive Strategies used by LPG marketers in Kenya to Cope with Competition.

1.4 Importance of the Study

This study is considered important by the researcher due to its anticipated contribution to the following:

a) Marketers

They will be provided with information concerning the general state of competition in the LPG industry and the type of competitive strategies employed by various LPG firms.

b) Potential investors

Potential investors in the sector will be informed on the challenges faced by the organizations already operating and therefore prepare themselves accordingly before entering the industry.

CHAPTER TWO: LITERATURE REVIEW

2.1 The Concept of Strategy

Strategy may be defined as the broad program of goals and activities to help a company achieve success. Strategy is the match between organization's resources and skills and environmental opportunities and risks it faces and the purposes it wishes to accomplish (Schendel & Hofer, 1979). This statement emphasizes that the environment is constantly changing and it is imperative that organizations have to constantly realign their activities to match the new environmental requirements by having a strategy which ensures that day to day decisions are in line with the long-term pursuits of the organization. Without a strategy, decisions made today could have negative impact on future results (Bruce & Langdon, 2002) as seen in Murage Susan's (2001) study on KIPEDA.

Thompson & Strickland (1993) have propounded that strategy provides better guidance to the organization, makes managers alert to winds of change, opportunities and threats presented by the changing environment. It is important that a SWOT analysis be conducted. It also provides a rationale to evaluate competing decisions a manager makes. Finally, strategy helps create more proactive management posture than reactive and defensive postures. Aggressive pursuit of a creative strategy can propel a firm into a leadership position.

Hayes & Upton (1998) allude that sound strategy formulation and implementation will not only help a company to meet the challenges of competition but it can also enable a company to defend or attack competitors successfully. In so doing, the company will survive and prosper in the current dynamic and turbulent environment. Strategy helps a firm to keep its customers by meeting customers' expectations and the changing tastes and preferences.

Strategy provides a common vision that provides unanimity of action in an organization (Pierce & Robinson, 1997). It can give a corporate culture that is so vital for an

organization leading to excellence in the production or service processes. Skinner (1985) and Hayes & Wheelwright (1984) recognize operations as having a very significant role in manufacturing as it leads to achievement of competitive advantages. In their view, operations strategy can help a manufacturer improve performance to order qualifiers and order winners, (Murage Susan, 2001).

2.2 Concept of Competition

In order for a firm to keep off competition and retain its' market share, competitive strategy consists of business decisions a firm must undertake in order to attract more customers and fulfill its expectations. It is through these decisions made that will enable a firm to gain leadership position. The firm is therefore able to ward off competition and strengthen its market share (Thompson & Strickland, 2003). For competitive strategy to be realized, the contribution and support of all functions is necessary.

Competitiveness of a company is its ability to compete and prosper in the market place and can be thought of as a measure of productivity or the efficiency and effectiveness of converting inputs and resources into useful products and services. Competitive strategy analyses the core competencies and capabilities of a firm vis-à-vis the competition and the customer needs so as to select the positioning the firm will take in order to survive and compete successfully. Competitive strategy therefore shapes the operations strategy and defines the competitive priorities in which companies will compete. Prahalad and Hamel (1990) argue that an organization's resources can be combined to attain competitiveness.

Long term success however demands the creation of ever more powerful systems that are difficult for competitors to replicate and are steadily being improved. It involves the effective management of all the resources available at the heart of which are people in the organization who alone have the capacity to build new abilities with time (Upton, 1995). The approaches and initiatives a company takes to meet customer needs, outperform competitors and achieve long-term goals constitute its competitive strategy. (Thompson & Strickland, 2003).

2.3 Competitive Strategy Models

In the context of turbulent business environments, strategic management plays a key role in facilitating the deployment of a firm's resources in an efficient manner to facilitate optimisation of its long-term performance. Implementation of strategies becomes critical especially in light of the increasing competition and complexity of today's world that can make it extremely difficult to assess and take advantage of opportunities open to a firm (Bennet, 1999).

Due to the changing environment that brings with it increased competition for the limited resources, market share and new competitive challenges, implementation of competitive strategies within organisations is very important. This is essentially due to the firm's quest to finding less threatening ways to do business, keeping their customers loyal to their firm's products and services and keeping them off those of competitors. Competitive strategies provide a framework for the firm to respond to the various changes within the firm's operating environment. Firms also develop competitive strategies to enable them seize strategic initiatives and maintain a competitive edge in marketing (Mac Millan, 1988; Porter 1998).

Porter (1980) suggests three generic competitive strategies, which can help a firm develop a competitive edge over its competitors in a competitive environment. These are cost leadership, differentiation and focus strategies.

a) Cost Leadership Strategy

To achieve overall cost leadership in an industry, a firm can adopt functional policies and resort to aggressive construction of efficient-sale facilities. This can be done through rehabilitation of the plants and machinery and installation of new ones to enhance efficiency and cost reduction. Cost leadership will enable a firm to be able to compete favourably through price cuts especially when dealing with customers who are price sensitive.

b) Differentiation Strategy

Porter (1980) argues that a firm can also adopt a strategy of differentiating its product or service offering as a means of trying to create something that is perceived industry-wide as being unique. Product uniqueness can be achieved, for example, through design and creation of innovative features. The firm can then carry advertisements on the product uniqueness so as to build a strong brand identification and great customer loyalty to defend it against competitors' products.

c) Focus Strategy

This strategy aims at narrow market segment, products category or certain buyers. This helps firms narrow their operations to specific markets and thus achieve competitive advantage.

