

**STRATEGIC POSITIONING AND ORGANIZATIONAL PERFORMANCE
OF THE TOP FIVE OIL COMPANIES IN KENYA**

MILLICENT W. MUNENE

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

OCTOBER, 2013

DECLARATION

STUDENT'S DECLARATION

I declare that this project is my original work and has never been submitted for a degree in any university or college for examination/ academic purposes.

Signature.....Date.....

Millicent W. Munene

D61/73004/2009

SUPERVISOR'S DECLARATION

This research project has been submitted for examination with the approval as the university Supervisor.

Signature..... Date.....

DR. J.M. Munyoki

University of Nairobi

DEDICATION

To my dear niece Favor, invest in knowledge and you will not go astray.

ACKNOWLEDGMENTS

I want to acknowledge God, for the gift of wisdom, knowledge and strength to finish this project.

I want to appreciate my supervisor Dr J. M. Munyoki who dedicated most of his time in supervising the writing of this project. Through his expert, guidance, discipline, thoroughness and patience, I was able to take the challenge of every step until I completed this project

ABSTRACT

In the 21st century business landscape, firms compete in a complex and challenging context that is being transformed by many factors from globalization, frequent and uncertain changes to the growing use of information technologies. Therefore, achieving the desired performance is a major pre-occupation of senior managers in the competitive and slow growth markets, which characterize many businesses today and the sources of competitive advantage have been a major concern for scholars and practitioners. Most organizations search for the best strategies in order to consolidate their position in the market. However, to be able to achieve this, the service delivery process need to be carefully defined, negotiated, and agreed upon considering involved parties' needs, wants and preferences. For an organization to become profitable it must put in place strategies that position itself in market dominance and improve the firm's overall performance. Strategic positioning has been recognized as a vital tool to confront the competitive pressure in the oil market environment and also as a tool of improving the performance of these firms. The objective of the study was to determine the effect of strategic positioning on organizational performance in the top five oil companies in Kenya. The adopted cross sectional survey research design. The population of the study was the top five oil companies in Kenya in terms of market share based on information acquired from Petroleum Institute of East Africa for the period January to March 2013 hence the study will be purposive sampling. These firms are Total (k) Ltd, KenolKobil, Vivo Energy (Shell), Libya Oil (k) Ltd and National Oil Corporation (NOCK). The study used primary data which was collected using self-administered questionnaires. Data was analyzed using the Statistical Package for Social Sciences (SPSS) software. The of the study was that positioning strategies adopted by the oil companies provides the framework upon which to build and coordinate the elements of the marketing mix to implement the positioning strategy, facilitate fine tuning of strategy due to experience gained by being close to the customers helps in determining precisely what retail offering is required, helps the company to know where to confront competition from and where to avoid it and that it provides the company with a unique image in the market place. The study found out that differentiation strategy, costing and promotion, perceived quality of service and pricing strategy were used by the companies to improve their performance. The effects of positioning strategies on performance is that the companies compete for the consumers' attention and secure a recognizable comparative position in their minds in harmony with their cultural base, has a strong competitive position in the industry, has skills and resources that improve its competitive position and that positioning is the actual designing of company's image that helps customers understand, appreciate what the company stands for in relation to its competitors, companies competes for consumers' involvement in its daily operations, competes for the customers' willingness to deal with the technical complexity found in the corresponding need for services, competes for the customers' effort and time in the buying process, shift its positioning frequently and that they competes for the funds consumers are willing to spend in acquiring a service.

TABLE OF CONTENTS

DECLARATION	ii
DEDICATION	iii
ACKNOWLEDGMENTS	iv
ABSTRACT	v
LIST OF TABLES	viii
CHAPTER ONE: INTRODUCTION	1
1.1 Background of the Study	1
1.1.1 The Concept of Strategy	2
1.1.2 Strategic Positioning.....	2
1.1.3 Organizational Performance.....	3
1.1.4 The Oil Industry in Kenya	4
1.2 Research Problem	5
1.3 Research Objectives	7
1.4 Value of the Study	7
CHAPTER TWO: LITERATURE REVIEW	8
2.1 Introduction	8
2.2 Theoretical foundation of the study	8
2.3 The Practice of Strategic Positioning in Organizations	9
2.4 Strategic Positioning Strategies	10
2.4.1 Differentiation Positioning Strategy.....	10
2.4.2 Costing and Promotion Positioning Strategy.....	11
2.4.3 Perceived Quality of Service Positioning Strategy	12
2.4.4 Pricing Positioning Strategy	13
2.5 Organizational Performance	14
2.6 Strategic Positioning and Organizational Performance	15
CHAPTER THREE: RESEARCH METHODOLOGY	17
3.1 Introduction	17
3.2 Research Design	17
3.3 Target Population	17
3.4 Data Collection	17

3.5 Data Analysis	18
CHAPTER FOUR: DATA ANALYSIS, RESULTS AND DISCUSSION	19
4.1 Introduction	19
4.2 Demographic Profile	19
4.2.1 Respondents Profile	19
4.2.2 Organization Profiles.....	21
4.3 Strategic Positioning Strategies.....	22
4.3.1 Positioning strategies.....	22
4.3.2 Differentiation strategy	23
4.3.3 Costing and Promotion.....	24
4.3.4 Perceived Quality of Service	25
4.3.5 Pricing strategy	26
4.4 Effects of Positioning Strategies on Organizational Performance	26
4.5 Discussion	28
CHAPTER FIVE: SUMMARY, CONCLUSION AND RECOMMENDATIONS.....	30
5.1 Introduction	30
5.2 Summary.....	30
5.3 Conclusion.....	31
5.4 Recommendation.....	32
5.5 Suggestion for further research	33
REFERENCES.....	34
APPENDIX I: QUESTIONNAIRE.....	37

LIST OF TABLES

Table 4.1: Length of service with the company	21
Table 4.2: Number of employees in the company	21
Table 4.3: Positioning strategies	22
Table 4.4: Differentiation strategy	23
Table 4.5: Costing and Promotion.....	24
Table 4.6: Perceived quality of service	25
Table 4.7: Pricing Strategy	26
Table 4.8: Effects of Positioning Strategies on Organizational Performance	27

LIST OF FIGURES

Figure 4.1: Respondents gender	19
Figure 4.2: Respondents age bracket.....	20
Figure 4.3: Highest level of education.....	20

CHAPTER ONE: INTRODUCTION

1.1 Background of the Study

In the 21st century business landscape, firms compete in a complex and challenging context that is being transformed by many factors from globalization, frequent and uncertain changes to the growing use of information technologies (DeNisi, Hitt and Jackson, 2003). Therefore, achieving the desired performance is a major pre-occupation of senior managers in the competitive and slow growth markets, which characterize many businesses today and the sources of competitive advantage have been a major concern for scholars and practitioners. Most organizations search for the best strategies in order to consolidate their position in the market. Maintenance of competitive position and application of appropriate strategy most frequently ensure company's survival in the market and good results of its performance (Athiyaman, 2005). As competition intensifies, many businesses continue to seek profitable ways in which to differentiate themselves from competitors.

In highly dynamic and uncertain environments, competitiveness must be regarded as a multi-dimensional construct comprising customer values, shareholder values and an organization's ability to act and react. Each of these dimensions must be looked at in relative rather than in absolute terms. According to Smarta (2004), the new wave of liberalization and competitive business environment has forced organizations to awaken from the slumber, overhaul their thinking and wear new caps to re-assess the external and internal environment. Organizations need to acquire new skills to develop a strategic vision for the future course of their business.

Many organizations have adopted various strategies such as strategic alliances, diversification, mergers and acquisitions (Hax and Majluf, 2006). Positioning plays a pivotal role, since it links market analysis, segment analysis and competitive analysis to internal corporate analysis. The oil companies in Kenya have not been left behind, and they have also adopted various strategies in dealing with challenges brought about by globalization and liberalization. In the competitive oil industry, positioning reflects how consumers perceive the product's/service's or organization's

performance on specific attributes relative to that of the competitors. Thus, oil companies have to either reinforce or modify customers' perception or image.

1.1.1 The Concept of Strategy

Strategy is a fundamental framework through which an organization can simultaneously address its vital continuity and facilitate its adaptation to a changing environment. It is the direction and scope of an organization over a long term; which gives advantage for the organization through its configuration of resources within a challenging environment, to meet the needs of markets to fulfill owners' expectation (Hax and Majluf, 2006). Mintzberg (1994) points out that people use "strategy" in several different ways, the most common being these four; Strategy is a plan, a "how", a means of getting from here to there; Strategy is a pattern in actions over time; for example, a company that regularly markets very expensive products is using a "high end" strategy; Strategy is position i.e. it reflects decisions to offer particular products or services in particular markets; Strategy is perspective, that is, vision and direction.

