

**STUDY OF MARKETING STRATEGIES ADOPTED BY MASTERMIND
TOBACCO (K) LIMITED, KENYA**

BY

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D61/70084/2008

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FULFILMENT OF THE REQUIREMENT FOR THE AWARD OF MASTERS OF
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2011

DECLARATION

This research project is my original work and has not been submitted in any other university or college for the award of degree or diploma or certificate.

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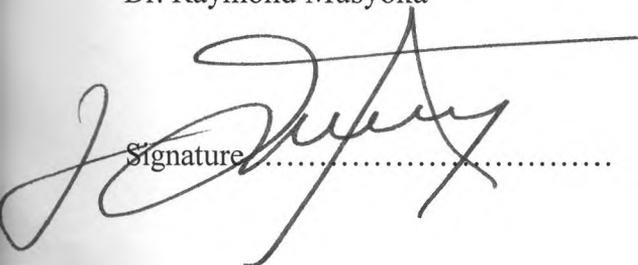
11/11/2011

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

Name of supervisor

Dr. Raymond Musyoka

Signature



Date

15/11/2011

DEDICATION

This research project is dedicated first and foremost to the almighty God whose care and grace has seen its completion. Secondly, my dedication goes to my husband, my children, and my parents for bearing with me even when I had limited time to be with them. Thirdly, to my supervisor for guidance, encouragement and mentorship throughout the project time.

ACKNOWLEDGEMENT

I wish to thank the University of Nairobi for granting me an opportunity to undertake this study in the school of business.

Special thanks go to my supervisor Dr. Raymond Musyoka for his patience, guidance, support and encouragement during the project period.

I wish to appreciate support from friends, colleagues at the MBA studies for support and encouragement during this tough time of balancing studies, work and family.

I wish to also thank and highly appreciate the respondents for making the research study a success by providing required information.

I lastly appreciate my family for encouragement and unconditional support when I needed them.

God bless you all.

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ABSTRACT

Environmental changes create pressure for change in the organization and this means that they have to respond to relevant central change to ensure that they survive (Ansoff and McDonnell, 1990). (Thomson, 1997) sees the external environment as consisting of three aspects: the external stakeholders; the changing economic, social, technological and political forces, and the organizations response to the nature of the stake holders and the environmental forces.

The objective of this study was to determine the new marketing strategies adopted by Mastermind Tobacco Kenya Limited after the Tobacco Control Act (2007). This research used a case study of the Mastermind Tobacco Kenya Limited, to assist in identifying the key marketing strategies adopted to deal with the challenges occasioned by the new laws regulating selling, promotion and consumption of tobacco and tobacco products. This design was most ideal as the researcher sought in-depth information on the strategies adopted by Mastermind Tobacco Kenya Limited in order to stay in business. The research also provides insights into the research problem by describing the various parameters of interest in detail. The respondents were selected from management level in the organizations marketing department as the researcher sought to work on key individuals who would give the necessary information and as accurate as possible.

The researcher established that Mastermind Tobacco Kenya Limited can no longer rely on traditional marketing strategies in its operations after the Tobacco control Act (2007). The company has had serious challenges of connecting with customers, consumers and would be potential consumers through promotions that were not acceptable after the Tobacco Control Act (2007). The research established that the company highly used market segmentation, low cost leadership, open distribution, strong brand positioning, customer relationship management and personal selling to continue in the business.

CHAPTER ONE: INTRODUCTION

1.1 Background of the Study

Businesses across the world are at one point in time exposed to various marketing environment factors that they must deal with for continued business. McCarthy (1993) describes marketing environment as falling into five basic areas namely; objectives and resources of the firm, competitive environment, economic and technological environment, political and legal environment, cultural and social environment. The marketing manager controls the choice of marketing strategy variables within the framework of a broader marketing environment and how it changes over time. The study concentrates on the external factors that affect firms in their endeavor to continue with normal business.

Pearce and Robinson (2007) reckon that the factors that consist of the external environment can be divided into three inter-related sub-categories: factors in the remote environment, factors in the industry environment and factors in the operating environment. Thomson (1997) sees the external environment as consisting of three aspects: the external stakeholders; the changing economic, social, technological and political forces, and the organizations response to the nature of the stake holders and the environmental forces. Pearce and Robinson (2007) refer to the external environment as having multiple facets, three of the major ones being, the degree of market competitiveness, the rate of technical innovation and the variability of economic fluctuations that affect the industry. Organizations operate in a given external environment in a give and take interaction. Ansoff and Mc Donnell (1990) acknowledges that organizations are dependent on the environment for resources to which they add value and deliver back to the environment in the form of goods and services. Changes in the environment often attract strategic response from the organizations that operate in them.

1.1.1 The Concept of Marketing Strategies

Strategy is an organizations game plan for success (Ferrell ,2008).He further acknowledges that effective marketing requires sound strategic planning at a number of levels in the organization thus at the top, middle and lower levels. Strategic planning is a plan that describes how a firm will adapt to take advantage of opportunities in its constantly changing environment, there by maintaining a strategic fit between the firms' goals and capabilities and its changing market opportunities (Kotler, 2008).

Kotler (2008) describes marketing strategy as the marketing logic by which the business unit hopes to achieve its marketing objectives. He further says that the target customers are at centre of the marketing strategy. Marketers design a marketing mix using mechanisms under its control (product, price, promotion, place).It involves a process of market analysis, planning, implementation and control to find the best marketing mix and to take action. Strategic marketing process refers to the entire sequence of managerial and operational activities required to create and sustain effective and efficient marketing strategies (Zikmund and d'Amico, 2001).

Marketing strategy describes how the firm will fulfill the needs and wants of its customers (Ferrell, 2008).It includes activities associated with maintaining relationships with other stakeholders like employees and supply chain partners. A marketing strategy consists of a plan identifying what basic goals and objectives will be pursued and how they will be achieved in the time available (William and Michael, 2001).The strategy entails commitment to certain courses of action and allocation of the resources necessary to achieve the indentified goals. A marketing strategy combines product development, promotion, distribution, pricing, relationship and other elements (www.en.wikipedia.org.strategy, May, 2009).

An organizations marketing strategy must describe how the firm will fulfill the needs and wants of its customers. It also includes activities associated with maintaining relationships with other stakeholders like employees and the supply chain partners.Ferrell (2008) articulates that effective marketing requires sound strategic planning at a number of levels in an organization. At the top levels of organization, planners concern

themselves with macro issues such as the cooperate mission, management of the mix of strategic business units, resourse acquisition, assignments and corporate policy decisions. At the middle level, typically a divissim or a strategic business unit concern themselves with similar issues but focus on those that pertain to their particular product or market. At the lower level strategies here are tactical in nature about connecting products and the market.

1.1.2 Overview of Tobacco Industry in Kenya

Tobacco industry started in Kenya since 1930 with the British American tobacco finding its way in the country (<http://www.bat.com>, Tobacco Industries).The key tobacco industries in Kenya include British American Tobacco making Sportsman, Sweet menthol, Dunhill, Embassy, Safari, Pallmall, Crown bird, Crescent Rooster and Score. Mastermind tobacco makes Summit lights, Supermatch kings, Supermatch menthol, Ralli kings, Ralli menthol, Rocket and Comet and Westhouse Tobacco Kenya Limited making Topman brand. The tobacco industry earns the country 5 billion shillings in revenue yearly and the tobacco crop is the most cultivated non-food crop in the country, employing 50,000 farmers across the country (<http://www.bat.com>, Tobacco Industries). Competition is very intense among the tobacco companies for the shrinking tobacco consumption base so as to gain market supremacy in Kenya. The tobacco companies understand that the total business starts with the customer and their brands, they stress that it's not about encouraging persons to start smoking but about meeting the preferences of adults who have chosen to consume tobacco and differentiating different brands from each other.

1.1.3 Mastermind Tobacco Kenya Limited

Mastermind Tobacco is a leading cigarette manufacture and exporter of tobacco and tobacco products in the East and Central Africa region. It is the second market leader with 25% market share compared to BATS 70% market share (Consumer Reconnect Survey, Mastermind, 2007). The company has a core objective to constantly meet and exceed customer expectation by focusing on best customer service quality, best cigarette

product knowledge and ensuring those products can be found everywhere to satisfy the various target segments of the consumer.

Mastermind Tobacco (K) Ltd was founded in the year 1988 with a single production line in Nakuru. In the early 2000 the company developed an ultra modern complex production factory with several lines, new offices and leaf processing plant on Mombasa road (The mastermind times, September 2010). The company has engaged directly over 1400 employees and another 2000 indirectly. (The mastermind times, September 2010). The company has for last two years started exporting cigarettes to Somali, Sudan, Malawi, Zambia, Democratic Republic of Congo, Ethiopia and Tanzania under the umbrella of Continental Tobacco Limited. The company expects more expansions following the East African Common Market through the enjoyment of full benefits of regional integration and the common market (The Mastermind Times, September 2010)

Like other governments across the world, Kenya has found herself in government regulations demanding the guided use of tobacco products. Anti tobacco lobby groups campaigned against the tobacco products and pushed the government regulations to stop continued tobacco usage. The civil society in Kenya and the World Health Organization has for a long time complained publicly about the effects that come with smoking to its consumers. Tobacco smoking is the practice where by tobacco is burned and vapors either tasted or inhaled and started as early as 5000-3000BC (<http://en.wikipedia.org>, 2010).