2.4 Meaning and Role of Differentiation

Thompson and Strickland (2001), define a differentiation strategy as that which seeks to differentiate the company's product offering from rivals' in ways that will appeal to a broad spectrum of buyers. Further, they explain that differentiation strategy could be regarded as concentrating on a narrow buyer segment and out competing rivals by offering niche members customized attributes that meet their tastes and requirements better than their rival products. Kotler (2000) defines differentiation as the act of designing a set of meaningful differences to distinguish the company's offering from competitors' offering. Differentiation strategy is one in which a product is different from that of one or more competitors in a way that is valued by the customers or in some way affects customer choice (Aaker,1984). Porter (1985) looks at differentiation as creating a product or service offering that is perceived industry wide as being unique. On the other hand, according to Haarla (2000), differentiation is a position in which the offer of a given competitor has some valuable distinctive characteristics for the customer. From the aforesaid definitions by various authors, it is clear that any differentiation strategy should provide something

unique, which is perceived to be so by customers, and the difference should provide value to customers.

Kotler (2000) and Aaker (1984), concur that differentiation is based on understanding what customers value, provides the firm with a competitive advantage, allows the firm to command a premium price and increases brand loyalty. The more the company's differentiated offerings appeal to the buyers, the more the customers bond with the company and the stronger the resulting competitive advantage. Therefore, differentiation is an attractive competitive approach whenever buyers' needs and preferences are too diverse to be fully satisfied by standardised products or by sellers with similar capabilities.

Generally it is agreed that a difference is stronger to the extent that the differentiator is important, distinctive, superior, pre-emptive, affordable and profitable. The difference should deliver a highly valued benefit to a sufficient number of buyers who in return are willing to pay a premium for it. It should also be delivered in a distinctive way. It should not be easily copied even if it is for a short time. This is only possible if the differentiator is superior to other ways of obtaining the benefit. However, the customer affords to pay for the difference. In addition, the company is rewarded for its uniqueness with loyalty and a price premium (Porter, 1990; Aaker, 1987).

It is therefore worthwhile that a firm considers the strength of each difference to discover whether the above criteria can be fulfilled. Differentiation attributes are likely to be applied by a company along the value chain in a holistic view and neither can it be regarded as a concept hatched for some departments or functions or limited to the catchall of quality and service. Accordingly, Deephouse (1999) stated that possibilities of differentiation would be seen in three main areas. The first one is purchasing and procurement (supply chain management) with the spill over of the quality of the end product. Mc Donald gets high ratings for its French fries partly because of its very strict specifications on potatoes purchased. The second area is products (R&D) activities aimed at improving the product designs, performance features variety and friendliness. Finally are the marketing, sales and customer service activities resulting in superior technical assistance to buyers, better information to customers, and better credit terms.

According to Kotler (2000), differentiation is more effective if firm differentiates along the five dimensions: product, services, personnel, channels, image and price. Aaker (1987), goes further to include quality option, brand awareness, brand associations, customer orientation, brand loyalty, product line breadth, and technical superiority.

2.5 Challenges of Competition

Michael Porter defines competitive strategy as the art of relating a company to the economic environment within which it exists (Bennet, 1999). Porter (1998) explains that every firm competing in an industry has a competitive strategy whether explicit i.e. developed through a formal planning process or implicit - evolved through the various functional planning activities of the firm.

At the broadest contest, formulation of competitive strategy involves considering five factors that determine the limits of what a company can successfully accomplish. These are the firms' strengths and weaknesses, industry opportunities and threats. Using this analysis, Porter (1980) identified the three generic competitive strategies that can be viable in the long term as discussed. Porter (1998) also developed an analytical framework which can be used to develop competitive strategies in particular important types of industry environments. He focused on the analysis of industrial structure and competitors using the five fundamental forces that determine the state of competition in an industry. These are, the threat of new entrants and the ease with which competitors can enter the industry, the threat of substitutes which make it difficult for firms to raise prices by significant amounts because buyers easily switch to substitute products and services, bargaining power of suppliers, bargaining power of buyers, extent of competition among existing firms.

According to Porter, developing competitive strategies is developing a broad formula for how a business is going to compete i.e. what its goals – the ends should be and what policies/ tactics – the means which will be needed to carry out those goals. The goals of competitive strategies are focused towards gaining a competitive advantage, cultivating

clientele of loyal customers and out performing rivals ethically and morally. This will consist of moves by the firms to attract customers, withstand competitive pressures and strengthen their market position, (Murage Susan, 2001).

Porter's five forces of competition give an insight into competitive dynamics in an industry. It offers a richer view of the competition by capitalizing on the competition on the interrelationship of the five powerful and dynamic forces. The degree of competition in an industry hinges on the five forces. To establish a strategic agenda for dealing with these contending currents and grow despite them, a company must understand how they affect the company in its particular situation (Porter, 1980).

The population of interest consisted of LPG marketers in Kenya who are all based in Nairobi. Considering the size of the population, the entire population was interviewed comprised of seven players - refer to Appendix no. 3. This list was obtained from the Petroleum Institute of East Africa as at July 2006.

