FORECOURT RETAILING AND COMPETITIVE ADVANTAGE OF TOTAL KENYA PLC SERVICE STATIONS IN NAIROBI CITY COUNTY

PRESENTED BY:

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A RESEARCH PROJECT PRESENTED IN PARTIAL FULFILLMENT OF THE REQUIREMENTS FOR THE AWARD OF THE DEGREE OF MASTER OF BUSINESS ADMINISTRATION, UNIVERSITY OF NAIROBI, SCHOOL OF BUSINESS

2018

DECLARATION

I, the undersigned, declare that this is my original work and has not been presented to any institution or university other than the University of Nairobi for examination.

Signed: ______________________ Date: ___________________________

NANCY WAWERU

D61/65526/2013

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

Signed: ______________________ Date: ___________________________

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DEDICATION

I dedicate this project to my father, mother and brother.

I thank you for your belief and encouragement.

ACKNOWLEDGEMENT

My completion of this project could not have been possible without the support of various people;

I would like to express my sincere gratitude to my supervisor Dr. Jeremiah Kagwe for his insightful guidance, positive criticism, encouragement, patience and valuable advice which enabled me to complete this project successfully.

I thank the Almighty God for offering me the gift of life and the ability to pursue studies and see the fruits of my hard work. I appreciate all my lecturers and fellow students at the University of Nairobi (MBA programme) for rendering an enriching experience to share and acquire knowledge. I owe profound gratitude to all the Total Kenya PLC service stations dealers and managers who participated in this study. Thank you all.

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LIST OF ABBREVIATIONS AND ACRONYMS

ERC	Energy Regulatory Commission
IPO	Initial Public Offering
KPC	Kenya Pipeline Company
LPG	Liquefied Petroleum Gas
MD	Managing Director
OMC	Oil Marketing Companies
OTS	Open Tender System
PIEA	Petroleum Institute of East Africa
TKL	Total Kenya Limited

ABSTRACT

Kenya's oil industry has several challenges like price controls have been introduced, the shilling has severely depreciated and interest rates have soared, and these have caused high cost of crude oil as well as an escalation in the sales' cost. The Kenya Petroleum Industry has witnessed immense turbulence in the recent past ranging from influx of new entrants and thus increased competition, changes in government policies on regulations, volatility of world market prices and exit of multinational corporations. This has necessitated the continuous need for oil marketing companies to come up with strategies and hence develop not temporary but sustained competitive advantage. The objective of this study was to establish the effect of forecourt retailing on competitive advantage at TKL. Since there are only 48 TKL service stations in Nairobi City County, all of them were selected for this study’s purpose. The study used primary data. Structured questionnaires were employed in collecting primary data using the Likert Scale. Primary data collected by the questionnaire underwent coding and then entered Statistical Package for Social Science. Descriptive statistics in form of frequencies and percentages were used to analyze the descriptive elements of the study. Correlations and regression analysis were calculated to draw inferences to the entire population. A simple linear regression model was used to analyze if an association exists between the dependent variable and the independent variable. The study found that forecourt retailing strategy had a positive and significant correlation with competitive advantage. From the regression results, the study found that forecourt retailing strategy and competitive advantage are positively and significantly related. The study also concluded that most service stations have been using food courts, pastry and baking, pharmaceutical outlets, shopping outlets and car wash services as forecourt retailing strategy to a great extent. The study recommends that all service stations should ensure that they use food courts, pastry and baking, pharmaceutical outlets, shopping outlets and car wash services as forecourt retailing strategy in a great extent. This will lead to the increased competitive advantage in the sector.

CHAPTER ONE: INTRODUCTION

1.1 Background of the Study

Sengupta, Mohr as well as Slater (2010) argue that a business that uses innovation to make it different from others it's in competition can as well be referred to as a first mover, prospector, pioneer and product leader. Markham (1998) posits that forecourt retailing has continued to bring about beneficial facilities for shopping and more initiatives are coming up for expanding retail growth in fuel stations and in areas where trade for convenience goods is excelling. The reason for this is changes in consumer behavior as well as patterns whereby buyers now days prefer to do their shopping at places that operate for long hours hence being convenient (Prinsloo, 2003). There is therefore increased differentiation between fuel retail stations through the extra services they offer as well as the existence of forecourt shops, specialty shops and facilities for washing cars for them to gain competitive advantage and for their market share to rise (Chan et al., 2005).

This study was guided by two theories: the dynamic capabilities as well as the resource-based view theories. Dynamic capabilities theory argues that it is the dynamic capabilities that enable an organization to maintain its performance in the business environment that is rapidly changing by integrating, building, and reconfiguring its resources as well as competencies (Helfat, 1997). To become competitive in an operating environment that rapidly changes, it is crucial that organizations gain and sustain competitive advantage by utilizing their dynamic capabilities. The resource-based view possesses an intra-organizational focus and its argument is that performance results from capabilities and resources specific to the firm. Thus, for an organization to have a competitive advantage, it is crucial that it establishes the resources it owns and how to tap those resources (Barney, 1991). Michael Porters competitive forces model has relevance to this study because it illustrates ways through which industries become competitive and thus help managers in developing competitive strategies.

Total Kenya Limited has responded to the customer needs by redesigning products into brands that fit top technology segment stressing on better gains hence ensuring value for money which in return improves revenues by diversifying the business with what compliments the core business activities and having an innovation team where MD attends the meeting with an aim of encouraging innovative ideas from staff (KIPPRA, 2012). The company has adapted to diversification and innovation strategies in order to balance its revenues through the sales of non-oil related products and services retail outlets in major urban towns are being upgraded to meet wider customer needs to encourage more frequent visits thus increase footfall by offering the following facilities and services: Solar products, ATM services, Shops and restaurants, Carwash, service bay and wheel care Centre services, Partnering with Big brands like KFC, Java, Renting space to third parties like Chemist, fast food cafeteria, outdoor communication, Trained staff to render efficient service through courtesy and warmth. These have been adopted by Total Kenya as forecourt strategy to improve their competitive advantage. These services and facilities make customer refueling more pleasant and worthwhile adding non-fuel revenue to the company (Standard Investment Bank, 2012).

1.1.1 Forecourt Retailing

McKeown (2011) posits that “strategy involves shaping tomorrow and is trying to achieve desirable ends using the means available”. Thompson & Strickland (2003) indicate that strategy contains four components which are, competitive advantage, growth vector, synergy as well as product and market scope. The product- market component indicates the specific sectors to which the organization confines and its market share position of its products and how the organization competes for patronage. Allen and Helms (2006) defined strategy as a combined business approaches together with moves which are competitive which managers are using for the growth of the business, for attracting and pleasing buyers, for competing in a successful manner, for achieving the organizational performance levels targeted and for conducting their operations. Strategy defines what an organization does, in efforts to reach its customers, to successfully compete its rivals and is therefore the key driver of competitive advantage. Johnson and Scholes (2008) state that strategy is an organization's scope and direction in the long term, that aims at ensuring the expectations of stakeholders are fulfilled through achieving advantage in the environment that changes by configuring its resources as well as competences. It can as well be viewed as creating a match between an organization's activities and resources and its operation environment. Organization strategy enables an organization to differentiate itself as compared to its competitors.

