THE EXTENT OF USE OF MARKETING MIX VARIABLES IN THE SUGAR INDUSTRY IN KENYA

BY

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THIS PROJECT IS SUBMITTED IN PARTIAL FULFILLMENT OF THE REQUIREMENTS FOR THE AWARD OF THE DEGREE OF MASTER OF BUSINESS ADMINISTRATION OF THE UNIVERSITY OF NAIROBI

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DECLARATION

THIS PROJECT IS MY ORIGINAL WORK AND HAS NOT BEEN PRESENTED FOR A DEGREE IN ANY OTHER UNIVERSITY.

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THIS PROJECT HAS BEEN SUBMITTED FOR EXAMINATION WITH MY APPROVAL AS THE UNIVERSITY SUPERVISOR

SIGNED ______________ 20/11/04

DR. MARTIN OGUTU

DEDICATION

To Mum and Dad: this project is in honour of your labour to ensure that I got the very best education possible. This is all that I can give in return.

IN MEMORY: JANE NYAKONA MATWERE

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I would like to express my gratitude to, and acknowledge the contributions of various people without which it would have been impossible to accomplish this monumental task.

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ABSTRACT

The study had two major objectives. The first objective sought to determine the extent to which marketing variables are applied by the sugar industry in Kenya. The second objective sought to identify the constraints experienced by the sugar firms in the application of the variables. Data was mainly gathered through structured questionnaires and analysed through mean scores and percentages.

The findings have brought out several pertinent issues. The sugar Industry in Kenya applies the marketing mix variables but to a little extent. Product, pricing and promotion are least applied as opposed to place or distribution which is applied to a large extent. It was found out from the survey that privately owned sugar companies practice marketing to a larger extent compared to the government owned companies.

The challenge therefore, is for the sugar companies to intensify their marketing practices to match the increased competition especially from the COMESA (Common Market for Eastern and Southern Africa) region and the International markets. Product development or building strong brands can only be successful through the application of marketing variables to a large extent.

The respondents however indicated that they are facing a number of constraints in the application of the marketing variables. Some of the constraints experienced includes; cost of production, politics and Government legislation and the fast changing trends in technology. While some of the constraints are external, therefore not under the control of sugar firms, the industry should however strive to counter them.

CHAPTER ONE

INTRODUCTION

1.1. Background

The Sugar Industry in Kenya dates back to 1922, when Miwani Sugar Company was established. This was followed by the subsequent construction of the following factories: Ramisi Sugar company (1927), Muhoroni Sugar company (1966), Chemelil Sugar Company (1968), Mumias Sugar Company (1973), South Nyanza Sugar Company (1977), Nzoia sugar Company (1978), and West Kenya Sugar Company (1981).

Before independence, the sugar industry was predominantly a private sector enterprise, after independence, the government started playing a central role in the ownership, management and control of the industry. This was in line with its (government) effort to achieve self-efficiency in sugar requirements and reduce sugar imports, contribute towards the integrated national economic development and employment opportunities in the rural area, thus helping check rural to urban migration.

Competition for the local market was not intense. As a result, the industry become glutted with employees and spent most of its earnings on business that were not necessarily aiming at promoting its growth. Management of the industry was characterized by laxity and lack of clear objectives. This culture thrived while the market for manufactured sugar was guaranteed and local sugar companies were protected from external competition.

Sales and marketing of sugar was done by the government agent, namely Kenya National Trading Corporation (KNTC). The sugar companies were only required to process sugar and pack them in 90 kg bags, store them in their warehouses and await Kenya National Trading Corporation (KNTC) to collect and sell the manufactured sugar.

In early 1990's the government of Kenya committed itself to major structural reforms, which included inter-alia, economic liberalization and privatization of public enterprises. This resulted in Mumias Sugar Company, the largest sugar manufacturer in Kenya being privatized. Over the same period, the government embraced market liberalization and removed sugar protective tariffs allowing price to vary with supply, demand and buyers expectations.

The Kenya National Trading Corporation (KNTC), also pulled out as the industry's sales and marketing agent, leaving the responsibility of selling and marketing sugar to individual sugar firms. However sugar firms did not quickly realize the importance of marketing, as Kassamani (1999) observed, sugar firms were treating marketing as unnecessary expense since sugar "sells itself". He observed that only Mumias Sugar Company had set a formal marketing department.

Since then a lot has changed in the sugar industry. The industry has witnessed the collapse of two of its oldest firms namely Ramisi Sugar Company and Miwani Sugar Company whereas Muhoroni Sugar Company is under statutory management. Other sugar firms are struggling to survive whereas Mumias Sugar Company seems to be doing well.

Kwena (2002) observed that over 80% of the population under study only knew Mumias Sugar Company and had no idea of existence of other sugar brands. The industry has found itself in a series of problems /constraints ranging from production issues, policy issues and marketing issues. This study concentrates on marketing issues and specifically looks at the extent of use of marketing mix variables in the industry.

The art of marketing is largely the art of brand building. When something is not a brand, it will probably be viewed as a commodity (Kotler, 1999). Players in the industry realized that to effectively undertake marketing activities, they first had to create brand names.

According to Aaker (1999), 'The brand name is the basis on which a whole story can be built about a product's qualities, price, expected performance, promotion and other marketing mix variables'.

The American Marketing Association (A.M.A) first defined marketing in 1946 as the performance of business activities that direct the flow of goods and services from producers to consumers.

Kotler (1995) defines marketing as a social and managerial process, by which individuals and groups obtain what they want through creating and exchanging products and services of value with each other.

According to Stanton (1978), Marketing comprises of a system of business activities designed to plan, price, promote and distribute want satisfying products and devices to present and potential consumer segments.

Kibera and Waruingi (1998) have assessed the importance of marketing in Kenya by recognizing its role in creating employment, introducing various products in the market, sponsoring various local programmes and so forth.

In 1985, the American Marketing Association, once again redefined marketing as a process of planning and executing the conception, pricing, promotion and distribution of ideas, goods and services to create value that satisfy individual and organizational objectives.

This recognizes that Marketing is a process involving analysis, planning implementation and control. It covers goods and services and ideas. It rests on the notion of exchange and the fact is to produce satisfaction for both parties involved. The findings of the current study are expected to help sugar firms to understand the important role played by marketing mix variables and hopefully help the industry to be more customers focused.