3.3 Data Collection Methods

Both primary and secondary data was used. Data collection was by use of a questionnaire embodying both close and open-ended questions - refer to Appendix 2, the questionnaire. The close ended questions design was desired to overcome sensitivities associated with sharing of information on Kenyan firms. The questionnaire was administered electronically and where not possible, through drop and pick to all respondents as they were within easy reach. To enhance the rate of response, an acceptance letter was attached explaining the objectives of the study.

CHAPTER THREE: RESEARCH METHODOLOGY

3.1 Research Design

The research was a census survey study aimed at determining the competitive strategies adopted by Liquefied Petroleum Gas Marketers. A census survey was considered most appropriate for this study given that the population of interest was small.

3.2 The Population

The population of interest consisted of LPG marketers in Kenya who are all based in Nairobi. Considering the size of the population, the entire population was interviewed comprised of seven players - refer to Appendix no. 3. This list was obtained from the Petroleum Institute of East Africa as at July 2006.

3.3 Data Collection Methods

Both primary and secondary data was used. Data collection was by use of a questionnaire embodying both close and open- ended questions - refer to Appendix 2, the questionnaire. The close ended questions design was desired to overcome sensitivities associated with sharing of information on Kenyan firms. The questionnaire was administered electronically and where not possible, through drop and pick to all respondents as they were within easy reach. To enhance the rate of response, an acceptance letter was attached explaining the intentions of the study.

3.4 Data Analysis Methods

Data analysis in this study was done using descriptive statistics. The data was presented in frequency tables and analysed through frequency counts, percentages and mean scores. Narrative summary of the open ended questions was made. The Statistical Package for Social Sciences (SPSS) was used to analyse responses secured from the five point likert scale.

The study used a questionnaire to collect data on the factors influencing competitiveness and competitive strategies used by the LPG marketers in Kenya using a Statistical Package for Social Sciences. Data presentation is made by use of frequency tables (0) for primary analysis. The details are under: Competitiveness of Marketers and Competitive Strategies pursued by LPG marketers. A total of 100 respondents out of seven (7) LPG marketing companies in Kenya returned the questionnaires satisfactorily completed. This formed 85.7% of the targeted population. One respondent did not fill in the questionnaire claiming that doing so would be in contravention of his company's policy on information protection.

3.4.1 Factors Influencing Competitiveness/ Characteristics of LPG Marketers

The study employed a census survey most appropriate given that the number of marketers was limited within easy reach. To help study the factors that influence competitiveness, the study sought to establish ownership type, number of years of operation in Kenya by the marketers, amount of initial capital investment, total basic investor requirements for the business, number of staff, distribution channels, factors influencing customers to buy, factors influencing customers' specific brand choice, challenges encountered by marketers, nature of competition, factors that influence competition, handling competition and the competitive strategies of competitors.

CHAPTER FOUR: DATA ANALYSIS AND FINDINGS

4.1 Introduction

This chapter deals with the presentation and analysis of findings of the study. It presents findings on the factors influencing competition and competitive strategies used by the LPG Marketers in Kenya using a Statistical Package for Social Sciences. Data presentation is mainly by use of frequency tables (f) for primary analysis. The details are under: Characteristics of Marketers and Competitive Strategies pursued by LPG marketers. A total of six (6) respondents out of seven (7) LPG marketing companies in Kenya returned the questionnaires satisfactorily completed. This formed 85.7% of the targeted population. One respondent did not fill in the questionnaire claiming that doing so would be in contravention of his company's policy on information protection.

4.2 Factors Influencing Competitiveness / Characteristics of LPG Marketers

This study considered a census survey most appropriate given that the number of marketers are few and within easy reach. To help study the factors that influence competitiveness, the study sought to establish; ownership type, number of years of operation in Kenya by the various marketers, amount of initial capital investment, total basic investor requirements for LPG business, cylinder sizes, distribution channels, factors influencing customers to buy, factors influencing customers' specific brand choice, challenges encountered by marketers, the level of competition, factors that influence competition, handling competition and the importance of competitive strategic goals.

4.2.1 Type of Ownership

The ownership type indicates the type of players in an industry and what to expect in it. It is a key factor to study before considering entry.

Table 4.2.1 Type of Ownership

Type of Ownership	Frequency	Percentage
Local	2	33.3
Multinational	4	66.7
Total	6	100

Source: Primary Data

Table 4.2.1 above indicates that four (4) of the companies studied which represent 66.7% are multinational companies while two (2) representing 33.3% are local companies. One multinational company was not studied for reasons stated earlier. However, the analysis indicates that the multinationals are the majority.

4.2.2 Initial Capital Outlay Requirement

Table 4.2.2 Initial Capital Outlay Requirement

Capital Outlay (Kshs)	Frequency	Percentage
25,000,000 – 49,000,000	1	16.7
50,000,000 – 99,000,000	1	16.7
100,000,000 – 199,000,000	2	33.3
200,000,000 – 499,000,000	1	16.7
500,000,000 – 1,000,000,000	1	16.7
Total	6	100

Source: Primary Data

The level of capital investment communicates the strategic decisions because of the financial impact and payback period expected before profits are earned. The respondents were asked to indicate how much capital they had put into the bottled LPG business. Table 4.2.2 above indicates that one (1) company had invested between Kshs. 25 million – 49 million representing 16.7%, another one (1) had invested between Kshs. 50 million – 99 million representing 16.7% while four (4) companies had invested between Kshs. 100 million - 499 million represented by 66.7%. The highest investor had invested about Kshs. 1 billion representing 16.7%.