A forecourt in a filling station is the place that has pumps. This place is outside the sales room or a gas station's convenience store when a consumer parks his or her vehicle in order to fill fuel and is either manned or unmanned. Forecourt retailing entails two important domains that provide various services to the customer. Fuel retailing for automobiles involves petrol and diesel sale and serves the personal transport customer in a direct manner, while the much smaller non-fuel sector concerns the retailing of commodities that are not essential, within the accompanying forecourt outlet, and mostly has no relationship with the transportation sector (Globe, 2003).

Fuel retailing relates to hydrocarbon sales on and off the retail service station forecourt and includes sales of regular, premium, unleaded premium, and diesel and kerosene fuels. Non-fuel retailing relates to some hydrocarbon sales and provision of auto services on and off the retail forecourts. Hydrocarbon sales in this category are the sale of Liquefied Petroleum Gas (LPG) and lubricants. Lubricants sales covers oil top up and oil change. Auto services refer to air pressure facilities, tyre repair and servicing, car and engine wash. Convenience retailing involves all non-hydrocarbon sales and auto services and is provided outside the forecourt but within the petrol station. Convenience retailing is predominantly sale and merchandising of fast-moving goods and service. Examples of convenience retailing include food courts, baking and pastry sales, provision of banking and pharmaceutical services and shopping outlets (Petroleum Institute of East Africa, 2011).

Karekezi (1999) and Apungu (2003) observed that petroleum-based retail service stations have diversified their product offering beyond just fuel needs to include a host of other products and services that include banking services, tyre and car accessory provision, food courts and convenient shopping facilities. Due to the diverse nature of the retail service stations propositions, petroleum companies have segmented their offerings into fuel retailing, non-fuel retailing and convenience retailing.

Within the past few years, the lifestyle of consumers has changed, and this has caused the coming up of forecourt convenience retail shops which are crucial destinations to shop in. This forecourt-retailer model is experiencing rising demand because of its long hours of operation, it offers a wide range of products, it is safe and more importantly it is convenient. Culmination from a research process that is still being carried out involving petroleum companies, service providers and dealers, the recently updated Forecourt Convenience Retail Reports offer readers the perspective of five very important players in the Forecourt Convenience Retail sector together with their distinguishable trading features, in a clear and concise manner (Apungu, 2003).

1.1.2 Competitive Advantage

At the point where a company accomplishes surplus that dominate the typical for its area then it has competitive advantage over its rivals (Porter, 1985). Creating competitive advantage battles to make cautious or hostile strides towards a doable market situation that firmly oversees rivalry while delivering higher-positioning returns and execution (Porter, 1998). Competitive advantage incorporates fluctuating standpoint from the firm’s physical surroundings to society, to the money related assets and institutional techniques. Kim and Mauborgne (1999) argues that competitive edge has triple center help that organizations should use for their refinement or achievement and they cover social, fiscal and ecological achievement. For organizations to keep up their competitive advantage they require procedures that makes the business novel and that which helps steer the organization forward as it's general surroundings changes.

For firms to survive and adapt to dynamic environments and attain competitive advantage, appropriate innovative strategies must be implemented. Competitive advantage can be described as the continuous reward of using specific distinct strategies established through unique combinations of internal organizational resources and capabilities that are not imitable. This enables an organization to attain a sustainable competitive advantage. A firm exhibit competitive advantage if it has higher positioning in terms of safeguarding against competitive forces (Damanpour, 1996). A firm is said to have a competitive edge if it has a mastery of making extended gain.

A company has competitive advantage if it has the capability of administering identical benefits as its rivals at a lower cost or deliver benefits or products that are exceedingly higher than those of rivals. This is referred to as differentiation advantage. Competitive advantage enables a firm to attain superior profits and gain superior firm value for its customers (Barney, 1991). Oliver (1997) purports that customers must notice certain differentials among the products offered by an organization for the firm to attain competitive advantage. Businesses can attain competitive advantage by generating a unique competitive plan that allows a suitable orientation in the industry that could be leveraged to increased firm capability resources and this can be attained through higher innovation levels (Porter, 2006).

1.1.3 Total Kenya Limited

TKL is an affiliate of Total Group which has its global head office in Paris, France. Total Group has been ranked the fourth biggest international petroleum Company worldwide that is publicly traded and integrated and exists in 100 nations and more. TKL has been in operation in Kenya from 1955. Its first registration was as OZO East Africa Limited and it started its operation officially in Kenya in 1959. It then changed its name from OZO East Africa Limited to Total Oil Products East Africa Limited in the year 1963. In 1988 it held its first IPO. The company then became the first multinational oil company to be quoted on NSE. It changed its name to TKL in 1991 and still in operation up to date (TKL, 2017).

In 2000, TKL acquired Elf Oil Limited and in 2009 Caltex brand of Chevron Kenya Limited which is Kenya's largest oil marketer in terms network of service stations as well as market share. Today, TKL has more than 180 service stations which make the company to be number one in terms of market share and revenues. The company has five fuel depots it owns exclusively, three depots under joint ownership, two facilities for filling LPG, one facility for blending lubricant and lastly five depots for aviation (PIEA, 2012).

Products and services offered by the Company range from lubricants which include Quartz for petrol engines and Rubia for diesel engines. TKL is big in the area of industrial lubricants and has a laboratory facility for testing the lubricants. This facility is the only one of its kind in East Africa. Total Kenya offers the widest range of LPG products to the consumer which includes Baby Meko, Meko 6kg, 13kg, 22.5kg and 50 kg mostly used for industrial purposes. In addition, the organization also distributes bulk LPG to institutional customers. TKL has also Service Bays, the Bonjour shops, Tyre Centers, Total wash and restaurants. The company is actively involved in aviation fuels and supplies bitumen mostly used for road construction and industrial purposes (TKL, 2017).

TKL has consistently been leading in technological innovation, community project initiatives and product and service quality. The company is among biggest employers in the country which is Kenya with more than 500 direct staff and 4000 indirect staff (www.totalkenya.com). Total Kenya Service Stations today offer not only fuel products but also non-fuel services and products which includes Bonjour shops, ATMs, restaurants Courier Services among others. The company aims at building strong brands around customer experience; value added fuels and non-fuel products and services. Total Kenya's innovative strategy includes using free space in the service station outlets for campaigns and renting the space for nonfuel activities (TKL, 2017).

1.1.4 Total Kenya Limited Service Stations in Nairobi City County

Nairobi is the capital city of Kenya and a commercial hub nationally and regionally. Its location coupled with a good transport network makes it an attractive destination for oil marketing firms (Kagechu, 2013). The number of Total Kenya Limited service stations in Nairobi City County has been on the rise over the years and they are distributed across the various constituencies that form the larger Nairobi County. Currently, there are 48 TKL service stations in Nairobi City County and most of these service stations practice forecourt retailing.

Due to changes in consumer lifestyle and the ever-increasing competition in the oil marketing industry, Total Kenya Limited has developed forecourt convenience retail shops which are crucial destinations to shop in. This forecourt-retailer model is experiencing rising demand because of its long hours of operation. Forecourt retailing is predominantly sale and merchandising of fast-moving goods and service. Examples of forecourt retailing being practiced by TKL include food courts, baking and pastry sales, provision of banking and pharmaceutical services and shopping outlets.

