CRITICAL SUCCESS FACTORS IN PETROLEUM PRODUCTS RETAILING IN NAIROBI

By

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DECLARATION

I declare to the best of my knowledge that this is my original work and has not been presented for a degree in any other university. No part of this research project report may be reproduced without prior permission of the author and / or The University of Nairobi.

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

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DEDICATION

This piece of academic work is dedicated to my late father Rufas Mbugua Ng'ang'a and my mother, Leah Mukuhi who steered me to the business world at an early age, which finally developed my interest into undertaking the MBA course.

ABSTRACT

The liberalization of the petroleum industry in Kenya in 1994 following deregulation enhanced entry of independent petroleum product retailers of what was once an end line operation preserve of the multinational oil companies. The new regulations scaled down barriers of entry into the business. These included removal of price controls, shifting of the cost burden of "dead stock" (unutilized stock in the pipe oil transportation system) to the major oil companies, and allowing retailers to buy refined oil products rather than import crude oil and pay for the cost of refinery. The deregulated petroleum sector has been preceded by proliferation of retail stations that have been planted on major highways, urban feeder roads by both multinationals and the independent entrepreneurs. More often than not there are common billboards reading "petrol station under new management", "petrol station coming soon" for example. Initial visits to the field by the researcher reveal nonetheless that some independent petroleum product dealers are doing well while some are not. These are the issues which raise the following research questions: What are the critical success factors (the guidelines for being successful) in the petroleum products retailing in Nairobi? And what are the factors that limit the petroleum product dealers' ability to implement the critical success factors?

The findings show that location of station in respect to type of road, demographics and business activity is the most critical success factor as indicated by 97.2% of the study respondents followed by use of effective financial controls and assessments of periodical returns (confirmed by 94.4% of the respondents). Competitive product pricing and monitoring was considered as a CSFs by 83.3% of the study respondents. Efficient and effective customer service, consistent

product quality offering and maintenance of an efficient credit management policy were all implicated as CSFs by 66.7% of the study respondents. Services diversification however was considered a critical success factor in petroleum product retailing by half (50%) of the study respondents.

Designing and implementation of petroleum product retailing business should be based on the identification and prioritization of the eight main critical success factors, starting with location, use of effective financial controls and assessments of periodical returns, competitive product pricing and monitoring, efficient and effective customer service, consistent product quality offering, maintenance of an efficient credit management policy and diversification of services in that order. The different CSFs should be addressed at different times in different ways depending on the availability of resources and situations in the operating environment. A proactive entrepreneurial development program for the retailers requires long-term view of current positioning in the market. Sustainable and long lasting solutions need to be the focus.

The researcher recommends that future entrepreneurs wishing to venture into petroleum product retailing consider investments where eight key critical success factors can be employed to ensure acceptable returns. The idea of idea of the petroleum product retail station being strategically located is critical to success.

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CSFs	: Critical Success Factors
SPSS	: Statistical Package for Social Scientists
GoK	: Government of Kenya

CHAPTER ONE: INTRODUCTION

1.1 Background

1.1.1 Concept

The concept of CSFs was first introduced by Rochart (1971) as reported in Chen (1999) as a mechanism to identify the information needs of chief executive officers. Rochart had based the CSF concept on the idea of "success factors" first discussed in management literature by Daniel (1961). CSFs are defined as those key areas where things must go right for the business to flourish. If management does not pay attention to these areas, the organization performance would suffer (Vijay et al, 1999). The emphasis here is on "few" and "must go right". Because of this limited number, the management is able to provide a constant focus on the CSFs until they are successfully achieved.

Effective performance management is predicated on action aligning with strategy, and that the strategy articulates a balanced set of objectives, and the critical success factors which represent or drive these objectives (Kaplan and Norton, 2001). Mwaniki (2005) research on the critical success factors in the Kenya's Restaurant Industry recommends managers to pay attention to unique restaurant concept, setting objectives for the restaurant and consistently sticking with them, continuous improvement in food /service quality, menu appeal, food quality (consistency in taste, presentation, portion size of food) and developing long-term (personal) relationships with customers) if success is to realized. While primarily focusing on the first six factors mentioned above, the management of restaurants should equally give attention and priority to the other factors in their relative order of importance for restaurant business success.