On February 27, 2005 the World Health Organizations Framework Convention on Tobacco control took effect (<http://en.wikipedia.org>, 2010). This was the first public health treaty. Countries that signed the treaty agreed to a set of common goal, minimum standards for tobacco control policy and to cooperate in dealing with cross-border challenges such as cigarette smuggling. By 2030, World Health Organizations forecasts that 10 million people a year will die of smoking related illness, making it the biggest cause of death worldwide with the increase coming from women (<http://en.wikipedia.org>, 2010).

In the US, a research published in 2002 says that the cost of each pack of cigarette sold was more than \$7 in medical care and lost productivity (<http://en.wikipedia.org>, 2010). Smoking has found a lot of fighting in Kenya for its attributes to causing health hazards to its users. Some of the health problems associated with smoking include Bad skin occasioned by restrictions of blood vessels, bad breadth, reduced athletic performance, greater risk of slow healing time and illnesses like pneumonia, bronchitis. Prolonged smoking results to heart diseases, stroke and cancers of the stomach throat, lung and bladder (<http://en.wikipedia.org>, 2010).

In 1980's, there was an earlier attempt to control the tobacco industry by the then, Health Minister. In a legal notice dated July 31st 1984, the minister enforced the printing of the warning, "cigarette smoking can be harmful to your health", in English and Kiswahili; on all cigarette packets (The Mastermind Times, 2008). Under pressure from a growing anti-smoking lobby and international health agencies, Kenya's health authorities have been toying with the idea of enacting more stringent anti-tobacco legislation since 1995, when the first anti-tobacco bill was drafted, and then shelved without explanation (The Mastermind Times, 2008). In 2002, the anti-tobacco bill was tabled in parliament but was delayed until 2007 when it got passed into law.

On the 8th, July 2008, a law banning smoking in public places and regulating tobacco products in Kenya was implemented stopping a tussle that had existed between government and tobacco firms (Daily Nation 8th July, 2008). Mixed reaction had been expressed on the tobacco law as it was viewed to destroy tobacco manufacturers. The Permanent Secretary in the ministry of public health and sanitation said that the objective of the law was to protect people's health and in terms of tobacco, it was protecting the smokers and also protecting the people around the smoker (<http://en.wikipedia.org>, 2009).

Restrictions in the law included ban of promotions of tobacco and its products by sponsoring public activities, branding of building, sell of packs more than 10 sticks, sell of cigarettes to persons less than 18 years of age and smoking in public places (office blocks, working area, court building, education institution, residential areas, places of

worship, police station, prison, markets, malls, cinema theatres, children homes and playing fields (The Government of Kenya,2007). Violation to the laws is liable to imprisonment of between 6months -3 years or a fine of 50,000-3,000,000 shillings (The Government of Kenya, 2007). To strategically change over after the tobacco regulation, management should appraise every strength, weakness, opportunity and threat to determine the total impact on the firms marketing effort.

1.2 Statement of the Problem

Business entities world over are exposed to both external and internal forces that require immediate strategic response if the business will remain profitable (Ansoff and Mc Donnell 1990). However different external forces are experienced by different firms differently. An individual firm will perform a situation analysis of its firm and respond to its issues uniquely. Such forces push the firm to adopt new marketing strategies of doing business for it to continue operating profitably (Ansoff and Mc Donnell, 1990).

The legal regulations that were occasioned by the (The Government of Kenya, 2007). banned tobacco manufacturers from promotions of tobacco and its products, branding, sell of packets less than a pack of 10 sticks, sell of cigarettes to persons under the age of 18 years and public smoking .Government officers mainly the Local Authority council officers and the police moved in almost immediately to enforce the new laws leading to arrest persons found smoking in public points and managers of areas marked public and they have not put in place a smoking zone. The key target for non compliance was the bar outlets that must allocate a smoking zone within their outlets fitted with a chimney. Other targeted groups included the wholesalers and restaurant managers for not warning the public in form of a poster spelling that smoking is prohibited in their premises and if found guilty it will attract a fine of 50,000 Kenya shillings or a jail term of 6 months or both.

The regulations above posed a tough challenge to tobacco manufacturers on how they would implement them and keep their businesses raising revenues as before the regulations. This occasioned the need by tobacco manufacturers to adopt new marketing

strategies in order to match the new shift in doing business following the push by government officials to implement the (The Government of Kenya, 2007).

A closely related study was that of Hellen (2008) that explored relationship marketing practices and their impact on customer retention in the commercial bank of Kenya. She identified a marketing strategy and analyzed it deep and found out that 97.1% of banks adopted specific marketing strategies that were focused on relationship marketing as a key marketing strategy. Kabunya (2008) did a survey of strategic responses of firms to environmental changes in Kenya; a case of the City Council of Nairobi. He zeroed in to the service industry. A study by Mwangi (2002) to determine the effects of the tobacco regulation on the marketing mix variables found out that the industry can no longer use the traditional marketing mix elements. However he researched before the bill became law, in the 2007 the bill was passed into law and firms had to come up with working strategies to counter the regulations.

A study by Stephen (2009) to determine consumer attitudes towards the Tobacco Control regulation. The study found out the 53% of smokers did not like how the enforcement of the law was done. The study focused on consumer attitudes and the new regulations leaving other parameters out. It is with this understanding that the study seeks to determine the marketing strategies adopted by Mastermind Tobacco Kenya Limited?

1.3 Objectives of the Study

The objective of the study is to seek an in-depth understanding of the marketing strategies adopted by Mastermind Tobacco Kenya limited.

1.4 Importance of the Study

The tobacco industry contributes a big volume of the country's GDP hence a vital sector in our economy. This study will be useful to the Tobacco manufacturing companies in Kenya thus, British American Tobacco Limited, Mastermind Tobacco Kenya Limited and West house Tobacco Kenya Limited since they can no longer practice traditional marketing and ought to rely on completely new marketing strategies to avoid low revenues occasioned by the (The Government of Kenya, 2007) regulations. Marketers

must think outside the box in order to overcome the external force of the legal requirements by the government. The government will also use the findings to glance at how Tobacco manufacturers have switched ways of operations to abide by the passed (The Government of Kenya,2007).

The stakeholders will equally benefit immensely by understanding how the companies they have invested in or transacted business with have managed to turn around with the strict regulations of the Tobacco industry. This will instill confidence and hope of continued business and investment if strategies adopted help the companies to make stable revenues and run operations without major problems. The general public will also get to understand how the companies they know have fared on despite the challenges that came with the Tobacco Control. Many people understand that the government depends highly on Tobacco and alcohol taxation and could not imagine how the government will meet its yearly revenues by destabilizing the tobacco manufacturing companies.

Consumers will also stand to know the producers and marketers of their goods maneuver their way and avail to them cigarettes at the same time adhering to the stipulated rules. How will the manufacturers together with other stakeholders avail important information to them in relation to the Tobacco Control and ensure that we get the right product, at the right price and at the right place. Finally the study will be used by marketers and researchers as a basis for further research and reference.

2.0 Marketing strategies

A marketing strategy is a process that can allow an organization to concentrate its limited resources on the greatest opportunities to increase sales and achieve a sustainable competitive advantage (www.en.wikipedia.org.strategy,May,2009).Marketers must develop strategies to help them attain the objectives they seek. The top and middle management must accurately develop strategies that fully fit to the opportunity at hand. Only well thought strategies will stand the test of time. A poorly executed strategy come with a cost to the firm and warrants a fresh start of strategizing if the company must stay competitive. Strategic marketing process refers to the entire sequence of managerial and operational activities required to create and sustain effective and efficient marketing strategies (Zikmud and d'Amico, 2001)

2.1 Segmentation and Target marketing strategy

Market segmentation is the identification and selection of one or more target markets (Ferrell, 2008).It is the division of the total market into smaller, relatively homogenous groups or segments that share similar needs, wants or characteristics.

Target marketing strategies are involved on an evaluation of the attractiveness of each segment and whether each segment offers opportunities that match the firms' capabilities and resources. It includes single segmentation, selective targetting, mass market, product specialization and market specialization (Ferrell, 2008).

Ferrell (2008) describes segmentation as selecting the most relevant variable to identify and define the target market many of which come from the situation analysis section of the marketing plan. Segmentation can be behavioural, demographic, psychographic or geographic. Marketing managers must determine what strategy will be used for different segments(Bingham and Raffied,1990).He continues to classify segmentation into three categories namely; Undifferentiated marketing where a total market is treated as one homogenous market segment. One promotion program, pricing and distribution framework is used. Differential marketing strategy attempts to distinguish its products from competitive products offered to the same aggregate market. Concentrated marketing

strategy is practiced by selecting relatively few segments on which to focus all its marketing effort Zikmund and d'Amico (2001) acknowledges the earlier mentioned segmentation strategies and adds up fourth strategy namely; custom marketing which attempts to satisfy each customer unique needs. The marketers must come up with a marketing mix suitable for each customer.

Segmentation is a sub-set of a market made up of people or organization with one or more characteristics that cause them to demand similar product and /or service based on qualities of those products such as price or function (Gupta and Ronald, 2005).They further say that a true market segment meets all of the following criteria: it is distinct from other segments; it is homogenous within the segment; it responds similarly to a market stimulus and it can be reached by market intervention.

