

**EFFECTS OF THE TOBACCO REGULATION ON THE
MARKETING MIX OF TOBACCO FIRMS IN KENYA**

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By

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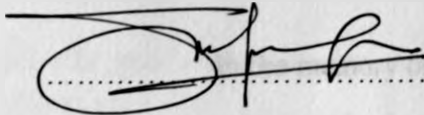
**A Management Research Project Submitted In Partial Fulfillment of
the Requirements of the Degree of Master of Business and
Administration (MBA), Faculty of Commerce, University of Nairobi**

September, 2002

DECLARATION

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

Signed:



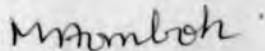
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17/10/2002

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

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17/10/2002

ACKNOWLEDGEMENTS

DEDICATION

In the memory of

My late father MZEE GEOFFREY MWANGI

He foresaw the future and prepared himself,

Prepared me but never lived to harvest

the fruits of his hard work

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A very special tribute to my family for their understanding, encouragement and patience as I undertook the MBA course. I particularly thank my daughters Lorna and Roselyne for assisting in the typing, Angela and Juliet for their continued love and my wife Mercy for finding time to assist in proof reading the project.

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LIST OF ABBREVIATIONS

- 1) **WB** - **World Bank**
- 2) **IMF** - **International Monetary Funds**
- 3) **PRSP** - **Poverty Reduction Strategy Paper**
- 4) **WHO** - **World Health Organization**
- 5) **BAT** - **British American Tobacco**
- 6) **MTK** - **Mastermind Tobacco Kenya Ltd.**
- 7) **CT** - **Cut Tobacco**
- 8) **TCC** - **Tanzania Cigarette Company**
- 9) **JTI** - **Japan Tobacco International (formerly RJR)**
- 10) **RJR** - **Richard Joshua Reynolds**
- 11) **KBS** - **Kenya Bureau of Standards**
- 12) **ETS** - **Environmental Tobacco Smoke**

ABSTRACT

This study sought to identify the effects of the tobacco regulation on the marketing mix variables of the tobacco firms in Kenya. It also sought to identify the problems these firms were experiencing as they modified the marketing mix variables to suit the new regulated environment.

The rationale for the study arose out of the fact that there is increasing pressure locally and internationally for enforcement of tough tobacco controls aimed at reducing its consumption, with some of the lobbyists even calling for the total elimination of the industry. This has affected the marketing activities of the tobacco firms. Many tobacco firms therefore have had to adjust their marketing mix variables to respond to the new challenges.

The study used primary data, which was collected through the use of a questionnaire. The mode of data collection was through personal interviews. The study was a census study of the four tobacco firms operating in Kenya.

The data, which was obtained from all the four tobacco, firms was analyzed using descriptive statistics.

Findings of this study revealed that regulation of tobacco industry has brought very serious challenges to the tobacco industry. The study also found out that the tobacco firms have reduced significantly advertising and promotions e.g. through outdoor advertising, electronic and print media.

The industry can longer freely use the traditional marketing mix elements. They have been forced to modify all the elements if they have to survive. They are now using more direct ways of reaching their target consumer. Secondly tobacco firms have invested heavily in marketing research activities in an effort to develop more environment and user friendly products. A lot of research efforts have also been put on consumer studies in order to identify more direct and effective channels of communicating to their target consumers. A lot of promotional efforts are now focussed at the point of sale.

In an attempt to improve and correct the negative public image associated with smoking, the study found out that these tobacco firms have formed a lobby group to argue and present their position to the relevant bodies including the government. The study further revealed that these firms are also now involving themselves in social responsibility issues like afforestation, rural health development, informal sector support programmes (like the Jua Kali sector) as well as contributing to infrastructure development like rural road repairs and education programmes which are geared to educate the public on the risks associated with smoking.

Finally the research found out that although the tobacco regulations are clearly spelt, the enforcement of these rules and regulations is quite weak and as a result the locally owned firms were flouting these regulations and therefore having an unfair advantage. The study found out that the subsidiaries of the multinational firms were already on a industry voluntary code which set the industry's own position with respect to tobacco promotion and advertising particularly at this time of heavy restrictions on its sale and marketing.

In view of the changing environment as a result of increasing globalization, internationalization of business and increased calls for regulation of the businesses, the tobacco industry must look for new perspectives and innovative marketing tools for them to successfully face the new challenges. The traditional marketing mix elements cannot freely be applied in the regulated business environment and therefore the need to identify new ways through which to reach their target consumers. Tobacco firms able to develop environmentally friendly products with affordable prices and able to maintain low operational costs will have a competitive advantage in the market place.

The researcher intended to collect the information from all the marketing managers or their equivalents, from the four firms but in one of the firms it was not possible to personally collect the information. The questionnaire was left and was picked later. Thus it was not possible to gather additional information or expound on questions that may have required elaboration. Besides some of the respondents were reluctant to discuss some of the issues especially where they were aware that they were flouting the regulations. These limited gathering of additional relevant information.

This study has been conducted at a time when the government machinery has not been able to fully implement and enforce all the control measures proposed in the tobacco control bill. Besides there is mounting external pressures from the WHO and other multilateral donor agencies on the government to enforce the existing regulations and enact new ones. There is therefore need for further research when these regulations are fully enforced.

Strict enforcement of the tobacco regulations will create a new regulated environment in which some of the firms currently operating in Kenya will pull out or new players will enter the market. This will provide also need for further research to find out how the firms' marketing mix elements will be affected and to document how these firms will modify these variables to suit the fully regulated environment.

CHAPTER ONE

1.0 INTRODUCTION

1.1 BACKGROUND

As result of the increasing globalization of the world economies, many developments have taken place in an attempt to respond and sustain operation in an increasingly competitive environment. The liberalization can be traced to the reforms advocated to the developing countries by the World Bank (WB) and the International Monetary Fund (IMF). In Kenya the Interim Poverty eradication strategy paper Strategy paper (PRSP) 2000-2001 highlighted the need for the agricultural sector to grow at about 4% per annum if it has to contribute to national growth and increase rural health.

The increase in the globalization has also led to increased need for business regulation as countries attempt to protect their domestic industries from unfair competition, to protect consumers from unfair business practices, and to protect the interests of society from unbridled behaviour. As in the words of Kotler (2001) a major purpose of business legislation and enforcement is to charge businesses with the social costs created by their products or production processes. The increasing need for control has come from various corners. From the governments trying to protect their domestic industries at a period of increasing globalization, from special interest groups in an attempt to safeguard the interests of their members.

For example, the European Union has established rules covering competitive behaviour, product standards, product liability and commercial transactions for its 15 member states. The ex- Soviet Union nations are busy establishing and enacting laws that promote and regulate a market economy. The United States has many laws on its books covering such issues as competition, product safety and liability, fair trade and credit practices, packaging and labeling (Cohen 1995). Norway has introduced rules that ban any form of sales promotion like trading with stamps, contests, and premiums and consider them as inappropriate or unfair instruments for promoting products. The food processors selling national brands in Thailand are required by law to also market low priced brands for the low-income consumers while in India, any food companies wanting to launch new brands that duplicate on the ones already existing in the market must obtain from the government a special approval. Though these business regulations have increased steadily over the last few years, the central concern about the regulation is at what point does the costs of regulation exceed the benefits.

All these rules have had major implications on the way cigarette companies market their products. The use of the traditional marketing mix elements is no longer possible and this means the cigarette companies are no longer able to freely choose and apply the traditional marketing mix variables. They have had to modify these variables to suit the new regulated environment. A study by Bii (1992) to determine the extent to which commercial banks in Kenya utilize promotion mix elements in marketing their services, concluded that Commercial banks in Kenya utilized some of the promotional mix more than others. Personal selling was the most important promotion mix element preferred by 56.5% of the commercial banks followed by public relations and advertising. Following

liberalization of the oil industry, the oil firms find themselves in very competitive environment between multinational corporations and upcoming individual petrol dealers. A study by Wairachu (2000) to find out the changes made in the marketing mix by petroleum firms as they operate in a liberalized economy found out that marketing managers normally manipulate the elements of the marketing mix to achieve their objectives. The study therefore concluded that when market conditions change, marketing mix elements are also adjusted in order for the set objectives to be realized.

With respect to tobacco, the law controlling production, trade and smoking of tobacco and tobacco product proceeds from the premise that tobacco is considered dangerous to people's health. All human beings are entitled to sound health, a clean and healthy environment. As result the tobacco industry has faced an increasingly hostile marketing environment. Anti tobacco lobby groups have moved from merely demarketing the product to actively calling for heavy restrictions and, in some cases, a complete ban. Courts worlds over have awarded astronomical amounts against tobacco companies in damages arising from cigarette smoking. The World health Organization (WHO) has also weighed in with its framework convention on tobacco control.

1.2 THE REGULATIONS IN THE TOBACCO INDUSTRY

Since 1613, when John Rolfe introduced a successful experiment in tobacco cultivation in Virginia (Morison, 1965: 52) the leaf has assumed major social, industrial, economic and medical implications. Consequently, persons concerned with tobacco on a commercial or personal basis have been subjected to a variety of different regulations over the past 360 years.

Tobacco has been attacked by social observers and medical authorities for the damage it has allegedly done, to the social and physical condition of man. On the one hand, proponents of the leaf stress its social benefits and its economic and industrial significance. Some enthusiasts even endorse its alleged medical and psychological benefits. Opposed are those who cite the health hazards of smoking and others who are convinced of its immorality.

As Prabhat and Chaloupka (2002) observes the public health arguments for Tobacco control differ on goals. Public health goals would, rationally, be to eradicate smoking if possible, given that tobacco hazards increase with increasing exposure and overwhelm any possible beneficial effects on health.