1.2 Research Problem

Forecourt retailing has continued to bring about beneficial facilities for shopping and more initiatives are coming up for expanding retail growth in fuel stations and in areas where trade for convenience goods is excelling. The reason for this is changes in consumer behavior as well as patterns whereby buyers now days prefer to do their shopping at places that operate for long hours hence being convenient (Prinsloo, 2003). There is therefore increased differentiation between fuel retail stations through the extra services they offer as well as the existence of forecourt shops, specialty shops and facilities for washing cars for them to gain competitive advantage and for their market share to rise (Chan et al., 2005).

Kenya's oil industry has several challenges like price controls have been introduces, the shilling has severely depreciated and interest rates have soared, and these have caused high cost of crude oil as well as an escalation in the sales' cost. The Kenya Petroleum Industry has witnessed immense turbulence in the recent past ranging from influx of new entrants and thus increased competition, changes in government policies on regulations, volatility of world market prices and exit of multinational corporations. This has necessitated the continuous need for oil marketing companies to come up with strategies and hence develop not temporary but sustained competitive advantage (Standard Investment Bank, 2012).

Globally, Boyle (2012) studied on the failure of business format franchising in British forecourt retailing. The research established that adoption of forecourt retailing increases competitive advantage of firms. Mlyne (2006) carried out a study on using online marketplaces for competitive advantage: a Latin American perspective where they established that as barriers of trade in the region collapse, these small firms expand their reach past their own countries' borders in a significant way due to such marketplaces. Practicing trade across various economies, languages and cultures is now real because of the Internet. The study however was based in Latin America and hence the findings cannot be applicable in Kenya.

Locally, Njoroge (2006), studied competitive strategies employed by LPG Marketers in Kenya to face the competition. The study's objective was to ascertain the competitive strategies used by Kenya's LPG marketers. The findings from the study indicated that marketers used predominantly low-cost strategy to a great extent in the attainment of competitiveness in the market. In her study she did a census survey on oil marketing companies who handled LPG. This number had since doubled, some marketers exited, and others came in. The study was also done years ago within which many strategic issues have come up and hence the need to carry out more studies on competitive strategies by oil marketing companies. Wanjiku (2015) studied response strategies to cope with barriers of entry. The study's objective was to ascertain the response strategies employed by oil marketing companies as well as their effect on barriers to entry of new players in the industry. Findings from the study pointed out that oil marketing companies established wholly owned subsidiaries to cope with entry barriers. Her study was fundamentally different from this study in that it did not address forecourt retailing and its impact on competitive advantage at Total Kenya Limited.

Muniu (2015) studied on strategies used by commercial banks to gain competitive advantage in providing financial services to Kenya's oil companies. The study's aim was to determine the challenges commercial banks faced when providing financial services to companies in Kenya's oil industry as well as the strategic responses they use in responding to the challenges. The findings indicated that the wide branches network of competitors; low cost services from competitors; loss of customers to other commercial banks; high costs of potential customers switching from a competitor; dominance of few commercial banks; strong brand name of competitors were the various challenges faced. This study was carried out in a different context and did not address the objective of the current study. Kamenju (2016), studied on response strategies adopted by oil marketing companies and their effect on performance. The study's purpose was to ascertain response strategies used by Kenya's oil marketing Companies, and to establish the impacts of the response strategies on the competitiveness of the oil marketing firms. It was also established that these response strategies influenced the competitiveness of the marketing firm to a big extent. However, the study failed to look at forecourt retailing as a strategy for gaining competitive advantages in Total Kenya Limited.

From the above both local and international studies, it is evident that there exists a knowledge gap since no single study has been carried out on Forecourt retailing and competitive advantage at Total Kenya. This study thus intends to fill this gap by answering the following research question; what is the impact of forecourt retailing on competitive advantage at Total Kenya?

1.3 Objective of the Study

The objective of this study was to establish the effect of forecourt retailing on competitive advantage at Total Kenya Limited.

1.4 Value of the Study

This study's findings will become a point of reference for scholars, students and researchers that will want to carry out studies in a closely related or the same area in the future. Researchers as well as scholars may also use this study to identify the of areas of further studies as well as related areas by establishing which topics require to be researched further and by the review of empirical literature that exists to determine the gaps in the study.

The government through the ministry of energy and other policy making bodies may also use the study's findings. The policy makers will be able to understand how forecourt retailing as a strategy will impact on attainment of competitive advantage of Total Kenya and come up with various mechanisms which can be adopted to improve the performance of oil marketing companies that will contribute to economic growth and development in the country.

The study provides an understanding on the effectiveness of forecourt retailing on competitive advantage of Total Kenya Limited. A strong basis of impact of forecourt retailing strategy on competitive advantage will be established by the findings from this study. These findings will be an insight to the Total Kenya Limited and other oil marketing companies on the importance of forecourt retailing as a strategy in attaining competitive advantage.

CHAPTER TWO: LITERATURE REVIEW

2.1 Introduction

The section entailed theoretical literature review, competitive strategies as well as its relationship with organizational effectiveness. This chapter further outlined both local and global empirical reviews, competitive strategies and finally the conceptual framework.

2.2 Theoretical Review

Two theories formed the basis of this research. These are; the resource-based view and dynamic capability theory. These theories were discussed below.

2.2.1Resource Based View Theory

Among the early studies on the concept of Resource Based View (RBV) was by Penrose (1959) who proposed that an organization's uniqueness is derived from the heterogeneity rather than the homogeneity of the productive services available. The concept of an organization's resources heterogeneity is the main theme of Resource based view. According to Penrose (1959) both the internal and external growth of an organization through means such as merging, and acquisition and diversification can be determined by how well the organization's resources are deployed. An organization is made up of a combination of valuable resources and these resources can only contribute to an organization competitive advantage if they're deployed and used in a way that these productive resources are easily accessible to the organization. As such firms must understand what their strengths and weakness are so that they can come up with strategies on how to beat their rivals using the available resources (Wernefelt, 1984).

Each individual organization could be viewed as a bundle of intangible and tangible capabilities and resources that are unique (Wernerfelt, 1984). Resource may be termed as anything that gives a company an advantage or disadvantage relative to its rivals. The intangible and tangible assets of an organization at any given time are defined as resources (Wernefelt, 1984). This could be all the assets such as human resource, physical assets, commercial, organizational assets, financial assets as well as technological assets that firms deploy so that they can innovate, manufacture and convey services and products to their clients (Barney, 1991).

RBV holds that organizations valuable resources are the ones that determine the firm's competitiveness and performance. RBV states that the major forces that influence and impact on the competitive advantage and how excellent an organization performs is derived from the features of the company's capabilities as well as resources that are both hard to mimic and are valued (Barney, 1991). Through RBV firms can design and carry out their firm strategy by looking at the position of their internal resources and capabilities (Sheehan & Foss, 2007).

Wernerfelt (1984) argues that while a there is direct relation between how a company performs and the performance of its own offerings in the market, organizational performance is also impacted indirectly by the resources that are utilized in the production process. Therefore, for organizations to achieve above average performance and returns they must identify, know and acquire these resources that are core to the development of the products that are demanded by the customers. A firm resource must be valuable, scarce and hard and costly to copy for the organization to achieve sustained competitive edge (Barney 1991). Two assumptions govern RVB. One, it assumes that organizations that operate in an industry that are viewed as being in the same strategic circle may differentiated themselves through the resources they possess. Two, it assumes that these differences may last way into the future because these resources cannot be transferred from one company to another because they are not portable (Barney, 1985).