David and Amanda (2001) describe segmentation as the process of dividing a market into homogenous segments using one or a range of possible alternative segmentation methods, each segment being composed of customers or consumers sharing similar characteristics. They further spell out demographics, geodemographics, geographics. psychographics and behavioral parameters as key criteria in segmentation.

Few organizations however have either the resources or the inclination to be significant within a loosely defined market (Frances and Stephen, 1997).They continue to acknowledge that the sensible option is to look more closely at the market and find ways of breaking it down into manageable parts ,or groups of customers with similar characteristics and then to concentrate effort on serving the needs of one or two groups really well rather than trying to be all things to all people. Frances and Stephen (1997) further discuss various criteria of segmenting the market namely;

Geographic segmentation defines customers according to their location. Geographic segments are easy to define and measure and information is often freely available from public sources. However using too much geographically focused characteristics and making assumptions about what consumers in a region may have in common is dangerous (Douglas and Craig, 1983).Even within small geographic area, there is a wide variety of needs and wants and this method of segmenting tells nothing about them.

Demographic segmentation tells little more about the customers' household on measurable criteria that are largely descriptive such as age, sex, race, income, occupation, socio economic status and family structure. Demographics offer a clear profile of the customer on criteria that can be worked into marketing strategies. For example the age of target audience can lead to the seller into which medium to advertise a product. This method of segmentation is best used for products that have a clear bias towards a particular demographic group. Baby products are targeted to female aged 20-35 years, while insurance policies target middle and up social status group.

Geodemographic segmentation is an increasingly sophisticated data collection technique that defines a demographic characteristic of a given location or identifying the geographic spread of any given characteristic. The profiles to be studied include interesting characteristics like age breakdown, income, employment, car ownership, holiday habits, newspaper readership and leisure interests.

Psychology segmentation or lifestyle is an altogether more difficult area to define as it involves intangible variables such as beliefs, attitudes, and opinions of the potential customer. The idea of defining the lifestyle of the consumer allows the marketer to sell the product not on a superficial, functional feature but on benefits that can be seen to enhance that lifestyle of the consumer.

Behavior segmentation is occasioned by the fact that people of same demographics and psychographics profiles may behave differently. Benefits sought from a chilled meal might be because of ease of preparation, time saving, and food security when late e.t.c. The choice of either of options will apply to description of different demographics. Frances and Stephen (1997) further illustrate the three strategies that are adopted by manufacturers to serve the different potential customers.

Undifferentiated strategy.

Marketing mix-----The market

Differentiated strategy.

Marketing mix 1-----Segment 1

Marketing mix 2-----Segment 2

Marketing mix 3-----Segment 3

Concentrated strategy.

Marketing mix 2-----Segment 2

Undifferentiated strategy assumes the market as one great homogenous unit with no significant differences between individual within that market .A single marketing mix is required which serves the needs of the entire market. This strategy has a low cost as there is only one marketing mix which does not require the depth of research, fine tuning and updating that a concentrated or differentiated strategy could entail. The strategy fully maximizes the economies of scale.

Differentiated strategy involves different marketing mixes for individual market segment. Unlike the concentrated segmentation, here the organization spreads risks across the market such that if one segment fails the firm still has revenue from others. The strategy however requires higher finances to manage the various marketing mixes for a number of products with possible diseconomies of scale.

Frances and Stephen further spells out the following benefits of segmentation:

Firstly customers are able to find products that seem to fit more closely with what they want. Secondly market segmentation helps the organization to target its marketing mix more closely on the potential customer and thus to meet the customers’ needs and wants more exactly. Segmentation also helps to define shopping habits (place, frequency and volume), price sensitivity and promotional decisions. Finally the use of segmentation will help an organization to achieve a better understanding of itself and the environment within which it exists. It analyses the competition offering to the customers and appreciate the competition’s real strengths and weaknesses as well as identifying gaps in the market.

2.2 Pricing Strategy

Prices may be set to encourage sales growth or to maintain or increase market share, Competition prices also affect how a company prices its products. Other factors that affect pricing include the price elasticity of demand (Zikmund and d'Amico, 2001). Zikmund and d'Amico (2001) outlines several pricing strategies namely; differential pricing, competitive pricing, product-line pricing, psychological and image pricing and distribution-based pricing.

Pricing is the most manipulated element of the marketing mix. Prices can be changed to suit situation and marketers have a big challenge to set right prices for their commodities (Ferrell, 2008). Prices can be reduced to match competition or to beat competition (Ferrell, 2008). Bingham and Raffied (1990) consider factors influencing pricing to include competition, cost, demand, impact of price on other products and legal considerations. He further points out three pricing strategies namely, price skimming whereby a product is relatively priced high attracting buyers at the top of products demand curve. Market penetration pricing uses low prices as a market entering wedge. The penetration strategy is practiced when there exists competition threats; a firm enjoys large economies of scale; or the product is very sensitive to price. Price leadership strategy prevails in oligopolistic situations and is the practice by which one or very few firms initiate price changes with the rest of firms in the industry following suit, for example the petroleum industry. Bingham and Raffied (1990) mentions other forms of pricing strategies to include Trade discounts, quantity discounts on quantities purchased and cash discounts for cash purchases. Pricing is the process of determining what a company will receive in exchange for its products (Lancaster and Massingham,1988).Pricing factors are manufacturing costs, market place, competition, market condition and quality of product. Pricing strategy is not only the price reached after reducing costs but should involve other parameters like action of competitors, perception and behavior of consumers all of which have an effect on pricing decisions(Frances and Stephen,1997)

Objectives of pricing include financial objectives like return on investment, profit maximization, cash flows, sales and marketing objectives such as market share and

positioning, volume sales and survival (Frances and Stephen, 1997) Pricing policies and strategies guide and inform the pricing decision providing a framework within which decisions can be made with consistency and with the approval of the organization as a whole. Below are key pricing strategies that various companies adopt; New product pricing involves a low price is set to attract customers to a new launch. A subsequent price rise might however be viewed with hostility by the customer. An organization should thus get the launch price right as it is difficult to change it later.

Price skimming is whereby prices are set high to attract the least price sensitive market segments. Such pricing might appeal for instance to opinion leaders who want to be seen to be first with any new product regardless of price or who seek status and see high price as the make of an exclusive product. Price skimming allows the organization to establish a quality brand image that could serve as a stepping stone to future development of lower-priced products. Highly priced products however fetch high expectations from the consumer such that if the product fails, it will be treated as poor quality and inconsistent to match high price.

Penetration pricing is aimed at gaining as big a market share as possible in the shortest time possible, an organization may price aggressively below existing competition deliberately paring its margins for the sake of volume. This strategy establishes a poor quality brand image and also if it fails, it is difficult to raise prices. Demand-based pricing; Looks outwards from the production line and focuses on customers and their responsiveness to different price levels.

Psychological pricing (Prestige pricing); this strategy is used by consumers as a means of assessing quality. The high price attracts the status-conscious consumer like jewellery and designer clothes. These consumers will not buy at lower prices. Odd-even pricing; this is the technique of ending a price with a certain odd number such as Ksh 199, Ksh 999. Such numbers are seen by consumers as lower prices. Price lining; this is the technique that is with product mix strategy which a number of product are sold at specific price points. Bundle pricing; involves assembling a number of products in a single package to save the consumer the trouble of searching out and buying each one

separately. An example is computer software and hardware. Promotional pricing; can be used to stimulate a market in the short term.

2.3 Distribution Strategy

Distribution strategy requires two major decisions, first the structure of the channel of distribution which involves the marketing mix, the organizational resources, and external environmental factors. Secondly the extend of distribution involving the intensive distribution, selective distribution and exclusive distribution (Zikmund and d'Amico, 2001). Distribution aims at getting the product o the right place, at the right time, in the right quantities and at the lowest possible cost (Ferrell, 2008).Distribution aims at expanding product reach and availability to consumers(Ferrell, 2008).

Distribution refers to the management of all activities mainly transportation, inventory and warehousing necessary to make materials available for manufacturing and to make finished goods available to customers as they are need and in the required condition(Bingham and Raffied, 1990).They further elaborate on three distribution strategies namely; intensive distribution where marketing managers attempt to gain access to as many resellers as possible or to establish as many company own reselling units as possible within a particular geographic area. Selective distribution with key resellers picked to represent the company in a geographic area. Exclusive distribution where marketing managers exercise control over pricing, promotion, credit and other marketing functions by limiting the number of intermediaries handling his or her products in an area. Marketers must always not to conclude a sale without making a strong bond between them and the customer if they have to go for repeat sales. This bond is referred to as relationship marketing.

Distribution is the process of availing product to customers and it happens behind the scene and consumes hardly take time to understand how the product reaches them (Engel, Warshaw and Kinnear, 1991).They assert that with great distribution channel firm can overcome some weaknesses in pricing, products and promotion. A poor distribution will however kill a firm's effort to market a superior product at a good price and using effective marketing communication. A marketing channel is an organized system of

marketing institution through which products, resources, information, funds or product ownership flow from the point of production to the final user. Physical distribution entails coordinating the flow of information and products among members of the channel to ensure the availability of products in the right places in the right quantities, at the right times and in a cost efficient manner.

Engel, Warshaw and Kinnear (1991).points out the following distribution strategies; Exclusive distribution is a restrictive type of market coverage. In this strategy one merchant or outlet has the sole right to sell a product within a defined geographic region. It is highly used on prestigious products, major industrial equipment among others. Firms that pursue exclusive distribution strategy usually target a single well defined market segment .Buyers must be willing and able to search or travel to buy the products and will do so given the prestige and exclusivity of the brand.