A company's strategy consists of the business approaches and initiatives it undertakes to attract customers and fulfill their expectations, to withstand competitive pressures and to strengthen its market position. These strategies provide opportunities for the organization to respond to the various challenges within its operating environment. Firms also develop strategies to enable them seize strategic initiatives and maintain a competitive edge in the market (Porter, 1985). The competitive aim is to do a significantly better job to its customers. The success of every organization is determined by its responsiveness to the customer needs. The competitive aim is to do a significantly better job of providing what customers are looking for, thereby enabling the company to earn a competitive advantage and outsmart rivals in the market place.

1.1.2 Strategic Positioning

Strategic positioning is a managerial process within the organization to develop an organization level positioning strategy that aims to effectively distinguish the organization from other service providers (Chew, 2003). Hooley et al (2004) caution that positioning may occur at three distinct levels: the organization level, product/service level, and brand level. Kotler and Andreasen (2006) argued that a positioning strategy is a key component of the strategic marketing planning

process and is aligned with organizational goals/objectives, internal resource capabilities and external market opportunities. The positioning strategy comprises of three major inter-related components: the choice of target audience, the choice of generic positioning strategy, and the choice of positioning dimensions that the organization uses to distinguishing itself and to support its generic positioning strategy (Chew, 2003). Strategic positioning is outward-focused, more fully recognizing the competitive and market environment within which an organization operates (Hooley et al., 2004).

Positioning defines an organization's specific niche within its sphere of influence. With a strong strategic position, the organization is poised for ongoing success, sustainability, and distinct competitive advantage. Positioning more fully defines the organization's identity and helps to create distinction in a competitive environment. Organizations that are well positioned have a presence which allows them to achieve strategic goals in a seemingly effortless manner.

1.1.3 Organizational Performance

Organizational performance comprises the actual output or results of an organization as measured against its intended outputs (or goals and objectives) in terms of its profits. Organizational performance includes multiple activities that help in establishing the goals of the organization, and monitor the progress towards the target (Johnson et al. 2006). It is used to make adjustments to accomplish goals more efficiently and effectively. Organization performance is what business executives and owners are usually frustrated about. However, for any business to be successful, functions must be defined and accomplished. It is important for an organization to develop strategies that are designed around the skills that would enhance the performance of the organization.

According to Swanson (2000), organizational performance is the valued productive output of a system in the form of goods or services. Organizational performance can be sub-divided into three categories: financial performance (profit), internal non-financial performance (productivity) and external non-financial performance (e.g., customer satisfaction). There are a number of indicators by which company performance may be judged. The balanced scorecard offers both qualitative and quantitative measures that acknowledge the expectations of different stake holders and related to assessment of performance in choice of strategy. In this way

performance is linked both to short term outputs and process management. (Johnson et al. 2006). The balanced score card allows managers to look at the business from four important perspectives namely; the customer perspective which deals with critical success factors which include market share, customer retention rates and relevant products; the internal business perspective deals with critical success factors which include process cycle times, and productivity or capacity utilization; the financial perspective deals with critical success factors which include survival, profitability and revenues; the innovation and learning perspective which takes into consideration the critical success factors which include training, quality improvement and service leadership. The ability to launch new products, create more value for customers and improve operating efficiencies continually results in penetration of new markets, increase in revenues and margins.

1.1.4 The Oil Industry in Kenya

Kenya is the largest economy in East and Central Africa and the 8th largest economy in Africa (ATC Consortium, 2011) and the only one in the top eight without a significant extractive industry. While the country has just recently discovered hydrocarbons including oil, natural gas and coal, further drilling is ongoing to establish commerciality of the reserves. Thus the country is a net petroleum importer consuming just less than 80,000bpd or 4.2M MT p.a. (Mukherjee, Bimal (2012). Kenya currently has over fifty licensed oil marketing companies, but the top six controls over 60% of the market share. The top five oil companies by market share are Total (K) Ltd – 21%, KenolKobil – 17.5%, Vivo Energy (Shell) – 14.5%, Libya Oil (K) Ltd – 8.1% and National Oil Corporation of Kenya (NOC) – 5% (Petroleum Insight, April – June 2013)

The Kenyan economy underwent major structural reforms since early 1990s with a view to improving the overall macro-economic efficiency, increase incomes, create employment opportunities and improve the performance and productivity of public investments. These reforms included abolition of price controls allowing the market forces of demand and supply to determine prices and resource allocation, liberalization of foreign exchange and interest rate regimes, privatization of Government stakes in non-strategic public institutions and divestiture of Government interests in activities of a commercial nature. In line with these public sector reforms, the Kenya Government deregulated the downstream Petroleum Market operations on

27th October 1994. These reforms included liberalization of distribution and pricing of petroleum products and partial liberalization of product supply.

Consumer clamour fuelled by a belief that oil marketers were exhibiting cartel-like behaviour in pricing, forced the Government to reintroduce price caps nearly 16 years after liberalizing the economy. Today the Oil industry in Kenya is facing challenges that include reduced profit margins, inadequate infrastructure, increased competition with entrance of small independent dealers, lowering quality standards and official price caps which are forcing big oil marketing firms out of Africa as they shift focus to the more lucrative exploration and production activities. Still, Kenya's petroleum market remains dominated by foreign capital because local firms are unable to raise resources for acquisition. Departures have often only strengthened the position of international oil firms already in the market, even as the state-owned National Oil Corporation of Kenya stakes a claim to a larger market share (Angela 2011)

1.2 Research Problem

In today's competitive environment, the oil industry plays an essential role in countries' economic growth and development. Therefore, strategic planning has got a vital importance for such institutions and leads them to better future by adapting to the environment beside the oil industry policies (Kettunen, 2006). Companies are becoming progressively more dependent on service providers to deliver performance at a competitive level according to stakeholders and market demands. However, to be able to achieve this, the service delivery process need to be carefully defined, negotiated, and agreed upon considering involved parties' needs, wants and preferences. For an organization to become profitable it must put in place strategies that position itself in market dominance and improve the firm's overall performance. Strategic positioning has been recognized as a vital tool to confront the competitive pressure in the oil market environment and also as a tool of improving the performance of these firms. The oil sector plays a key role in the country's socio economic development. As a matter of fact in Kenya, all other sectors depend on this sector and any form of destabilization in the sector will affect almost all other sectors in the economy.

The oil industry in Kenya has witnessed increased competition in the recent past and this has forced companies to go back to the drawing board to seek new ways of expanding their businesses and reach new markets more exhaustively for their products. Other challenges have come from the regulation of the industry prices of oil products by the government and the threat of entry and mergers of local firms with international players and this combined has increased business risk level of the firms. With the increased level of competition, local companies like National Oil Corporation have had to strategically position and aligning itself to capture new markets or retain its existing market share. Understanding of a firm's strategy based on independent and collaborative resources requires a combination of theories and methodologies and strategic positioning is one of these theories.

Local studies done on the effect of strategic positioning on organizational performance include Nyakondo (2010) who researched on the factors influencing banking industry to adopt strategic positioning on mobile banking. He found out that some banks had adopted mobile banking to a moderate extent with emphasis on the implementation of mobile banking as a method of strategic positioning as a source of revenue, image and to increase customer satisfaction.

On the other hand, Kasyoka (2011) researched on the use of strategic positioning to achieve sustainable competitive advantage at Safaricom limited and the findings were that cutting edge technology was helping Safaricom limited in achieving a sustainable competitive advantage. The study found that resource based view in Safaricom limited was highly influencing the achievement of a sustainable competitive advantage. The major resources in Safaricom limited include technological resources, human resources, knowledge resources, financial resources and assets. Finally, Muriet (2011) worked on strategic positioning and performance of commercial banks in Kenya and found out that strategic positioning positively and significantly enhances organizational performance through performance measurement. The researcher has not come across studies that have been conducted on the strategic positioning on organizational performance in the oil industry, which is a very important area of study in Kenya. This study therefore seeks to determine the influence of strategic positioning on organizational performance. It was guided by the following study question: -What is the effect of strategic positioning on organizational performance in the oil industry?

1.3 Research Objectives

To determine the effect of strategic positioning on organizational performance in the oil industry

1.4 Value of the Study

The study will be of value to:

The management of oil companies in Kenya by providing them with information and knowledge on the importance of positioning its strategies. This will enable them to reach their customers whenever they desire to use their respective service stations and these would improve their financial performance. The findings of this study will form part of the action plans that will help the oil companies to gain competitive advantage over its competitors.