Resources can contribute to a firm achieving competitive edge over their rivals if they possess resources that are difficult to imitate due to its unique nature (Barney, 2003). An organization is viewed as having achieved competitive advantage when it undertakes strategies that bring value creation and the strategies are not being undertaken by its rivals and these rivals cannot copy the strategies or its benefits (Barney, 1991). The theory relates to the current study in that it recognizes the role played by resources held by a firm in gaining competitive advantage.

2.2.2 Dynamic Capabilities Theory

Ambrosini and Bowman (2009) termed Teece's (1990) paper as the first contribution to distinctively bring out the idea of dynamic capabilities. Teece illustrated that RBV did not clearly demonstrate the criteria used by some successful firms to undertake rapid and flexible product innovation and timely responsiveness along with the capability of the management to properly coordinate and redeploy external and internal competences. He further argued that consideration needs to be made of the changing external environment situations and thus the contribution of strategic management that is basically concerned with ‘adapting, reconfiguring and integrating both the outer and inner resources of the firm, practical competencies as well as skills towards the dynamic environment. Teece et al., (1997, 2007) observed that in turbulent environments, competitive advantage is a dynamic capabilities function rather than industry conflict or competitive positioning. The term “dynamic” was used to demonstrate “the ability to renew competences to a match with the changing environment”. Teece et al., (1997) highlighted how important path dependencies are, and the importance of restructuring the resources of a firm to allow for change and evolution.

Dynamic capabilities are created from a framework that is composed of these three attributes: path dependencies, organizational positions and processes (Teece et al., 1997). Processes view how tasks are performed, therefore: routines and practice patterns. They establish how capabilities could be created within the organizations for capitalization of the existing opportunities by analysing the external as well as internal capabilities. A resource endowment for example technology, associations with customers and suppliers and intellectual property defines an organization's position (Teece et al., 1997). The evolutionary theory shows the capabilities' evolutionary path in which the evolution of past capabilities causes the emergence of distinctive capabilities (Ambrosini & Bowman, 2009). Thus, path dependencies concentrate on improving firm’s strategic options by ensuring the current capabilities are modified. The theory relates to the current research as forecourt retailing is a dynamic capability that TKL utilizes to gain a competitive advantage.

2.3 Forecourt Retailing and Competitive Advantage

For some years now, forecourts have been dealing with some sort of retailing activity for luring forecourt patrons and supplementing income. These activities range from spares shops to tyres as well as unbranded shops. Many forecourts have hidden treasure; this is mostly because of the increase in convenience retailing that two-income families drive it and the urge to buy products on the go by customers. Underhill (2000) notes that the convenience shops have become very convenient as well as available. He also notes the importance of women who work fulltime in how the convenience retailing is growing. Here, individuals make few purchases but their frequency in high and in a hurried manner. Convenience shops charge more money for their products than supermarkets do but in exchange for convenience, individuals accept their prices which are higher.

This convenience idea proved to be very important to petroleum companies because many fuel stations had already put up infrastructure that were not being used in a profitable manner. It also became a good development to add on to the factors that attracted individuals to the forecourts to buy products in a quick way. Boyle (2002) notes that by the 1980's petroleum companies in the United Kingdom had started diversifying into food retailing and their fuel stations had been turned into forecourt convenience stores due to the increasing competition in the environment of oil retailing and because of the increase in convenience retailing.

According to Porter’s (1985) Value Chain, the primary activities' marketing section received an additional activity that could lead to exploitation of all the resources of the firms. The aim of the specific development was to provide a Sustainable Competitive Advantage. Morschett, Swoboda and Schramm-Klein (2006) posit that the Sustainable Competitive Advantage chosen by a firm to enable it face competition must be guided by specific criteria and most importantly the customers must have a perception regarding it. They further note that investment in store design is minimized as well as ambience and customer service reduce when cost leadership in retailing is strived especially on value chain's market side. This causes a significant challenge in employing Porter’s frameworks in a blind way with no clear understanding of the given industry and how applicable it is to the business. This is specifically significant since petroleum companies are quickly re-imaging their forecourt convenience stores which are known to be expensive.

Nielsen (2006) notes that millions of monies is being used to come up with various forecourt shop layouts as well as formats and product offerings. Competition for buyers via service improvements as well as advertisements which is measured by mystery shoppers and buyer first scores indicate how serious these petroleum companies treat their convenience stores. Understanding if customers view any value in such shops is significant. Morschett et al., (2006) note that quality advantages and price advantages do not have an opposition, although separate factors only have a slight negative correlation. Convenience also forms part of a central dimension in the retail store perception of a buyer.

2.4 Empirical Review

Swaleh (2007) researched on competitive strategies petroleum service stations in Mombasa apply. His study involved all Mombasa's seventy-five service stations and data collection was by questionnaires. Sixty-five stations gave a response while ten stations didn't. Data analysis was through descriptive statistics that used percentages as well as frequency tables. The study established that all stations which are mostly multinational because of their good financial capabilities, apply some strategies because of competition although many of them use a combination of differentiation and cost leadership strategies at the same time. Independent owners and a few locally owned companies mostly concentrate on price strategy and sell at prices that are low. However, this study did not address forecourt retailing which is the gap the current study intends to fill.

Mwangi (2007) conducted a study to determine the strategies applied by main oil firms in creating competitive advantage for their service stations in Nairobi. The study was carried out as a descriptive research. Semi-structured questionnaires were utilized for data collection from the five major oil companies. The questionnaires were administered to the retail and marketing managers of the oil companies through personal interviews. Two questionnaires were filled for each company. Overall, the research revealed that the major oil companies use cost leadership and diversification as strategies to try and gain competitive advantage for their stations. The research also revealed that other strategies like differentiation, focus, market penetration, product development and market development have not been used a lot by the major oil companies Kenya. This study focused did not consider forecourt retailing like a strategy applied by oil marketing firms for gaining competitive advantages.

Otieno (2013) studied the strategies used by Kenya's oil marketing companies to obtain competitive advantage. 53 oil marketers were targeted in a census survey from which 35 gave a response that represented 66% rate of response. The study was carried out through questionnaire prepared and distributed to the oil marketers by dropping and picking, face to face interview as well as electronic transmission. It was established that oil marketers employed broad low-cost strategy, internationalization, vertical integration, outsourcing and strategic alliances in that order. Out of the strategies employed to keep the organization cost low, the oil marketing companies s agreed that direct-to-end-user sales and marketing strategies, economies of experience and economies of scale were the most employed. On the value chain activities carried out by the marketers, it was established that clearing and forwarding was the most outsourced, followed by transportation and storage. It was further established that the majority of oil marketing companies planned to extend their operations to include storage facilities. This study differs from the current study as it did not establish the association between competitive advantage and forecourt retailing.

