COMPETITIVE STRATEGIES ADOPTED BY MEMBERS OF THE KENYA INDEPENDENT PETROLEUM DEALERS ASSOCIATION

BY

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A MANAGEMENT RESEARCH PROJECT SUBMITTED IN PARTIAL FULFILMENT OF THE REQUIREMENT FOR THE DEGREE OF MASTERS IN BUSINESS ADMINISTRATION, FACULTY OF COMMERCE, UNIVERSITY OF NAIROBI

JULY 2001

DECLARATION

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

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DEDICATION

To My Parents, Samuel Murage Muriuki and Esther Wangui Murage.

ACKNOWLEDGEMENTS

The successful completion of this study would not have been possible without the input of the following people:

The Academic staff of the University of Nairobi Faculty of Commerce Module II Programme especially Mr Jackson Maalu my Supervisor, Dr Evans Aosa, and Dr Martin Ogutu for their guidance that has shaped the final output of this project.

My colleagues at Maer Associates Limited for their individual support and professional input into this study.

The Chairman of the Kenya Independent Petroleum Dealers Association Mr Keith Ngaruchi and the members of KIPEDA for facilitating the generation of the outputs of this study, and without whom the study would not have been successfully undertaken.

The Managing Director of the Petroleum Institute of East Africa (PIEA), Ms Mary M'mkindia and Cynthia Manyara of PIEA. The Nairobi Provincial Accountant Mr Odhiambo and Ms Akinyi of Nyayo House Nairobi; Peter Ng'ang'a and Jane Akumu of Ministry of Energy. Thank you for your assistance especially in provision of background material for the study.

My family and friends for their prayers, encouragement and unlimited support to see me through the successful completion of the MBA programme. Thank you for all the sacrifices you made.

To God be the Glory Great Things He has Done!

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ABSTRACT

The petroleum industry in Kenya has undergone changes that have tremendously affected the state of competition in the industry. The most recent fundamental development in the industry was its liberalisation in October 1994 that led to the entry of new firms into the industry's operations. Among the new entrants are firms commonly referred to as Independent Petroleum Dealers (IPDs). Some of these IPDs have formed an association known as the Kenya Independent Petroleum Dealers Association (KIPEDA). The IPDs have intensified competition in the industry as documented in researches carried out in the industry. To survive in the industry, firms have had to employ various competitive strategies.

Some concerns have been raised about the operations of the IPDs. They are said to be employing strategies not in line with the set industry standards of operation. These include putting up inferior filling stations, compromising on outlet safety standards, adulteration of fuels, diverting fuels destined for export into the local market and operating mobile filling stations (Muchai 1999,2000). There is also concern by the IPDs over their ability to stake out a competitive position in the retailing of petroleum products in an industry currently dominated by six major players: Agip Kenya, Shell/BP Kenya, Caltex Oil (Kenya), Kenol/Kobil, Mobil Petroleum (Kenya) and Total Kenya.

This study sought to establish and document the various competitive strategies employed by the IPDs who are members of KIPEDA to compete effectively in the industry. It also documents the competitive challenges they are experiencing as they operate in the industry. The current membership of KIPEDA stands at 27 firms. However due to difficult economic times being experienced in Kenya at present, 4 of the outiets are currently non operational. Hence the study carried out a census on 23 firms.

The data was collected through the questionnaire method. 10 questionnaires were administered through personal interviews with the respondents while 4 were administered through the drop and pick later method due to the unavailability of the owners. Overall the response rate was 61%.

The findings of this study indicate that the respondents employ relatively similar competitive strategies. The main strategies used by respondents were having consistent lower prices and reducing their overhead costs. The most utilised competitive strategies were identified as identifying reliable suppliers and using suppliers with shorter delivery lead time.

The least utilised competitive strategies were those identified with the unique operations of IPDs that is flexibility to source their supplies from any suppliers and those that require large working capital requirements. Key challenges faced were identified as contending with stiff competition from established outlets, insufficient funds for advertising, having few outlets, fluctuating prices, low sales and increasing overhead costs. Based on calculated mean scores, highly ranked competitive challenges were identified as low customer confidence and negative publicity. On the extent to which certain issues were a challenge to the members they indicated that financial requirements was a challenge to a great extent.

Summary data on key characteristics of the respondents shows a multiplicity of similar characteristics. The findings established that all the respondents were Kenyan investors and the first of the respondents to start operating in the Kenyan market did so in 1996, two years after the sector was deregulated. This could be attributed to the regulatory, structural and economic barriers to entry operating in the industry even after its deregulation, as indicated by some of the competitive challenges the respondents are still contending with including financial requirements, negative publicity and low customer confidence.

CHAPTER ONE: INTRODUCTION

1.1 Background

Since the beginning of the 1990s, the Government of Kenya has made significant strides in the implementation of economic reform measures necessary to stabilise the economy, restore sustainable economic growth and enhance external and domestic competitiveness. The reforms were also aimed at maintaining a stable macro environment within which the private sector could operate and flourish. The government instituted several measures to open the economy to market forces. By the end of the first quarter of 1994, the government had dismantled most foreign exchange controls, allowed a free-floating exchange rate, removed import licensing and liberalised domestic marketing of all major items including grain. The Petroleum sub sector, a major source of energy in Kenya, was deregulated in October 1994. Since` the country has no proven oil reserves, it relies entirely on imports of both crude oil and refined products. Before the industry was deregulated, the Government of Kenya had substantial control in all aspects of supply, storage and transportation of petroleum products. The only aspect that was left exclusively in the hands of the private sector was marketing and distribution of the petroleum products (National Development Paper 1997-2001, Republic of Kenya). Studies carried out during the post liberalisation era indicate that the reform process has led to stiff competition in key sectors of the economy (Kombo, 1997; Bett, 1995, Owiye, 1999).

Industry resource materials from the Petroleum Institute of East Africa (PIEA, 1999) indicate that before the industry was deregulated, the major players in the industry that included Esso Kenya, Agip Kenya, BP Kenya, Caltex Oil (Kenya), Kenya Oil Company (Kenol), Kenya Shell, Kobil, Mobil Petroleum (Kenya) and Total Kenya were competing at a marketing and distribution level and were responsible for procuring and importing their own crude oil. They were required to import 70% of the crude oil requirements of Kenya Petroleum Refineries Limited (KPRL). In the processing agreement Article 2.03 (a), every refinery user was to import sufficient crude oil to be processed by the refinery to meet their refined product requirements in the Kenyan Market.

KPRL, 50% government owned, had an exclusive monopoly of refining 100% of the petroleum products for local consumption. Caltex, Shell and BP jointly own the other 50% of KPRL. The National Oil Company of Kenya (NOCK), wholly owned by the Government of Kenya had the right to procure and import up to 30% of the crude oil requirements of KPRL. NOCK had a strategic advantage arising from the need to ensure that the country's strategic interests were protected in the event that the oil companies were not able to provide crude oil or should Kenya be the recipient of some concession "government to government oil". It was also to develop an understanding of how international oil markets functioned.

During the pre-deregulation era, the White oil rule was in operation. It required that no white product (refined products) be imported to Kenya by a user of the refinery without KPRL's permission or without payment of a forfeit processing fee until the maximum crude oil capacity of the refinery was reached. The Kenya Pipeline Company (KPC) had exclusive rights of transporting refined petroleum products. Allocation of petrol stations sites was also fairly restricted. Petroleum product prices were controlled under the General Price Control order of the Restrictive Trade Practices, Monopolies and Price Control Act. This restricted retail margins of dealers since the government predetermined the prices of petroleum products.

Deregulation facilitated the removal of controls and regulations in order to achieve greater economic freedom within the sub sector. This resulted to relaxed entry barriers into the industry. One of the most significant developments in the sub sector was the entry of new firms in the industry, which intensified competition. Private investors could get into the industry's trading activities including refining, transportation, retail marketing, and oil exploration. Among the new entrants are firms owned by Kenyan investors. These firms are commonly referred to as the Independent Petroleum Dealers (IPDs). Unlike other owners of petroleum outlets, the IPDs are not contractually bound to distribute and retail only the exclusive products of a particular supplier or distributor. This has led to increased competition in the industry in the areas of marketing and distribution; particularly more prevalent in Nakuru, Eldoret and Kisumu where there is "common user" loading facilities offered by KPC. The new players have also affected retail prices of various petroleum products. According to industry sources, most of the independent petroleum dealers' prices are lower than those of other industry players especially the multinational firms. (PIEA, 1999).

Some IPDs have strengthened their presence in the industry by forming the Kenya Independent Petroleum Dealers Association (KIPEDA). KIPEDA was formed in 1999 and acts as their mouthpiece. It represents the interests of its members in the market (Muchai, 1999). The Petroleum Institute of East Africa (PIEA) formed in 1999 acts as an institutional umbrella to its members. PIEA members include: Agip Kenya, Alba Petroleum, BP and Shell Kenya, Caltex Oil (Kenya), Engen Kenya, Jovenna Kenya, Kenol, Kenya Petroleum Refineries Limited (KPRL), Kenya Pipeline Company (KPC), Kobil, Mafuta Products, Mobil Petroleum (Kenya), National Petroleum Corporation of Kenya (NOCK) and Total Kenya.

Other impacts of the deregulation include reduction of KPC tariffs over the years, improved availability of petroleum products and an increase in the dumping of petroleum products in the local market.

The foregoing scenarios have made the petroleum industry in Kenya very competitive. Industry structure has a strong influence in defining the rules of the competitive game as well as the strategies potentially available to firms operating in the industry (Wright and Jones, 1989). In the case of the petroleum industry in Kenya, the structure of the industry defines the strategies available to firms in each category within the industry's structure. Competition in the petroleum industry in Kenya is essentially at three levels: Procurement (those firms that import and refine crude oil), Distribution (firms distributing the refined products to retail outlets) and retailing (firms that have retail outlets/petrol stations and sell directly to consumers).

1.2 Statement of the Problem

The entry of IPDs into an industry currently dominated by six large players is of significance because at the retailing level they are able to compete at par with the established players while at the same time enjoying certain advantages such as flexibility and possibly lower overheads. It has also intensified competition at this level. To survive in such a competitive environment firms have had to adjust their strategic responses by developing various competitive strategies especially at the retailing level (Abekah, 1996; Wamathu, 1999).

The operations of IPDs are different from those of other players in the industry in that they are not tied by contractual agreements to source their supplies from any one supplier. They therefore have an advantage of flexibility as opposed to other retailers of petroleum products in the industry. Their ability to stake out a substantial competitive position in the market is of great interest especially based on the current concerns and criticisms that have been reported in the print and electronic media.

There are allegations that the IPDs in Kenya compromise on certain standards set in the retailing industry. Some of these allegations include putting up inferior filling stations, compromising on outlet safety standards, adulteration of fuels, diverting fuels destined for export into the local market and operating mobile filling stations (Muchai 1999,2000). KIPEDA has also expressed concern that the ability to stake out a substantial competitive position for IPDs in the industry is very difficult especially if they wish to compete at the same level with the larger firms.

Since the petroleum industry was liberalised in Kenya. very little has been documented about the operations of the IPDs to be able to give conclusive information on how they operate. However in other countries such as New Zealand, Canada and Quebec IPDs are a strong force in the economy of these countries. In studies carried out in Canada and Quebec by the Government of Canada (1996), it was established that IPDs operating there have been recognised as potential competitors in the petroleum industry. In Canada, they account for 24% of petroleum sales and there is a good balance between the major players and the independents. Independents can play a significant role in the market place as evidenced in Quebec, where Independents have nearly a 25% share of the retail market. They have mainly achieved this through competing on price. However, it is still questionable whether they can continue this pattern, as oil companies have grown increasingly intolerant of price differentials within defined markets. This has led to price wars in some markets. But since the consumers display a high sensitivity to price, Independents have been able to secure a significant share of the market by selling the same commodity as the majors at a reduced price in this market. These strategies have been successful in gaining for them substantial market share and indicates that IPDs can carve for themselves a niche in a market dominated by larger players.

