

**A SURVEY OF CUSTOMER LOYALTY PROGRAMS APPLIED BY
PETROL STATIONS IN NAIROBI**

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**A Management research proposal submitted in partial fulfillment of the
requirements of the degree of Masters in Business Administration, School
of Business, University of Nairobi**

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DECLARATION

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

Signed.....

Date..... 30TH OCTOBER 2007

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

Signed.....

Date.. 30-10-2007..

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DEDICATION

To my family for their encouragement, sacrifice and patience. My special thanks to Faith, Nathan, Gloria, Purity and Dorcas.

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ABSTRACT

Liberalization of the Kenyan economy has allowed several new players to locally market petroleum products. Moreover, in this sector physical factors such as convenience, location, quality and price affect customers and their purchases. One way for these petrol stations to remain profitable in the competitive market is to ensure that they have customers that remain with them for longer. However, the customer loyalty programs applied by these stations were not known. The objectives of the study were to establish the customer loyalty programs applied by petrol stations and determine the extent to which the loyalty programs had resulted in customer loyalty.

This was a descriptive study, whose population of interest consisted of all branded petrol stations in Nairobi. A sample size of 100 petrol stations was used, with non-proportionate stratified sampling method being used to select sample sizes for the oil stations from each oil firm. The study used primary data collected by use of semi-structured questionnaires administered to all the branded petrol stations in Nairobi, which was analyzed by use of descriptive statistics. The study's response rate was 72%.

The study established that the loyalty programs applied by these stations include various types of loyalty cards, maintaining databases of customers, utilizing various kinds of communication modes, giving customers different bonuses and maintaining collaborative partnerships with other non-competing organizations. It was further established that that loyalty cards had to a greater extent led to the stations having loyal customers than the other programs, while creation of customer databases had only led to the stations having loyal customers to a moderate extent.

This study faced different limitations. Some of the target respondents were unwilling to be interviewed. Secondly, in some stations target respondents could not respond without the required authority from their Head Offices, which was lacking. From the research findings, further research was suggested to establish the perception of the customers to the loyalty programs applied by the petrol stations in influencing customer loyalty to the respective stations and the relationships between loyalty programs and the performance of these petrol stations.

CHAPTER ONE

INTRODUCTION

1.1 Background

With the advent of globalization, powerful competitive forces are transforming markets and dramatically changing ways organizations are doing business (Craig, 1999). Due to the recent developments in the Kenyan economy, most business organizations are operating under increasingly turbulent environment. One such development is the liberalization of the economy, which has had a significant impact in the market place. As a result, global companies are looking for new and expanded markets in environments that are characterized by low operational costs in trying to exploit firms-specific advantages. As such, local companies are finding themselves having to compete with global companies for these declining markets. They need to adapt and rethink strategies to respond to these environmental forces, charting direction for future growth, realigning operations in the light of emerging markets and competitor dynamics.

Gould (1995) argues that no business, unless it is a state monopoly, can stay in business without satisfied customers. Moreover, due to the fact that customer expectations are constantly increasing, organizations are now required to go beyond their primary need of satisfying the customers, to exceed their expectations (Kandampully, 1997). Market liberalization has led to the entry of many players in the market increasing the product offerings. As a result, consumers are faced with a myriad of choices on where to buy products as well as services as they have access to an ever-widening range of competitive alternatives in nearly every shopping category and have a growing number of shopping options. They are seeking the best offers and are highly skeptical about those that do not provide clear value. Moreover, consumers have become very choosy in terms of where and how they make most of their purchases. As a result, organizations have to shift their customer focus from purely satisfying customers to creating loyalty and trust through mutually beneficial, long-term relationships as market competition demand firms to continuously seek to establish and maintain customer loyalty (Galbreath, 2002).

In order to adequately manage these customer relationships, organizations are turning to loyalty programs with the purpose of influencing repeat purchases as well as cutting down on operational costs. Its adoption is being fuelled by recognition that long-term relationships

with customers are some of the most important assets of an organization success criterion. It is typically more cost-effective to retain existing customers than to recruit new customers to replace lapsed ones (Christopher et al., 1991; Webster, 1992). This shift to loyalty appears to be a worthwhile change in strategy to most firms because firms understand the profit impact of having a loyal customer base (Reichheld, 1996).

Today's development of competition in the business environment has forced the companies to analyze and revise every action and activity they take on to gain competitive advantage. Two common methods to compete in the market place have been with price and quality. However, as studies show, both are easy to imitate by competitors and are therefore losing their dominance in creating sustainable competitive advantages. Instead it has come to be of great importance to focus more on one's customers and to create loyalty towards the company. By creating a relationship between the organization and the customer, the company is creating something unique and special, which is hard to duplicate by competitors (Abt Associates Inc., 2006).

1.1.1 Customer Loyalty

Customer loyalty describes customer commitment to do business with a particular organization and purchasing their goods and services repeatedly (McIlroy and Barnet, 2000). It is the practice of finding, attracting, and retaining your customers who frequently purchase from you. Shoemaker and Lewis (1999) suggests that loyalty occurs when the customer feels so strongly that you can best meet his or her relevant needs that your competition is virtually excluded from the consideration set and the customer buys almost exclusively from you. Novo (2002) argues that customer loyalty describes customers' tendency to choose one business or product over another for a particular need.

Loyal customers bring several advantages. They usually lead to increased revenues for the organization, result in predictable sales and profit streams, and are more likely to purchase additional goods and services (Gremler and Brown, 1998). Furthermore, customers familiar with a brand are more likely to mention it to their friends and tend to be concerned in the feedback and evaluation of the product, which is critical in today's business environment. Loyal customers also tend to buy through alternative channels, which might increase the total consumption and reduce the costs of doing business with them (Duffy, 2003).

The basic idea behind these efforts of enhancing customer loyalty is that a firm's performance in terms of revenues and profits is related more to the loyalty of existing customers than to the mere number of customers. If firms are able to build intimate relationships with customers, their performance is guaranteed. Aaker (1996) noted that a highly loyal customer base could be expected to generate very predictable sales and profit stream. He further noted that it is simply less costly to retain customers than to obtain new ones and that the loyalty of existing customers represents a substantial entry barrier to competitors because the cost of enticing customers to change loyalties is often prohibitively expensive. Therefore it is imperative to study the loyalty programs that oil companies have applied and determine whether the customer loyalty programs have resulted in loyal customers to the firms.

1.1.2 Customer Loyalty Programs

The link between customer loyalty and profitability has become increasingly recognized in marketing strategy, and the increasing interest in customer loyalty programs is a result of the recognition that generating more business from existing customers is usually cheaper and more effective than just trying to attract new ones (Wright and Sparks, 1999). Loyalty programs are a marketing strategy based on offering an incentive with the aim of keeping customers longer to a retailer (Shoemaker and Lewis, 1999; Long and Schiffman, 2000; Bell and Lall, 2002) or reward programs (Kopalle et al., 1999; Kim et al., 2001).

Customer loyalty programs are coordinated, membership-based marketing activities designed to enhance the building of continued marketing exchanges among pre-identified customers toward a sponsoring brand or firm. Loyalty programs use targeted communications and customize the delivery of branded goods and services to build stronger bonds with the sponsoring brand/firm than would result without such programs. Often based on cumulative brand purchases, loyalty programs enhance value proposition offerings to preserve active customer status. Loyalty programs are set apart from other forms of promotions by their long-term nature and deliberate emphasis on preserving customer retention and intensifying purchase frequency (Sharp and Sharp, 1997). Since firms across different industries share many of the same customers, many loyalty programs have also

begun to adopt multiple branding schemes through which customers are able to combine and transfer program benefits (Swaminathan and Reddy, 2000).

Due to the recent advances in information technology, many organizations have considered and adopted customer loyalty programs aimed at nurturing strong relationships with their best customers (Uncles et al., 2003). However, two aims of customer loyalty programs stand out. One is to increase sales revenues by raising purchase and usage levels, as well as increasing the range of products bought from the organization. A second aim implies that by building a closer bond between the brand and current customers, the customer base is hoped to be maintained (Uncles et al., 2003). The popularity of these programs is based on the argument that profits can be increased significantly by achieving either of these aims.

However, customer loyalty programs usually have many other peripheral goals such as encouraging further cross-selling, creating databases, aiding trade relations as well as establishing alliances. Loyalty programs do further help organizations to segment and design the profile of their customer databases. Selecting the most profitable and loyal customers and accurately targeting and cultivating them, while deselecting unprofitable ones, is one way of increasing profits (Clark, 1997).

1.1.3 The Petroleum Industry in Kenya

Petroleum finds use as the main energy source in Kenya with the exception of wood fuel and has a projected growth rate of 30.5% annually. Petroleum is also important to Kenya because it provides approximately 65.7% of the commercial and industrial energy needs. Due to this prominent role in Kenya's industrial and commercial venture, petroleum prices remain the major drivers of inflation (Ikiara and Njenga, 2000). They further point out that since the government commenced liberalization in this sector, consumers have concurred that the supply of petroleum products has been regular.

Wairachu (2001) noted that before liberalization, companies such as Agip (K) Ltd., Kenya Shell/BP Kenya Ltd., Caltex Oil (K) Ltd., Total (K) Ltd., Kenol Ltd. and Kobil Ltd. did the marketing of petroleum products. Liberalization of the industry has had the effect of allowing more players into the market. Despite the issuance of licenses to a variety of applicants, it is not accurate to assert that the competition in the industry has intensified at all

as a result of the registration. Since the period of liberalization, we have several entrants in the market comprising of local entrepreneurs whose market share is minimal. Moreover, the petroleum products market in Kenya is still highly concentrated with the majority of the filling stations in urban centers. As the reliance upon wood based fuel reduces on account of the loss of forests, the potential to grow the petroleum sub-sector is enormous.

The large number of local entrepreneurial filling stations implies a dynamic and more competitive petroleum industry. As a result, several of these players must have several programs that could guarantee sales in the turbulent environment. Today most customer loyalty programs involve establishments of different customer clubs (Strauss et al., 2001). These programs also involve utilization of various communication modes such as membership magazines, direct mailings and customized web pages. Furthermore, customer loyalty programs generally include membership cards through which customers gather points for future discounts (Strauss et al., 2001).

1.2 Statement of the Problem

In the Kenyan economy, the petroleum industry is of crucial importance. According to the Government of Kenya's Economic Survey of 1999, 80% of commercial energy consumed is derived from oil. As a result, players in this sector are bound to closely monitor any changes in this sector. With the liberalization of the Kenyan economy, several new players have been licensed to locally market petroleum products. This has led to more competition, increased choice for consumers, lower prices, and lower margins in the industry.

The entry of other players in the in the petroleum sector has led to many reported cases of illegal activities in the sector (Muchai, 1999; Oyuke 1999). Moreover, in this sector, physical factors such as convenience, location, quality and price affect customers and their purchases. As the main supplier of commercial energy in the country, the profit potential is major and each customer is worth.