The idea of CSFs in the context of business environment is derived from the concept of strategic business capability. Successful business strategies are dependent on the business having the strategic capacity to perform at the level that is required for success. Strategic capability is all about providing products and services that are valued by customers. It extrapolates to an understanding of what customers want; identifying the underlying threshold that every provider in the sector must be able to offer if they are to stay in the market segment; and identifying the CSFs (Johnson and Scholes, 2002).

The CSFs draw their importance from the desire for business to flourish and create competitive advantage in the market place through superior strategic capacity. Strategic capability has been defined as that ability to perform at the level required for success. Organization resources and core competencies underpins its strategic capacity (Johnson and Scholes, 2002). The core competencies provide the competitive advantage. Developing the core competencies dictates that the CSFs are understood. CSFs are the product features that are particularly valued by a group of customers and are therefore where organizations must excel to outperform competition. To address the CSFs, the organizations must meet the core competences that underpin the organizations ability to out perform competition (Johson and Scholes, 2002).

This places CSFs at the heart of strategy where strategy is seen from both the 'fit' and 'stretch' perspectives. Strategic fit is the matching of an organization or businesses resources and activities to the environment to which it operates (Johnson and Scholes, 2002). Identifying opportunities in the business environment and adopting business resources and competencies so as to take advantage of the same develops an organization strategic fit. Through strategic fit, the organization is positioned in the segments in which it competes best. Strategic 'stretch' is the leverage of the resources and competencies of an organization both provide competitive advantage and or yield new opportunities, (Johnson and Scholes, 2002).

Michael Porter (1980) of Harvard Business School developed an internationally recognized model popularly known as the Porter Five Forces Competition Model. This model helped in analyzing the intensity of competition and business attractiveness at the wider industry level. The Porter competitive strategy conceptualizes that the wider competitive forces (threat of new entrants, power of suppliers, power of buyers, and threat of substitutes) will impinge on the direct competitive rivalry between an organization and its most immediate competitors.

Kotler (2001) has indicated the necessity for organizations to develop competitive advantage to succeed. Poor firms ignore their competitors; average firms copy their competitors while winning firms lead their competitors. Achieving the CSFs in a competitive environment therefore by implication calls an entrepreneur to know the reasons for success and then address the key competencies and resources that that places an organization on the competitive advantage. Addressing the resources and core competencies involves good personal relationship with buyers; fast turnround of urgent orders and accepting returned goods among others (Johnson and Scholes, 2002).

Competition has become global in nature as the forces of globalization, deregulation and privatization, overcapacity, new technology, blurring technological boundaries are widening the market scope and changing the competitive landscape These drivers of competition are dramatically changing the way businesses are conducted. They are evidently playing an important role in the sudden opening of hitherto closed markets and pitting small local firms against powerful global players. It is wartime and all players want to have a big share of the expanded pie using the entire arsenal at their disposal to win consumer support and loyalty (Porter, 1980). Competition is no longer concerned with products but brands as product life cycles are shortening by innovation and changing consumer tastes and preference. Winning in the new economy is a challenge to all firms alike because yesterday's successes count the least. Industry leaders are now becoming followers and some followers have taken the drivers seat driving the industry by changing the game and its rules (Treacy and Wiesema, 1995).

The unprecedented global competition has affected all major industries like the automobile, electronics, chemical, textile, steel and even agro-based ones to the extent of changing their fundamental way of operating and assumptions. Many industries have had to undertake major transformation to guarantee their relevance and future. The hyper competition that is increasingly unrelenting require that corporate leaders rethink, remodel and focused their businesses on key markets where the firm has what it takes to outperform existing and new entrants. Winning in the new economy demand having a foresight about the future and learning to compete by being in the forefront of the industry changes. Today's competition requires that firms develop a sustainable competitive advantage in order to outperform their rivals. A sustainable competitive advantage will ultimately enable the firm to lock in markets and lock out competition through a consistent delivery of superior customer value (Robert. 1998).

To win in today's cutthroat competition, a company must avoid being everything to everybody but instead choose its customers, narrow the focus and dominate the market through high value offering (Porter. 1980). Sustainable competitive advantage is emerging as the single long lasting weapon for organizational success in the new globalized world .New global leaders are those firms whose managers are alert, agile, innovative and able to leverage their organization resources to new business opportunities (Lindsey. 2002).

1.1.2 Context: Dynamics of the Petroleum Industry

Petrol retailing in Kenya has evolved over years. The Petroleum Act Chapter 116 Laws of Kenya (1948) established the petroleum industry. The Act mandates the Minister for Energy to enforce the regulation to cover importation, storage, transportation, safety, quality, licensing and retailing.