4.2.3 Other Basic Investor Requirements for Bottled LPG Business

Table 4.2.3 Other Investor Requirements for Bottled LPG Business

Facilities	Basic Requirements	Frequency	Percentage
Financial	Kshs. 50 million	5	83.3
	KShs. 25 million	1	16.7
Physical	Filling plant	5	83.3
	A warehouse	1	16.7
	Bulk underground tank	3	50
	Depot	2	33.4
	Access to bulk LPG loading arms	3	50
	Large stocks	1	16.7
	Electricity	1	16.7
	Weighing scales	1	16.7
	Trusted distributorship	3	50
	Trained Staff	2	50

Source: Primary Data

The respondents were asked to state what in their opinion, were the basic minimum requirements for new investors. The findings as seen in Table 4.2.3 above were;

- (a) Financial requirements – Between Kshs. 25 million – I billion.
- (b) Physical requirements – filling plant, warehouse, a depot, storage tanks, access to bulk LPG loading arms, trucks for transportation of bulk, adequate stocks, electricity, weighing scales, credible / reliable distributorship, expertise in terms of staff and manpower.

These requirements probably explain why there are too few investors in this business currently dominated by the Multinationals as confirmed by Wamathu (1999) as being the major factor that created barrier to entry into the Oil Industry.

4.2.4 Number of Years of Operation in Kenya

Table 4.2.4 below reveals that one player has been in the market for less than one (1) year representing 16.7%, another one (1) marketer for less than five (5) years representing 16.7% while four (4) marketers representing by 66.7% have been in this business for a period of over 25 years.

Table 4.2.4 Number of Years of Operation in Kenya

No. of Years in Operation	Frequency	Percentage
Less than 1 year	1	16.7
1 – 5	1	16.7
6 – 10	0	0
11 – 25	0	0
26 -40	2	33.3
41 – 50	0	0
50+	2	33.3
TOTAL	6	100

Source: Primary Data

4.2.5 Sizes of Cylinders

Table 4.2.5 Sizes of Cylinders

Cylinder Sizes	Frequency	Percentage
6 Kg	5	83.3
12 Kg	1	33.3
12.5 Kg	1	33.3
13 Kg	3	50
15 Kg	1	33.3
45 Kg	1	33.3
50Kg	1	33.3

Source: Primary Data

The respondents were asked to indicate the cylinder sizes they stocked. From Table 4.2.5 above, the most popular cylinder size is the 6 kg represented by 83% followed by the 13 kg represented by 50%. The main reason given for this trend was that the majority of customers of the 6 kg are the low income group who use it for cooking with the largest market based in Nairobi. During the interview, it came out that the 45 kg representing 33.3% and 50 kg cylinders representing 33.3% are used by small restaurants in towns.

4.2.6 Distribution Channels

Table 4.2.6 Distribution Channels

Distribution channels	Frequency	Percentage
Supermarkets	3	50
Service Stations (Petrol Stations)	5	83.3
Resellers	5	83.3

Source: Primary Data

The respondents were asked to indicate their major distribution channels. Table 4.2.6 above indicates that the majority of the respondents use service stations and resellers as their major distribution channels indicated by 83.3% while 50% use supermarkets.

4.2.7 Factors that Influence Customers to Buy

Table 4.2.7 Factors that Influence Customers to Buy

Factors influencing customers to buy	Frequency	Percentage
Product availability	6	100
Competitive prices	4	66.7
Credit facilities offered	2	33.3
Quality of customer service	6	100
Safety	2	33.3
Ample and Secure parking	1	16.7
Accessibility	2	33.3

Source: Primary Data

Table 4.2.7 above indicates that factors of influence include product availability and quality of customer care service indicated by all the respondents (100%). Good customer care ensures that the customers' needs are met hence repetitive buying which ideally translates to higher market share and less costs of advertising due to product popularity in the market. Competitive pricing came in second with 66.7% which indicated the importance that customers attached to brand choice. Other factors included in order of importance included; credit offered (33.3%), safety of the cylinders (33.3), accessibility and ample parking with 16.7%.

4.2.8 Factors that Influence Customers' Preference of a Specific Brand

Table 4.2.8 Factors that Influence Customers' Preference of a Specific Brand.

Factors that influence customers	Frequency	Percentage
Lower prices	5	83.3
Product availability	6	100
Strategic location	4	66.7
Good customer care	6	100
Giving incentives e.g. discounts	4	66.7
Aggressive marketing	4	66.7

Source: Primary Data

Table 4.2.8 above presents the factors that influence customers' preference of a specific brand. 100% of the customers prefer a brand because of availability and good customer care offered. Another 83.3% of the respondents stated that customers prefer lower prices. 66.7% of the respondents stated that giving incentives, strategic location and undertaking aggressive marketing each representing 66.7% also determined customers' brand preference.