Selective distribution is where several merchants or outlets are given the right to sell a product in a defined geographic region. This strategy is widely used as lack of a product in one outlet can be found in the next outlet. In this strategy the manufacturer has an upper hand in price control, product display and selling techniques.

Intensive distribution strategy makes a product available in the maximum number of outlets or merchants in each area to gain as many sales opportunities as possible. This option has close ties with consumer convenience goods like, soft drinks, candy, cigarettes among others. The manufacturer has great control over pricing and product display. This strategy is highly adopted as the product ages in its life cycle.

William (2001) describes relationship marketing as the customer relation that seeks to build customer loyalty by fulfilling promises and continuing to satisfy customer wants and need. Effective marketers' view making a sale not as the end of a process but as the start of an organizations relationship with the customer. Customers return to the company that treated them best. William (2001) groups' relationship marketing programs into three levels namely, financial relationships that are based on financial incentives. They include season tickets from professional basketball games, higher bank interest rates for deposit customers that keep money for a longer period. Social relationship involves the formation

of a social bond between the company and its customers. In the country the Cooperative bank meets all its Jumbo account holders at the splash every year. Structural relationship does not depend on the relationship -building skills of a service provider as in the traditional customer relationship but on the service delivery system that is part of the company structure. Many marketers use the internet to build structural relationship.

Relationship marketing is marketing seen as relationships, networks and interactions (Gummesson, 2002). Relationship involves two parties to be in contact with each other, networks is a set of relationships which grow into enormously complex patterns and interaction involves an active contact with each other. Relationship marketing has a goal to develop and maintain long term, mutually satisfying arrangements where both buyer and seller focus on the value obtained from the relationship (Ferrell, 2008). Hutt (2010) argues that relationship marketing centers on all activities directed towards establishing, developing, and maintaining successful exchanges with customers and other constituents. He continues to say that nurturing and managing customer relationships have emerged as an important strategic priority in most firms.

Loyal customers are far more profitable than customers who are price sensitive and perceive few differences among alternative offerings (Hutt, 2010). He further says that a firm that is successful in developing strong relations with customers secures important and durable advantages that are hard for competitors to understand, copy and displace. Jerono (2008) in her study of relationship marketing practices and their impact on customer retention in the commercial banks in Kenya acknowledges that over the past several years the management approach that views customer relationship as key asset of the organization has gained prominence in the priorities and practices of many for-profit and not-for-profit organizations.

2.4 Positioning Strategy

Positioning strategy is aimed at enhancing the image of a product offering in the minds of target customers (Kotler, 2008). Products must be introduced with new features and continuous pursuit of innovations. Ferrell (2008) elaborates three types of positioning

strategies namely; strengthening the current position, repositioning and repositioning the competition.

Product positioning is the way the product is defined by customers on important attributes or the place the product occupies in the customers mind relative to competing products (Bingham and Raffied, 1990). They continue to say that position refers to the placing of a product in that part of market where it will have a favourable reception compared to competing products. They have categorized positioning into positioning by technology, price, quality, image, distribution and by service.

Product strategy involves planning the product concept and developing a unified mix of product attributes (Zikmud and d'Amico, 2001). He emphasizes that a successful product strategy requires that all aspects of the product be analyzed and managed in the light of competitive offerings. Deciding which product features and which consumer benefits to stress is the creative dimension of product strategy. Product strategy does not end with the design of the product its role is ongoing. Dynamic markets must be monitored and researched so that appropriate strategies can be devised to keep old customers, to attract new ones, and to extend the product life cycle (Zikmud and d'Amico, 2001).

Zikmud and d'Amico (2001) spells out the following product strategies; product modification strategy, cost reduction strategy, repositioning strategy, quality assurance strategy and product enhancement strategy. Positioning involves how a product or a company is perceived in the minds of consumers (Kotler, 2008). It answers the question about ;who will be the target customers, how the product will reach the target market, what product will be offered and how it will be introduced to customers. Product positioning refers to creating a mental image of the product offering and its differentiating features in the minds of the target market. This mental image can be based on real or perceived differences among competing offerings (Ferell and Hartline 2008). Ferell and Hartline (2008) acknowledges that a product offering in and of themselves have little value to the customers ,rather an offerings real value comes from its ability to deliver benefits that enhance a customer's situation or solve a customer's problem.

Positioning strategy aims at enhancing a positive image in the minds of target customers' and it involves the following;

Strengthen the current position by monitoring constantly what target customers perceive the product as satisfying their needs and wants. Strengthening the current position is all about continually raising the bar of customer expectation and being perceived by the customer as the only firm capable of reaching these new heights (Ferrell and Hartline 2008). Repositioning of products by making fundamental change in any of the marketing mix elements or perhaps even all of them. Reposition the competition by direct attacks making their products less favourable in the market. Ferrell and Hartline (2008) note that it is better to reposition the competition rather change a firm's own position.

2.5 Promotion Strategy

Promotion is communication used by marketers to inform, remind or persuade potential buyers (Zikmund and d'Amico, 2001). He further spells Personal selling, advertising, publicity and public relation and sales promotion as promotional methods used to communicate a message. The prime target of a promotional strategy may be either the ultimate consumer or a member of the distribution channel. Zikmund and d'Amico (2001) identifies two promotional strategies namely; the push strategy whereby a supplier promotes a product to marketing intermediaries with the aim of pushing the product through the channel of distribution. The pull strategy is a strategy whereby a supplier promotes a product to the ultimate consumer with the aim of stimulating demand and thus pulling the product through the channel of distribution.

Promotion strategy involves aggressive brand advertising, selling, sales promotions to encourage switching and continued trial of the products (Ferrell, 2008). Promotion refers to the use of the promotional tools of advertising, publicity and sales promotion as sellers generated efforts to gain information while delivering marketing messages to markets (Bingham and Raffied, 1990). The advertising content should be a short headline that presents an interesting or intriguing idea which has enough significance to readers to whom it is addressed that they will pursue the idea further (Bingham and Raffied, 1990).

Advertising is a form of communication intended to persuade an audience to purchase or take some action upon products, ideals or services (Kleppner, 1966). He further says that advertising includes the name of a product or service and how that product or service benefit the consumer. Modern advertising is aimed at reaching the mass population following the rise of mass production.

Sales promotion is a media or non-media marketing communication employed for a pre determined, limited time to increase consumer demand, stimulate market demand or improve product availability (Wernick, 1991). Sales promotion can be directed at the customer, sales staff, and the distribution channel members. Sales promotion targeting the consumers is referred to as consumer sales promotion while that targeted to the channel members is referred to as trade sales promotion. Publicity is the deliberate attempt to manage the publics' perception of a subject (Kleppner, 1966). The subjects include people, goods, services or organizations. In marketing perception publicity involve activities like event sponsorships, Exhibitions and report issue.

William (2001) describes personal selling as a person-to-person dialogue between the prospective buyer and seller. It consists of human contact and direct communication rather than impersonal mass communication. Personal selling involves developing customer relationships, discovering and communicating customer needs, matching the appropriate products with these needs and communicating benefits.

Personal selling is the personal communication to persuade somebody to buy something (Etzel, 2007). It is the direct personal of information in contrast to the indirect impersonal communication of advertising, sales promotion. Sales team address individual customer situation and needs with ease since there is a one on one communication. Personal selling is likely to be a major part of the promotion effort when, Market is concentrated geographically in a few industries, Value of product is not readily apparent to prospects, Product has a high value unit cost and requires demonstrations, Product must be fitted to individual customer need, Product at an introductory stage in its life cycle, Lack of money for adequate advertising and Ban of other promotion techniques.

Personal selling has changed over years from the traditional face to face interactions to modern sophisticated personal selling skills following the growing expertise among consumers. Some of the new personal selling tactics include; selling centers, System selling, Relationship selling, Telemarketing and Internet selling. The promotional mix is the direct way in which an organization attempts to communicate with various target audiences (Frances and Stephen, 1997). It consists of five main elements: Personal selling; covers face to face personally tailored message.

Sales promotion; involves tactical, short term incentives that encourage a target audience to behave in a certain way. Public relations; is about creating and maintaining good quality relationships with many interested groups. Direct marketing; involves creating one to one relationships with individual customers often in mass markets and might involve mailings, telephone selling or electronic media. Push strategy; the manufacturer chooses to concentrate communication activity on the members of the distribution channel immediately below. The product is pushed down the distribution channel with communication flowing from member to member in parallel with the product.

Pull strategy; requires the manufacturer to create demand for the product through direct communication with the consumer. The retailer will perceive this demand and in interest of serving the customer needs will demand the product from the wholesalers who will demand form the manufacturer. Advertising; represents non-personal mass communication. Advertising can be defined as any paid form of non-personal promotion transmitted through a mass medium. The sponsor should be clearly identified and the advertisement may relate to an organization, a product or a service. It is impersonal and communication with large numbers of people through paid media channels. Pioneering advertising; used in early stages of the life cycle when it is necessary to explain just what the product will do and the benefits it can offer. Competitive advertising; is concerned with emphasizing the special features of the product or brand as a means of outselling the competition.