Petroleum product retailing in Kenya falls within two main categories, the independents and the licensees. The independent petrol station is a case where an entrepreneur builds his own outlet and buys products for resale from any marketer. The latter is a model where one party, the licensor grants a license to another individual, partnership or company, the licensee, which gives the right to trade under the trademark and business name of the licensor. The arrangement is formalized through a legally binding contract. Furthermore, the licensor normally provides the licensees with information systems, through training programmes and detailed operations manual so that each licensee operates within the licensor's corporate image, offering customers products and services that are consistent. Consistency from every location in the network is expected (Petroleum Act, 1948).

The liberalization of the petroleum industry in Kenya in 1994 following deregulation enhanced entry of independent petroleum product retailers of what was once an end line operation preserve of the multinational oil companies. The new regulations scaled down barriers of entry into the business. These included removal of price controls, shifting of the cost burden of "dead stock" (unutilized stock in the pipe oil transportation system) to the major oil companies, and allowing retailers to buy refined oil products rather than import crude oil and pay for the cost of refinery. The deregulated petroleum sector has been preceded by proliferation of retail stations that have been planted on major highways, urban feeder roads by both multinationals and the independent entrepreneurs.

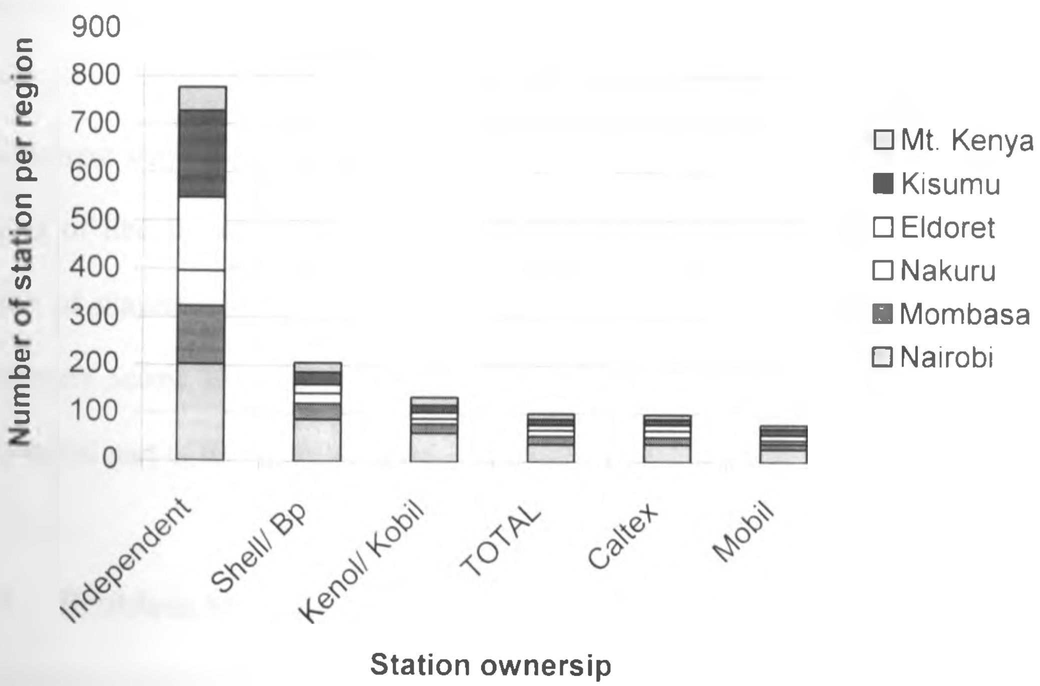
Table 1.1 and Figure 1.1 show the distribution of the total number of petrol stations among the industry players in Kenya. The data shows that the independent petrol stations make up to 55% of the total, leaving the established multinationals with a market share of 45% petrol stations.