So far, research studies carried out in the Kenya Petroleum Industry have focused mainly on the established six players. None of the studies have addressed the IPD players in Kenya. These studies are Njuguna (1996), Abekah (1996) and Wamathu (1999). Muchai (1999, 2000) has also carried out surveys on the general state of the industry after liberalisation. These studies on the petroleum industry have indicated that competition has intensified especially at the retailing level after deregulation of the industry, due to the entry of the IPDs.

In light of the increased competition in the industry at the retailing level, there is need to address issues unique to other stakeholders in the industry such as the IPDs. The members of KIPEDA have gone a step further from other IPDs and have organised themselves into an association that represents their interests in the industry. Apart from the 27 members of KIPEDA the other IPDs have chosen to be silent in the market. KIPEDA thus provides a unique stakeholder group within the industry. This study will specifically focus on the members of KIPEDA and will seek to establish the competitive strategies they are using to compete at the retailing level in the industry and the competitive challenges they are facing as they operate in an industry dominated by only a few major players.

This study will address the following questions:

1 What competitive strategies are members of KIPEDA using in the retailing of petroleum products?
2 What competitive challenges are they experiencing in the industry?

The study will help shed more light on the IPDs competitive scope in the petroleum industry in Kenya and provide critical trends and patterns unique to this sector.

1.3 Scope of the Study

The scope of this study is limited to identifying the competitive strategies the IPDs belonging to KIPEDA are using to compete in the retailing of petroleum products and the competitive challenges they are experiencing as they operate in the industry. It is only limited to members of KIPEDA but on a wider scope the same study could be extended to establishing the competitive strategies adopted by all IPDs operating in Kenya.

1.4 Objectives of the Study

The objectives of this study are to:

1 KIPEDA members are using to compete at the retailing level in the industry

2 Establish the competitive challenges members of KIPEDA are facing in the industry.

1.5 Importance of the Study Findings

This study is of significance in the following ways:

1 It will provide the owners and management of the existing KIPEDA member firms with information on the general state of competition at the IPD level and the strategies other members are using to compete in the industry.

2 It will provide potential IPD investors in the industry with information on some of the challenges other IPDs (KIPEDA members) are contending with hence prepare adequately for them. It will further give them an idea of the competitive strategies they need to build up in order to be successful in the industry at the retailing level.

3 It will serve as a useful point of reference for understanding the IPDs competitive scope in the industry. Various research projects carried out in the industry have focused on only the larger players in the industry (Wamathu 2000, Abekah, 1996 and Njuguna, 1996).

4 To the academicians, the study will be important as an addition to knowledge, particularly with respect to the impact of liberalisation on the petroleum industry in Kenya. It is hoped that it will stimulate further research in other aspects of industry competition especially in other industries.

1.6 Structure of the Dissertation

This study is divided into five chapters. Chapter one gives an introduction to the study and contains a background on the current state of the petroleum industry in Kenya and the introduction to the study. Chapter Two provides a review of literature on the key study areas, which are competitive strategies and challenges. It also provides research findings on competitive issues pertaining to the industry. Chapter Three is the Research Methodology and covers the research design, population of interest of the study, data collection and data analysis methods. Chapter Four documents the data analysis, research findings and discussions of the results. Chapter Five gives the summary of research findings, the conclusions of the study, the contributions of the study, limitations of the study and suggestions for further research.

CHAPTER TWO: LITERATURE REVIEW

2.1 Overview

In the context of turbulent business environments, Strategic management plays a key role in facilitating the deployment of a firm's resources in an efficient manner to facilitate optimisation of the long term performance of the firm. Implementation of strategies becomes critical especially in light of the increasing competition and complexity of today's world that can make it extremely difficult to assess and take advantage of opportunities open to a firm (Bennet, 1999).

Firms are in competition with each other when they try to sell identical products and services to the same group of customers or try to employ factors from the same group of suppliers. Environmental forces largely influence competition within an industry especially those related to legal and regulatory actions, technology, economic forces, demographics, social and cultural values. Specifically, both the identity of competitors in terms of their characteristics and the type of strategic focus they take may change because of the entry of new firms, deregulation, changing economic conditions or changing social cultural values or technology (Guiltinan and Paul, 1994).

Due to the changing environment that brings with it increased competition for the limited resources, market share and new competitive challenges, implementation of competitive strategies within organisations is very important. This is essentially due to the firms' quest to finding less threatening ways to do business, keeping their customers loyal to the firm's products and services and keeping them off those of competitors. Competitive strategies provide a framework for the firm to respond to the various changes within the firms operating environment. Firms also develop competitive strategies to enable them seize strategic initiatives and maintain a competitive edge in the market (MacMillan, 1988; Porter, 1998).

This section looks in detail at the concept of competitive strategies and the various competitive challenges that firms have to contend with as they implement their strategies. It also looks at research findings on the petroleum industry pertaining to issues related to competitive strategies and competitive challenges.

2.2 Competitive Strategies

Ansof (1988) defines competitive strategy as the distinctive approach, which a firm uses or intends to use to succeed in the market. In examining the concept of competitive strategies, different authors have approached the concept from different angles. However, studies in this area have been largely the work of Michael Porter who defines competitive strategy as the art of relating a company to the economic environment within which it exists (Bennet, 1999). Porter (1998) explains that every firm competing in an industry has a competitive strategy whether explicit ie developed through a formal planning process or implicit ie has evolved through the various functional planning activities of the firm.

At the broadest context, formulation of competitive strategies involves considering four factors that determine the limits of what a company can successfully accomplish. These are the firm's strengths and weaknesses, industry opportunities and threats, personal values of the key implementers and broader societal expectations. Using this analysis, Porter (1980) identified three generic competitive strategies that can be viable in the long term. These are cost leadership, differentiation, and focus.

Porter (1998) also developed an analytical framework, which can be used to develop competitive strategies in particular important types of industry environments. He focused on the analysis of industrial structure and competitors using the five fundamental forces that determine the state of competition in an industry. These are:

1. The threat of new entrants and the ease with which competitors can enter the industry
2. The threat of substitutes which makes it difficult for firms to raise prices by significant amounts because buyers easily switch to substitute products and services
3. Bargaining power of suppliers
4. Bargaining power of buyers
5. Jockeying for positions or the extent of competition among existing firms.

According to Porter, developing competitive strategies is developing a broad formula for how a business is going to compete ie what its goals – *the ends* should be and what policies/tactics – *the means,* will be needed to carry out those goals. The goals of Competitive Strategy are focused towards gaining a competitive advantage, cultivating clientele of loyal customers, and outperforming rivals ethically and honourably. This will consist of moves by the firms to attract customers, withstand competitive pressures, and strengthen their market position. He articulated the key aspects of a firm's competitive strategies on what he called the wheel of competitive strategies shown on Figure 2.1 (Porter, 1998).

Figure 2.1: Key aspects of a Firm's competitive strategies

Product line

Finance & Control

Target Markets

GOALS

Marketing

Research & Development

Definition of how the business is going to compete

Objectives of profitability, growth, market share, social responsiveness, etc

Sales

Purchasing

Distribution

Labour

Manufacturing

In the hub of the wheel are the firm's goals, which are its broad definition of how it wants to compete, and its specific economic and non economic objectives. The spokes of the wheel are the key operating policies with which the firm is seeking to achieve these goals. The operating policies vary from industry to industry based on the critical success factors.

In order to address specific issues unique to this study, it is important to identify specific key aspects that will be used to identify the competitive strategies adopted by firms in the petroleum industry. Ansof (1988) refers to them as the distinctive approaches which a firm uses or intends to use to succeed in the market. Bennet (1999) calls these critical success factors and they are what Porter (1998) refers to as the policies/tactics used to achieve the objectives of competitive strategy. Some common critical success factors are fast and reliable delivery, product quality and customer care; ease of product modification, appealing features, and the ability to fulfil a clear market need (Bennet, 1999).

Competitive strategies addressed by this study are classified into 6 categories of critical success factors. These are Product and Service Offerings, Pricing and Cost Management, Staff, Marketing, Location of Outlet, Customer Care and Customer Service. These will be addressed based on the extent to which members of KIPEDA are employing specific strategies to achieve the goals of Competitive Strategy which are to gain a competitive advantage, cultivate clientele of loyal customers, and outperforming rivals ethically and honourably.

Competitive strategies identified with product and service offerings include: offering customers high quality products and services or those not provided by competitors; identifying and using reliable suppliers, having agreements with dealers and distributors to keep competitors from using them or avoiding suppliers who also supply competitors.

Pricing and cost management strategies include: having lower prices or prices same as those of key competitors. Firms may also focus on maintaining overhead costs at the same level or lower than competitors. These are used to improve organisations performance in terms of its efficiently and effectiveness.

Staffing strategies include: hiring competent staff, instructing them in customer service and motivating them by giving them commissions and other incentives.

Marketing strategies include: giving customers credit facilities, discounts and gift items. Firms also engage in good public relations, sales promotions or advertising activities. They make use of the company colours, brand name, logos and other marketing tools that are different from those used by competitors. Davidson (1983) identified a company brand name as a key marketing asset that helps promote the company and create a reputation in an industry. It has been established through past research that marketing campaigns at the retailing level in the petroleum industry in Kenya contribute to creating the perception of superior quality/product image. These are important in creating a competitive edge over other competitors in the industry (Wamathu, 1999).

On the strategic location of the outlet, owners use strategies such as: increasing the number of outlets in other locations, having security measures eg proper lighting in place, having the outlet in a convenient and easily accessible location and ensuring that the outlet's environment and general ambience is very clean and attractive to target customers. Other special considerations in outlet layout and design include providing enough room to offer extra services and could form a unique point of differentiation.

Because petroleum products are highly dangerous they require proper storage and handling to avoid significant risks they are likely to pose to the health and safety of people and the environment. Additional safety requirements eg fire extinguishers need to be in place. Proper guidance in the design, construction, modification and maintenance of petrol filling stations is also critical (Institute of Petroleum UK, 2000).

Customer care and service relates to the manner in which the product or service is conveyed to the customer. Good customer care and service strategies involve choosing to strategically serving only a specific type of customers or serving all types of customers. The type of service offered in chosen customer segments could be different, same as or better that offered by competitors. Market research systems for receiving customer feedback are also put in place for the firm to be able to improve its service and serve its customers better.

2.2.1 Competitive Strategies and Strategic Groups

A strategic group is formed by firms that pursue a similar range of competitive strategies in response to the particular industry conditions facing them. This is a result of strong economic forces acting within an industry that constrain firms from easily switching from one competitive posture or position to another. Often firms within the same strategic group face similar economic conditions and constraints that differ from those of firms located in other strategic groups. Firms within the same strategic group can be similar to each other in terms of any number of different key attributes such as product line breadth, type of technology used, type of buyer served, relative emphasis on product quality, the type of distribution channel used and number of markets served (Porter, 1998).

2.3 Competitive Challenges

In the implementation of competitive strategies, certain competitive challenges may hinder the effective utilisation of strategies identified and employed. Thus, further consideration of the competitive challenges experienced by the IPDs is necessary to identify hindrances that may come up in the way of these firms grasping new opportunities in the market. Newman et al (1989) identifies three types of competitive challenges that may hamper a firm's ability to grasp new opportunities. These are financial requirements, regulatory issues imposed by the government and the industry and the ability of the company owners and managers.