1.2 Statement of the Problem

There have been numerous studies on sugar industry. Those that have studied the industry include Obiero (1980), Obara (1976), Oduol (1974), Odada (1979), Okunyanyi (1999), Kassamani (1999) and Kwena (2000). Most of these studies, however concentrated on geographical, social or economic perspectives. Those on marketing perspectives include Kassamani (1999) who highlighted the state of strategic marketing in the sugar industry. Okunyanyi (1999) identified reasons for the uncompetitiveness of government owned sugar firms.

Since then a lot has changed in the sugar industry, almost all sugar companies have formal marketing departments today against the observation by Kassamani (1999) that only Mumias Sugar Company had in 1999. Sugar firms have started to brand their sugar for differentiation and easier customer choice.

Despite this, firms have continued to experience problems leading to some of them winding up as the case of Ramisi Sugar Company and Miwani Sugar Company which closed in 2001. Muhoroni Sugar Company is also under statutory management since 2002.

Following liberalization, the sugar industry has continued to face increased competition. Sugar stocks continue piling up even after formal marketing departments have been established to undertake sales and marketing of sugar. In view of this, it is worthwhile; to examine the marketing practices being undertaken by the sugar firms to satisfy their customers at the same time generating profits especially given the intensity of the competition in the industry.

This study establishes the state of application of the marketing mix variables and identifies the relative importance of the individual components of the marketing mix elements in marketing of sugar in Kenya. The study also identifies any constraints encountered in the application of the marketing mix variables.

1.3 Objectives of the Study

i. To determine the extent to which sugar companies apply marketing mix variables.

ii. To identify factors that influences the application of marketing mix variables.

1.4 Importance of the Study

The current study is beneficial to various groups:

i. Industry - Knowledge in the field will assist present and potential sugar companies understand the important role played by marketing mix variables and hopefully help the industry to be more customer focused.

ii. Academicians - This study sheds more light in the area and adds to knowledge and hopefully stimulates further research.

iii. Consumers - Consumers will be able to understand the various marketing strategies adopted by the companies and better connect with the brands.

1.5 Overview of the Study

This report is divided into five chapters. Chapter one is the introduction of the study and gives background information on the subject matter of the study. Research problem and objectives of the study and its importance.

Chapter two deals with literature review pertinent to area of study. In this chapter the marketing mix variables and previous research in the area are reviewed.

The third chapter discusses the research design of the study. This includes the relevant population target, sampling procedure and data collection methods.

The fourth chapter deals data discussion and analysis and interpretation of the results as well.

Chapter five represents the summary, discussions and draws conclusions for the study. It also highlights the limitations of the study, recommendations for further research and for policy and practice.

CHAPTER TWO

LITERATURE REVIEW

This is the second chapter of the study, which deals with the literature review pertinent to the area of study. In this chapter, marketing mix variables and previous research in the area are reviewed.

2.1 Marketing Mix

Borden (1965) claims to be the first to have used the term "Marketing Mix" and that it was suggested to him by Cullton's (1948) description of business executive as "mixer of ingredients".

However Borden did not formally define the marketing mix, to him it simply consisted of important elements or ingredients that make up marketing programme.

McCarthy (1964) defined the marketing mix as a combination of all factors at a marketing manager's command to satisfy the target market. More recently, McCarthy and Perreault (1987) have defined marketing mix as the controllable variable that an organization can co-ordinate to satisfy its market.

This definition is widely accepted as can be seen from Kotler and Armstrong (1989), who have defined marketing mix as:

> *"A set of controllable that the firm blends to produce the response it wants in the target market"*

Marketing mix therefore is a combination of marketing inputs that affect customer motivation and behaviour.

These inputs traditionally encompass four controllable variables the 4Ps namely, Product, Price, Promotion and Place. The list has subsequently been extended to 7Ps. The additions, being People, Process and Physical evidence.

Marketing mix strategy determines the combination of each element in the mix and how they blend together to achieve marketing strategy.

2.1.1 Product

A product is anything that can be offered to a market for attention, acquisition, use, or consumption and that might satisfy want or need (Kotler, 2000)

There are three levels of product:

i. **Core Product**

The core product answers the question, what is the buyer really buying?

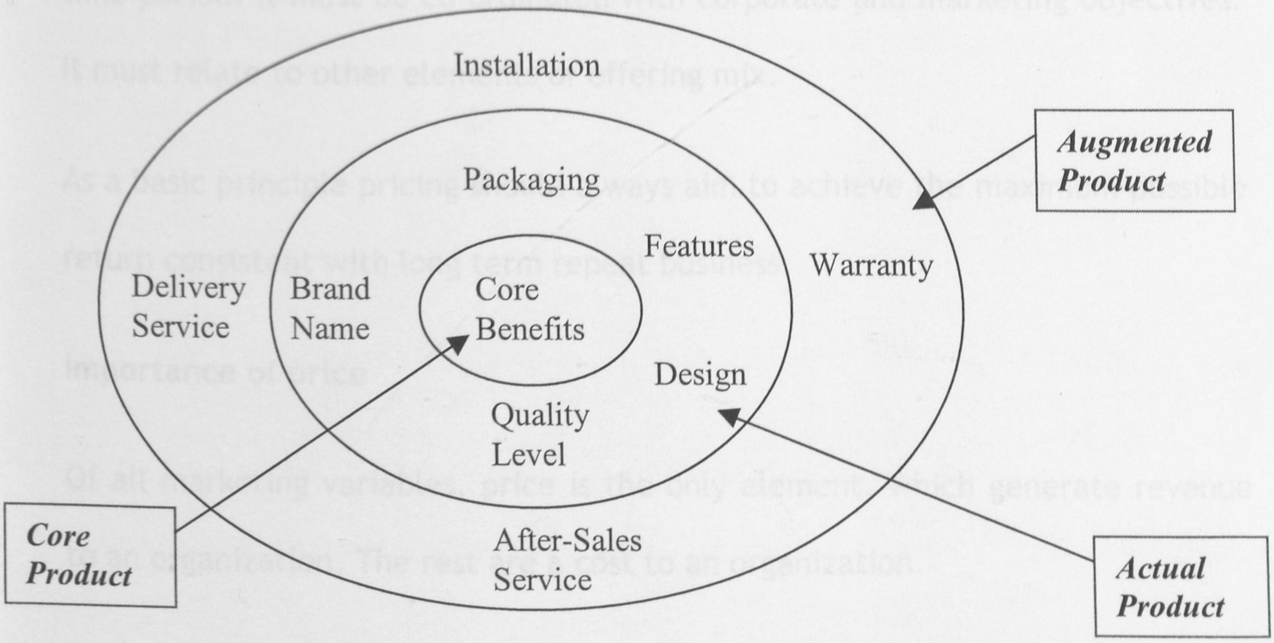
These are the benefits that consumers seek from a product. Companies therefore, must understand the total consumer experience that surrounds the purchase and use of product.

ii. **The Actual product**

Actual product includes the quality level, brand name, features, design and package.

iii. Augmented Product

These are additional benefits and services. The aim is to ensure a firm's products are distinct from competitions.