Table 1.1: Total Number of Stations

	Nairobi	Mombasa	Nakuru	Eldoret	Kisumu	Mt. Kenya	Total
Independent	203	121	73	152	178	49	776
Shell/ Bp	88	33	21	19	25	20	206
Kenol/ Kobil	60	19	11	13	15	16	134
TOTAL	37	17	12	11	12	12	101
Caltex	37	15	13	13	11	10	99
Mobil	27	12	7	11	13	8	78
Total units	452	217	137	219	254	115	1394

Source: Total (2004)

Figure 1.1: Distribution of the number of retail petrol stations in Kenya



Source: Total (2004)

The emerging trend is therefore that of increased competition at the market place in the petroleum product-retailing sector. The effect has seen a number of station closures for example Shell, BP and Caltex Oil Companies cut down up to 40% of their retail operations in Western Kenya and in some stations in Nairobi. Moreover, more and more new independent petrol stations are opening day by day. Petrol station dealership changes and recruitments are frequent. Such recruitments are evidenced in newspaper advertisements (Daily Nation 24th May, 2005 page 4; The Standard 24th May 2005 page 24). Often one would observe billboards written "station under new management" and "station coming soon" on the major highways in Kenya. Moreover it has been noted that there is high level of investment required to run petrol stations. This is to the tune of between Kshs. 5-15 million. It is against this emerging trend that the researcher developed interests to research and identify the CSFs that are essential to sustain petroleum product retailing.

The current trend is also supported by Chepkwony (2001) who hold the view that the advent of liberalization in the petroleum sub sector has intensified to unprecedented influx of players into this sector. This has led to stiff competition, as the fight for customers seems to be a never-ending war. The major oil companies have lost a substantial part of their market share.

1.2 Problem Statement

The necessity and motivation in examining critical success factors for small businesses operating within the petroleum products retailing industry in Nairobi is that there appears to be an increasing number of new petrol stations started every other month or changing ownership and management. Liberalization of the petroleum industry in 1994 has seen the industry grow and currently there are 1394 petrol stations in the entire country. Out of these, 55% are independently owned and managed and the rest are licensed (affiliated to the multinationals). More often than not there are common billboards reading "petrol station under new management", "petrol station coming soon" for example. Initial visits to the field by the researcher reveal nonetheless that some independent petroleum product dealers are doing well while some are not. The researcher was therefore prompted to think that there are some underlying critical success factors that drive some dealers to success.

These are the issues, which raise the following research questions: What are the critical success factors (the guidelines for being successful) in the petroleum products retailing in Nairobi? And what are the factors that limit the petroleum product dealers' ability to implement the critical success factors?

1.3 Research Objectives

The specific objectives of the study included:

1. To identify the critical success factors in the petroleum products retailing in Nairobi.
2. To identify factors that limit the petroleum product dealers' ability to implement the critical success factors.

1.4 Importance of the Study

The results of the study will act as the reference for drawing strategies in petrol retailing sector to achieve success and keep ahead of competition. The independent retailers will find the CSFs addressed by the multinationals that they may need to address.

The study will also assist in minimizing risk among dealers by employing the basic necessities and thus reduce business failure. It will also suggest areas of future research by academicians.

1.5 Scope of the Study

The study was conducted in the City of Nairobi (Nairobi Province), Kenya. The data for the study was obtained from a random sample of all petrol stations operating in the region. The study was limited to the critical success factors in petrol retailing. Recommendations on retailing strategy deployment have been given. Dealers were the respondents. The unit of analysis was the petroleum product retailing stations.

The city of Nairobi was selected as the study area due to the high costs that would have been involved to conduct the research countrywide. Further, slightly more than 32% of the petroleum products retailing stations are based in Nairobi and its choice was therefore considered representative.

CHAPTER TWO: LITERATURE REVIEW

2.1 Introduction

Entrepreneurial Success is understood in two broad aspects; quantitative venture performance (financial) and qualitative venture performance (meeting stakeholder expectations and actual outcomes relative to entrepreneur expectations). Success is achieved if the organization uses its performance to meet, or better to exceed, the financial, social and personal growth expectations and expectations of people who have an interest in it (Hunger and Wheeler, 1999).

Financial measures of business success are equated with the organization's ability to grow and expand on new business opportunities as profit centers, whilst managing all other aspects of business profitability (Baghai et al., 1999). Performance measures are tied to profit (Gregory & Myers, 2002). However Goett (199) notes that this form of measure is not necessarily a 'healthy one'. Besser (1999) comments that a more holistic approach be taken, and this involves the community (customers in this case), staff satisfaction as well as values of the entrepreneur. This alternative approach is noted by Besser (1999) who comments on the subjectiveness of non-financial measures for success and that these may be rather vague. Success in these non-financial measures at the expense of long-term financial goals however is not a viable business proposition (Hart, 1993). Success measures should therefore adopt both the holistic approach and the financial indicators.