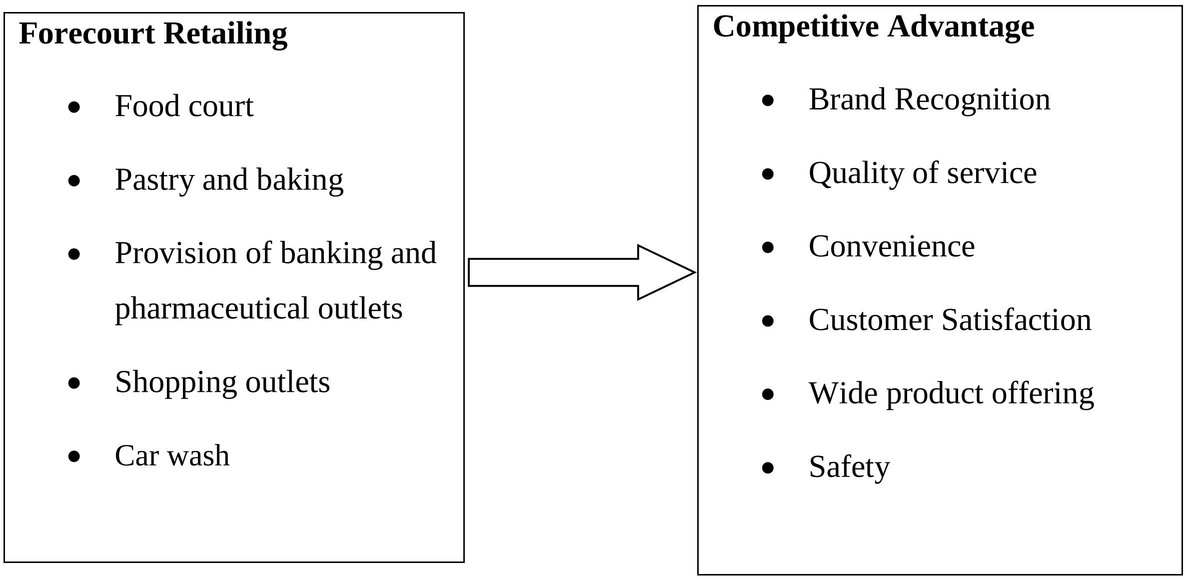
Muema (2014) investigated the strategies applied by Kenya's petroleum marketing firms to keep on being competitive. The researcher made a conclusion that focus as well as cost leadership strategies were the most widely used competitive strategies. The researcher also concluded that differentiation, cost leadership, focus and market expansion strategies were effective in enhancing the competitiveness of the oil firms. Although this study focused on strategies applied by oil marketing firms to remain competitive, forecourt retailing was not included and that is the gap the current study leveraged on.

Maina (2015) sought to establish the factors affecting Kenya's competitive advantage in the Oil and Gas industry. His objectives of the research included: to establish what factors affect Kenya's competitive advantage in the Oil and Gas industry; as well as to establish to what extent each the factors affects competitive advantage in oil and gas industry. His study employed a descriptive research survey design. His study's population was 40 Oil and Gas companies registered under Kenya's ERC. The study's data collection was through structured questionnaires. Data analysis employed descriptive statistics which were percentage distribution tables, mean and frequencies tables. Inferential statistics were multiple regression and correlation. His study established the existence of a significantly positive association between competitive advantage and marketing strategies, customer care, price of oil and gas, after sales service, product innovation, quality products, leadership styles, oil and gas location and promotions. The independent variables for this study are different from the focus of the current study which is forecourt retailing.

2.5 Conceptual Framework

Figure 2.1 shows how forecourt retailing influences competitive advantage of Total Kenya Limited service stations in Nairobi City County.

Figure 2.1: The Conceptual Model



Source: Researcher (2018)

CHAPTER THREE: RESEARCH METHODOLOGY

3.1 Introduction

The section contained information about the research, population and the sample that was selected. Data collection, data analysis as well as presentation techniques that was employed in this study are highlighted in this chapter.

3.2 Research Design

Mugenda and Mugenda (2003) described research design as that method that is procedurally acquired by the researcher and that which enables the researcher to be able to answers questions accurately, validly, objectively, and economically. According to Khan (2008), a research design aims at improving the ability of the research in conceptualizing an operational plan in order to be able to embark on the various techniques available and required tasks for the completion of the study while at the same time ensuring that that the procedures used are sufficient enough to acquire valid, objective and precise responses to the research questions.

Descriptive cross-sectional research design was used to address this research problem. A descriptive study's aim is establishing the what, where and how of a phenomenon (Cooper & Schindler, 2008). The appropriateness of this design is that it allowed the researcher to utilize both quantitative and qualitative data to establish the effect of forecourt retailing on competitive advantage of TKL service stations

3.3 Population of the Study

A population is individuals, groups, object or events that exhibit similar traits (Burns & Burns, 2008). The selected population target for this study was the 48 TKL service stations in Nairobi City County as at 31st July 2018. This target population gave data that gave answers to the research questions formulated by the researcher on how forecourt retailing influences competitive advantage of TKL service stations in Nairobi City County.

Since there are only 48 TKL service stations in Nairobi City County, all of them were selected for this study’s purpose. For primary data collection purpose, the study focused particularly on managers of these service stations. The researcher believed that these are the most informed on the role of forecourt retailing in achieving competitive advantage.

3.4 Data Collection

Primary data was applied, and structured questionnaires were employed in collecting it using Likert Scale. The targeted respondents in this study were managers and supervisors of the TKL service stations in Nairobi City County. This is because they were involved in the stations' management and had a broad understanding of the affairs of the service station.

One respondent from each service were chosen upon which the questionnaires were administered. The structured questionnaire contained close-ended as well as open – ended questions which brought out more tangible recommendations. The ratings on various attributes were tested using the closed ended questions which were of help in the reduction of responses that are related to obtain responses that are more varied.

More data not obtained using the close-ended questions was captured using the open-ended questions to assist in understanding better the effect of forecourt retailing on the competitive advantage of TKL service stations in Nairobi City County. The research instrument was personally administered by the researcher to the respondents. The researcher kept a register of the questionnaires to ensure that all the questionnaires distributed to the respondents were returned.

3.5 Data Analysis

Primary data collected by the questionnaire underwent coding and then entered Statistical Package for Social Science. Descriptive statistics in form of frequencies and percentages were used to analyze the descriptive elements of the study. Correlations and regression analysis were calculated to draw inferences to the entire population. A simple linear regression model was used to analyze if an association exists between the dependent variable and the independent variable. Competitive advantage was the dependent variable whereas the independent variable was forecourt retailing as characterized by food court, pastry and baking, provision of banking and pharmaceutical outlets, shopping outlets and car wash services.

CHAPTER FOUR: RESULTS AND DISCUSSIONS

4.0 Introduction

The section summarised the findings of data analysis, the outcomes of these analysis and interpretations. Results were displayed diagrammatically as well as in the form of tables. The analysed data was also arranged in groupings that were are a reflection of the research objectives.

4.1 Response Rate

The researcher issued out 48 questionnaires to Total Kenya service stations. Thirty-six (36) were properly answered and handed in. Results were as displayed in Table 4.1.

Table 4.1: Response Rate

Response	Frequency	Percent
Returned	36	75%
Unreturned	12	25%%
Total	**48**	**100%**

The results therefore revealed an overall successful response rate of 75%. Based on Kothari (2004) a return rate of above 50% is adequate for a research hence 75% return rate is excellent.

4.2 Reliability

The cronbach alpha was computed for the purpose of measuring the reliability of the administered questionnaire. The conclusion reached was that both variables were reliable as their cronbach alpha achieved was above 0.7 that has been used as the cut point of reliability. Table 4.2 summarises the reliability results.

