RESPONSE STRATEGIES ADOPTED BY MARKETING FIRMS OF THE LIQUEFIED PETROLEUM GAS MARKET

BY

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DECLARATION

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

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

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DEDICATION

This work is dedicated to my husband David Chelimo and our child Effie.

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Many thanks to my supervisor Prof. Justus Munyoki for the professional guidance and directions during the development of this research. I would also like to pass my thanks to the entire University of Nairobi, School of Business staff for the support they accorded me during my studies.

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ABSTRACT

Modern day organizations operate in an ever changing operating environment that necessitates organizational strategic change. The ability of firms to readily adopt to changes in the environment enables it to properly respond to both opportunities and threats which can have serious effects on business operations. The objective of this study was to determine the response strategies adopted by marketing firms of the liquefied petroleum gas market in Kenya. The study used a descriptive cross sectional survey design. Primary data was collected using a questionnaire. Data was analyzed using mean, standard deviation, frequency distributions and percentages. In regards to differentiation strategies, the study found that the marketing firms have branded all LPG products and that the firms have distinguished standards of health and safety in all our premises. On Cost Leadership Strategies the study found that Companies have broken bulk of its LPG sales volumes thus companies have reduced its operating costs drastically to keep the cost of LPG low. In regards to market strategies adopted it was found that companies have invested in exclusive distribution network. The study established that companies are involved in upstream operations and downstream operations. The respondents established that on the effects of response strategies a moderate extent differentiation strategy had effect on competitiveness. Strategic alliance strategy had a moderate effect on competiveness; the respondents agreed that Focus market strategy adopted has moderate effect on competitiveness. The study concluded that market differentiation strategies have increased the firms competitive advantage other products and ensured that safety standards of health and safety in all their premises. Differentiation strategies have generally improved the competiveness among marketing firms. From the study the marketing firms have broken bulk of LPG sales volumes with and cost leadership strategy affected the competitiveness to some extent. The study recommends that LPG marketing firms should focus more on innovation, quality of products, as well as superior customer service in order to compete in the market. A marketing strategy that focuses on building better customer relationships would provide a better avenue for the firms to compete. The study recommends improving administrative capacity and undertaking continuous marketing targeting various market segments can help in the successful penetration of the liquefied petroleum gas market products.

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LIST OF ABBREVIATIONS

KPC	Kenya Pipeline Company
LPG	Liquefied Petroleum Gas
LPGC	Liquefied Petroleum Gas Companies
MOEP	Ministry of Energy and Petroleum
RBV	Resource Based View
SMEs	Small Medium Enterprises
SPSS	Statistical Package for Social Scientists
VAT	Value Added Tax

CHAPTER ONE
INTRODUCTION

1.1 Background of the Study

Organizations operate within external environments that affect the normal day to day running of businesses. This environment brings in opportunities and threats that can have serious effects on business survival should management fail to provide contingencies for them in case they occur (Abishua, 2010). Firms therefore need to adopt strategies that are concerned with making decisions and taking actions meant to mitigate against environmental turbulence with the sole intention of achieving business goals and objectives (Teece, 2010). Organizations therefore must adapt to new strategies so as to be at par with new environmental conditions. The formulation of these new strategies will enable firms to tap into new opportunities as well as respond to emerging environmental threats. Environmental change is inevitable as organizational management do not have any control over it. The adoption of appropriate policies and strategies towards external change is beneficial as it has the potential to strategically place the adopting firm at a better competitive position in comparison to competitors who are unable or unwilling to adopt to changes (Olson, Slater & Hult, 2005).

This study was anchored on the Systems and Resource Based View (RBV) theories. Systems school of thought argues that organizations are open system as they interact with immediate environment which has varying effects on organizational operational activities. The theory further identifies two types of systems that is closed systems which do not interact with their environment. There is therefore no influence caused by immediate environments, open systems on the other hand are not only influenced by environment but they are also able to interact with the environment (Scott, 2002). The RBV theory holds that in order to develop and implement strategies effectively, organizations need to have adequate resources. The resources come in the form of human capital and financial resources. A good strategy formulated but with limited resources may be difficult to implement. This is why planning in advance for strategy implementation is important if the strategy is to be implemented smoothly (Barney, 1991).

The oil industry in Kenya is diverse as evidenced by numerous outlets nationwide. This industry like any other organization does not exist in a vacuum as evidenced by the presence of continuous changes in the business operating environment keeps. There firms operating in this business have to inevitably respond to changes in the market environment (Athman, 2016). This industry is booming in Kenya as evidenced by new innovations that have led to the provision of cooking gas to low income earners through various innovative lower quantities of gas cylinders. More market penetration has been a strategy adopted by numerous LPG firms to further deepen market share. The various firms in the industry have resorted to adapt to favorable pricing as a strategy to attract new customers so as to remain relevant in the ever increasing gas market in Kenya (Ministry of Energy and Petroleum-MOEP, 2015).

1.1.1 The Concept of Strategy

A strategy is a game plan developed by an organization that connects its mission, vision, and core values for the desired future position (Chiou, 2009). As per Jauch and Glueck (1984), a strategy brings together the competitive positions of an organization which enable it overcome its weaknesses and external threats so as to emerge competitive. It links the different areas of competitive advantage for a better output and organizational performance. It involves the common beliefs held by management and the entire staff base of an organization (Woods and Joyce, 2003). According to Thompson, Strickland, and Gamble (2007) a strategy enables an organization to create a balance between the resources at its disposal and the external threats so as to emerge competitive.

Ansoff (1999) sees strategy as the end game in product choices and market determination efforts of the organization because of its ability to define the product offerings of an organization. A strategy is formulated with the aim of providing directional cues on what needs to be done to achieve the set organizational goals (Pearce & Robinson, 2007). It should enable the organization to innovatively and creatively develop better ways of providing services and goods to their target customers (Johnson, Scholes, and Whittington, 2006).