Survival rates for small business depend upon the sector that the business enters and is usually the easier to enter a sector that it is the lower the survival rate (Hamilton and English, 1997). Evidence pointing to the fact that survival rates for small business are low necessitates the researcher to bring into light an understanding of the underlying factors for this failure rate. The major contributors to this failure in small business identified in the literature are; poor management skills (a lack of no planning with no control mechanisms), poor financial management and under capitalization (lack of initial capital, working capital and a failure to understand the financial reports as well as misuse of financial resources), a lack of business ability and poor business judgment skills (limited experience and education, failure to seek and act on advice), external factors (economic conditions such as interest rates and inflation, changes in government policy) (Cameron and Massey (1999); Scales & Meredith, 1991).

A business that is failing can be identified through one of the four most common symptoms, these are noted by (Cameron and Massey (1999); Hamilton and English, 1997) as; poor cash flow due to poor credit management practices, a lack of working capital once fixed assets have been paid for, an over estimation of the potential market size by the owner who gears up for a higher demand which is then not realized and an unexpected rapid sales growth which is managed badly by borrowing to keep up with demand which eventually render that business unable to pay suppliers.

The most frequently cited cause for small business failure is inability to pay debts (Hodggetts and Kuratko, 1998). The authors also cite incompetence as another major reason why small businesses fail, as owners do not understand how to run their enterprise. Other reasons cited by the authors include: unbalanced experience contributes to failure for those owners who do not pose a well-rounded experience in the major business activities. Lack of managerial experience, where the owner does not know how to manage people contributes to failure. Entering a field that the owner has little or no knowledge of is another factor contributing to failure. The management's ability to strategically address the contributors of business failure enhances the opposite, business success thus the concept of CSFs.

Critical success factors are those management activities that will ensure a competent performance providing that the activities are performed satisfactorily (Rochart, 1971 cited in Dobbins, 2001). The CSFs are not necessary for achieving the organization's objectives and goals; rather they are a list of activities necessary for the successful delivery of those goals and objectives. The pursuance of these factors creates an environment conducive of success (Dobbins, 2001). It should also be stressed that the factors are based on perception and may differ from one person to another (Jenster, 1986).

2.2 The Concept of Competitive Advantage

The concept of competitive advantage was developed by Porter (1980) to help firms develop winning strategies. Firms win in the market in which they operate by outperform rivals by occupying a unique industry position or by offering superior customer value. Firms can offer customer value either through the lowest price or superior benefits. Treacy and Wiersenal (1997) define customer value as the sum of benefits received minus costs incurred by the customer to get the product or service. Customer benefits include those benefits related to the product quality, brand reputation, expert advice and personalized service. Costs incurred by the customers are those costs related to price, product reliability, durability, service dependability and convenience. Customers don't however buy a product. They buy perceived value Perceived customer value is what really matter to the consumer and a such no firm should guess this critical aspect that determine the success or failure in a given market. A firm competitive advantage has a higher chance of success when it is defined from the customer perspective. Customer is business and without customers there is no business. Firms win in the market by making the best offer to its target customer. Sago (2003) state competitive advantage occurs when firm uses its resources and capabilities to develop organizational competencies that in turn create customer value.

The resource based view of strategy attribute the source of competitive advantage as lying within the organization in terms of its resources; firms generally competent on the basis of the resources they have or control. Collins and Montgomery (1998) define a resource as the stock of assets, skills and capabilities of a firm A similar view of resource is presented by Venugopal (1999) whereby resource is defined as those entities that actually belong to the organization, entities that are semi-permanently tied to the firm and also other potential entities that the firm is in a position to acquire. The firm's internal resources are further classified by Barney (1996) into physical, financial, human and other organizational virilities.

A firm's competitive advantage is however derived from its capabilities/competencies. Capabilities have various definition, some authors refer to it as core skills (Tampoe, 1994) and distinctive capabilities (Collins, 1994). A capability is capacity for a set of resources to interactively perform a stretch task of an activity. Capabilities are popularly categorized into distinctive and reproducible. Distinctive capabilities are therefore those capabilities that are difficult to be replicated by competitors unlike reproducible capabilities that can easily be replicated by competitors. The reproducible capabilities that cover or relate to technical, financial, marketing, explicit knowledge can be bought or created by competitors over time. Gaining competitive advantage on the basis of capabilities demand that firms focus their efforts on building business processes; firms can do this by transforming their critical business processes into strategic capabilities that are not easy to be replicated by rivals.