Source: P. Kotler (2000)

Product decisions have to do with developing a product that will gain acceptance in the market place. Market research is a key ingredient in the development process. Many consumer goods companies spend a lot of money in test marketing new product ideas in various geographical regions. Only after extensive study of consumer acceptance will most organizations begin the production phase.

2.1.2 Price

Kotler (1999) defines price as the value placed on a product at some point in time. It is related to volume of sales and quality of the product offered over a time period. It must be co-ordinated with corporate and marketing objectives. It must relate to other elements of offering mix.

As a basic principle pricing should always aim to achieve the maximum possible return consistent with long term repeat business.

Importance of price

Of all marketing variables, price is the only element, which generate revenue to an organization. The rest are a cost to an organization.

Price is an important element used in regulating economic activities within a country, for instance, it is through placing a price on labour that salaries are paid, land earns rent, capital employed yield interest and so forth.

Price has psychological impact on consumers, for example, higher prices represent higher quality. To avoid, a company's products being viewed as being of low quality, marketers should always price their goods comparatively to those of the competition. If there are no or only a few substitutes for a given product, the business may charge a higher price.

Price can be used as a major competitive tool to offset competitive thrust. Of all the marketing mix variables, it is only price, which can be changed overnight (quickly) to respond to the changes in the market place.

In setting the prices for a given product, marketers must also have clear objectives of what they intend to achieve before setting a price. The price you decide to charge for a product will support its positioning. Likewise a pricing which appears to be out of synchronization with the product and with other marketing elements will only confuse customers hence lead to lower sales.

2.1.3 Promotion

> "For a business to prosper, it has to be effectively advertised and marketed via all possible avenues. You may be having the most brilliant idea or the most outstanding product in the market, but to succeed, you have to let the world know about it" (Kabiru 2001).

Promotion is communication undertaken to persuade others to accept ideas, concepts or things. More specifically, promotion is the element in an organization's marketing mix that serves to inform, persuade and remind the market of the product and /or the organization selling it, in hope of influencing the recipients feelings, beliefs or behaviors.

It is not enough for companies to develop a good product, price it attractively and make it accessible to target consumers.

Promotion methods

There are five forms of promotions namely: personal selling, advertising, sales promotion, public relations and publicity.

Personal selling is the direct presentation of the product to a prospective customer by a representative of the organization selling it. Personal selling takes place face to face or over phone, and it may be directed to a middleman or final consumer.

According to Kibera (1996) personal selling is a presentation in a conversation with one or more prospective purchasers for the purpose of making sales.

Personal selling is widely used in Kenya. It is an effective tool in the buying process, particularly in the building up buyer preference, conviction and action.

It is particularly most effective in sale of goods, which require demonstration.

Personal selling involves three distinctive benefits:

i. Personal information: personal selling involves an alive, immediate and interactive relationship between two or more persons.

ii. Cultivation: personal selling permits the development of kinds of relationships ranging from selling relation to personal friendship.

iii. Response: personal selling makes the potential buyer feel under some obligation to respond after listening to sales talk. In most cases the response is immediate.

Advertising has been defined by the American Marketing Association (A.M.A) as any paid for non-personal presentation and promotion of ideas, goods and services by an identified sponsor

Advertising is impersonal mass communication that the sponsor has paid for and in which the sponsor is clearly identified. The most familiar forms of advertisement are found in broadcast (TV and radios) and print (newspapers and magazines) media. However there are many other forms of advertising alternatives from direct mail to billboards, telephone directory yellow pages and increasingly the interest.

There are a number of types of advertising. The type used by an organization depends upon the objectives of the advertising campaign. The major functions of advertising include: -

(a) **Informs** - it informs many people at once about available products and services, where to get them and at what price. By so doing, it saves consumers time, money and efforts to obtain information, which is needed in making purchase decision.

(b) **Educates** - advertising educates people about organization, products, services and ideas.

(c) **Persuades** - advertising attempts to persuade consumers to purchase more of a given product. Persuasive advertising becomes important in the competitive stage of a company where the objective is to build selective demand for a particular brand. It plays a role in changing the buyer's perception of a product attributes.

(d) **Reminds** - advertising is repeated so that it can continually remind present and potential consumers of a company's product and its benefits. The major aim being to keep a company's brand at the top of consumer memory.

(e) **Assist other marketing activities** - advertising communications make prospects more knowledgeable about a company's product and therefore reduce the amount of time spent with the prospect informing them about the products features and benefits.

Advertising also serves as a social need besides stimulating sales. Newspapers, magazines, radios and Televisions all receive their primary income from advertising. This enables us to have a variety of newspapers and magazines at reasonable rates.

Sales promotion is a demand stimulating activity designed to supplement advertising and facilitate personal selling (Kbera, 1996). It is paid for by the sponsor and frequently involves a temporary incentive to encourage a purchase. Many sale promotions are directed to consumers. The majority are however designed to encourage the company's sales force or other members of the distribution channel to sell its products more aggressively. This later category is called trade promotion. Included in the sales are a wide range of spectrum of activities, such as contests, trade shows displays, rebates, samples, premium, discounts and coupons. In Kenya the oil industry and manufacturers of fast moving consumer goods are good examples that have employed sales promotion greatly in promoting their goods. Little has been witnessed from the sugar industry in this area.

Public relations encompass a wide variety of communication efforts to contribute to generally favourable attitudes and opinions towards organization and its products. Unlike most advertising and personal selling, it does not include a specific sales message. The targets may be customers, shareholders, government agency or interest groups. Public relations can take many forms, including newsletters, annual reports, lobbying and sponsorship of charitable or civic centres.