Other challenges may arise from structural and economic barriers inherent in the industry. In studies carried out in Canada, Orr (1971) established that certain structural and economic barriers to entry or exit had a significant impact on the level of efficiency at which the participants operated in the retailing of the petroleum products.

2.4 Competitive Strategies and Challenges in the Kenyan Petroleum Industry

The petroleum sub sector in Kenya has mainly been influenced by the change in legal and regulatory framework that occurred after it was deregulated in October 1994. This led to the increase in the number of new firms into the industry and has since intensified competition in the industry especially at the retailing level (Abehah, 1996; Wamathu, 1999).

Researches carried out during the post liberation era in Kenya indicate that firms operating in a deregulated environment in industries such as Motor Vehicle, Dairy and Petroleum have made various strategic adjustments to be able to deal with increased competition (Kombo, 1997; Bett, 1995; Abekah, 1996; Wamathu, 1999)).

From a study carried out on the Kenyan petroleum industry, Abekah (1996) documents strategic responses to change that major players in the industry have adopted. These include construction of filling stations in spacious locations in order to provide extra services eg shops and cafeteria; renovation of filling stations, locating stations in strategic locations to address the issue of convenience to customers, increasing advertising expenditure, and launching new products and services. Specific strategies exhibited by the large players in the industry are largely of a differentiation nature because the products stocked do not differ in their quality and specifications. Such strategies include constructing retail outlets in key strategic locations and ensuring that the outlets are spacious enough to provide extra services.

To further differentiate themselves, Abekah (1996) established that the advertising expenditures of the major multinational firms increased between 1994 and 1996. This was due to promotions aimed at promoting the corporate image of the major firms in the industry to attract more customers and therefore build customer loyalty

Other creative differentiation concepts evident in the industry include the reduction of Liquefied Petroleum Gas (LPG) prices by introducing smaller and cheaper cooking stoves such as Meko from Total; and the introduction of the Quick Server Petrol Stations by Kobil.

Another recent phenomenon in the Kenyan oil industry is the introduction of convenience stores in oil companies retail outlets to attract customers. Several oil companies have contracted various fast food branded firms to operate within their retail outlets. Mobil has contracted Innscor, an international fast food firm with its headquarters in Harare Zimbabwe to set up its range of restaurants: Chicken Inn, Pizza Inn, Creamy Inn and Nando's within their service stations. Total has the same arrangement with Steers a South African firm. The oil companies without such arrangements have set up convenience stores within their service stations eg Shell's Select, Mobil's Mobil Mart and Caltex's star marts. Caltex also recently invested millions of shillings in a project aimed at renovating its outlets to give them a modern up to date look (East African Standard, April 18, 2000).

A review of literature on the industry indicates that some of the challenges that players in the petroleum industry in Kenya experience include the issue of large capital requirements. Muchai (1999) established that even some of the larger of the IPDs that are able to import their own petroleum products are not able to afford to use the cheaper Pipeline because they cannot meet the minimum volumes demanded by KPC ie above 2.25 million tonnes. In a study carried out to establish Strategic Postures and Action Evaluation in the Kenya Oil Industry, Wamathu (1999) also established that large capital outlay required during set up is one of the major factors that creates a barrier to entry into the oil industry in Kenya.

CHAPTER THREE: RESEARCH METHODOLOGY

3.1 Research Design

This study was a census survey. A census survey was considered appropriate for this study given that the population of interest was small.

3.2 The Population

The population of interest in this study consisted of all the members of the Kenya Independent Petroleum Dealers Association (KIPEDA). The list of KIPEDA members was obtained from the KIPEDA Secretariat in Nairobi. A census survey was carried out on the 23 operational outlets belonging to KIPEDA members. 4 filling stations were non operational and had been closed down due to the current difficult economic situation being experienced in the country. All the 23 firms have outlets within Nairobi.

All the KIPEDA members have retailing licenses as evidenced by records from the Nairobi Provincial Accountant Offices, who are responsible for issuing and renewing all retail licenses for petrol stations in Nairobi.

Reasons for carrying out a census on only the KIPEDA members include accessibility to some of the IPD retail outlets that are non-members. Records from the Provincial Accountants Office in Nairobi did not indicate the physical location of some of the IPD stations in Kenya. Hence generalisation of the research findings on this study will only be made to the KIPEDA members only.

3.3 Data Collection Method

The data was collected through the questionnaire method (See Appendix 2). The questionnaires were self administered through personal interviews with the owners of 10 firms. Personal interviews are advocated by Parasulaman (1986) as having the potential to yield the highest quality and quantity of data compared to other modes.

13 of the owners were on several occasions not available to have the personal interviews due to their busy schedules. For these, a drop and pick later method was used to administer the questionnaires. The questionnaires were left with the outlet managers to be filled by the outlet owner. This method has been used in other similar studies by Karemu (1993), Abekah (1996); Kombo (1997).

The questionnaire had three sections, A, B and C. Section A was used to gather general company data such as year of establishment, number of employees, products stocked, customers targeted, competitors in the industry and the owners general view on competition.

Section B was used to identify the competitive strategies used by KIPEDA members to remain competitive in the industry. A five point likert scale was used to identify the extent to which certain strategies are used as opposed to others. The scores were assigned as follows: 1 where the identified strategy is used to a great extent, 2 when it is used to some extent, 3 when it is moderately Used, 4 when it is not used and 5 when it is not used at all.

Section C used a five point likert scale to identify competitive challenges encountered by members of KIPEDA. The scores were assigned as follows: 1 where the identified issue is a challenge to a great extent, 2 when it is challenge to some extent, 3 when it is a fair challenge, 4 when it is a little challenge and 5 when it is not a challenge at all.

3.4 Data Analysis Methods

Data analysis in this study was done using descriptive statistics. The data was presented in frequency tables and analysed through frequency counts, percentages and arithmetic mean scores. Narrative summary of the open ended questions was made.

The Statistical Package for Social Sciences (SPSS) was used to analyse responses secured from the 5 point likert scale. Factor analysis, a mathematical model, which attempts to explain the correlation between a large set of variables in terms of a small number of factors (Mardia et al, 1989) was used to analyse the competitive strategies most utilised by the KIPEDA members.

The above methods have been used by Karemu (1993), Abekah (1996); Kombo (1997) and Owiye (1999).

CHAPTER FOUR: DATA ANALYSIS AND PRESENTATION

4.1 Introduction

This chapter presents the data analysis, research findings and discussions of the results of this study. The details are presented under three main headings: Outlets' Characteristics, Competitive Strategies and Competitive Challenges.

A total of 27 outlets belonging to KIPEDA members were approached. Out of these, 4 outlets had ceased their operations citing the current difficult economic situation thus reducing the population to 23 outlets. A total of 14 questionnaires out of 23 were completed conclusively and analysed representing 61% of the respondents.

Strengths of the respondents input to the study were varied as evidenced by 9 unreturned questionnaires administered using the drop and pick later method. Some respondents were suspicious about the motive of the researcher given the competitive state of the industry and negative publicity especially targeted towards IPDs, which is common in studies of this nature. To try and improve the response rate a cover note from the Chairman of KIPEDA was also submitted to the respondents by the researcher though some members were still reluctant to participate in the study.

4.2 Outlets' Characteristics

This subsection analyses some key characteristics unique to the respondents and is intended to establish certain similarities in areas such as years of operation, number of branches, start up and current capital investments, type of outlet ownership, staff numbers, branding of outlets, product and service offerings and target customer groups. Data findings are presented in frequency tables and percentages. Narrative summary of open ended questions has also been made.

4.2.1 Years of Operation

The number of years the KIPEDA members have been operating in the industry is important to be able to establish the specific period of time they entered the market.

Table 4.2.1: Years of Operation

Years of Operation	Frequency/ Number of Firms	Percentage %	Cumulative %
1	6	43%	43%
2	3	21%	64%
3	4	29%	93%
4	1	7%	100%
Total	14	100%	
Median Years of operation =2 years Average years of operation =2 years Mode =1 year			

N =14

Summary data on years of operation, Table 4.2.1, shows that the respondents' outlets have been operating for an average of 2 years. Only one outlet has been in operation for 4 years while 43% of the outlets had been operating for 1 year or less.

These findings indicate that even after the industry was deregulated in 1994 the earliest of the members to enter the industry started their operations after 1996. This could be attributed to the regulatory, structural and economic barriers to entry in the industry.

4.2.2 Branch Network

The market potential in a given industry often forms a good basis of determining the number of retail outlets set up by one firm, though certain limitations such as the size of investment required influences the establishment of branches. The number of branches operated by the respondents would give a good indication of their operations scope.

Table 4.2.2 Outlets with Branches

Number of Branches	Frequency	% of Firms
2	1	7%
1	13	93%
Total	14	100%

N=14

The findings on Table 4.2.2 indicate that only 1 (7% of the respondents) firm had 2 retail outlets, the other 13 (93% of the respondents) firms had only I outlet each. The lack of increased branch network among the respondents indicates the low speed of expansion of the outlets given that 64% of the respondents have been operating for 2 years or less.

4.2.3 Capital Investment

When large capital investments are necessary to enter an industry, firms lacking the capital are effectively barred from entry thus enhancing the profitability of existing firms in the industry. The level of investment also communicates a strategic decision by the new entrant to commit themselves to operate within the industry because of the long term impact of the investment to the investor.

Table 4.2.3: Start up and Current Capital Investments

Capital (KSh)	Start up			Current (KSh)		
	F	%	C %	F (N=14)	%	C %
Upto 2,000,000	9	64%	64%	9	64%	64%
2,000,001 – 4,000,000	3	21%	85%	2	15%	79%
Above 4,000,000	2	15%	100%	3	21%	100%
N=14 Average Start up Capital = KSh 1,825,000 Minimum Start up Capital = KSh 300,000 Maximum Start up Capital = KSh 5,500,000				Average = KSh 2,239,300 Minimum = KSh 550,000 Maximum = KSh 6,500,000		

F - Frequency C % - Cumulative percentage

Findings on the level of start up and current capital investments indicate that the average investment used in terms of start up capital was KSh 1.825 million. 64% of the outlets had invested KSh 2 million or less as start up capital. Only 15% of the respondents had invested KSh 4 million at the time of start up. The minimum start up capital recorded was KSh 0.3 million. The findings show that with time, the capital investment of most of the outlets grew, as indicated by current capital investment figures of the outlets. Current figures show that the minimum capital investment increased to KSh 0.5 million and the average to KSh 2.2 million. The current highest investment was KSh 6.5 million.

To facilitate the outlets' operations, the basic financial requirements the outlet owners required were identified as large start up capital for instance in form of loans. Physical requirements were identified as a strategic piece of land, fuel pumps, underground tanks, and safety measures such as fire extinguishers. None of the outlets had electronic pumps. Other requirements included electricity and telephone lines, staff, petroleum products, transport facilities for delivery purposes, operating licenses and registration with the government. These investments indicate the long term commitment of the respondents to continue operating in the industry.

4.2.4 Ownership

The type of outlet ownership indicates the mode of entry into the industry adopted by the respondents.

Table 4.2.4: Ownership of outlets

Ownership of Outlets	Frequency/ Number of Firms	Percentage %
Kenyan Investors	14	100%
Foreign Investors	0	0%

N =14

The findings summarised on Table 4.2.4 indicate that the respondents were all Kenyan inventors. This suggests that deregulation of the petroleum sub sector in Kenya opened up investment opportunities for Kenyans in an industry that initially consisted of mainly multinational players. This is also indicative of the extent to which one of the government's deregulation objectives have been achieved.