4.2.9 Challenges Encountered By LPG Marketers

The following Table 4.2.9 summarizes the challenges encountered by LPG marketers. The findings state that illegal refilling plants are a major challenge indicated by 66.7% of the respondents. The second highly rated challenge represented by 33.3% is late payments from customers who in most cases are the distributors and / or retailers. This is an indication that marketers offer credit. Other challenges include; low prices of substitute products like kerosene and wood energy, high cost of cylinders, hard economic conditions, poor infrastructure and uncertainty of product availability each representing 16.7%.

Table 4.2.9 Challenges Encountered By LPG Marketers

Challenges encountered	Frequency	Percentage
Illegal refilling plants	4	66.7
Late payments from customers	2	33.3
Low price of kerosene	1	16.7
Wood energy	1	16.7
High costs of cylinders	1	16.7
Hard economic conditions	1	16.7
Poor infrastructure	1	16.7
Uncertainty in product availability	1	16.7

Source: Primary Data

4.2.10 Intensity of Competition

Table 4.2.10 Intensity of Competition

Intensity of competition	Frequency	Percentage
Stiff	1	16.7
Fairly stiff	5	83.3
Not stiff	0	0
Not sure	0	0
Total	6	100

Source: Primary Data

This section rates the level of competition as seen by the respondents. Table 4.2.10 above indicates that 83.3% of the respondents stated that there is fairly stiff competition while 16.7% state that competition is stiff. This is an indication that this business faces stiff competition amongst themselves and / or from substitute products.

4.2.11 Factors that Influence Competition

From Table 4.2.11 below, illegal filling plants and price wars are major sources of competition in the industry indicated by 50% of the respondents. Brand loyalty at 33.3% is the second major factor with others like, customer loyalty, switching costs and financial barriers each representing 16.7% of the respondents.

Table 4.2.11 Factors that Influence Competition

Factors influencing competition	Frequency	Percentage
Price wars	3	50
Customer loyalty	1	16.7
Brand loyalty	2	33.3
Switching costs	1	16.7
Financial barriers	1	16.7
Illegal filling plants	3	50

Source: Primary Data

4.2.12 Handling Competition

Table 4.2.12 Handling Competition

Ways of handling competition	Frequency	Percentage
Ensuring product availability	3	50
Competitive pricing	3	50
Introduce to other towns	1	16.7
Penetrate the rural markets	1	16.7
Promotions & advertising	1	16.7
Customer service	2	33.3

Source: Primary Data

Table 4.2.12 above shows different ways that the marketers handle competition. 50% of the respondents said that they handled competition through ensuring competitive pricing and

product availability. Other factors stated were; good customer care (33.3%), enlarging networks by introducing their products to other towns, penetrate rural markets, promotions and advertising each representing 16.7% of the respondents.

4.2.13 Importance of Competitive Strategic Goals

Table 4.2.13 Importance of Competitive Strategic Goals

Strategic goals	Mean score	Std Deviation
Survival in the industry	2	3.1667
Growth (gain market share)	1	2.8888
Maximize market share	1	2.8888
Profitability	2	3.1667
Market differentiation	2	3.1667

Source: Primary Data

From Table 4.2.13 above, the mean score of 2 shows that the respondents' rate of survival in the industry, profitability and market differentiation are very important goals as they work out their competitive strategies. Growth (to gain market share) and maximize market share are seen as fairly important strategic goals with a mean score of 1.

Factor analysis for service offerings	Mean	Std Deviation
Using reliable retailers	1.3333	1.6905
Offering product packaging not provided by competitors	2.1667	1.3292
Using Resellers	2.1667	1.3292
Use exclusive distributors	2.8333	1.2234
Avoid distributors used by competitors	3.1667	0.8165

Source: Primary Data. Extraction Method: Principal Component Analysis

4.3 Competitive Strategies Pursued by LPG Marketers.

Having established the factors that influence competitiveness and the operating conditions of the marketers, the tables that follow analyse the various strategies that the LPG marketers pursue so as to compete effectively in areas of service offerings, customer relationship quality, marketing, pricing and cost management.

4.3.1 Factor Analysis for Service Offerings Strategy

In factor analysis, various variables are grouped in order of relevance and relatedness. The results displayed in Table 4.3.1 below reveals that, in service offerings, the strategies used in order of importance are; avoiding distributors used by competitors with a mean score of 3.1667, having exclusive distributors with a mean score of 2.8333, using resellers and offering product package not provided by competition with mean scores of 2.1667 each and looking for reliable retailers came as least important with a mean score of 1.3333. These factors ensure product availability.

Table 4.3.1 Factor Analysis for Service Offerings Strategy

Factor analysis for service offerings	n	Mean	Std Deviation
Using reliable retailers	6	1.3333	1.6905
Offering product packaging not provided by competitors	6	2.1667	1.3292
Using Resellers	6	2.1667	1.3292
Use exclusive distributors	6	2.8333	1.2224
Avoid distributors used by competitors	6	3.1667	0.8165

Source: Primary Data. Extraction Method: Principal Component Analysis

4.3.2 Factor Analysis for Pricing and Cost Management Strategy

Shown in the table below are the four factors seen as influencing pricing and costs.

