THE STATE OF STRATEGIC MARKETING IN KENYA'S SUGAR COMPANIES

BY

HERBERT A KASSAMANI

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

Signed ---------------------------------------

Herbert A. Kassamani

Date 5/11/99

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

Signed:---

Prof. F. N. Kibera

Professor of Marketing, University of Nairobi.

Date 6/11/99

DEDICATION

To my daughter, Flavia; and sons, Collins and Victor.

In their innocence,

They thought school was for children

And often wondered

How daddy could be going to school

In old age.

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ACKNOWLEDGEMENT

I feel indebted for this work to more people than I can ever mention. They were the critics who helped mould the work. They gave their time and personal interest. I feel humbled by their genuine concern.

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bore my stubbornness without offence. But it is in darkness, always, that the impact of light is fully felt. You were the light. Out of your support, this work was born and nurtured.

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Herbert A. Kassamani

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ABSTRACT

This study set to explore the state of strategic marketing in Kenya's sugar companies. The study was founded on the premise that the sugar industry was going through turbulence in face of liberalisation but there was no conscious effort on the part of the industry to counter this or to initiate strategies that would protect it against such eventuality in future. This paradox led to the second objective of the study which was to explore the impediments that hampered companies from initiating aggressive marketing in face of a scenario that had seen other enterprises collapse.

The study confirmed the postulation that there was no serious marketing in most of the sugar industries. Since strategy if about positioning oneself ahead of competitors, conclusions derived were basically looked at from a competitive angle. Specifically, the following findings were derived:

1. While the sugar industry was facing competition notably from imports, domestic players did not regard themselves as real competitors fighting for similar markets as their production was often below the required consumption. Thus, many did not see the point of spending money and energy on marketing strategy.

2. The industry was still heavily regulated by government forces and decisions on, say, going abroad, were still pegged on government authority. Thus, the companies could not explore alternative markets at will even as their domestic markets were saturated.

3. All the sugar companies regarded their products as being qualitative and were therefore confident that there was no differential advantage from the product of competitors.

Packaging was a new aspect one of the companies was exploring and it was felt that this would give the company a major differential advantage once it is launched.

4. As a marketing tool, pricing was not available for manipulation in the marketing mix because pricing decisions were taken at a Chief Executives forum that compelled the entire industry to maintain a uniform pricing structure. These factors blocked the flexibility required in competitive markets. Where the playing field is not level, the implementation of marketing strategy becomes hard.

5. It was established that virtually no advertising was carried out by the industry. The objectives of advertising are to inform, persuade and remind consumers to buy. These objectives would only thrive in markets that are characterised by numerous products. Where consumption is higher than production, however, these objectives may not hold.

6. Distribution was perhaps the only variable that received emphasis but even for this, the amount of effort was limited as customers were often required to collect sugar from the millers. But there was remarkable effort in choosing locations with many companies keeping off the their competitors' zones.

The second objective of the study was to find out impediments to the establishment of strategic marketing practices in sugar companies. The following factors were identified:

1. Deficiencies in production did not create cause to compete and consequently there was no need for marketing strategy.

2. Government regulation of the industry did not permit aggressive marketing. In fact there were internal systems in companies that regulated the amount of sugar that could be sold to

a single customer. The purpose of this regulation was to avoid hoarding and the development of cartels who could buy entire consignments and hold the industry at ransom.

3. Lack of management support was detected in the development of the marketing function. There were no budgets allocated to the function because many of them saw no good cause to spend. They argued that they could after all sell their entire consignments without spending.

In view of these findings, the following would be the recommendations for management consideration:

1. If the industry has to survive, there will be need to reduce the level of government control. While this could be done through the proposed liberalisation, there is need to lobby for urgent measures like the freedom to leave market forces to control the industry.

2. The local sugar industry appears unique in the sense of having local production higher than consumption. Because of this, the industry has remained largely production focused. There is need for managers to look at the fate that has befallen other enterprises in Kenya and collect the ammunition before the actual war starts. The war is inevitable as more sugar companies plan to enter the race giving consumers a wider choice.

3. There is need for the establishment of marketing departments in sugar companies. These departments should be put at the start of the marketing chain and not as appendages of other departments.

CHAPTER 1

INTRODUCTION

1.1 Background to the Study

Before independence, the sugar industry was predominantly a private sector enterprise, which started with the establishment of Miwani and Ramisi Sugar Companies in 1922 and 1927 respectively. After independence, the Government of Kenya (GOK) started playing a central role in the ownership of sugar companies. This led to the establishment of five more sugar companies, namely, Muhoroni (1966), Chemelil (1968), Mumias (1973) , Nzoia (1978) and South Nyanza Sugar Company (Sony) in 1979. The West Kenya Sugar Company was later established as a private enterprise in 1981 while Ramisi closed down in 1988.

The sugar industry has grown to be a significant player in the Country's economy, producing two thirds of the domestic sugar requirements. In the earlier years of its establishment, the sugar industry made substantial contributions to the Country's import substitution requirements. With 336,439 metric tonnes of sugar produced locally in 1978, the Country saved about Kshs 49,652,190 (Obiero, 1980). In 1997, sugar sales recorded Ksh 6.64 billion at prevailing market prices, making it the third largest agricultural commodity after tea and coffee. It is also estimated that the industry supports 2 million people, representing 6 per cent of the Country's population. Mumias, which is the lead player in the industry with a production of 900 tonnes of sugar a day supports 43,000 farmers and 20,000 employees.

The industry contributes to the national economy and to rural development in several ways. Besides generating employment and incomes for the rural population, it earns revenue to the government through taxation (Odhiambo, 1986).

For many years, sugar marketing in Kenya was done under the ambit of the Ministry of Commerce. "Every month, the Ministry used to send out directives (*Sic*) to sugar mills instructing them how much to ship to each station on the rail line" (Frank, 1964). This situation did not change much even with the establishment of the Kenya National Trading Corporation (KNTC) in 1965 largely because the government continued to regard sugar as an "essential commodity" and determined who got what quantities and at what price. The industry thus became entrenched in a serious flux with production, importation, and marketing of sugar revealing serious policy contradictions and lack of co-ordination by government departments and agencies charged with these responsibilities (Odhiambo, 1986).

Though KNTC was a monopolistic buyer, it was supposed to be a non-profit making organisation with the sole purpose of ensuring equitable distribution of sugar and other essential commodities (Odada, 1982). With KNTC's role reduced to that of distribution, hardly any marketing could be said to have been taking place as both product, place and price were manipulated. Promotion was almost non-existent.

Several bottlenecks stood in the way of individual efforts to market sugar. Getting a license for distribution from KNTC was regarded as a license to make money (Gem,1999). Problems resulted from "inefficiencies arising from the system of appointment and remuneration of sugar wholesalers and retailers...(where) influence rather than efficiency was the basis for selection" (Bayer, 1976). Despite the anomalies, the sugar companies were not allowed to sell directly to distributors or retail outlets. Thus, they never developed their own marketing strategies.

In 1986, GOK through Sessional Paper No.1 initiated far reaching economic reform measures aimed at improving the performance of public enterprises. The measures entailed a reduction in government spending, an abolition of price and market controls, selective withdrawal of subsidies, privatization of state enterprises, tax reforms, and reforms of the financial sector. Under the Structural Adjustment Programmes, (SAPS) some public enterprises were to be restructured to make them more efficient while non-strategic ones were to be privatised. In 1992, the government issued another policy paper on public enterprise reform and privatization in which it listed enterprises to be restructured or privatized. The list included, among others, public enterprises in the sugar industry. The removal of controls and subsidies liberalised markets with the result that massive sugar imports started entering the Country threatening to cripple the sugar industry.

In a report titled "Finding the way out of the Sugar market crisis", presented at the 15th International Sugar Council Session in Brussels (May, 1999), the International Sugar Organisation (ISO) says that the sugar pile-up in factories in the world is expected to hit a record level of 15 billion tonnes in 1999. These stocks represent 46 per cent of the annual consumption as compared to 22 per cent in 1990.

As at mid-1999, a gloomy situation prevailed over the local industry with Mumias holding 73,000 tonnes of sugar worth Ksh 2.7 billion, while South Nyanza Sugar Company had 4,000 tonnes worth Ksh 152 million. According to Kenya Sugar Authority (KSA), the stock levels for the entire industry at the end of 1998 was 80,173 tonnes (KSA, 1999: 6). The high stock levels led to a situation where the sugar companies could neither pay their farmers not meet their maturing bank loan obligations.