1.1.2 Response Strategies

According to Rowe, Nojiri and Levitt (2003), response strategies are action plans developed by an organization whose results in development and Operationalization of developed strategies with the aim of delivering on organizational mission and vision. In response to changes occurring in the immediate organizational environment. Jones and George (2015) argue that increased competition levels in the modern marketplace has created a fundamental shift in economic environment thus necessitating organizations to come up with creative response strategies so as to remain afloat. The formulation and implementation of strategic responses enhances the attainment of a strategic fit as adopting firms are able to achieve correct market positioning that in turn enables the ability of firms to meet market needs and demands.

According to Tjemkes and Furrer (2010) organizations ought to adapt to new strategies so as to cushion themselves against adverse changes caused by ever changing environmental conditions. These new strategies can help firms to tap into new opportunities and even respond to threats that arise in the marketplace. Organizational survival and success will occur if firms can be able to create and maintain a match between adopted strategy and environmental changes. In essence, response strategies can are as well-planned diverse actions that are aimed at countering changes encountered in organizational environment. Firms can endeavor to adopt various response strategies for instance differentiation strategies that enable firms to gain competitive edge by increasing the willingness of the customer to pay for the product or service they sell.

Mathooko (2013) mentions that organizations can also adopt the cost leadership strategy whereby competitive advantage can be sought by reducing the product and service cost below all competitors. This is a strategy that requires firms to be cost leaders by taking advantage of economies of scale, having superior technology, low cost production. This is an effective strategy that firms can adopt so as to respond to changes in the environment. Firms can also be creative and resort to adopt focus strategy that involves targeting specific market segment so as to meet the needs of that particular segment. Firms can also endeavor to adopt strategic alliances in response to changing organizations environment. The formulation of formal agreements between two or more firms so as to merge operations enables firms to better respond to market shocks hence improve on performance (Tomlin, 2006).

Diversification is also an ideal strategy that entails venturing into new markets, products and even technology. The adoption of various forms of diversification for instance related diversification that entails venturing into related markets and products or unrelated diversification whereby organizations undertake to explore unrelated markets and products. The adoption of diversification strategies increases market share. Organizations can respond to market needs and demands by becoming more innovative and developing new ways to approach the changing environment. Firms can also undertake to target particular niche in the market in so as to avoid competition from already established enterprises. The adoption of response strategies for instance improved customer services and provision of convenient goods and services, cost reduction and mergers enables firms to survive despite changing market trends (Mutua, 2009).

1.1.3 Operating Environment

The operating environment for businesses is constantly changing due to improvements in information, communication and technology besides globalization which means that they have to rethink their game plans if they are to remain competitive (Tjemkes and Furrer, 2010). Organizations are environment dependent meaning that they are affected by the environment in the same manner that they affect the environment. Gebauer (2008) further advances the argument that for an organization attain the present targets, it is important that they align their operations to adapt to the environment. According to Ansoff and McDonnel (1990) organizations have to constantly rethink and invest in research and development for innovative ideas and products to remain competitive in such a dynamic environment.

According to Tjemkes and Furrer (2010) all organizations are environment dependent as they source their inputs from the environment and release their outputs in the same environment. As such, in order for them to be successful they need to realign their operations in such a way that they respond to the changes in the operating environment. Major escalations of environmental turbulence increases the level energies required by an organization in aligning its operations if they are to beat existing and new competitors hence the need for response strategies. In order for an organization to remain competitive, it has to align its operations with the changes in the operating environment.

1.1.4 Liquid Petroleum Gas Industry in Kenya

Liquid petroleum gas (LPG) is a highly flammable mixture made up of hydrocarbon gases commonly used as fuel. The mixture of gases is synthesized by refining petroleum that is entirely derived from fossil fuels. In Kenya, the use of LPG is constrained due to high initial costs of acquiring equipment like cookers and gas cylinders. In addition, the equipment is heavily taxed. Important to note that the satisfaction of market demand in Kenya is dependent on the availability of an import handling and loading facility located at the port of Mombasa (KPC, 2015). However, LPG has the advantage in that it is more environmentally friendly and efficient in comparison to wood extracted fuels. In Kenya, cooking gas is extensively used across all the major urban regions (MOEP, 2015).

Due to the various challenges which led to intermittent cooking gas supplies in the market, the Kenyan government through Legal Notice no 121 of 2009, liberalized and regulated the Kenyan LPG market. The Ministry in charge of Energy and Petroleum (MOEP) is involved in all matters pertaining energy and petroleum. The Ministry strives to uphold values for instance transparency, integrity, professionalism, accountability and prudent utilization of resources. The core functions of MOEP's include; electric power development, energy policy development and exploitation of other forms of energy like geothermal, solar, wind, biogas and Wood usage as fuel. The Kenya petroleum refinery produces about 30, 000 metric tons of liquid petroleum gas even though there is growing demand on imported LPG. Plans are underway to upgrade the refinery so that it can produce about 115,000 metric tons of liquid petroleum gas. In Kenya, all petroleum products are exempt from value added tax even though there are plans for VAT to be charged on petroleum products by August 2016. There are over 60 registered companies doing oil marketing in Kenya. Key to note is that 97% of households in Kenya use traditional sources of cooking for instance wood and charcoal, only a paltry 9% use liquid petroleum gas for cooking purposes (Otieno, 2013).

1.2 Research Problem

Modern day organizations operate in an ever changing operating environment that necessitates organizational strategic change. The ability of firms to readily adopt to changes in the environment enables it to properly respond to both opportunities and threats which can have serious effects on business operations. In order to achieve business goals and objectives, firms need to adopt strategies that are meant to mitigate against environmental turbulence (Jones & George, 2015). When firms change in line with environmental changes, they are able to be at par with new environmental conditions. The adoption of appropriate policies and strategies towards external change is beneficial as it has the potential to strategically place the adopting firm at a better competitive position in comparison to competitors who are unable or unwilling to adapt to changes (Mutua, 2009).