Table 4.3.2 Factor Analysis for Pricing & Cost Management Strategy

Factor analysis for pricing and cost management	n	Mean	Std Deviation
Keeping your prices the same as competitors	6	3.1667	1.4719
Keeping your prices lower than the competitors	6	3.2667	1.2110
Keeping lower overheads than the competitors	6	4.5000	0.8366
Keeping same overheads as the competitors	6	2.1667	1.6329

Source: Primary Data. Extraction Method: Principal Component Analysis

Each factor is an indication of the importance and how heavily they influence marketers in designing their strategies. The results displayed in Table 4.3.2 above reveal that keeping lower overheads than competitors with a mean score of 4.5 against keeping same overheads as the competition with a mean score of 2.1667 would ideally translate to having lower prices than competition with a mean score of 3.2667.

4.3.3 Factor Analysis for Staff Recruitment and Training Strategy

Table 4.3.3 Factor Analysis for Staff Recruitment and Training Strategy

Factor analysis for staff recruitment and Training	n	Mean	Std Deviation
Train staff in customer care	6	1.1667	0.5164
Employing competent staff	6	1.3333	0.4083

Source: Primary Data. Extraction Method: Principal Component Analysis

This analysis was done to test for clusters or variables that measure staff as a competitive factor. The mean values illustrated in Table 4.3.3 above shows that recruiting competent staff is very important and hence a competitive strategy worth pursuing.

In this chapter, the findings of the study are summarized, discussed and conclusions drawn. and areas thought necessary for further research, limitations of the study and recommendations for policy and practice.

4.3.4 Factor Analysis for Marketing Strategy

Table 4.3.4 below shows that six (6) factors were identified as shown below. The mean scores indicate that offering credit and discounts to customers were seen as very important strategies in marketing with a mean score of 3.6667 each. Other factors included in order of importance were, offering coupons or gifts to the customers with mean score of 3.1667, offering volume discounts with mean score of 2.6667, use of sales promotion / advertising, making attractive cylinders by colour, branding and cleanliness with a mean score of 2.3333 each. Discounts would make the product cheaper while credit improved customers' cash flow status.

Table 4.3.4 Factor Analysis for Marketing Strategy

Factor analysis for marketing	n	Mean	Std Deviation
Use of sales promotion and advertising	6	2.3333	1.5055
Making attractive cylinders by colour, branding and cleanliness	6	2.3333	1.5055
Offering credit to customers	6	3.6667	0.8165
Offering volume discounts	6	2.6667	1.2111
Offering coupons or gifts to the customers	6	3.1667	1.0328
Offering discounts to your customers	6	3.6667	0.8165

Source: Primary Data

CHAPTER FIVE: CONCLUSION

5.1 Introduction

In this chapter, the findings of the study are summarized, discussed and conclusions drawn. The chapter also highlights recommendations and areas thought necessary for further research, limitations of the study and recommendations for policy and practice.

5.2 Summary, Discussions and Conclusions

The study was to determine Competitive Strategies used by LPG marketers in Kenya and the characteristics of the marketers. Based on the study, the six respondents had similar attributes in terms of competitive strategies used. Starting with the factors influencing competitiveness and characteristics of the marketers, the study established that the marketers were both multinationals and local companies. The multinational companies represented 66.7% while the local companies represented 33.3%. Most of the marketers had operated for more than thirty (30) years in Kenya. The study also sought to establish the amount of capital required to start the business. It found out that the initial investment capital outlay required was between Kshs. 25 million and Kshs 1 billion. Besides the financial requirements, the investors required other facilities like filling plants, loading points, transportation trucks, a good network of distributors, depot, warehouse, weighing scales, electricity, adequate cylinder rolling stock, adequate LPG stocks and trained staff. The heavy investment requirement explained why this industry is currently dominated by multinational companies.

LPG is homogeneous in nature and can only be differentiated through the product packaging in terms of cylinder sizes, regulator type valve, colour and the brand names. The study revealed that factors identified as influencing competition amongst the marketers were; price wars, illegal filling of competitor cylinders, brand loyalty, customer loyalty, switching costs and financial barriers. Factors identified that influenced customers to buy included, product availability, competitive price, quality of customer care, credit facilities

offered, cylinder safety, accessibility and ample / secure parking. When asked the state of competition, 83.3% of the respondents indicated that it was fairly stiff while 16.7% indicated that it was stiff.

The study sought to establish how they were handling competition. This introduced the various competitive strategies adopted by the different marketers to remain competitive. The questionnaire sought five strategies that the marketers could use. They were; product and service offerings, pricing and cost management, staff, marketing and customer care / service. With respect to service offerings, major similarities were identified. The respondents used similar distribution channels. 83.3% used service stations, another 83.3% resellers while 50% used supermarkets. The high usage of service stations is explained by the fact that majority of the players are the multinationals who own the service (petrol) stations and who use them as major outlets / channels to sell their LPG brands. Further analysis indicated that though they used exclusive distributors not used by competition and looked for retailers who were reliable and delivered fast so that they ensured no product stock outs, careful handling of cylinders by distributors was also important so that the cylinders remained clean and not dented hence attractive / appealing to customers. Dented cylinders would require revalidation which increases operation costs.