In contrast, the economic arguments suggests that the social-optimal level of consumption of tobacco would be zero. Besides and particularly in the developing economies, the tobacco industry is not only a major employer but also significantly contributes to the government revenue.

The fight for tobacco control and even complete ban is spearheaded by the World Health Organization (WHO). As result of its initiatives numerous resolutions have been passed concerning the health standards of tobacco smoking and ways to towards its elimination. The resolutions have urged member states to take educational, restrictive and legislative measures for the control of publicity and advertisements in the news media, combined with the price policies for tobacco cultivation and cigarette production. This essentially affect the way the tobacco firms can utilize the marketing mix elements in order to market their product to their target consumers – the adult smokers.

The importance of the tobacco industry can be seen when one looks at the number of people who directly and indirectly depend on the industry. Tobacco industry estimates that worldwide, some 33 million people are employed in tobacco growing. For example, about 15 million people are employed in tobacco farming in China alone (Skolnik 1996), 3 million in India (Patel 1992) 488,000 in the Philippines (Ernst and Young 1991) and nearly 100,000 in Zimbabwe (Maravanyika 1997). In the European Union there are over 135,000 tobacco farms and an estimated 170,000 labourers located largely in Italy, Greece, Spain, and France. The United States has about 12,000 farms. The total hectare under tobacco farming is estimated to be 5.3 billion hectares tobacco (Food and Agriculture Organization), 1989, 1998). The cigarette consumption worldwide is estimated to be 540 billion cigarette a year with the majority of the smokers being in the developing countries, (800 million) and most of these, (700 million) being men. Globally, it is estimated that approximately 47% of men and 12% of women smoke (WHO: 1997:12)

Table 1: Estimated number of smokers in the world (in millions)

	MALES	FEMALES	TOTAL
Developed Countries	200	100	300
Developing Countries	700	100	800
World	900	200	1100

Source: WHO, 1997:12

In our local scene, over 3000 households grow tobacco with BAT Kenya and Mastermind supporting the majority of the farmers. BAT alone supports about 18,500 of these contracted farmers. The farmers who depend on this industry are mainly in the districts of

Meru, Embu, Migori, Kuria, Homabay, Suba, Kitui, Sagana, Bungoma, Busia, Teso, and Mount Elgon. About 3000 to 40000 metric tones of locally grown tobacco is processed and exported. In economic terms the industry provides annually farm incomes of over Kshs 717 million and export earnings to the Government of about Kshs 420 million. Revenue to the government in form of taxation is estimated to be over Kshs 7 billion and aggregate employment of over 600,000 people.

The production and marketing of tobacco in Kenya is largely under the four firms; British American Tobacco (BAT), Mastermind Tobacco Kenya (MTK), Cut Tobacco (CT) and Tanzania Cigarette Company/Japan Tobacco International (TCC/JTI), BAT, TCC/JTI are part of the Multinational companies with operations very much controlled by the parent headquarters. MTK has some of its operations in a market where strict regulations on the marketing practices of the tobacco industry are already in force.

With increased involvement by the WHO and donor agencies like the World Bank (WB) and the International Monetary Fund (IMF) on the need for unilateral enforcement of tobacco controls, many of the firms in the developing countries have had no options but to introduce legislative rules to control the marketing of tobacco. The fact that in some cases the donor fund are being tied to the extent to which the recipient countries enact such laws makes the developing countries like Kenya and the firms operating there, have no options.

The Kenya Bureau of Standards (KBS) established under the Standards Act, chapter 469 has powers, to promote standardization in industry and commerce, to make arrangement or provide facilities for the examination and testing of commodities and any material or

substance from or with which and the manner on which they may be manufactured, produced, processed or treated; and to provide for the testing at the request of the minister, and on behalf of the Government, of locally manufactured and imported commodities with a view to determining whether such commodities comply with the provisions of the Standards Act or any other law dealing with standards of quality or description. This Act has been used to control the tobacco industry but because of its contribution to employment, rural farm incomes and to the government exchequer, there has been no rigorous enforcement until the pressure from the International scene through the Multinational Corporations, Multilateral Donor agencies, International organizations like the WHO and the International Human rights groups. The WHO particularly under its current Secretary General Brutland would like to see a tobacco free world by the year 2003.

Researches done have some effect on the consumption of the product. For example studies done by Willensen (2002) in France between 1991-1999 to find the effects of a complete ban on tobacco advertising indicate that tobacco ban, limiting of tobacco smoking in public places and removal of tobacco from the consumer price index, found out that overall smoking prevalence reduced by 7%. The importance of the industry in the developed and the developing countries differs because of the differences in the levels of economic development, the awareness levels on the risks associated with smoking, the commitment of government and the availability of adequate structures to enforce such regulations. The cigarette firms operating in Kenya are part of the Multinational Companies with operations both in the developed countries, (where strict regulations have been imposed) as well as in the developing countries (where the respective governments are either grumbling with pressure from the WHO and other interested

organizations) to enforce laws that regulate the tobacco industry. The subsidiaries have been forced to implement these regulations as part of the multinational corporations but also as proactive step since the host governments are under pressure to enforce the regulations.

Studies done to find the effects of the regulation on the market strategies indicate that they contribute to reduction in tobacco consumption. According to Wellinsen (2002), the studies indicate that a complete ban on advertising makes an important contribution towards reducing smoking. This is supported by Laugesen and Meads (1991) who in their study concluded that where a complete advertising ban is coupled with an intensive public information campaign on smoking, a reduction in tobacco consumption of 6% could be achieved.

Effects from the regulations in the developed countries are already being felt and tobacco companies have modified their marketing mix in order to respond to the new regulated industry environment. They have responded by modifying the product mixes through reduction of nicotine and a move towards light cigarette in line with global trends and improved on their brands composition and packaging to reduce the nicotine intake by reducing the nicotine and tar content as well as improving the packaging. In distribution, the cigarettes are required to be available to only those places frequented by adults and such places should have special designated areas for smoking. Cigarettes have been highly taxed to ensure prices charged reflect the product as a luxury item. Communication strategies have been modified and indirect methods like displays at the point of sale and brand stretching, (where the tobacco brand names are being used as part of other product names) are increasingly being used (e.g. Marlboro Classic clothing,

Camel trophy collections etc), direct mailing e-commerce. As Gilpin et al (1997) concludes indirect advertising is increasingly being used where direct advertising is not permitted.

1.3 STATEMENT OF THE PROBLEM

The tobacco industry worldwide continues to face serious controversies surrounding its production, marketing and consumption. As K' Obonyo (1998) observes, this is because the cigarette industry has multiple positive and negative effects on individuals, population and economies of many countries.

The companies in Kenya being part of the multinational operating in already regulated industry have also modified their marketing mix in line with their corporate headquarters. Already BAT Kenya, the market leader does not place any form of tobacco advertising on the electronic media. They have stopped any form of sports sponsorship and incorporate health warning in all their promotional materials.

They have maintained the prices of their brands high partly as a result of the high government taxation and also to reflect them as luxury products. Other firms have followed suit and this explains the reduced marketing activities by cigarette firms compared to five years ago. Besides, the firms are also being proactive as the Kenya government is under pressure from the WHO, the World Bank (WB) and the International Monetary Fund to regulate the industry.

There was therefore a need to find out the effects of these regulations and to find out the ways the tobacco firms operating in Kenya had modified their marketing mix to respond to the new regulated environment. Studies done in other industries on the effects of regulation support how firms are changing their marketing practices to respond to the changed business environments. A study by Ouma (1999) to find out the important factors for success concluded that advertising programmes were critical to the success of the commercial banks given the stiff competition from other financial institutions. This study focused on only some of the marketing mix variables and not all the variables in the marketing mix. Besides this study was for a different industry not subjected to much regulation.

The Kenya government has moved to regulate the tobacco industry by introducing a Tobacco control Bill which will effectively ban all outdoor advertising and stipulate distribution outlets, ban any form of sponsorship including sports by tobacco firms as well as establish a tobacco regulatory board to oversee, and control the marketing of tobacco products. Much of these regulations are already in force. Tobacco firms no longer advertise on the Radio and T.V, Health warning labels are already incorporated not only on the cigarette packs but also on the promotional and point of sale materials. While smoking in public places is prohibited there is increasing number of “no smoking zones” and reduced outdoor advertising like billboards, by the cigarette firms.

The bill literally touches on all the elements of the marketing mix, from the product, through specifications on the nicotine and tar content, the place through restrictions on the distributions outlets, the price through stipulation on minimum quantity that can be

sold at a retail outlet (minimum a packet) to promotion, through banning any form of advertising and sponsorship. There was therefore the need to study how these regulations had affected the cigarette industry and how these firms had modified the marketing mix variables to reach their target consumers- the smokers.

This study therefore sought to fill that gap by examining the effects of the regulation on the marketing mix of the tobacco firms in Kenya and to identify the perceived problems the firms were experiencing as they modified their marketing practices to suit the new regulated environment.

1.4 Objectives of the study.

1. To identify the perceived problems the tobacco firms were experiencing in the marketing mix in an increasingly regulated industry
2. To determine the changes in the marketing mix that cigarette companies had made in response to the regulations in the industry.