4.2.5 Staff

Increase in staff numbers signifies growth on certain aspects of the industry such as improving the quality of service delivery. The findings on Table 4.2.5 below indicate that the number of staff employed in the respondents' outlets has been increasing over time.

Table 4.2.5 Staff Numbers

	No of Staff employed at Start Up	No of Staff employed currently
Average	3	7
Mode	3	2
Highest	9	15
Lowest	2	3

At start up, the lowest number of staff employed by the respondents was 2 and the highest was 9. At the time of carrying out this study the lowest number was 3 while the highest was 15. The average start up number of staff employed by the outlets was 3 and currently it stands at 7 employees. Majority of the firms had 3 employees at start up as indicated by the mode, this number has reduced to 2 employees. This indicates that the outlets' investment on staff numbers has also been growing, an indication of growth either due to multiplicity of functions or increased workloads. The initial low staff numbers at start up, as indicated by the mode, also signify the extent to which the outlet owners, as the entrepreneurs, were initially involved to a large extent in the day to day operations of the outlet which changes as the outlets grow over time.

4.2.6 Outlets' Brand Identity

Branding products and services is particularly important to facilitate differentiation in industries that offer undifferentiated products and services. New entrants often encounter significant difficulties in building brand identity and have to commit substantial resources over a long period of time for their brands to be recognised in the industry (Pitts et al, 1996). Table 4.2.6 (a) and 4.2.6 (b) below contain summaries of the respondents' outlets that had or did not have distinctive brand names and the level of importance to which the owners gave the brand names.

Table 4.2.6 (a): Branded Outlets

Characteristic	Frequency/ Number of Firms	Percentage
Firms with distinctive brand names	10	71%
Firms without distinctive brand names	4	29%
Total	14	100%

N =14

Table 4.2.6 (b): Outlet owners view on importance of brand name

Outlet owners view on importance of brand name	Frequency/ Number of Firms	Percentage %	Cumulative %
Very important	6	43%	43%
Fairly important	5	36%	79%
Not Sure	1	7%	86%
Not important	1	7%	93%
Not important at all	1	7%	100%
Total	14	100%	

N =14

71% of the respondents' outlets had distinctive brand names. The outlet owners' reasons for branding their outlets included: to improve recognition by customers, improve identification, for registration purposes, to promote and create awareness, and to protect their business interests.

Owners of outlets without brand names indicated that they did not brand their outlets because they believe that their customers will always whether the outlet has or does not have a brand name. The reason cited for this observation was that sales depend on quality of services and customer loyalty. Although 71% of the respondents had branded outlets, only 43% indicated that a brand name is important for the outlet and 36% that it is fairly important. An important observation was that outlet owners who did not indicate that brand names are important to their outlets, mentioned that they value customer care and service which is also an important aspect of service differentiation.

4.2.7 State of competition in the industry

Research findings on the industry indicate that the industry is very competitive (Abekah, 1996; Wamathu, 1999). Table 4.2.7 below summarises the respondents' views on their perception on the general state of competition in the industry.

Table 4.2.7: Outlet owner's view on the state of competition in the industry

State of competition in the industry	Frequency/ Number of Firms	Percentage %	Cumulative %
Stiff	9	64%	64%
Fairly Stiff	5	36%	100%
Total	14	100%	

N =14

64% of the respondents indicated that competition in the retailing of petroleum products in Kenya was stiff while 36% indicated that it was fairly stiff. Reasons for this included the presence of well established players in the industry hence any new entrants have to match up to the existing standards of the established players.

4.2.8 Competitive Strategy Goals

Competitive strategy goals are an indication of the overall definition of how a business is going to compete. These goals are survival in the industry, maximisation of market share, product and market differentiation, profitability and growth.

To establish the importance of goals pursued in a competitive industry, respondents were asked to rank the importance of these goals to their outlets. The key used was as follows: 5 for Very Important, 4 for Fairly Important, 3 for Not Sure, 2 for Not important and 1 for Not very important at all.

Table 4.2.8: Importance of the competitive strategy goals to Outlet Owners

Goal	Mean Score	Importance of goal
Survival in the industry	5.0	Very Important
Maximise market share	5.0	Very Important
Product and market differentiation	5.0	Very Important
Profitability	4.0	Fairly Important
Growth (gain market share)	4.0	Fairly Important

Survival in the industry, maximising market share and product and market differentiation were rated by the respondents as very important goals. This was attributed to the stiff competition in the industry as indicated by 64% (Table 4.2.7) of the respondents who indicated that competition in the industry was stiff. Profitability and growth (gain market share) were rated as fairly important goals.

It was not possible to establish which firms within the industry the KIPEDA members regard as direct competitors, or the most successful IPDs and petroleum companies in the industry since 90% of the respondents did not respond to this question.

4.2.9 Product and Service Offerings

Table 4.2.9 (a) to 4.2.9 (c) below summarises the products and services offered by the respondents' outlets. It also summarises the source of these products and why they source these products from the identified suppliers.

Table 4.2.9 (a): Products stocked by outlets and their source

Product	No of Firms stocking products	% of Respondents stocking products	Suppliers
Diesel	14	100%	KPC Nairobi Joint Deport at Industrial Area
Super/Premium	13	93%	KPC Nairobi Joint Deport at Industrial Area
Brake Fluids	8	57%	Branded products from Agip Kenya, Shell/BP Kenya, Caltex Oil (Kenya), Kenol/Kobil, Mobil Petroleum (Kenya) and Total Kenya.
Kerosene	6	43%	KPC Nairobi Joint Deport at Industrial Area
Regular	5	36%	KPC Nairobi Joint Deport at Industrial Area
Oils	5	36%	Branded products from Agip Kenya, Shell/BP Kenya, Caltex Oil (Kenya), Kenol/Kobil, Mobil Petroleum (Kenya) and Total Kenya.

N=14

The main product stocked by 100% of the respondents was diesel. Super/premium was offered by 93% of the respondents, brake fluid by 57%, kerosene 43%, regular 36%, and oils 36% of the respondents. Super/premium, regular, diesel and kerosene are sourced from The Nairobi Joint Deport at Industrial Area. This depot is controlled by the major oil companies in the industry namely Agip Kenya, Shell/BP Kenya, Caltex Oil (Kenya), Kenol/Kobil, Mobil Petroleum (Kenya) and Total Kenya. Branded Oils and brake fluids are also sourced from any of these firms.

Table 4.2.9 (b) summarises the main reasons why the respondents source their supplies from the above suppliers.

Table 4.2.9 (b): Reasons for sourcing from the identified suppliers

Reasons for sourcing from identified suppliers	No of times mentioned	% of Responses
They are the only suppliers	14	33%
Competitive prices	13	30%
Quality of suppliers	9	21%
Ease of accessibility	7	16%
Total	43	100%

33% of the responses indicated that the respondents source their supplies from these suppliers because they are the only key suppliers. 30% indicated that their prices were competitive, 21% of the responses also indicated that their prices were competitive and 16% that the products were easily accessible from these suppliers.

These findings indicate that the major companies operating in the petroleum industry in Kenya met the industry requirements for importing and refining crude oil and hence are able to supply the other smaller players in the industry. Muchai (1999,2000), also established that the smaller players in the petroleum industry in Kenya, largely depend on the larger players for supplies. KPC and the major multinational companies jointly own the loading arms at Nairobi and Mombasa. Since the outlets belonging to KIPEDA members are all situated in Nairobi and Thika areas, they mainly source their fuels supplies from the Nairobi loading arm or from distributors of the major oil companies. Their inability to source their own supplies directly through the refinery and pipeline could be attributed to the minimum volumes demanded by KPC ie above 2.25 million tonnes. However, this reason could not be conclusively established.

Table 4.2.9 (c) below summarises the various service offerings found in the respondents' outlets.

Table 4.2.9 (c): Services Offered by Outlets

Services Offered	Now		Plans to Offer Service in future	
	No of respondent Firms offering service	% of Total	No of Respondent Firms	% of Total
Garage eg car wash, car maintenance	7	50%	7	50%
Shop and cafeteria	3	21%	10	71%
Parking at night	2	14%	1	7%
Chemist	1	7%	-	-

N=14

Services offered by the outlets include Garage services such as car wash and maintenance offered by 50% of the respondents, shop and cafeteria by 21% of the respondents and parking at night by 14% of the respondents. One of the outlets had a chemist. In future, 71% of the respondents indicated that they would like to include in their outlets a shop and cafeteria and 50% would like to offer garage services.

The respondents indicated that the decision to offer the products and services shown on Tables 4.2.9 (a) and 4.2.9 (c) is 86% influenced by customers though in some instances (14% of the cases) the owners also plays a key role.

The respondents indicated that some of the difficulties experienced in sourcing for products include fluctuating prices, non availability of supplies, delays in delivery and high standardised transport costs. The transport costs were mainly attributed to the use of road transport to transport fuel to the outlets and the high cost of repairing and maintaining the vehicles associated with poorly maintained roads.

2.10 Target Customer Groups

Target customer groups are certain people or organisations that an organisation develops for or provides certain product or service offerings for. Identifying target customer groups provides the means for organisations to develop strategies to target these customers.

The main target customer groups were identified as Pickups and *Matatus* targeted by all the respondents. These customers mainly use diesel, petrol and lubricants. This finding is also supportive of the findings on Table 4.2.9 (a) indicating that diesel was stocked by 100% of the outlets. Lorries, trucks and other heavy commercial vehicles were targeted by 93% of the respondents. Saloon cars and buses are targeted by 79% and 64% of the respondents respectively.

The respondents further established some reasons at to why their customers frequent their outlets. These reasons are documented in Table 4.2.10 and Figure 4.2.10 below.

Table 4.2.10: Outlet Owners Reasons for Frequent Customer Patronage

Reasons for Frequent Customer Patronage	No of Positive Responses	% of responses
Strategic location of outlet eg easily accessible, secure, well lit	14	22%
Lower prices	12	18%
Giving incentives eg discounts, coupons, gift items, credit, special prices	10	16%
Good facilities eg electronic pumps,	10	16%
Good customer service eg hospitality	9	14%
Competent staff	9	14%
Total	64	100%

N=14

Figure 4.2.10: Outlet Owners Reasons for Frequent Customer Patronage

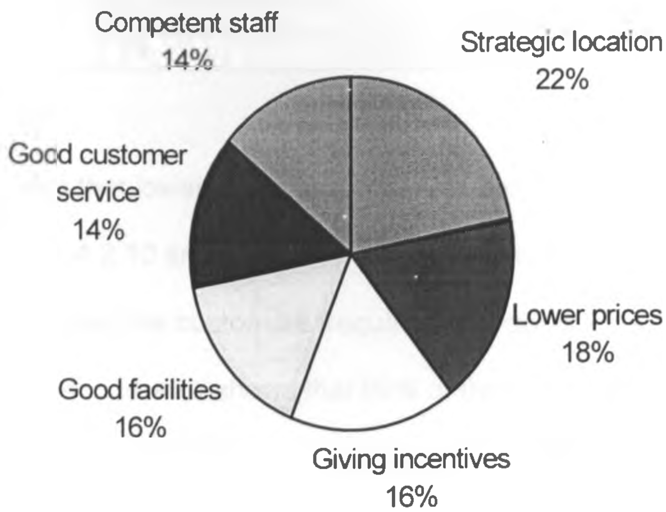


Table 4.2.10 and Figure 4.2.10 present the perceived reasons of outlet owners as to why customers frequent their outlets. 22% of the responses indicated that the main reason for customer patronage is the strategic location of their outlets. Lower prices compared to other outlets also played a key role in influencing sales levels as indicated by 18% of the responses. This was rated as the second reason. Third was giving incentives such as discounts, coupons, gift items and credit facilitates.