Given the critical role of the petroleum sector in the Kenyan economy and due to the fact that the petroleum industry is characterized by having a high profit potential, petrol stations are eager to maintain customer relationships and consequently focus on customer loyalty. Furthermore, due to the fact that this industry is characterized by increased competition,

increased choice for consumers, lower prices, and lower margins, one way for these petrol stations to remain profitable is to ensure that they have customers that remain with them for longer. Clark (1997) noted that selecting the most profitable and loyal customers and accurately targeting and cultivating them, while deselecting unprofitable ones, is one way of increasing profits. It is however not known whether these firms use or have adopted certain loyalty programs as key to remaining profitable. Studies have been done on customer loyalty programs (Bolton et al., 2000; Kim et al., 2004; Lewis, 2004; Sharp and Sharp, 1997). However, much of the research has been directed towards investigating how these programs contribute to the firm's financial and market performance and their ability to cultivate customer loyalty (Dowling and Uncles, 1997; O'Malley and Prothero, 2004; Uncles et al., 2003). Locally, a few studies have been conducted on loyalty programs. These include those done by Wairachu (2001); Wamathu (1999) and Kamau (2006).

Despite the findings of previous studies on customer loyalty programs, and emerging perspective that firms must move from their traditional position of providing all participating customers with equivalent benefit enhancement offerings, none has investigated application of these customer loyalty programs with specific attention to the petroleum industry. While appreciating findings from the previous studies, they cannot be generalized to represent the petroleum industry. This is a critical gap in the literature because loyalty programs continue to be used by organizations as marketing tools to support their customer relationship management (CRM) strategies. The proposed study sought to fill this gap by determining the customer loyalty programs applied by petrol stations in Kenya and whether the customer loyalty programs had resulted in customer loyalty. In particular, the study sought to answer the following questions:

- i. What are the customer loyalty programs applied by petrol stations in Kenya?
- ii. Have these customer loyalty programs resulted in customer loyalty for these petrol stations?

1.3 Research Objectives

The objectives of the study were to:

- i. Establish the customer loyalty programs applied by petrol stations in Kenya.
- ii. Determine the extent to which the loyalty programs have resulted in customer loyalty for these stations.

1.4 Importance of the Study

The findings of this study may be of use to:

- i. Players in the petroleum industry as they will understand the various loyalty programs applicable in the sector.
- ii. Managers of companies in other industries of the Kenyan economy as they will understand how to manipulate the customer loyalty programs to suit their industries.
- iii. Future scholars and researchers as they may use the results as a source of reference in subject matters related to loyalty programs and customer loyalty in the petroleum industry.

CHAPTER TWO

LITERATURE REVIEW

2.1 Customer Loyalty

Firms operate in an environment where the demands on business are so much greater than ever before (Kandampully, 1997). No business, unless it is a state monopoly, can stay in business without satisfied customers. Aaker (1996) argued that a brand's value to a firm is largely created by the customer loyalty it commands. Organizations therefore have to shift their customer focus from purely satisfying customers to create loyalty and trust through mutually beneficial, long-term relationships (Galbreath, 2002).

There are several definitions of customer loyalty. However, most of them refer to a customer's commitment to do business with a particular organization, buying their products and services frequently and recommending the organization's offerings to friends and associates (Uncles et al., 2003). Oliver (1997) defines customer loyalty as a deeply held commitment to rebuy or repatronize a preferred product/service consistently in the future, thereby causing same-brand or same brand-set purchasing.

Novo (2002) argues that customer loyalty is the tendency of a customer to choose one business or product over another for a particular need. Söderlund (2001) defines it as the individual consistent relationship over time to a specific object. Kunal (1994) describes customer loyalty as the strength of the relationship between an individual's relative attitude and repeat patronage. Despite the fact that there is no clear-cut definition of customer loyalty; there are some key words: preference, consistent relationship over time and frequency of purchase.

Shoemaker and Lewis (1999) suggests that loyalty occurs when the customer feels so strongly that you can best meet his or her relevant needs that your competition is virtually excluded from the consideration set and the customer buys almost exclusively from you. Novo (2002) argues that customer loyalty describes customers' tendency to choose one business or product over another for a particular need.

Duffy (2003) argues that the concept of customer loyalty includes many different notions that embrace the process of keeping customers longer, for instance, customer relationship

management, customer relationship marketing, customer retention marketing and one-to-one marketing. He further asserts that these concepts are concerned with customer loyalty because of the benefits of retaining and keeping customers, which has a direct impact on corporate profit. (McIlroy & Barnett, 2000) concurs with this assertion and noted that it can be five times more expensive to obtain a new customer than to keep one.

A large number of loyal customers are also assets for organizations as it reduces the marketing cost of doing business. In addition, customer loyalty normally facilitates strategies such as brand extension and market penetration, and has also been identified as a major determinant of brand equity (Rundle-Thiele and Bennett, 2001). Furthermore, apart from loyal customers usually leading to increased revenues for the firm, they also result in predictable sales and profit streams and are also more likely to purchase additional goods and services (Gremler and Brown, 1998).

Loyal customers do also convey other benefits for the organization. They bring cost savings to the organization because they are familiar with the brand and know how to transact with the organization. Therefore, they are more efficient in terms of the way they use the organization's resources. Furthermore, loyal customers usually do not hesitate to recommend an organization's offerings to people in their surroundings. Another positive effect of customer loyalty is that customers that are loyal believe in the brand and consequently complain and make sure that the issue is addressed if they express a bad experience with the brand rather than rejecting it. Moreover, loyal customers are likely to purchase through alternative channels, which reduce the organization's costs of doing business with the customers (Duffy, 2003). Loyal customers do also purchase the brand frequently because it is not worth their time and trouble to search for an alternative (Uncles et al., 2003) and are also normally less price-sensitive than regular customers (Reichheld, 1996).

2.1.1 Factors affecting Customer Loyalty

In order to get loyal customers, organizations need to exceed customer's expectations. Otherwise, customers might switch supplier and shop around and will probably not tell other people about the quality of the service or product that they have received. However, as noted by Gould (1995), exceeding customer's expectations does not imply exceeding them on

every dimension, instead to selectively reward customers with items that are important to them.

Corporate image has also been considered as an important determinant of customer loyalty for a long period of time due to the fact that it is highly associated by how its customers perceive the organization and its offerings. The location and convenience of the retailer is also an important criterion for the customer's choice of purchase. However, satisfaction needs to be in attendance in order to gain loyal customers (Magi, 1999).

The fact that customers strive to obtain a sense of belonging to an organization or a particular brand, do also affect a customer loyalty. Customers gain comfort from a feeling of belonging and being with others that share similar values and beliefs. As a result, organizations that are able to create this sense of belonging have a very high potential in gaining loyal customers (Cartwright, 2000). Gould (1995) observed that promotions of different kinds are aimed at influencing retailer choice and customer loyalty, and can for instance affect the purchasing volume of existing customers or increase the customer base. However, the real outcome of such programs depends on the organizations' investments and the effectiveness and value that they bring.

2.1.2 Categories of Customer loyalty

Kotler (2003) has developed a four-group mechanism of segmenting consumers according to the degree of consumer loyalty to a product or service brand. First, he observes that there are the hard-core loyals. According to him, these are consumers exhibiting undivided loyalty to one brand. Secondly, he identifies the soft-core loyals, who are consumers with divided loyalty between two or more brands. Thirdly, are shifting loyalties which he describes as those who normally switch brand and lastly, the switchers who demonstrate no brand loyalty.

Loyalty is either attitudinal or behavioural (O'Malley, 1998). Behavioural loyalty attempts to define brand loyalty in terms of the actual purchases observed over a time period. It represents more of what retailers are aiming for, as it has to do with customer habits. Customers exhibiting behavioural loyalty spend more of their shopping budget at stores whose loyalty cards they hold. Behavioural loyalty does not explain why repeat buying

usually occurs and can be influenced by different situational factors. Within this perspective three main classes of measures have evolved: proportion of purchase, sequence of purchase, and probability of purchase. In order to assess these aspects of loyalty, data concerning customers purchase history is estimated (Mellens, Dekimpe and Steenkamp 1996).

Attitudinal loyalty measures are based on stated preferences, commitment or purchase intentions (Rundle-Thiele and Bennett 2001). Attitudinal commitment is taking the form of consistently favourable set of stated beliefs towards the brand purchased. Generally, as argued by Jacoby and Chestnut (1978), attitudinal measures of loyalty involve asking customers or potential customers their attitude towards a brand and their intended purchasing behaviour. It represents a psychological disposition toward a certain retailer but does not necessarily translate into hard cash.

Magi (1999) combined the two perspectives (attitudinal and behavioural) to distinguish between four different categories of loyalty as shown in the figure below.

Figure 1: Categories of loyalty

Repeat Purchase Behaviour		
High	Low	
Loyalty	Latent Loyalty	High Relative Attitude
Spurious Loyalty	No Loyalty	Low

Source: Magi (1999), "Store Loyalty – An Empirical Study of Grocery Shopping", p.13

True loyalty describes a state where the customer regularly purchases products from a specific organization due to his/or her strong preference. Consequently, for any organization, this category is the most preferable. Managers should focus on maintaining and strengthening customer attitudes, which might imply maintaining price advantages as well as offering additional services that are valuable for the customers.

Latent loyal customers are characterized by having a relatively high attitude towards the organization or the brand. However this is not apparent in terms of purchase behavior. This is because these customers' choices are usually affected by supplier location, stock situation or the influence of other people. Furthermore, in such situations, managers should remove the behavioral obstacles of repeat purchase, for instance, through extending retail networks and credit accounts.

For the case of spurious loyalty, the customer does not believe that the alternatives are differentiated. The repeat purchase pattern can be based on special offers, convenience, and availability of deals and recommendation of others. As a result, customers might only be loyal occasionally and can very easily switch to competitors. The aim for managers should be to influence these customers in order to make them loyal, which can be done by affecting the customers' attitude toward the brand, for instance, through communicating specific advantages.

Absence of customer loyalty depicts situations where the customer's relative attitude as well as the repeat purchase behavior is low. Customers belonging to this category, make purchases based on convenience rather than loyalty. In such cases, if these customers have potential for becoming loyal to the organization's products in the future, organizations should try to influence their attitude and behavior.

2.2 Loyalty Programs

With the increased competitiveness in the market place that has taken place during the recent years the use of loyalty programs has increased substantially. Sharp and Sharp (1997) describe loyalty programs as something that provide customers with loyalty incentives such as points redeemable for prizes. They argue that highly defensive activities, such as loyalty programs, are differentiated from other marketing efforts by their emphasis on increasing repeat purchase loyalty rather than purely on gaining market share. Björk (2000) defines loyalty programs as a program that aims to create and maintain customers, a program that should integrate the entire organization. Loyalty programs can be based on many different activities, which together shall contribute to an increased customer loyalty.

Today organizations find themselves in situations which they have to build professional customer retention systems. One main reason for doing so is because the costs of gaining

and attracting new customers in highly competitive markets have increased considerably. Another principal reason is that the profitability of an individual customer grows permanently with the duration of the business relationship (Strauss, Chojnacki, Hoffman, 2001). Sharp and Sharp (1997) define a loyalty program as a supplier's structural effort to increase customers' attitudinal and behavioural commitment to the supplier's market offering. Consumers perceive this loyalty program as an organized marketing activity, which offers the customers additional rewards or benefits (De Wulf et al., 2003).