The study will also create a monograph which could be replicated in other sectors which are facing high competition from the private sector. Most importantly, this research is further aimed at offering some practical suggestions on the role of strategic positioning in order to gain competitive advantage. The policy makers will obtain knowledge of the energy sector dynamics and the appropriate positioning strategies; they will therefore obtain guidance from this study in designing appropriate policies that will regulate the sector.

Future scholars may use the results of this study as a source of reference. The findings of this study can be compared with positioning strategies in other sectors to draw conclusions on various ways an institution can respond to competitive forces in the environment. It will also benefit consultants who endeavor to provide assistance to successful running of organizations in developing and sustaining a competitive edge in their environment.

CHAPTER TWO: LITERATURE REVIEW

2.1 Introduction

This chapter is concerned with the review of literature related to the study. An overview of theoretical foundation of the study, the practice of strategic positioning in organizations, strategic positioning strategies and strategic positioning and organizational performance will be discussed.

2.2 Theoretical foundation of the study

The competitive strategy view and the resource-based view are the two major perspectives or determinants of strategic position and firm performance (Spanos and Lioukas, 2001). The competitive strategy view, rooted in industrial organization literature, maintains an outside-in perspective where firm performance is determined primarily by environmental factors such as industry structure. In contrast, the more recent resource-based view argues that firm-specific resources and capabilities are the factors determining firm performance. Industrial organization literature emphasizes the role of industry structure as the primary determinant of firm performance so that the unit of analysis is inevitably the industry. Porter (1991) relaxes this condition, allowing firms to choose their strategic position to gain sustainable rents, although individual firms cannot change industry structure. This change in the assumption allows the firm to be the unit of the analysis. Thus, the outside-in perspective represents a view where a firm performance is primarily determined by outside factors such as industry structure and firms can secure positions to exploit that structure (Fahy and Hooley, 2004).

Companies formulate their strategic position by finding the best defensive position against competitive forces, by swaying the balance of the forces to enhance the company's position, and by choosing a strategy for competitive balance prior to opponents' movement (Oliver, 2007). Strategic positioning is thus the output of a complex understanding of market structure and conditions that determine the sustainability of firm performance (Petrick *et al.*, 2009). The competitive strategy view maintains that resources are the results obtained from the implementation of strategy and/or purchase from the environment. Consequently, resources cannot achieve an independent status in relation to firm performance. The importance of resources is understood only in conjunction with the capability of those resources to support the

strategy pursued or the fitness of those resources for a particular industry structure (Pike and Ryan 2004). When resources fail to support a strategy or enhance a company's fit for an industry, they are useless.

While in the aforementioned competitive strategy view, industry structure determines sustainable firm performance, resource heterogeneity is the basis of firms' competitive advantage in resource-based theory. A firm's resources characterized as valuable, rare, difficult to imitate, and difficult to substitute create distinct strategic advantages that the firm could exploit in order to improve its market position (Fahy and Hooley, 2004). While this view acknowledges that outside factors affect firm performance, internal resources are the core factors determining firms' sustainable competitive advantage (Fahy and Hooley, 2004). According to Day and Wensley (2008) positional and performance superiority is a result of the relative superiority in the skills and resources a company utilizes. The superiority of the skills and resources is the consequence of former investments made to improve the competitive position. And in order to make the positional advantage sustainable, the company must continue to invest into the sources of advantage (Day and Wensley, 2008).

2.3 The Practice of Strategic Positioning in Organizations

Positioning is concerned with the attempt to modify the tangible characteristics and the intangible perceptions of a marketable offering in relation to the competition (Arnott, 2002). Temporal (2005) states that strategic positioning is a planned initiative that convinces or persuades people to think about why they are different or better from what the competition has to offer. Lippman and Rumelt (2004) believe that positioning represents uncertain imitability and its effect is to reduce competition within part of the market. Temporal (2005) asserts that positioning depends on perceptions, and perceptions are the result of a filtering process. Whatever someone says or communicates to people passes through filters' that affect the way in which they eventually think about one's brand/organization. He insists that great care must be taken to ensure they are not misinterpreted or forgotten. They must make long lasting vivid impressions. But more than that, strategic positioning attracts minds and brings about positive changes in behavior of the target audience.

Temporal (2005), posits that the strategic positioning process involves four steps which include: Knowing the current position of the organization; knowing where you want the organization to be i.e. the desired position in terms of where you want to take the organization, what you want the organization to be, what you want the organization to achieve and what you want the organization to have; taking action to get there and finally deciding whether you have made it by assessing the results. Johnson (1987) identified three main advantages of the positioning strategy: positioning may help to create a barrier to entry of competition and once established and successful, it provides a retailer with a unique image in the market place; market positioning may also facilitate fine tuning of strategy as the experience gained by being close to the customers helps in determining precisely what retail offering is required; positioning may increase the power of the retailers and reduce that one of its suppliers because the retailer will have understood his customers so much that he is the one who will be telling the manufacturer what is needed by the consumers.

2.4 Strategic Positioning Strategies

Positioning enables companies to plan their quality and productivity, and their competitive marketing strategies. It involves changing one's existing position in the mind of the customers. Thus, companies have to either reinforce or modify the customer's perception or image. It plays a pivotal role in marketing strategy including product/service quality and productivity since it links market analysis, segment analysis and competitive analysis to internal corporate analysis. They are described below:

2.4.1 Differentiation Positioning Strategy

Product differentiation positioning strategy is mainly involved with the merchandise assortment that retail offers its customers. According to Porter (1980), differentiation strategy involves creating a product that is perceived as unique. The unique features or benefits should provide superior value for the customer if this strategy is to be successful. Because customers see the product as unrivaled and unequaled, the price elasticity of demand tends to be reduced and customers tend to be more brand loyalists. This can provide considerable insulation from competition. Valley and Rafiq (2004) describe product differentiation as the stocking of unique

or exclusive products or brands, own branded products, and unusually broad and deep merchandise assortment. Merchandise decisions are concerned with the core merchandise policy, branding, assortment profiles, branch stocking policies and merchandise augmentation (Walters and Levi, 1996).

Services are largely intangible offerings and they are normally experienced simultaneously with the occurrence of production and consumption. Often, the interaction between the buyer and the seller renders the service to customers. Since the interactions between a customer and a service provider create opportunities for customers to evaluate services, service quality can be broadly conceptualized as a customer's overall impression of the relative inferiority/superiority of the organization and its service provisions (Gronroos, 2000). Lewis and Soureli (2006) noted that loyalty in the services sector is more difficult to conceptualize than in the product domain due to the characteristics of services. As the relationship is developed between their service provider and customer, it is less likely for customers to switch. Services are also intangible and heterogeneous. Customers also generally associate higher risk with services more than with goods. The evaluation of services quality is not simple. Often customers will rely on credence attributes to evaluate services quality (Javalgi and Moberg, 2007). Moreover, lack of standardization may lead to concern about reliability and affect confidence in building or maintaining loyalty.

2.4.2 Costing and Promotion Positioning Strategy

Costing strategy involves the firm winning market share by appealing to cost-conscious or price-sensitive customers. This is achieved by having the lowest prices in the target market segment, or at least the lowest price to value ratio (price compared to what customers receive). To succeed at offering the lowest price while still achieving profitability and a high return on investment, the firm must be able to operate at a lower cost than its rivals. According to Calin (2004), one of the major functions of marketing strategies is the proper positioning of the organization in order to create the best competitive advantage. Promotion on the other hand is the function of informing, persuading, and influencing the customer's decision process. It includes such areas as advertising, personal selling, public relations, and discounts. Of which, advertising is considered as the most powerful promotion strategy. Advertising is a form of sponsored public notice that

seeks to inform, persuade, and otherwise modify consumer attitudes toward a product, with the object of triggering an eventual purchase (Robbins and Coulter, 2009). The tools for promotion are consumer promotion, trade promotion and sales-force promotion.

According to Allen *et al.*, (2006), when a firm designs, produces and markets a product more efficiently than its competitors such a firm has implemented a cost leadership strategy. Cost reduction strategies across the activity cost chain will represent low cost leadership. Attempts to reduce costs will spread through the whole business process from product design to the final stage of selling the product. Any processes that do not contribute towards minimization of cost base should be outsourced to other organizations with the view of maintaining a low cost base (Akan *et al.*, 2006). Low costs will permit a firm to sell relatively standardized products that offer features acceptable to many customers at the lowest competitive price and such low prices will gain competitive advantage and increase market share. These explains that the cost efficiency gained in the whole process will enable a firm to mark up a price lower than competition which ultimately results in high sales since competition could not match such a low cost base.