Table 4.2: Reliability Results

Variable	No of items	Cronbach's Alpha	Comment
Forecourt Retailing	7	0.801	Reliable
Competitive Advantage	5	0.899	Reliable

4.3 Demographic Characteristics

This part consisted of the fundamental traits of the study which included; position held in the service station, years worked in the service station and number of employees.

4.3.1 Position Held in the Service Station

The respondents were requested to state the position they held in the service station. Figure 4.1 presents the findings.

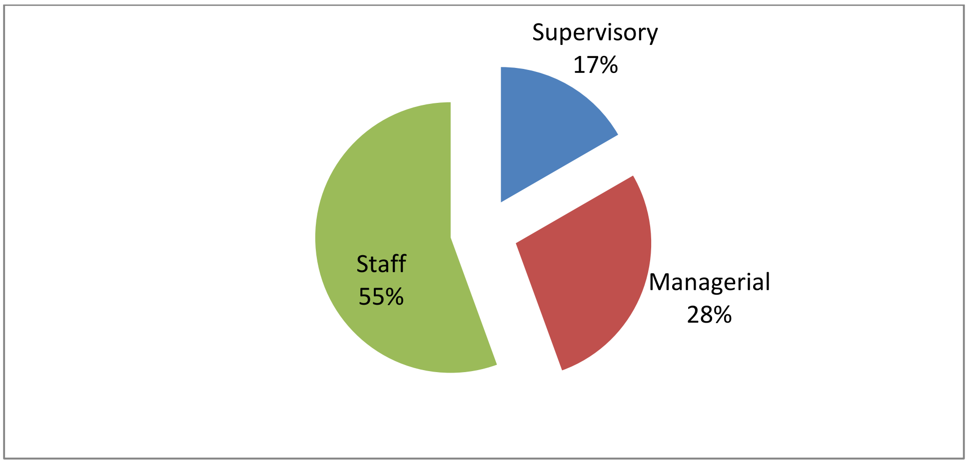


Figure 4.1: Position Held in the Service Station

Fig. 4.1 shows that many of the respondents who were 55% stated that they were staffs, 28% were managers while only 17% were supervisors. This implied that most respondents who were interviewed were staffs.

4.3.2 Years worked in the Service Station

The respondents were requested to indicate how long they had worked for the respective service station.

Figure 4.2 presents the findings.

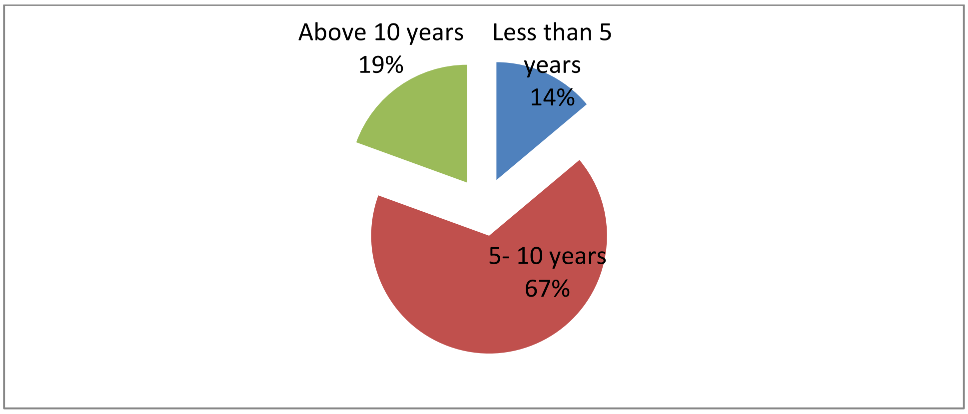


Figure 4.2: Years worked in the Service Station

It was revealed that most of the respondents who were 67% stated that they had worked in the service station for 5 – 10 years, 19% had worked in the service station for more than 10 years while only 14% who had worked below 5 years implying that many employees of the service station had worked for a long period and thus had enough skills and experience to boost the competitive advantage of the service station.

4.3.3 Number of Employees

Respondents were requested to indicate the number of employees in their service station. Figure 4.3 presents the findings.

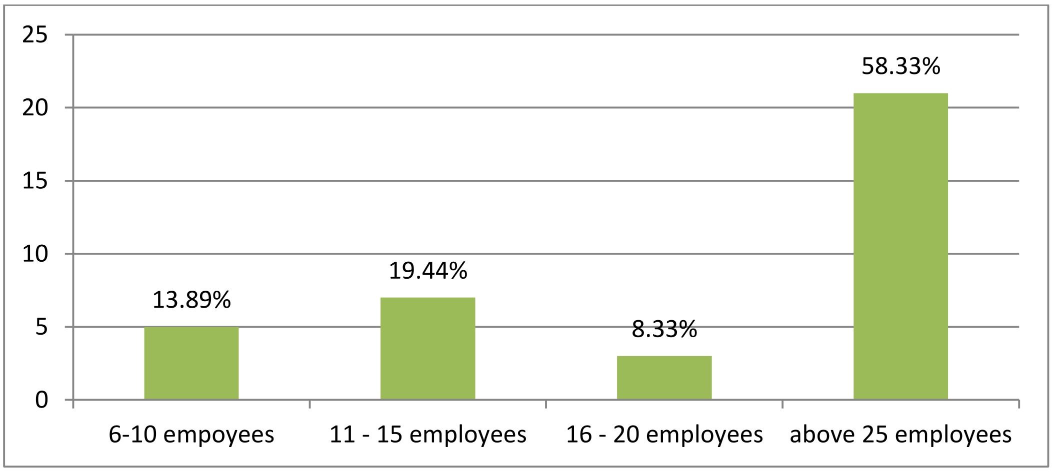


Figure 4.3: Number of Employees

The results in Table 4.3 indicated that most of the respondents (58.33%) stated that their station had more than 25 employees, 19.44% stated that their station had 11 – 15 employees, 13.89% stated that their service station had 6 – 10 employees while only 8.33% stated that their station had 16 – 20 employees. This implied that most stations were big and thus had large asset base to on improve their competitive advantage.

4.4 Descriptive Statistics

This section contains descriptive analysis for forecourt retailing and competitive advantage. The results were given as mean, percentages as well as standard deviations.

4.4.1 Forecourt Retailing Strategy

The respondents were requested to show the degree to which their service station use forecourt retailing strategy to remain competitive.