A loyalty program can also be defined as a set of actions devised so as to stimulate and keep up with some customers, and so as to minimise loss, namely the rate of lost customers, and increase the amount of purchases. Such programs lie within the scope of rather defensive strategies aimed at keeping customers (De Souza, 1992; Reichheld, 1993; Vavra, 1993; Jones and Sasser, 1995) and rely on a double belief that keeping a customer is less costly than gaining a new one, and that the best customers are the most profitable ones. However customer loyalty programs usually have many other peripheral goals, for instance, to encourage further cross selling, create databases, aid trade relations as well as establishing alliances.

When the focus is on the individual customers, customer loyalty programs can be seen as vehicles to increase single-brand loyalty, decrease price sensitivity, dampen the desire to consider alternative brands, encourage word-of-mouth support and endorsement, as well as increase the purchasing volume. It is also possible that a loyalty program can be offered to people who do not purchase the brand. If the program is sufficiently appealing, it might entice people to switch brand, and in this way create a large pool of customers. Another important component of many customer loyalty programs is the scope for cross selling, which implies that customers might be encouraged to purchase products they normally have not bought from the provider (Uncles et al., 2003).

Organizations that implement customer loyalty programs normally aim to gather information about their customers in order to get a better picture of them. The information gained might, for instance, consist of geo-demographics, lifestyle and purchasing patterns, which helps the organizations to target and customize their customer offerings. Furthermore, most organizations state that the aim of their customers' loyalty program is to reward repeat purchasing. This can be accomplished by rewarding customers with, for instance, discounts,

which encourage and motivate them to re-purchase because most of them favour compensation (O'Malley, 1998).

O'Malley (1998) further asserts that although many organizations state that the aim of their customer loyalty program is to reward customers, the primary aim of most programs is to manipulate and influence customer behaviour. Due to the individualized incentives and coupons, customers can be encouraged to increase purchase frequency and pay premium prices. He states that some organizations do moreover implement customer loyalty programs as a competitive reaction, which implies that organizations have an unclear view about what the program actually should intend to achieve. Instead of focusing on strategic objectives, the focus is on short-term profits. Thus, customer loyalty programs can be implemented as a defensive reaction to manage competition.

There are different requirements that a program must have for it to qualify as a loyalty program. While mere consumer participation in a loyalty program is no guarantee for consumers to become active program users and to show a stronger commitment to the program's provider (Cigliano et al., 2000; Shaver, 2000), getting a significant number of consumers to enrol is the necessary first step in realizing customer loyalty and ensuring the program's cost effectiveness. Secondly, a loyalty program must provide rewards, discounts, or services based on customer's spending patterns and lastly, it must communicate benefits and value customers can receive from specific purchasing behaviours (Cigliano et al, 2000). Within customer loyalty programs, different forms of programs can be applied. Developed customer loyalty programs are, for instance, divided into customer and business-to-business markets (Strauss et al., 2001). All customer loyalty programs are designed differently and consist of different elements. These include:

2.2.1 Loyalty Cards

This is the use of frequent-shopper card without credit linkages. Loyalty cards exist in two forms Klynveld, Peat, Marwick and Goerdeler Company (KPMG) (2005). Firstly, as payment cards which primarily provide a mechanism for customers to pay retailers and are sometimes known as store cards. Secondly, there are reward cards which primarily provide a mechanism for retailers to reward customers. These are sometimes called bonus cards or club cards. These cards were first pioneered by American and British firms in the 1990s and

have continued to grow steadily to other parts of the world since then. The airline industry was the first to use loyalty strategies with the frequent flyer points (FFP) strategy.

Loyalty cards are the most common especially with retail outlets in Kenya. Consumers scan a card at the time of purchase to get real time discounts and reward points. Loyalty cards can also occur as a store credit card with tiered membership benefits i.e. rewards and incentives encourage or reward higher spending levels. Lastly, they can be delivered in the form of co-branded credit cards, for example, Visa, MasterCard with accrued rewards and other benefits based on spending (Reinartz and Kumar, 2002).

2.2.2 Customer Clubs

Butscher (1998) defines customer clubs as a marketing activity initiated by an organization in order to increase loyalty and relationships to customers by offering benefits regularly. The concept of the customer clubs in combination with today's technology enables the company to meet customer's needs and expectations with a one-to-one marketing approach.

Customer clubs usually involve a creation of a customer club, which is an instrument that organizations use for creating customer retention (Strauss et al., 2001). A customer club can be described as a communication tool established by an organization in order to continuously get in touch with the customer (Butscher, 2000). According to Aaker (1996), a customer club provides visible evidence that the firm really cares about its clientele. He noted that customer clubs provide a vehicle through which the customer can identify with the product and express his or her perceptions and attitude towards the product. As an institutionalized form of value-added service, its aim is to offer club members a wide range of benefits such as discounts, news of upcoming events and special offers and increase customer satisfaction and loyalty. However, it has to be considered that the set up and development of a customer club requires considerable investments (Strauss et al., 2001).

A customer club is regarded as a suitable platform to increase the interaction frequency between the organization and customers by creating contact and feedback opportunities. By doing so, a close contact is built around the client throughout the entire customer life cycle. Another objective of customer clubs is the augmentation of organizational knowledge about

the customer. Customers are only willing to supply membership data and actively participate in a customer club if their individual cost-benefit-calculation leads to a positive result. Therefore, as Butscher (2000) argued, the customer club must offer a bundle of services that are attractive for the target group from either a financial, material or communicative perspective. Consequently, most customer clubs include a bonus program, which usually offers the members a chance to collect bonus points every time they purchase something from the organization or from one of the co-operating partners.

Customer clubs usually include membership cards, which are normally personalized via either a number or signature. These membership cards might be related to an application form, which potentially forms a database of cardholders. Moreover, the membership cards usually contain a magnetic stripe, which could contain further personalized details about the cardholder. The advantages of this type of technology are that it is still relatively inexpensive to make thousands of these cards, yet the fact that they can be personalized allows for the creation of database of cardholders. One disadvantage is the fragility of the card due to the fact that it can easily be damaged or lost (Worthington and Hallsworth, 1999).

2.2.3 Customer Databases

A customer database is an information technology tool that provides access to information by selecting wide spread data and combing all operational systems such as human resources, sales and transaction systems, purchasing and marketing systems. The database extracts, transforms and manages large volumes from multiple systems and creates a historical overview of all customer interactions. As Aaker (1996) noted, customer data can be used for database marketing targeted at narrow, focused market segments. The customer data varies depending on corporation and industry (Butscher, 2000) and might consist of demographics, for instance, age, income, family members' birthdays as well as psychographics such as activities, interests and opinions (Kotler, 2003). Customer databases usually include sales information, such as purchase frequency and spend patterns and customer service interactions. It does also normally consist of account status, back orders, product shipments, products returns, claims history and internal operating costs which all can contribute to a better understanding of the customer behaviour (Injazz and Popovich, 2003).

By extracting, transforming and managing large volumes from multiple systems and creating a historical overview of all customer interactions to create customer databases, it is possible to adapt the rewards to the customer's needs. These are very varied and can include, for example, offers on products, reductions on prices or a special bonus. As a result, the concerned customers are subject to a special treatment in terms of the type of rewards they receive in comparison with other customers, which enhances their loyalty to the company's products.

2.2.4 Communication Modes

Communication issues are of great importance for the interaction with the customer (Duffy, 2003). He asserts that more often, club magazines, direct mailings or special club service centres are set up in order to build up and keep contacts between organizations and their customers. From the data supplied, organizations are able to serve the customers on a one-to-one marketing approach. In addition, he argues that the organization is also able to offer the customers with a more individualized set of products and services and gets the chance to increase profits by cross-selling.

Organizations are using different communication modes in order to provide their customers with information, service and other benefits. For instance, internet, e-mail, telemarketing, call centres, advertising and fax are examples of communication modes frequently used (Injazz and Popovich, 2003). Furthermore, some organizations also offer welcome packages, and another communication mode might be a member magazine with stories and up-to-date information about the corporation in general. An example within the automobile industry is organizations' service centres, which can provide driver-guide service and assist the drivers if the problem arises. Additionally, as a way of communicating with customers, specific products might be offered to them such as special offers and accessories. Moreover, organizations might also have a bonus program, which offers the customers the possibility to collect bonus points every time they purchase something from the corporation. These gathered points can then be changed into gifts or might be used as discounts when buying a new product (Strauss et al., 2001).

After sales service can also be considered as a customer communication mode that ensures that use of the product is trouble-free to customers. This service supports all activities and

issues that arise during the product's life span and it might include warranty provision, extended service contract option, availability of repair service and toll-free phone service (Loomba, 1998).

The growth of Internet has resulted in an augmentation in building customer relationships with the increasing customer access to organizations, such as corporate information and on line ordering (Injazz and Popovich, 2003). It has also resulted in increased customer dialogue possibilities, empowers the customers through self-service, greater information and deeper feedback. Through an active involvement of the customer that is participating in a dialogue, a strong bonding experience is created, potential customers might, for instance, be encouraged to engage in a process of asking questions, getting answers and making decisions, which give confidence and encourage a final commitment to a transaction (Johnstone, 2001).

Today, organizations' websites provide services in new and creative ways that was impossible a couple of years ago, for instance, web-based frequently asked questions pages, which is highly cost effective (Bull, 2003). Customers expect the operations to predict their demands and needs and also to offer service at levels above their expectations. As a result, the customers are loyal to the corporation for longer periods of time. (Injazz and Popovich, 2003) Another example of an Internet based activity enhancing customer loyalty might be customized or password-protected pages to individual customers (Huizingh, 2000).

2.2.5 Partnerships

Today several organizations are entering into networks and in collaborative partnerships recognizing that these newer organizational forms offer considerable benefits in achieving the organization's strategic objectives (Budhwar et al., 2002). There is also a clear trend towards the creation of strategic customer loyalty alliances between non-competing organizations (Evans, 1999).

Partnerships within customer loyalty programs usually imply co-operation concerning different rewards offered to customers. Examples of services offered by co-operating partners might be special rates for hotels or car rental service that can be used by club

members. The customers are normally able to collect bonus points every time they purchase something from one of the co-operating partners (Strauss et al., 2001).

Creating and maintaining partnerships with other non-competing organizations creates emotional rewards for the customer, as they feel recognized by the company. These intangible, emotional, and harder to copy benefits that become more unique are called soft benefits. Soft benefits can be classified as special treatment and recognition that the customers are looking for. The soft benefits are often those that have the largest positive impact on loyalty, they are not easily imitated, which makes it hard for the customers to find these benefits in another organization enhancing the customers' loyalty to an organization's products (Butscher, 1998).

2.3 Relationship between Customer Loyalty and Loyalty programs

Loyalty programs operate differently from other marketing efforts such as advertising campaigns and sales promotions, where short-term increase in sales is the main goal (Kotler et al., 2005). Loyalty programs put their emphasis on building a repeat-purchase relation with the customer and encouraging loyal behaviour towards the company (Kotler et al., 2005). The goals of a loyalty program differ in different companies, however common outcomes expected from a loyalty program are to increase repeat-purchase rates, decrease switching to other brands, and increase usage frequency (Kotler et al., 2005).

Organizations applying customer loyalty programs should expect them to be profitable (Uncles et al, 2003). The basic idea behind these efforts of enhancing customer loyalty is that a firm's performance in terms of revenues and profits is related more to the loyalty of existing customers than to the mere number of customers. If firms are able to build intimate relationships with customers, their performance is guaranteed.