Through sponsorships such as football and other sporting activities, most companies have been able to successfully communicate to the potential customers and general public.

Publicity is a special form of public Relations that involves news stories about an organization of its products. Like advertising, it involves impersonal message that reaches a mass audience through the media. But several things distinguish publicity from advertising. It is not paid for, the organization that is the subject of publicity has no control over it, and it appears as news and therefore has greater credibility than advertising. Organizations seek good publicity and frequently provide the material for it in form of news releases, press conferences and photographs. There is of course, also bad publicity which organizations must try to deflect.

An effective promotional mix is critical part of virtually all-marketing strategies. Product differentiation, require promotions.

2.1.4 Place

The role and purpose of distribution is to transport goods and services in the most effective and efficient way, from where they are, to where they need to be. (Worsan and Wright, 1995)

In goods marketing framework, the product, promotion and pricing is controlled by the manufacturer, but distribution is normally delegated to marketing intermediaries. One has to ask what services the distributor provides to the manufacturer and consumer.

It is quite evident from the reference to the distributors role is providing somewhere for the consumers to obtain goods is well accepted and understood. Intermediaries also provide people to explain product features and to market the products, and the demeanor and training of this staff can be crucial in the selling of goods. For example, if Chemelil Sugar Company was to allow all its consumers to purchase sugar from the Chemelil shop only, the long queues will drive many customers away.

Intermediaries also control the process to some extent of obtaining goods. This relates not only queuing at the check out but may also include packing, delivery, maintaining waiting lists and ordering goods from manufacturers on consumers' behalf.

Intermediaries such as retailers are also responsible for the physical evidence of the environment in which consumer's products are sold.

Use of marketing intermediaries largely boils down to superior efficiency in making goods widely available and accessible to target markets.

Place decisions, therefore, are concerned with getting the right product to the market place in the most efficient manner. They include determining the most appropriate way of transporting, storing, serving products and identifying middlemen who will move products along the marketing channel to the ultimate consumers.

2.1.5 Physical evidence

These are the elements of marketing mix, which customers can actually see, or experience when they use a service. These elements contribute to the perceived quality of the service or product, for example, physical evidence of a retail bank could include state of the branch premises, as well as delivery of banking services. For a product the physical evidence is the product itself.

2.1.6 People and processes

The recourse to processes, people and purpose in marketing is as well as strategy as a whole. More recently in marketing strategy, as in strategy as a whole, there has been a move away from analysis based on real substantive recommendations for management action towards a concern for processes, people and purpose rather than structure, strategies and systems. The change in emphasis was particularly introduced by Bartlett and Ghoshal (1995), in their influential Harvard Business Review article. The shift is towards a focus on network and relationships marketing and then increased emphasis on marketing processes within the firm.

Studies conducted on the sugar industry in the past, mostly concentrated on the geographical social or economic aspects. Marketing aspects in the sugar industry were first addressed by Okunyanyi (1999) and Kassamani (1999). Okunyanyi conducted a survey on government owned sugar firms and highlighted the reasons for non-competitiveness

Kassamani (1999) conducted a cross sectional survey on all sugar firms. He identified that marketing was lacking in almost all sugar firms. Kwena (2002) on impact of branding on consumer choice, established that only one sugar brand namely Mumias Sugar was known to most consumers.

Apart from the above studies the author is not aware of any study which has exclusively addressed the extent of use of the marketing mix variables in the sugar industry. It is against this background that the current study seeks to fill.

2.2 Factors influencing application of marketing variables

There are many factors that influence marketing variables. These are mainly factors related to the environment. While some of them provide a framework within which marketing may practice, others may facilitate or hinder the effectiveness in application of marketing variables. These factors vary from one organization to the other.

Political and legal framework

According to Kotler (2000), marketing decisions are strongly affected by developments in the political and legal environment. This environment is composed of laws, government agencies and pressure groups that influence and limit various organizations and individuals. Sometimes these laws also create new opportunities for business.

Technological environment

One of the most dramatic forces shaping people's lives is technology. Marketers should monitor the following trends in technology: the pace of change, the opportunities for innovation, varying research and development budgets, and increased regulation. These, according to Kotler (2000), enhance or hinder the marketing practice.

Safety and Healthy regulations

Safety and healthy regulations have increased in the areas of food, automobiles, clothing, electrical appliances, and construction. Marketers must be aware of the regulations when proposing, developing, and launching new products.

Socio - cultural factors

According to Okatch (2002), cultures determine how we behave, and hence, what we buy, where we buy and how we buy. In Kenya for instance, we have Muslim and Christian communities who have different cultures. Such cultural differences do have effect on the marketers and the practice of marketing.

CHAPTER THREE

RESEARCH METHODOLOGY

The current study aims at conducting a cross-sectional study of all sugar firms operating in Kenya.

3.1 Population

The population of interest in the study consists of all sugar firms operating in Kenya. Most of these firms have their manufacturing plants in Nyanza and Western Kenya region.

According to Kenya Sugar Board (KSB), there are a total of eight registered, sugar manufacturing firms in Kenya, but only six are operational. Owing to the small size of the sugar industry, the entire population was studied and therefore a census survey rather than a sample survey was done.

3.2 Data collection

The information or data was gathered using structured questionnaires accompanied by a note to respondents (see appendix). Personal interviews were also conducted.

The questionnaire comprised multi-cotomus questions under a five-point Likert-type scale. The questions were also open and close-ended.

There were three parts of the questionnaire.

Part I dealt with the general information about the organizations of study.

Part II contains statements to find out the extent to which the executive agree or disagree with the statements.

Part III of the questionnaire is on the factors that influence the application of marketing mix variables by the organizations.

3.3 Data analysis and presentation

To be able to address the objectives of this research, data was analyzed by use of percentages and mean scores. The mean scores will help show the extent to which sugar companies apply marketing mix variables. This is the first objective of the study. The second objective, which is concerned with identifying the factors influencing application of marketing variables, will be addressed through mean scores and percentages.

CHAPTER FOUR

DATA ANALYSIS AND FINDINGS

This chapter presents data analysis and findings of the study. Data was mainly analysed through mean scores to address the objectives of the study. Data in this part is organized in three parts. The first part focuses on the demographic variables that define the characteristics of the organization. The second part deals with the first objective of the study namely determining the extent of application of marketing mix variables. The third and final part of this chapter analyses data findings according to the second objective of the study namely identifying the factors that influence the application of marketing variables.