1.5 Importance of study.

The tobacco industry is an important sector in our economy and it is therefore expected that this study will be useful to the following.

a) Marketers

Since tobacco companies can no longer use the traditional marketing strategies, the knowledge generated by this study will enable companies to improve and adopt new marketing practices and sharpen the competitiveness.

b) Consumers

Tobacco is considered an adult product and this study is expected to reveal marketing strategies that tobacco companies can use to reach their adult smokers. These consumers were expected to benefit from an improved customer service of a product that is highly regulated.

c) Other stakeholders

If the study contributes to the improvement of marketing practices in view of the high regulation of marketing practices of tobacco companies, then the level of profitability of the latter is expected to improve. This was expected to assist tobacco companies meet their obligation to various stakeholders including farmers, the government, the investors and the employees.

d) The Country

If the marketing strategies lead to a profitable tobacco industry, then it is hoped the entire country should benefit from this through increased revenues from taxation and generation of employment opportunities for its population.

e) Academicians

The study in its unique way is a contribution to marketing knowledge and provides a basis for further research

CHAPTER TWO

2.0 LITERATURE REVIEW

2.1 Marketing and the marketing mix variables

Marketing is the process of planning, pricing, promotion and distribution of ideas, goods, and services, to create exchanges that satisfy individual and organizational goals. There are four main marketing mix variables (4Ps). These are price, place, promotion and product (Kotler 1999). The 4Ps according to Magrath (1986) are strategic weapons in the firm's market struggle against its rivals. The traditional marketing mix has been extended to include people, physical evidence, process and probe (marketing research).

On the use of the marketing mix, Cravens *et al* (1996), have noted that it has pieces that must be appropriately combined for a successful end result. These variables must be consisted with one another, and ideally they complement one another for a synergetic result. As Paler (1998) observes these variables are arranged into manageable subjects for making strategic decisions.

2.1.2 Product

A product is anything offered to consumers for possible purchase and/or consumption. As Kibera (1997) observes, it includes physical objects (cattle, houses, cars and vegetables) services (e.g. legal, advice, medical treatment and travel) places (e.g. Nairobi, National Park, Mt. Kilimanjaro) people (e.g. Nelson Mandela, Mwalimu Julius Nyerere, and Michael Jackson, and ideas (public lectures, democracy, and religion). The product decision is concerned with developing the right product for the target market. This offering may involve a physical good, a service or a blend of both (McCarthy and

Perreault 1993). Successful firms whether large or small must make several strategic product decisions with respect to market targeting, product development, branding and product life cycle. In market targeting, the marketers can chose either undifferentiated marketing strategy; where the firm designs a single marketing mix and directs it to the entire market for particular product aggregate, or differentiated marketing strategy; where the firm identifies, selects and appeals to several market segments. Firms accomplish this by offering different products, prices promotional methods, and distribution channels (Kibera 1988a: 7). When marketers attempt to serve a single market segment instead of many segments, the strategy is called concentrated marketing (Kibera 1997). Apart from formulating the market targeting strategy the firm must determine the extent to which it will be involved in product development. As stated by Kibera (1997), the main stages are idea generation, screening, business analysis, product development test marketing and commercialization.

New product development is categorized as either reactive or proactive. According to Boyd and Walker (1990:427) reactive strategies include a defensive strategy (where existing products are adjusted in such a way that they more effectively compete against recently introduced competitive goods and services), an imitative strategy (quickly copying attributes of the competitor's new product), a second but better strategy (improving on a competitors new product or service, and a responsive strategy (reacting to consumer requests for an innovation. Besides product development firms make branding decisions to facilitate identification of their goods and services. As Kibera (1997) observes, the branding strategy options include individual branding, family branding, a multiple brands strategy and private brands strategy. The basis of any

business is a product or offering. A company should aim at making the product or offering different and better in some way that will cause the target market to favour it and even pay a price premium (Kotler 1999). Product decisions involving product life cycles attempt to identify different stages or phases in the history of the product. This is important as each stage reveals unique marketing opportunities and problems.

Cravens *et al* (1996), have noted that product decisions can be made at the strategic business unit level, at the product mix level, product line level and at specific product attribute level. Kotler (1998) observes that at the specific product level, decisions made are those regarding attributes like quality, features, brand names, packaging and sizes. In addition to the above decisions, companies can enhance chances of success with a new product if they are systematic about developing the product (Churchill and Peter 1995)

2.1.3 Price

In addition to developing the right product, marketers must decide on the right price. Price refers to the money value of the receipts a company expects from a customer in exchange for their goods and services. The price set depends on consumer assessment of the unique product features (perceived quality), competitors, substitute prices and the actual costs (Kotler 1999).

Pricing is the only element in the marketing mix variables that directly generates income. Kibera (1997) observes that, from a marketing point of view price is the value placed on a good or service by customers at some point in time. Price is, therefore, a measure of what must be exchanged in order to obtain a particular product. As Churchill and Peter (1995) stresses price is the element of the marketing mix that links marketing considerations to economic considerations. The setting of the product's base price depend

on the pricing objectives. The objectives may be maximization of profits, increase sales, earn a target return on investment on net sales, hold or gain a target market share, stabilize prices or to meet competitor prices. Other factors likely to influence the pricing objectives include the demand for the product, competitive reactions, and cost of the product as well as strategies planned for the other marketing mix elements.

Some of the techniques marketers use in setting prices include; cost-plus pricing (where marketers set prices by totaling their costs and adding a reasonable margin, demand plus pricing strategy (where the marketer charges high prices when and where demand for a product is strong or small price when and where demand is weak, and competition oriented pricing strategies (where the marketer charges a price which is higher or lower than the competitor by a certain margin (K'Obonyo 1997). Other pricing strategies include penetration strategy, skimming strategy, odd pricing, geographical pricing and suggested retail pricing strategies. As Palmer (1998) concludes, price mix decisions include strategic and tactical decisions about the average price levels to be charged, discounts to be given, terms of payment and the extent of price discrimination between different groups of customers

2.1.4 Place/Distribution

Place helps in the selection of suitable branch locations and other channels through which to distribute product and services to customers (Kotler 1998, Lovellock, 1984 and Jones 1989). It is concerned with getting the right product to the target market's place. A channel of distribution refers to the route or path followed by a product as it moves from the producer to the consumer (Kibera 1997). A marketing channel performs the work of

moving goods from producers to consumers. It overcomes the time, place and possession gaps that separate goods and services from those who need or want them (Kotler, 1998). In determining the appropriate channels marketers should be guided by the characteristics of the market, the organizations marketing objectives, the product characteristics, the intermediaries to handle the product, and the marketing environment. As Churchill and Peter (1995) observes, other key factors to consider in the pricing objectives are changes in the marketing environment, such as regulations and the economic climates as this will have direct impact on the pricing mix element.

2.1.5 Promotion

Promotion incorporates all the activities of a company to communicate and promote its products to its target market. These includes the use of sales people, communication and promotion programs such as sales promotions, public relations and online marketing and advertising (Kotler, 1999). It specifies how much money should be dedicated to advertising, sales promotions, public relations (PR), sales force and direct marketing. It defines the media strategy, below and above the line activities, sampling programs, if any, the research programs, if any and the brand PR programs. As Churchill and Peter (1995) observed it is through marketing communication that organizations deliver messages to their target market. It is through marketing communication that information to increase the product awareness, increase demand for the product, make it unique from other competitor products, and enhance the value offering, is communicated to the target market. Kotler (1998) summarizes the promotion decision areas as sales promotion, advertising, sales force, public relations and direct marketing.

2.1.6 Process

This is mainly concerned with the degree of consumer contact with the process works and quality standards of the points in the marketing process where the consumer gets into contact with the marketing mix elements. This includes the working environment and the quality control standards. According to Fiffield (1998) “ process’ reflects involvement of the consumer in the production/production process.

2.1.6 Probe (marketing Research)

Kibera (1997) has defined marketing Research as a systematic and objective approach to the development and provision of information for making marketing decisions. He goes further and explains that the research process as involving definition of the problem, determining information needs and possible source of the information, developing the questionnaire, designing the sample, collecting the data, processing and analyzing it and report writing.

The American Marketing Association (AMA, 1987) defines marketing research as the function which links the consumer, customer and public to the marketer through information – information used to identify and define marketing opportunities and problems; generate, refine and evaluate marketing actions; monitor market performance; and improve understanding marketing as a process. Market research specifies the information required to address these issues; design the method for collecting information; manages and implements the data collection process; analyses the results and communicate the findings and their implications.

With the increasing changes in the environment, posing new opportunities and challenges, marketing research is becoming increasingly important. Several authors have

emphasized the growing significance of marketing research to help firms adapt to the new changes. Luck and Lubin (1992), Lehman et al (1998) Kotler (1998) have proposed that it should be included in the extended marketing mix concept

2.1.7 People

The human resource is a very unique asset to the organization. It is included in the expanded marketing mix to reflect the importance of the employees in the customer's choice of which service or product to buy. The customer's perception of the company's products or services will in part depend on the attitudes depicted by the employees, their level of service delivery and concern (customer care) and the corporate image. Unless the people in the organization are happy and feel part of the organization strategy, they are unlikely to contribute towards attaining the firm's objectives. In the words of Kotler (1998) ideally, employees should exhibit competencies, a caring attitude, responsiveness, initiative, problem solving ability and goodwill.

2.2.0 TOBACCO REGULATION

Many governments have instituted regulations, which restrict tobacco advertising, particularly marketing which targets/reaches the youth. Kathy Catrambone (1995) in her article in the Advertising Age lists the following international tobacco advertising regulations; polish law bans tobacco advertising on state and private broadcast media, as well in the youth press. Canadian regulations include a ban on point-of-purchase items which bear brand or product graphics; require stark, large print health warnings on the front of each package; eliminate brand sponsorship of sporting events, and ban cigarette vending machines. The Canadian government is also currently considering requiring

plain packaging on cigarettes. A Norwegian law, which already banned tobacco advertisements, was toughened to include indirect advertisements including all products, which bear brand logos.

Several researches have been done to determine the impact of these regulations. Many have been propelled by the common view for some form of regulations while others have concerned themselves on the need for a total ban on the production, marketing and sale of tobacco and its products. Much of these studies have mainly been spearheaded by the World Health Organization, Non Government Organizations, Health Institutions and also the tobacco companies themselves in attempt to counteract or explain the negative publicity created. Much of the researches have been done in the developed economies and very little if any in the developing countries.