With respect to pricing and cost management, the study established that keeping low overhead cost shown by mean value of 4.5 with a standard deviation of 0.8366 came up strongly as an important strategy to keeping prices lower than competition. Keeping prices lower than competition was seen as a strong strategy to win in the market place as shown by mean of 3.2667 with a standard deviation of 1.2110. With respect to staffing strategies, the mean score summaries showed that respondents hired competent staff and also trained their staff in customer care consistently. The study revealed that customers were particular about quality of service which strongly influenced their choice of brand. The training given is important so as to enhance employees' confidence and develop good customer relationships. This is an important aspect of marketing (Bejou et al 1998).

In marketing strategy, the study found out that offering discounts, credit, offering coupons or gifts to customers, volume discounts, sales promotions / advertising, making cylinders attractive by colour, branding and cleanliness were identified as important strategies used in marketing to remain competitive. Brand loyalty came out as a major influence in customer loyalty. The use of volume discounts was to encourage repetitive purchasing. The marketers were also asked to rank the following strategic goals in order of importance; survival in the industry, profitability, market differentiation, growth to gain market share and maximizing market share as they operated in the industry. These were seen with mean scores of 2 being the highest score.

5.3 Recommendations for Further Research

In as much as a number of similarities were noted in terms of strategies adopted to counter competition, similar challenges were also noted. These included huge financial investment requirement, cut throat competition, illegal filling into the competitors' cylinders by unscrupulous businessmen, price wars, brand loyalty, late payment from customers, substitute products like kerosene, electricity and wood energy, high cost of cylinders, hard economic conditions, poor infrastructure and uncertainty of product availability from The Kenya Petroleum Company hence stock outs. Studies from the Petroleum Institute of East Africa say that stock outs issues are addressed through LPG imports. This is done through competitive bidding by the multinational companies as joint cargoes. It is a challenge to small players who cannot afford this kind of arrangement due to the huge cost of the consignments.

5.4 Recommendation for Policy and Practice

In conclusion, Kenya is a price sensitive market and customers are known to pick products based on how they are priced. Given that LPG can only be differentiated through cylinder size / colour, valve and regulator size, good management of overhead cost is very important so that companies can compete on price. Product availability to ensure no stock outs, competent staffing to ensure good customer care which would reduce costs through advertising and promotion and build customer loyalty hence brand loyalty. Use of reliable and exclusive distributors to ensure product availability, are strategies worth pursuing so as to remain competitive in the market.

5.2 Limitations of the Study

The results of the study were drawn from six (6) respondents out of the intended population of seven (7). One respondent deliberately did not fill in all parts of the questionnaire claiming that the information sought was sensitive and more so at this time when the Government has declared that the valves are to be standardized. The seventh respondent deliberately refused to respond citing contravention of company policy on information protection policy. However, the responses were good and representative.

5.3 Recommendations for Further Research

In the June 2005 annual budget, the Government removed all taxes and duties related to LPG to make it more affordable. Effective October 2006, all marketers were given thirty (30) months within which period all cylinders valves should be standardized. The standardization is seen as a move to making LPG more available and affordable by increasing competition. Based on the results of the study which indicated many similarities in the competitive strategies adopted, I recommend further study on competitive strategies that the marketers of LPG will adopt after October 2009, when all valves will have been standardized. The valve is currently one of the major gadgets used as a differentiator.

5.4 Recommendation for Policy and Practice

The Government's policy to standardize valves is most welcome if it achieves the intended purpose. In September 2006, The East African Community gazetted the removal of VAT & Duty on cylinder metal to make it more affordable across the borders. This is seen as a positive move to encourage more competition and open the market boundaries. To the LPG respondents that I studied, I find it necessary for them to know that my study was very objectively carried out. The findings indicate fairly stiff competition with indications of more to come given the recent Government policies introduced to encourage more

competition. For potential investors, it still looks a challenge due to the heavy initial investment requirement but there is market potential given the Government intervention.

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adopted by LPG marketers in Kenya to cope with competition. This study is being carried out for a management project paper as a requirement in partial fulfillment of the degree of Master in Business Administration, University of Nairobi.

There are no correct or wrong answers to these questions and they are intended to obtain opinions and views. The information you will provide will be treated in strict confidence and is strictly for academic purpose as mentioned earlier.

Your cooperation will be highly appreciated.

Yours Faithfully,

Njoroge Jane N.

APPENDIX 1: LETTER OF INTRODUCTION

July 2006.

Dear Respondent,

RE: MBA RESEARCH PROJECT

I am a post-graduate student at the University of Nairobi. This questionnaire is designed to gather information on the competitive strategies adopted by LPG marketers in Kenya to cope with competition. This study is being carried out for a management project paper as a requirement in partial fulfillment of the degree of Master in Business Administration, University of Nairobi.

There are no correct or wrong answers to these questions and they are intended to obtain opinions and views. The information you will provide will be treated in strict confidence and is strictly for academic purpose as mentioned earlier.

Your cooperation will be highly appreciated.

Yours Faithfully,

Njoroge Jane. N.

APPENDIX 2: QUESTIONNAIRE

Kindly answer all the questions.

1. How long have you been operating this business in Kenya? _____

2. How much in terms of capital have you invested in the Bottled LPG business?
Kshs. _____

3. What is the nature of ownership of your Bottled LPG business outlet? (tick)

Local ()

Multinational ()

Other ()

4. a) Which are your three (3) most popular Bottled LPG cylinder sizes?