Customer loyalty programs usually have many other peripheral goals such as encouraging further cross selling, creating databases, aiding trade relations as well as establishing alliances. Loyalty programs do further help organizations to segment and design the profile of their customer databases. Selecting the most profitable and loyal customers and accurately targeting and cultivating them, while deselecting unprofitable ones, is one way of increasing profits (Clark, 1997). Some consumers get excited about amassing points even if the points have no currency value. Moreover, loyalty programs can be quite effective as they are bound

to increase sales of products. This is by increasing the number of transactions with given products. They also increase the amounts purchased in each transaction and boost store traffic.

According to Butscher (1998) the main goal of a loyalty program is to increase profit, revenue and market share. Other important goals are customer retention, attracting new customers, getting information about the customer, and creating a communication channel between the customer and the company (Butscher, 1998). Griffin (2001) states that increased loyalty can bring cost savings to a company in five areas; with loyal customers a company does not need to spend capital on customer acquisitions, which then reduces the marketing costs; economy of scale gives lower transaction costs, such as contract negotiation and order processing; with fewer customers leaving the company, the organization will experience reduced customer turnover expenses; more satisfied customers lead to more positive word-of-mouth, which studies shows is the most influential aspect in the purchase decision process and that better knowledge about ones customer leads to reduced failure costs.

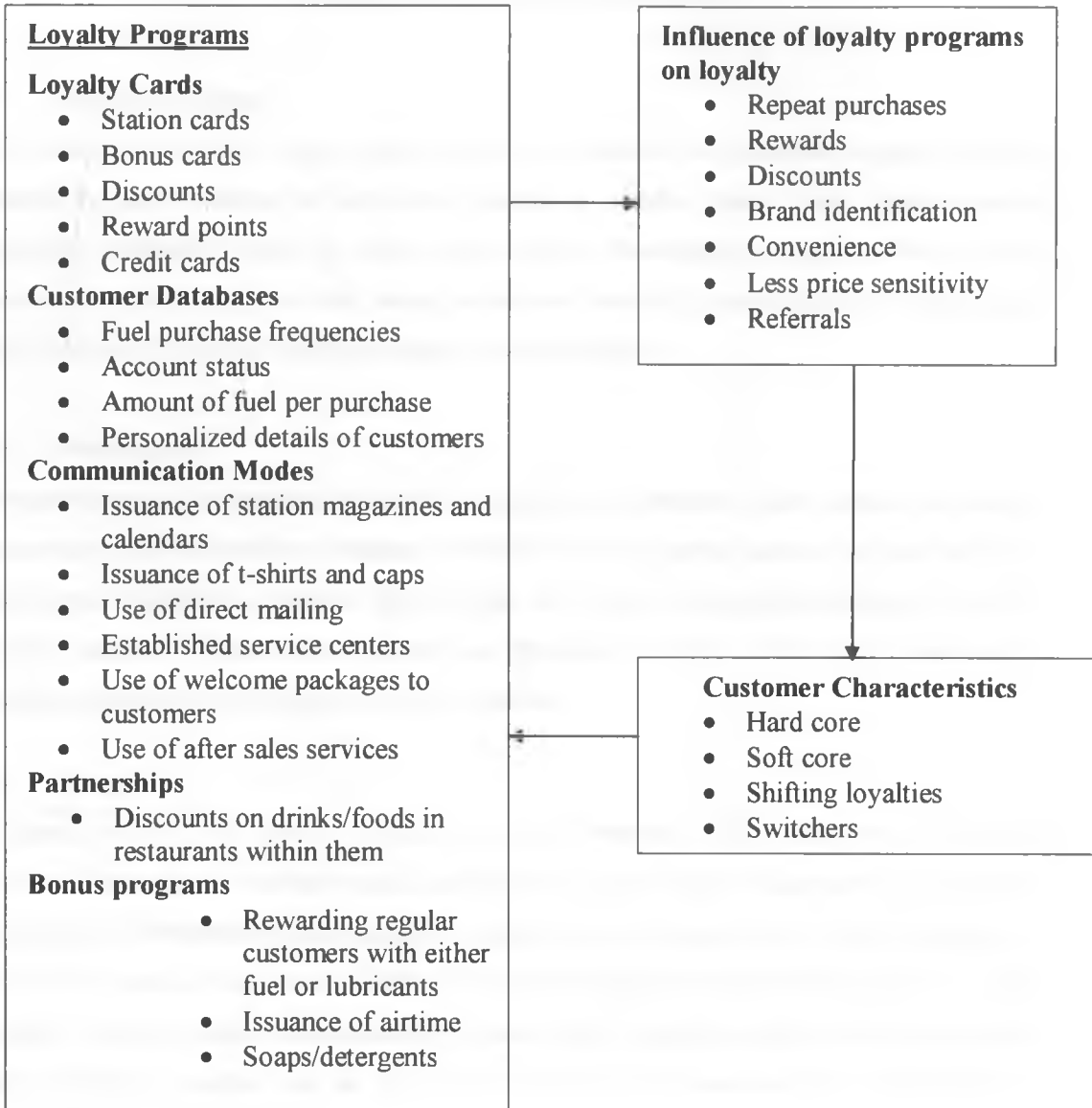
Björk (2000) has also come to some conclusion regarding benefits of loyalty programs; increased market shares, greater retention levels, better opportunities to understand ones customer, reduced marketing expenses, higher entry barriers and more secured future incomes. The outcome of a loyalty program, as with any other marketing campaign, has to be evaluated and compared with the goals (Butscher, 1998).

2.4 Summary of the Literature Review

In this section, various definitions and notions to the concept of customer loyalty and loyalty programs were discussed highlighting the benefits as well the factors affecting customer loyalty. These factors included corporate image, perceived quality of firm's products and services, promotions and advertisements that accompany a firm's products and services and lastly, the association with the firm's brand that influences consumer loyalty. Additionally provided in the literature review are the various perspectives of measuring customer loyalty. These include the attitudinal and behavioural aspects narrowing down into four distinct categories of customer loyalty. These categories include loyalty, latent, spurious and no loyalty.

Furthermore, the various ways in which customer loyalty programs are manifested were provided. These included the use of loyalty cards, creation of customer databases, utilization of various communication modes, engagement in partnerships and formation of customer clubs. Finally, the relationship between customer loyalty and customer loyalty programs was discussed. From the literature, it was stated that customer loyalty programs encourage further cross selling, create databases, aid trade relations as well as establish alliances. It was seen that loyalty programs do further help organizations to segment and design the profile of their customer databases. Selecting the most profitable and loyal customers and accurately targeting and cultivating them, while deselecting unprofitable ones, is one way of increasing profits. With reference to the stated literature review, the study strives to find out the customer loyalty programs applied by petrol stations in Kenya and determine whether these loyalty programs have resulted in customer loyalty for these petrol stations. This has been summarized in figure 2.

Figure 2: Summary of the Literature Review



Source: Researcher

CHAPTER THREE

RESEARCH METHODOLOGY

3.1 Research Design

This was a descriptive survey study intended to establish the customer loyalty programs applied by petrol stations in Kenya and determine whether these loyalty programs have resulted in customer loyalty for these petrol stations. According to Cooper (2003), a study concerned with finding out who, what, which and how of a phenomenon is a descriptive study. Kamau (2006) had used this design in a related study.

3.2 Population

The population of interest in this study consisted of all branded petrol stations in Nairobi. According to the information obtained from the respective petrol stations, the numbers were as follows: ShellBP 61, National Oil 3, Mobil 22, Total 21, KenolKobil 42 and Caltex 30. For the purpose of this study, Nairobi was preferred because of the high population of motorists and high concentration of petrol stations.

3.3 Sampling

A sample size of 100 petrol stations was used. Sudman (1983) and Perry (1994) had provided the guidance that the typical sample size for analysing few segments is in the range of 100 –200. Non-proportionate stratified sampling method was used to select sample sizes for the oil stations from each oil firm. This was because National Oil had only 3 petrol stations. If proportionate stratified sampling was used, it might have been omitted altogether. The researcher ensured that all oil firms were fairly represented. The stratification is presented in Table 1.

Table 1: Stratification of the Petrol Stations

Petrol Station	Population	Selected Sample
ShellBP	61	33
National Oil	3	2
Mobil	22	10
Total	21	10
KenolKobil	42	25
Caltex	30	20
Total	179	100

Source: Researcher

Convenience sampling method was used to select the petrol stations to be studied. This was because some of the petrol stations were in hidden locations that accessing them was difficult.

3.4 Data Collection

Primary data was collected using a semi-structured questionnaire. One respondent, who was in charge of marketing or its equivalent in each petrol station, was interviewed. Research assistants, who were trained, were used to collect information from the six branded petrol stations. The questionnaire was divided into three parts; Part A had general information about respondents, Part B solicited for information about the type of loyalty programs applied by the petrol stations while Part C solicited for information on whether loyalty programs had resulted into customer loyalty in the petrol stations.

3.5 Operationalization of Variables

Several loyalty programs are used by companies to create and maintain customer loyalty in the businesses. Appendix 2 shows the operational dimensions of the loyalty programs. The questionnaire used both dichotomous scale to elicit a Yes or No answer and a Likert scale was used to determine whether the loyalty programs have resulted into customer loyalty in the petrol stations on a 5-point scale.

3.6 Data Analysis Technique

Descriptive statistics were used to analyze data. In part A of the questionnaire, data was analyzed using frequency distribution and percentages. Mean scores were used to measure loyalty status of consumers to the respective filling stations. Standard deviations were used to determine the extent of variation in the responses. Co-efficient of variation was used to measure the extent of variations of responses from the various petrol stations.

CHAPTER FOUR

DATA ANALYSIS AND FINDINGS

4.1 Introduction

The objectives of the study were to establish the customer loyalty programs applied by petrol stations in Kenya and determine the extent to which the loyalty programs had resulted in customer loyalty for these stations. This chapter presents the analysis and interpretation of the data collected pertaining to the stated research objectives.

A total of 100 questionnaires were distributed to the selected sample. However, only 72 of the target sample population responded to the research interviews. The response as per petrol station was as shown in the table below:

Table 2: Response Rates per Petrol Station

Petrol Station	Targeted Sample	Number of Stations	Response Rate (%)
ShellBP	33	6	18.2
National Oil	2	2	100
Mobil	10	10	100
Total	10	10	100
KenolKobil	25	24	96
Caltex	20	20	100
Total	100	72	

Source: Response Data

From the above table, the target response was 100 petrol stations. Since only seventy two (72) petrol stations responded, the response rate was 72%. The findings show that Shell/BP had the lowest response rate of only six (6) stations out of the target thirty three (33).

4.2 General Information on Respondents

Respondent petrol stations were asked to indicate information about their ownership and the findings are summarized in the table below:

Table 3: Ownership of Petrol Stations

Ownership Stations	Number of Stations	Percent
Multinational	59	81.9
Private	2	2.8
Mixture (Multinational and Private)	10	13.9
Non response	1	1.4
Total	72	100

Source: Response Data

From the findings in Table 3 majority of the petrol stations in Nairobi are multinationals (81.9%). 13.9% of the respondent petrol stations are a mixture of both private and multinational ownership. The results also indicate that only 2.8% of them are private. On this aspect, one station did not respond representing a non-response rate of 1.4%.