Numerous studies have been done in regards to strategic response due to environmental change. Internationally, the Ministry of economic development- New Zealand (2008) sought to explore oil emergency response strategy. The study was carried outside Kenya, in addition, the study did not examine the response strategies adopted by the oil industry at large as it majorly focused on emergency response strategies. Similarly, Aziz and Yassin (2010) sought to establish how aligning an organizations' operations to the changes in the environment influence return on equity among SMEs in Malaysia. The study failed short to reveal the various response strategies that are adopted in the oil industry as it majorly touched on factors that influence SME performance among SME`s. Locally, Muchiru (2010) examined response strategies adopted by liquefied petroleum gas (LPG) marketing companies in Kenya to ensure they remained competitive and relevant. The study was done in the recent past hence the research findings cannot apply in the current economic setting of the oil industry in the country. On the other hand, Otieno (2013) examined competitive game plans developed by oil marketing companies to stay ahead of competition in the oil market in Kenya. The study did not focus its attention towards response strategies adopted by the oil industry at large in Kenya.

These studies sought to establish various game plans adopted by firms in other industries so as to deal with environmental changes. None of these studies addressed the issue of the oil industry adaptation in Kenya with specific reference to liquefied petroleum gas. Further, the research findings from these studies were done in the small and medium enterprises sector hence they cannot be generalized in the liquid petroleum industry as the nature of operation is quite different. It is therefore imperative that a research be undertaken with specific focus on the current LPG Industry in Kenya. This study sought to determine what response game plans used by marketing firms of the liquefied petroleum gas market in Kenya

1.3 Research Objective

To determine the response strategies adopted by marketing firms of the liquefied petroleum gas market in Kenya.

1.4 Value of the Study

The study would contribute to current body of knowledge in response strategies adopted by firms and additionally support the systems and industrial organization theories that shall anchor this study. Future academicians and researchers would find the research findings from this study useful as they shall be in a position to compare their research findings to establish presence of similarities or differences.

The study findings will aid the managers of liquid petroleum companies to conduct better market assessment so that they can formulate better response strategies to the realized environmental changes. This will in turn enable these firms to make appropriate adjustments so as to maximize market available opportunities as well as minimize posed threats.

Research findings from this study will aid policy makers in various units of government which will enable them to formulate market driven policies so as to further enhance the adoption of petroleum products in the country. These policies will enhance better market performance as they shall be set in accordance to market needs.

CHAPTER TWO

LITERATURE REVIEW

2.1 Introduction

This chapter presented a review of the literature relevant to the subject of the subject as presented by various researchers. The chapter first presented the theoretical framework on which the study was founded and then the response strategies and their effectiveness.

2.2 Theoretical Foundation

This study was anchored on two theories in explaining the response strategies adopted by marketing firms of liquefied petroleum gas market. Specifically, two theories including: the Open Systems and Resource Based View theories are discussed.

2.2.1 Open systems Theory

This theory helps explain the interdependence between organizations and their immediate operating environment (Scott, 2002). It was developed in an attempt to explain how organizations relate with the environment in which they operate (Scott, 2002). It was developed in an attempt to explain how organizations relate with the environment in which they operate (Scott, 2002). The theory is of the school of thought that organizations are environmental dependent in that they are strongly influenced by their immediate environment in which they operate (Pfeffer & Salancik, 2003). As an open system, organizations get key resources in the form of raw materials, and human capital and turn these resources into goods and services that can help human beings solve their day to day challenges. In so doing, the operations of the organization are affected in equal measure as the effect that the organization has on the operating environment (Galbraith & Lawler, 1993). This has given rise to corporate citizenship where organizations are attempting to improve the society in which they operate.

This theory explains how organizations interact with the environment in which they operate and how they are affected by the same environment. This theory is relevant for this study because the changes in the operating environment affect organizations (Pfeffer & Salancik, 2003). In order for organizations to adapt their operations to the environment in which they operate, they have to formulate and execute appropriate response game plans (Scott, 2002). This theory will help explain how organizations develop and implement response strategies to ensure that they remain competitive in the current highly competitive operating environment.

2.2.2 Resource Based View Theory

In strategic management, this school of thought was used to explain the importance of the resource perspective in gaining competitive advantage among organizations (Wernerfelt, 1984). The resource-based view (RBV) emphasizes how organizations can make use of resources at their disposal to gain competitive advantage (Peteraf & Barney, 2003). This theory explains how organizations differ in strengths in dealing with competition. There are no two organizations that are similar in terms of resources as the skills and financial muscles differ across organization. This theory explains the role played by internal resources and external networks in creating organizational competitive advantage in an industry. This theory is relevant for this study because it explain how organizations can use the resources they control to gain competitive advantage which may not be easily replicated by other firms in the industry.

2.3 Response Strategies to Changing Operating Environment

The changing operating environment has interrupted the way organizations operate. The early strategies developed are rendered inappropriate in dealing with the changes in the operating environment hence the need to develop appropriate relevant strategies to align organizational operations to changes in the environment. This section will indentify several response strategies developed by organizations to align their organizations competitively.

Nthigah, Iravo and Kihoro (2014) while examining the influence of competition intensity on strategic response of multinational corporations among multinational corporations in Kenya established that responsive strategies are derived from strategic choice model by Kochan Thomas (Kochan, McKersie & Cappelli, 1984) and Porter's generic competitive strategies (Porter, 1980). The first category included organizational strategies referring to situations where companies seek to actively fit their strategies to the existing environment through cost leadership, product differentiation, and market differentiation strategic choices (Porter, 1985). The external strategies included environmental strategies with which firms as at manipulating the environment in such a way that fit between strategy and the environment is established through relocation, avoidance and deterrent strategic choices (Wilburn & Wilburn, 2011). These theories are discussed in detail below:

2.3.1 Cost Leadership Strategy

Cost leadership is concerned with maintaining operational costs so low so that the profitability is improved. The purpose of this strategy is to avail products and services to the market at a lower price than other companies in the industry. Companies try their best to outperform their competitors in the market place by managing their operating costs so as to optimise organizational performance. According to Porter (2008), this strategy aims at creating firm competitiveness through offering products to customers at the lowest prices. Lynch (2003) argues that being a low cost firm does not mean that it charges the lowest of all other firms on average and reinvesting the extra profits into the business. This strategy is achieved through operational efficiency such that the operating costs are kept at the minimal possible level (Chege, 2013).

Cost leadership strategy aims at recording the highest returns on equity for a company as compared to its competitors by acting as a pace setter in terms of setting the prices to be charges in a given industry (Arasa and Gathinji, 2014). The low prices for products and services come as a result of innovations, inventions that arise from increased investment in Research and development (Lynch, 2003). To attain a cost leadership position, organizations have to make sure that they control costs associated with their production processes, improve their production capacity, control the cost of raw materials all through the supply chain and product distribution channel.