Knowledge is increasingly becoming an internal source of competitive advantage. Inkpen (1998) and Zack (1999) argue that a firm can win a competitive battle only if it posses more relevant knowledge than its competitors. Knowledge is a strong basis for developing competitive advantage as posited by Edvinson (1997) and Edvision and Malone (1997) as human and structural capital. Human capital is based on employees' knowledge and skills and posses the biggest challenge to a firm because a firm cannot own it and again transforming knowledge, according to Lank (1997), into structural capital is not a simple exercise. The second school thought popularly known as the industrial organization school attribute the sources of competitive advantage as been externally based The external sources which influence the competitive advantage of firms include industry structural parameters like bargaining power of suppliers or buyers, the threat of new entrants, substitute products or service and competition within the industry (Porter, 1980). Porter (1990) argues that the sources of a firm that faces foreign competition include domestic factors like factor conditions, demand conditions, related and supportive industries, and the role off the government. These factors combined give an organization a privileged market position. This school of thought argue that competitive advantage can arise from the position an organization occupy within its industry or market segment .A privileged market position can in this case be a major source of competitive advantage when it follows from industry structure rather than from strategic resource. Due to economies of scale and learning experience curve that a firm develop over time in its industry and especially when this is considered as critical success factor. Firms with economies of scale have lower unit average costs, which subsequently accord them advantage over smaller rivals with uneconomic plants.

A firm may also enjoy a privileged market position as a result of being a pioneer in the market or introducer of a totally new product. Being the fast in an existing market with a new product or being the first in a particular gives a first mover advantage. Firms enjoying first mover advantage gain more mileage than new entrants through goodwill, brand recognition and superior marketing knowledge. Tzu (1988) ones remarked that the "He who occupies the field of battle first and awaits his enemy is at ease; he who comes later to the scene and rushes into the fight is weary". Lieberman and Montgomery (1988) support the idea of first mover advantage which in their case arises from three sources: technological leadership, preemption of scarce resources, switching costs, buyers choice under uncertainty.

The government through it massive regulatory power may equally provide a firm with a privileged position via an exclusive license which naturally gives the beneficiary a monopoly status. The license becomes the basis of advantage to firms who miss a similar privilege through license denial and the license act as a major entry barrier to newcomers. Firms accorded privileged market position are able to entrench themselves by not only erecting new barriers but enjoy supernormal profit as they are likely to enjoy high margins due to lack of competition. Such firms will develop more sophisticated infrastructure that act as a future barrier when the regulatory mechanism is either lifted or modified to accommodate new players.

2.3 Strategies for Building Competitive Advantage

Strategies are of different nature and type and depend of the perspective. But at the organizational level, there are basically three types of strategies: corporate, business and functional strategies. These three types of strategies are interdependent as the success of each depends on the other. The corporate level strategies however, represent the broader strategy for the entire organization and are concerned with enabling the organization to achieve its mission through growth, consolidation and even liquidation. In developing strategies to ensure the future success of the organizations, corporate leaders need have a good understanding of the organization capability and leverage it to external environmental opportunities.

Companies are urged to avoid copycat strategies as they are unsuitable and are unlikely to produce exceptional performance. Adopting copycat strategy is synonymous with playing according to the competitor rules and a company that plays to competitor rules cannot be expected to win. Moreover it's not feasible to achieve similar results owing to differences in execution capabilities.

2.3.1 Generic Strategies

Generic strategies are a broad range of strategic options that can be used by a firm to outperform its rivals in the industry. Thus firms can outperform rivals by supplying the market at the lowest price or provide the market with highly differentiated products at a premium.

Porter (1980) advocates that firms avoid being everything to all people if they expected to win in the highly competitive market. They must clearly make a choice among the range of strategic options available for achieving competitive advantage. These options are cost leadership, differentiation and focus. Have and Have (2003) argue that generic strategies are not that simple to design and implement because its success hinge on competitive forces' analysis and value chain analysis. Developing generic strategies require plotting the firm and its competitors on generic competitive strategy chart or matrix during the strategy formulation process. Undertaking of this exercise is hampered by lack of measurement of a company relative position. The other difficulty emanate from getting the correct cost of competitors. There is lack of transparency as regard actual cost. Not withstanding these difficulties, an analyst can still be able to navigate his way by looking for cost indicators like the price of the finished product, the of the company and financial reports.