The stock piling in sugar companies can be attributed to economic recession and foreign trade: "The current economic recession has deprived and eroded the purchasing power of consumers who have mainly been in the lower and middle class. This has resulted into a change in consumer preferences. The purchasing power is projected to have declined by about 30 per cent since 1977 (KSA, 1999: 6-7). This situation is worsened by foreign imports where a total of 186, 516 tonnes of sugar were imported into the Country in 1998 as compared to 52,371 tonnes and 65,826 tonnes in 1997 and 1996 respectively.

For a long time, GOK has also been planning to build more sugar factories including one in Busia and another one in Kericho. Should these factories become a reality, they will compound the prevailing problem by making the marketplace more competitive. To survive in such an environment, sugar companies must strategise. To be able to stand on their own, they need to evolve and embrace strategic marketing practices. They have to dedicate themselves to sensing, serving and satisfying the needs of customers in a well understood target market (Albrecht and Zemke,1985).

Strategic marketing is crucial to an organisation because it takes into consideration fundamental changes in the environment thus making firms proactive rather than reactive (Bett, 1995). According to some authors, it is strategy that determines whether a firm excels, survives or dies (Okutoyi, 1988).

Porter (1980) stressed that strategy had an important role in helping businesses position themselves in industry. Effective strategy can enable a business influence its environment in its favour, and even be able to defend itself against competition. Aaker (1992:72) also avers that given the current strategic focus in business, there is need to understand competitor strengths in the market and then position one's own offerings to take advantage of the weaknesses and avoid head-to-head clashes against strengths.

With the increasing competition companies are facing today, rewards will go to those who can best read customer wants by continuously scanning the marketing environment and delivering greatest value to target customers. Therefore in the market place, marketing skills will separate amateurs from professionals (Kipkorir, 1995).

Unfortunately for many sugar companies, marketing departments are still in their infancy. In Mumias, for example, a formal Marketing Department was only established in June this year. In the other Companies, there are either only sales departments or no formal marketing departments at all. Marketing functions are therefore performed in a less formal way. For instance, while sugar companies were reeling with large stocks in 1998, there were totally no sugar exports realised for the whole of that year (KSA, 1999:7).

There have been numerous studies on the sugar industry just as there have been on strategic practices within various other industries. Those that have studied the sugar industry include Obiero (1980), Obara (1976), Oduol (1974), Odada (1979), and Barclay 1974) . These studies are, however, done from a geographical, social or economic perspective. In fact many of them are production-oriented studies in an era where the marketing concept is emphasised. Thus, there is no study that has looked at Kenya's sugar industry from a marketing perspective.

In a study of the banking industry, Okutoyi (1988) found that there was a positive correlation between strategic marketing and bank performance. The study concluded that the use of strategic marketing was vital in adopting banks to changing conditions in the market and could strengthen a bank's competitive position. Though the study emphasises the importance of strategic marketing, it focuses on the financial sector of the service industry. His findings may therefore not be generalisable to the entire physical product domain. It is this gap that the current study seeks to fill.

1.2 Statement of the problem

Against a background of increasing competition and in view of marketing being a fairly new phenomenon in the sugar industry, companies need to develop strategies that will make them more competitive. This study examines the extent to which strategic marketing is practised by sugar companies with a view to making recommendations that will enable them increase their market share.

1.3 Objectives of the Study

The study has two objectives:

a) To assess the nature and extent of strategic marketing in Kenya's Sugar Companies.

b) To identify constraints Sugar Companies face in applying different strategic marketing tools.

1.4 Importance of the study

The Sugar Industry is an important sector in our economy. It is therefore expected that this study will be beneficial to the following:

a) Marketers

Since marketing functions in the Sugar Companies are still evolving, it is hoped that the knowledge generated by this study will enable the companies to improve their marketing practices and sharpen their competitiveness.

b) Consumers

Sugar is currently in fourth position after maize, meat and milk in the budget of the average Kenyan household (Odhiambo, 1986). This study is expected to reveal strategic marketing factors that Sugar Companies can embrace to serve their customers better. Thus, consumers are expected to benefit from an improved customer service of an important household product.

c) Other stakeholders

If the study contributes to the improvement of marketing practices of sugar companies as expected, then the level of profitability will improve. This will in turn enable the companies to meet their obligations to various stakeholders including farmers and employees.

d) The Country

If strategic marketing leads to a profitable sugar industry, then it is hoped that the entire Country will be able to benefit from this through increased taxation and generation of employment opportunities for its population.

e) Academicians

It is hoped that the study will, in its unique way, be a contribution to marketing knowledge and will provide a basis for future research.

CHAPTER 2

LITERATURE REVIEW

2.1 Theoretical Literature

Marketing is a social and managerial process by which individuals and groups obtain what they need and want through creating, offering and exchanging products of value with others (Kotler 1997:9). It consists of all activities designed to generate and facilitate any exchange intended to satisfy human needs or wants (Stanton 1987: 4).

As a management process, marketing has the role of influencing the level, timing and composition of demand in a way that will help an organisation achieve its objectives. It is responsible for identifying, anticipating and ensuring customer satisfaction profitably.

On the other hand, a strategy is a programme of goals and activities that help an organisation achieve success. It is a plan, today, of what to do tomorrow. As a game plan, strategy describes how objectives will be achieved.

Strategic marketing is crucial to an organisation because it takes into consideration fundamental changes in the environment thus making organisations proactive rather than reactive (Bett, 1995). It is strategy that determines whether a firm excels, survives or dies (Okutoyi, 1988).

Many companies face increasingly stiff competition and rewards normally go to those who can best read customer wants by continuously scanning the marketing environment and delivering greatest value to target customers. In the market place, marketing skills will separate amateurs from professionals (Kipkorir, 1995).

The strategic marketing process involves conducting a situational analysis, determining marketing objectives, selecting target markets, designing a marketing mix, preparing a marketing plan, implementing the plan and controlling it.

Analysis is the critical starting point for strategic thinking. The purpose of a situation analysis is to determine the features in a company's environment that will most directly determine the strategic options and opportunities. The analysis is mainly concerned with identifying trends, opportunities, threats, strengths and weaknesses, and questions that will influence strategy and choice. The analysis seeks to establish where an organisation has come from, its present circumstances, and how these are likely to bear on its future (Thompson1972 :55). It provides knowledge that will help the organisation build on past' successes and correct past failures. Businesses undertake this analysis at two levels: external and internal.

External analysis entails an examination of environmental forces that surround an organisation's marketing programme. The information generated by this analysis is important because it constitutes the opportunities a business may exploit and the threats it must shun. Key areas of concern here are:

(i) Customer analysis: This is carried out to identify customer segments (needs, size, growth, profitability) so that products can be matched with consumer needs.

(ii) Competitor analysis: The issue of concern here is identifying who an organisation's competitors are, their strengths, their weaknesses and their reaction patterns.

iii) Environmental analysis: This entails a review of political, economic, technological and socio-cultural forces and their influence on a company's marketing practices.

The self or internal analysis identifies an organisation's strengths and weakness so that strategies can be developed to exploit the strengths and to address weaknesses. This analysis involves a detailed review of company's present marketing mix to identify unique distinctive competencies.

Marketing objectives derive from the larger organisational goals enshrined in the mission statement. It is the mission statement that defines the overall purpose for the existence of an organisation. It clarifies the scope of the business, its product-market segments, the nature of existing products, markets, and the functions a firm presently provides.

In market targeting, consumers who are likely to respond to the same marketing mix are identified. This becomes the focal group to which the business will tailor its marketing effort. An effective strategy should consider the size of target markets and the number of competitors already in the market, and evaluate how entering the market will affect the firm's sales, costs, and profits. Selected target markets must therefore be responsive, accessible, and profitable.

Once a specific segment has been identified, a marketing mix can be developed to target it. The marketing mix comprises what has traditionally been known as the 4 Ps. These are product, price, promotion, and place. These marketing mix elements are strategic weapons a firm can use against its competitors. Porter (1980) suggests that low cost and differentiation represent the two basic strategies available to firms and all successful strategies will involve one or both of these thrusts.

Product, which is a key element in the marketing mix, is anything that can be offered to a market for attention, acquisition, use or consumption that might satisfy a want or need (Kotler,1988). Products are important to marketers because they relate directly to the satisfaction of consumer needs. Product strategy should focus on quality, packaging, styling, and branding.

A unique feature of sugar as a product is that in Kenya, it has largely not been differentiated. Besides colour where there is brown and white sugar, there is little in form of product differentiation. It is this undifferentiated aspect that could pose challenges to sugar marketing in a competitive environment. In developed countries however, branding has led to differentiation. If maize and wheat flours have been differentiated, then there must be ways the same can be done to sugar.