Overheads can be optimized offering low remuneration to employees, leasing operating premises where rents are a little bit low, and cultivating a culture of cost saving among staff while in the organization. Bring down costs prompt to higher request and, thusly, to a bigger piece of the overall industry. As indicated by Porter (2008), ease pioneer introduce boundaries against new market contestants who might require a lot of money to enter the market. As indicated by his view, methodology is the "ongoing theme" among an association's exercises and the market. Johnson, Scholes, and Whittington (2006) characterize procedure as the bearing and extent of an association that in a perfect world matches the consequences of its changing environment.

In another study, Nyauncho and Nyamweya (2015) evaluated the impacts of cost authority technique on execution of Liquefied Petroleum Gas Companies (LPGC) in Eldoret town. The study set up that cost initiative affected the execution of LPGCs execution empowering the organization to decrease cost prompting to high volume of offers visa a-visa net revenue, increment in administration conveyance, less return inwards, diminished operational expenses and lessened wastages. A firm can accomplish and support general cost authority by finding and abusing all wellsprings of cost favorable position available to its.

2.3.2 Strategic Alliances

A vital collusion includes no less than two accomplice firms that: remain lawfully autonomous after the partnership is framed; share benefits and administrative control over the execution of appointed errands; and make proceeding with commitments in at least one key regions, for example, innovation or items (Todeva and Knoke, 2015). It is a relationship between firms to make more esteem than they can all alone. Organizations together are crucial building hinders for organizations to accomplish more grounded and more successful market nearness. To accomplish upper hands firms consolidate their advantages and abilities in a helpful approach that is named as key organization together. A few interorganizational arrangements rise when associations look for new efficiencies and upper hands while dodging both market instabilities and various leveled rigidities. Cooperations may appear as contracts, restricted organizations, general associations, or corporate joint ventures, or may take less formal structures, for example, a referral arrange (Hall, 1980).

Changes in industry structure taking after changes popular attributes and in addition changes that were actuated by firms' interests so as to fulfill the developing way of interest have approached firms to rethink their aggressive procedures. Key collusions make relationship between self-sufficient monetary units, conveying new advantages to the accomplices as impalpable resources, and committing them to make proceeding with commitments to their association. Collusion achievement relies on upon a few elements, for example, effectively association in issue arrangement, being dependable; to make esteem joining accomplices assets and abilities, and influence among the accomplices for collaboration and coordination of exercises in the helpful authoritative conduct.

2.3.3 Differentiation Strategies

Differentiation is a focused procedure utilized by associations where they strife to recognize their items and administrations from those of contending firms. Differentiation heavily relies on offering customers a unique product not offered by the competition in the industry. The key presumption for this strategy is that customers will be willing to pay a premium price for a product that is particular. These could be accomplished through bundling and valuing and for administrations, the way in which the administrations are conveyed (Porter, 1980).

Differentiation strategy means to develop upper hand by offering items which are portrayed by important elements, for example, quality, advancement and client benefit. Svatopluk and Ljuba (2006) contend that procedures in view of separation try to build up essential distinction in an assortment of measurements that purchasers see a checked differentiation amongst item and administrations of firm and its opponents. Differentiation as a strategy in organizations can be achieved through several meanslike combining more imaginative products in the eyes of customers, might be created utilizing propelled materials or quality procedures, or might be sold and adjusted in some extraordinary way.

Business ventures practicing differentiation try to outline and offer their clients administration characteristics that make high esteem for their clients. Innovatively developed products provide features that are different from those offered by other firms in the industry. Separation technique is worthwhile to firms since it protects them somewhat from focused contention in the business. Moreover, clients of separated items are less delicate to costs. As indicated by Svatopluk and Ljuba (2006), differentiation of organization's products form generous faithfulness boundaries that organizations thinking about passage must overcome.

2.3.4 Market Focus Strategies

Under the center system, a firm plans to serve the clients in a limited market fragment through minimal effort or separation (David, 2011). The center technique contrasts from alternate systems in light of the fact that in the separation and cost procedures, the methodology is connected in an extensive variety of clients, while the organizations that take after a center system will apply it to a specific topographical region or a specific part of clients called showcase specialty. Center system distinguishes the market portions where the organization can contend successfully and focuses on that market (Best, 2012).

This technique gives the organization the likelihood to include a premium in the cost for unrivaled quality (separation center). The drawback of the center technique, in any case, is that the specialty distinctively is little and may not be noteworthy or sufficiently expansive to legitimize an organization's consideration. The emphasis on expenses can be troublesome in businesses where economies of scale assume an imperative part (Lynch, 2003).

CHAPTER THREE

RESEARCH METHODOLOGY

3.1 Introduction

Research methodology identifies the research design, population, data collection instruments, data collection procedures and finally data analysis.

3.2 Research Design

The study used descriptive cross sectional survey design as it sought to collect data from a number of oil firms dealing on LPG. It is cross sectional because it cut across several LPG marketers in Kenya. This design promotes the generalization of findings to the entire population as it cuts across a number of organizations.

In understanding to the portrayal of Mugenda and Mugenda (2003), a review plan endeavors to gather information from individuals from a populace and depict existing marvels by getting some information about their discernment, state of mind conduct or values. Elucidating research improves an efficient portrayal that is precise, legitimate and dependable as could reasonably be expected with respect to reaction procedures received by oil industry in Kenya to changes in the melted petroleum gas advertise.

3.3 Target Population

Target population comprised 36 LPG marketing firms in Kenya (Petroleum Institute of East Africa, 2016). The study concentrated on LPG marketing firms within Nairobi County because Nairobi has almost all the head offices to oil marketing companies.

3.4 Data Collection

Primary was collected using questionnaires. The questionnaire was selected upon because the target respondents were learned and could read and understand the questions hence were in a position to provide relevant data (Kothari, 2004). The questionnaire had open and closed ended questions. Closed ended questions aimed at standardizing the responses while open ended questions aimed at requesting respondents to provide more data not asked in the closed ended questions.