4.1 Demographic characteristics of the organizations

Majority of sugar companies in Kenya are locally owned, with ownership split between government (66.7%) and local private investors (33.3%). It is interesting to note that private investors own both the largest (Mumias) and the smallest (West Kenya Sugar-Kabras) sugar manufacturing companies.

As already stated, majority of companies now have formal marketing departments. However it was found that all private sugar companies have formal marketing department compared to only three-quarters of their counterparts, which are government-owned. Further analysis on ownership indicated that all private sugar companies conduct marketing research compared to 25% of government owned sugar firms.

The survey also revealed that senior managers of private companies understand the importance of marketing to a large extent as opposed to government owned ones. The difference in appreciating the role and importance of marketing may explain why private companies seems to be better off in financial performance compared to government owned ones (Muhoroni Sugar Company, a government-owned company is currently under a Receiver Manager).

All the participants in the survey use trademarks to distinguish their products from those of the competition. They also use distinctive colours and systems to differentiate themselves from other players in this competitive game. Slogans or specific themes are also used (83.3%) to achieve differentiation objectives.

4.2 Application of the Marketing Mix Variables

This study sought to determine the extent to which the surveyed organizations apply marketing mix variables. Data was collected through a five point Likert-type scale and analysed using mean scores. The results of the analysis are presented below in terms of marketing variables examined.

4.2.1 Product

A product as early defined is anything that can be offered to the market to satisfy a want or need.

This study sought out to determine to what extent product as a marketing mix variable is applied by the sugar industry in Kenya. The respondents were asked questions related to marketing research, customer surveys, competitor surveys, sugar quality, new product development, market segmentation among others to determine the extent of application of product as a marketing mix variable. The results are shown on Table 1 below:

Table 1: Extent of application of product as a marketing variable

Product Mix Element	Mean Score	Standard deviation
Marketing research	3.34	1.63
Customer surveys	3.84	1.54
Test marketing	2.67	1.82
Competitor activity surveys	3.16	1.02
After sales surveys	2.50	1.91
Product packaging	3.00	1.83
Production of new products after research	2.50	1.91
Product quality	4.17	0.71
Market segmentation	3.17	1.02

The results above reveal that sugar companies have a combined mean score of 3.34 equivalent to an overall little extent of undertaking market research activities.

The results also show that sugar companies on average, undertake customer surveys to a large extent (mean score =3.84) while test- marketing and competitor activity surveys are undertaken to only little extent.

After sales activities have a mean score of 2.50 indicating that such activities are carried out to only a very little extent. Product packaging superiority to the competition and production of new products lines after conducting market research obtained mean scores of 3.00 and 2.50 indicating an overall little extent.

The overall mean score for the product mix is 3.15, and the standard deviation is 2.48. This shows that the product mix element is carried out to a little extent. The relative variation is 69.2% indicating that there is a large variation among sugar companies in the extent to which each of them carries out this mix element.

4.2.2 Pricing

Price is one of the four Ps in the marketing mix that is under the control of the company. It also plays an important psychological effect on the consumers with respect to how they regard the product quality.

It is also the only element that brings in revenue to the company when all other elements of the marketing mix are a cost to the firm. Several variables of the pricing element were compared to understand the overall extent to which sugar companies have undertaken the same.

These include: consideration of company survival, maximization of profit motive, maximization of market share and desire to skim the market.

The pertinent scores for these variables, reflecting the overall extent to which these have contributed to the pricing element of the marketing mix are summarized in Table 2 below:

Table 2: Extent to which pricing objective is applied as a variable of the marketing mix.

Pricing objective	**Mean score**	**Standard deviation**
Company survival	5.00	0.00
Maximization of profit motive	4.15	1.02
Product quantity leadership	3.67	1.31
Maximization of market share	4.00	1.00
Desire to skim the market	2.49	1.29

It can be seen that surveyed companies consider their survival to a very large extent (mean score 5.00) when setting price for their (sugar) products. The other considerations of maximization of the profit, product quality leadership and maximization of the market share are all taken into account to a large extent.

However, empirical results do not support the view that companies try to skim the market (mean score 2.49). Other options considered in setting a pricing policy include: the company's pricing objections, existing product demand (with more demand supportive of higher prices), production costs marketing costs, competitors costs of production and, competitors' prices and offers.

These additional variables have been conducted to the extent shown in the mean scores in Table 3 below:

Table 3: Extent of application of pricing policies in surveyed companies.

Pricing policies	Mean score	Standard deviation
Company's pricing objectives	3.15	1.83
Product demand	4.50	0.71
Production costs	4.32	1.07
Marketing costs	3.50	1.91
Competitors costs	2.00	1.41
Competitors price and offers	4.17	0.85

Again, it is clear that existing product demand heavily influences the extent to which prices are set.

The explanation for this can be viewed in respect of changes in quantity of sugar available in the market which is affected by such factors as external forces, (imports from the COMESA region), depletion of marketing reserves when sugar factories close down for annual repairs, disruptions caused by installation of new technology and so on. Now, because demand for sugar is more or less fixed in the Kenyan market and the central role sugar consumption has achieved, any shortages quickly lead to a rise in prices. Similarly, when the shortfalls have been met the price normally drops to a generally standardized range.

This explains why sugar prices have experienced wide swings in the recent past. Other factors considered to a large extent are production and marketing costs, and competitors' prices and offers (prices by all companies tend to cluster around a certain mean price with very small variations).

It sometimes happens that the same product is sold for different prices in different markets- a fact known as price discrimination (or differentiation). This survey found that different prices are applied to a large extent (mean score = 3.67). This is largely explained by geographical/regional differences (mean score =3.83).

Other factors leading to different prices together with the extent to which they account for the differences are summarized in table below:

Table 4: Extent of application of pricing strategies.

Pricing strategies	Mean score	Standard deviation
Price discount and allowances	3.50	1.29
Promotional pricing	3.17	1.84
Discriminatory pricing	1.33	1.70
Product mix pricing	1.18	0.84

It can be seen that whereas price discounts and allowances have been used to a large extent, promotional pricing is only used to a little extent. The least important factors are discriminatory pricing and product- mix pricing.