2.4.3 Perceived Quality of Service Positioning Strategy

Provision of quality services should exceed customer's expectation as customers' compare the perceived service with the expected service. If the perceived service is below expectation; they lose interest with the provider while the opposite creates loyalty. According to Parasuraman, Zeithaml and Berry, (1991) five determinants of service quality by order of importance are reliability, responsiveness (willingness to help customers and prompt service assurance), the ability to convey trust, empathy and individualized attention to customers. Studies have found that well managed service companies have the following practices; strategic concept and top management support, high standards of service delivery, service monitoring systems, satisfying customer's complaints and an emphasis on employee satisfaction.

According to Kotler (2002) service companies face three tasks i.e. competitive differentiation, service quality, and productivity. Differentiation is where the service provider adds secondary service features to the primary service. Delivery differentiation is where the company hires and trains people to deliver the services or through image differentiation by symbols and branding.

Tax and Brown (1998) found that companies that encourage customers to complain achieve higher profits. Well managed service companies carry internal marketing and provide employees with support and rewards for good performance. According to Berry Parasuraman (1992) in order to exceed customer expectation, companies need to present a realistic picture of their service to customers by checking the promotional messages for accuracy, performing the service right to customers by stressing to employees to provide reliable service, effectively communicating with customer to ascertain their needs by using the service delivery process as an opportunity to impress on customers and also continuously evaluating and improving their performance against customer expectations.

According to Kotler (2002) there are seven approaches to increasing service productivity, these are having skillful workers through the process of recruitment and selection, increasing quality of service by surrendering quantity, industrializing the services, reducing or making absolute the service need by inventing a product solution, designing of more effective services, presenting customers with incentives to substitute own labour with company labour and also harnessing power of technology to give customers better services. Kotler (2002) also says that a service is any act or performance that one party can offer to another that is essentially intangible and does not result in the ownership of anything. Its production may or may not be tied to a physical product.

2.4.4 Pricing Positioning Strategy

The value of any pricing strategy is questionable if it is not congruent with the overall strategy of the firm. Pricing strategies, which do not reflect organizational goals, can detrimentally affect performance outcomes. Price is also one of the most flexible elements: it can be changed quickly, unlike product features and channel commitments. A firm must set a price for the first time when it develops a new product, introduces its regular product into a new distribution channel or geographical area, and enters bids on new contract work. Price is also a key element used to support a product's quality positioning. In making a pricing strategy, a marker must follow a six-step procedure: selecting the pricing objective; determining demand; estimating costs; analyzing competitors' costs, prices, and offers; selecting pricing method, and selecting the final price (Kotler, 2006). An organization may also seek to gain strategic advantage by its

pricing strategy. In this situation, the management accounting function can assist by attempting to assess each competitor's cost structure and relate this to their prices. Particularly, Simmonds (2007, p.29) suggested that it may be possible to examine the cost-volume-profit relationship of competitors in order to predict their pricing responses. By monitoring movement in the market share of major products, a firm can find out the strengths of their market position; the market share also indicates the strengths of different competitors. That information may not be reflected in company's annual report, but according to Simmonds' (2007) argument, the market share details can help management accounting more strategically relevant.

2.5 Organizational Performance

Gibson *et al.* (2010) argued that organizational performance is the final achievement of an organization and contains a few things, such as the existence of certain targets are achieved, has a period of time in achieving the targets and the realization of efficiency and effectiveness. On the other hand, organizational performance refers to ability of an enterprise to achieve such objectives as high profit, quality product, large market share, good financial results, and survival at pre-determined time using relevant strategy for action (Koontz and Donnell, 2003). Organizational performance can also be used to view how an enterprise is doing in terms of level of profit, market share and product quality in relation to other enterprises in the same industry. Consequently, it is a reflection of productivity of members of an enterprise measured in terms of revenue, profit, growth, development and expansion of the organization.

Due to the realization that people are the most valuable assets in an organization, the importance of performance management has been pushed to the fore (Bartlett and Ghoshal, 2005). The performance measurement system employed in an organization must therefore measure the performance of all assets including the human ones. The Balance Scorecard of Kaplan and Norton (1996) is a mechanism which provides a holistic measure of organizational performance. It is a set of measures that provide managers a fast but comprehensive view of the business. The Balanced Scorecard is not only a measurement system but also a management system, which enables organizations to clarify their vision and strategy and translate them into action (Kaplan and Norton, 1996). It provides feedback around both the internal business processes and external outcomes in order to continuously improve strategic performance and results. When fully

deployed, the Balance Scorecard transforms strategic planning from an academic exercise into the nerve centre of an enterprise (Norton, 1999). The Balance Scorecard includes both financial measures that tell the results of actions already taken, and operational measures that are the drivers of future financial performance (Kaplan and Norton, 1996).

2.6 Strategic Positioning and Organizational Performance

Day and Wensley (2008) posit that strategic positioning and performance superiority is a result of the relative superiority in the skills and resources a company utilizes. The superiority of the skills and resources is the consequence of former investments made to improve the competitive position. And in order to make the positional advantage sustainable, the company must continue to invest into the sources of advantage (Day and Wensley, 2008). According to Barney (1991), improved organizational performance arises when the firm's resources are valuable (the resources help the firm create valuable products and services), rare (competitors do not have access to them), inimitable (competitors cannot easily replicate them) and appropriate (the firm owns them and can exploit them at will). Acquiring and preserving sustainable competitive advantage and superior performance are a function of the resources and capabilities brought to the competition (Barney, 1995).

The resource-based theory (Barney, 1991), stresses the importance of the intangible resources and capabilities of the firm in the context of the competitive environment. In this way, the firms that devote their internal forces to exploit the opportunities of the environment and to neutralize threats while avoiding weak points are most likely to improve its performance than those that do not do the same and they are able to build a good reputation. The company's positioning strategies are its response to the situation in the competitive environment. These are important, as with the implementation of the right positioning strategies, the company can sustain its positive growth and high rates of return, the two most important value drivers (Kolleret *et al.*, 2010). According to Reilly and Brown, (2009), a company can either position itself to deflect the effect of the competitive forces in the industry (defensive strategy) through investing in technology that will lower production costs or through increased advertising and creating a strong brand; or it will use its strengths to affect the competitive forces in the industry (offensive strategy). Both,

the defensive and offensive competitive strategies can incorporate low cost and differentiation strategy.

The competitive strategy view and the resource-based view emphasize different sides of the same coin (Wernerfelt, 2004). The competitive strategy view focuses on the influence of industry structure on firm performance, whereas the resource-based view maintains the role of firms' heterogeneous resources in determining firms' sustainable competitive advantage. Strategic fit is a core concept in strategy formulation, and the pursuit of strategic fit has traditionally been viewed as having desirable performance implications. Companies formulate their strategic position by finding the best defensive position against competitive forces, by swaying the balance of the forces to enhance the company's position, and by choosing a strategy for competitive balance prior to opponents' movement (Kiple and Lewis, 2009). In this view, the strategic positioning of a firm reflects the firm's ability to generate competitive advantage.

The competitive strategy view maintains that resources are the results obtained from the implementation of strategy and/or purchase from the environment (Porter, 1991). Consequently, resources cannot achieve an independent status in relation to firm performance. The importance of resources is understood only in conjunction with the capability of those resources to support the strategy pursued or the fitness of those resources for a particular industry structure (Spanos and Lioukas, 2001).

CHAPTER THREE: RESEARCH METHODOLOGY

3.1 Introduction

The chapter describes the proposed research design, the target population, data collection instruments and the techniques for data analysis.

3.2 Research Design

The study adopted a descriptive cross sectional survey. According to Cooper and Schindler (2000), a descriptive research design is concerned with finding out the; who, what, where, when and how much. The design is deemed appropriate because the main interest was to determine the viable relationship and describe how the factors support matters under investigation.

A cross sectional study seeks to collect data and provides a snapshot of the population at a single point in time. This kind of study was used because it enabled the researcher to have an insight of the effect of strategic positioning on organizational performance in the oil industry in Kenya. This design provided further insight into research problem by describing the variables of interest.

3.3 Target Population

The population of interest in the study consisted of licensed oil marketing companies in Kenya with retail stations. The study focused on the top five oil companies in Kenya in terms of market share based on information acquired from Petroleum Institute of East Africa for the period April to June 2013 hence the study was purposive sampling. These firms are Total (K) Ltd, KenolKobil, Vivo Energy (Shell), Libya Oil (K) Ltd and National Oil Corporation (NOC)

3.4 Data Collection

The study used primary data which were collected through self-administered questionnaires. The structured questionnaires were used to collect data on the effect of strategic positioning on organizational performance in the oil industry in Kenya. The questionnaires consisted of both open and closed ended questions designed to elicit specific responses for qualitative and quantitative analysis respectively.