(i) _____

(ii) _____

(iii) _____

b. Why? _____

5. In your opinion what basic requirements does an investor need to operate to operate this business?

Financial requirement Kshs. _____

Physical Facilities _____

Others _____

6. Indicate (√) which are your major outlet channels.

Supermarkets

Service stations

Resellers

Retailers

(viii) Product availability uncertainty [] agree [] no opinion [] disagree

7. What are the terms of trade?

(i) Credit ()

(ii) Cash ()

(iii) Both ()

8. The following have been identified as factors attracting customers to buy. To what extent do you agree? (tick appropriately)

(i) Product availability [] agree [] no opinion [] disagree

(ii) Competitive prices [] agree [] no opinion [] disagree

(iii) Credit facilities offered [] agree [] no opinion [] disagree

(iv) Customer Service Quality [] agree [] no opinion [] disagree

(v) Safety of the cylinders [] agree [] no opinion [] disagree

(vi) Ample and secure parking [] agree [] no opinion [] disagree

(vii) Accessibility [] agree [] no opinion [] disagree

9. Below are some of the problems currently being encountered by the LPG marketers? To what extent do you agree? (tick appropriately)

(i) Illegal refilling plants [] agree [] no opinion [] disagree

(ii) Late repayments from customers [] agree [] no opinion [] disagree

(iii) Low prices of kerosene [] agree [] no opinion [] disagree

(iv) Wood energy [] agree [] no opinion [] disagree

(v) High cost of cylinders [] agree [] no opinion [] disagree

(vi) Hard economic times [] agree [] no opinion [] disagree

(vii) Poor infrastructure [] agree [] no opinion [] disagree

(viii) Product availability uncertainty [] agree [] no opinion [] disagree

In the following question indicate your level of agreement with the statement by ticking the appropriate answer using the scales below.

7=strongly agree 6=slightly agree 5=agree 4=undecided 3=disagree

2=slightly disagree 1=strongly disagree

10. Why do you think your customers prefer your brand?

	7	6	5	4	3	2	1
(i) Lower prices	()	()	()	()	()	()	()
(ii) Strategic location	()	()	()	()	()	()	()
(iii) Good customer service	()	()	()	()	()	()	()
(iv) Giving incentives e.g. discounts	()	()	()	()	()	()	()
(v) Aggressive marketing	()	()	()	()	()	()	()

11. In your opinion, how do customers view your current prices?

Very high High Fair Low Very low

12. How would you rate the state of competition in the industry?

Stiff Fairly stiff Not sure Not stiff

13. What reasons would you give for your answers in Q.12?

1. Looking for reliable reasons () () () ()

2. Offering packages as provided by competitors () () () ()

14. Following are some of the factors that currently influence competition in the LPG industry. Use the following scale to rate their importance:

1. Very important 2. Important 3. Slightly important

- Price wars Very Important important slightly important
- Customers' loyalty Very Important important slightly important
- Brand loyalty Very Important important slightly important
- Switching costs Very Important important slightly important
- Financial barriers Very Important important slightly important
- Illegal filling plants Very Important important slightly important

15. How important are the following goals in your business? Please rate them in order of their importance using the following scale:

1. Very important 2. Fairly important 3. Not sure. 4. Unimportant

5. Not important at all.

	5	4	3	2	1
Survival in the industry	()	()	()	()	()
Growth (gain market share)	()	()	()	()	()
Maximize market share	()	()	()	()	()
Profitability	()	()	()	()	()
Market differentiation	()	()	()	()	()

16. How important is it to give your LPG a name other than the brand name (✓) ?

1. Very important 2. Fairly important 3. Not sure. 4. Unimportant

5. Not important at all.

17. Please indicate (✓) the extent to which you have used the following action plans to beat competition in the market. Use the scale given below:

1. To a great extent 2. To some extent 3. Moderately used 4. Not used

5. Not used at all

	1	2	3	4	5
1. Looking for reliable retailers	()	()	()	()	()
2. Offering packages not provided by competition	()	()	()	()	()
3. Using resellers who deliver fast	()	()	()	()	()
4. Have exclusive distributors	()	()	()	()	()
5. Avoiding distributors used by competition	()	()	()	()	()

- | | | | | | |
|---|--------------------------|--------------------------|--------------------------|--------------------------|--------------------------|
| 6. Keeping your prices lower than competitors | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| 7. Keeping your prices the same as competitors | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| 8. Keeping lower overheads than competitors | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| 9. Keeping the same overhead costs as competitors | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| 11. Employing competent staff | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| 12. Giving staff incentives e.g. commission | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| 13. Training staff in Customer Service | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| 14. Offering credit to customers | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| 15. Offering discounts | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| 16. Offering coupons or gifts to customer | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| 17. Offering volume discounts | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| 18. Use of sales promotions or advertising | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| 19. Making cylinders attractive by use of colours | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| 20. Good feedback system from customers | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |

Thank you for your cooperation.

APPENDIX 3: LIQUEFIED PETROLEUM MARKETERS IN KENYA – 2006

- Kenya Shell Limited
- Total Kenya Limited
- Mobil Kenya Limited
- Chevron Kenya Limited
- Kenol Kobil
- Triton Kenya Limited
- British Oxygen Company (BOC)