Comparative advertising; making a discreet comparison between one product and another showing the advertiser's product in a much more favourable light. Reminder and

reinforcement advertising; tends to operate after purchase. It reminds customers that the product still exists and that it has certain positive properties and benefits. It increases chances of repurchase and sometimes can persuade consumers to buy in larger quantities. Institutional advertising; aims at building a sound representation and image for the whole organization to achieve a wider range of objectives with different target audiences. Sales promotion; covers a fascinating range of short term tactical tools that can play a vital complementary role in long term promotional strategy. It aims to add extra value to the product or service over and above the normal product offering, thus creating an extra inducement to buy and try it. Trade promotion – Manufacturer – Intermediary; increase stock levels, gain more and better shelf space, new product launch, countering competition, evening out fluctuating sales. Retail promotion – Retailer – Consumer; increases store traffic, increases frequency and amount of purchases, increases store loyalty.

CHAPTER THREE: RESEARCH METHODOLOGY

3.1 Research Design

A case study was used to determine the marketing strategies adopted by Mastermind Tobacco Kenya, A case study collects all relevant data not just that which supports the initial hypothesis (Gilbert and Dawn, 2005). Since a case study is exploratory it sought to gain insights not to test explanations. The design was most appropriate since all the managers were interviewed.

3.2 Data Collection Method

Primary data was collected using a structured questionnaire. Primary data is data collected for the purpose of the information need at hand, it is data collected directly to respond to the need at hand (Donald, Sunil and Joel, 1998). The questionnaire was administered by a drop and pick method to the nine managers in charge of marketing operations in the company. The managers were considered useful respondents who have and can equally give required information on the marketing strategies the company has adopted after the Tobacco Control. The questionnaire has two sections of the background information, and the strategies adopted by Mastermind Tobacco Kenya Limited.

3.3 Data Analysis

The data analysis process involved the editing of the completed questionnaires for consistency and completeness. Descriptive statistics was used to summarize and analyze the data. This is in form of tables, frequencies, percentages, and mean scores.

CHAPTER FOUR: DATA ANALYSIS AND INTERPRETATION

4.0 Introduction

This chapter is divided into two (2) main sections that relate to the main objective of the study. The first section analyses the demographic information of the respondents and their familiarity of the Tobacco Control Act and possible challenges that came with its implementation. The second section analyses the strategies adopted by the company following implementation of the Tobacco Control Act.

4.1 Demographic information of the respondents

4.1.1 Response rate

Table 1: Distribution of response rate

| Target respondents | Actual respondents interviewed | Percentage. |
|--------------------|--------------------------------|-------------|
| 9 | 9 | 100 |

Source: Research data.

All target respondents were reached for interviews and this represented 100% reachout. This was facilitated by the coincidence that all the managers were on duty at the time of data collection.

4.1.2 Age of respondents

Table 2: Distribution of respondents by age

| Age in years | Frequency | Percentage | Cumulative |
|--------------|-----------|------------|------------|
| 25 – 30 | - | - | 0 |
| 31 – 35 | 6 | 66.67 | 6 |
| 36 – 40 | 3 | 33.33 | 9 |
| Above 41 | - | - | 0 |
| Total | 9 | 100 | 9 |

Source: Research data

Respondents aged between the ages of 31 - 35 years were the majority, representing 66.67% of the respondents, this was by the fact that managers are Post College and with an experience of over 5 years in a particular field, Respondents aged between 36 - 40 years represented 33.33%. There were no respondents in the age brackets of 25 – 30 and above 41. The lower bracket is a much tender age that fits a much lower rank of sales representatives in the company. The study has shown that respondents at the age interval of 36-40 years are 1.5 the number of respondents aged 31 -35 years.

4.1.3 Gender of respondents

Table 3: Distribution of respondents by gender

| Gender | Frequency | Percentage |
|---------------|------------------|-------------------|
| Male | 6 | 66.67 |
| Female | 3 | 33.33 |
| Total | 9 | 100 |

Source: Research data

Male respondents were the majority, representing 66.67% while female respondents represented 33.33% of the total respondents. This represented a third of females working in a male dominated career of business management. The company has equally shown trust in female managers who are expected to deliver as well as their male counterparts’.

4.1.4 Region of duty of respondents

Table 4: Distribution of respondents by region of duty

| Region | Frequency | Percentage |
|---------------|------------------|-------------------|
| Nairobi | 4 | 44.44 |
| Coast | 1 | 11.11 |
| Mountain | 1 | 11.11 |
| Eastern | 1 | 11.11 |
| Western | 2 | 22.22 |
| Total | 9 | 100 |

Source: Research data.

Respondents whose duty station was Nairobi were four, representing 44.44% of the respondents. This was occasioned by the much challenge in changing smokers

perceptions in urban set ups as compared to rural set ups. Two of the respondents were from the Western region, representing 22.22% of the total respondents. Coast, Mountain, and Eastern regions were represented by one respondent each representing 11.11% of the respondents. The outside Nairobi territories are managed by fewer managers but have many sales representatives in his/her command for efficiency.

4.1.5 Years respondents have worked with Mastermind Tobacco (K) Ltd.

Table 5: Distribution of respondents by years worked

| Years worked | Frequency | Percentage | Cumulative |
|--------------|-----------|------------|------------|
| 1 – 5 | 2 | 22.22 | 2 |
| 6 – 10 | 4 | 44.45 | 6 |
| 11 – 15 | 3 | 33.33 | 9 |
| 16 – 20 | - | - | 0 |
| Total | 9 | 100 | 9 |

Source: Research data

Respondents who had worked with the company for between 6 - 10 years were the majority, representing 44.45% of all respondents. Those who had worked for 11 - 15 years represented 33.33% of the respondents, while respondents who had worked with the organization for between 1 - 5 years represented 22.22% of the total respondents. No respondent had worked with the organization for 16 - 20 years. This represented a good trend since all respondents had acceptable working experience. The study has further established that while 2 respondents had worked for 1-5 years with the company, exactly 4 more respondents had worked for 6-10 years and exactly 7 more respondents had worked for 11-15 years.

4.1.6 Education level of respondents

Table 6: Distribution of respondents by education level

| Education level | Frequency | Percentage |
|-----------------|-----------|------------|
| University | 9 | 100 |
| College | - | - |
| Secondary | - | - |
| Primary | - | - |
| Total | 9 | 100 |

Source: Research data

Respondents with university level of education represented 100% of the total respondents. There was no respondent whose level of education was college, secondary or primary representing 0% of the respondents. The trend indicated that the respondents were knowledgeable and information given was reliable.

4.2 Respondents' familiarity with the Tobacco Control Act 2007

Table 7: Distribution of respondents' on familiarity of Act.

| | Frequency | Percentage |
|-------------------|-----------|------------|
| Familiar with Act | 9 | 100 |

All respondents were familiar with the Tobacco Control Act 2007. The Act came in to force on 7th august 2008 restricting the sale, packaging, promotion and general marketing of tobacco and tobacco products.

4.2.1 Marketing challenges faced following the implementation of the Act

The Tobacco Control Act 2007 has posed restrictions in marketing hence it is notably hard to make increased sales and marketing penetration. Promotion activities have been banned hence new product launch and promotion of existing product has been identified as difficult as the communication mechanism of informing potential customers about the new product are outlawed by the Tobacco Control Act. Tobacco sellers and consumers have faced challenging time as occasionally the authorities are on their case while enforcing the Tobacco Control Act and this has left them arrested and fined for various charges.

The respondents felt that some key stocking outlets had completely stopped selling tobacco products for what they explained as complications that came with the Tobacco Control Act. They majorly feared arrests by the authorities hence kept away lowering total sales volumes of tobacco products. The consumers of tobacco products were not spared of the Tobacco Control Act as some chose to quit smoking for same fears of arrests and this equally has reduced sales volumes of the tobacco products.

The City councils, County councils and Town councils and other many dealers of tobacco products have been financially constrained to establish enough smoking zones for consumers as the law requires them to do. This has led to arrests of consumers and the respondents pointed that once a dealer in tobacco products is arrested don't want to continue trading in tobacco products in the future. The Tobacco Control act has seen various misinterpretations and this was pointed to bring confusion both to tobacco product dealers and the law enforcers at equal measure. The existing interpretations collide on what is a public place among other misinterpretations.

The Tobacco Control Act enforcement was found to have raised the negative perception of smoking. Such perception has seen potential smokers not chose to smoke while some existing consumers have quit smoking and this has affected sales volumes and market forecasts are hard to make. The study has established that traditional marketing strategies would not work for the tobacco companies as the law banned crucial marketing strategies.