Price, the second element of the mix, is the value placed on goods and services (Stanton, 1987: 260). It is what consumers (are willing to) pay for a product or service (Kibera & Waruingi, 1988). Pricing is important in marketing strategy because it is the only variable that directly generates revenues and which can easily be altered. It can therefore be an effective competitive tool. In formulating pricing strategy, the marketer may choose from penetration, skimming, variable pricing strategies (discounts and allowances) and promotional strategies such as loss leader pricing, special event pricing and psychological discounting (Is/was, odd/even).

Prior to trade and market liberalisation, sugar prices used to be regulated by GOK. This had greatly influenced the degree to which pricing could be used as a promotional strategy in many sugar companies. Mwebesa and Owiti (undated) argued that if price was left to fluctuate with market conditions, low prices on world markets would lead to cheap sugar flooding local markets at the detriment of the local industry. This became true with liberalisation but what the study failed to project were the strategies that the industry would require should this scenario arise.

The third element of the marketing mix is promotion, which is used to inform and persuade the market regarding an organisation's products or services. The Promotional mix comprises advertising, personal selling, sales promotion and public relations. Even the most want-satisfying product will be a failure if no one knows it is available (Stanton, 1987: 418). There is little one gets to hear of regarding this element in the sugar industry.

Distribution, the fourth element of the marketing mix, has an enormous impact on consumer acceptance and overall economic performance. Channel design must consider the markets to be served and the specific needs of consumers within those markets. Firms should analyse consumer needs for product outputs, establish channel objectives, and set channel strategies in terms of coverage, exposure and support required for the channel. Firms must determine which channel is best for use given the degree of control sought, the cost of operating the channel, the possibility of gaining a competitive advantage and the degree of integration desired. Once these strategies have been identified, a marketing plan may be prepared and implemented.

2.2 Empirical Literature

There have been numerous studies on the sugar industry just as there have been on strategic practices within various other industries. However, no known study has looked at Kenya's sugar industry from a marketing strategy perspective.

A lot of the existing literature on the sugar industry can be classified as "impact studies". In a study of the West Kenya Sugar Industry, Obiero (1980) analysed the impact of the company's establishment on national development. Other studies that have taken a geographical perspective of the industry include Obara (1976) and Oduol (1974). Odada (1979) took an economic perspective to examine the role of the sugar industry on the Kenyan economy while Barclay (1974) examined the social impact of Mumias Sugar Company's establishment.

There have also been a number of studies of the industry from a policy perspective. Mwebesa and Owiti (undated) studied policy issues relating to the production and marketing of sugar and the implications such policies suggest for the future of the sugar industry. Coughlin *et al* (1986) looked at issues relating to ownership, employment, and production practices of the sugar companies. Frank (undated) analysed policy questions relating to the expansion of the industry in developing economies.

Odhiambo (1978) took a more general perspective studying the organisational structure of Kenya's sugar industry and how this affects performance at farm, factory and consumer levels. The study recommends a structural re-organisation to ensure more links between the sugar factories and the farmers so that the latter can improve their yields for adequate cane supply.
The underlying assumption in production-oriented studies is that sugar sells itself. They propagate the production concept where focus is on improvement of production efficiency. In liberalised markets, however, competition tends to increase. As such, this emphasis on production can no longer hold. Thus, the sugar Companies are expected to adopt effective marketing strategies to survive.

In a study of the banking industry, Okutoyi (1988) found that there was a positive correlation between strategic marketing and bank performance. The study concluded that the use of strategic marketing was vital in adopting banks to changing conditions in the market.

The studies cited do not touch on the marketing of sugar. As earlier mentioned, many of them are also production-oriented studies in an era where the marketing concept is emphasised. This study therefore tries to fill the gap created by the absence of strategic marketing literature on the sugar industry.

CHAPTER 3

RESEARCH DESIGN

3.1 Population of the Study

The population of interest included all Sugar Companies currently operational in Kenya. Kenya Sugar Authority's publication Yearbook of Sugar Statistics (1998) indicated that there are seven such companies. Since the population was small, the study covered all the seven companies. No sampling was therefore required. The census approach used in this study has also been used successfully by Bett (1995) in the study of strategic marketing of dairy products in Kenya; Okutoyi (1988) in the study of strategic marketing in the banking industry, and by Bii (1992) in the study of promotional mix elements by Kenya's commercial banks.

3.2 Data Collection

The relevant primary data was collected using a semi-structured questionnaire (appendix1). The questionnaire carried questions on whether the subjects carried out any form of environmental analysis as a first step in the establishment of strategic marketing plans. Data was then collected on the existence of marketing plans, mission statements and marketing objectives. A bigger part of the questionnaire however focused on marketing strategy, where attention was focused the extent to which the companies emphasised the various elements of the marketing mix namely product, price, promotion, and place. Data on the second objective of establishing obstacles in the implementation of strategic marketing activities was collected through non-structured questions to allow the researcher to pick out unexpected information as well.

The strategic marketing activities investigated were derived from a model by skinner, which was slightly modified to include the component of strategy evaluation. The model formed the yardstick that measured the existence of marketing strategy in the subjects.

The questionnaire was administered personally to Sales and Marketing managers or other officers in charge of marketing activities in each sugar company. This method of interview was chosen for its flexibility. It enabled the researcher to explain and clarify certain concepts that may have not been clear particularly in smaller companies where the education level of a bulk of the workforce was low. The method was also suitable for its low costs and high rate of response. In fact a response rate of one hundred per cent was realised. This was crucial in view of the small number of the subjects involved.

3.3 Data Analysis

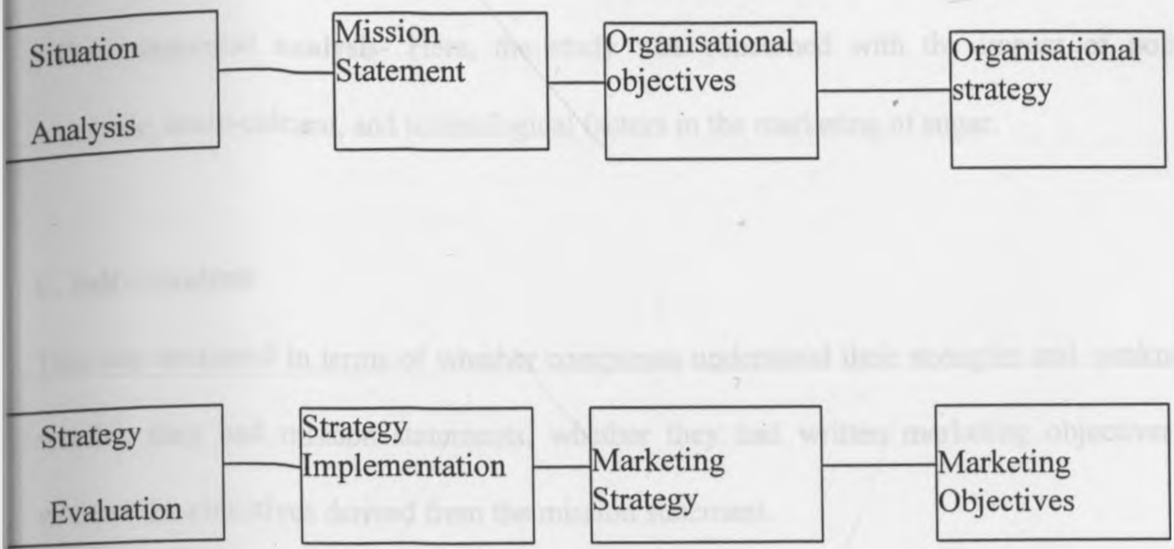
Once the data was collected, it was analysed using descriptive statistics. This was deemed suitable in view of the study's objectives.

3.3.1 Measurement of results

Pertinent questions and/or statements were used to test the existence or otherwise of a phenomenon. A phenomenon or activity was only said to exist if more than half the sample responded affirmatively. For instance, to draw conclusions on whether firms undertook competitor analysis, it was required that they be able to identify their competitors by name, demonstrate knowledge of competitor's objectives, market share, profit levels, strengths and weaknesses. These factors would then constitute the parameters for analysis so that if a firm undertook more than half of them, then it was said to be undertaking competitor analysis. Similarly, if more than half the firms in the industry stated that they undertook any particular activity, then the response was generalised to apply to the entire industry.