4.3 Whether the Petrol Stations have Loyalty Programs

Consumer loyalty describes a customer's commitment to do business with a particular organization, purchasing their goods and services repeatedly, and recommending the services and products to friends and associates. One of the strategies that organizations use to encourage station loyalty is through the use of loyalty cards. Respondent petrol stations were requested to indicate whether they have loyalty cards. The findings are presented in this section.

Table 4: Whether the Petrol Stations have Loyalty Cards

Whether the Petrol Stations have Loyalty Cards	No. of Stations	Percent
Yes	72	100
No	0	0
Total	72	100.0

Source: Response Data

According to the findings in Table 4, all the respondent petrol stations have loyalty cards as a means of encouraging station loyalty.

4.3.1 Types of Loyalty Cards Applied by Petrol Stations

For the petrol stations that had indicated that they have loyalty cards, they were further requested to indicate the ones that they have and the results were as summarized in Table 5.

Table 5: Types of Loyalty Cards Applied by Petrol Stations

Types of Loyalty Cards Applied	No. of Stations
Station cards	15
Bonus cards	9
Discount systems	47
Reward points	23
Credit cards	64

Source: Response Data

As shown in Table 5, most petrol stations (64) utilized credit cards to encourage station loyalty. The results show that 47 of the petrol stations have discount systems, 23 indicated that they have reward points for their loyal customers, while 15 of them showed that they have station cards. From the findings, very few stations (9) have bonus cards as a means of encouraging station loyalty.

4.3.2 Whether Stations Create Customer Databases

Customer loyalty, the tendency of a customer to choose one business or product over another, can be enhanced through the creation of customer databases. Respondent petrol stations were requested to indicate whether they keep information on the aspects of their customers such as the fuel purchase frequencies, account status and amount of fuel per purchase among other aspects. The research findings are presented in Table 6.

Table 6: Types of Customer Databases

Types of Customer Databases	No. of Stations
Fuel purchase frequencies	54
Customers' account status	57
Amount of fuel per purchase	68
Customers' name	69
Customers' address	39
Customers' sex	3
Customers' mobile telephone contact	19
Customers' occupation	8

Source: Response Data

From the findings in Table 6, most of the petrol stations (69 of the respondent stations) keep information about the customers' names as components of their customer databases. The findings also show that 68 of the petrol stations keep information about customers' amount of fuel per purchase, 57 of them showed that they kept information about their customers' account statuses, while 54 of the stations indicated that they maintained information about their customers' fuel purchase frequencies. The results also show that creating databases on sex and occupation were types of information that was least maintained by the stations.

4.3.3 Form of Communication Modes used by Stations

Communication issues are of great importance when interacting with customers. The research sought to establish the types of communication modes in use at the petrol station applied to cultivate customer loyalty and the results were as presented in Table 7.

Table 7: Form of Communication Modes used by Stations

Form of Communication Modes used by Stations	No. of Stations
Station magazines	34
Station calendars	68
Issuance of t-shirts	45
Issuance of caps	44
Use of e-mails	4
Use of letters	52
Established service centers for contacts	38
Use of welcome packages to customers	60

Source: Response Data

It is evident from the findings in Table 7 that there are various forms of communication modes used by the petrol stations in order to provide their customers with information, services and other benefits. From the findings, the respondent petrol stations did indicate that the most commonly used communication modes within petrol stations were station calendars applied by 68 of the responding stations. 60 of the stations showed that they use welcome packages, while 52 use letters in providing their loyal customers with information, services and other benefits on offer to the customers. The findings also indicate that the least applied form of communication modes by these petrol stations was the use of e-mails.

4.3.4 Type of After Sales Services Offered by Stations

The respondents were asked to indicate the types of after sales services offered by their stations as a communication mode. The research findings were as shown in the following table.

Table 8: Type of After Sales Services Offered by Stations

Type of After Sales Services Offered by Stations	No. of Stations
Wiping and cleaning of car screens	72
Checking of oils and water levels	72
Cooling motor vehicle engines	55
Washing of motor vehicle rims	18
Tyre change services	68
Wheel balancing services	24
Mechanical service checks	7
Wheel alignment services	25

Source: Response Data

Results in Table 8 show that all the 72 respondent petrol stations engaged in wiping and cleaning of car screens and checking of oils and water levels as forms of after sales services to ensure that use of their product is trouble-free to customers. The findings indicate that 68 of the petrol stations engaged in offering tyre change services to create and cultivate customer loyalty. From the findings, wiping and cleaning of car screens and checking of oils and water levels are the most used after sales services applied to create and cultivate customer loyalty for the petrol stations.

4.3.5 Whether Stations have Partnerships with other Non-competing Organizations

Partnerships with other non-competing organizations are used to create and maintain customer loyalty for a company's products. The respondent stations were to indicate whether they had partnerships with other organizations such as restaurants, supermarkets, chemists or spare part shops and the response was as represented by the table below.

Table 9: Non-Competitive Organizations Partnered

Type of Partnerships	No. of Stations
Restaurants	52
Supermarkets	30
Spare part shops	58
Chemists	11
Non-response	4

Source: Response Data

According to the findings in Table 9, most of the petrol stations (58) do have partnerships with spare parts shops as a way of maintaining business with their customers. The findings also indicate that 52 petrol stations did have combined partnerships with other business dealing with food (restaurants), while 30 had partnerships with supermarkets. A few of the respondents (11) showed that they have partnership with chemists.

4.3.6 Form of Bonus Programs Used by Stations

Customer loyalty can be enhanced through provision of additional goodies to customers such as rewarding regular customers with fuel and lubricants in addition to the products purchased. Respondents were requested to indicate the ones their firms utilized to create and sustain customer loyalty. The findings were as follows:

Table 10: Form of Bonus Programs Used by Stations

Form of Bonus Programs Used	No. of Stations
Rewarding regular customers with fuel	46
Rewarding regular customers with lubricants	7
Issuance of scratch cards	14
Issuance of soaps	21
Issuance of detergents	8
Non-response	10

Source: Response Data

According to the research findings in Table 10, the most commonly used bonus program by the petrol stations to create and cultivate customer loyalty is rewarding regular customers with fuel, applied by 46 of the respondent petrol stations. The least applied form of bonus program by the petrol stations was the issuance of detergents.

4.4 Extent to which the Loyalty Programs have resulted to Loyal Customers

The research sought to establish the extent to which the loyalty programs have resulted in customer loyalty for these stations. This section presents the findings. For the dichotomous type of questions, data was analyzed using frequency distributions and percentages. Analysis of the captured data from the five point Likert scale questions was done by use of Mean Scores (MSc.) and Standard Deviations (Std. Dev.). Mean scores were used to measure the extent to which the programs have led to the stations having loyal customers on a five point

Likert scale ranging from “Great extent” (5) to “No extent” (1). Standard deviations were used to determine the extent of variation in the responses in which the loyalty programs have resulted in customer loyalty for these stations.

The scores “No Extent” and “Small Extent” represented a variable of the loyalty programs that had resulted in customer loyalty for these petrol stations to a “Small Extent” (SE), equivalent to 1 to 2.5 on the continuous Likert scale ($1 \leq SE < 2.5$). The scores of “Some Extent” represented a variable of the loyalty programs that had resulted in customer loyalty for these petrol stations to a “Moderate Extent” (ME), equivalent to 2.6 to 3.5 on the Likert scale ($2.6 \leq ME < 3.5$). The score of “Great Extent” and “Large Extent” represented a variable of the loyalty programs that had resulted in customer loyalty for these petrol stations to a “Great Extent” (LE), equivalent to 3.6 to 5.0 on the Likert scale ($3.6 \leq LE < 5.0$). The research findings are presented as follows:

4.4.1 Loyalty Cards

Loyalty cards occur with tiered membership benefits i.e. rewards and incentives encourage or reward higher spending levels with accrued rewards and other benefits based on spending. Respondents were requested to indicate the extent to which the applied loyalty cards had led to the station having loyal customers and the results were as shown in Table 11.

Table 11: Extent to which Loyalty Cards have resulted into Customer Loyalty

Variables	Mean	Std. Dev.	Coeff. of Variation
Provision of station cards to customers	4.8000	0.56061	0.116794
Provision of bonus cards to customers	4.8889	0.33333	0.068181
Provision of discount systems to regular customers	4.9167	0.27931	0.056808
Reward points for given amounts of petrol purchased	4.8636	0.46756	0.096135
Provision of credit cards to customers	4.8113	0.55666	0.115698
Overall Average	4.8561	0.439494	0.09503

Source: Response data

From the results in Table 11, provision of station and bonus cards; provision of discount systems to regular customers, allocation of reward points for given amounts of petrol

purchased and the provision of credit cards to customers are variables of the loyalty cards that have to a great extent (MSc.>3.6) resulted to the stations having loyal customers. The extent of their ability to create and maintain customer loyalty does not significantly differ among the petrol stations as the variables scored standard deviations of less than one (Std. Dev.<1.0).

Overall, the findings show that provision of loyalty cards to customers by the petrol stations had to a great extent resulted to the stations having loyal customers as this form of loyalty program had a mean score of more than 3.6 (MSc.>3.6). From the findings, the degree of variation by which loyalty cards led to the stations having loyal customers does not significantly differ (Std. Dev.<1.0).

The results show that there was higher variation in the responses as to the extent to which provision of station, bonus cards and credit cards to customers had resulted to loyal customers recording coefficients of variation of 0.12 (CV. > 0.1). However, there was smaller variation in the responses regarding the extent to which provision of discount systems to regular customers and allocation of reward points for given amounts of petrol purchased led to loyal customers (CV.< 0.1).

4.4.2 Customer Databases

Customer databases extracts, transforms and manages large volumes from multiple systems and creates a historical overview of all customer interactions. As a result, the concerned customers are subject to a special treatment in terms of the type of rewards they receive in comparison with other customers, which enhances their loyalty to the company's products. The petrol stations were required to indicate the extent the created customer databases had resulted to the station having loyal customers. The findings were as summarized in Table 12.

Table 12: Extent to which Customer Databases have resulted into Customer Loyalty

Action	Mean	Std. Dev.	Coeff. of Variation
Maintaining a database of customer fuel purchase frequencies	3.3214	0.97435	0.293355
Maintaining a database of customer accounts status	3.2692	1.15666	0.353805
Maintaining a database of amount of fuel per purchase	2.8750	1.25357	0.436024
Maintaining a database of customer names	3.0167	1.34658	0.446375
Maintaining a database of customer address	2.9500	1.43133	0.485197
Maintaining a database of customer sex	1.5455	0.93420	0.604465
Maintaining a database of customer occupation	2.7000	1.63639	0.60607
Overall Average	2.73128	1.22447	0.448314

Source: Response data

From the findings as reflected in Table 12, maintaining databases of customer fuel purchase frequencies; customer accounts status; amount of fuel per purchase; customer names; customer address; and occupation are aspects of customer information that had to moderate extent led to the petrol stations having loyal customers as they had mean scores of less than 3.6 (Msc<3.6). However, the degree of variation on the extent to which these variables had led to the stations having loyal customers significantly differs as they scored standard deviations of more than one (Std. Dev.>1.0), apart from the action of maintaining databases of customers fuel purchase frequencies, which had a standard deviation of less than one (Std. Dev.<1.0).