A survey conducted by ICR survey Research Group of Media, Pennsylvania, involving 1,067 adults conducted between August-16-20, 1995, reported the following findings; fifty-eight percent did not approve of a ban on tobacco brand name promotional items such as t- shirts or brand name sponsorship of sports and entertainment events. In addition, fifty-three percent opposed mandating a black and white, text-only advertising format on billboards and magazines, which reach youth. Seventy-three percent supported the FDA's plan, which would require tobacco companies to fund a public education campaign and about 40 percent of those questioned agreed unequivocally that tobacco companies use advertising and marketing to encourage youth to smoke. A recent report by the World Bank supports this conclusion. Prohibition of outdoors advertising is a valuable first step; however, even where a comprehensive ban on advertising and

promotion is in place, the tobacco industry will constantly try to find other ways of promoting its products.

Table 2: Some studies done by Willensen (2002) in collaboration with the WHO of the effects of tobacco regulation had the following findings:

Country, year	Description of anti-smoking measures	Effect
Norway, 1975	Complete ban on advertising and sponsoring, coupled with health warnings, public information and age limits on sales	Long-term reduction of smoking prevalence by 9%
Finland, 1977	Complete advertising ban, no smoking in public buildings, age limit on sales, strong public information , campaigns	Reduction of cigarette
Canada, 1989	Complete ban on advertising and sponsoring, with higher tobacco prices	Corrected for price Increases, a long-term Reduction of smoking Prevalence of 4%
New Zealand, 1990	Ban on advertising and Sponsoring, higher tobacco prices	Reduction in tobacco sales of 7.5%, of which 5.5% is attributed to ad
France, 1991	Complete advertising ban, limiting smoking in public buildings, removal of tobacco from consumer price index	Reduction of smoking Prevalence of 7% in 1991-199

Source: Marc C. Willemsen, Dutch Foundation on Smoking and Health. The Hague, The Netherlands August 2002

2.2.1 REGULATION IN KENYA

The Kenya Government has taken a number of initiatives in its attempt to control the marketing and consumption of tobacco. In 1980 the Ministry of Health issued a directive banning smoking in all public places- Cinemas, public transportation and Government offices. However this directive had no force in law.

The Kenya tobacco control bill 2000 which is very similar to the one that was introduced and became law in South Africa from the beginning of January 2001, aims to completely forbid the advertising of cigarettes. Only minimal advertising at the point of sale and within that advert 30% of that space should be occupied by the Health Warning. This means no any form of media (both electronic and print) no billboards, no branded promotional materials of any kind etc.

In addition the bill will control/define the only outlets/places where cigarettes products can be sold. For those okayed places, they will be required to have designated places, properly partitioned and ventilated and clearly marked, define the minimum amount (packet) that can be sold to a consumer at a retail shop. This means it will not be possible to sell cigarettes in sticks. Currently about 87% of the cigarette sales are in sticks (Kenya tobacco Control Bill 2000).

It will also establish a tobacco regulatory board to oversee, regulate and control the marketing and distribution practices of the cigarette companies. The composition of this board excludes representatives of the cigarette companies. Very stringent and punitive actions are stipulated for any person or outlet flouting these rules.

2.2.2 SUMMARY OF LITERATURE REVIEW

It is evident from the literature review that tobacco companies had to adopt their marketing mix approach to the new regulated tobacco industry. Although there exists vast literature on the effects the tobacco regulation in the developed economies, very little has been done in the developing countries like Kenya. Since traditional marketing tools cannot be applied in the conventional way in the regulated environment, the tobacco firms must modify the way they conduct their businesses and their success will largely depend on how well they are able to manipulate the marketing mix elements.

One of the threats or uncontrollable factors, which influence the operations of any organizations, emanates from the government as it establishes rules and regulations, which affect the marketing activities directly or indirectly. As Churchill and Peter (1995) observed, the magnitude and extensiveness of these laws and regulations can affect and complicate marketing activities while relaxation of the same can change the business environment leading to increased competition. The consequences of this according to Porter (1990) is stifling of rivalry, since without open competition firms lose dynamism and become preoccupied with dealing with the regulations and protecting what they have.

Studies done on the effects of these regulations particularly in reference to the tobacco industry have been mainly undertaken in the developed countries like America. In Kenya researches done on the effects of regulation on the marketing mix has been in other industries like banks and the Petroleum industry as cited elsewhere in the literature review, and very little research has been carried out with respect to the tobacco industry.

Besides the studies done apart from being in different industries, the marketing environments are different. While the banks and the petroleum firms are moving from a regulated to a liberalized environment, the tobacco firms are moving from a liberalized/deregulated to a regulated marketing environment.

There was therefore a need to study how these regulations have impacted on the marketing practices of the tobacco firms and to identify the perceived problems as the firms attempted to modify the marketing mix elements to suit the new regulated environment. This research aimed at achieving these objectives.

CHAPTER THREE

3.0 RESEARCH METHODOLOGY

3.1 Type of Study

This research was a census survey of the descriptive type. It achieved its objectives by collecting and analyzing data from the four tobacco firms operating in Kenya.

3.2 Population of interest

The population of interest in this study consisted of all the four tobacco companies, which were operating before the industry was regulated and are still operational (see appendix); It was perceived that these firms having operated in a liberalized (deregulated) environment and now operating in a fairly regulated environment could have found the two conditions quite different. They were therefore expected to have modified their marketing practices particularly in relation to the marketing mix variables in order to continue operating successfully in an increasingly regulated environment

The four firms constituting the population of interest were.

1. British American Tobacco(BAT)
2. Mastermind Tobacco Kenya Ltd. (MTK)
3. Cut Tobacco (CT)
4. Tanzania Cigarette Company (Formerly RJR)

3.3 Data description and collection

The study used primary data, which was collected, by use of a questionnaire containing both open ended and close-ended questions. Personal interviews were found most appropriate because there were many variables being investigated and some of the issues raised in the questionnaire required supplementary information. Through personal interview it was easier for the researcher to explain questions that were unclear to the respondent. As observed by Parasuraman (1986), personal interviews have the potential of yielding the highest quality of data as compared to other modes. It also tends to be more flexible. The researcher succeeded in conducting personal interviews in three companies.

The respondents for the study were the marketing managers or their equivalents. These were selected because they are the persons vested with the responsibility of marketing their firms' products.

3.4 Data Analysis

As the study was of a descriptive type, data analysis was done using descriptive statistics. This includes tables, proportions and mean scores. The mean scores were calculated from the responses, which were rated, on a 5-point likert scale. On this scale one (1) was taken as the lowest (very much decreased/to no extent) and five (5) taken as the highest (very much increased/to a very great extent level of adjustment).

CHAPTER FOUR

4.0 DATA ANALYSIS AND FINDINGS

4.1 Introduction

This chapter documents the findings on whether the firms have changed their marketing mix elements, the nature of these changes and the problems they are facing in trying to modify these elements to suit the new regulated environment. The data, which was collected from the four firms in the population of interest, is summarized and presented in the form of tables, means and proportions.

4.2.0 OVERVIEW OF THE COMPANIES

The first section deals with gathering information on the company's year of establishment, ownership and whether the respective firms have marketing department.

The findings are discussed below.

4.2.1 Period of establishment of the tobacco firms operating in Kenya

Respondents were asked to specify the period when their firms were established in Kenya. For each firm the year of incorporation also refers to (where applicable), the previous business name under which it was originally established as is the case with TCC Kenya Ltd., which was originally established as RJ Reynolds Kenya Ltd.

Their responses are summarized in table 3 below

Table 3: Year of establishment

Year incorporated	Before 1980	1981 –1990	1991 – 2000	After 2001
No. of companies	BAT Kenya Ltd.	Mastermind Tobacco Kenya Ltd.	TCC/JTI Kenya Ltd. and Cut Tobacco Kenya	0

N = 4

As shown in table 1 above, all the tobacco firms were established in Kenya at different time periods. The oldest, BAT Kenya was established before 1980 specifically 1927. The other three were established in the last twenty years. Except for BAT, the other three firms are fairly new in the market.

4.2.2 Ownership of the firms

The respondents were asked to indicate the ownership of the firms. Their responses are summarized below:

Table 4: Ownership of the Tobacco firms.

OWNERSHIP	No.	PERCENTAGE
Foreign owned	2	50%
Locally owned	1	25%
Partly local and partly foreign owned	1	25%
Partly government and partly locally owned	0	0
Government owned	0	0
TOTAL	4	100%

N=4

From table 4, the foreign ownership leads by 50% while locally owned and partly local and foreign owned are equal at 25%. The conclusion is that a majority of the firms are foreign owned. This may pose stronger competition to the locally owned firms.

4.2.3 Nature of business

Each of the firms engages in various business related to the tobacco and tobacco products. In order to determine the specific business that each firm is involved in, respondents were asked to indicate the nature of their activities performed. The results are presented in the table below.

Table 5: Tobacco firms and their nature of business

Nature of business	No. of companies	%
Cigarette manufacturing only	0	
Tobacco leaf production and processing only	0	
Cigarette manufacturing and distribution only	1	25%
Tobacco leaf production, processing and manufacture of cigarettes and distribution	2	50%
Cigarette distribution only	1	25%
Total	4	100%

N= 4

From the above table 50% of the firms grow their own tobacco, process it for local use or export, manufacture and distribute cigarettes while 25% of the firms engages in distribution and the remaining 25% only manufactures and distributes their tobacco products. One of the firms informed the researcher that they have their manufacturing facilities in Tanzania and therefore in Kenya they are only involved in distribution.