3.3.2 Operational Definitions of Variables

The process of strategic marketing management can be illustrated by the model below:



Modified Skinner version

The operational definitions of variables for this study is therefore as follows:

A. Situational Analysis

The study explored the degree to which sugar companies undertook customer, competitive, market, environmental analysis, and self-analysis. Customer analysis is done through market research . The questionnaire asked respondents to indicate whether their companies undertook any form of consumer research as a basis for their programmes.

B. External Analysis

The study explored the degree to which firms undertook customer analysis, competitor analysis and market analysis.

Customer Analysis- Measured in terms of degree of segmentation carried out by the firms.

Competitive Analysis- Measured in terms of ability to identify competitors, their objectives, strengths and weaknesses, strategies, and levels of performance.

Environmental analysis- Here, the study was concerned with the impact of political, economic, socio-cultural, and technological factors in the marketing of sugar.

C. Self –Analysis

This was measured in terms of whether companies understood their strengths and weaknesses, whether they had mission statements, whether they had written marketing objectives, and whether the objectives derived from the mission statement.

Marketing Strategy

The study looked at the factors emphasised in the product, price, promotion and distribution decisions of the companies.

Product- This was defined in terms of quality, brand name, packaging and services. Respondents were asked to rate the importance their firms attached to each of these attributes.

Price-The study explored the pricing methods used.

Promotion- The study explored the extent to which sugar companies used the tools of sales promotion, advertising, personal selling, public relations, and direct marketing.

Place- The study sought to establish the channels of distribution used, and the factors considered important in channel selection.

D. Strategy Implementation and Evaluation

The study sought to establish whether marketing plans existed and whether the plans were evaluated to determine success and how often this evaluation was carried out.

CHAPTER 4

DATA ANALYSIS AND INTERPRETATION

The analysis of data was done in relation to the objectives the study sought to establish namely identifying the nature of strategic marketing practises in Kenya's sugar companies and the constraints the sugar companies faced in applying strategic marketing tools. Findings on these two objectives are discussed below:

A. The nature and extent of strategic marketing practices

Strategic marketing management encompasses:-

1. Understanding of the marketing environment
2. Formulation of marketing objectives
3. Development of the marketing programme
4. Implementation of programme
5. Evaluation of programme

4.1 The Marketing Environment

Strategy tries to relate an organisation to its external environment. This environment includes political, economic, socio-cultural and technological forces. Data on how companies were affected by the external environment are listed in table 4.1 below:

Table 4. 1 Perceived effect of Political Variables

Variable	Very Much		A little		Not at all		Total	
	N	%	N	%	n	%	N	%
Laws	3	43	4	57	0	0	7	100
Political Interference	3	43	3	43	1	14	7	100
Uncertainty/ Strife	3	43	3	43	1	14	7	100
Corruption	6	86	1	14	0	0	7	100
KSA	4	57	3	43	0	0	7	100
Total number of mentions	19	54%	14	40%	2	6%	35	100

Nineteen out of a possible number of 35 responses indicated that businesses were affected "very much" by a combination of political factors. This represents 54 per cent of the population.

Fourteen (40 per cent) of the total number of responses indicated that businesses were affected just "a little" by political factors. Only 6 per cent of the total number of responses indicated that businesses were not affected at all by two of the political variables listed. Corruption was singled out as the key culprit that affected sugar marketing. No Company indicated that it was free from the effects of corruption.

The economic environment determines the power consumers have to buy a product. Table 4.2 below illustrates the extent of influence economic factors have on sugar marketing.

Table 4.2: Perceived effect of economic factors

	Very much		A little		Not at all		Total	
	N	%	N	%	N	%	N	%
Inflation	5	71.4	2	28.5	-	-	7	100
Interest rates	6	86	1	14	-	-	7	100
Monetary policies	5	71	2	29	-	-	7	100
Income	5	71	2	29	-	-	7	100
Total number of mentions	21	75%	7	25%	0	0	28	100

Out of a possible 28 responses, 21 (75 per cent) indicated that their operations were affected "very much" by a combined force of economic factors. General interest rates were perceived to affect business with 6 companies (86 %) saying they were affected "very much". Only two (29 %) companies said they were affected "a little" by inflation. All the companies were affected at least in some way by a combination of the economic variables that were tested.

The table below illustrates how socio-cultural factors were perceived to affect sugar marketing:

Table 4.3: Perceived effect of Socio-cultural factors

	Very Much		A little		Not at All		Total	
	N	%	n	%	n	%	N	%
Lifestyle	1	14	2	28	4	57	7	100
Pressure groups	-	-	1	14	6	86	7	100
Religion	-	-	1	14	6	86	7	100
Beliefs/ Attitudes	1	14.3	1	14.3	5	71.4	7	100
Total	2	7%	5	18%	21	75%	28	100

Socio-cultural factors were perceived to affect sugar marketing least with 21 out of a possible 28 (75%) responses indicating "No effect at all". Only 7 per cent of the mentions indicated that two of the four socio-cultural variables listed affected their business “very much”. Eighteen per cent indicated they were affected just “a little” by the variables.

A large number of respondents identified technological factors as having a major effect on their businesses. These findings are contained in table 4.4 below:

Table 4.4: Perceived effect of technological factors

	Very Much		**A little**		**Not at All**		**Total**	
	N	%	N	%	N	%	N	%
New Technology	4	57	2	29	1	14	7	100
Cost of Technology	5	71	-	-	2	29	7	100
Total	9	64%	2	14%	3	21%	14	100

Nine out of 14 (64%) responses indicated that technological variables affected their businesses “very much”. Twenty one per cent of the responses indicated technology as being insignificant in sugar marketing. Four of the companies (57%) indicated that technological innovation was a very important variable in sugar marketing with those that lacked it standing chances of business loss. Despite this acknowledgement, 71 per cent of the companies saw the cost of technology as being prohibitive to the extent of affecting their marketing operations. These findings could be interpreted in the context of Mumias acquisition of a diffuser cane milling facility, which had put the company ahead of its counterparts both in the quantity and quality of sugar the company can produce. Being the only company with the diffuser technology, the company was seen to enjoy a competitive advantage.

Overall, a majority of the Sugar companies were aware of the manner in which external environmental factors influenced their businesses. A summary of each of the variables studied is presented in table 4.5 .

Table 4.5 Percentage weighting of environmental factors

	Very Much	A little	Not at all	Total
Political	54	40	6	100
Economic	75	25	-	100
Socio Cultural	8	20	72	100
Technological	70	15	15	100

The table shows that economic factors weighed more heavily on businesses with a tally of 75 per cent in the affirmative, followed by technological factors with a tally of 70 per cent. Socio-cultural factors had the least impact on businesses with a tally of 8 per cent.

4.1.2 Competitor Analysis

Unless a firm pays attention to what competitors are doing, it ends up 'flying blind' into battle (Thompson 1980:56). A firm cannot outmanoeuvre its rivals without monitoring their actions and anticipating what moves they are likely to make next. The strategies rivals are using and the actions they are likely to take next have direct bearing on what a company's own best strategic moves are - whether it will need to defend against rivals' actions or whether rivals' moves provide an opening for a new offensive thrust.

The research questionnaire sought to find out whether the Sugar Companies knew who their competitors were, what their competitors' strengths and weaknesses were, and what the companies own strengths and weaknesses were. Table 4.6 below illustrates the findings.

Table 4.6 : Competitor knowledge by various dimensions

	Competitor		**Competitor**		**Competitor**		**Competitor**		**Total**
	Name	%	Objectives	%	Market Sales	%	Market Share	%	
Yes	7	100	2	29	2	29	2	29	13
No	-	-	5	71	5	71	5	71	15
Total	7	100	7	100	7	100	7	100	28

These findings indicate that in general all the Sugar Companies knew who their competitors were perhaps because of the smallness of the industry. Over 72 per cent did not however, know the objectives of their competitors, what their strategies were and market share commanded. It is therefore plausible to conclude that many did not carry out any form of competitor analysis.

An interesting dimension was that the sugar industry was one among those industries where 'competitors' meet in workshops to discuss the marketing activities they intend to initiate. Firms in the industry still operated as a cartel where the various players met to agree on common pricing and other matters of interest. In some cases, sugar was produced as customers waited and so there were no stocks carried over to the following day. Liaisons were detected between various personnel handling marketing functions particularly in the smaller companies and customers could be exchanged at will whenever there were queues in one factory and the other did not have. Managers interviewed in these firms felt there was no need spending money on intelligence systems or other marketing activities like advertising.

Only between the two lead players, Mumias and Nzoia, was a sense of competition detected. In fact there was evidence that marketing intelligence activities existed between the two with intelligence information gathered sometimes on a daily basis.