The findings further indicate that maintaining databases of customers' sex had only led to the stations having loyal customers to a small extent with a mean score of less than 2.5 (Msc.<2.5). The degree of variation of this aspect does not significantly differ among the petrol stations on its ability to influence customer loyalty to a small extent as it recorded a standard deviation of less than one (Std. Dev.<1.0).

Results show that overall, maintaining customer databases had to a moderate extent resulted to the station having loyal customers (Msc<3.6), with a significant difference to the degree to which the databases had led to the stations having loyal customers (Std. Dev.>1.0).

As presented in Table 12, the responses to the extent to which maintaining databases of customer fuel purchase frequencies; customer accounts status; amount of fuel per purchase; customer names; customer address; and occupation are aspects of customer information that had to moderate extent led to the petrol stations having loyal customers and maintaining databases of customers' sex had higher variations among the stations (CV. > 0.1). Overall, findings indicated that there were higher variations in the responses regarding the extent to which maintaining customers' databases had resulted to the stations having loyal customers.

4.4.3 Communication Modes

Petrol stations were required to indicate the extent to which the communication modes they use such as station magazines and calendars had resulted to them having loyal customers and the findings are presented in Table 13.

Table 13: Extent to which Communication Modes resulted to Customer Loyalty

Action	Mean	Std. Dev.	Coeff. of Variation
Issuance of station magazines	4.6071	0.62889	0.136505
Issuance of station calendars	4.1406	0.92354	0.223045
Issuance of caps	3.8627	0.98020	0.25376
Use of e-mails to customers	4.0000	1.73205	0.433013
Use of letters to customers	4.2979	0.88256	0.204357
Established service centers	4.1724	1.07135	0.256771
Use of welcome packages to customers	4.6000	0.69380	0.150826
Overall Average	4.2401	0.987484	0.232892

Source: Response data

According to the findings in Table 13, issuance of station magazines; issuance of station calendars; issuance of caps; use of e-mails to customers; use of letters to customers; established service centers; and use of welcome packages to customers are forms of communication modes that had to a great extent (MSc.>3.6) led to the stations having loyal customers.

From the findings, degree of variation in the extent to which use of e-mails to customers and the establishment of service centers in creating customer loyalty significantly differs among the petrol stations as these variables had standard deviations of more than one (Std.

Dev.>1.0). However, for the other forms of communication modes used, the degree to which the modes had led to the stations having loyal customers does not significantly differ among the stations as they scored standard deviations of less than one (Std. Dev.<1.0).

To a great extent, the use of communication modes in general has led to the petrol stations having loyal customers (MSc.>3.6). Moreover, the overall standard deviation scored (Std. Dev.<1.0) by this form of loyalty program show that there is no significant difference in the extent to which this mode had led to the stations having loyal customers.

Research findings further indicate a higher variation in responses to the extent to which issuance of station magazines; issuance of station calendars; issuance of caps; use of e-mails to customers; use of letters to customers; established service centers; and use of welcome packages to customers had led to the stations having loyal customers as these variables scored a coefficient of variation of more than 0.1(CV. > 0.1).

4.4.4 After Sales Services

This service supports all activities and issues that arise during a product's life span and it might include wiping and cleaning of car screens, checking oil and water levels among others. The respondents were to indicate the extent to which the various after sales services provided in their petrol station had led to them having loyal customers. This section presents the findings.

Table14: Extent to which After Sales Services have resulted into Customer Loyalty

Action	Mean	Std. Dev.	Coeff. of Variation
Wiping and cleaning of car screens	4.6000	0.64606	0.140448
Checking of oils and water levels	4.6957	0.60158	0.128113
Provision for cooling motor vehicle engines	4.8070	0.44072	0.091683
Washing of motor vehicle rims	4.5238	0.81358	0.179844
Tyre change services	4.6471	0.61728	0.132831
Overall Average	4.65472	0.623844	0.134024

Source: Response data

The findings above show that after sales services adopted by the petrol stations such as wiping and cleaning of car screens; checking of oils and water levels; provision for cooling motor vehicle engines; washing of motor vehicle rims; and offering tyre change services had to a great extent led to the stations having loyal customers as these services scored means of more than 3.6 (MSc.>3.6).

The results further indicate that for all the after sales services applied by the petrol stations, there is no significant difference to the extent to which these services had led to the petrol stations having loyal customers as they all scored standard deviations of less than one (Std. Dev.<1.0). Discerning from the research findings, after sale services offered by the petrol stations have to great extent led to them having loyal customers (MSc.>3.6). It is also shown from the results in Table 14 that the extent to which these services had led to the stations having loyal customers does not significantly differ among the stations as indicated by the overall standard deviation of less than one (Std. Dev.<1.0). The extent of variation in the responses was higher regarding the extent to which provision for cooling motor vehicle engines had led to the stations having loyal customers (CV.< 0.1). However, the extent to which wiping and cleaning of car screens; checking of oils and water levels; washing of motor vehicle rims; and offering tyre change services reported higher variations in the responses having coefficients of more than 0.1 (CV. > 0.1).

4.4.5 Partnerships with Non-competing Organizations

Creating and maintaining partnerships with other non-competing organizations creates emotional rewards for the customer, as they feel recognized by the company. The research sought to establish whether the existing partnerships between the petrol stations and their partners had led to them having loyal customers. The research findings are in Table 15.

Table 15: Partnerships with Non-competing Organizations

Partnerships	Mean	Std. Dev.	Coeff. of Variation
Partnerships with restaurants	4.7179	0.55954	0.118599
Partnerships with supermarkets	4.6757	0.62601	0.133886
Partnerships with spare part shops	4.8542	0.41203	0.084881
Partnerships with chemists	4.7778	0.44096	0.092294
Overall Average	4.7564	0.509635	0.107147

Source: Response Data

The results above show that creation of partnerships with restaurants; supermarkets; spare part shops; and chemists had to a great extent led to the petrol stations having loyal customers to their businesses as all these various kinds of partnership scored mean scores above 3.6 (Msc.>3.6) on the continuous Likert scale. The research findings further indicate the extent to which these partnerships had led to the stations having loyal customers does not significantly differ among the stations as reflected in the standard deviations of less than one (Std. Dev.<1.0).

The overall mean score of 4.75 by the various partnerships show that to a great extent, the petrol stations have loyal customers by virtue of these partnerships. Further, the results show that the extent to which these stations have derived loyal customers as a result of them entering into partnership with non-competing organizations does not significantly differ among them.

Overall, the results indicate a higher variation in the responses as to the extent to which partnership by non-competing organizations had led to the stations having loyal customers as shown by a coefficient of more than 0.1(CV>0.1). With respect to the respective partnerships, higher variation in the responses was reported for partnerships created with restaurants and supermarkets (CV. > 0.1). The findings show a smaller variation in the responses regarding the extent to which partnerships with spare part shops and chemists had led to the stations having loyal customers (CV.< 0.1).

4.4.6 Bonus Programs offered to Customers

A bonus program offers customers the possibility of collecting bonus points every time they purchase something from the corporation. These gathered points can then be changed into gifts or might be used as discounts when buying a new product. The petrol stations were requested to indicate the extent to which offering discounts on drinks/foods in restaurants within them; rewarding regular customers with fuel or lubricants and issuance of bonus items such as scratch cards, soaps and detergents had led to them having loyal customers. The research findings were as in Table 16.

Table 16: Bonus Programs Offered to Customers

Bonus Programs offered	Mean	Std. Dev.	Coeff. of Variation
Discounts on drinks/foods in restaurants within your premises	4.2000	0.78881	0.187812
Rewarding regular customers with fuel	4.9268	0.26365	0.053513
Rewarding regular customers with lubricants	4.7143	0.75593	0.160348
Issuance of scratch cards	3.7500	1.05529	0.281411
Issuance of soaps	4.2692	0.87442	0.204821
Issuance of detergents	3.7143	0.95119	0.256089
Wheel balancing services	4.7170	0.49526	0.104995
Mechanical service check	4.7857	0.41786	0.087314
Wheel alignment services	4.8400	0.37033	0.076514
Overall Average	4.435256	0.663638	0.149628

Source: Response Data

From the mean scores of more than 3.6 (MSc.>3.6), discounts on drinks/foods in restaurants within their premises; rewarding regular customers with fuel; rewarding regular customers with lubricants; issuance of scratch cards; issuance of soaps; issuance of detergents; provision of wheel balancing services; mechanical service checks; and wheel alignment services are forms of bonus programs that had to a great extent resulted into the stations having loyal customers.

It is also evident from the findings that apart from issuance of scratch cards that scored a standard deviation of more than one, the other programs scored deviation of less than one (Std. Dev.<1.0) showing that the extent to which they had led to the petrol stations having loyal customers does not significantly differ among the petrol stations.

Research findings in Table 16 further show that bonus programs as a whole have to a great extent led to the stations having loyal customers (MSc.>3.6), with no significant difference in the extent to which the programs had led to the stations having loyal customers (Std. Dev.<1.0). However, variation in the responses was to varying extents. From the analysis in Table 16, smaller variations in the responses were reported for the responses to the extent to which rewarding regular customers with fuel; mechanical service checks; and wheel alignment services had led to the stations having loyal customers (CV.< 0.1). It is further

shown from the analysis that there were higher variations in the responses pertaining the extent to which discounts on drinks/foods in restaurants within their premises; rewarding regular customers with lubricants; issuance of scratch cards, soaps and detergents; and provision of wheel balancing services had led to the stations having loyal customers as reflected in the coefficients of more than 0.1(CV. > 0.1).

4.5 Overall Influence of the Loyalty Programs

From the analysis in the preceding sections, the loyalty programs applied by petrol stations have led to them having loyal customers to varying extents. The summary of the findings is as presented in Table 17 below:

Table 17: Overall Influence of the Loyalty Programs

Type of Loyalty Programs	Mean	Std. Dev.	Coeff. of Variation
Loyalty Cards	4.8561	0.439494	0.09503
Customer Databases	2.73128	1.22447	0.448314
Communication Modes	4.2401	0.987484	0.232892
After Sales Services	4.65472	0.623844	0.134024
Partnerships	4.7564	0.509635	0.107147
Bonus Programs	4.435256	0.663638	0.149628

Source: Response Data

The analysis above show that the use of loyalty cards, communication modes, after sales services, partnerships and bonus programs had to a great extent led to the stations having loyal customers (MSc.>3.6). However, results show that loyalty cards was the type of loyalty program that had to a greater extent led to the stations having loyal customers as it scored the highest mean score than the other programs. The analysis also show that there is no significant difference in the degree to which loyalty cards, communication nodes, after sales services, partnerships and bonus programs had to a great extent led to the stations having loyal customers (Std. Dev.<1.0).

From the research findings in Table 17, creation of customer databases had only led to the stations having loyal customers to a moderate extent despite having no significant difference in the extent of their influence in creating customer loyalty among the stations.

For all the loyalty programs applied by the petrol stations, results show that there was a smaller variation in the responses as to the extent to which provision of loyalty cards had led to the stations having loyal customers ($CV < 0.1$). However, results show higher variations in the responses pertaining to the creation of customer databases, communication modes, after sales services, partnerships and bonus programs in creating loyal customers.