The study also found out that sugar companies generally initiate price increases and decreases only to a little extent (mean score = 2.83 and 3.00 respectively). The reason of this generally low extent could be due to the generic nature of the sugar commodity (low differentiation) which means that if an individual company were to raise its prices significantly, consumption of its products would dramatically decrease as customers switch to the competition's offerings. Besides, if the price were dropped too much, consumers would doubt the company's product quality and similarly switch to the competition.

The pricing variable as an element of marketing mix has an overall mean score of 3.34 indicating little extent.

The standard deviation is 2.25 and the measure of relative dispersion of 67.4% indicates a relatively large variation among companies in the extent to which they apply pricing decisions. They differ to a large extent in the way they apply these decisions based on individual policies, strategies and objectives.

4.2.3 Promotion

It was found that majority of respondents (75.0 %) have a very small budget for market promotion activities, averaging only Kenya shillings 0.14 billion. The proportion of total budget allocated to marketing activities is also very small (an average of only 1.73% of the total annual budget). Several promotional activities undertaken include the following: sales promotions, publicity, personal selling and direct marketing

These activities have been undertaken to a greater or smaller extent as shown in Table 5 below:

Table 5: Extent to which selected promotional activities are undertaken.

Promotional mix	Mean score	Standard deviation
Advertising	2.84	2.53
Sales promotion	3.18	1.64
Publicity	3.17	1.35
Personal selling	4.00	1.58
Direct marketing	1.18	0.84

The summary results indicate that only personal selling is used to a large extent by sugar companies. Other promotional activities of advertising, sales promotion and publicity are used, although to only little extent.

Various media channels are used in product advertisements, among them radio, TV, newspapers and magazines. Others are billboards, brochures, and catalogues. Their mean scores as shown below give their relative importance:

Table 6: Extent to which selected media are used as promotional channels.

Promotional medium	Mean score	Standard deviation
Radio	2.50	1.73
TV	2.67	1.87
Newspapers	2.84	1.83
Magazines	2.48	1.54
Billboards	2.00	1.41

Thus, the above media are all used to only a little extent. The policy consideration from this is that much more effort should be put into utilizing these important channels, particularly, those that have capacity to reach a mass market (such as radio and TV). It also means that sugar companies have only concentrated on one aspect of promotion namely, personal selling, to the exclusion of other equally important promotional channels.

Newer technologies such as the Internet and related media have very rarely been used as a promotional channel (mean score=1.33).

Other activities that Sugar Companies have undertaken to promote their products include use of trade shows and exhibitions, giveaways like T-shirts, use of special discounts, sponsorship of sports teams, and donations to charities.

Because of the important role personal selling has acquired in the promotional strategy of sugar companies, it is important that top management play their active part in this activity.

This study found that the following top managers undertake personal selling to extent shown below:

Table 7: Extent to which personal selling is undertaken by top management.

Management Position	Mean Score	Standard deviation
Managing director/CEO	2.49	1.29
General manager	2.65	1.71
Marketing manager	4.50	1.17
Branch manager	4.50	0.71
Sales representatives	4.50	0.71

The summary table reveals that the top managers (managing directors /CEOs, and general managers) have not been very active in undertaking personal selling activities preferring to leave it to lower level managers, and particularly so, to the sales representatives.

It is recommended that the selling activity be the concern of all in the organization from the top manager to the operational level personnel. This would have the effect of including the culture of salesmanship in the entire organization and serve to positively promote the company's products.

The overall mean sore for promotion element of the marketing mix is 3.03, which indicates a little extent. The standard deviation is 2.48. There is a large relative variation as evidenced by the coefficient of variation of 81.8%, which shows that respondents differ widely in the application of promotional activities. Indeed, it was noticed that privately owned companies are more proactive in their promotional activities compared to the government owned ones.

4.2.4 Place

Place, as an element of the marketing mix, is concerned with bringing the product to the reach of the consumer. As Worsan and Wright (1995) have stated, "The role and purpose of distribution is to transport goods and services in the most effective and efficient way from where they are to where they need to be. Distribution is generally delegated to marketing intermediaries and is not under the significant control of manufacturers. The following channels of distribution were evaluated: supermarkets, wholesales, distributors, retailers, agents and kiosks.

The extent to which sugar companies in Kenya have utilized these channels is summarized in Table 8 below:

Table 8: Extent to which various channels of distribution have been utilized.

Channel of Distribution	Mean Score	Standard deviation
Supermarkets	3.34	1.63
Wholesalers	4.83	0.85
Distributors	4.83	0.85
Retailers	4.66	0.74
Agents	1.83	1.02
Kiosks	4.66	074

The table reveals that wholesalers and distributors are the most important channels of distribution, closely followed by retailers and kiosks.

Supermarkets are only used to a little extent underlining the rural nature of most of Kenya's population (supermarkets are an urban phenomenon). Agents are only used to a very little extent.

Thus, it can be posited that most of the distribution in the sugar supply chain is undertaken by wholesale and distributor intermediaries with help from retailers and kiosk traders.

The overall mean score of undertaking place (distribution) as a marketing mix variable is 4.03. This shows that companies surveyed have applied the aspect to a large extent.

The standard deviation of 1.58 and a relative dispersion of 39.2% show a small variation from one company to another. Thus individual companies do not differ in their utilization of the channels of distribution.

The overall mean score for the application of marketing mix variables is 3.4 indicating an overall little extent of the application. Table 9 presents a summary of the application of marketing variables.

Table 9: extent of application of marketing mix variables (a summary)

Marketing mix variable	Mean Score	Standard deviation
Product	3.15	2.43
Pricing	3.34	2.25
Promotion	3.03	2.48
Place	4.03	1.58

4.3 Factors influencing application of Marketing Mix Variables

This study also sought to identify factors, which influence the application of marketing variables. Data in this section was analysed mainly through use of mean scores and the results are presented below.

All respondents indicated experiencing serious constraints in the application of marketing mix elements. It was found that most of the constraints are external to the companies and all that can be done is to try and mitigate the ill effects of these constraints (since they cannot be avoided in entirely).

The most important constraints were found to include the following: cost of production, government legislation and politics, influence of technology and the changes it engenders and constraints in human resources availability. The degree to which these constraints affect the surveyed companies is highlighted in the summary table below:

Table 10: Extent to which specific constrains affect operations of respondent.