Table 4.2.11 summarises the views of the respondents on how their target customer groups perceive their prices.

Table 4.2.11: Outlet Owners View on Target Customers Perception of Outlet Prices

Prices are	Frequency	Percentage
Fair	13	93%
High	1	7%
Very High	0	0
Low	0	0
Very Low	0	0
Total	14	100%

N=14

The findings indicate that lower prices played a key role in attracting target customers to the outlets. Table 4.2.10 and Figure 4.2.10 are supportive of this where 18% of the responses indicated that customers frequent the respondents' outlets because of lower prices. Table 4.2.11 also shows that 93% of the outlet owners indicated that their customers find their outlets' prices fair an indication that pricing was a key influencer of purchasing decisions for their target customer groups.

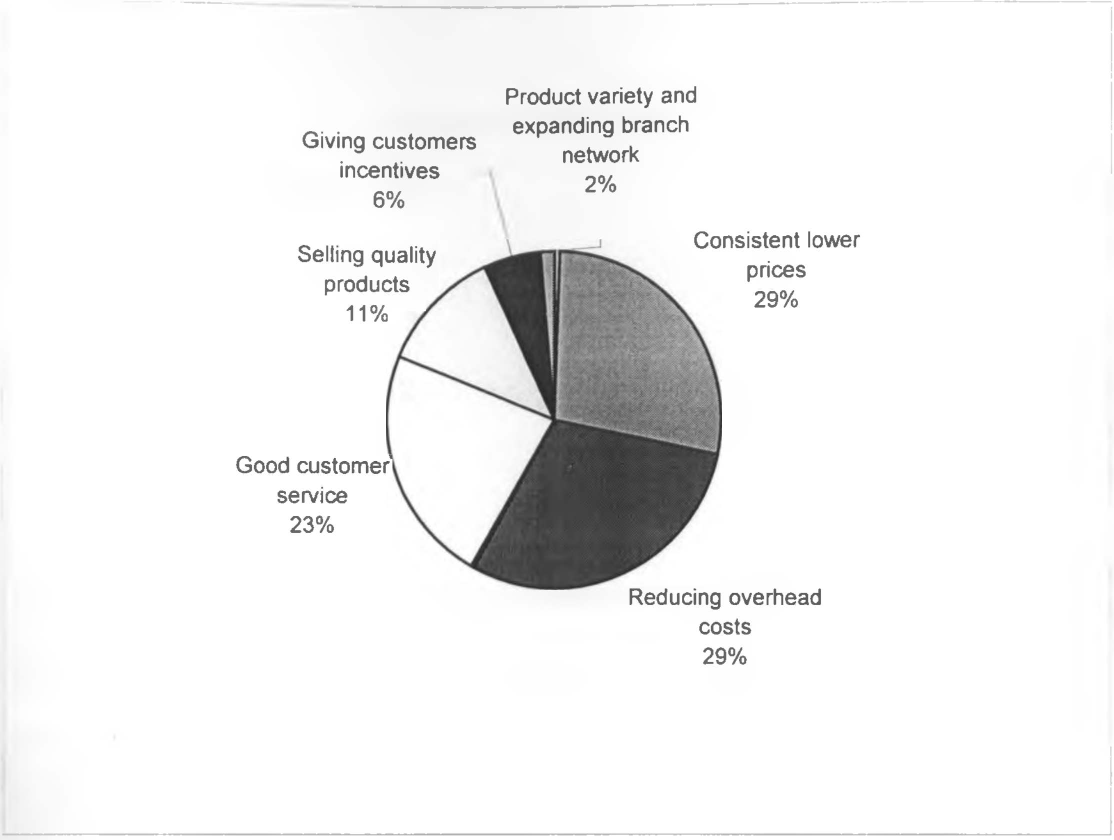
3 Analysis of Strategies Pursued by Outlets Owned by KIPEDA Members

Table 4.3.1 and Figure 4.3.1 below summarises the Strategies employed by the respondents to compete in the petroleum industry in Kenya.

Table 4.3.1 Strategies Used by respondents

Strategies Used to compete	No of times mentioned	Percentage
Consistent lower prices	10	29%
Reducing overhead costs	10	29%
Good customer service	8	23%
Selling quality products	4	11%
Giving customers incentives	2	6%
Product variety and expanding branch network	1	2%
Total	35	100%

Figure 4.3.1 Strategies Used by respondents



Maintaining consistent lower prices and reducing overhead costs were identified as the main strategies used as indicated by 29% of the respondents.

Product variety and expanding the branch network seem not to be popular among the members since only 2% of the responses indicated that they employed these strategies. Only one of the KIPEDA members indicated that they have 2 branches (Table 4.2.2). This could be attributed to the difficulties experienced in setting up petroleum retail outlets due to such things as capital requirements, legal and regulatory requirements. However this could not be conclusively established.

Tables 4.3.2 to 4.3.7 represent the findings on Strategies used by the respondents. These are summarised in the categories of Product and Service Offerings, Pricing and Cost Management, Staff, Marketing, Location of Outlet and Customer Care and

Service. To analyse the specific strategies used within these categories, the key used in the questionnaire was as follows.

Key Used		Weights assigned (x)	Mean Score Analysis
1	Used to a great extent	5	5
2	Used to some extent	4	4
3	Moderately Used	3	3
4	Not used	2	2
5	Not used at all	1	1

To compute the mean, weights (x) were assigned to the frequencies (f) as shown above and the product of these two established ($f \times x = fx$). The sum of fx ($\sum fx$) was divided by the total number of observations (N) = 14. Hence the following formula was applied:

$$\frac{(\sum fx)}{N}$$

A mean score of 5 indicates that the strategy is used to a great extent while a score of 1 indicates that it is not used at all. Once mean scores were assigned to specific strategies, all the strategies were ranked from those with highest mean scores to those with the lowest scores per category as shown on Tables 4.3.2 to 4.3.7. Table 4.3.8 presents the overall rating of all the competitive strategies considered.

Table 4.3.2: Competitive Strategies related to Product and Service Offerings

Position	No	Competitive Strategies	Mean	Standard Deviation
1	1	Looking for reliable suppliers	4.75	.4688
2	3	Using suppliers who deliver fast	4.74	.61
3	6	Offering high quality products/services	4.29	.83
4	2	Offering products/services not provided by competitors	1.93	.9972
5	4	Having agreements with dealers and distributors to keep our competitors from using them	1.00	.00
6	5	Avoiding suppliers who also supply competitors	1.00	.00

Table 4.3.2 summarises the mean ratings of strategies related to product and service offerings. These results show that the outlets belonging to KIPEDA members most utilise strategies to identify reliable suppliers and those with shorter lead times.

The table also shows that avoiding suppliers who supply competitors and having exclusive agreements with dealers and distributors are strategies not popular with the respondents. This is attributed to the fact that one characteristic of IPDs is that they are not contractually tied to any one particular supplier and hence can source their suppliers from any supplier in the industry, hence enjoying flexibility. The content of petroleum products is also highly undifferentiated giving the IPDs more flexibility to source the sane products from different suppliers.

Table 4.3.3: Competitive strategies related to Pricing and Cost Management

Position	No	Competitive Strategies	Mean	Standard Deviation
1	7	Keeping prices lower than competitors	4.30	1.66
2	9	Keeping lower overhead costs than competitors	4.00	1.48
3	8	Keeping prices the same as competitors	3.57	1.88
4	10	Keeping the same overhead costs as competitors	2.36	1.28

The outlet owners indicated that the pricing and cost management strategies used to some extent were keeping lower prices and lower overhead costs than competitors. They also indicated that their major monthly costs include cost of utilities such as electricity and telephone, salaries and wages, working capital, transport, taxes, outlet maintenance costs and payment of interest on loans.

To manage these overheads, the specific cost management strategies employed by the outlets were identified as reducing operational costs, employing cost cutting measures by reducing staff numbers and giving lower salaries. Others were setting prices that have high profit margins and at the same time increase sales, better inventory management and encouraging increase in sales levels through better customer care.

Given that most of the outlets have no branches, management of overhead costs facilitates lower pricing and hence higher margins. Pricing and cost advantages are important internal assets of a firm and can help in positioning the firm and attracting customers (Davidson, 1983).

Table 4.3.4: Competitive strategies related to Staff

Position	No	Competitive Strategies	Mean	Standard Deviation
1	13	Instructing staff on good customer service practices	4.64	0.50
2	12	Giving Staff incentives eg commissions	4.14	1.17
3	11	Employing competent staff	4.29	1.14

The outlet owners identified instructing staff on good customer service practices as the most utilised strategy related to staffing issues. This indicates that the outlet owners value their customers a great deal as also indicated in Table 4.3.1 where 23% of the responses showed that they were pursuing strategies in good customer service. This was also indicated by outlet owners whose outlets did not have distinctive brand names giving reasons that customer loyalty ensures that customers buy whether or not the outlet has a distinctive brand name.

The outlet owners also indicated that they utilise to some extent strategies of giving Staff incentives such as commissions and employing competent staff.

Table 4.3.5: Competitive Strategies related to Marketing

Position	No	Competitive Strategies	Mean	Standard Deviation
1	15	Offering discounts	4.21	0.80
2	19	Making sure the appearance of premises is attractive by use of colors, brand name and other marketing tools that are different from those used by competitors	4.14	0.77
3	16	Offering coupons or gifts to customers on purchase of a certain amount	4.07	1.00
4	18	Use of public relations, sales promotions or advertising our products/services	3.43	1.40
5	14	Offering credit to customers	1.86	.66
6	17	Payment by credit card	1.29	0.47

The highest ranked competitive strategies related to marketing were identified as offering discounts to customers, enhancing the outlets appearance for differentiation purposes and offering coupons and gift items to customers. The outlet owners indicated that they use these strategies to some extent. Their mean score ratings are summarised in Table 4.3.5 above. They indicated that the outlet owners utilise these strategies to some extent. The responses also indicate that use of credit facilities as a marketing strategy to attract more customers is a strategy not preferred by most of the outlet owners.

Table 4.3.6: Competitive strategies related to Location of Outlet

Position	No	Strategic Action	Mean	Standard Deviation
1	21	Security measures in place eg proper lighting	4.50	0.52
2	22	Convenience and ease of accessibility of outlet	4.50	0.52
3	23	Outlet located near high traffic zone areas	4.36	0.50
4	24	Special considerations in outlet layout and design to provide enough room to offer extra services	4.36	0.50
5	25	General cleanliness of outlet environment	4.21	0.89
6	20	Increasing number of outlets in other locations	1.36	0.50

Specific strategies related to the outlets' location identified by the outlet owners as most utilised were putting in place security measures eg proper lighting and taking into consideration the convenience and ease of accessibility of the outlet. Locating the outlet near high traffic zone areas, taking into consideration the outlet layout and design, and the general outlet ambience were identified as strategies utilised to some extent.

The average mean rating on the strategy to increase the number of outlets in other locations was 1.36 an indication that most of the outlet owners do not use this strategy.

Table 4.3.7: Competitive Strategies related to Customer Care and Service

Position	No	Competitive Strategies	Mean	Standard Deviation
1	27	Serve all customers	4.71	0.47
1	29	Offering better customer service and care than competitors	4.70	0.47
3	28	Have a good system for getting feedback from customers (eg complaints)	4.57	0.76
4	30	Offering the same service as competitors	3.64	0.74
5	26	Serve specific type of customers only	1.71	0.61

The most utilised competitive strategies in strategic areas related to customer care and customer service were identified by the respondents as targeting of all customer groups, offering better customer service and care than competitors and having in place systems to receive customer feedback.