The questionnaire was administered through “drop and pick later” method. The respondents for the study were strategic managers or their acquaintance in the sampled oil companies operating in Kenya.

3.5 Data Analysis

The data collected were analyzed using descriptive statistics. Once the data was collected, the questionnaires were edited for accuracy, consistency and completeness. However, before final analysis was performed, data was cleaned to eliminate discrepancies and thereafter, classified on the basis of similarity and then tabulated. The responses were then coded into numerical form to facilitate statistical analysis. Data were presented using tables, pie charts, percentages to summarize the respondent answers.

CHAPTER FOUR: DATA ANALYSIS, RESULTS AND DISCUSSION

4.1 Introduction

The research objective was to determine the effect of strategic positioning on organizational performance in the oil industry in Kenya. This chapter presents the analysis, findings and discussion. The findings are presented in percentages and frequency distributions, mean and standard deviations. A total of 5 questionnaires were issued out and all the 5 questionnaires were returned. This represented a response rate of 100%.

4.2 Demographic Profile

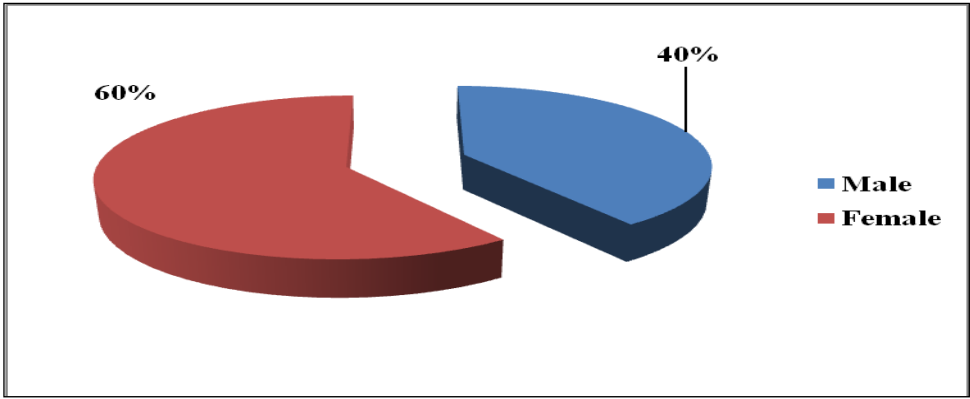
The demographic information considered in the study was respondents' gender, age bracket, the highest level of education, the duration working in company, number of employees and the duration of company operation in Kenya.

4.2.1 Respondents Profile

Respondents gender

The respondents were asked to indicate their gender and the results are presented in figure 4.1.

Figure 4.1: Respondents gender

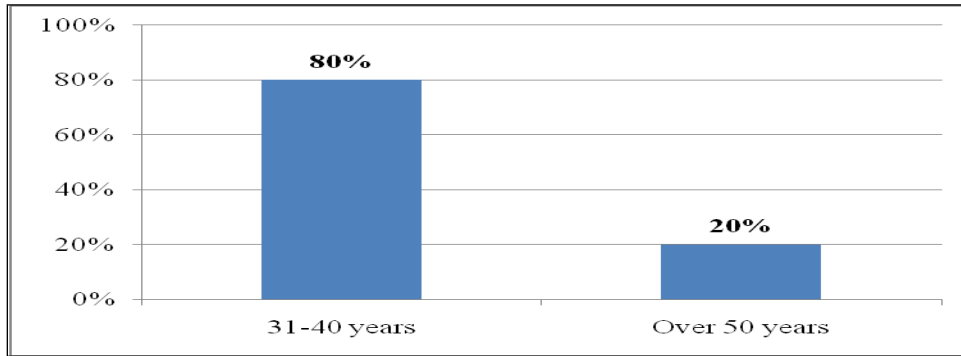


The results indicate that 60% of the respondents were female while 40% of the respondents were male. The results show that majority of the respondents were female.

Respondents age bracket

The respondents were asked to indicate their age bracket and the results are presented in figure 4.2.

Figure 4.2: Respondents age bracket

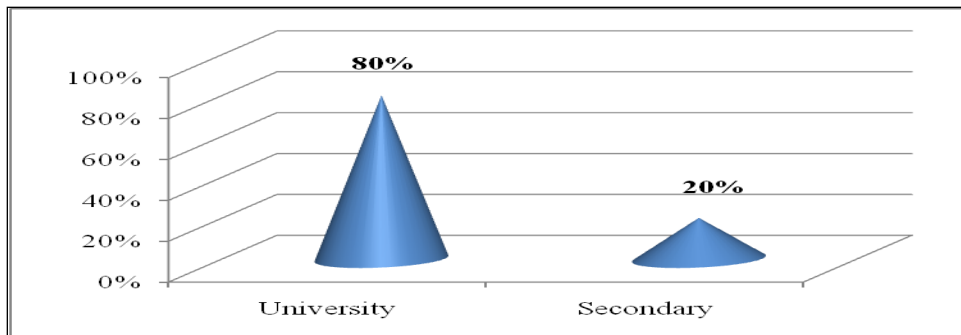


The results on the respondents' age bracket indicate that 80% of the respondents' age bracket was between 31 and 40 years while 20% of the respondents indicated that they were over 50 years. The results indicate that majority of the respondents were over 30 years and therefore they understand the effect of strategic positioning on organizational performance.

Highest level of education

The respondents were requested to indicate the highest level of education and the results are presented in figure 4.3.

Figure 4.3: Highest level of education



The results on the highest level of education attained by the respondents was that 80% of the respondents had attained university level while 20% of the respondents indicated that secondary level was their highest level. The results indicate that majority of the respondents are graduates

and therefore they have knowledge on the need to be strategically position the company in the competitive and regulated market.

Length of service with the company

The respondents were requested to indicate the length of service with the company and the results are presented in table 4.1.

Table 4.1: Length of service with the company

Years	Frequency	Percent	Cumulative percent
Less than 5	2	40.0	40.0
5-10	2	40.0	80.0
Over 10	1	20.0	100.0
Total	5	100.0	

The results indicate that 40% of the respondents have worked in the petroleum companies for less than 5 years, another 40% of the respondents said that they have worked in the companies for 5 to 10 years while 20% of the respondents said that they have worked in the companies for over 10 years. The results indicate that majority of the respondents have worked in the companies for a longer duration and therefore they understand influence of strategic positioning on organizational performance.

4.2.2 Organization Profiles

Number of employees in the company

The respondents were asked to indicate the number of employees in the top five oil companies in Kenya. The results are presented in table 4.2

Table 4.2: Number of employees in the company

Number of employees	Frequency	Percent	Cumulative percent
100 – 499	4	80.0	80.0
500 – 999	1	20.0	100.0
Total	5	100.0	

The findings show the number of employees in top five oil companies. The results indicate that 80% of respondents in the oil companies have between 100 and 499 employees while 20% of the respondents indicated that the companies have between 500 and 999 employees. The results

indicate that the number of employees in the companies varied and this can be attributed to the coverage of the companies and the number of stations the companies has. The results on the duration of the companies was that all the companies have been in existence for over 25 years and therefore they have all the market data on the strategies to undertake in order to improve organizational performance.

4.3 Strategic Positioning Strategies

Strategic positioning is a managerial process within the organization to develop an organization level positioning strategy that aims to effectively distinguish the organization from other service providers. Organizations that are well positioned have a presence which allows them to achieve strategic goals in a seemingly effortless manner. Respondents were asked to indicate the extent to which they were in agreement with the statements regarding strategic positioning strategies. They rated them on a scale of 1 to 5 with 5- being very great extent and 1- being not at all.

4.3.1 Positioning strategies

The respondents were asked to indicate the effect of positioning strategies to the oil companies. These ratings are presented in Table 4.3.

Table 4.3: Positioning strategies

Positioning strategies	Mean	Std. Deviation
It helps the company to know where to confront competition from and where to avoid it	4.2000	.8366
Provides the company with a unique image in the market place	4.2000	.8366
Facilitate fine tuning of strategy due to experience gained by being close to the customers helps in determining precisely what retail offering is required	4.4000	.8944
Provides the framework upon which to build and coordinate the elements of the marketing mix to implement the positioning strategy	4.6000	.5477

As shown in Table 4.3, position strategies have several benefits to the oil companies. Positioning strategies provides the framework upon which to build and coordinate the elements of the

marketing mix to implement the positioning strategy (mean 4.60), facilitate fine tuning of strategy due to experience gained by being close to the customers helps in determining precisely what retail offering is required (mean 4.40), helps the company to know where to confront competition from and where to avoid it (mean 4.20) and that it provides the company with a unique image in the market place (mean 4.20). The results indicate that the adoption of the strategies enables the companies to have competitive edge over its competitors.