Type Of Constraint	Mean Score	Standard deviation
Production costs	4.83	0.83
Government legislation and position	4.00	1.00
Technology influences/changes	4.83	0.85
Human resources availability	4.34	1.74

Cost of Production

The table shows that sugar companies are very largely affected by production costs (owing to the high initial costs of investment in production). In fact, statistics reveal that the price of Kenyan sugar has a large component of production costs, which make it very uncompetitive in the regional and COMESA markets.

Technology

Similarly, the technology is another constraint, which greatly defines the application of marketing mix elements. Technology related to sugar processing is very expensive and changes constantly.

The respondents agreed to a very large that their marketing mix discussions are significantly influenced by the available technology. New machines are needed in the packaging process, which makes possible branding activities.

Human Resource Availability

Respondents also indicated that the application of marketing mix variables largely depends on having the right manpower to implement. To deal with human resources, respondents have put in place systems to attract high-level manpower in all the departments while encouraging early retirement for those who cannot be re-trained.

Government legislation and Politics

Politics and government policies have continued to bedevil the sugar industry with unchecked imports severely crippling this market sector. Because the government owns most of the companies, management is subject to political interference to a large extent as shown in table 14 above.

Farmers in the sugar-growing areas are many times pawns in the political game, which creates uncertainties in their incomes.

Company policy

It was found that all private sugar companies have a formal marketing department compared to only three-quarters of their counterparts, which are government- owned.

It is evident, therefore, that private companies have more leverage from their marketing efforts because they are supported by formal marketing departments. Government -owned organizations are lagging behind in this area. It was also found that managers of private-owned companies understand the importance of marketing to a more extent (100%) compared to those of government companies (50%).

This difference in appreciating the role and importance of marketing may explain why private companies seems to be better off in financial performance compared to government owned ones (Muhoroni Sugar Company, a government-owned company is currently under a receiver-manager).

The overall mean score for the constraints facing sugar companies is 4.50 indicating that these constraints affect the application of marketing mix variables to a very large extent. The corresponding standard deviation of 1.53 and relative dispersion of 34.0% indicates that all sugar companies face these constraints to a more or less the same extent.

CHAPTER FIVE

SUMMARY DISCUSSIONS AND CONCLUSION

This is the last chapter of the study. In this chapter the summary, discussions and conclusions are represented. The chapter also highlights the limitations of the study and recommendations for policy and practice as well as suggestions for further research.

5.1 Summary

This study had two major objectives. The first objective sought to determine the extent to which marketing mix variables are applied the sugar industry in Kenya. The second objective sought to identify the constraints experienced by sugar firms in the application of the Marketing variables. From the findings in Chapter four, it can generally be concluded that the industry applies marketing mix variables to a little extent. It was also found that the industry faces a number of constraints in the application of the variables and top on the list is the cost of production, political and Government legislation as well as the fast changing and expensive technology.

5.2 Discussions

From the findings it is clear that Sugar Companies apply marketing mix variables but to a little extent. The overall mean score for the application of marketing mix variables is 3.4 indicating an overall little extent of the application. The industry therefore needs to do more product, pricing and promotion. The survey found out important product elements such as marketing research are applied to a little extent.

The study also found out that sugar companies generally apply pricing decisions to a little extent.

Price increases or decreases are rarely initiated. The reason of this generally low extent could be due to the generic nature of the sugar commodity (low differentiation) which means that if an individual company were to raise its prices significantly, consumption of its products would dramatically decrease as customers switch to the competition's offerings. Besides, if the price were dropped too much, consumers would doubt the company's product quality and similarly switch to the competition.

In promotion, the study revealed that personal selling has been ignored and left to the sales representatives. Personal selling should be a concern of all, from the Managing Director to the lowest cadre in the organization. Internal Marketing as a concept should be sold to all employees. The study also revealed that advertisements are ignored especially by the government owned companies whose advertisements only appear in the form of salutations to the Head of state on public days (holidays). The Sugar companies should embrace and take advantage of the new technologies especially in communication such as the Internet and the billboards in product marketing.

However, it is also worthwhile to note that the industry faces a number of constraints in the application of marketing mix variables to a very large extent. The study revealed an overall mean score of 4.5, which indicates that the factors influencing the application of the marketing variables affects, the companies to a very large extent. No company is peculiarly immune to the challenges of government policies, technology, and production costs.

5.3 Conclusions

From the findings, it is clear that the sugar industry require intensifying its marketing practice to match the increased competition especially from the COMESA (Common Market for Eastern and Southern Africa) region and the international market. Product development or building strong brands can only be successful if, the consumer's expectations are considered through a properly conducted market research.

The industry should strive to overcome the constraints facing it and at the same time endevour to apply the marketing variables to a large extent.

5.4 Limitations of the Study

This study had two major limitations, the first was concerned with resources and time constraints. Due to the short time and financial implications the research was not able to cover the non-operational sugar firms to establish the extent of application of marketing variables before closure.

The second one was concerned with Un-co-operative respondents. Some organizations were initially suspicious about the intentions of the researcher but a letter of introduction from the University put them at ease. It was also difficult to get the respondents spare time to be interviewed and this sometimes resulted in several visits before eventually securing the opportunity for interview.

5.5 Recommendations for Policy and Practice

According to the research, marketing is practiced in the Kenyan sugar industry but to a little extent. For the industry to match the increased competition from the COMESA region and International markets, the industry must address the consumer expectations. This can be achieved through enhancing the marketing practice.

Developing and applying a marketing mix which is integrated and consistent with a position that we know will satisfy the customer, requires a clear marketing strategy and the support of all the functional managers who can influence or control the marketing variables. This means that the whole industry must be customer-oriented if it has to match the increased competition as well as meet and satisfy customer needs.

5.6 Recommendations for Further Research

As already stated, the research recognizes that there is marketing practice in the Sugar Industry however it would add value if further research is conducted to determine the difference in performance between those who apply Marketing Mix variables to a large or very large extent and those who apply the variables to a very little extent.

The study should also establish whether the difference in performance could be attributed to their marketing practice or otherwise. It is also important to carry out comparative study of marketing as applied by Government owned sugar companies and the privately owned companies highlighting the differences and similarities.

This may be important because it could enable the generation of guidelines, which could be used by the Government owned companies in marketing their goods.

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APPENDIX 1: QUESTIONNAIRE

PART I: COMPANY DATA

1) Name of organization:____

2) Year of establishment:____

3) Who owns the company? (Please tick where applicable)

   Foreign ( )

   Locally (Government) ( )

   Locally (Private) ( )

   Joint (Foreign and local) ( )

4) Current number of employees:____________________________________

5) What is the relative size of your organization in terms of any of the following:

   (i) Capital employed:

____

   (ii) Asset Value:

____

   (iii) Sales turnover:

____

6) Do you have a formal marketing department?