4.3 Segmentation/Target marketing strategy.

Likert score frequency key used by respondents;

1-Not at all

2-To a less extend

3-To a moderate extend

4-To a large extend

5-To a very large extend

Table 8: Segmentation/Target marketing analysis

| Action statement | Likert score frequency | | | | Total | | Percentage | Mean |
|---|------------------------|-------|-------|-------|-------|-----------|------------|-------------|
| | 5 | 4 | 3 | 2 | 1 | Frequency | | |
| Segmented its entire market to each out to unique customer needs. | 55.6% | 22.2% | 11.1% | 11.1% | - | 9 | 100 | 4.22 |
| Profiled the different segments in an effort to customize each segment needs. | 11.1% | 44.4% | 22.2% | 22.2% | - | 9 | 100 | 3.44 |
| Applied target marketing to reach unique customer base and their unique needs and wants, | 11.1% | 33.3% | 44.4% | 11.1% | - | 9 | 100 | 3.44 |
| Created a key account data bank for key target account holders. | 22.2% | 22.2% | 33.3% | 11.1% | 11.1% | 9 | 100 | 3.33 |
| Involved key target account holders in the operation of the company through visits and luncheons, | - | 22.2% | 66.7% | - | 11.1% | 9 | 100 | 3.00 |
| Practiced undifferentiated marketing | 22.2% | - | 55.6% | 22.2% | - | 9 | 100 | 3.22 |
| Practiced differentiated marketing | 22% | - | 55.6% | 22.2% | - | 9 | 100 | 3.22 |
| Concentrated on a few market segments | 11.1% | - | 33.3% | 11.1% | 44.4% | 9 | 100 | 2.22 |
| Customized products for each customer in a segment | - | 22.2% | 33.3% | 22.2% | 22.2% | 9 | 100 | 2.56 |
| Overall mean score for Segmentation/Target marketing strategy | | | | | | | | 3.18 |

Source: Research data

The overall mean for the segmentation/target marketing strategy was 3.18. 55.6% of the respondents, agreed that segmentation of the entire market to reach out to unique customer needs was practiced to a very large extent with an attribute mean score of 4.22. This meant that segmentation strategy is working well for the company hence high rating. Market segmentation is the identification and selection of one or more target markets (Ferrell, 2008). The two attributes on profiling of the different segments of customers in an effort to customize each segments needs and application of target marketing to reach unique customer base and their unique needs and wants respectively had the second highest mean score of 3.44. The attribute on concentration on a few market segments and on customized products for each customer in a segment scored lowest mean scores of 2.22 and 2.56 respectively and implied that it was lowly practiced by the company.

The ratings by respondents in a descending order for the segmentation and targeting strategy are as follows; segmentation of the entire market to reach out to unique customer needs, profiled the different segments of customers in an effort to customize each segments needs, applied target marketing to reach unique customer base and their unique needs and wants, created a key account data bank for key target account holders ,practiced undifferentiated marketing, involved key target account holders in the operations of the company through education tours, factory visits and dinner luncheons, practiced differentiated marketing strategy, customized products for each customer in a segment and concentrated on a few market segments.

4.4 Pricing strategy

Likert score frequency key used by respondents;

1-Not at all

2-To a less extent

3-To a moderate extent

4-To a large extent

5-To a very large extent

Table 9: Pricing strategy analysis

| Action statement | Likert score frequency | | | | | Frequency | Percentage | Mean |
|---|------------------------|-------|-------|-------|-------|-----------|------------|-------------|
| | 5 | 4 | 3 | 2 | 1 | | | |
| Practiced price discrimination at unique market segments. | - | 33.3% | 11.1% | 22.2% | 33.3% | 9 | 100 | 2.44 |
| Maintained low cost leadership strategy in pricing | 66.7% | 33.3% | - | - | - | 9 | 100 | 4.33 |
| Practiced price skimming | - | 11.1% | 22.2% | 22.2% | 44.4% | 9 | 100 | 2.00 |
| Practiced price penetration strategy. | 22.2% | 33.3% | 22.2% | 11.1% | 11.1% | 9 | 100 | 3.44 |
| Given cash or trade discounts. | - | 44.4% | 33.3% | 11.1% | 11.1% | 9 | 100 | 3.11 |
| Practiced price leadership strategy. | 11.1% | - | 33.3% | 33.3% | 22.2% | 9 | 100 | 2.44 |
| Overall mean score for pricing strategy | | | | | | | | 2.96 |

Source: Research data

The overall mean of the pricing strategy was 2.96. The attribute on low cost leadership strategy in pricing scored 4.33 with 66.7% of respondents acknowledging the practice of the strategy to a very large extend. The company has used lower prices on products compared to competitors as a tool of penetration and to attract consumers due to its quality and affordability. The study established that the low prices came with high quality products hence high acceptability in the market. The attribute that probed on practice of price penetration strategy was second rated at 3.44 while the least pricing strategy was on

the practice of price skimming and was rated at 2.00. 44.4% of the respondents felt this strategy was practiced to a less extend.

The ratings by respondents in a descending order for the pricing strategy are as follows; maintained low cost leadership strategy in pricing, practiced price penetration strategy, given cash or trade discounts, practiced price discrimination at unique market segments, practiced price leadership strategy and practiced price skimming.

4.5 Distribution strategy

Likert score frequency key used by respondents;

1-Not at all

2-To a less extend

3-To a moderate extend

4-To a large extend

5-To a very large extend

Table 10: Distribution strategy analysis

| Action statement | Likert score frequency | | | | | | | Mean |
|---|------------------------|-------|-------|-------|-------|-----------|-----|------|
| | 5 | 4 | 3 | 2 | 1 | Frequency | % | |
| Concentrated on open distribution. | 66.7% | 33.3% | - | - | - | 9 | 100 | 4.67 |
| Recruited sales team to assist in placing the product to retailers. | 66.7% | 33.3% | - | - | - | 9 | 100 | 4.67 |
| Budgeted for additional resources like motorcycle, bicycles as tools of distribution. | 66.7% | 22.2% | 11.1% | - | - | 9 | 100 | 4.33 |
| Practiced exclusive distribution system. | 22.2% | 44.4% | 11.1% | - | 22.2% | 9 | 100 | 3.44 |
| Adopted specific distribution channel strategy. | 11.1% | 11.1% | 33.3% | 44.4% | - | 9 | 100 | 2.89 |

| | | | | | | | | |
|--|-------|-------|-------|-------|-------|---|-----|-------------|
| Incorporated relationship marketing while distributing products | 33.3% | 11.1% | 33.3% | 22.2% | - | 9 | 100 | 3.56 |
| Staff insisted on long term relations rather than a mere days sale | 33.3% | 22.2% | 44.4% | - | - | 9 | 100 | 3.89 |
| Prepared detailed customer information in both hard and soft data. | 33.3% | 11.1% | 44.4% | 11.1% | - | 9 | 100 | 3.56 |
| Engage in continuous market research to establish customer needs and gaps. | 22.2% | 22.2% | 33.3% | 22.2% | - | 9 | 100 | 3.22 |
| Staff upheld and treated the customer as the boss. | 33.3% | 44.4% | 22.2% | - | - | 9 | 100 | 4.11 |
| The company has emphasized on a customer orientated culture. | 33.3% | 22.2% | 22.2% | 22.2% | - | 9 | 100 | 3.67 |
| Met customer needs an exceeded their expectations. | 22.2% | 11.1% | 22.2% | 33.3% | 11.1% | 9 | 100 | 3.00 |
| Used e-marketing as a structural relationship to customers | - | 11.1% | 11.1% | - | 77.8% | 9 | 100 | 1.56 |
| Overall mean score for distribution strategy | | | | | | | | 3.58 |

Source: Research data

The overall mean of the distribution strategy is 3.58. The two attributes on concentration on open distribution with many outlets selling the company's products and recruitment of sales teams to sell products respectively had the highest mean of 4.67 with 66.7% of the saying that the two strategies were practiced to a very large extend. Open distribution was established to be the only strong strategy to ensure the product was visible and available in all outlets selling tobacco products since no promotion were allowed. Product visibility communicated with consumers. The attribute that probed on the budget for resources like motor vehicles, bicycles as tools of distribution had a mean of 4.33 with 66.7% respondents confirmed was practiced to a very large extend. The study established that

the company had to invest more in resources like motorcycles, bicycles to enhance 100% representation in the market in order to compete in the market favorably. The attribute on staff upholding and treating the customer as the boss was rated at 4.11. This encouraged high and long lasting customer relationship management skills by all the staff in office and in the field. The attribute on the use of e-marketing as a structural relationship to customers was least rated with a mean of 1.56 with 77.8% affirming that the strategy was practiced to less extend. The study established that e.marketing had not been identified as a strong strategy that could take the company high in terms of distribution hence the low rating.

Below is the rating of the distribution strategy by the respondents in a descending order; Concentrated on open distribution with many outlets selling your product, recruited sales team to assist in placing the product to selling point ,budgeted for additional resources like motor vehicles, motorcycles as tools of distribution, staff upheld and treated the customer as the boss, staff insisted on long term relations rather than a mere day's sale, the company has emphasized on a customer oriented culture, incorporated relationship marketing while distributing products, prepared detailed customer information in both hard and soft data, practiced exclusive distribution, engaged in continuous market research to establish customer needs and existing gaps. Met customer needs and exceeded their expectations, adopted a specific distribution system and finally used e-marketing as a structural relationship to customers.