4.2.4 Presence of a Marketing Department

The sales and marketing Department plays a vital role in implementing marketing programmes. Each of the respondents from the four firms confirmed the existence of a marketing department charging with ensuring effective service to their customers

4.3 PERCEIVED PROBLEMS ASSOCIATED WITH THE MARKETING MIX AS A RESULT OF THE TOBACCO REGULATION

The responses summarized in Tables 6 below relate to questions on challenges or perceived problems experienced by the tobacco firms as they modified the marketing mix elements to suit the new regulated environment.

Table 6: Perceived problems associated with the marketing mix as a result of the regulations.

Product	Perceived problem	No. of firms affected by the problem	%
	- Difficulties in launching new products.	1	25%
	- Difficulties in meeting customer tastes and preferences	1	25%
	- Problems associated with consumer dislike for changed products	0	
	- No problems experienced	2	50%
Pricing	- High prices of products leading to reduced consumption	1	
	- Loss of customers as they shift to lower priced brands.	0	25%
	- No change at all	1	25%
Promotion	- Not able to develop loyal clientele	2	
	- No change in clientele base	1	50%
	- Not able to launch new brands	1	25%
	- Devised new ways	0	25%
Distribution	- Not able to reach customers	1	25%
	- Customers finding hard to adjust	0	
	- Traders not able to designate special smoking areas	1	25%
	- No problems experienced	2	50%
Process Management	- Inability to guarantee quality	0	
	- Increased costs of operation	1	25%
	- Interference in Tobacco firms marketing operations	0	
	- Loss of control at value adding stages	2	50%
	- No problems experienced	1	25%
People	- Training people to cope with negative image	0	0
	- No problems experienced	4	100%

With respect to the product, while some of the firms were finding it difficult to launch new products or meet their customers' tastes and preferences, 50% of them did not have any problems. On further probe it was revealed that the locally owned firms were the ones that had no problems since they were not keen to implement the laid down standards.

Besides the same firms were able to manipulate and maintain low pricing through tax evasion and thus had very little change in their pricing that could be attributable to the regulation.

On the promotion mix, 50% complained of inability to develop loyal clientele while 25% had problems associated with problems in launching new brands and a similar percentage reported no problem in maintaining their clientele base. On the establishment of a board to control tobacco production and marketing processes, 50% of the firms felt possible problems associated with loss of control at the critical value adding stages while 25% reported that this had increased their operational costs

Training of the staff and the distributors on the new marketing practices as well as providing social education meant to counteract negative publicity given to the tobacco firms further increased the operational costs.

4.4 CHANGES AND EFFECTS ON THE MARKETING MIX AS A RESULT OF THE REGULATION

4.4.1 Changes and effects in product element

In this section, the study sought to find out the various changes and effects made to the element of product. Tables 7A and 7B below indicate the nature of these changes.

Table 7A: Changes in the product element

Type of change	Whether effected change		
	No. of Companies Yes	No. of companies No	%
Continuous dent of new Products/line extension	2	0	50%
Reduction of some product Constituents (Nicotine, tar, moisture	0	0	
Discontinuation of some brands	0	0	
Development of new products lines (Line extensions)	0	0	
No change in the existing brands.	0	2	50%
	2	2	100%

N=4

Table 7B: changes in product element (rated on a likert scale

Change	Total score	Mean score
Emphasis on new product development/line extensions	8	2
No change in the existing brands	8	2

From table 7A, 2 companies out of the 4 are found keen on developing new products while the other 2 had not done anything to their existing brand portfolio. An investigation into the above scenario showed that the two firms which had developed new products, were part of the multinational companies and these changes were in line with

their corporate headquarters as an attempt to develop more socially and customer friendly products. The other two firms are largely local and are not keen in spending on research given the weakness that was evident on the enforcement of the tobacco regulation.

Table 7B shows emphasis on continuous product development had a mean score of 2 in 5 point likert scale, this was interpreted to mean that there was a small extent in new product development. This was because only two companies were keen in investing in new product development. With increasing pressure to reduce the consumption of tobacco worldwide, multinational companies are being proactive by investing in products that are likely to be acceptable within the regulated tobacco environment.

4.4.2 Changes and effects in price element

With respect to the price element, respondents were asked to indicate the extent to which their companies had made changes on the prices of their products as a result of the regulations. The results are shown in Table 8A and Table 8B below.

Table 8A: Changes in price element

Type of Change	Whether effected changes	
	No. of companies Yes	No. of companies No
Changed prices as a result of the regulation	4	0

N=4

Table 8B: Changes in price element (rated on a likert scale)

Effects and changes	Total score	Mean score
Passed tax element to consumer	10	2.5
Maintained prices	4	1
Increased prices as a result of new labeling specifications	8	2
Offered special trade discounts to encourage purchase	3	0.75
Reduced prices after finding cheaper sources of raw materials (Tobacco)	1	0.25

From table 8A, all the 4 tobacco firms adjusted their prices as a result of various costs associated with the regulations. The new regulations by the government to earn more revenue and at the same time make the tobacco products dear to discourage consumption largely accounted for the various price increments. However, no uniform pricing structure was evident among the four companies as each company adjusted its prices at different times, with the market leader being the first to adjust and the others following suit.

Table 8B shows that the passing of the tax element to the consumer had a mean score of 2.5. This meant that the price change was done from a small to a moderate extent among the four companies. This can be explained by the differences in the operational costs. The 2 subsidiaries of the multinational costs had bigger operational costs compared to the locally owned firms who were able to do minimal upward adjustments to their prices. Increases in prices as a result of new labeling requirements had a mean score of 2 which meant that companies increased prices as result of the new packaging was only to a small extent. Maintaining of prices had a mean score of 1, meaning that no company was able to maintain the prices. This meant the regulation had an effect on the price change.

A further inquiry revealed that because of the stiff competition and a lack of a level playing ground, some of the companies were contemplating ceasing their operations in Kenya.

4.4.3 Changes and effects in the distribution (place) element.

This section aimed at finding out the effects and changes made in the element of distribution in a bid to adopt to the fully regulated tobacco market. The findings are summarized in tables 9A and 9B below

Table 9A: Changes in distribution element

Type of Change	Whether effected Change	
	No. of companies Yes	No. of companies No
Change in the distribution strategy in an attempt to conform to new regulations regarding distribution, selling of tobacco products	2	2

Table 9A above shows 2 companies have changed their distribution strategies while the other two have not made any change. The two who have changed their distribution strategies are the subsidiaries of the multinational corporations and the ones who have had no change are the two locally owned firms. Further investigations revealed that the subsidiaries have changed their distribution as a proactive measure, which is in line with their corporate headquarters where strict distribution regulations regarding tobacco products are already in force.

Table 9B: Changes in the distribution strategies (Likert Scale ratings)

Effects and changes	Total Score	Mean Score
Reduced product availability reaching to reduce consumption	4	1
Loss of business and withdrawal of some brands	5	1.25
Reduced profitability	8	2
Possibilities of business relocation	9	2.25
No effect	14	3.5

From table 9B, the mean score of 3.5 for no effect shows that from a moderate to great extent the changes in distribution cannot be attributed to the introduction of control in the distribution of tobacco products.

Regulations while the small mean score for possible business relocation indicates only to a very small extent were those firms thinking of relocating, one respondent explained that they were reviewing that possibility though it was not entirely as a result of the regulation since the general trend was increasing pressure for government to enact laws that control use of tobacco and tobacco products.

The mean score of 3 for no change in reduced profitability means that any effect on their clientele base. Developing loyal clientele with a mean score of 2.25 means that the firms were only able to develop a loyal clientele only to a very small extent. This means that consumers shifted between brands and this further explains why some firms found it difficult to introduce new brands. The latter with a mean of 2.5, indicates that firms were able to launch new brands only from a small to moderate extent. This further explains why no any new brands have been introduced into the market by the four firms as opposed to the early eighties.

The table further reveals why firms have had to review their brand portfolios, with some being dropped and concentration being emphasized on the core brands. One respondent explained that they were in the process of reviewing their overall business operations with a view to making a strategic decision on either to launch completely new brands or cease operations altogether and pull out of the Kenyan market.

As shown mean scores of 1 and 1.25 indicate that no extent on stock outs and loss of business and withdrawal of brands be attributed directly to the new regulation on tobacco distribution. The respondents from the two local firms indicated that they had no problem since the said regulations have not been enforced.

4.4.4 Changes and effects in the promotion mix element

Results from the respondents are summarized below

Table 10: Changes in the promotion element

Type of change/effect	Total score	Mean score
Use of Sales promotion	17	4.25
Use of Trade promotions	9	2.25
Use of sales force promotions	7	1.75
Use of public Relations	8	2
Use of internet	5	1.25
Use of Direct marketing	18	4.5
Use of advertising(Print & electronic media, Billboard etc, sponsorships	8	2

From the above table 10A, the use of Direct marketing with a mean score of 4.5 means that the tobacco firms are now using this mode of communication to their target market a very great extent. With increasing anti-smoking lobbying and increased awareness by the public on the health risks associated with smoking. One respondent informed the

researcher that they were now increasingly focusing their communication to their target consumers and direct marketing channels like direct mail, kiosk marketing face to face media, tele-marketing etc were proving quite effective.

Next in importance was use of sales promotions with a mean of 4.25 which means firms are using this method to a great extent in their efforts to reach their target consumers – the adult smokers from the list provided, samples, patronage rewards, prices and point of sale displays were the most used.

Use of trade promotions was only to a small extent in view of the public outcry on tobacco promotions while use of Internet and sales force promotions were only used to almost no extent. Two of the respondents informed the researcher that they had drastically reduced the number of sales force in their marketing department. The use of Internet was hampered by the lack of its utilization.

4.4.5 Changes and effects in people element

The aim of this selection was to find out the changes made by the tobacco firms on the element of people as they operate in a regulated environment. The findings are summarized in table 11A and 11B below.