   ☐ Yes ☐ No.

   If Yes, how many people are working in the department.____________________

   If No, why?

____

7) In you opinion how well does senior management understand relative importance of marketing in your organization?

   Very well ☐ well ☐ fairly well ☐ little ☐ not at all ☐

8) What products does your company offer in the market? Please list.

i)

ii)

iii)

iv)

9) Does your organization have the following attributes for its products, which serve to distinguish it from others?

	Yes	No
(i) Trade marks	( )	( )
(ii) Slogan/Themes	( )	( )
(iii) Symbols	( )	( )
(iv) Colours	( )	( )

PART II: MARKETING VARIABLES

PRODUCT

10) To what extent does your organization conduct the following?

		Very large extent	Large extent	Little extent	Very little extent	Not at all
(a)	Market research					
(b)	Customer surveys					
(c)	Test marketing					
(d)	Competitor activity surveys					
(e)	After sales service					

11) To what extent do the following statements describe your sugar?

		Very large extent	Large extent	Little extent	Very little extent	Not at all
(a)	Our sugar is largely accepted by our customers					
(b)	Our product packaging is superior to those of the competition					
(c)	Production of new product only starts after conducting market research					
(d)	Our sugar is of high quality standards compared to the competition					
(e)	Our sugar does not have additional benefits.					

12) To what extent does your organization manufacture and package sugar for different market segment?

Very large extent	Large extent	Little extent	Very little extent	Not at all

13) To what extent does your quality conform to international sugar quality standards?

Very large extent	Large extent	Little extent	Very little extent	Not at all

14) Do you have the diamond mark of quality?

☐ Yes ☐ No.

15) To what extent do the following factors determine the number of brands offered by your companies?

		Very large extent	Large extent	Little extent	Very little extent	Not at all
(a)	Consumers needs					
(b)	Technology					
(c)	Competition					
(d)	Geographical location					
(e)	Others (specify)					

PRICE

16) In setting your product prices, to what extent do you consider the following factors?

		Very large extent	Large extent	Little extent	Very little extent	Not at all
(a)	Company survival					
(b)	Profit maximization					
(c)	Product quality leadership					
(d)	Maximization of the market share					
(e)	Maximum market skimming					

17) In setting your pricing policy, to what extent do you consider the following?

		Very large extent	Large extent	Little extent	Very little extent	Not at all
(a)	Pricing objectives					
(b)	Product demand					
(c)	Production costs					
(d)	Marketing costs					
(e)	Competitors cost of production					
(f)	Competitors prices and offers					

18) In setting prices, organizations may end up having different prices for the same product. To what extent is this statement true about your pricing?

Very large extent	Large extent	Little extent	Very little extent	Not at all

19) In cases where you end up with different prices for the same product, to what extent do you apply the following strategies?

		Very large extent	Large extent	Little extent	Very little extent	Not at all
(a)	Geographical (regional) pricing					
(b)	Price discounts and allowances					
(c)	Promotional pricing					
(d)	Discriminatory pricing					
(e)	Product mix pricing					

20) To what extent does your organization do the following?

		Very large extent	Large extent	Little extent	Very little extent	Not at all
(a)	Initiating Price Increase					
(b)	Initiating Price Decrease					

PROMOTION

21) In your annual budgetary estimates, how much money do you allocate market promotional activities?

22) What percentage does the figure in number 21 above represent of your total annual budget?

23) To what extent do you do the following?

		Very large extent	Large extent	Little extent	Very little extent	Not at all
(a)	Advertising					
(b)	Sales promotion					
(c)	Publicity					
(d)	Personal selling					
(e)	Direct marketing					

24) To what extent does your organization use the following promotional media in product advertisement?

		Very large extent	Large extent	Little extent	Very little extent	Not at all
(a)	Radio					
(b)	T.V					
(c)	Cinema					
(d)	New-papers					
(e)	Magazines					
(f)	Catalogues					
(g)	Brochures					
(h)	Billboards					
(i)	Internet					

25) To what extent does your firm conduct the following?

		Very large extent	Large extent	Little extent	Very little extent	Not at all
(a)	Trade shows/exhibition					
(b)	Giveaways e.g. T-shirts					
(c)	Special discounts/offers					
(d)	Others (specify)					

26) To what extent does your organization conduct the following?

		Very large extent	Large extent	Little extent	Very little extent	Not at all
(a)	Sports day					
(b)	Press releases					
(c)	Seminars					
(d)	Sports sponsorship					
(e)	Donations to charities					

27) To what extent do the following people in your organization conduct personal selling?

		Very large extent	Large extent	Little extent	Very little extent	Not at all
(a)	Managing Director					
(b)	General Manager					
(c)	Marketing Manager					
(d)	Branch Manager					
(e)	Sales Representatives					
(f)	Others (specify)					

PLACE

28) To what extent does your organization use the following in product distribution?

		Very large extent	Large extent	Little extent	Very little extent	Not at all
(a)	Super markets					
(b)	Wholesalers					
(c)	Distributors					
(d)	Retailers					
(e)	Agents					
(f)	Kiosks					
(g)	Others (specify)					

PART III: FACTORS INFLUENCING APPLICATION OF MARKETING VARIABLES

29) Does your organization encounter any constraints in the application of the marketing mix variables?

☐ Yes ☐ No.

30) Please list the factors that influence the application of marketing variables in your organization and indicate to what extent each factor influences the application

		Very large extent	Large extent	Little extent	Very little extent	Not at all
(a)						
(b)						
(c)						
(d)						
(e)						
(f)						
(g)						
(h)						
(i)						
(j)						

How have you responded to each factor?

Designation of the respondent:

APPENDIX 2: LIST OF SUGAR FIRMS IN KENYA

1) CHEMELIL SUGAR COMPANY
2) MIWANI SUGAR COMPANY
3) MUHORONI SUGAR COMPANY
4) MUMIAS SUGAR COMPANY
5) NZOIA SUGAR COMPANY
6) RAMISI SUGAR COMPANY
7) SOUTH NYANZA SUGAR COMPANY
8) WEST KENYA SUGAR COMPANY.