4.3.2 Differentiation strategy

The respondents were requested to indicate the extent to which the companies differentiate themselves with competitors.

Table 4.4: Differentiation strategy

Differentiation strategy	Mean	Std. Deviation
Creation of a new advertising campaign or other sales promotions	4.2000	.83666
Extended working hours	2.4000	.54772
Availability of additional services e.g. air pressure	3.6000	.54772
Have social responsibility activities	3.4000	.54772
Swift in introducing new products	3.6000	.89443
Availability of an attendant at all times	4.2000	.83666
Availability of wide range of oil products	4.4000	.89443
Message of differentiation reach the clients in order to be effective	4.4000	.89443

The findings in table 4.4 indicate that the companies differentiates themselves through wide range of oil products (mean 4.40) and message of differentiation reach the clients in order to be effective (mean 4.40). Other ways of differentiation is availability of an attendant at all times, advertising campaign or other sales promotions, introducing new products, additional services e.g. air pressure and social responsibility activities. Extended working hours was not used by the companies to differentiate themselves.

4.3.3 Costing and Promotion

The respondents were requested to rate the extent to which the oil companies use costing and promotion strategy. These ratings are presented in table 4.5.

Table 4.5: Costing and Promotion

Costing and Promotion	Mean	Std. Deviation
Keeps overhead costs lower than competitors	3.8000	1.3038
Accepts multiple forms of payment	4.0000	1.0000
Buys in bulk to reduce on costs	3.6000	1.1401
The company advertises its products and services	4.2000	.7071
Low costs permit the company to sell its products at the lowest competitive price and such low prices will gain competitive advantage and increase market share	3.2000	1.3038
The company is a price leader thus undermining competitors' growth in the industry and undercutting the profitability of competitors	2.6000	1.1401
The company benefits from economics of scale	3.6000	1.1401
The company designs, produces, and markets its product more efficiently than its competitors	3.8000	1.3038

The findings indicate the extent to which the oil companies use costing and promotion strategy in order to improve performance. The results indicate that the companies advertise its products and services (mean 4.20), accept multiple forms of payment (mean 4.40), designs, produces, and markets its product more efficiently than its competitors (mean 3.80), keeps overhead costs lower than competitors (mean 3.80), buys in bulk to reduce on costs (mean 3.60) and that they benefits from economics of scale (mean 3.60). The results further indicate that low costs permit the companies to sell its products at the lowest competitive price and such low prices will gain competitive advantage and increase market share (mean 3.20) and that the companies are price leaders thus undermining competitors' growth in the industry and undercutting the profitability of competitors (mean 2.60). The results indicate that the companies use the strategy in order to a great extent in order to improve their performance.

4.3.4 Perceived Quality of Service

The respondents were asked to indicate the effect of perceived quality of service on the oil companies' performance.

Table 4.6: Perceived quality of service

Perceived quality of service	Mean	Std. Deviation
The company provides quality services that exceeds its customers' expectations	4.6000	.8944
The company offers reliable services to its customers	4.6000	.8944
The company is responsive to its customers (willingness to help customers and prompt service assurance)	4.2000	.8366
The company has the ability to convey trust to its customers	4.6000	.8944
The company has empathy on its customers	3.6000	1.3416
The company offers individualized attention to customers	4.0000	1.2247
The company present a realistic picture of their service to customers by checking the promotional messages for accuracy	3.8000	.8366
Performing the service right to customers by stressing to employees to provide reliable service	4.4000	.8944
The company effectively communicates with customers to ascertain their needs by using the service delivery process as an opportunity to impress on customers	4.4000	.8944
The company harnesses the power of technology to give customers better services	4.4000	.8944

The findings on the use of perceived service quality indicate that the companies provides quality services that exceeds its customers' expectations (mean 4.60), offers reliable services to its customers (mean 4.60), has the ability to convey trust to its customers (mean 4.60), is responsive to its customers (willingness to help customers and prompt service assurance) (mean 4.20), performing the service right to customers by stressing to employees to provide reliable service (mean 4.40), effectively communicates with customers to ascertain their needs by using the service delivery process as an opportunity to impress on customers (mean 4.40), harnesses the

power of technology to give customers better services (mean 4.40) and that the companies offers individualized attention to customers (mean 4.00). The study further established that the companies present a realistic picture of their service to customers by checking the promotional messages for accuracy and empathizes on its customers. The results show that the companies undertake measures that would exceed customers’ expectations as they compare perceived service with the expected service.

4.3.5 Pricing strategy

The respondents were requested to indicate the effect of pricing strategy on oil companies’ performance and the ratings are presented in table 4.7.

Table 4.7: Pricing Strategy

Pricing Strategy	Mean	Std. Deviation
Pricing strategies reflect organizational goals	4.2000	.8366
Use of efficient scale facilities	2.8000	.8366
Prices are lower than those of competitors	3.4000	1.1401
Keeps prices same as competitors	2.4000	.5477

The findings on the extent to which pricing strategy influence oil companies’ performance is that pricing strategies reflect organizational goals (mean 4.20), prices are lower than those of competitors (mean 3.40) and use of efficient scale facilities (mean 2.80). The findings indicate that the companies do not lower prices than those of competitors due to the price regulation being implemented by the government that sets the limit prices to be charged within the month.

4.4 Effects of Positioning Strategies on Organizational Performance

Strategic positioning and performance superiority is a result of the relative superiority in the skills and resources a company utilizes. The superiority of the skills and resources is the consequence of former investments made to improve the competitive position. The respondents were asked to rate the extent to which positioning strategies influence oil companies performance. They rated them on a scale of 1 to 4 with 4- being not at all and 1- being very great extent. These ratings are presented in table 4.8

Table 4.8: Effects of Positioning Strategies on Organizational Performance

Positioning Strategies on Organizational Performance	Mean	Std. Deviation
The company compete for the consumers' attention and secure a recognizable comparative position in their minds in harmony with their cultural base	4.4000	.5477
The company competes for consumers' involvement in its daily operations	4.0000	.7071
The company has skills and resources that improve its competitive position	4.2000	.8366
The company competes for the customers' effort and time in the buying process	3.8000	1.0954
The company competes for the customers' willingness to deal with the technical complexity found in the corresponding need for services	4.0000	.7071
The company competes for the funds consumers are willing to spend in acquiring a service	3.0000	1.4142
The company does not shift its positioning frequently	3.6000	.8944
The company positioning is the actual designing of company's image that helps customers understand and appreciate what the company stands for in relation to its competitors	4.2000	1.0954
The company has a strong competitive position in the industry	4.4000	.8944

As shown in table 4.8, positioning strategies influence company performance. The results indicate that the company compete for the consumers' attention and secure a recognizable comparative position in their minds in harmony with their cultural base (mean 4.40), has a strong competitive position in the industry (mean 4.40), has skills and resources that improve its competitive position (mean 4.20) and that positioning is the actual designing of company's image that helps customers understand and appreciate what the company stands for in relation to its competitors (mean 4.20). The study further found out that the companies competes for consumers' involvement in its daily operations, competes for the customers' willingness to deal with the technical complexity found in the corresponding need for services, competes for the customers' effort and time in the buying process, shift its positioning frequently and that they competes for the funds consumers are willing to spend in acquiring a service.

4.5 Discussion

The study sought to analyze the market domain of top five oil companies as understood by the respondents from a market positioning point of view in relation to organizational performance. The respondents noted that positioning provides the framework upon which to build and coordinate the elements of the marketing mix to implement the positioning strategy, facilitate fine tuning of strategy due to experience gained by being close to the customers helps in determining precisely what retail offering is required, helps the company to know where to confront competition from and where to avoid it and that it provides the company with a unique image in the market place. Although the underlying concepts of market positioning are similar in consumer and business strategy and that differential approaches are needed during implementation, top five oil companies provides a combination of features perceived to be desirable by the target market. The findings are consistent with Day and Wensley (2008) findings that positional and performance superiority is a result of the relative superiority in the skills and resources a company utilizes. The superiority of the skills and resources is the consequence of former investments made to improve the competitive position.