To attract and keep their target customers, the respondents indicated that they ensure speed of service, have lower prices than other outlets, maintain a low cost image and offer target customers good incentives and good discounts. Others display their products well and maintain a clean environment in their outlets.

Some of the difficulties experienced by the members of KIPEDA in meeting target customer needs were identified as fluctuating prices of supplies, increasing overhead costs for instance due to power rationing and low consumer confidence due to negative publicity. Other difficulties were increased promotion costs, price increases by multinationals who are their major suppliers and competing with established multinationals. In addition, irregular supplies creates shortages and power rationing creates the need to use generators hence slow pumping which affects speed of services offered.

To determine the most utilised strategies by the respondents, a total of 30 strategies were first identified (See Appendix 1). Factor analysis was used to analyse the strategies. Factor analysis is used to classify a large number of interrelated variables into a limited number of dimensions. It also identifies the underlying constructs in the data. The results are shown in Table 4.3.8 below. The ranking is based on mean ratings analysed using the following scale. 5 Used to a great extent, 4 Used to some extent, 3 Moderately Used, 2 Not used and 1 Not used at all

Table 4.3.8 Summary Statistics

Position	No	Competitive Strategies	Mean	Standard Deviation
1	3	Looking for reliable suppliers	4.75	.4688
2	6	Using suppliers who deliver fast	4.74	.61
3	27	Serve all customers	4.71	0.47
4	29	Offering better customer service and care than competitors	4.70	0.47
5	13	Instructing staff on good customer service practices	4.64	0.50
6	28	Have a good system for getting feedback from customers (eg complaints)	4.57	0.76
7	21	Security measures in place eg proper lighting	4.50	0.52
7	22	Convenience and ease of accessibility of outlet	4.50	0.52
9	23	Outlet located near high traffic zone areas	4.36	0.50
9	24	Special considerations in outlet layout and design to provide enough room to offer extra services	4.36	0.50
11	7	Keeping prices lower than competitors	4.30	1.66

Position	No	Competitive Strategies	Mean	Standard Deviation
12	1	Offering high quality products/services	4.29	.83
12	11	Employing competent staff	4.29	1.14
14	15	Offering discounts	4.21	0.80
14	25	General cleanliness of outlet environment	4.21	0.89
16	12	Giving Staff incentives eg commissions	4.14	1.17
16	19	Making sure the appearance of premises is attractive by use of colors, brand name and other marketing tools that are different from those used by competitors	4.14	0.77
18	16	Offering coupons or gifts to customers on purchase of a certain amount	4.07	1.00
19	9	Keeping lower overhead costs than competitors	4.00	1.48
20	30	Offering the same service as competitors	3.64	0.74
21	8	Keeping prices the same as competitors	3.57	1.88
22	18	Use of public relations, sales promotions or advertising our products/services	3.43	1.40
23	10	Keeping the same overhead costs as competitors	2.36	1.28
24	2	Offering products/services not provided by competitors	1.93	.9972
25	14	Offering credit to customers	1.86	.66
26	26	Serve specific type of customers only	1.71	0.61
27	20	Increasing number of outlets in other locations	1.36	0.50
28	17	Payment by credit card	1.29	0.47
29	4	Having agreements with dealers and distributors to keep competitors from using them	1.00	.00
29	5	Avoiding suppliers who also supply competitors	1.00	.00

Table 4.3.8 above shows that the competitive strategies most utilised by the respondents were numbers 1,3,27,29,13,28,21 and 22. All had mean scores of 4.5 and above. An average of about 4.5 on the likert scale of 1 to 5 implies that the competitive strategy is used to a great extent. This means that the respondents identified the following as the most utilised competitive strategies:

1. Looking for reliable suppliers
2. Using suppliers who deliver fast
3. Serving all customers

4. Offering better customer service and care than competitors
5. Instructing staff on good customer service practices

On the other hand, the least utilised competitive strategies are those with mean scores of 2.0 and below. From the table 4.3.8 these are identified as:

1. Having agreements with dealers and distributors to keep competitors from using them
2. Avoiding suppliers who also supply competitors
3. Payment by credit card
4. Increasing number of outlets in other locations
5. Serving specific type of customers only

In summary, these are a reflection of the critical things within the industry from the competitive scope of the respondents to survive and thrive in the industry. The top two relate to management of product and service offerings by identifying reliable suppliers and especially those with shorter delivery lead times. It is worthwhile to note that none of the strategies related to marketing were ranked among the top ten most utilised strategies.

The two least utilised strategies were having agreements with dealers and distributors to keep competitors from using them and avoiding suppliers who also supply competitors are as a result of the unique nature of IPDs. IPDs like the ones belonging to KIPEDA, are not contractually bound to supply the exclusive products of a particular supplier. Hence they enjoy flexibility not commonly enjoyed by other players in the industry especially the retail outlets belonging to the major six companies. Also among the least utilised strategies are those that require large working capital requirements such as payment by credit, offering customers credit facilities and increasing the number of outlets.

4.3.9 Factor Analysis on the competitive strategies

Factor Analysis was used to explain the correlation between the competitive strategies. Cooper and Emory (1997) observe that factor analysis has the objective of reducing variables into a more manageable number that belong together and have overlapping measurement characteristics. Luck and Robin (1993) also observe that factor analysis can be used to eliminate redundant variables from the list a researcher begins with.

The most frequently used approach in factor analysis, Principal Component Analysis translates a set of variables into a new set of composite variables or principal components that are not correlated with each other. These linear combinations of variables called factors account for the variance in the data as a whole. The best combination makes up the first principal component and is the first factor. Table 4.3.9 Below shows the final output of the variables, communality, eigen values and the cummulative variance. Factors are identified when their Eigen value is greater or equal to one.

Table 4.3.9 Factor Communality and Eigen Values

Variable	Communality	Factor	Eigen value	% of Variance	
S3	.80675	1	15.24730	36.3	36.3
S6	.98190	2	6.52040	15.5	51.8
S27	90213	3	4.78592	11.4	63.2
S29	.97079	4	4.12798	9.8	73.1
S13	.80954	5	2.97301	7.1	80.1
S28	.98944	6	2.32972	5.5	85.7
S21	.98757	7	2.04711	4.9	90.6
S22	.97822	8	1.27387	3.0	93.6
S23	.92188				
S24	.99273				
S7	.97160				
S1	.90561				
S11	.98406				

S15	.92518
S25	.98809
S12	.96419
S19	.89167
S16	.86210
S9	.97183
S8	.95121
S18	.95836
S10	.98146
S2.	98685
S14	.60166
S26	.93994
S20	.94284
S17	.92314
S4	.90670
S5	.99273

Skipping rotation 1 for extraction 1 in analysis 1

The principal component extraction identified eight factors as shown above. The correlation of how the best five are correlated with the other variables is shown on Table 4.3.10 below .

Table 4.3.10 Final Rotated Factor Matrix

	Factor 1	Factor 2	Factor 3	Factor 4	Factor 5
S1	.94518	.64710	-.10471	-.25795	-.97123
S2	.95810	-.04316	-.03236	-.26263	-.98866
S3	.73140	.69691	-.12432	-.00818	-.08020
S4	.56674	.81298	-.19363	-.11924	-.74057
S5	.65156	.90345	-.02367	.26091	-.68600
S6	.92604	86680	- .06831	-.13080	-.00463
S7	.73186	.52981	-.23605	.53045	-.02098
S8	.78587	.22618	-.14851	-.04186	-.12320
S9	-.69714	.10238	-.51940	-.13078	-.01053
S10	-.71700	.27456	-.09425	.04165	-.08932
S11	-.52382	-.53089	.91948	.54589	.60738
S12	-.40451	-.58395	.14136	-. 21087	.86680
S13	-.77045	-.53119	-.07244	.77495	.70730
S14	.17904	-.33751	-.31302	.37904	.29526
S15	.59373	.18922	-.69477	.49964	.96392
S16	.31386	-.01726	.54739	.11218	.02511
S17	.50301	.37883	-.48017	.09024	.34445
S18	.09751	.19205	.07225	.46820	.48792
S19	.56530	-.55723	-.15346	-.07743	.25484
S20	.84543	-.17398	.26308	-.28443	-.70730
S21	-.57967	.02443	.39377	-.54872	-.84030
S22	-.11307	.56262	.53157	-.13459	-.90640
S23	.50135	-.76328	.51483	-.23611	-.86262

S24	.92183	-.22552	.38440	-.21040	-.95745
S25	.59727	.12992	.09757	-.21251	.14326
S26	-.34687	-.39221	.39608	.90253	-.25018
S27	-.54262	.16173	.65443	.60744	.54543
S28	-.77629	-.22741	.60487	.56341	.42514
S29	.71855	.08127	.21789	84543	.95343
S30	.63819	-.48759	-.11616	.64594	-.23731

Table 4.3.10 above shows the rotated matrix of the factor analysis. The loading in a given row represents regression coefficient of the factors that describe a given variable. Variable loading of 0.5 was considered adequate for the variable to explain the factor in question. The variables underlined in the table shows that they load heavily to the factor to which they fall under. From this analysis, factors that were categorised in similar categories as shown in section 2 of the questionnaire (see appendix 2) have high factor loading an indication of high correlation of these variables.

4.4 Competitive Challenges

In trying to meet the requirements of running petroleum retail outlets, investors usually have to contend with certain challenges often presented by the norms of the industry concerned. The general challenges that outlet owners indicated that they have to contend with include lack of a strategic piece of land. Owners of such locations sometimes are unwilling to sell to prospective investors. None of the outlets is located in Nairobi's Central Business District an indication that getting a strategic location in this area is difficult for the KIPEDA members. All were distributed across the suburbs of Nairobi.

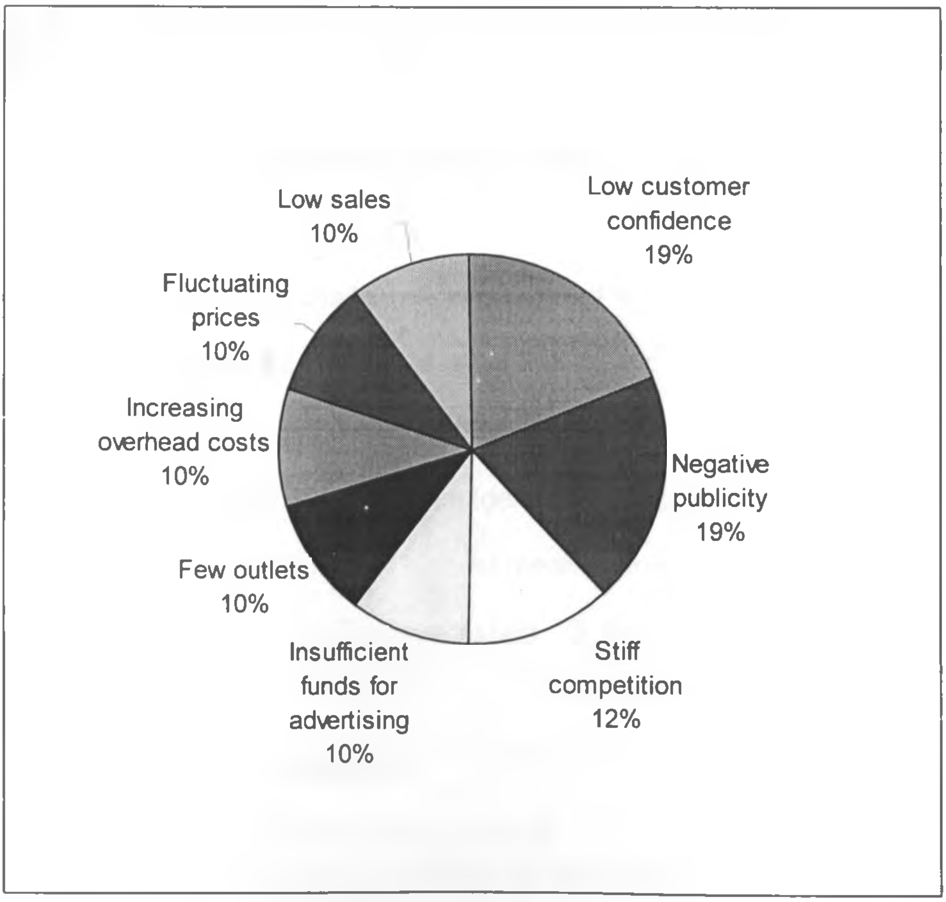
Other general challenges include problems with the Ministry of Works in building access roads from the main roads to the outlets, negative consumer perception, competing with established dealers, inadequate capital and convincing consumers that the IPDs meet the standards set in the industry and can compete at par with the existing multinational firms.