2.3.2 Cost Leadership Strategy

A cost leadership position defends an organization against all competitive forces of competitive rivalry, suppliers' power, buyers' negotiation power, new entrants, and substitutes (Porter, 1980). Only a single firm in the industry can enjoy cost leadership position because a low overall cost position require and indeed depend on a relative high market share which allow a firm to invent and redesign the product to protect its market position It is achieved through a vigorous pursuit of cost reduction in all activities/processes. Major cost reduction strategies include tight cost and overhead control, avoidance of marginal customer accounts and minimization of spending in areas such as research and development. Firms using cost leadership strategies are advised to take care least they lose out to newcomers or followers who may capitalize of technological changes that nullify past investments by the industry leaders

2.3.3 Differentiation Strategy

Differentiation strategy is the strategy which a firm uses when the buyers needs are too diverse to be fully satisfied by a standard product or by sellers of identical products Mathur (1992) suggest in a situation where the products are identical, differentiation can be achieved either through differentiating the product or service (decommoditization). These firms can differentiate themselves from competitors by either offering high value or low cost to its customers. Firms are well advised to use this strategy with a lot of caution as it is likely to fail when customers fail to value the uniqueness of an organization to buy or where competitors moving quickly and copy it or matches it, thus diminishing the envisaged advantage. Strategy will deliver better results when it is based on a good understanding of the customer needs. Customers' needs keep on changing from time to time due to changing tastes and preferences. Understanding customers' needs is a critical element in the development and provision of high value products. Customers buy perceived value, which is the product of an efficient value chain.

There are many successful cases of the application of differentiation strategy. Mason (2004) study on Harley Davidson use of differentiation strategy to gain advantage over rivals is a strong case in point. The study demonstrates clearly that a differentiation strategy was implemented through designing distinctive products or services that create high value for their customers, thus justifying a premium price. But this approach to differentiation works best when there is a niche and a focus that separate the firm from its competitors. Differentiation may also arise from paying attention to physical uniqueness as well as intangible sources of value. Harley Davidson used the differentiation strategy to gain customer satisfaction and commitment. This was achieved through focusing on customer experience first and service second. Differentiation requires heavy investment in research design, materials and service.

2.3.4 Niche Strategy

A firm may decide to avoid operating in many market segments and instead focus on a few viable one where it has the capability to satisfy the target market better than competition. Focusing is a very risky strategy as competitors may find sub markets within the strategic target and out focus the focuser. Firms can easily overcome this possible risk by carefully selecting those targets that are least vulnerable and indeed those segments where there are no substitute or existing competitors are the weakest. Focusing can be achieved through low cost position with its strategic target, differentiation or both. There are many advantages for focusing on a few market segments instead of going for the mass. Firms focusing on a few markets may earn above average returns for the industry.

2.4 Empirical Literature on CSFs

Ultimately managers must look for effective ways to build competitive advantage. Sago (2003) has used five steps of competitive advantage building with success. The major steps are: specifying the target markets; identification of unmet opportunities to increase customer value in the offerings of the firm and its competitors; examination of the organization to see if the firm holds resource needed to meet this unmet needs/opportunities and not, developing plans to obtain them; examination of the firm to see if organizational capabilities needed are here in the firm and if not, institution of plans to develop and/obtain them and through integration of resources and capabilities, develop and use distinctive and relevant competencies within the business to provide increased customer value.

Though initially introduced to determine the information needs of managers, the current use of CSFs has grown to cover all legitimate areas of management (Vijay et al 1999). An example is the use of CSFs for identification of global business drives. The CSF technique has been assessed for reliability and consistency by comparing the results of management studies. The results published confirm that it is in deed a reliable technique. Munro (1983) reported in Vijay et al (1999). Literature on CSFs have identified numerous factors critical to success, these are taxonomized as follows;

Chen (1999); Gadenne (1998); Hamilton and English (1997) identified say the an organization need to establish a competitive advantage to ensure business sustainability based on organizational capabilities and competencies either based on organization structure or service.

"Do as I do, not as I say" (1995); Gadenne (1998); Hamilton and English, (1997) say that good management (ability to plan, organize, lead and control and suitability and the personal quality of the entrepreneur), access to adequate funding and good financial management (record keeping for tax purposes) are CSFs. Gadenne, (1998) further talks of maintaining and developing employee relations with an innovative leadership approach.