When it came to analysis of competitor strengths, Mumias was generally viewed by other manufacturers as the market leader with a competitive advantage in advertising, distribution, and pricing. The study revealed that it was the only company that had a substantial marketing budget and was engaged in various promotions. Because of its size, it was seen to enjoy economies of scale that enabled it to offer discounts and credit sales.

While its distribution network was viewed by some as a strength, others viewed it as a weakness as it was able to hold large inventories in warehouses thus concentrating the costs and risks on itself. Competitors holding this view felt that lack of a distribution network was a strength for themselves as they were able to pass title of goods immediately on production.

This notwithstanding, it was obvious that no purposeful competitor analysis was carried out and even where some information on competitors existed, it was brief, scanty and therefore inadequate for guiding purposeful strategy.

4.1.3 Internal Analysis

Internal analysis is a systematic identification of organizational strengths and weaknesses. Effective strategy maximises a firm's strengths and opportunities and minimises its weaknesses and threats. Strengths are distinctive competencies that can be matched with projected market opportunities, while weaknesses are limitations that impede a firm's effective performance.

Results of this study indicated that the Sugar Companies employed a measure of internal analysis with conscious efforts to track their sales and level of profitability, sometimes on a daily basis. Six of the firms, (86 %) associated their product with quality, and consequently a measure of strength in the market. One firm, representing (14 % of the population) thought it had no strength in either quality, price, promotion or distribution.

The ability to have appointed distributors or agents was seen as a strength in the industry. Five of the firms (71 %) said they had such distributors. One firm (14 %) had depots in selected towns in the country and viewed this as its own strength. Other strengths included flexibility in pricing and an ability to engage in promotion, which gave Mumias a differential advantage.

The study revealed that only two firms (29 per cent) were aware of how the internal environment impacted on performance of their products in the market. No formal effort at internal analysis could be detected beyond profitability analysis on the part of the other firms.

4.1.3.1 Mission statement

A mission statement defines the business a firm wishes to pursue, the markets it wishes to enter, the products it wishes to sell, the customers it wishes to serve, and the manner the firm would wish to deliver this service (Pearce and Robinson, 1991). The relevant responses for the study are contained in table 4.7

Table 4.7: Existence of mission statement

Response	Response	Percentage
Yes	2	29
No	5	71
Total	7	100%

n=7

Only two (29%) of the companies surveyed mentioned that they had a mission statement. One statement read in part:

"To be the leading white sugar producer *(sic)* with the highest returns to shareholders and farmers in the sector. We will endeavour to be the most efficient producer *(sic)* of sugar using the best technology available in the sugar industry..."

The other company alluded to the existence of a statement that is "used in Agricultural Shows". It read: "Assist in enabling smooth Kenyan farmers' *(sic)* lives."

These statements identify production as the core-business for the respective Sugar Companies. Since they do not allude to marketing dimensions, they may not serve as relevant instruments for deriving marketing objectives. They therefore provide a weak basis for the foundation of marketing strategy.

The total absence of written mission statements in the rest of the companies suggests that these companies have no initiative nor the commitment required for strategic marketing practices.

4.1.3.2 Portfolio analysis

Portfolio strategy examines the small business units (SBUs) an organisation is involved in, and determining how each SBU will compete in given markets. Besides trading in sugar, all the Companies studied were involved in at least one other business, namely, sugar cane farming in the nucleus estates and trade in Molasses. These businesses were, however, seen as part and parcel of the sugar business as farming was aimed at generating raw materials for sugar production while molasses came in as a by-product of sugar processing. The two were therefore not treated as important business units for which a different marketing mix could be formulated.

4.1.3.3 Marketing Objectives

Objectives represent a managerial commitment to producing specified results in a specified time frame. They provide a basis for the what, how and when of performance and as a consequence convert a company's mission into performance measures and outcomes.

The current study sought to determine the extent to which the Sugar Companies formulate objectives for their marketing functions and whether these objectives were consistent with the mission statement. Companies were asked to rank a set of objectives in terms of their relative importance. A score sheet was developed where an objective that was ranked first scored 4 points while the last scored 1 point. Since the objectives were 5, the maximum score was 20 points. The points were totalled to give the tally below:

Table 4.8: Existence of marketing objectives

Marketing Objectives	Score (1)		Score (2)		Score (3)		Score (4)		Total	
	N	%	N	%	N	%	N	%	N	%
Customer satisfaction	4	25	12	75	-	-	-	-	16	100
Product Leadership	8	47	3	18	4	24	2	12	17	100
Market share	4	29	-	-	8	57	2	14	14	100
Profit maximisation	16	80	-	-	2	10	2	10	20	100

In formulating marketing objectives, profit maximisation was the preferred option. The objective recorded 16 points (80%) out 20 in mention for the first position. The objective recorded an overall score of 30% of the scores in comparison to others. It was followed by product leadership with 17 points (25%), customer satisfaction with 15 points (22%) and market share with 14 points (21%). These results again suggest that there is general lack of competition in the sugar industry. In competitive industries, wars are fought to capture as much of the market share as possible. Again, emphasis on profit maximisation reflects the selling business concept of the 1960s where organisations were more production oriented. This situation is mostly applicable in markets that are characterised by little competition and product scarcity. These characteristics are descriptive of the local sugar industry in the absence of imported sugar.

4.2 Marketing Strategy

A marketing strategy is a plan of action to outstage competitors. This study sought to find out whether sugar companies had any formal marketing plans and whether the plans emanated from a systematic marketing research. It is on the basis of marketing research that markets can be segmented to provide a basis for product, pricing, promotion and distribution strategies. These variables were all tested by the questionnaire.

4.2.1 Marketing planning

Planning is a major basis upon which predictions of future events can be made. It helps organisations prepare in the face of future uncertainty. In marketing, planning is particularly important because market demands are not static.

In order to make marketing programmes forward looking, it is necessary to have a written marketing plan that anticipates future needs so that resources can be mobilised to address the dynamism of market requirements. Respondents were therefore asked to indicate whether their Companies had any written marketing plans. The relevant data are contained in the table4.9

Table 4.9 Existence of written marketing plans

Response	Responses	Percentage
Yes	1	14
No	6	86
Total	7	100%

Despite the importance of planning in today's business, only one company (14%) had a formal marketing plan. Six companies (86%) did not have any written marketing plans. But even in the one company, the plan was not written and its marketing department was said to be in the process of compiling one. This represents *ad hoc* marketing in the sugar industry. Given this position, Marketing programmes are likely to be erratic, less efficient, and therefore less cost-effective.

4.2.2 Marketing Research

In the 21st Century, consumers are at the beginning of the marketing chain. Their needs and wants are paramount to any marketing effort. Businesses must therefore find out what consumers need and want through marketing research. The current study sought to find out whether Sugar Companies make an effort to understand these needs through marketing research. The research findings are contained in table 4.10

Table 4.10 Responses on consumer research

Type of response	Number	Percentage
Yes	3	43
No	4	57
Total	7	100%

N=7

Only 43 per cent of the population indicated that they undertake some research before formulating their marketing programmes. Some 57 per cent of the Companies waited for consumers to go to them and did not worry about consumer needs. This again is characteristic of industries operating in sellers markets.

The Companies which said they conducted some form of marketing research reported that consumer needs revolved around factors such as quality of sugar, convenient packaging, suitable pricing and fast service.

4.2.3 Market Segmentation

Consumers are generally heterogeneous and if they are not segmented into specific groups to target, a lot of wastage will be realised in the marketing effort. Marketers who try to satisfy everybody may end up satisfying nobody as more effort may be spent addressing the wrong group.

The study sought to explore whether the Sugar Companies carry any forms of market segmentation. The relevant results are presented in table 4.11.

Table 4.11 Extent of market segmentation

Response	Frequency	Percentage
Yes	3	43
No	4	57
Total	7	100%

Forty three percent (43%) of the respondents answered in the affirmative while 57% gave a negative answer. Over 70 per cent of the firms said that geographical location was the most important basis for their segmentation. Table 4.12 contains pertinent data for the other segmentation variables.

Table 4.12 Rating of segmentation variables

Segmentation Variables	No of mentions	Percentage
Geographical location.	5	62.5
Income	1	12.5
Social Class	1	12.5
Volume	1	12.5
Total	8	100

N=7

4.2.4 Product strategy

The study yielded the data below (Table 4.13) on the kind of emphasis product decisions received.