4.6 Product strategy

Likert score frequency key used by respondents;

1-Not at all

2-To a less extend

3-To a moderate extend

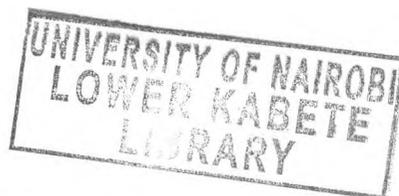
4-To a large extend

5-To a very large extend

Table 11: Product strategy analysis

| Action statement | Likert score frequency | | | | | Frequency | Percentage | Mean |
|---|------------------------|-------|-------|-------|-------|-----------|------------|-------------|
| | 5 | 4 | 3 | 2 | 1 | | | |
| Packaged the product uniquely to capture attention of the potential buyer. | 22.2% | 22.2% | 33.3% | 11.1% | 11.1% | 9 | 100 | 3.33 |
| High quality product to ensure repeat purchases and consumption. | 22.2% | 22.2% | 55.6% | - | - | 9 | 100 | 3.67 |
| Positioned the brand to serve customers across the low through middle class. | 33.3% | 66.7% | - | - | - | 9 | 100 | 4.33 |
| Availed the products all over the markets to maintain a strong brand image. | 66.7% | 33.3% | - | - | - | 9 | 100 | 4.67 |
| Penetrated upper market hotels, golf clubs and convenient stores to build a strong brand image. | - | 33.3% | 66.7% | - | - | 9 | 100 | 3.33 |
| Strengthened the current brand position to gain a competitive edge in the market. | 11.1% | - | 88.9% | - | - | 9 | 100 | 3.22 |
| Repositioned its products in the market place. | - | 11.1% | 44.4% | 33.3% | 11.1% | 9 | 100 | 2.56 |
| Repositioned the competition in the market place. | - | 22.2% | 22.2% | 55.6% | - | 9 | 100 | 2.67 |
| Overall mean score for product strategy | | | | | | | | 3.47 |

Source: Research data



The overall mean for the product strategy was 3.47. The attribute that probed the availability of products all over the markets to maintain a strong brand image had the highest mean of 4.67 with 66.7% of the respondents affirming that the strategy was practiced to a very large extend. The attribute on positioning the brands to serve consumers across the low through middle class was rated second highest with a mean of 4.33. The least mean in the product strategy is the attribute that probed on the repositioning of its products in the market which had a mean of 2.56. The study found out that the product had not gone through any repositioning in the near past, this was attributed to the challenges of communicating a new repositioned brand with no promotions. 55.6% of the respondents agreed that this strategy was practiced to a less extend.

The rating of product strategy by the respondents in a descending order is as follows; availed the products all over the markets to maintain a strong brand image, positioned the brand to serve customers across the low through middle social class, high quality product to ensure repeat purchase and consumption, packaged the product uniquely to capture attention of the potential buyer, penetrated upper market hotels, golf clubs and convenient stores to build a strong brand image, strengthened the current brand position to gain a competitive edge in the market, repositioned the competition in the market place, repositioned its products in the market place.

4.7 Promotion strategy

Likert score frequency key used by respondents;

1-Not at all

2-To a less extend

3-To a moderate extend

4-To a large extend

5-To a very large extend

Table 12: Promotion strategy analysis

| Action statement | Likert score frequency | | | | | Frequency | Percentage | mean |
|---|------------------------|-------|-------|-------|-------|-----------|------------|-------------|
| | 5 | 4 | 3 | 2 | 1 | | | |
| Engaged in pull promotional strategies. | 22.2% | 33.3% | 11.1% | 33.3% | - | 9 | 100 | 3.44 |
| Designed unique promotion activities to promote products in the market. | - | - | 11.1% | 88.9% | - | 9 | 100 | 2.11 |
| Engaged in push promotional strategies. | - | - | 22.2% | 77.8% | - | 9 | 100 | 2.22 |
| Created awareness of products in other means other than the print or electronic media. | - | - | 22.2% | 77.8% | - | 9 | 100 | 2.22 |
| Allocated a budget meant for promotion activities. | - | - | 44.4% | 33.3% | 22.2% | 9 | 100 | 2.33 |
| Employed high caliber sales force to perform personal selling. | 66.7% | 33.3% | - | - | - | 9 | 100 | 4.67 |
| Staff has intensified personal selling. | 77.8% | 22.2% | - | - | - | 9 | 100 | 4.7 |
| A market accompaniment by management to ensure personal selling is being done adequately. | 22.2% | 77.8% | - | - | - | 9 | 100 | 4.2 |
| Staff had one on one interaction with customers. | 66.7% | 33.3% | - | - | - | 9 | 100 | 4.67 |
| Sponsored social events in its environments of operation. | - | - | - | 11.1% | 88.9% | 9 | 100 | 1.22 |
| Participated in any kind of exhibitions. | - | - | - | 11.1% | 88.9% | 9 | 100 | 1.11 |
| Overall mean score for promotion strategy | | | | | | | | 2.99 |

Source: Research data

The overall mean of the promotion strategy was 2.99. The highest practiced strategy was attribute that probed on intensified personal selling with a mean score of 4.70 with 77.8% of the respondents affirming that the strategy was practiced to a very large extent. The study established that the sales team engaged in personal selling to traders in order to stay competitive. The attribute on employment of high caliber sales force to perform personal and attribute on one on one interaction with customers were rated second highest with a mean score of 4.67 with 66.7% respondents each saying the two strategies were practiced to a very large extent. The least strategy was attribute that probed on the participation in any kind of exhibitions with a mean score of 1.11. This was attributed to the total ban on promotion and trade fairs by the Tobacco Control Act, 2007. 88.9% of the respondents felt the strategy was not practiced at all.

Below are the ratings of the promotion strategy by the respondent in a descending order; staff has intensified personal selling, employed a high caliber sales force to perform personal selling, staff had one on one interaction with customers, market accompaniments by management to ensure personal selling on the ground were being done adequately, engaged in pull promotional strategies, allocated a budget meant for promotional activities, engaged in push promotional activities, created awareness of products in other means other than the print or electronic media, designed unique promotion activities to promote products in the market, sponsored social events in its environment of operation and lastly participated in any kind of exhibitions.

4.8 Other marketing strategies adopted after the Tobacco Control Act, 2007

This study has established that the company has expanded regionally to the COMESA region as a measure of raising revenue to supplement local revenue. Promotion budgets are highly used in this region since promotions activities are not restricted. The company is currently producing unlabelled point of sale materials as labeled ones with brand names were outlawed and such materials were crucial for product visibility which is the only key way left to communication with the consumers.

CHAPTER FIVE: SUMMARY, CONCLUSION AND RECOMMENDATION

5.1 Introduction

The objective of this study was to establish the marketing strategies adopted by Mastermind Tobacco Kenya Limited after the Tobacco Control Act was implemented on the 8th July; 2008. Based on this objective and variables drawn from available literature, a questionnaire was developed and used to collect data. The data was analyzed using frequencies, percentages and mean scores. This chapter seeks to summarize on the findings from earlier chapter and makes conclusions. The chapter further incorporates sections on limitations to the study and recommendations for further research.

5.2 Discussions

The aim of the research study was to establish the marketing strategies adopted by Mastermind Tobacco Kenya Limited after the implementation of the tobacco regulations were implemented. The study laid emphasis on the strategies adopted and divided them into segmentation or target marketing, pricing strategy, distribution strategy, product strategy and promotions strategy. The study findings show that the implementation of the tobacco regulations brought about several challenges which include low sales, market penetration, arrests of consumers, lack of communication to the market and confusion in understanding or interpreting the regulations. The study concurs with Kotler, (2008) who describes strategy as a plan that describes how a firm will adapt to take advantage of opportunities in its constantly changing environment, there by maintaining a strategic fit between the firms' goals and capabilities and its changing market opportunities. The study has established that not all strategies will keep the firm strategically fit but by choosing the most strategic practice. This has been shown by the mean scores of identified strategies ranging from 2.00 for lowly adapted to 4.67 for highly adopted strategies and could be considered to maintain strategic fit of the company.

The study established that market segmentation and target marketing which identifies segment needs and wants ensured wide reach hence problems were tackled appropriately in each segment giving the company a competitive advantage in the market. 55.6% of the

respondents agreed that this strategy was practiced to a very large extent. However many other strategies were adopted at a moderate extend or to a large extend in terms of segmentation. Concentration on a few market segments strategy was least practiced and recorded a mean score of 2.22. This study concurs with Bingham and Raffied, 1990) who believes that marketing managers must determine what strategy will be used for different segments. The study findings, shows that Low cost leadership strategy was highly practiced to penetrate the markets by offering the consumers quality products at affordable prices hence attracting repeat purchases and consumption hence. This strategy was affirmed by 66.7% of the respondents and had a mean of 4.33. Price skimming strategy was least practiced and had a mean score of 2.00 The study findings further revealed that open distribution method ensured that the product was available in all outlets thus consumers found the product at all points and this would trigger purchase and consumption. 66.7% of the respondents concurred that it was an ideal strategy and the attribute had a mean o 4.67. The study concurs with Ferell 2008 who acknowledges that distribution aims at getting the product o the right place, at the right time, in the right quantities and at the lowest possible cost. Distribution aims at expanding product reach and availability to consumers (Ferell, 2008).

The study found out that the company needed to recruit a huge force of sales team to assist in placing the product in all outlets with 66.7% of respondents confirming such practice and recording a mean of 4.67, the same team would practice among other activities close market ties with the customers and build strong long term relationships. The company was found to incur a higher budget for additional resources like motor vehicles, bicycles and motorcycle as tools of distribution with 66.7% of respondents affirming that the strategy was adapted to a very large extend. The attribute had a mean score of 4.33. The study has further established that availability of products all over the markets to maintain a strong brand image was affirmed by with 66.7% of the respondents. The attribute had a mean score of 4.67. Repositioning of the company's products in the market place was the least practiced strategy with a mean score of 2.56. This study has evidently established that the promotion strategy highly practiced personal selling to communicate about their brands having lost out on print and electronic

forms of promotions. High caliber sales force was recruited to undertake personal selling. The two promotional strategies recorded a mean score of 4.67 each. Sponsored social events and participation of exhibitions were not least practiced with 77.8% and 88.9% of respondents affirming to it. The restrictive market environment has limited the company's potential and has since diversified to regional markets like Congo, Malawi, Uganda, Somali and Zambia in order to exploit more returns from tobacco and tobacco products. The study further points out the fact that no materials exist locally with cigarette brand names may they be T-shirts or point of sale materials.