The study targeted LPG marketing managers because of their role in the distribution network for LPG. In each company, the study would target marketing directors because of their role in marketing strategy development. However, the marketing directors shall be free to delegate the filling function to the persons they deem fit. The studies adopted a a method where the questionnaires were delivered to the respondents after which they were offered sometime before they were picked.

3.5 Validity and Reliability

The legitimacy was guaranteed by including target questions. This was accomplished by pre-testing the exploration instrument in order to recognize and change any vague, ungainly, or hostile inquiries and procedure as stressed by Cooper and Schindler (2003). Dependability alludes to a measure of how much research instruments yield predictable results (Mugenda and Mugenda, 2003). Unwavering quality was guaranteed by pre-testing the poll with a chose test from oil advertising firms in Embakasi. The pre-test was led by both the foremost specialist and the exploration colleagues to upgrade clarity of the polls. To gauge unwavering quality, the study embraced a Cronbach alpha which has a limit of 0.6.

3.6 Data Analysis

Data Collection instrument returned by the respondents were checked whether they had been filled properly as per the questions asked or not. Descriptive statistics including: mean, standard deviation, frequencies and percentages were used to analyze the data. The analyzed data was presented in the form of tables.

In order to establish the effectiveness of the response strategies, the study conducted a Pearson Moment of correlation. That helped establish the strength of the relationship between response strategies and adaptability of the LPG marketing companies.

CHAPTER FOUR
ANALYSIS AND PRESENTATION OF FINDINGS

4.1 Introduction

This chapter covered data analysis and findings as set out in the study objectives. The objective was to determine the response strategies adopted by marketing firms of the liquefied petroleum gas market in Kenya.

4.1.1 Response Rate

The sample comprised 36 LPG marketing firms in Kenya out of whom 27 were filled and returned giving a response rate of 75%. This response was good enough and representative of the population and conforms to Mugenda and Mugenda (2003) stipulation that a response rate of 70% and above is excellent. The findings were as shown in Figure 4.1

Table 4.1: Response Rate

Response Rate	Frequency	Percent
Response	27	75
Non Response	9	25
Total	36	100

4.2 Demographic Information

Data on the background information of the people who filled the questionnaires are explained in the subsequent sections.

4.2.1 Period worked with the Company

The findings on the period worked with the marketing firms are indicated in Table 4.2

Table 4.2: Period Worked

Period worked	**Frequency**	**Percentage**
Less than 3 yrs	4	14.8
Between 4-6 yrs	10	37.0
Between 7-9 yrs	9	33.3
10-12 yrs	4	14.8
Total	**27**	**100.0**

The findings indicate that majority of the respondents had worked between 4- 6 years at 37%, 14.8% had worked for less than 3 years, 33.3% of the respondents had worked between 7-9 years. 14.8% had worked between 10-12 years.

This means that there is an almost proportionate number of managers with longer experience in comparison to those that have less than 3 years experience and this means that the responses received considered both views of experienced and less experienced group of respondents on response strategies adopted by marketing firms of the liquefied petroleum gas market.

4.2.2 Period worked in the Organizations

Study findings on the period the respondents had worked at the organizations is shown in Table 4.3

Table 4.3: Period in the organizations

Period in the organization (Years)	Frequency	Percent
More than 12	8	29.6
Between 10-20	5	18.5
Between 20-30	6	22.2
Between 30-40	5	18.5
More than 40	3	11.1
Total	**27**	**100.0**

From the findings, 29.6% of the respondents had worked for more than 12 years with the organization, 18.5% had worked between 10-20 years with the organization. 22.2% had worked between 20-30 years with the organization, 18.5% of the respondents had worked between 30-40 years with the organization and 11.1% o had worked for more than 40 years with the organizations. The respondents had ample work experience and thus the information given was more relevant for generalization of the status in their respective organizations.

4.2.3 Number of Employees

Study findings on the number of employees working with the marketing firms are indicated in Table 4.4

Table 4.4: Number of Employees

Number of employees	Frequency	Percent
Less than 20	2	7.4
Between 21-40	10	37.0
Between 41-60	10	37.0
Between 61-80	2	7.4
More than 81	3	11.1
Total	**27**	**100.0**

The findings as shown in Table 4.4 indicated that 37% of the marketing firms had between 21-60 employees, 7.4% of the marketing firms had less than 20 and 61-80 years. 11.1% had more than 81 employees.

4.2.4 Ownership Structure

Data finding on the ownership structure of the marketing firms are indicated in Table 4.5

Table 4.5: Ownership Structure

Ownership Structure	Frequency	Percent
Privately owned	14	51.9
Publicly Owned (Quoted at the NSE)	13	48.1
Total	**27**	**100.0**

The findings in Table 4.5 indicated that majority of the marketing firms are privately owned at 51.9% while those that are publicly Owned (Quoted at the NSE) consisted of 48.1% of the total population. This shows that the information provided represented the entire industry including both listed and privately owned companies thus relevant and reliable for the study.

4.3 Response Strategies

Several response strategies adopted by marketing firms of the liquefied petroleum gas market in Kenya. The findings are illustrated in the proceeding pages.

4.3.1 Differentiation Strategy

Several statements on differentiation strategies adopted by marketing firms of the liquefied petroleum gas market in Kenya. The findings are shown below on Table 4.6

Table 4. 6: Differentiation Strategy

Differentiation Strategy	Mean	Std. Dev.
Our Company has weighs its products when selling to customers	3.2963	.72403
Our Company has branded all its LPG cylinders	4.1111	.57735
Our Company has branded all its LPG regulators	4.4444	.50637
Our Company has branded all its LPG pipes	3.2963	.66880
Our Company has branded all its LPG burners	3.4444	.50637
Our Company has varied payment modes from our customers	3.7037	.72403
Our Company has branded all its LPG outlets	3.4074	.74726
Our Company has developed loyalty programs to reward loyal customers	3.2963	.54171
Our Company has priced all its LPG products uniquely	3.3425	.8614

From Table 4.6, the respondents agreed to a moderate extent that the companies weighed their products when selling to customers with a mean of 3.2963 and standard deviation of 0.72403. The respondents agreed to a great extent that their companies had branded all their LPG cylinders with a mean of 4.1111 and standard deviation of 0.57735. The respondents agreed to a great extent that their companies had branded all their LPG regulators with mean of 4.4444 and standard deviation of 0.50637.