Table 4.13 Importance attached to product decisions

	Very Important		Important		Indifferent		A little Important		Not Important		Total	
	n	%	n	%	n	%	n	%	N	%	N	%
Quality	6	86	1	14	-	-	-	-	-		7	100
Variety	2	28.5	2	28.5	-	-	-	-	3	43	7	100
Packaging	4	57	2	29	1	14	-	-	-	-	7	100
Branding	3	43	1	14	1	14	1	14	1	14	7	100
Service	1	71	2	29	-	-	-	-	-		7	100
Total	16	53%	8	27%	2	7%	1	3%	3	10%	30	

Quality was ranked as the most important attribute (86% of sample) in the product decisions of the firms studied. This was followed by service (71%). The least ranked attribute was variety (43%).

Packaging

The appearance of a product is of vital importance to a vast range of fast consumer goods, which are generally sold through self-service outlets. The package provides a critical visual cue at the point of sale, acting both as a reminder and a distinguishing feature (Baker, 1992:350). The package must also provide the user with information concerning its contents.

The study data revealed that 57 per cent of the consumers regarded packaging as extremely important. Therefore, Mumias was planning to pack its sugar in smaller packages to facilitate branding of the commodity.

4.2.5 Pricing strategy

A majority of the Companies (57%) said that they set their prices to recover costs, compete, and survive in their markets. The other relevant responses on this variable are presented in table 4.14.

Table 4.14 Pricing objectives of sugar firms

	Number of Mentions (n)	Percentage (%)
Profit maximisation	3	16.6
Competitive pricing	4	22.2
Value-based pricing	1	5.5
Pricing below competition	2	11.1
Frequency of consumption	-	-
Survival	4	22.2
Cost recovery	4	22.2
Total	18	100%

Pricing was cited as the main factor behind the slack in sugar markets as prices for Kenya's sugar tended to be higher than those of other world markets.

4.2.6 Promotional strategy

Promotion plays a major role in creating awareness, conditioning perception of facts, suggesting subjective associations and benefits which are important when there is apparent objective parity between two or more competing alternatives (Baker 1992:422). Thus the current study sought to establish the extent to which the Sugar Companies employ promotional mix elements of advertising, public relations, sales promotion, personal selling and direct marketing.

Findings of the study, illustrated in table 4.15 below, showed that advertising did not receive much emphasis in the sugar industry. This means that the industry was losing on the objectives of advertising namely informing, convincing, and reminding. These findings concur with the earlier observation that competitive marketing was not a major feature in the industry. Responses indicating that certain tools are not used at all dominated the findings. Except for newspapers and directories, all the other advertising tools were not used at all.

Table 4.15 Use of advertising tools

	Always		Sometimes		Not at all		Total	
	n	%	n	%	n	%	N	%
Radio	-	-	1	14	6	86	7	100
Television	-	-	1	14	6	86	7	100
Newspapers	-	-	4	57	3	43	7	100
Magazines	-	-	3	43	4	57	7	100
Brochures	-	-	2	28	5	71	7	100
Billboards	-	-	1	14	6	86	7	100
Shop signage	-	-	1	14	6	86	7	100
Directories	1	14	3	43	3	43	7	100
Transit media	1	-	-	-	7	100	7	100
Total	2	4%	16	30%	36	67%	54	100%

As for the public relations, however, the converse was the case. While no firm employed permanent public relations staff, the promotion tool was used fairly much as shown in table 4.16.

Table 4.16: Use of public relations tools

Tools	Always		Sometimes		Not at All		Total	
	n	%	n	%	N	%	N %	
Press kits	-	-	2	28.5	5	71.5	7	100
Speeches	1	14.3	5	71.4	1	14.3	7	100
Seminars/workshops	1	14	6	86	-	-	7	100
Annual Reports	2	29	5	71.4	-	-	7	100
Sponsorships	1	14.3	5	71.4	1	14.3	7	100
Donations	3	43	4	57	-	-	7	100
Total	8	19%	27	64%	7	17%	42	100

n=7

Nineteen per cent of the times, at least one of the promotional tools was used by at least one of the members of the sugar industry. Sixty four per cent of the times, there was intermittent use of at least one of the promotional tools. Seventeen per cent of the times, no tool was used at all. The data shows that donations were used frequently by at least 43 percent of the sample. An intermittent use was reported in the utilization of seminars (86%) of sample, speeches and sponsorships and annual reports (71.4%). Utilization of press kits was the lowest with 71.4% of sample indicating no use at all.

Respondents were asked to indicate the frequency with which sales promotion was used. Findings indicate that 23 per cent of the times, at least one of the elements was "always" in use by at least one of the companies. Twenty per cent of the times, there was intermittent ('sometimes') use of the tools. Fifty seven per cent of the times, sales promotion was not used at all by any of the companies. . The relevant responses are contained in table 4.18.

Table 4.17: Use of sales promotion

	Always		Sometimes		Not at All		Total	
	N	%	n	%	n	%	N	%
Give-aways	2	29	1	14	4	57	7	100
Trade shows	5	71.4	1	14.3	1	14.3	7	100
Price discounts	1	14	3	43	3	43	7	100
Coupons		-		-	7	100	7	100
Contests	-	-	2	29	5	71	7	100
Total	8	23%	7	20%	20	57%	35	100

Trade shows appeared to be the main promotional tool the Companies were using with 71 per cent of the sample indicating participation. This could be explained by the fact that these companies have normally exhibited under the umbrella of the Kenya Sugar Authority. Given the nature of government share holding in the Companies, and the way Shows are regarded as government initiatives, the Companies may have felt obliged or forced to participate.

Personal selling was defined to include forms of contact with customers, which required interpersonal communication at point of sale. The degree of utilization of this tool is illustrated below.

Table 4.18: Use of personal selling

	Always		**Sometimes**		**Not at all**		**Total**	
	n	**%**	**n**	**%**	**n**	**%**	**N**	**%**
Sales Reps	2	29	-	-	5	71	7	100
Agents	3	43	2	29	2	29	7	100
Total number of mentions	5	36%	2	14%	7	50%	14	100

Personal selling was less utilised perhaps because sugar is not a technical product that would require the explanation of a sales force . Similarly, Sugar Companies did not have their own retail outlets where they could control the personal selling effort. The Study revealed that over 71 per cent of the Companies did not use personal selling at all. Twenty nine percent used sales representatives while 43 per cent used agents. Thirty six per cent of the sample used at least one of the personal selling tools "always". Fourteen per cent used them "sometimes" while 50 per cent never used the personal selling at all. The study also asked respondents to indicate the degree to which direct marketing was used in their businesses.

Table 4.19 below indicates the findings.

Table 4.19 Use of direct marketing

	Always		Sometimes		Not at all		Total	
	N	%	n	%	N	%	n	%
Mail	3	43	-	-	4	57	7	100
Telephone	5	71	2	29	-	-	7	100
Brochures	-	-	1	14	6	86	7	100
E-Mail	-	-	-	-	7	100	7	100
Total no of responses	8	29%	3	11%	17	61%	28	100

Telephone was the most frequently used tool (71 percent of sample), followed by mail (43 per cent). A hundred per cent of the sample indicated that Electronic mail (E-mail) was not used at all in their marketing. Taken together, direct marketing tools were used 29% "always", 17% "sometimes" while 61% of the responses indicated that direct marketing is never in use any time.

To sum up, a comparison of the elements in the promotional mix showed that public relations (57%), personal selling (29%), and packaging (43%) were rated more important than advertising and sales promotion. Advertising was rated least important (57%) followed by personal selling (43%) (Table 4.20).

Table 4.20 Emphasis on elements of promotional mix

	Very Important		Important		Indifferent		A little Important		Not Important		Total	
	n	%	n	%	n	%	n	%	n	%	N	%
Advertising	1	14.3	-	-	1	-	1	14.3	4	57	7	100
Sales Promotion	1	14	1	14	1	-	2	29	2	29	7	100
PR	4	57	1	14	-	-	-	-	2	29	7	100
Personal selling	2	28	1	14	1	14	-	-	3	43	7	100
Packaging	3	43	1	14	-	-	2	29	1	14	7	100
Total number Of responses	11	31%	4	11%	3	9%	5	14%	12	34%	35	100

Taken together, 31% of promotional elements were regarded as being very important, 11% as being a little important, 34% as not important while 9 per cent of the responses were indifferent.

Companies studied did not have any programmes to evaluate their promotional effort, so they could not establish the effectiveness of whatever little promotion they undertook.

4.2.7 Distribution strategy

Distribution entails making products available to consumers when and wherever they want them. Distribution management involves employing intermediaries to facilitate movement of products from points of production to points of consumption. All the companies in the study said that they employed a four step distribution network. The flow of goods was generally from the producer to a wholesaler to a retailer and finally to the consumer.