Table 11A: Changes and effects in personnel

Change/effect	Whether effected change	
	No. of companies for Yes	No. of companies for No
Improved methods of motivating staff	4	0
Improved methods of motivating distributors	4	0

Table 11B: Changes and effects in Personal element (likert Scale ratings)

Change/ effect	Total score	Mean score
Training programmes for marketing staff	20	5
Training areas for the total company staff	16	4
Training programme for the distributors	8	2
Training areas for the company's distributors	4	1

From table 11A, it can be seen that all the companies have made effort to motivate their staff in particular three companies come out very strongly in their efforts to motivate staff. They recognized the importance of the staff as a unique resource and were keen to have them remain motivated.

However, one firm did not seem to have taken this aspect strongly and did not appear to have any concrete plans of motivating its staff. Further investigation revealed that turnover of staff was quite high in this firm.

From table 11B it can be observed that all the companies have made a great effort as shown by the mean score of 4.0, in their efforts to train their people. One respondent informed me that they were even sponsoring programmes aimed at educating the staff and the public on the regulation on tobacco industry. Another respondent informed the researcher that their firm was engaged in educating and giving incentives to farmers to grow quality tobacco.

Training for the dealers had decreased to a moderate extent and this according to one respondent was because some of the firms want to come out of supporting the tobacco growing and concentrate on their core business of manufacturing and distributing tobacco products. They want to leave the farmers and the whole process of growing tobacco to firms who specialize in leaf production.

4.4.6 Changes and effects in the element of physical evidence

This section sought out to find the changes and effects the firms were making as a result of the negative perception of the industry in the areas of social responsibility issues.

Table 12: Changes in the physical evidence element

Change/effect	Whether effected Change	
	No. of companies Yes	No. of companies No
Taken steps/concerned with environmental issues	4	0
Steps on Health issues	4	0
Steps on social acceptability issues	4	0

All the four firms were taking various actions on the social responsibilities issues. Two firms were supporting afforestation programmes and introduction of renewable sources of energy initiatives.

On the health issues, one firm had opened renewed dialogue with the Kenya Medical Association, which has been spearheading the fight against tobacco advertising. Another respondent told the researcher that their firm was supporting Health provision in the community-based tobacco growing areas by building dispensaries.

On social responsibility issues one respondent informed the researcher that their firm was sponsoring Jua Kali exhibitions nationally and had even extended this to cover East Africa. The same firm was also supporting agricultural shows and school drama festivals. Another firm was engaged in improvement of infrastructure through road repairs building bridges and environmentally friendly projects.

4.4.7 Changes and effects in marketing research (probe) element

In this section, respondents were asked to indicate the marketing research activities that their firms were taking as a result of the new regulations on tobacco.

Table 13: Number of companies that have increased Marketing Research activities

Change/effect	Whether effected Change	
	No. of companies Yes	No. of companies No
Increase in market research activities	3	1

N = 4

From the findings, 3 out of the four firms had increased their marketing research activities. Further investigation revealed that although the three firms had increased their marketing research activities, only two were very keen and had diverted sizeable funds for this purpose. They also informed the researcher that this was in line with their corporate headquarters. The researcher found out that the two firms had specifically increased their marketing research in the following areas.

- i. Product development (e.g. smokeless brands)
- ii. Alternative uses of tobacco
- iii. Alternative economic ways of survival for those depending on tobacco and tobacco products.
- iv. Tobacco Industry/Market characteristics and trends.
- v. Market share analysis
- vi. Buying behaviour/consumer studies.
- vii. New markets

Given the increasing controversies surrounding the tobacco industry many firms particularly the multinationals are busy looking at alternative ways of handling the increasingly anti-smoking campaigns and therefore the need to invest in research in an attempt to develop new products and ideas which will counteract the negative image.

Increasing competition in the industry coupled with hefty court awards calls for tobacco companies to continuously invest in research in order to develop sufficient evidence to counteract the awards, develop plausible reasons which will explain the importance of their nature of business, their right to exist and therefore reduce the mounting pressure towards its elimination.

For the tobacco firms to face these worldwide trends towards its elimination of tobacco trade, spearheaded by the WHO, there is therefore overwhelming need for the tobacco firms to collect data through research to support their industry position.

CHAPTER FIVE

5.0 DISCUSSIONS, CONCLUSIONS AND RECOMMENDATIONS.

5.1 DISCUSSIONS

The objectives of the study was to determine the perceived problems that the tobacco firms were experiencing as a result of increased regulations on Tobacco and Tobacco products, and to identify the effects of the regulation on the Marketing Mix of these Tobacco firms.

From the study, it has been shown that the four tobacco firms have adjusted their marketing mix elements to suit the new regulated environment. For some firms there has not been any major modification to a large extent because the regulations lack enforcement which some of the regulations are yet to be fully legalized.

On the product elements the study revealed that the multinational firms are continuously modifying their products to suit the regulated environment and these explains the general trends towards light cigarette brands. The locally owned firms were not very keen on developing low nicotine cigarettes and as explained this is because the regulations lack legal enforcement. The two subsidiaries of the multinational companies have already incorporated changes in their product specifications in line with their parent companies as well as in line with global trends. In his study, Wairachu (2000) on the changes the petroleum firms were making following the liberalization of the industry, he found out that the petroleum firms had modified their promotion mix and increasingly used their

respective brand/names during the liberalized environment then they used to do during the pre-liberalization period.

On the effects of the tobacco regulations, this study has found that the tobacco firms are slowly modifying their product contents in line with the regulation particularly as it appertains to reduction of the nicotine content. On packaging, each cigarette packet bears a health warning consumers on the consequences of smoking, in line with the regulations. The study by Wairachu (2000) concluded that oil firms had modified their product packaging, brand names and quality of service and were using these strategic tools for product differentiation.

Governments worldwide have imposed high taxation on cigarettes as means of gaining tax revenue. This account for the high prices of cigarettes as tobacco firms pass part of the tobacco element to the consumer. As K'Obonyo (1998) observes, tax constitutes 32% of the pack price in South Africa. Locally, this study found that the firms had also passed part of the high taxation imposed in tobacco products, onto the consumers. The four firms have however passed this element quite differently. While the two locally owned firms modified their pricing to minimal extents, the two subsidiaries of the multinational companies had adjusted their prices to a much greater extent probably because of the high costs of operations. To reduce the impact of the high pricing the majority of the firms have put a lot of effort on direct marketing, giving patronage rewards, tile-in promotions and even prizes. The research found out that because of the general high prices of cigarettes, overall consumption had decreased from a 6.5 billion in 1996 to 6.0 billion by 2001.

Regarding the element of distribution, tobacco firms have not done any major modifications. Two firms indicated that they were keen on ensuring that cigarettes were only availed in those places frequented by adults as per the regulation, but the trade was not keen on enforcing this regulation particularly the one requiring specific designated places for smokers. The study found out that the traders were finding hard to implement this. Besides there was no commitment from the government on the enforcement partly because this regulation is yet to be fully legally enforced.

This study also reveals that with increasing public awareness of the risks associated with smoking, many of the firms were becoming increasingly selective on the outlets that stocked cigarettes but the trade was least concerned and this explains why cigarettes are all over. In his study on the liberalized sugar industry Owiny (1999) reports that the sugar firms were creating more distribution channels and outlets as they sought to establish close links with customers.

On the element of promotion, the research found out that cigarettes companies had moved from the open traditional promotional methods for more direct ways like sales promotions by use of samples, prizes tie-in promotions and point of sale promotions. They have also used trade shows and public relations. Traditional methods like advertising on electronic and print media use of billboards and other outdoor activities have been drastically reduced. As a result the study found out that the tobacco firms were finding it hard to reach their customers and they attribute the decreasing tobacco consumption to their reduced ability to effectively use the promotional mix elements to reach their target market-the smokers.

In the process elements, the study found out that the firms were quite had modified this element in order to ensure a continuous and effective monitoring of quality in the total production and selling processes. On the element of physical evidence, the study found out that the cigarette companies are now more keen than before in ensuring that their products are available at the designated places, monitoring consistently the quality of their customer service and ensuring that complaints and feed back are carefully managed especially in view of increased public awareness on the effects of smoking.

As a move towards the need to respond to growing customer needs, increased competition and the new challenges posed by the anti-smoking campaigns, the tobacco firms worldwide have invested heavily in research. Two of the subsidiaries operating locally are involved in researches along side their parent companies, on more environmentally friendly tobacco products, like the smokeless cigarettes, research on consumer buying behaviour to understand how well they can serve their target market amid the growing controversies. Other areas of research were in market shares analysis and industry trends in order to identify the profitable segments and also understand the industry position.

The study also sought to establish the perceived problem that the tobacco firms were facing in their attempt to suit the marketing practices to the new regulated environment.

All the firms confirmed that their volumes had declined. They found it difficult to launch new products and it was therefore easy for them to meet the tastes and preference of their customers. In addition two of the firms who have operations in other parts of the world,

said they found themselves operating on uneven playing ground. The locally owned firms were able to manipulate and flout the industry standards and regulations without the authorities taking the appropriate action. The local firms were accused of avoiding the necessary taxes, undertaking advertising and promotions even where the regulations clearly disallowed. Others were accused of flooding the local market with products meant for export. As a result of this the multinational firms informed the researcher that they were finding it extremely difficult to operate and one respondent confirmed that they were seriously thinking of ceasing operations in Kenya

The study also found out major pricing disparities as a result of the uneven playing ground. The local firms by manipulating the prices and tax evasions enabled them to retain their prices far below what the multinational firms could afford. In addition the study found out that as a result of the restrictions on advertising and promotions, the firms particularly the multinationals were finding it very difficult to develop and maintain a loyal clientele.