CHAPTER FIVE

DISCUSSION, CONCLUSION AND RECOMMENDATIONS

5.1 Introduction

The objectives of the study were to establish the customer loyalty programs applied by petrol stations in Kenya and determine the extent to which the loyalty programs had resulted in customer loyalty for these stations. This chapter presents a summary of the findings, discussion, conclusions and recommendations drawn in relation to the study objectives.

5.2 Discussion

From the research findings, it was established that all the petrol stations do have loyalty programs applied in various forms as a means of creating and maintaining customer loyalty for their businesses. The programs applied by these stations include issuing customers with different types of loyalty cards, maintaining databases of customers' psychographics as well as demographic information, interacting with their customers via various kinds of communication modes, giving customers different bonuses and maintaining collaborative partnerships with other non-competing organizations in offering different rewards to their customers.

One kind of loyalty program is the use of loyalty cards, which primarily provide a mechanism for retailers to reward customers. In using this form to create and maintain customer relationship with their customers, the study established that petrol stations within Nairobi have established different kinds of loyalty cards for the purpose of maintaining a close relationship with their regular customers. Of the different kinds of loyalty cards in use, the study found out that most petrol stations utilized credit cards to encourage station loyalty followed by those utilizing discount systems. From the findings, very few stations do have bonus cards. Reinartz and Kumar (2002) observed that loyalty cards occur with tiered membership benefits such as rewards and incentives to encourage or reward higher spending levels. The study findings that most of the petrol stations utilized discount systems and credit cards to encourage station loyalty are a confirmation of the assertions by Reinartz and Kumar (2002).

Other than loyalty cards, customer loyalty can also be cultivated through the creation of customer databases. According to Injazz and Popovich (2003), these consist of account

status, orders, product shipments, products returns, claims history and internal operating costs in addition to demographics such as age, income, family members' birthdays as well as psychographics such as activities, interests and opinions (Kotler, 2003), which all contribute to a better understanding of the customer behaviour. On whether petrol stations in Nairobi keep information on various aspects of their customers to cultivate customer loyalty, the study discovered that most of the petrol stations keep information about the customers' fuel purchase frequencies, account status, amount of fuel per purchase and customer names as components of customer databases. The findings show that most of the petrol stations (69 of the respondent stations) keep information about the customers' names as components of their customer databases. The results show that 68 of the petrol stations keep information about customers' amount of fuel per purchase, 57 of them showed that they kept information about their customers' account statuses, while 54 of the stations indicated that they maintained information about their customers' fuel purchase frequencies. The results also show that creating databases of sex and occupation were types of information that was least maintained by the stations. From the analysis, the findings are in line with the views of Injazz and Popovich (2003); and Kotler (2003) as earlier mentioned.

The study sought to establish the extent to which the different types of loyalty cards had led to the stations having loyal customers. It was established that provision of station and bonus cards; provision of discount systems to regular customers, allocation of reward points for given amounts of petrol purchased and the provision of credit cards to customers are variables of loyalty cards that have to a great extent resulted to the stations having loyal customers. Moreover, the extent of their ability to create and maintain customer loyalty does not significantly differ among the petrol stations.

Communication issues are of great importance when interacting with customers. Duffy (2003) asserts that more often, club magazines, direct mailings or special club service centers are set up in order to build up and keep contacts between organizations and their customers. It was established that various forms and combinations of communication modes are used by the petrol stations in order to provide their customers with information, service and other benefits. From the findings, the respondent petrol stations did indicate that the most commonly used communication modes within one petrol station were station calendars applied by 68 of the responding stations. 60 of the stations showed that they use welcome packages, while 52 use letters in providing their loyal customers with information, services

and other benefits on offer to the customers. The findings also indicate that the least applied form of communication modes by these petrol stations was the use of e-mails.

In terms of the extent to which these modes have led to the stations having loyal customers, the study established that issuance of station magazines; issuance of station calendars; issuance of caps; use of e-mails to customers; use of letters to customers; established service centers; and use of welcome packages to customers are forms of communication modes that had to a great extent led to the stations having loyal customers. The findings of this study also confirm the assertions by Duffy (2003).

The research further established that petrol stations do have various forms of after sales services in having loyal customers to their business. From the analysis, all the 72 respondent petrol stations engaged in wiping and cleaning of car screens and checking of oils and water levels as forms of after sales services to ensure that use of their product is trouble-free to customers. The findings indicate that 68 of the petrol stations engaged in offering tyre change services to create and cultivate customer loyalty. From the findings, wiping and cleaning of car screens and checking of oils and water levels are the most used after sales services to create and cultivate customer loyalty for the petrol stations. As had been noted by Loomba (1998), the services support all activities and issues that arise during the product's life span and they might include warranty provision, extended service contract option, availability of repair service. As it can be discerned, the findings are in congruence with the earlier research findings.

After sales services adopted by the petrol stations such as wiping and cleaning of car screens; checking of oils and water levels; provision for cooling motor vehicle engines; washing of motor vehicle rims; and offering tyre change services had to a great extent led to the stations having loyal customer. This confirms the argument by Johnstone (2001) that through an active involvement of the customer, a strong bonding experience is created, potential customers might, for instance, be encouraged to engage in a process of asking questions, getting answers and making decisions, which give confidence and encourage a final commitment to a transaction.

Another way of creating and enhancing customer loyalty is through creation of collaborative partnerships with other non-competing organizations that create emotional rewards for the

customer, as they feel recognized by the company. From the research findings, it was established most of the petrol stations (58) do have partnerships with spare parts shops as a way of maintaining business with their customers. The findings also indicate that 52 petrol stations did have combined partnerships with other businesses dealing with food (restaurants), while 30 had partnerships with supermarkets. A few of the respondents (11) showed that they have partnership with chemists. It was further established that creation of partnerships with restaurants; supermarkets; spare part shops; and chemists had to a great extent led to the petrol stations having loyal customers to their businesses, which is in line with the assertions by Butscher (1998) that creating and maintaining partnerships with other non-competing organizations creates emotional rewards for the customer, as they feel recognized by the company.

Bonus programs are other forms through which companies create and maintain loyalty in their customers. The research discovered that the most commonly used bonus program by the petrol stations to create and cultivate customer loyalty is rewarding regular customers with fuel. This is in line with the findings that as a way of communicating with customers, specific products might be offered to them such as special offers and accessories (Strauss et al., 2001). The study further established that discounts on drinks/foods in restaurants within their premises; rewarding regular customers with fuel; rewarding regular customers with lubricants; issuance of scratch cards; issuance of soaps; issuance of detergents; provision of wheel balancing services; mechanical service checks; and wheel alignment services are forms of bonus programs that had to a great extent resulted into the stations having loyal customers.

5.3 Conclusion

The entry of other players in the in the petroleum sector has led to many reported cases of illegal activities in the sector. With the liberalization of the Kenyan economy, several new players have been licensed to locally market petroleum products. Moreover, in this sector, physical factors such as convenience, location, quality and price affect customers and their purchases. As a result, these petrol stations have established loyalty programs to ensure their customers remain with them for longer.

The study established that the loyalty programs applied by these stations include issuing customers with different types of loyalty cards, maintaining databases of customers'

psychographics as well as demographic information, interacting with their customers via various kinds of communication modes, giving customers different bonuses and maintaining collaborative partnerships with other non-competing organizations in offering different rewards to their customers. However, it was discovered that the applied loyalty programs have led to the stations having loyal customers to varying extents.

It was further established that that loyalty cards were the type of loyalty programs that had to a greater extent led to the stations having loyal customers than the other programs, while creation of customer databases had only led to the stations having loyal customers to a moderate extent despite having no significant difference in the extent of their influence in creating customer loyalty among the stations. For all the loyalty programs applied by the petrol stations, results showed that there was a smaller variation in the responses as to the extent to which provision of loyalty cards had led to the stations having loyal customers. However, results showed higher variations in the responses pertaining to the creation of customer databases, communication modes, after sales services, partnerships and bonus programs in creating loyal customers.

5.4 Recommendations

According to Injazz and Popovich (2003), customer databases contribute to a better understanding of the customer behaviour, hence organizations use them to identify various demographic profiles of customer and design programs that ensure customer loyalty and retention. The findings indicated that customer databases had led to the stations having loyal customers to a moderate extent. There is an urgent need for petrol stations to review their use of the aspects of customer databases such as customer fuel purchase frequencies; customer accounts status; amount of fuel per purchase; customer names; customer address; sex and occupation in creating and maintaining customer loyalty as these variables have led to them having loyal customers only to a moderate extent.

LIMITATIONS OF THE STUDY

This study faced some limitations. Firstly, some of the target respondents were unwilling to be interviewed. Secondly, in some stations, the persons targeted for the interviews were willing to respond to the questionnaires but could not without the required authority from their Head Offices. The approving authority was unwilling to grant the requisite approval to

the petrol stations. BP and Shell was most affected consequently making the response rate achieve below the target population results.

SUGGESTIONS FOR FURTHER RESEARCH

From the research findings, further research was suggested to establish the perception of the customers to the loyalty programs applied by the petrol stations in influencing their loyalty to the respective stations. Research could also be done to establish the relationships between loyalty programs and the performance of these petrol stations.

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APPENDICES

Appendix 1: Introductory Letter

Paul K. Tanui
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P.O Box 30197
Nairobi
June 2007

Dear Respondent,

RE: COLLECTION OF SURVEY DATA

I am a postgraduate student at the University of Nairobi, School of Business. In partial fulfillment of Masters of Business Administration degree requirements, I am undertaking a management research project on the loyalty programs applied by petrol stations in Nairobi. You have been selected to form part of this study. This is to kindly request you to assist me collect the data by filling out the accompanying questionnaire, which I will collect from your premises.

The information you provide will be used exclusively for academic purposes. My supervisor and I assure you that the information you give will be treated with strict confidence. At no time will you or your organization's name appear in my report. A copy of the final paper will be availed upon request.

Your co-operation will be highly appreciated. Thanking you in advance.