Tables 4.4.1 and 4.4.2 below further analyse specific competitive challenges the members of KIPEDA have to contend with and the extent to which certain issues are a challenge to them.

Table 4.4.1 Competitive Challenges experienced by KIPEDA Members

Identified Challenge	No of Responses	% of Responses
Low customer confidence	10	19%
Negative publicity	10	19%
Stiff competition	7	12%
Insufficient funds for advertising	5	10%
Few outlets	5	10%
Increasing overhead costs	5	10%
Fluctuating prices	5	10%
Low sales	5	10%
Total	52	100%

Figure 4.4.1 Competitive Challenges experienced by KIPEDA Members



19% of the responses indicated that the respondents have to grapple with low customer confidence and negative publicity. Low customer confidence was mainly attributed to negative publicity especially of the operations of IPDs in Kenya. They view this as a major challenge because it influences their ability to gain market share and survive in the industry.

13% of the responses also indicated that the respondents experience stiff competition from the established players. This was attributed to the fact that most of the established petroleum retail outlets are owned by the major established players in the industry who enjoy support from the multinational firms. This is not the case for the IPDs since they have to manage their own outlets according to their own strategies, not enjoying any outside help especially in terms of marketing and promotion. Insufficient funds also affects the ability of members to expand their branch network and advertise as indicated by 10% of the responses. This is not the case for the major multinational firms because research shows that they increased their advertising expenditures between 1994 and 1996 (Abekah, 1996).

The other competitive challenges experienced ie fluctuating prices, low sales and increasing overhead costs are all related to pricing and cost management.

Table 4.4.2 Extent to which Certain Identified Issues are a challenge to KIPEDA members. Ranked in order of highest mean scores. The scale used was as follows:
5 To a great extent 4 To some extent 3 Fair 2 A little 1 Not at all

Position	No	Challenges	Mean	Standard Deviation
1	1	Financial requirements	4.86	0.36
2	7	Negative publicity eg adulteration of fuels	4.64	1.50
3	6	Marketing	4.29	1.07
4	8	Basic requirements to enter the industry	4.21	0.80

Position	No	Challenges	Mean	Standard Deviation
5	2	Industry regulations/rules	4.00	0.68
6	3	Government requirements	4.00	0.78
7	5	Ability and skills of staff	3.00	1.24
8	4	Ability and skills of owner	1.64	0.63

Table 4.4.2 above represents further analysis of the extent to which certain identified issues are a challenge to the operations of the IPDs belonging to KIPEDA. These were ranked based on computed mean scores. To analyse these challenges, the key used in the questionnaire was used as follows.

Key Used		Weights assigned (x)	Mean Score Analysis
1	To a great extent	5	5
2	To some extent	4	4
3	Fair	3	3
4	A little	2	2
5	Not at all	1	1

To compute the mean, weights (x) were assigned to the frequencies (f) as shown above and the product of these two established ($f \times x = fx$). The sum of fx ($\sum fx$) was divided by the total number of respondents (N) = 14. Hence the following formula was applied:

$$\frac{(\sum fx)}{N}$$

A mean score of 5 indicates that the identified issue was a challenge to a great extent while a score of 1 indicates that the issue was not a challenge at all.

Based on calculated mean scores, the top five challenges were identified as financial requirements, marketing, basic requirements to enter the industry, tight and constraining industry regulations/rules and government requirements.

Financial requirement was rated first. Second and third rated challenges were also as a result of constrained finances. The least rated issues were the ability and skills of owner which had a mean rating of 1.64 indicating that it poses minimal challenges, followed by ability and skills of staff which was rated as being a fair challenge to the members.

CHAPTER FIVE: SUMMARY AND CONCLUSION

The aim of this study was to shed more light on the operations of IPDs in Kenya at the retailing level, by trying to establish the competitive strategies the IPDs who are members of KIPEDA are using to compete in the industry. It also sought to establish some of the competitive challenges they are facing as they operate in an industry dominated by only a few major players. This chapter contains a summary of the results from the study.

5.1 Summary and Conclusions

Based on the findings of this study, all the 14 respondents of petroleum retail outlets owned by members of KIPEDA have similarities among them in terms of attributes such as target customer groups, product and service offerings, competitive strategies used and competitive challenges experienced. This is an indication that they belong to the same strategic group, which is a group formed by firms that pursue a similar range of competitive strategies in response to the particular industry conditions facing them.

The findings show that all the respondents were Kenyan investors. The average number of employees in the outlets was 7 and the most frequent was 2 employees. Although the petroleum industry in Kenya was liberalised in 1994, the KIPEDA members started operating in the industry after 1996 given that only one of the outlets has been operating for 4 years. 43% have been operating for 1 year or less. A larger percentage of the respondents indicated that they had spent up to KSh 2 million to set up their operations in form of capital investments such as finances for loans, a strategic piece of land, pumps and underground tanks.

With respect to branding of outlets, 71% of the respondents' outlets had distinctive brand names. These respondents indicated that their brand names were a key asset used to improve recognition by customers, for identification and registration of outlets, creating awareness, protecting the interests of the business and for service differentiation. Service differentiation is significant in the Petroleum industry because of the undifferentiated petroleum products and accompanying services offered by the industry players.

64% of the respondents indicated that competition in the industry was stiff, contributing factors being the presence of well established players in the industry. Survival in the industry, maximising market share and product and market differentiation were identified by the respondents as very important goals they were pursuing as they operate in the industry.

Major similarities among the respondents were in the products and services offered and their target customer groups. 100% had stocked diesel while 93% had super/premium. All the respondents indicated that they source their products from the KPC Nairobi Joint Deport at Industrial Area controlled by the major oil companies in the industry, hence they largely depend on the larger players for supplies. Difficulties experienced in sourcing their supplies include fluctuating prices, availability of supplies, delays in delivery and high standardised transport costs. Key services offered include garage services such as car wash and maintenance, shop and cafeteria.

100% of the respondents indicated that they target Pick ups and *Matatus* which use diesel. The main reasons attributed to frequent customer patronage as indicated by the members were the strategic location of their outlets and lower prices.

Competitive Strategies

Overall, the main strategies pursued by the respondents were identified as having consistent lower prices and reducing overhead costs. Unlike the major industrial players, who are out to launch new products and services to create a competitive edge in the industry (Abekah, 1996), these findings indicate that the members of KIPEDA are pursuing low cost strategic goals. Allvine and Patterson (1972) established that the major players in an industry generally refrain from and exhibit leadership in establishing relatively high and stable prices than the smaller players in an industry. The results also indicated that product variety and expanding the branch network were not popular strategies being pursued since 98% of responses indicated that they do not prefer them.

With respect to the specific competitive strategies related to product and service offerings, the mean score summaries show that majority of the respondents look for reliable suppliers and use suppliers with shorter delivery lead times. In relation to pricing and cost management the competitive strategies used to some extent were identified as keeping lower prices and lower overhead costs than competitors. To better manage costs, the outlet owners were using measures to reduce their operational costs and manage their inventory better.

In staffing issues, the mean score summaries show that majority of the respondents identified instructing staff on good customer service practices as the most utilised strategy. They were also giving Staff incentives such as commissions and employing competent staff to some extent. On the Strategic location of outlet putting in place security measures, taking into consideration the convenience and ease of accessibility of outlet and locating the outlet near high traffic zone areas were identified as the most utilised competitive strategies. The average mean rating by the respondents on the strategy to increase the number of outlets in other locations indicated that most of the members do not use this strategy.

In strategic areas related to customer care and customer service, majority of the respondents indicated that they were focusing more on issues that identify and meet customer needs. This was indicated by the highest mean ratings of competitive strategies to serve all customer groups and offer them better customer service and care than competitors. To attract and keep their target customers, the outlet owners indicated that they ensure speed of service, have lower prices than other outlets, maintain a low cost image and offer target customers good incentives and good discounts.

Pursuing strategies to meet customer needs was not without cost as established by some of the difficulties experienced by the respondents in trying to meet needs of their target customers. These were identified as fluctuating prices of supplies, low consumer confidence due to negative publicity and increasing overhead costs such as due to power rationing. Price increases by multinationals who are their major suppliers, competing with established multinationals, irregular supplies and slow pumping facilitates due to power rationing were also identified as some of the difficulties experienced in meeting customer needs. .

Overall, the top three competitive strategies most utilised were identified as looking for reliable suppliers, using suppliers who deliver fast and serving all customers. These indicate that reliability and availability of supplies were very important for the outlets. The least utilised were identified as having agreements with dealers and distributors to keep competitors from using them, avoiding suppliers who also supply competitors and payment by credit card.

These were identified with the unique operations of IPDs in that they are not contractually bound to supply only the exclusive products of a particular supplier. Flexibility is a great source of competitive edge for the IPDs especially in an industry characterised by instability such as the petroleum industry that is highly sensitive to fluctuating prices of crude oil world-wide. The KIPEDA IPDs do not utilise strategies that require large working capital requirements such as offering customers credit facilities and increasing the number of outlets.

Competitive Challenges

The competitive challenges experienced by the respondents were identified as low customer confidence, negative publicity, stiff competition from established outlets, insufficient funds for advertising, having few outlets, increasing overhead costs, fluctuating petroleum prices and low sales. The most common competitive challenges were low customer confidence and negative publicity.

On the extent to which certain issues were a challenge especially in the implementation of competitive strategies, the respondents indicated that financial requirements and negative publicity were challenges to a great extent.

5.2 Limitations of the Study

The results of this study are drawn only from the responses of 14 IPDs who are members of KIPEDA. The findings of this study could not be generalised to all the IPDs operating in the industry. This is because it was only a Census of those IPDs belonging to KIPEDA. An attempt to establish the total number of IPDs operating in Kenya and their physical locations from the records at the Nairobi Provincial Accountant's offices was not fruitful.

As indicated by the none response rate, some respondents were uncooperative fearing that their trade secrets would fall into the hands of the wrong people hence were not willing to participate in the study.

Time was also a great constraint given that the preferred data collection method was personal interviews with the owners of the outlets. However because of their busy schedules some of them were not available hence a drop and pick later method was used to administer the questionnaire. The outlets are distributed across the suburbs of Nairobi hence moving from one place to another was also time consuming. N none of the outlets is located in Nairobi's Central Business District. Some of the outlet owners expressed concern that the language used in the questionnaires was a bit technical given that they are not very educated hence extra time had to be taken to try and explain and interpret the questionnaires by the researcher.