The study revealed that product differentiation involves differentiating wide range of oil products and message of differentiation reach the clients in order to be effective, availability of an attendant at all times, advertising campaign or other sales promotions, introducing new products, additional services e.g. air pressure and social responsibility activities is done in order to demonstrate the unique aspects of their product and create a sense of value which guarantees better performance. The findings are consistent with Porter (1980) who opines that differentiation strategy involves creating a product that is perceived as unique. The unique features or benefits should provide superior value for the customer if this strategy is to be successful. Costing strategy involves the firm winning market share by appealing to cost-conscious or price-sensitive customers. This is achieved by having the lowest prices in the target market, or at least the lowest price to value ratio (price compared to what customers receive). To succeed at offering the lowest price while still achieving profitability and a high return on investment, the oil companies must be able to operate at a lower cost than its rivals. According to Calin (2004), one of the major functions of marketing strategies is the proper positioning of the organization in order to create the best competitive advantage and the findings of the study

revealed that cost strategies are very important in enhancing the performance of top five oil companies as they inform the market, increase sales, maintain and improve market share, create and improve brand recognition and create a competitive advantage relative to competitor's products and market position. The study revealed that promotional activities were very important in increasing sales as supported by all the respondents.

Service quality is the discrepancy between what customers expect and what customers get. Accordingly, organizational competitiveness is possible to support service firms to provide high service quality to customers and markets in order to encourage a competitive advantage and receive a superior performance. The study thus sought to find out how perceived service quality has enhanced organizational performance within the study scope. All the dimensions of service quality like offering reliable services, conveying trust to its customers, are responsive to its customers, to employees to provide reliable service, effectively communicating with customers to ascertain their needs, harnesses the power of technology to give customers better services and offering individualized attention to customers show a high adaptability level, indicating the effort and commitment by the oil companies to offering its customers the best service. Tax and Brown (1998) found that companies that encourage customers to complain achieve higher profits. Well managed service companies carry internal marketing and provide employees with support and rewards for good performance. Pricing strategies, which do not reflect organizational goals, can detrimentally affect performance outcomes. The consequences of pricing strategies have important managerial and public policy implications. Majority of the respondents were of the opinion (strongly agreed or agreed) that pricing has a strong effects on organizational performance. The results are consistent with Kimes and Wirtz (2002) findings that a firm that charges fair prices as compared to its competitors, organizational performance is enhanced.

CHAPTER FIVE: SUMMARY, CONCLUSION AND RECOMMENDATIONS

5.1 Introduction

This chapter gives the summary, conclusion, recommendations of the study and suggestion for further research.

5.2 Summary

The study found out that positioning strategies adopted by the oil companies provides the framework upon which to build and coordinate the elements of the marketing mix to implement the positioning strategy, facilitate fine tuning of strategy due to experience gained by being close to the customers helps in determining precisely what retail offering is required, helps the company to know where to confront competition from and where to avoid it and that it provides the company with a unique image in the market place. The study established that differentiation strategy was achieved by the companies through wide range of oil products, message of differentiation reach the clients in order to be effective, availability of an attendant at all times, advertising campaign or other sales promotions, introducing new products, additional services e.g. air pressure and social responsibility activities.

The study found out that the oil companies pursued costing and promotions in order to improve their performance. The factors that were pursued by the companies was advertising its products and services, accept multiple forms of payment, designs, produces, and markets its product more efficiently than its competitors, keeps overhead costs lower than competitors, buys in bulk to reduce on costs and that they benefits from economics of scale, low costs permit the companies to sell its products at the lowest competitive price and such low prices will gain competitive advantage and increase market share and that the companies are price leaders thus undermining competitors' growth in the industry and undercutting the profitability of competitors. The study found out that the oil companies ensured that they undertake measures that super ceded the customers perception in terms of quality. The measures undertaken by the companies were providing quality services that exceed its customers' expectations, offering reliable services, conveying trust to its customers, are responsive to its customers, to employees to provide reliable

service, effectively communicate with customers to ascertain their needs, harnesses the power of technology to give customers better services and offering individualized attention to customers.

Price is also a key element used to support a product's quality positioning. The study showed that pricing strategies reflect organizational goals; prices are lower than those of competitors and that the companies use of efficient scale facilities. The company's positioning strategies are its response to the situation in the competitive environment. These are important, as with the implementation of the right positioning strategies, the company can sustain its positive growth and high rates of return- the two most important value drivers. The effect of positioning strategies on organizational performance was that the companies compete for the consumers' attention and secure a recognizable comparative position in their minds in harmony with their cultural base, has a strong competitive position in the industry, has skills and resources that improve its competitive position and that positioning is the actual designing of company's image that helps customers understand, appreciate what the company stands for in relation to its competitors, companies competes for consumers' involvement in its daily operations, competes for the customers' willingness to deal with the technical complexity found in the corresponding need for services, competes for the customers' effort and time in the buying process, shift its positioning frequently and that they competes for the funds consumers are willing to spend in acquiring a service.

5.3 Conclusion

The study concludes that positioning is firmly placed within the general segmentation-targeting-positioning framework at the top five oil companies; playing a pivotal role in its strategy. Product differentiation at the oil companies involves differentiating themselves through wide range of oil products, message of differentiation reach the clients in order to be effective, availability of an attendant at all times, advertising campaign or other sales promotions and introducing new products which guarantees better performance. The cost strategies focus on enhancing performance through accepting multiple forms of payment, designs, produces, and markets its product more efficiently than its competitors, keeps overhead costs lower than competitors, buys in bulk to reduce on costs and that they benefits from economics of scale, low costs permit the companies to sell its products at the lowest competitive price and such low prices will gain competitive advantage and increase market share and that the companies are

price leaders thus undermining competitors' growth in the industry and undercutting the profitability of competitors. The oil companies use sponsorship, advertising, sales promotion and personal selling as a means of achieving better performance. The study also concludes that that pricing strategies affect performance outcome and that other than table- locating prices, other forms of pricing policy are not regarded as unfair.

The study also concludes that the top oil companies have successfully adopted various attributes such as responsiveness, empathy, reliability, assurance and tangibles to provide better service quality to its customers. It was also concluded that organizational competitiveness supports service firms to provide high service quality to customers. The effect of positioning strategies on organizational performance was that the companies compete for the consumers' attention and secure a recognizable comparative position in their minds in harmony with their cultural base, has a strong competitive position in the industry, has skills and resources that improve its competitive position and that positioning is the actual designing of company's image that helps customers understand and appreciate what the company stands for in relation to its competitors.

5.4 Recommendation

The study established that the top oil firms do position themselves in the market and make use of the various positioning strategies especially now that the petroleum prices are being regulated to acquire a competition advantage relative to competitors that will enable it earn high profits, irrespective of average profitability within the energy sector in Kenya.

5.4.1 Recommendations with policy implications

It is therefore recommended that to enable the companies achieve better performance, they should plan the product mix that will result in a combination of elements such as physical product, product services, brand and package desired by the target consumers and markets in order to build a strong competitive advantage and achieve superior performance. Secondly, though the petroleum companies have created unique position in the market through offering services and products, it is recommended that a more sustainable positioning strategy would be to continue investing in developing and coming up with unique services and products that are inherently difficult to imitate e.g. V-Power as a means of differentiate themselves further.

Finally, the oil companies should ensure that before pricing its products, they should study what the market charges so that they set at a price which is acceptable to the current and potential customers for their products and if possible reduce the petroleum prices relative to competitors despite the fact that prices are set by the government.

5.5 Suggestion for further research

The study confined itself to top five oil companies operating in Kenya and the findings may not be applicable in other sectors as a result of uniqueness of the petroleum sector. It is therefore recommended that the study is replicated in other sectors to establish the extent to which other companies and organizations position themselves in order to improve their performance.

REFERENCES

- Akan, J. J., Hofer, C. W., and Boulton, W. R. (2006), "Toward a system for classifying business strategies" *Academy of Management Review*, 13.
- Allen, R., Helms, M., Takada, M., and White, C., (2006),
- Andrews, K.R. (1971), *The Concept of Corporate Strategy*, Dow-Jones Irwin, Homewood, IL.
- Arnott, D (2002), "Bases of financial services positioning", Manchester Business School, Manchester, unpublished PhD thesis.
- ATC Consortium (2011), <http://www.mfi-upgrading-initiative.org> MFI upgrading and rating initiative of the development bank of Austria in East Africa.
- Athiyaman, A. (1995). The interface of tourism and strategy research: an analysis. *Tourism Management*, 16 (6), 447-453.
- Berry, L.L., and Parasuraman, A. (1992), *Marketing Services: Competing through Quality*, Free Press, New York, NY.
- Chew, C. (2003). 'What factors influence the positioning strategies in Voluntary Non-Profit Organizations? Towards a Conceptual Framework', *Local Governance*, 29(4), pp.288-323.
- DeNisi, A. S., Hitt, M. A., and Jackson, S. E. (2003). *The Knowledge Based Approach to Sustainable Competitive Advantage*. New York: Oxford University press.
- Fahy, J., and Hooley, G. (2004). Sustainable competitive advantage in electronic business: Towards a contingency perspective on the resource-based view. *Journal of Strategic Marketing*, 10(4), 241–253.