Yours faithfully,

Paul K. Tanui
MBA Student
University of Nairobi

Margaret Ombok
Lecturer/Supervisor
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Appendix 2: Operational Dimensions of Loyalty Programs

Broad dimensions Loyalty Programs	Expanded dimensions	Extended Definition	Relevant questions
Loyalty cards	<ul style="list-style-type: none"> • Station cards • Bonus cards • Discounts • Reward points • Credit cards 		6 (ii), 7, 8, 9, 10,11
Customer databases	<ul style="list-style-type: none"> • Fuel purchase frequencies • Customers' account status • Amount of fuel per purchase • Customer name • Address • Sex • Occupation 		6 (iii), 12, 13, 14, 15,16, 17, 18
Communication modes	<ul style="list-style-type: none"> • Issuance of station magazines • Issuance of station calendars • Issuance of t-shirts • Issuance of caps • Use e-mails to customers • Use of letters to customers • Established service centers • Use of welcome packages to customers 		6 (iv), 19, 20, 21, 22, 23, 24, 29

Broad dimensions Loyalty Programs	Expanded dimensions	Extended Definition	Relevant questions
	<ul style="list-style-type: none"> • Use of after sales services 	<ul style="list-style-type: none"> • Wiping and cleaning of car screens • Checking of oils and water levels • Provision for cooling motor vehicle engines • Washing of rims • Wheel balancing services • Mechanical service check • Wheel alignment services • Tyre change services 	6 (v), 30, 31, 32, 33, 34,
Partnerships	<ul style="list-style-type: none"> • Special rates • Collaborative partnerships 	<ul style="list-style-type: none"> • Discounts on drinks/foods in restaurants within them • Partnerships with restaurants • Partnerships with supermarkets • Partnerships with spare part shops • Partnerships with chemists 	6 (vi), 35 25, 26, 27, 28

Broad dimensions Loyalty Programs	Expanded dimensions	Extended Definition	Relevant questions
Bonus programs	<ul style="list-style-type: none"> • Rewarding regular customers with fuel • Rewarding regular customers with lubricants • Issuance of scratch cards • Issuance of soaps • Issuance of detergents 		6 (vii), 36, 37, 38, 39, 40

Appendix 3: Branded Petrol Stations in Nairobi

A. SHELL PETROL STATIONS

1. Argwings Kodhek Road Service St.
2. Athi River Service Station
3. Avenue Service Station
4. Baba Dogo Service Station
5. Baraka Service Station
6. Bidii Service Station
7. BP Jogoo Road Service Station
8. Eastleigh Service Station
9. Forest Road Service Station
10. Gandhi Avenue Filling Station
11. Gandhi Avenue Service Station
12. Garden Estate Service Station
13. Gethin & Dawson Service Station
14. Gikomba Service Station
15. Haile Selassie Service Station
16. HighView Service Station
17. Industrial Area Service Station
18. Karen Service Station
19. Kiambu Service Station
20. Kirinyaga Road Service Station
21. Landhies Road Service Station
22. Lanet Service Station
23. Latema Road Service Station
24. Lavington Service Station
25. Likoni Road Service Station
26. Limuru Road Service Station
27. Madaraka Service Station
28. Masaku Service Station
29. Masari Road Service Station
30. Mumias Road Service Station
31. Nagara Service St.

32. Nagara Service Station
33. Nairobi Outer Ring Road Service
34. Nairobi Ring Road Service St.
35. Nairobi Service Station
36. Nanak Service Station
37. New Commercial Service Station
38. New Langata Service Station
39. Ngong View Service Station
40. NorthView Service Station
41. Park Road Service Station
42. Parklands Service Station
43. Pema Service Station
44. Riruta Service Station
45. Riverbank Service Station
46. Rongai Highway Service Station
47. Roysambu Service Station
48. Roysambu Service Station Careta
49. Sonning Road Service Station
50. Spanneright Service Station
51. Spanneright Service Station
52. St. Austins SS-OP.BY Jacaranda
53. Tegemeo Service Station-Noor
54. Times Square Service Station
55. UNON Service Station
56. Valley Road Service Station
57. Valley Road S.S.
58. Vic Preston (Opp. By Benzine Petro)
59. Waiyaki Way Service Station
60. WestView Service Station
61. Wilson Airport Service Station

Source: ShellBP Operations Office, August 2007

B. NATIONAL OIL Corporation

1. Embakasi
2. Ruaka
3. Muchatha

Source: National Oil Corporation Operations Office, August 2007

C. MOBIL STATIONS

1. Mobil Bellevue Service Station
2. Mobil Bunyala Service Station
3. Mobil Buruburu Service Station
4. Mobil Dunlee Service Station
5. Mobil Forest Edge Service Station
6. Mobil Juja Road Service Station
7. Mobil Kitui Service Station
8. Mobil Langata Service Station
9. Mobil Loitokitok Service Station
10. Mobil Lusaka Service Station
11. Mobil Masaku Service Station
12. Mobil Ngong Road Service Station
13. Mobil Outering Service Station
14. Mobil Pangani Service Station
15. Mobil Parklands Service Station
16. Mobil Peponi Service Station
17. Mobil Salama Service Station
18. Mobil Samana Service Station
19. Mobil Tom Mboya Service Station
20. Mobil Waiyaki Way Service Station
21. Mobil Westlands Service Station
22. Mobil Zambezi Service Station

Source: KenolKobil Operations Office, August 2007

D.KENOL/KOBIL SERVICE STATIONS NETWORK

KOBIL STATIONS		KENOL STATIONS	
NAIROBI AREA			
1.	First Ngong Road	1.	Kenol Buruburu
2.	Yaya Centre	2.	Kenol Gigiri
3.	Cousins Service Stn	3.	Kenol Lang'ata
4.	Lusaka Road	4.	Loresho
5.	Parkroad Service Station	5.	South C
6.	Jogoo Road	6.	Ruaraka
7.	Machakos Country Bus	7.	Kenol Bellevue
8.	Gigiri Kobil	8.	Ngong Racecourse
9.	Koinange Street	9.	Waiyaki Way
10.	Ngara Service Station	10.	Nyayo Stadium
11.	River Road	11.	Dagoretti Quicksaver
12.	Murang'a Road	12.	Kenol Hurlingham
13.	Parklands Service Station	13.	Buruburu Shopping Centre
14.	Valley Arcade	14.	Kahawa West

15. Lang'ata Road	15. Koinange Street
16. South "B"	16. Kenol Thika Road (Nakumatt)
17. Kobil Buruburu	17. Kangundo Road
18. Kobil Juja	
19. Enterprise	
20. Huruma Service Station	
21. Embakasi Service Station	
22. Mombasa Road Quicksaver	
23. Haile Sellasie Quicksaver	
24. Karen Quick Saver	
25. Limuru Road	

TOTAL 42 STATIONS

Source: KenolKobil Operations Office, August 2007

E. TOTAL PETROL STATIONS

1. Arcade-Ngong Road
2. Argwings-Hurlingam
3. Bel Top-Magadi Road
4. Dandora
5. Enterprise Road
6. Kangemi

7. Karambee-Juja Road
8. Karen
9. Makadara
10. Mid Town-Koinange Street
11. Mt. View
12. Muthaiga
13. Ngara
14. Ngong Road
15. Outering
16. RaceCourse Road
17. South C
18. Starehe
19. Thika Road-Safari Park Hotel
20. Parklands
21. Uthiru

Source: Total Operations Office, August 2007

F. CALTEX

1. CNM Waiyaki Way
2. Oshwal-Town Center
3. Madaraka
4. Nyota
5. Irera-Spring Valley
6. Reliable-Ngong Road
7. Brightstar
8. Chiromo
9. Inaxis
10. Ngong Road
11. Mbagathi/Jedus
12. Kibera
13. Njabini-Off Flyover Nairobi/Nakuru Road
14. Limuru Road
15. Bill Service Station
16. Likoni Road

17. Ruiria
18. Motor Ways
19. Five Star
20. Kariokor
21. Muremba
22. Kyama
23. Donholm
24. Rabai Road
25. Metro
26. Thika Highway
27. Furaha
28. Tala
29. MC Kiambu
30. Behill Starmart Donholm

Source: Caltex Operations Office, August 2007

Appendix 4: Research Questionnaire

SECTION A: GENERAL INFORMATION

1. Name of petrol station _____
2. Your position in the station _____
3. Year of establishment _____
4. Ownership: Multinational ()
 Private ()
 Mixture ()
5. Type of establishment: Controlled ()
 Licensed ()

SECTION B

6. Consumer loyalty describes a customer's commitment to do business with a particular organization, purchasing their goods and services repeatedly, and recommending the services and products to friends and associates. One of the strategies that organizations use to encourage station loyalty is through the use of loyalty cards.
 - i. Do you have loyalty cards for your customers? Yes () No ()
 - ii. If yes in (i) please indicate the ones you have (Tick as many as they apply to you).
 - Station cards ()
 - Bonus cards ()
 - Discount systems ()
 - Reward points ()
 - Credit cards ()
 - Others (Specify) _____
 - iii. Customer loyalty, the tendency of a customer to choose one business or product over another, can be enhanced through the creation of customer databases. Indicate whether you keep information on the following aspects of your customers.
 - Fuel purchase frequencies ()
 - Account status ()
 - Amount of fuel per purchase ()
 - Name ()

- Address ()
- Sex ()
- Occupation ()
- Others (Specify) _____

iv. Communication issues are of great importance when interacting with the customer. Please indicate the type (s) of communication modes in use at your station applied to cultivate customer loyalty.

- Station magazines ()
- Station calendars ()
- Issuance of t-shirts ()
- Issuance of caps ()
- Use of e-mails ()
- Use of letters ()
- Established service centers for contacts ()
- Use of welcome packages to customers ()
- Others (Specify) _____

v. A company can utilize after sales services as a communication mode apart from the forms mentioned in (iv) above. Please indicate the after sales services offered at your station to cultivate customer loyalty.

- Wiping and cleaning of car screens ()
- Checking of oils and water levels ()
- Provision for cooling motor vehicle engines ()
- Washing of motor vehicle rims ()
- Tyre change services ()
- Wheel balancing services ()
- Mechanical service check ()
- Wheel alignment services ()
- Others (Specify) _____

vi. Partnerships with other non-competitive organizations are used to create and maintain customer loyalty for a company's products. Please indicate whether you have partnerships with the following.

- Restaurants ()
- Supermarkets ()
- Spare part shops ()
- Chemists ()
- Others (Specify) _____

vii. Customer loyalty can be enhanced through application of bonus programs (provision of additional goodies to customers in addition to the products purchased). Of the following, please indicate the ones your firm utilizes to create and sustain customer loyalty.

- Rewarding regular customers with fuel ()
- Rewarding regular customers with lubricants ()
- Issuance of Scratch cards ()
- Issuance of Soaps ()
- Issuance of detergents ()
- Others (Specify) _____

SECTION C

Indicate the extent to which the following loyalty programs that your company puts in place has led to the station having loyal customers on a scale of 1-5 where:

- 1 - No extent
- 2 - Small extent
- 3 - Some extent
- 4 - Large extent
- 5 - Great extent

For those that do not apply to your petrol station, please do not respond.

No.	Loyalty programs	5	4	3	2	1
7.	Provision of station cards to customers					
8.	Provision of bonus cards to customers					
9.	Provision of discount systems to regular customers					
10.	Reward points for given amounts of petrol purchased					
11.	Provision of credit cards to customers					
12.	Maintaining a database of customer fuel purchase frequencies					
13.	Maintaining a database of customer account status					
14.	Maintaining a database of customer amount of fuel per purchase					
15.	Maintaining a database of customer names					
16.	Maintaining a database of customer address					
17.	Maintaining a database of customer sex					

No.	Loyalty programs	5	4	3	2	1
18.	Maintaining a database of customer occupation					
19.	Issuance of station magazines					
20.	Issuance of station calendars					
21.	Issuance of caps					
22.	Use of e-mails to customers					
23.	Use of letters to customers					
24.	Established service centers					
25.	Partnerships with restaurants					
26.	Partnerships with supermarkets					
27.	Partnerships with spare part shops					
28.	Partnerships with chemists					
29.	Use of welcome packages to customers					
30.	Wiping and cleaning of car screens					
31.	Checking of oils and water levels					
32.	Provision for cooling motor vehicle engines					
33.	Washing of motor vehicle rims					
34.	Tyre change services					
35.	Discounts on drinks/foods in restaurants within your premises					
36.	Rewarding regular customers with fuel					
37.	Rewarding regular customers with lubricants					
38.	Issuance of scratch cards					
39.	Issuance of soaps					
40.	Issuance of detergents					
41.	Wheel balancing services					
42.	Mechanical service check					
43.	Wheel alignment services					

Thank you for your cooperation