The respondents agreed to a moderate extent that the companies had branded all their LPG pipes with a mean of 3.2963 and standard deviation of 0.66880. They also agreed to a moderate extent that their companies had branded all their LPG burners with a mean of 3.4444 and standard deviation 0.50637. They agreed to a moderate extent that their companies had varied payment modes from their customers with a mean of 3.7037 and standard deviation of 0.72403. The respondents moderately agreed that their companies had branded all their LPG outlets with a mean of 3.4074 and standard deviation of .074726. They also agreed to a moderate extent that the differentiation strategy affected the competitiveness of the Company with a mean of 3.2963 and standard deviation of 0.54171. Further findings show that the companies had priced al their LPG products uniquely to differentiate them from competitors to a moderate extent as supported by a mean of 3.3425 with a standard deviation of 0.8614.

4.3.2 Cost Leadership Strategy

Several statements cost leadership strategies adopted by marketing firms of the liquefied petroleum gas market in Kenya were identified. The findings are shown below on Table 4.7

Table 4.7: Cost Leadership Strategy

Cost Leadership Strategy	Mean	Std. Dev.
Our Company has broken bulk of its LPG sales volumes	3.6667	.73380
Our Company has reduced its operating costs drastically to keep the cost of LPG low	3.6296	.68770
Our Company has established distribution locations in residential areas	3.5926	.74726
Our Company has provided avenues for customers to learn on safety measures when using LPG products	3.4815	.80242
what extent has the cost leadership strategy affected the competitiveness of your Company	3.6296	.79169

From the findings in Table 4.7, the respondents agreed to a moderate extent that Company have broken bulk of its LPG sales volumes with a mean of 3.6667 and standard deviation of 0.73380. To some moderate extent the respondents agreed that the Companies have reduced its operating costs drastically to keep the cost of LPG low with a mean of 3.6296 and standard deviation of .68770. To a moderate extent Company have established distribution locations in residential areas with a mean of 3.5926 and standard deviation of 0.74726. The respondents agreed to a moderate extent Company has provided avenues for customers to learn on safety measures when using LPG products had a mean of 3.4815 and standard deviation of 0.80242. The respondents agreed to a moderate extent that the cost leadership strategy affected the competitiveness of your Company with a mean of 3.6296 and standard deviation of 0.79169.

4.3.4 Strategic Alliance Strategies

Several statements on strategic alliance strategies adopted by marketing firms of the liquefied petroleum gas market in Kenya were identified. The findings are shown below on Table 4.8

Table 4. 8: Strategic Alliance Strategies

Strategic Alliance Strategies	Mean	Std. Dev.
Our Company has entered into strategic alliances with distributors within estates	3.3333	.96077
Our Company has invested in its exclusive distribution network	3.6296	.74152
Our Company has allowed our products to be distributed alongside other LPG competitor brands	3.4444	.84732
Our Company is involved in upstream operations	3.5926	.69389
Our Company is involved in downstream operations	3.5185	.75296
what extent has the strategic alliance strategy affected the competitiveness of your Company	3.5926	.79707

From Table 4.8, to a moderate extent Companies have entered into strategic alliances with distributors within estates with a mean of 3.3333 and standard deviation 0.96077. The respondents agreed to a moderate extent that Companies have invested in its exclusive distribution network with a mean of 3.6296 and standard deviation of 0.74152. The respondents agreed to a moderate extent Companies have allowed their products to be distributed alongside other LPG competitor brands with a mean of 3.4444 and standard deviation of 0.84732. The findings indicate that the respondents agreed to a moderate extent that Companies are involved in upstream operations with a mean of 3.5926 and standard deviation of .69389. To a moderate extent the respondents agreed that Companies involved in downstream operations with a mean of 3.5185 and standard deviation of 0.75296. The respondents agreed to a moderate extent the strategic alliance strategy affected the competitiveness of your Company with a mean of 3.5926 and standard deviation 0.79707.

4.3.5 Market Focus Strategies

Several statements on focus market strategies adopted by marketing firms of the liquefied petroleum gas market in Kenya were identified. The findings are shown in Table 4.9

Table 4.9: Market Focus Strategies

Market Focus Strategies	Mean	Std. Dev
Our Company has special products for different market segments like restaurants among others	3.3704	.92604
Our Company has entered into long term agreements with some key account customers	3.5185	.70002
Our Company positions itself as the best in service quality in the Industry	3.3333	.96077
Our Company has segmented the market for its products	3.6296	.74152
what extent has the market positioning strategy affected the competitiveness of your Company	3.4444	.84732

From Table 4.9, the respondents agreed to a moderate extent that Companies have special products for different market segments like restaurants among others with a mean of 3.3704 ad standard deviation of 0.92604. The respondents agreed to a moderate extent that Company have entered into long term agreements with some key account customers with a mean of 3.5185 and standard deviation of 0.70002. To a moderate extent it as agreed that the companies positions themselves as the best in service quality in the Industry with a mean of 3.3333 and standard deviation of 0.96077. The respondents agreed to a moderate extent that Company has segmented the market for its products with a mean of 3.6296 and standard deviation of 0.74152. The respondents moderately agreed that market positioning strategy affected the competitiveness of the market firms with a mean of 3.4444 and standard deviation of 0.84732.

4.4 Effects of Response Strategies on Competitiveness

Several statements on the effects of response strategies on competitiveness adopted by marketing firms of the liquefied petroleum gas market in Kenya were identified. The findings are shown below on Table 4.10

Table 4.10: Response Strategies

Response Strategies	Mean	Std. Dev
Differentiation strategy	3.5926	.69389
Strategic alliance strategy	3.5185	.75296
Focus market strategy	3.5926	.79707
Cost leadership strategy	3.3704	.92604
what extent is the competitiveness of the LPG marketing industry in Kenya	3.5185	.70002

From Table 4.10, to a moderate extent differentiation strategy had effect on competitiveness with a mean of 3.5926 and standard deviation of 0.69389. Strategic alliance strategy had a moderate effect on competiveness with a mean of 3.5185; the respondents agreed that Focus market strategy adopted has moderate effect on competitiveness. Cost leadership has moderate effect on competitiveness with a mean of 3.3704 and standard deviation of 0.92604. The respondents agreed moderately there is competitiveness of the LPG marketing industry in Kenya.