The factors which are considered in selecting the intermediaries are summarised in, table 4.21

Table 4. 21 Factors in the Establishment of Distribution Channels

	Very Important		**Somewhat Important**		**Indifferent (neutral)**		**Somewhat unimportant**		**Not Important**		**Total**	
	N	%	n	%	n	%	n	%	n	%	N	%
Accessibility	3	43	1	14	1	14.3	-	-	2	29	7	100
Market coverage	4	57	-	-	1	14.3	1	14.3	1	14.3	7	100
Geographical Dispersion	5	71.4	-	-	-	-	1	14.3	1	14.3	7	100
Cost of channels	2	29	1	14	1	14.3	1	14	2	29	7	100
Competitive activities	2	29	1	14.3	1	14.3	-	-	3	43		100
Total number of responses	16	46%	3	9%	4	11%	3	9%	9	26%	35	100

When the various factors that determine channel selection were considered together, 46% of responses said they were very important, nine per cent said they were somewhat important, 26 per cent indicated they were not important while 11 per cent were neutral. Both market coverage (57%) and geographical dispersion (71%) were considered important factors in selecting a distribution channels. Competitive activities were considered least important by 43 per cent of the sample.

When the marketing mix elements were considered together, responses were biased in favour of pricing and distribution strategies. These two factors received a greater scores of 57 per cent (table 4.22) which rates them as being "very important".

Table4.22 Importance attached to various marketing mix elements

	Very Important		**Important**		**Indifferent**		**A little Important**		**Not Important**		TOTAL	
	N	%	n	%	n	%	n	%	n	%	N	%
Product innovation	1	14.3	1	14.3	1	14.3	1	14.3	3	43	7	100
Pricing	4	57	2		-	-	1	14	-	-	7	100
Advertising	1	14.3	1	14.3	1	14.3	3	43	1	14.3	7	100
Distribution	4	57	2	29	1	14.3	-	-	-	-	7	100

4.3 Strategy Evaluation

The evaluation of strategy is a step that tries to compare results and objectives to determine the extent to which the latter are being met. This study sought to establish whether marketing strategies, in whatever form they existed, were evaluated at all and if they did, the methods and frequency of use.

The study revealed that only 29 per cent of the Companies had formal ways of evaluating their marketing objectives (plans) and strategies. Half of these indicated the evaluation was done monthly while the other half indicated it was done on a continuous basis.

4.4 Constraints to the establishment of strategic marketing practices

The process of operationalising strategy requires that there be management support. This support can be realised through the creation of an organisational culture and the development of policies that will support the plan. Resources should also be allocated in accordance with the priorities spelt out in the strategic plan. Finally, it is important that the company's energies and efforts flow in the direction of strategy execution.

According to McDonald (1984) Sources of resistance to strategic marketing are numerous. They include the reasoning that companies have made goods without it, the feeling that planning is time consuming and prevents people from doing their real job, and that plans never come true, so valuable time should never be wasted in writing them. There is also the argument that companies know their businesses well, and therefore there is no point writing them down. Even where there are plans no one reads them. As such plans become constraining, preventing initiative and creating inflexibility to rapid change. Some industries also argue that they are different and do not need plans. They look at long-range plans as meaningless prepared, without hard market information and are therefore based on unrealistic objectives.

As stated earlier, this study sought to establish whether Sugar Companies had existing marketing plans to guide a purposeful implementation exercise. It also sought to explore the level of budgets allocated to marketing effort and whether there was general goodwill from management towards growth of marketing functions.

In 57% of the Companies surveyed, there was total absence of a marketing department. The marketing functions were variously handled by a General Manager, Finance Manager and Chief Accountant. The dominance of finance people in handling marketing functions is indicative of the fact that companies considered revenue collection as the more important role.

Where a marketing department existed, (57% of sample) it was relegated to a secondary role as function in Accounts or Stores Departments. This lack of clear reporting structures was an obstacle to the evolution of the marketing discipline within the companies as the system was often characterised by conflicts and power games. According to the marketing concept, consumer needs are at the start of the business chain and the marketing department must play the single most important role in business.

There were stiff limitations imposed on sugar marketing by the political environment. As mentioned earlier 54% of the sample indicated that they were affected "very much" by a combination of political factors including corruption, political interference, legal bottlenecks and political uncertainty.

The industry nursed fears having sugar sold in large volumes as this could make it fall in the hands of barons who would in turn start controlling the sugar trade. Sugar barons were said to have their tentacles ready to hoard sugar in a move that could hold the industry at ransom. The industry therefore still operated under some controls. This was not conducive for the development of strategic marketing practices.

A third limitation emanated from the fact that one of the key variables of the marketing mix (pricing) could not be manipulated at will to give a competitive advantage. Pricing was not dictated by market conditions but rather by a consensus from a meeting of players in the industry who are supposed to be competitors.

Markets for the industry were also regulated by the government such that to export sugar, one required to obtain permission from the Ministry of Agriculture. This type of bureaucracy is not conducive for the development of strategic marketing.

The main impediments to the establishment of strategic marketing were listed as lack of management support (30 %), corruption and environment constraints (30%), poor infrastructure (20%), low-income levels (10%) and the geographical location of enterprises (10%).

Data on factors constraining the establishment of marketing strategy is indicated in the table below:

Table 4.23 Constraints in the establishment of marketing strategy

	Number of mentions	**Percentage**
Corruption/Environmental Constraints	3	30
Management support	3	30
Geographical location	1	10
Income levels	1	10
Infrastructure	2	20

CHAPTER 5:

SUMMARY, CONCLUSIONS AND IMPLICATIONS

5.1 Summary of Results

The results reported in this study were guided by two objectives namely exploration of the nature and state of strategic marketing practices and of the obstacles that impaired the rooting of marketing strategy in sugar companies.

Data was collected by use of semi-structured questionnaires. The questionnaire was self-administered to facilitate inter-personal communication so that concepts could be explained and to generate a high response rate. Indeed a response rate of 100 per cent was realised.

Findings of this study indicate that competition, which is the main trigger for strategy formulation was mild within the local sugar industry itself, except and until when imports were introduced in the markets. The local industry was however still producing below market requirements and left on their own, they did not put much regard to marketing practices. The steps of strategic marketing planning were therefore not prominent in the companies studied.

The absence of mission statements meant that sugar companies lacked the vision that could direct their strategy.

Marketing activities were conducted *adhoc* without the guidance of marketing plans. Marketing objectives were production-focused with profit maximisation taking the lead and competitive activities receiving little regard. Since strategy is about outstaging competitors, lack of regard for competitive activities means the companies could not have conscious strategies for survival.

Marketing programmes were not consumer-focused. Though the entire population of the study believed they were making a quality product, efforts stopped at that, leaving consumers to look out for the producer.

Pricing decisions were stifled by environmental factors that did not allow for flexibility. Prices were thus not responsive to market conditions. This left sugar industries vulnerable to importers. Respondents listed political factors as constituting key environmental constraints. Other environmental factors were equally constraining.

Hardly any promotion was done by the sugar industry. Players felt that sugar sells itself and did not see cause to spend on marketing activities. While distribution received some emphasis, this was more out of necessity than by plan.

Several constraints were established as affecting sugar marketing in line with the second objective of the study.

Government controls did not allow for the free operation of the industry and consumers were at times discouraged from purchasing in bulk for fear that this could lead to hoarding, which, in turn could jeopardise the industry. This meant that the industry was not fully open to aggressive marketing.

The greatest impediment to the establishment of marketing strategy was lack of management support. Management in most companies still held on to the belief that sugar sells itself.

Lack of management support was detected in the development of the marketing function. There were no budgets allocated to the function because many of them saw no good cause to spend. They argued that they could after all sell their entire consignments without spending.

In view of these findings, the following would be the recommendations for management consideration:

1. If the industry has to survive, there will be need to reduce the level of government control. While this could be done through the proposed liberalisation, there is need to lobby for urgent measures like the freedom to leave market forces to control the industry.

2. The local sugar industry appears unique in the sense of having local production higher than consumption. Because of this, the industry has remained largely production focused. There is need for managers to look at the fate that has befallen other enterprises in Kenya and collect the ammunition before the actual war starts. The war is inevitable as more sugar companies plan to enter the race.

5.2 Limitations of study and recommendations for future research

Given that the questionnaire was administered mostly to non-marketing personnel, problems in understanding certain concepts were noted. Limitation in understanding certain variables, is possible. This was however addressed by personal interviews, which facilitated explanation and clarification.