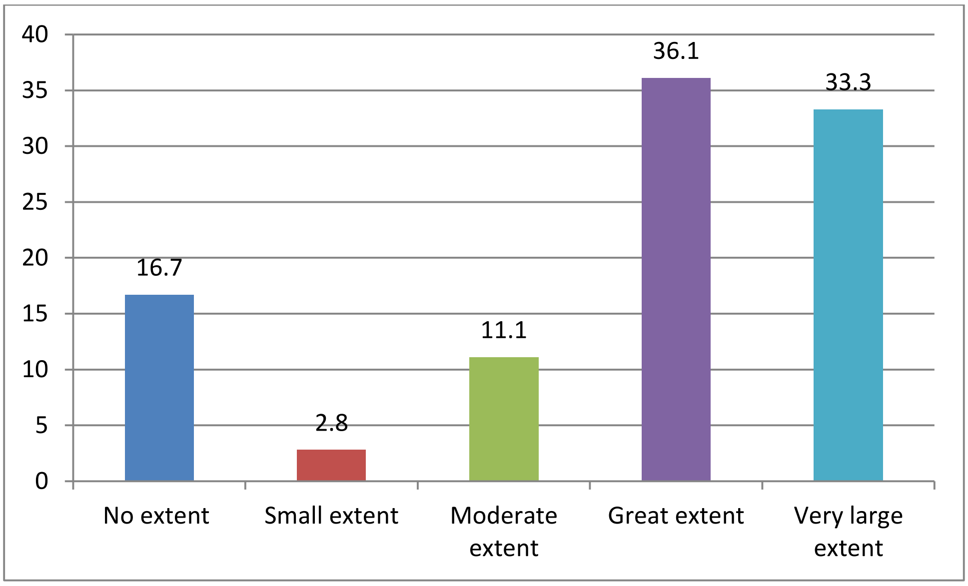


Figure 4.4: Forecourt Retailing Strategy and Competitive Advantage

The results therefore revealed that 36.1% off the respondents indicated that their service station used forecourt retailing strategy in an attempt to remain competitive to a great extent, 33.3% indicated to a very great extent, 16.7% indicated to no extent, 11.1% and 2.8% who stated that their service station used forecourt retailing strategy in an attempt to remain competitive to a moderate and small extent.

The respondents were also asked to state the extent to which they used forecourt retailing strategies to gain competitive advantage.

Table 4.3: Forecourt Retailing Strategy

	Very low extent	Low extent	Moderate extent	Great extent	Very great extent	Mean	Std. dev
Food courts	2.80%	25.00%	5.60%	30.60%	36.10%	3.72	1.28
Pastry and baking	11.10%	5.60%	13.90%	47.20%	22.20%	3.64	1.22
Provision of banking outlets	2.80%	13.90%	8.30%	36.10%	38.90%	3.94	1.15
Provision of pharmaceutical outlets	8.30%	8.30%	2.80%	47.20%	33.30%	3.89	1.21
Shopping outlets	13.90%	2.80%	5.60%	30.60%	47.20%	3.94	1.39
Car wash services	2.80%	25.00%	5.60%	30.60%	36.10%	3.72	1.28
Service bay and wheel care Centre services	11.10%	5.60%	13.90%	47.20%	22.20%	3.64	1.22
Average						**3.78**	**1.25**

The results indicated that most of the respondents who were 66.7% (30.60% +36.10%) stated that they used food courts greatly. The results further indicated that many of the respondents who were 69.4% stated that they used pastry and baking greatly. The results further indicated that most of the respondents who were 75.00% stated that they used provision of banking outlets greatly. The results further indicated that most of the respondents who were 80.5% stated that they used provision of pharmaceutical outlets greatly.

In addition, the results indicated that many of the respondents who were 77.8% stated that they used shopping outlets greatly. The results also indicated that many of the respondents who were 66.7% stated that they used car wash services greatly. The results also indicated that many of the respondents who were 69.4% stated that they used Service bay and wheel care Centre services greatly.

4.4.2 Competitive Advantage

The respondents were further requested to state the trend of competitive advantage in their service station for the last five years. Table 4.4 displays the outcomes.

Table 4.4: Competitive Advantage

	Greatly decreased	Decreased	constant	Improved	Greatly improved	Mean	Std. dev
Brand Recognition	5.60%	5.60%	11.10%	50.00%	27.80%	3.89	1.06
Quality of service	8.30%	8.30%	11.10%	25.00%	47.20%	3.94	1.31
Convenience	5.60%	5.60%	5.60%	47.20%	36.10%	4.03	1.08
Customer Satisfaction	11.10%	5.60%	8.30%	33.30%	41.70%	3.89	1.33
Product offering	11.10%	5.60%	5.60%	27.80%	50.00%	4.00	1.35
Safety	2.80%	30.60%	8.30%	27.80%	30.60%	3.53	1.30
Average						**3.88**	**1.24**

The results showed that most stations 77.8% (50.00% + 27.80%) stated that Brand Recognition greatly improved in their service station in the past 5 years. It was further revealed that (72.2%) of the respondents stated that quality of service greatly improved in their service station in the past 5 years. Also, 83.3% stated that convenience greatly improved in their service station in the past 5 years.

Further, (75.00%) stated that Customer satisfaction greatly improved in their service station in the past 5 years. Further, 77.8% of the respondents stated that product offering greatly improved in their service station in the past 5 years. Many (58.4%) stated that safety greatly improved in their service station in the past 5 years.

4.5 Inferential Statistics

Inferential analysis which included correlations analysis and regressions were conducted.

4.5.1 Correlation Analysis

This was conducted to unveil the association between forecourt retailing strategy and competitive advantage. Table 4.5 displays correlation analysis outcomes.

Table 4.5: Correlation Analysis

		Competitive advantage	Forecourt Retailing
Competitive advantage	Pearson Correlation	1.000	
	Sig. (2-tailed)		
Forecourt Retailing	Pearson Correlation	.751**	1.000
	Sig. (2-tailed)	0.000	

Table 4.5 indicates that there was a desirable and notable association between forecourt retailing strategy and competitive advantage (r=0.751, p=0.000). This implied that an increase in forecourt retailing strategy causes an increase in competitive advantage.

4.5.2 Regression Analysis

The findings in table 4.6 revealed the fitness of model of regression model used to explain the research phenomena.

Table 4.6: Model Fitness

Model	R	R^2	Adjusted R^2	Std. Error of the Estimate
1	.751a	0.563	0.551	0.41668

Forecourt retailing strategy was discovered to be an adequate variable in explaining competitive advantage confirmed by $\mathbf{R^2}$ of 56.3% implying that Forecourt retailing strategy explain 56.3% of the variations in the dependent variable which is competitive advantage.

Table 4.7 provides the results on ANOVA

Table 4.7: ANOVA

	Sum of Squares	df	Mean Square	F	Sig.
Regression	7.617	1	7.617	43.871	.000b
Residual	5.903	34	0.174		
Total	13.52	35			

The results show that the overall model was statistically significant as supported by a p value of 0.000 which is below the critical p value of 0.05 confirmed by an F statistic of

43.871 which imply that Forecourt retailing strategy is a good predictor of competitive advantage

Table 4.8: Regression of Coefficients

	B	Std. Error	t	Sig.
(Constant)	0.867	0.468	1.853	0.073
Forecourt Retailing	0.782	0.118	6.623	0.000

Table 4.8 indicates that forecourt retailing strategy and competitive advantage are positively and significantly related (r=0.782, p=0.000). These outcomes concur with that of Maina (2015) who established the existence of a significantly positive association between competitive advantage and marketing strategies, customer care, price of oil and gas, after sales service, product innovation, quality products, leadership styles, oil and gas location and promotions.

Therefore, the optimal model is;

Competitive advantage = 0.867 + 0.782 forecourt retailing strategy

4.6 Discussion of Findings

The main objective of the study was to establish the effect of forecourt retailing on competitive advantage at Total Kenya Limited. To start with, the study results indicated that there was a desirable and notable association between forecourt retailing strategy and competitive advantage (r=0.751,p=0.000). This implied that an increase in forecourt retailing strategy causes an increase in the competitive advantage at Total Kenya Limited. The findings of this study agreed with those of Underhill (2000) who noted that many forecourts have hidden treasure; this is mostly because of the increase in convenience retailing that two-income families drive it and the urge to buy products on the go by customers. He also noted that individuals here make few purchases, but their frequency is high and in a hurried manner. Convenience shops charge more money for their products than supermarkets do but in exchange for convenience, individuals accept their prices which are higher.