4.5 Correlation Analysis

Pearson's correlations analysis was conducted at 95% confidence interval so as to establish response strategies adopted by marketing firms of the liquefied petroleum gas market. From table 4.11 the study established there was a weak Pearson correlation between differentiation strategy and effects of strategies 0.172, the study established there was a strong Pearson Correlation between cost Leadership and effects of strategies at 0.826, the study established strong Pearson correlation between strategic alliances and effects of strategies at 0.988 and there was a strong Pearson correlation between Market focus and effects of strategies. The independent variables (cost leadership, strategic alliances and market focus) had significant correlation relationship as P-values were less than 0.05. For interpretation, a correlation coefficient value (r) of between 0.10 to 0.29 is said to be weak, whereas 0.30 to 0.49 is said to be medium and from 0.50 to 1.0 is considered strong.

Table 4.11: Correlation Analysis

		Effects of strategies	Differentiation strategy	Cost leadership	Strategic alliances	Focus market
Effects of strategies	Pearson Correlation	1				
	Sig. (2-tailed)					
	N					
Differentiation strategy	Pearson Correlation	.172	1			
	Sig. (2-tailed)	.391				
	N	27				
Cost leadership	Pearson Correlation	.826	.268	1	.	
	Sig. (2-tailed)	.000	.177			
	N	27				
strategic alliances	Pearson Correlation	.988	.177	.833	1	
	Sig. (2-tailed)	.000	.378	.000		
	N	27				
Market Focus	Pearson Correlation	.971	.151	.771	.962	1
	Sig. (2-tailed)	.000	.452	.000	.000	
	N	27				

4.6 Discussions

In regards to differentiation strategies, the study found that the marketing firms had branded all their LPG products and that the firms had distinguished burners, regulators, cylinders and distribution outlets. These findings are consistent with Svatopluk and Ljuba (2006) who argue that strategies based on differentiation are aimed at establishing fundamental difference in a variety of dimensions that buyers perceive a marked contrast between product and services of firm and its rivals. Differentiation may be achieved in a number of ways. According to Svatopluk and Ljuba (2006), differentiation processes substantial loyalty barriers that firms contemplating entry must overcome. Highly distinctive or unique products make it difficult for new entrants to compete with the reputation and skills that existing firms already possess.

On cost leadership Strategies the study found that Companies have broken bulk of its LPG sales volumes thus companies have reduced its operating costs drastically to keep the cost of LPG low. These findings are consistent with Porter (2008) that cost leadership strategy focuses on gaining competitive advantage by having the lowest cost in the industry. Lynch (2003) argues that being a low cost firm does not mean that it charges the lowest of all other firms on average and reinvesting the extra profits into the business. Nyauncho and Nyamweya (2015) established that cost leadership influenced the performance of LPGCs performance enabling the company to reduce price leading to high volume of sales visa a-visa profit margin, increase in service delivery, less return inwards, reduced operational costs and reduced wastages.

In regards to market strategies adopted it was found that companies have invested in its exclusive distribution network. The study established that companies are involved in upstream operations and downstream operations. The findings are in line with those of Lynch (2003) that the focus strategy differs from the other strategies because in the differentiation and cost strategies, the strategy is applied in a wide range of customers, whereas the firms that follow a focus strategy will apply it to a certain geographical area or a certain fraction of customers called market niche. The downside of the focus strategy, however, is that the niche characteristically is small and may not be significant or large enough to justify a company's attention. The findings indicated that on the effects of response strategies a moderate extent differentiation strategy had effect on competitiveness. Strategic alliance strategy had a moderate effect on competiveness; the respondents agreed that Focus market strategy adopted has moderate effect on competitiveness.

CHAPTER FIVE
SUMMARY, CONCLUSION AND RECOMMENDATIONS

5.1 Introduction

This chapter presents summary, conclusions, recommendations for further research based on the objective of the study.

5.2 Summary of the Findings

In regards to differentiation strategies, the study found that the marketing firms had branded all their LPG products and that the firms had distinguished burners, regulators, cylinders and distribution outlets. The findings also established that the firms had uniquely branded their LPG products to stand out from those of competitors.

On Cost Leadership Strategies the study found that Companies have broken bulk of its LPG sales volumes thus companies have reduced its operating costs drastically to keep the cost of LPG low. It was also found that companies have established distribution locations in residential areas. It was established that the cost leadership strategy affected the competitiveness.

In regards to market strategies adopted it was found that companies have invested in its exclusive distribution network. The study established that companies are involved in upstream operations and downstream operations. It was also found that to a moderate extent the strategic alliance strategy affected the competitiveness of the firms.

The respondents established that on the effects of response strategies a moderate extent differentiation strategy had effect on competitiveness. Strategic alliance strategy had a moderate effect on competiveness; the respondents agreed that Focus market strategy adopted has moderate effect on competitiveness. The respondents agreed moderately there is competitiveness of the oil marketing industry in Kenya.

5.3 Conclusion

The study concludes that market differentiation strategies have increased the firms competitive advantage other products and ensured that safety standards of health and safety in all their premises. Differentiation strategies have generally improved the competiveness among marketing firms. From the study the marketing firms have broken bulk of its LPG sales volumes with and cost leadership strategy affected the competitiveness to some extent.

It also concludes that the market strategies adopted have seen companies adopt exclusive distribution networks for their products in order to meet the needs of their customer's in order to increase competition among similar firms. The respondents agreed moderately there is competitiveness of the oil marketing industry in Kenya.

5.4 Recommendation

The study recommends that regulations on prices should be undertaken with care in order for the firms to compete especially on pricing as major component of marketing and therefore affect marketing strategies of organisations. LPG marketing firms should focus more on innovation, quality of products, as well as superior customer service in order to compete in the market. A marketing strategy that focuses on building better customer relationships would provide a better avenue for the firms to compete.