Distribution aims at getting the product o the right place, at the right time, in the right quantities and at the lowest possible cost (Ferrell, 2008).Distribution aims at expanding product reach and availability to consumers(Ferrell, 2008).

5.3 Conclusions

From this study it is evident that all respondents are quite familiar with the Tobacco control act. It can also be concluded that the Tobacco Control Act 2007 being an external force in the market place, traditional practices can no longer keep the company strategically fit hence the need to adapt new marketing strategies in their market segmentation, pricing, distribution, product and promotions. It can also concluded that not all strategies work in a particular environment, with mean scores high at 4.67 for most adapted strategies and a low mean score of 2.00 for least practiced marketing strategy is evident that some of the strategies might not work significantly on the ground leaving the marketer with the task of identifying only working strategies to remain competitive. It can also be concluded that regional expansion came just at the right time when the Act had started putting pressure on local business hence bridging the performance gap in terms of opportunity exploitation. Finally from this study it can be concluded that the distribution strategy was practiced most with a total mean score of 3.58.Product strategy became second highly practiced with a mean score of 3.47 while the segmentation strategy was third with a mean score of 3.18.Pricing and promotion strategies were found to be least practiced by this company with mean scores of 2.96 and 2.99 respectively.

5.4 Recommendations

The external force imposed by the Tobacco Control Act, 2007 is an eye opener to all firms at large to endeavor to be alert on both internal and external forces that could arise in the market place. Response to the forces must be timely and well thought by top level management since different strategies will yield good results while others yield minimal impact on the situation on the ground. It is in proper adjustment that a company will acquire a competitive advantage in the market environment and maintain strategic fit. A section in marketing department should be established to help educate customers and consumers on the requirements of the Tobacco Control Act, 2007 and interpretation of the law to ensure their rights are not violated during its implementation.

5.5 Limitation of the study

The findings of this study should be interpreted with the following limitations in mind. Firstly the questionnaire was filled through a drop and pick method targeting the marketing managers and it is expected that they filled the questionnaire independently. Secondly the findings cannot be generalized to other tobacco manufacturing companies hence limited to Mastermind Tobacco Kenya Limited.

5.6 Suggestion for further study.

Arising from the research findings, it would be of help that the same study be researched from a broader perspective involving all tobacco manufacturing companies in the country. A study should also be carried on all stakeholders' satisfaction while transacting business involving tobacco and tobacco products while adapting to the new tobacco regulations. A much broader study should be done on the sustainability of the Tobacco Control Act, 2007 in Kenya taking into consideration of the pending court case challenging the Tobacco Control Act, 2007.



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APPENDICES

Appendix 1: Introduction Letter

Felista Kalekye Musila
C/o School of Business
P.O. Box 30147-00100
Nairobi
September, 2010

Dear Sir/Madam,

RE: REQUEST FOR A PERSONAL INTERVIEW

I am a post graduate student at the University of Nairobi, School of Business. In order to fulfill the degree requirements, I am undertaking a research project on marketing strategies adopted by tobacco industries after the (Tobacco Control Act, 2007): A case study of Mastermind Tobacco Kenya Ltd.

I would be grateful if you spare some time to assist in answering the questionnaire with me. All the information provided will be used purely for academic research and will be treated with utmost confidentiality.

Your cooperation will highly be appreciated.

Yours faithfully,

Felista Kalekye Musila
Student
University of Nairobi

Dr. Raymond Musyoka
Lecturer
University of Nairobi

Appendix 2: Interview Administered Questionnaire

This is been presented to the marketing managers at Mastermind Tobacco (K) Limited .All data will be aggregated and be kept in strict confidence. No individual respondent will be identifiable from any published results. Please complete the form by placing answers in the spaces provided and by ticking the box that matches your response to the questions where applicable.

Section A:

Background Information

1. Age

25-30years () 31-35years () 36-40years () 41years and above ()

2. Gender Male () Female ()

3. Territory(Region) of duty

Nairobi () Mountain () Eastern () Western () Coast ()

4. How long have you been with Mastermind Tobacco Kenya Limited?

1-5 years () 6-10 years () 11-15 years () 16-20 years ()

6. What is your education level?

University () College () Secondary level () Primary ()

5. Are you familiar with the Tobacco Control Act (2007)?

Yes () No ()

6. If yes, what challenges have you faced while marketing following the implementation of the bill?

Section B:

Marketing Strategies adopted by Mastermind Tobacco Kenya after the Tobacco Control Act (2007).

To what extent has your company practiced the following marketing strategies in an effort to counter the regulations by the (Tobacco Control Act 2007). Use the key below to tick as appropriate.

1-Not at all

2-To a less extend

3-To a moderate extend

4-To a large extend

5-To a very large extent.

| | <u>SEGMENTATION/TARGET MARKETING STRATEGY</u> | <u>5-POINT LIKERT-SCALE</u> |
|---|--|------------------------------------|
| | <u>VARIABLES</u> | |
| 1 | Segmented its entire market to reach out to unique customer needs. | () () () () () |
| 2 | Profiled the different segment in an effort to | () () () () () |

| | | |
|----|--|---------------------|
| | customize each segments needs. | |
| 3 | Applied target marketing to reach unique customer base and their unique needs and wants | () () () () () |
| 4 | Created a key account data bank for key target account holders | () () () () () |
| 5 | Involved key target accounts holders in the operations of the company through education tours, factory visits, and dinner luncheons. | () () () () () |
| 6 | Practiced undifferentiated marketing | () () () () () |
| 7 | Practiced differential marketing strategy | () () () () () |
| 8 | Concentrated on a few market segments | () () () () () |
| 9 | Customized products for each customer in a segment | () () () () () |
| | <u>PRICING STRATEGY</u> | |
| 10 | Practiced price discrimination at unique market segments. | () () () () () |
| 11 | Maintained low cost leadership strategy in pricing | () () () () () |
| 12 | Practiced price skimming | () () () () () |
| 13 | Practiced price penetration strategy | () () () () () |
| 14 | Given cash or trade discounts | () () () () () |
| 15 | Practiced price leadership strategy | () () () () () |
| | <u>DISTRIBUTION STRATEGY</u> | |

| | | |
|----|--|---------------------|
| 16 | Concentrated on open distribution | () () () () () |
| 17 | Recruited sale teams to assist in placing the product to the trade | () () () () () |
| 18 | Budgeted for additional resources like motor vehicles, bicycles as tools of distribution | () () () () () |
| 19 | Practiced exclusive distribution system | () () () () () |
| 20 | Adopted specific distribution channel strategy | () () () () () |
| 21 | Incorporated relationship marketing while distributing products | () () () () () |
| 22 | Staff insisted on long term relations rather than a mere days sale | () () () () () |
| 23 | Prepared detailed customer information in both hard and soft data | () () () () () |
| 24 | Engage in continuous market research to establish customer needs and gaps | () () () () () |
| 25 | Staff upheld and treated the customer as the boss | () () () () () |
| 26 | The company has emphasized on a customer orientated culture | () () () () () |
| 27 | Met customer needs and exceeded their expectations | () () () () () |
| 28 | Used e-marketing as a structural relationship to customers | () () () () () |
| | | |

| <u>PRODUCT STRATEGY</u> | | |
|----------------------------------|--|---------------------|
| 29 | Packaged the product uniquely to capture attention of the potential buyer | () () () () () |
| 30 | High quality product to ensure repeat purchases and consumption. | () () () () () |
| 31 | Positioned the brand to serve consumers across the low through middle class | () () () () () |
| 32 | Availed the products all over the markets to maintain a strong brand image. | () () () () () |
| 33 | Penetrated upper market hotels, golf clubs and convenient stores to build strong brand image | () () () () () |
| 34 | Strengthened the current brand position to gain a competitive edge in the market. | () () () () () |
| 35 | Repositioned its products in the market place | () () () () () |
| 36 | Repositioned the competition in the market place | () () () () () |
| <u>PROMOTION STRATEGY</u> | | |
| 37 | Engaged in pull promotional strategies | () () () () () |
| 38 | Designed unique promotion activities to promote products in the market | () () () () () |
| 39 | Engaged in push promotional strategies | () () () () () |
| 40 | Created awareness of products in other means other than the print or electronic media | () () () () () |

| | | |
|----|--|---------------------|
| 41 | Allocated a budget meant for promotion activities | () () () () () |
| 42 | Employed high caliber sales force to perform personal selling | () () () () () |
| 43 | Staff has intensified personal selling | () () () () () |
| 44 | Market accompaniment by management to ensure personal selling on the ground is being done adequately | () () () () () |
| 45 | Staff had one on one interaction with customers | () () () () () |
| 46 | Sponsored social events in its environment of operation | () () () () () |
| 47 | Participated in any kind of exhibitions | () () () () () |

48. Mention any other marketing strategy adopted in your organization following the implementation of the (Tobacco Control Act.2007 _____

THANK YOU FOR TAKING YOUR TIME TO FILL THE QUESTIONNAIRE.