- Hooley, G., Saunders, J.A. and Piercy, N.F. (2004) *Marketing Strategy and Competitive Positioning* (3rd edn.). Prentice-Hall, Harlow.
- Javalgi, R.G., and Moberg, C.R. (2007), "Service loyalty: implications for service providers", *Journal of Services Marketing*, Vol. 11 No.3, pp.165-79.
- Johnson, G., Richard, P. J., Devinney, T. M., and Yip, G. S., (2006), Measuring Organizational Performance: Towards Methodological Best Practice. *Journal of Management*, Vol 35, pp. 718-804.
- Kettunen, J. (2006). Strategic planning of regional development in higher education, *Baltic Journal of Management*, 1(3), 259-269.
- Kotler, P. and Andreasen, A.R. (2006) *Strategic Marketing for Non-profit Organizations* (5th edn.). Pearson Education/Prentice-Hall, Upper Saddle River, New Jersey.
- Kotler, P. (2002), *A framework for marketing management*. New Jersey, Prentice Hall –Pearson Education International.
- Lewis, B.R., and Soureli, M. (2006), "The antecedents of consumer loyalty in retail banking", *Journal of Consumer Behavior*, Vol. 5 pp.15-31.
- Mintzberg, H. (1988), *Structure In Fives: Designing Effective Organizations*, Prentice-Hall, Englewood Cliffs, NJ.
- Mukherjee, Bimal (2012), Crude Processing at KPRL, *Petroleum Insight Magazine*, 1st Quarter Issue Jan – March 2012.
- Parasuraman, A., Berry, L.L., Zeithaml, V.A. (1991), "Understanding customer expectations of service", *Sloan Management Review*, Vol. 39 pp.39-48
- Peteraf, M. (1993). The cornerstones of competitive advantage: A resource-based view. *Strategic Management Journal*, 14: 179-191.

- Petrick, J. A., Scherer, R. F., Brodzinski, J. D., Quinn, J. F., and Ainina, M. F. (2009). Global Leadership Skills and Reputational Capital: Intangible Resources for Sustainable Competitive Advantage. *The Academy of Management Executive*, 13 (1), 58-69.
- Pike, S., and Ryan, C. (2004) Destination positioning analysis through a comparison of cognitive, affective, and conative perceptions. *Journal of Travel Research*, 42, 333-42.
- Porter, M. E. (1991). Towards a dynamic theory of strategy. *Strategic Management Journal*, 12(Winter), 95-117.
- Porter, M. (1985), *Competitive advantage: creating and sustaining superior performance*. New York: The Free Press.
- Porter, M. (1980). *Competitive Strategy*. The Free Press, New York.
- Rust, R., and Zahorik, A.J., (1996), "Customer satisfaction, customer retention and market share", *Journal of Retailing*, Vol. 69 pp.193-215.
- Spanos, Y. E., and Lioukas, S. (2001). An examination into the causal logic of rent generation: Contrasting Porter's competitive strategy framework and the resource-based perspective. *Strategic Management Journal*, 22(10), 907-934.
- Temporal, M.L (2005), "Segmentation and positioning in a basic industry", *Industrial Marketing Management*, Vol. 16 pp.9-18.
- Varley, R. and Rafiq, M. (2004), *Principles of retail management*. New York, Palgrave.

APPENDIX I: QUESTIONNAIRE

Please give answers in the spaces provided and tick (✓) in the box that matches your response to the questions where applicable.

PART A: Demographic and Respondents Profile

- 1) Name of the Oil Company.....
2. Gender: Male () Female ()
3. What is your age bracket? (Tick as applicable)
 - a) Under 30 years ()
 - b) 31 – 40 years ()
 - c) 41 – 50 years ()
 - d) Over 50 years ()
4. What is your highest level of education qualification?
 - a) Post graduate level ()
 - b) University ()
 - c) Tertiary College ()
 - d) Secondary ()
6. Length of continuous service with the company?
 - a) Less than five years ()
 - b) 5-10 years ()
 - c) Over 10 years ()
7. How many employees are there in your company?
 - a) Less than 100 ()
 - b) 100 – 499 ()
 - c) 300 – 999 ()
 - D) 1000 – 4999 ()
 - e) Above 5000 ()

8. For how long has your company been in operation in Kenya?

- a) Under 5 years ()
- b) 6 – 10 years ()
- c) 11 – 15 years ()
- d) 16 – 20 years ()
- e) 21 - 25 years ()
- f) Over 25 years ()

Part B: Strategic Positioning strategies

On a scale of one to five where 5 is very great extent and 1 is not at all, please indicate the extent to which you agree with the following statements on Strategic positioning strategies

Q1. To what extent do you agree with the following statements regarding companies adopting positioning strategies?

Positioning Strategies	1 Not at all	2 Small extent	3 Moderate extent	4 Great extent	5 Very great extent
Helps the company to know where to confront competition from and where to avoid it					
Provides the company with a unique image in the market place					
Facilitate fine tuning of strategy due to experience gained by being close to the customers helps in determining precisely what retail offering is required					
Provides the framework upon which to build and coordinate the elements of the marketing mix to implement the positioning strategy					

Q2. To what extent do you agree on the following regarding the use of the following positioning strategies by your company to improve its performance?

a) Differentiation Strategy	1 Not at all	2 Small extent	3 Moderate extent	4 Great extent	5 Very great extent
Creation of a new advertising campaign or other sales promotions					
Extended working hours					
Availability of additional services e.g. air pressure					
Have social responsibility activities					
Swift in introducing new products					
Availability of an attendant at all times					
Availability of wide range of oil products					
Message of differentiation reach the clients in order to be effective					
b) Costing and Promotions	1 Not at all	2 Small extent	3 Moderate extent	4 Great extent	5 Very great extent
Keeps overhead costs lower than competitors					
Accepts multiple forms of payment					
Buys in bulk to reduce on costs					
The company advertises its products and services					
Low costs permit the company to sell its products at the lowest competitive price and such low prices will gain competitive advantage and increase market share					

The company is a price leader thus undermining competitors' growth in the industry and undercutting the profitability of competitors.					
The company benefits from economics of scale					
The company designs, produces, and markets its product more efficiently than its competitors					
c) Perceived Quality of Service	1 Not at all	2 Small extent	3 Moderate extent	4 Great extent	5 Very great extent
The company provides quality services that exceeds its customers' expectations					
The company offers reliable services to its customers					
The company is responsive to its customers (willingness to help customers and prompt service assurance)					
The company has the ability to convey trust to its customers					
The company has empathy on its customers					
The company offers individualized attention to customers					
The company present a realistic picture of their service to customers by checking the promotional messages for accuracy					
performing the service right to customers by stressing to employees to provide reliable service					
The company effectively communicates with customers to ascertain their needs by using the service delivery process as an opportunity to impress on customers					
The company harnesses the power of technology to give customers better services					
d) Pricing Strategy	1 Not at all	2 Small extent	3 Moderate extent	4 Great extent	5 Very great extent
Pricing strategies reflect organizational goals					

Use of efficient scale facilities					
Prices are lower than those of competitors					
Keeps prices same as competitors					

Part C: Effects of Positioning Strategies on Organizational Performance

Q1. To what extent do the following positioning strategies influence your company's performance?

	1 Not at all	2 Small extent	3 Moderate extent	4 Great extent	5 Very great extent
Our company compete for the consumers' attention and secure a recognizable comparative position in their minds in harmony with their cultural base					
The company competes for consumers' involvement in its daily operations					
The company has skills and resources that improve its competitive position					
The company competes for the customers' effort and time in the buying process					
The company competes for the customers' willingness to deal with the technical complexity found in the corresponding need for services					
The company competes for the funds consumers are willing to spend in acquiring a service					
The company does not shift its positioning frequently					
The company positioning is the actual designing of company's image that helps customers understand and appreciate what the company stands for in relation to its competitors					
The company has a strong competitive position in the industry					

Is there anything you would like to add as a suggestion or opinion that you feel was left out in regard to Strategic Positioning? Please comment below.

THANK YOU FOR PARTICIPATING IN THIS SURVEY