The study recommends improving administrative capacity and undertaking continuous marketing targeting various market segments can help in the successful penetration of the liquefied petroleum gas market products. Thus innovation strategies by marketing firms enable them in coming up with new products and services to meet the changing needs of customers.

5.5 Limitations of the Study

The Study concentrated on the marketing firms and left out the manufactures and sellers of the products who have had greater input based on the feedback they get from customers as they sell the available products. Consumers and the general public who would have given an insight as to what prevents them from buying the products were not included in the study. Thus there was missing link between the marketing firms and the clients.

5.6 Suggestions for Further Research

This study examined response strategies adopted by marketing firms of the liquefied petroleum gas market**.** The study suggests that further research to be done on factors affecting the manufactures of liquefied petroleum gas market. The study also suggests that further study be done on the same study focusing on other sector other than marketing in order to give real situation on how strategies can be adopted in various sectors of oil and gas industry.

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APPENDICES

APPENDIX I: QUESTIONNAIRE

RESPONSE STRATEGIES ADOPTED BY MARKETING FIRMS OF THE LIQUEFIED PETROLEUM GAS MARKET

Kindly answer all questions. The information requested will be treated with strict confidence and used only for academic purposes.

SECTION A: DEMOGRAPHIC INFORMATION

1. Name of the organization ____
2. Your position in the Company ____-
3. Number of years you have worked with the Company

   Less than 3 yrs ( ) Between 4-6 yrs ( )

   Between 7-9 yrs ( ) 10-12 yrs ( )

   More than 12 yrs ( )
4. Period that the organization has been in the Kenyan market

   Less than 10 yrs ( ) Between 10-20 yrs ( )

   Between 20-30 yrs ( ) Between 30-40 yrs ( )

   More than 40 yrs ( )
5. Number of employees in your organization

   Less than 20 ( ) Between 21-40 ( )

   Between 41-60 ( ) Between 61-80 ( )

   More than 81 ( )
6. Ownership structure of your Company

   Privately owned ( ) Publicly Owned (Quoted at the NSE) ( )

SECTION B: RESPONSE STRATEGIES

7. Below are several differentiation strategy applied by firms to remain competitive on the market. Kindly indicate the extent to which each of these has been applied by your Company. Use a scale of 1-5 where 1=no extent, 2= little extent, 3=moderate extent, 4=great extent and 5=very great extent.

Differentiation Strategy	**1**	**2**	**3**	**4**	**5**
Our Company has weighs its products when selling to customers					
Our Company has branded all its LPG cylinders					
Our Company has branded all its LPG regulators					
Our Company has branded all its LPG pipes					
Our Company has branded all its LPG burners					
Our Company has varied payment modes from our customers					
Our Company has branded all its LPG outlets					
Our Company has priced all its LPG products uniquely					
Our Company has developed loyalty programs to reward loyal customers					

8. In your opinion, in what other ways has your Company differentiated its LPG products from other oil marketing Companies in Kenya? Please explain.

____

____

9. To what extent has the differentiation strategy affected the competitiveness of your Company?

Very great extent [ ]
Great extent [ ]
Moderate extent [ ]
Little extent [ ]
No extent [ ]

10. Below are several cost leadership strategies applied by firms to remain competitive on the market. Kindly indicate the extent to which each of these has been applied by your Company. Use a scale of 1-5 where 1=no extent, 2= little extent, 3=moderate extent, 4=great extent and 5=very great extent.

Cost Leadership Strategy	**1**	**2**	**3**	**4**	**5**
Our Company has broken bulk of its LPG sales volumes					
Our Company has reduced its operating costs drastically to keep the cost of LPG low					
Our Company has established distribution locations in residential areas					
Our Company has provided avenues for customers to learn on safety measures when using LPG p=products					

11. To what extent has the cost leadership strategy affected the competitiveness of your Company?

Very great extent [ ]
Great extent [ ]
Moderate extent [ ]
Little extent [ ]
No extent [ ]

12. Below are several strategic alliance strategies applied by firms to remain competitive on the market. Kindly indicate the extent to which each of these has been applied by your Company. Use a scale of 1-5 where 1=no extent, 2= little extent, 3=moderate extent, 4=great extent and 5=very great extent.

Strategic Alliance Strategies	**1**	**2**	**3**	**4**	**5**
Our Company has entered into strategic alliances with distributors within estates					
Our Company has invested in its exclusive distribution network					
Our Company has allowed our products to be distributed alongside other LPG competitor brands					
Our Company is involved in upstream operations					
Our Company is involved in downstream operations					

13. In what other ways has your Company applied strategic alliance strategy? ____

____

14. To what extent has the strategic alliance strategy affected the competitiveness of your Company?

Very great extent [ ]
Great extent [ ]
Moderate extent [ ]
Little extent [ ]
No extent [ ]

15. Below are several focus market strategies applied by firms to remain competitive on the market. Kindly indicate the extent to which each of these has been applied by your Company. Use a scale of 1-5 where 1=no extent, 2= little extent, 3=moderate extent, 4=great extent and 5=very great extent.

Focus Market Strategies	**1**	**2**	**3**	**4**	**5**
Our Company has special products for different market segments like restaurants among others					
Our Company has entered into long term agreements with some key account customers					
Our Company positions itself as the best in service quality in the Industry					
Our Company has segmented the market for its products					

16. To what extent has the market positioning strategy affected the competitiveness of your Company?

Very great extent [ ]
Great extent [ ]
Moderate extent [ ]
Little extent [ ]
No extent [ ]

PART C: EFFECTS OF RESPONSE STRATEGIES ON COMPETITIVENESS

17. Please indicate the extent to which each of the identified response strategies has affected the competitiveness of your company. Use a scale of 1-5 where 1=no extent, 2= little extent, 3=moderate extent, 4=great extent and 5=very great extent

Response Strategies	**1**	**2**	**3**	**4**	**5**
Differentiation strategy					
Strategic alliance strategy					
Focus market strategy					
Cost leadership strategy					

18. In your opinion, to what extent is the competitiveness of the oil marketing industry in Kenya?

Very great extent	[ ]
Great extent	[ ]
Moderate extent	[ ]
Little extent	[ ]
No extent	[ ]

THANK YOU