5.3 Recommendations for Further Research

I recommend that a full fledged study on competitive strategies adopted by other IPDs who are not members of KIPEDA be carried out. The outcomes of this study could not be generalised to other IPDs given that not all of them are KIPEDA members. The study attempted to add knowledge on the operations of IPDs belonging to KIPEDA only, but is only a first step towards understanding the operations of these players in the Kenyan market. A study on the operations of all the other IPDs would also greatly benefit the industry. Such a study could help draw parallels between the major players' and the IPDs' operations in Kenya. The study would further add value if it incorporates all the major stakeholders in the industry that is PIEA, KIPEDA, Ministry of Energy, KPC, NOCK and KPRL.

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APPENDIX 1: LETTER OF INTRODUCTION

July 2000

Dear Respondent

MBA RESEARCH PROJECT

This questionnaire is designed to gather information on the competitive strategies adopted by members of the Kenya Independent Petroleum Dealers Association. This study is being carried out for a management project paper as a requirement in partial fulfilment of the degree of Master in Business Administration, University of Nairobi.

Your responses will be treated in strict confidence and in no instance will your name be mentioned in the report.

Your cooperation will be highly appreciated.

Yours faithfully

MURAGE SUSAN N	MAALU JACKSON
MBA STUDENT	PROJECT SUPERVISOR

APPENDIX 2: QUESTIONNAIRE

This questionnaire is divided into three parts: Section A, B and C. Kindly answer the questions in each section. Your answers will remain anonymous and strictly confidential and in no instance will your name be mentioned in the report.

SECTION A:

1 How many years have you been operating in the Kenyan market? ______________

2(a) How much capital did you use to start the business? KSh____________________

2(b) How much is your investment in the business now? KSh____________________

3 Please indicate the nature of ownership of your outlet

Local ☐ Foreign ☐ Other (please specify) ______________

4(a) How many employees do you have currently? ________________________

4(b) How many employees did you have when you started operating? ______________

5 Do you have any other branches? Yes ☐ No ☐

If Yes, please give the actual number and their location

____

____

6(a) Please indicate some of the basic requirements an investor needs to operate an outlet

Financial Requirements ____________________________________

____

Physical Facilities ____________________________________

____

Other Requirements ____________________________________

____

____

____

6(b) Please indicate some of the challenges you encountered in trying to meet the above requirements. ____

____

____

____

7(a) Please indicate the type of products stocked in your outlet(s) and where you source these products from

Fuels	Source 1	Source 2	Source 3	Source 4
Super/Premium				
Regular				
Diesel				
Kerosene				

Lubricants	Brand Name	Source 1	Source 2	Source 3

7(b) Kindly indicate (√) some of the reasons that make you source the above products from these suppliers

Ease of accessibility [ ]
Competitive prices [ ]
Credit facilities [ ]
Quality of supplies [ ]
Other (Please specify) [ ]

____ [ ]
____ [ ]

7(c) Kindly indicate some of the difficulties that you encounter in sourcing the above products ____

____

____

8 Please indicate (√) the extra services your outlet(s) offers now and those you plan to offer in future

	Now	Future
Shop and Cafeteria		
Garage facilities eg Car maintenance, car wash		
Other (Please specify)		
____		
____		

9(a) Please indicate (√) which of the following groups of customers you serve and the products/services you provide for each.

	Target Customer	√	Products/services
1	Heavy Commercial Vehicles *(Lorries and trucks)*		
2	Saloon Cars		
3	Pick Ups		
4	Matatus		
5	Buses		

9(b) Why do you think these customers use your products and services? Because of

Lower prices ☐

Strategic location of outlet eg easily accessible, secure, well lit ☐

Good customer service ☐

Giving incentives eg discounts, coupons, gift items, credit, special prices ☐

Good facilities eg electronic pumps, ☐

Competent staff ☐

Other (Please specify) ☐

____

____

____

9(c) What are some of the things you do to attract and keep these customers?

____

____

____

9(d) Please indicate some of the difficulties you encounter in trying to meet the needs of these customers? ____

____

____

10 Who influences the decision to stock the products/services offered by your outlet(s)?

Customer ☐ Suppliers ☐ Outlet Owner ☐ competitors ☐

Others

(please specify) ____

____

11 In your opinion, please indicate how your target customers view your current prices.

Very High ☐ High ☐ Fair ☐ Low ☐ Very Low ☐

12 Please indicate the 3 major costs your outlet incurs per month.

1 ______________________________

2 ______________________________

3 ______________________________

13 Given the cost mentioned above, how do you manage to keep your prices lower or the same as other player in the market?______________________________

____

____

14 Have you identified an appropriate brand name for your outlet(s)?

Yes ☐ No ☐

Why or why not? ______________________________

____

____

15 In your opinion, how important is it to give your business a name?

1 Very Important ☐ 4 Not important ☐

2 Fairly Important ☐ 5 Not very important at all ☐

3 Not Sure ☐

Why? ______________________________

____

16 How would you rate the state of competition in the industry?

Stiff ☐ Fairly Stiff ☐ Not Stiff ☐ Not sure ☐

17 What are your reasons for 16 above?

1 ______________________________

2 ______________________________

3 ______________________________

18(a) In your opinion, who are the three most successful Independent Petroleum Dealers?

18(b) Give reasons for your choices above.

	Firms 16(a)	Reasons for your choices 16(b)
1		
2		
3		

18(c) In your opinion, which are the three most successful Petroleum companies in the Industry?

18(d) Give reasons for your choices above.

	Firms 16(c)	Reasons for your choices 16(d)
1		
2		
3		

19 Please state three main actions your firm is doing to compete effectively in this market.

1 ______________________________

2 ______________________________

3 ______________________________

20 How important are the following goals in your business? Please rate them in order of their importance using the following scale.

1 Very Important
2 Fairly Important
3 Not Sure
4 Not important
5 Not very important at all

Survival in the industry	[ ]	Other (Please specify)	[ ]
Growth (gain market share)	[ ]	______________	[ ]
Maximise market share	[ ]	______________	[ ]
Profitability	[ ]	______________	[ ]
Product and market differentiation	[ ]	______________	[ ]

SECTION B

Please indicate (√) the extent to which you have used the following action plans to beat competition in the market. Please use the following scale.

1 Used to a great extent 2 Used to some extent 3 Moderately Used

4 Not used 5 Not used at all

	Product and Service Offerings					
1	Looking for reliable suppliers	1	2	3	4	5
2	Offering products/services not provided by competitors	1	2	3	4	5
3	Using suppliers who deliver fast	1	2	3	4	5
4	Having agreements with dealers and distributors to keep our competitors from using them	1	2	3	4	5
5	Avoiding suppliers who also supply our competitors	1	2	3	4	5
6	Offering high quality products/services	1	2	3	4	5
	Pricing and cost management					
7	Keeping our prices lower than competitors	1	2	3	4	5
8	Keeping our prices the same as competitors	1	2	3	4	5
9	Keeping lower overhead costs than competitors	1	2	3	4	5
10	Keeping the same overhead costs as competitors	1	2	3	4	5
	Staff					
11	Employing competent staff	1	2	3	4	5
12	Giving Staff incentives eg commissions	1	2	3	4	5
13	Training staff in customer service	1	2	3	4	5
	Marketing					
14	Offering credit to customers	1	2	3	4	5
15	Offering discounts	1	2	3	4	5
16	Offering coupons or gifts to customers on purchase of a certain amount	1	2	3	4	5
17	Payment by credit card	1	2	3	4	5
18	Use of public relations, sales promotions or advertising our products/services	1	2	3	4	5
19	Making sure the appearance of our premises is attractive by use of colors, brand name and other marketing tools that are different from those used by competitors	1	2	3	4	5

Location of Outlet

20	Increasing number of outlets in other locations	1	2	3	4	5
21	Security measures in place eg proper lighting	1	2	3	4	5
22	Convenience and ease of accessibility of outlet	1	2	3	4	5
23	Outlet located near high traffic zone areas	1	2	3	4	5
24	Special considerations in outlet layout and design to provide enough room to offer extra services	1	2	3	4	5
25	General cleanliness of outlet environment	1	2	3	4	5

Customer Care and Service

26	Serve specific type of customers only	1	2	3	4	5
27	Serve all customers	1	2	3	4	5
28	Have a good system for getting feedback from customers (eg complaints)	1	2	3	4	5
29	Offering something different from competitors	1	2	3	4	5
30	Offering the same service as competitors	1	2	3	4	5

Other Action Plans Used

31	____________________	1	2	3	4	5
32	____________________	1	2	3	4	5
33	____________________	1	2	3	4	5
34	____________________	1	2	3	4	5
35	____________________	1	2	3	4	5

SECTION C

The following are some issues identified as challenges in the implementation of action plans. Please indicate (√) the extent to which they are a challenge to your firm operating effectively in the market. Please use the following scale.

1 To a great extent 2 To some extent 3 Fair 4 A little 5 Not at all

1	Financial requirements	1	2	3	4	5
2	Industry regulations/rules	1	2	3	4	5
3	Government requirements	1	2	3	4	5
4	Ability and skills of owner	1	2	3	4	5
5	Ability and skills of staff	1	2	3	4	5
6	Marketing	1	2	3	4	5
7	Negative publicity eg adulteration of fuels	1	2	3	4	5
8	Basic requirements to enter the industry	1	2	3	4	5

Please indicate and rank (1 being the greatest) the challenges you have experienced as you operate in the petroleum industry as an Independent Petroleum Dealer.

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Thank you very much for completing this questionnaire. Please write below any other comments you wish to include that is relevant to this subject.

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THANK YOU FOR YOUR COOPERATION

APPENDIX 3 LIST OF VARIABLES CONSIDERED IN THE FACTOR ANALYSIS

S1 Looking for reliable suppliers
S2 Offering products/services not provided by competitors
S3 Using suppliers who deliver fast
S4 Having agreements with dealers and distributors
S5 Avoiding suppliers who also supply our competitors
S6 Offering high quality products/services
S7 Keeping our prices lower than competitors
S8 Keeping our prices the same as competitors
S9 Keeping lower overhead costs than competitors
S10 Keeping the same overhead costs as competitors
S11 Employing competent staff
S12 Giving Staff incentives eg commissions
S13 Training staff in customer service
S14 Offering credit to customers
S15 Offering discounts
S16 Offering coupons or gifts to customers on purchase of a certain amount
S17 Payment by credit card
S18 Use of public relations, sales promotions or advertising our products/services
S19 Making sure the appearance of our premises is attractive by use of colors, brand name and other marketing tools that are different from those used by competitors
S20 Increasing number of outlets in other locations
S21 Security measures in place eg proper lighting
S22 Convenience and ease of accessibility of outlet
S23 Outlet located near high traffic zone areas
S24 Special considerations in outlet layout and design to provide enough room to offer extra services
S25 General cleanliness of outlet environment
S26 Serve specific type of customers only
S27 Serve all customers
S28 Have a good system for getting feedback from customers (eg complaints)
S29 Offering something different from competitors
S30 Offering the same service as competitors

APPENDIX 4: RELIABILITY ANALYSIS SCALE

R E L I A B I L I T Y   A N A L Y S I S   -   S C A L E   (S P L I T)

Reliability Coefficients

N of Cases =	14.0	N of Items = 45	
Correlation between forms =	.3777	Equal-length Spearman-Brown =	.5483
Guttman Split-half =	.5104	Unequal-length Spearman-Brown =	.5484
23 Items in part 1		22 Items in part 2	
Alpha for part 1 =	.6865	Alpha for part 2 =	-.3601

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