There were no major problems noted on distribution though this was largely attributed to the trade being reluctant or even unable to implement most of the regulations like the one stipulating minimum sale of a packet of twenty cigarettes at the retail point of sale. The study also found out that the regulations affected their process management as it amounted to interference in the operations of the tobacco firms. All the firms felt that the board, which excludes representation from tobacco firms, would raise issue of quality guarantee and loss of control at the critical value creation stages.

On the personnel, the tobacco firms had initiated training programmes, which included education to overcome the negative publicity. The firms confirmed that this had considerably increased the costs of operation. One respondent confirmed they had formed a whole consumer regulatory affairs department to continuously educate the staff and the general public on the tobacco issues and counteract the increasing negative publicity about tobacco and tobacco products.

5.2 CONCLUSIONS

The first objective of the study was to identify the perceived problems that the tobacco firms are experiencing in the marketing mix in an increasingly regulated industry. The second objective was to determine the changes in the marketing mix that cigarette companies are making in response to the regulation in the industry. With respect to these two objectives the study has shown that all the four firms have modified their marketing elements to suit the new regulated environment. They are now more innovative and are increasingly finding new ways of reaching their target consumers in an industry faced with increased calls for its control and even eventual ban.

The study has shown that the firms can no longer have the free choice to market their product and have had to reduce some of the contents as well as incorporate within the packaging, messages that they would otherwise not incorporate on their own free will.

Product distributions are affected through specifications on outlets that should stock and sell tobacco products. The study found out that though this regulation is not fully implemented, its enforcement has far reaching implications on the products specifications and consumer preferences.

The effects of reduction of some of the products contents e.g. nicotine has affected the consumers tastes and preferences, while the labeling affects the packaging and interferes with the marketer in providing the consumer (the smokers) with the product they want and in the packaging they preferred. This has had an overall reduction in consumption and therefore profitability.

The heavy taxation on the tobacco products and the manipulation through tax evasion by some of the firms led to big differences in the pricing structures of all the firms. Some of the firms had withdrawn some brands, which could not compete in the targeted segments.

The greatest effect on the tobacco firms was evident from their inability to raise awareness for their products as a result of the heavy restrictions on advertising and promotions. The regulations almost ban any form of promotions on the both the electronic and print media. On the latter for example, advertising can only be done on those print media with adult readership of over 85%. The ban on outdoor advertising further complicates the marketers' ability to reach the target market. The effect of all this can be seen from the reduced advertising and promotional activities by the tobacco firms. This was confirmed through this study as the respondents confirmed they have reduced their advertising budgets.

The study also found out that tobacco firms were now focusing more on direct channels to reach their target markets. This has led to increased marketing research activities to establish and develop more socially acceptable products, to develop new ways of

communicating with their target market, better ways of portraying the industry position and more effective ways to counter mounting pressures on the industry.

The main challenges found through this study was the growing local and international pressures on the various governments to enact tough tobacco control measures. Already the Kenya tobacco control bill 2000 has generated a lot of discussions between the various stakeholders. The subsidiaries of the multinational firms have already implemented some of the regulations but the local firms have done very little to this effect.

The tobacco control bill 2000 once it is fully enforced will effectively ban all forms of advertising and promotion, control the product and its distribution requirements, control tobacco standards and regulations with respect to the marketing, set the hefty charges for the firms, traders or consumers flouting the regulations. This is a major challenge since it will not only become impossible to develop and launch new tobacco products but will also be impossible to communicate to the desired audience. The hefty fines will criminalize even the small retailer in an environment where the economy is propelled by the informal sector. This bill was presented to Parliament in 2000 but was withdrawn and the Attorney General asked to redraft after consulting all the stakeholders.

The other concern particularly for the foreign firms is the uneven level playing ground. The ability of the local firms to flout the rules and regulations and the government's lack of adequate structures, corruption and lack of service commitment to enforce these regulations further complicates the scenario

5.3 RECOMMENDATIONS

With increasing pressure from the International scene and now building on the local environment, to control and even lobby for total ban on the tobacco and tobacco products, it is evidently clear that tobacco industry worldwide will continue to generate a lot of controversies. This scenario is compounded by the increasing globalization leading to increased liberalization and internationalization of businesses. Locally incorporated firms are now faced with intense competition from the multinational organizations. The difference in the economic levels of development further complicates the situation particularly for the developing countries like Kenya. Thus the changing environment calls for the Tobacco industry to look for new perspectives and innovative marketing tools to face the challenges from the effects of the increasing calls for tough tobacco controls and even eventual elimination of the entire industry.

The changes the firms have made to the various marketing mix elements will call for very effective management so that they realize the synergies that the industry so much needs if it has to survive the pressures. Companies have to be proactive and seize any new opportunities. Direct marketing channels, displays and demonstrations at the point of sale (where tobacco is allowed) will provide new opportunities for the cigarette companies to put special attention. Personalized services like patronage rewards, e-commerce, direct mails, tie in promotions etc, will become increasingly important ways through which the tobacco companies can reach their target consumers- the smokers.

Part of the concern for banning smoking is because of its effects on the third party, generally referred to as “environmental tobacco smoke “ (ETS). The development of

environmentally friendly cigarette likes “the smokeless cigarettes will provide the tobacco firms able to effectively develop and mass produce such cigarettes, with an upstart and an added advantage. Tobacco firms able to maintain low operational costs, affordable prices and provide user and environmentally friendly tobacco product will be able to compete successfully in the market place. However, it should be realized that for any situation, there is no stereotyped solution. The answer lies innovativeness in thinking and implementing plans and strategies with timely and right decisions.

5.4 LIMITATIONS OF THE STUDY

The researcher intended to gather data from the marketing managers or their equivalents from the four firms forming the population of interest. However, in one of the firms neither the marketing manager nor the equivalent was available. Data from this firm was collected by use of “drop and pick later” method. Besides some of the firms were not very comfortable in discussing some of the methods they were using because they were sure they were flouting some of the rules. Besides some respondents were not willing to explain why their firms were able to maintain very low prices for their brands despite the heavy taxation imposed on the cigarettes. This limited the gathering some of the additional relevant information.

5.5 SUGGESTIONS FOR FURTHER RESEARCH

This study documents the effects of the regulation on the marketing mix for tobacco firms in Kenya and the problems these firms are experiencing in their attempt to change their marketing practices to suit the increasingly regulated environment. The study has been

undertaken at period when the economy is stagnant and the industry players are facing a very uneven playing ground with the locally owned firms flouting most of the regulations. Part of this reason is the governments' inability to enforce these rules. With increasing pressure these rules will be fully implements as was recently done in South Africa. There is therefore need to do a further researcher when the regulations are fully enforced.

Besides and as mentioned elsewhere in the study some firms are already thinking of pulling out while other entrants are likely to enter the market particularly when the economy improves. This will provide a new environment, which should be studied to determine the marketing strategies used by the new players in the fully regulated environment. Such a study will compliment this study in providing information on the marketing activities of not only the tobacco firms in Kenya but also the tobacco industry worldwide.

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APPENDIX ONE: LETTER TO THE RESPONDENT

J.K.Mwangi

P O Box 70401

Nairobi

Dear respondent,

RE: COLLECTION OF RESEARCH DATA BY MWANGI J.K.

The above named Gentleman is a postgraduate student in the Faculty of Commerce, at the University of Nairobi. He is conducting a research for his final year project. For this reason, kindly assist him by giving him a few minutes of your time to fill in the blanks in the attached list of questions to the best of your knowledge as they apply to yourself and your business.

The information you provide will be treated strictly confidential. Neither your name nor that of your business will be recorded. A copy of the project can be made available to you on request.

Your cooperation will be greatly appreciated.

Thank you in advance.

Yours faithfully,

DR. MARTIN OGUTU

CO-ORDINATOR, MBA PROGRAM

APPENDIX TWO: QUESTIONNAIRE

The questionnaire below has three parts. Part A is aimed at giving a general background of your company. Part B deals with the constraining factors that the tobacco industry is facing in managing marketing mix variables in the new regulated environment. Finally Part C is concerned with determining the changes in the marketing mix variables that your company is making in response to the regulation.

PART A: GENERAL

Please answer the following questions

1. a) Name of your

organization.....
.....

b) Year your organization was established in

Kenya.....

c) Ownership of the firm (tick the applicable box)

Foreign owned

Locally owned

Partly local and foreign owned

Partly government and local owned

Government owned

d) For how long has your company been operating in Kenya? (Please indicate the duration in years).....

e) What is the nature of your business(tick one)

Cigarette manufacturing only

Tobacco leaf production and processing only

Cigarette manufacturing and distribution only

Tobacco leaf production, processing and manufacture of cigarettes and distribution

f) Do you have a Marketing Department

YES No

PART B

2. Product

a) According to the Draft tobacco Control bill 2000, every manufacturer of a tobacco product will be required to provide to the control board, in the prescribed manner and within the prescribed time, information about the product and its emissions and no manufacturer will manufacture a product that does not conform to the regulation.

In view of the above regulations (which specifies the allowable nicotine, moisture and tar contents) what problems has your firm faced in trying to market your brands to the target consumers

i) It has been very difficult to launch new products

ii) It has not been easy to meet the customer requirement with respect to the product tastes and preferences

- iii) Consumers do not like the changed products ()
- iv) We have had no problems with our brands ()

If others, please specify

.....

.....

.....

b) Pricing

Part of the regulations introduced by the government has been imposition of heavy taxation on cigarette products, what problems has your firm faced in pricing your products? Please tick the appropriate box

- v) High prices of our brands leading to reduced overall consumption()
- vi) Reduced brand loyalty ()
- vii) Loss of customers as they shift to lower priced brands ()
- viii) No change at all ()

If others, please specify--

.....

.....

.....