Secondly, forecourt retailing strategy was discovered to be an adequate variable in explaining competitive advantage confirmed by R^2 of 56.3% implying that Forecourt retailing strategy explain 56.3% of the variations in the dependent variable which is competitive advantage. The findings of the study were supported by those of Boyle (2002) who stipulated that forecourt convenience idea proved to be very important to petroleum companies because many fuel stations had already put up infrastructure that were not being used in a profitable manner. It also became a good development to add on to the factors that attracted individuals to the forecourts to buy products in a quick way. Boyle (2002) notes that by the 1980's petroleum companies in the United Kingdom had started diversifying into food retailing and their fuel stations had been turned into forecourt convenience stores due to the increasing competition in the environment of oil retailing and because of the increase in convenience retailing.

CHAPTER FIVE: SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

5.1 Introduction

The section deals with the findings' summary, the conclusions and the recommendations done objectively.

5.2 Summary of Major Findings

The aim of this research was establishing the influence of forecourt retailing on competitive advantage at Total Kenya Limited. The study focused on 48 TKL service stations in Nairobi City County. Structured questionnaires were employed in collecting primary data using Likert Scale. Primary data was collected by the questionnaire. Correlations and regression analysis were calculated to draw inferences to the entire population.

The results unveiled that many use food courts, pharmaceutical outlets, shopping outlets and car wash services as forecourt retailing strategy in a great extent. In addition, majority of the respondents stated that they use shopping outlets and pastry and baking services in a very great extent.

The also study found that forecourt retailing strategy had a positive and significant correlation with competitive advantage. From the regression results, the study found that forecourt retailing strategy and competitive advantage are positively and significantly related. These findings agreed with that of Maina (2015) who established the existence of a significantly positive association between competitive advantage and marketing strategies, customer care, price of oil and gas, after sales service, product innovation, quality products, leadership styles, oil and gas location and promotions.

5.3 Conclusions

From the above study findings, a conclusion can be drawn that forecourt retailing strategy and competitive advantage are positively and significantly related. Also, most service stations have been using food courts, pastry and baking, pharmaceutical outlets, shopping outlets and car wash services as forecourt retailing strategies greatly.

In addition, increased differentiation in the service stations increased the competitive advantage of the stations. In addition, service stations that had forecourt retailing strategies performed better than those that did not have forecourt retailing strategies. This made the latter less competitive.

5.4 Recommendations

From the findings, all service stations should invest heavily on forecourt retailing strategies. This is because forecourt retailing strategies have a positive and notable influence on competitive advantage.

The study recommends that all service stations should ensure that they use food courts, pastry and baking, pharmaceutical outlets, shopping outlets and car wash services as forecourt retailing strategies in a great extent. This will lead to increased competitive advantage in the sector.

5.5 Areas for Further Studies

Further studies should focus on the research gaps identified in this study. The current study focused on the influence of forecourt retailing on competitive advantage of Total Kenya's service stations in Nairobi County only. Hence, areas for more research could consider other service stations in Kenya.

In addition, the study focused on only one oil marketer which is Total Kenya Limited. Further studies can focus on other oil marketers in Kenya for purposes of making comparisons.

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APPENDICES

Appendix I: Questionnaire

Dear respondent,

The questionnaire below has been designed to obtain information on the influence of forecourt retailing on competitive advantage of Total Kenya PLC Service Stations in Nairobi County, Kenya. Kindly read the questions in a careful manner and give answers honestly. The data collected will be utilized solely for academic research purposes and utmost confidence will be given to the information.

Instructions

1. Fill in the provided gap or tick inside the box in an appropriate manner.
2. You can provide any further relevant information about the research if you wish.

PART A: BACKGROUND INFORMATION

1. The name of the service station

……………………………………………………………………………

2. Your position in the service station

……………………………………………………………………………

3. How long have the station been in operation?

Less than 5 years ☐

5 - 10 years ☐

Over 10 years ☐

4. How many employees do you have in the service station?

Less than 5 ☐ 6-10 ☐ 11-15 ☐ 15-20 ☐ 21-25 ☐ Above 25 ☐

PART B: FORECOURT RETAILING

5. To what extent does your service station use forecourt retailing strategy in an attempt to remain competitive? (Kindly tick one)

A. Very large extent ( )
B. Great extent ( )
C. Moderate extent ( )

D. Small extent ( )
E. No extent ( )

6. To what extent do you use each of the following forecourt retailing strategies in an attempt to gain competitive advantage? Use 1- Very low extent, 2-Low extent, 3-Moderate extent, 4- Great extent, 5- Very great extent

Strategy	**1**	**2**	**3**	**4**	**5**
Food courts					
Pastry and baking					
Provision of banking outlets					
Provision of pharmaceutical outlets					
Shopping outlets					
Car wash services					
Service bay and wheel care Centre services					

PART C: COMPETITIVE ADVANTAGE

12. What is the trend of the following in your service station for the last five years? Use 1- Greatly decreased, 2-Decreased, 3-Constant, 4- Improved, 5- Greatly improved

Component	**1**	**2**	**3**	**4**	**5**
Brand Recognition					
Quality of service					
Convenience					
Customer Satisfaction					
Safety					

Thank you for your co-operation

Appendix II: List of Total Kenya Service Stations in Nairobi County, Kenya

1. Ridgeways Total
2. Kayole Total Service Station
3. Lusaka Road Total Service Station
4. Total South B Service Station
5. Kamulu Total Service Station
6. Airport View Total Service
7. South C Total Service Station
8. New Mombasa Road Total Service Station
9. Mbagathi Road Total Service Station
10. Arcade Total Service Station
11. Karen Total Service Station
12. Total Likoni Road Service Station
13. Madaraka Total Service Station
14. Magadi Road Total Service Station
15. Ngong Road Total Service Station
16. Dagoretti Corner Total Service Station
17. Enterprise Road Total Service Station
18. Dandora Total Service Station
19. Fedha Total Service Station
20. Total Donholm Service Station
21. Utalii Total Service Station
22. Embakasi Total Service Station
23. Total Kangundo Road Service Station
24. Total Rabai Road Service Station
25. Karambee Total Service Station
26. Outering Total Service Station
27. Rhino Total Service Station
28. Starehe Total Service Station
29. Total Kariokor Service Station
30. Total Kimathi Street Service Station
31. Mountain View Total Service Station
32. ABC Place Total Service Station

33. Total Survey Service Station
34. Muthaiga Total Service Station
35. Kitisuru Total Service Station
36. Argwings Total Service Station
37. Thika Road Total Service Station
38. Spring Valley Total Service Station
39. State House Road Total Service Station
40. Limuru Road Total Service Station
41. Ngara Total Service Station
42. Waiyaki Way Total Service Station
43. Kangemi Total Service Station
44. Komarock Total
45. Membley Total
46. Utawala Total
47. Rosslyn Total
48. Total Kasarani

Source: Total Kenya Website (2018)