This study sought to evaluate marketing functions in an industry that hardly practices any marketing. An interesting dimension would be to find out whether marketing functions are really required in markets that have scarcity.

The population of my study was restrictively small. This posed the problem of wide statistical margins when percentages were computed. A tally of one and two may not be statistically different yet when these are computed as percentages of my population, such a wide difference is revealed between 14 per cent and 29 per cent which the two figures respectively represent.

There were severe time limitations imposed on the study. This restricted both the scope and the depth of the work. Given ample time, this study could be replicated in a wider scope that could go beyond manufacturers to look at perceptions among consumers and members of the trade channel.

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7. APPENDIX

INTRODUCTORY LETTER TO RESPONDENTS

Dear Sir/Madam,

RE: **<u>STUDY OF KENYA'S SUGAR INDUSTRY</u>**

I am a post-graduate student in the Faculty of Commerce pursuing a Masters in Business Administration (MBA) degree course in Marketing.

In partial fulfilment of the requirements of the course, I am carrying out a research project entitled " The state of strategic marketing in Kenya's sugar companies". Your firm has been selected to participate in this study. I would like to request you to provide the required information to the best of your knowledge by filling the questionnaire attached.

This exercise is strictly for academic purposes and any information obtained will be treated with the strictest confidence. A copy of the final research report will be availed to you upon request.

Yours faithfully,

Herbert A. Kassamani

QUESTIONNAIRE

This questionnaire is divided into two parts. The first part requires you to fill information about your organisation. It will be used for classifying the results of the study. The second part is meant to highlight the various aspects of marketing strategy as they are applied in your organisation.

PART A

Name of the company...

Year of establishment ....

Production this year(Jan-Oct 1999) ....tonnes

Sales this year (Jan-Oct 1999)... tonnes

Current sugar stocks ....tonnes

Date at which marketing function was established ....

Number of employees in marketing department ....

Budget allocated to marketing activities (1999) Ksh......................................

PART B

1. Does your company have a mission statement? Yes ( ) No ( )

2. If yes, please indicate the mission statement of your company below:

....

....

3. Does the company have a formal marketing department?

Yes ( ) NO ( )

4. Please give the official title of the person who is in-charge of the marketing function

....

5. Does your company have a written marketing plan?

Yes ( ) NO ( )

6. Do you research into the needs of your customers before developing products for them?

Yes ( ) NO ( )

7. If yes, please give the type of customer needs your company tries to address.

a)..

b)..

c)..

8. Do you segment your markets before you develop your products?

Yes ( ) NO ( )

8. If yes, please tick the variables below to indicate the basis on which the segmentation is done.

a) Geographical location ( )

b) Income ( )

c) Social Class ( )

d) Volume ( )

Others (Please specify)...

9. Please fill the following information about your competitors where it is known to you. If the information is not known, please indicate " Not known" .

Name of competitor	Annual Sales volume	Market share
A	....	....
b	....	....
c	....	....

10. Do you know the business objectives of your competitors? Yes ( ) No ( )

11. If yes, please state these objectives below:

a)..

b)..

12. What strengths do your think your competitors have in the following areas?

a)Product...

b)Price...

c)Promotion...

d) Distribution..

13. What weaknesses do you think they have in the following areas:

a)Product...

b) Price...

c) Promotion...

d) Distribution..

14. Please indicate the extent to which the operations of your business are affected by the following factors.

	Very Much	A little	Not At all
POLITICAL			
a) Laws	( )	( )	( )
b) Political interference	( )	( )	( )
c) Political uncertainty/strife	( )	( )	( )
d) Corruption	( )	( )	( )
e) Activities of Kenya Sugar Authority	( )	( )	( )
Others (Please specify)			
ECONOMIC			
f) Inflation	( )	( )	( )
g) Interest rates	( )	( )	( )
h) monetary policies	( )	( )	( )
i) Income/Expenditure patterns	( )	( )	( )
Others (Please specify)			
....			
SOCIO-CULTURAL			
j) Lifestyle	( )	( )	( )
k) Consumer/pressure groups	( )	( )	( )
l) Religion	( )	( )	( )
m) Beliefs/Attitudes	( )	( )	( )

TECHNOLOGICAL

n) New technology ( ) ( ) ( )

o) Cost of technology ( ) ( ) ( )

15. What strengths do your think your company has in the following areas?

(Where it is not known, indicate "Not Known".)

a) Product..

b) Price...

c) Promotion..

d) Distribution..

16. What weaknesses do you think your company has in the following areas:

a) Product..

b) Price...

c) Promotion..

d) Distribution..

17. Rank the following marketing objectives in order of importance to your organisation. (Fill 1 for the most important and 5 for the least important)

a) Customer satisfaction ( )

b) Product leadership ( )

c) Market share ( )

d) Profit maximisation ( )

Others (Please specify)...

18. Please indicate the importance your firm attaches to the following marketing processes.

	Very Important	Important	Indifferent	A little Important	Not Important
(a) Product innovation	( )	( )	( )	( )	( )
(b) Pricing	( )	( )	( )	( )	( )
(c) Advertising and Promotions	( )	( )	( )	( )	( )
(d) Distribution	( )	( )	( )	( )	( )

19. What is the relative importance of the following attributes in the product decisions of your firm?

	Very Important	Important	Indifferent	A little Important	Not Important
a) Quality	( )	( )	( )	( )	( )
b) Variety	( )	( )	( )	( )	( )
c) Packaging	( )	( )	( )	( )	( )
d) Brand name	( )	( )	( )	( )	( )
e) Service	( )	( )	( )	( )	( )

20. Your company sets prices to: (Tick whichever is applicable)

a) Get maximum profits ( )

b) Meet competition ( )

c) Offer better value than competing products ( )

d) Undercut competition ( )

e) Increase frequency of consumption ( )

f) Survive in the markets ( )

g) Recover costs ( )

Others (Please specify) ....

21. Rank the following promotional elements in terms of the prominence your company attaches to their use.

	Very Important	Important	Indifferent	A little Important	Not Important
a) Advertising	( )	( )	( )	( )	( )
b) Sales promotion	( )	( )	( )	( )	( )
c) Public Relations	( )	( )	( )	( )	( )
d) Personal selling	( )	( )	( )	( )	( )
e) Packaging	( )	( )	( )	( )	( )

22. Indicate how often your company uses the following promotional tools.

Advertising

	Always	Sometimes	Not at all
a) Radio	( )	( )	( )
b) Television	( )	( )	( )
c) Newspapers	( )	( )	( )
d) Magazines	( )	( )	( )
e) Brochures	( )	( )	( )
f) Billboards	( )	( )	( )
g) Shop/bus stop paintings	( )	( )	( )

	Always	Sometimes	Not at all
h) Directories	( )	( )	( )
i) Transit media (buses etc)	( )	( )	( )

Public Relations

a) Press kits	( )	( )	( )
b) Speeches	( )	( )	( )
c) Seminars/Workshops	( )	( )	( )
d) Annual reports	( )	( )	( )
e) Sponsorships	( )	( )	( )
f) Donations	( )	( )	( )

Sales Promotion

a) Give-aways	( )	( )	( )
b) Trade Shows/Exhibitions	( )	( )	( )
c) Price discounts	( )	( )	( )
d) Coupons	( )	( )	( )
e) Contests	( )	( )	( )

Personal selling

a) Sales representatives	( )	( )	( )
b) Agents	( )	( )	( )

Direct marketing

c) Mail	( )	( )	( )
d) Telephone	( )	( )	( )
e) Brochures	( )	( )	( )
f) E-Mail	( )	( )	( )

23. How are you able know the effectiveness of your promotions?

....

24. Please indicate the type of middlemen (Agents, wholesalers, retailers etc) your goods go through from production to the end-consumer.

....

25. In determining your distribution channels, how important are the following factors?

	Very Important	Important	Indifferent	A little Important	Not Important
a) Accessibility	( )	( )	( )	( )	( )
b) Market coverage	( )	( )	( )	( )	( )
c) Geographical dispersion	( )	( )	( )	( )	( )
d) Availability of channels	( )	( )	( )	( )	( )
e) Cost of channels	( )	( )	( )	( )	( )
f) Competitive activities	( )	( )	( )	( )	( )

g) Others (Please specify)

----

26. Do you have a formal way of evaluating your marketing plans?

Yes ( ) No ( )

27. Briefly explain how the evaluation is done.

....

28. How often is this evaluation done?

....

29. What major hindrances do you find in setting up of effective strategic marketing activities?

a) ....

b) ....

c)..

d)..

THANK YOU FOR YOUR CO-OPERATION.