C) Promotion

In view of the new regulations which restrict greatly your firm's ability to use the traditional promotion mix elements of sales promotion, sampling, advertising, sales force

and public relations, what problems have you encountered in trying to reach your target market

- i) We are not able to reach the consumers now ()
- ii) We are no longer able to develop loyal clientele ()
- iii) We have not seen any change in our clientele base ()
- iv) We are not able to launch any new brands ()
- v) We have devised new ways ()

If (v) above, please

specify.....

.....

.....

d) Distribution

The new regulations on the tobacco specify the outlets where cigarettes will be sold besides putting a minimum amount (a packet of 20 cigarettes) that may be sold at a retail outlet. The regulation also specifies the setting up of designated smoking places in those areas allowed to stock and sell tobacco products. What problems have you faced in trying to modify your distribution to meet this regulation as well as meet your consumer needs?

(Please tick in the appropriate box/es)

- i) We are not able to reach our customers ()
- ii) Our consumers are finding it hard to adjust ()
- iii) Traders are finding it hard to designate special places for smoking only ()

iv) Nothing has been done and therefore no problems

encountered so far

If other, please

specify.....

.....

.....

e) Process

Part of the regulation is the setting of a tobacco regulatory board to control the production, processing and marketing of tobacco products. This board, which will oversee the growing and marketing of tobacco and tobacco products, excludes representation from the tobacco firms. What problems are you already experiencing or anticipate with respect to this? (Please tick the appropriate box/es)

i) Inability to guarantee quality

ii) Increased costs of operation

iii) Interference in the marketing operations
of the tobacco firms

iv) Loss of control particularly at the critical stages of

v) value adding - sourcing materials, production,
and selling activities

vi) No problem experienced

If other, please specify;

.....

.....

.....

f) People (Personnel)

Socially, the tobacco products have been portrayed as a health hazard and smoking seen as an anti social behaviour, which should be discouraged. Those people employed by the cigarette firms are therefore seen as encouraging an anti social behaviour. What problems do you experience in relation to this aspect? (Please tick the appropriate box)

- i) Staff loss as they do not want to be associated with smoking
- ii) We have had to train people to cope with the negative attitude
- iii) We have had no problems

If your answer to i) and ii) above is positive, please specify in the space below the actions your firm has taken to improve or change this negative image. ...

g) Are there any other problems you are experiencing in trying to make changes in the marketing mix? (promotions, product, place, price)

Yes () No ()

If yes, please indicate.....
.....
.....

PART C

This section aims at obtaining information on the changes your company has made on the marketing mix variables as a result of the on going tobacco campaigns and the tobacco control bill 2000.

Marketing mix refers to the set of marketing tools that a firm uses to pursue its marketing objectives in the target market. The traditional marketing mix consists of the product, price, place (distribution) and promotion. This marketing mix has been extended to include people, process, physical evidence and probe (marketing research)

3. Product

The government has introduced regulations that specify the product composition and requires any manufacturer to conform to the specification

a) In line with the above regulation, have you made any changes to the product?

Yes () No ()

If yes, please indicate on a scale of 1-5, the extent to which you have changed the product to conform to the above regulation,

Where 5= to a very great extent

4= to a great extent

3= to a moderate extent

2= to a small extent

1= to no extent

5 4 3 2 1

- i) We have continuously developed new products
- ii) We have reduced the nicotine, tar and moisture content
- iii) We have discontinued some of the brands
- iv) We have developed new product lines
- v) We have done no modification to our existing brands

If other, please

specify.....

.....

.....

(b) Price

One of the regulatory measures that the government has taken as a way of raising revenue as well as discouraging the consumption of cigarettes is by imposing heavy taxes on tobacco and tobacco products.

Please, indicate by ticking in the appropriate box or by specifying in the space provided the extent to which your company has made the following changes on the prices in relation to the changes brought about by the regulations,

Where 5= to a very great extent

4= to a great extent

3= to a moderate extent

2= to a small extent

1= to no extent

5 4 3 2 1

- i) We have passed the tax element to the consumer
- ii) We have reduced our cigarettes prices after changing the sources for our raw materials
- iii) We have maintained the prices of our brands
- iv) We have offered special trade discounts to encourage purchase
- v) We have offered special trade discounts to encourage purchase
- iv) We have been changing prices as result of increased packaging costs to conform to the new labeling specifications
- v) Substituted sources of raw materials

(c) Place (distribution)

Part of Tobacco regulation requires that cigarettes be sold only through designated outlets/places , which are frequented by adults. Besides no cigarettes sticks should be sold at the retail outlet (minimum a full packet of 20 cigarettes) Over 80% of cigarettes sold in Kenya have been traditionally been through sticks.

a) Have you done any changes to your distribution with respect to the above regulation?

Yes () No ()

If yes to the above, please indicate on a scale of 1-5 the extent with respect to the distribution that is attributable to the regulation

Where 5= To a very great extent
4= To a great extent
3= To a moderate extent
2= To a small extent
1= To no extent

	5	4	3	2	1
i) Reduced product availability					
ii) Leading to reduced consumption	()	()	()	()	()
iii) Loss of business and withdrawal of some Brands	()	()	()	()	()
iv) Reduced profitability	()	()	()	()	()
v) Possible withdrawal or business relocation	()	()	()	()	()
vi) No effects noted	()	()	()	()	()

d) Promotion

Promotion according to the new tobacco regulations means a representation including an advertisement about a product or service by any means, whether directly or indirectly, including any communication of information about a product or service and its price and distribution, that is likely to influence and shape attitudes, beliefs, and behaviour about

the product or service or that is intended to or has the effect of inducing consumers to use tobacco products, underestimate the dangers of tobacco consumption or create recognition of or goodwill for the tobacco manufacturer.

On a scale of 1-5 please indicate the extent of change with respect to the promotion mix, that is attributable to the regulation

Where 5= Very much increased

4= Moderately increased

3= Not changed

2= Moderately decreased

1= Very much decreased

	5	4	3	2	1
i) Sales promotion	()	()	()	()	()
ii) Trade promotions	()	()	()	()	()
iii) Business and Sales force Promotion	()	()	()	()	()
iv) Public Relations	()	()	()	()	()
v) Internet	()	()	()	()	()
vi) Direct marketing Channels	()	()	()	()	()
vii) Advertising	()	()	()	()	()

e) People

i) Have you made any changes in the way you motivate your staff

Yes () No.()

ii) If yes, to (i) above, please specify those if any that are attributable to the regulations on tobacco

.....

.....

.....

iii) On a rating of 1-5, tick the appropriate box, which describes the level of adjustment your company has done since the regulations,

Where 5= Very much increased

4= Moderately increased

3= Not changed

= Moderately decreased

1= very much decreased

	5	4	3	2	1
i) Training program for company staff	()	()	()	()	()
ii) Training scope areas for the co. staff	()	()	()	()	()
iii) Training program for the distributors/dealers	()	()	()	()	()
iv) Training scope (areas) for dealers/ distr.	()	()	()	()	()

iv) If other, please

specify.....
.....
.....

e) Process

a) On a rating of 1-5, tick the box which best describes the level of adjustment (attributable to the tobacco regulations) that your company has made in relation to the statement on the left:-

Where: 5= Very much increased

4= Moderately increased

3= Not changed

2= Moderately decreased

1= Very much decreased

	5	4	3	2	1
i) Time taken to process orders	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
ii) Delivery time to dealers/customers	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
iii) Monitoring of quality in the delivery & production process	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
iv) Complaints handling and feedback	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

v) If other, please specify.....

.....

.....

f) Physical Evidence

Please specify the changes your firm has been making as result of the negative perception of the industry in the areas of social responsibility issues such as

i) Environmental issues.....

.....

.....

ii) Health issues.....

.....

.....

iii) Social acceptability issues.....

.....

.....

iv) If other, please specify.....

g) Marketing Research

In view of the regulation e.g. on the reduction of nicotine and tar, packaging & labels and other important attributes of the product, tobacco firms have to continuously conduct research to identify user friendly and environmentally acceptable products. In view of the above, please indicate by ticking in the appropriate box, the marketing research activities that your firm is taking that are attributable to the new regulations.

- (i) Industry/ Market characteristics and trends ()
- (ii) Market share analysis ()
- (iii) Packaging materials ()
- (iv) User of smokeless brands ()
- (v) Use of alternative materials to make cigarettes ()
- (vi) Possibilities of new line extensions ()
- (vii) Buying behaviour/consumer studies ()
- (viii) New markets ()

(ix) If there other changes you have made in your marketing research activities due to the regulation of the tobacco industry, please

specify.....

h) On a rating of 1-5 , please indicate how the introduction of tobacco regulations on the overall marketing practices of tobacco products affected your firm

- Where:
- 1= Very much decreased
 - 2= Moderately decreased
 - 3= Not changed
 - 4= Moderately increased
 - 5= Very much increased

	5	4	3	2	1
i) Extension to new markets niches	()	()	()	()	()
ii) Changes in consumption as a result of regulation on product content and packaging	()	()	()	()	()
iii) Sales volumes	()	()	()	()	()
iv) Competition	()	()	()	()	()
v) Advertising budgets	()	()	()	()	()

vi) Utilizing of the traditional marketing

mix variables (Price, product, and place

promotion)

() () () () ()

iv) If other, please

specify.....

.....

.....

i) Are there any other problems not covered above that you are experiencing in trying to make changes in the marketing mix?

Yes ()

No ()

If yes, please

indicate.....

.....

.....

THANK YOU FOR YOUR CO-OPERATION

APPENDIX THREE: LIST OF TOBACCO FIRMS IN KENYA

1. British American Tobacco Kenya Ltd. (BAT)
2. Mastermind Tobacco Kenya Ltd. (MTK)
3. Cut Tobacco Kenya Ltd. (CT)
4. Tanzania Cigarette Company/Japan Tobacco International (TCC/JTI) formerly
RJR

Source – Government of Kenya

Ministry of Trade

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