Connel et al. (2001); Cooper & Edgett (1996); Gadenne (1998) identifies the importance of having the right business idea (concept), marketing and the use of outside help. Other factors enumerated include; getting the right people involved with the right skills (Abetti, 2000; Connel et al., 2001; Cooper and Edgett, 1996; Gadenne, 1998; Hamilton and English, 1997); trade and industry knowledge ("Do as I do, not as I say", 1995); a good business planning which covers operational, strategic and visionary elements of the business (Abetti, 2000; Byers and k 2001; Connel et al., 2001; Dervitsiottis, 1999; Gadenne, 1998; Hamilton and English, 1997); the building in of a go/kill decision making processes (to identify whether a project should continue or discontinue) with a quality customer focus as the end point (Cooper and Edgett, 1996); the retention of organizational knowledge (good knowledge management), Lim at al., (1999); technical abilities (Scales & Meredith, 1991); monitoring of critical success factors and the management of information and information systems (Jenster, 1986); ability to perform at a satisfactory level across all identified CSFs (Connel et al., 2001); a focus on the few critical success factors identified for success (Jenster, 1986) and having a customer focus (Cooper and Rbgett, 1996; Dourado, 2001; Schultz and Kitchen, 2000).

In addition, there has been much research by psychologists into personality traits unique to the entrepreneur with the outcome of providing a 'checklist' critical for success (Cameron and Massey, 1999). These are: motivation (Cameron and Massey, 1999; Do as I do, not as I say", 1995; Hamilton and English, 1997; Handy, 1999); commitment (Cameron and Massey, 1999; Hamilton and English, 1997; Handy, 1999); tolerance for risk and ambiguity (Cameron and Massey, 1999; Hamilton and English, 1997; Handy, 1999); self confidence (Cameron and Massey, 1999; Hamilton and English, 1997; Handy, 1999); innovativeness, flexibility and leadership (Cameron and

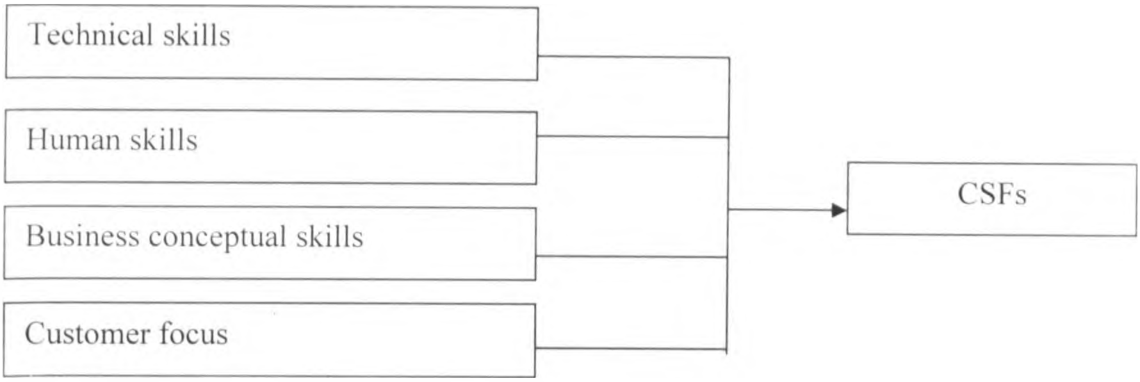
Massey, 1999; Hamilton and English, 1997; Handy, 1999); ability to set and achieve goals leadership (Hamilton and English, 1997) and ability to recognize and commercialize opportunities (Hamilton and English, 1997).

Dobbins's (2001) study suggests that merely having a list is not a prelude to success as managers need to be able to learn the CSFs and that these need to have some contextual relevance to the person. This entails some learning and instruction in the use and understanding of CSFs. The author states that CSFs will change depending upon the stage the project is in and also as a result of changes in technology. What is important is the important is the process engaged which identifies CSFs appropriateness at that particular time for the success of that venture and enables the measurement of its success. To ensure organizational learning continues, CSFs need to be documented and managed, so that there is a formal process rather that one that relies on intuition (Cornell et a., 2001; Dobbins, 2001; Lin et al., 1999). CSFs are a good way to focus on what is important and necessary for success (Dobbins, 2001). There is no simple formula for success, only a number of things that you must get right (Chen, 1999).

2.5 Model for CSFs

Figure 2.1 below was synthesized and operationalized by the researcher based on the findings of the literature review and helped define the boundaries and focus of the research (Miles and Hubermann, 1994). This approach ensured that the researcher is not overwhelmed by data that are meaningless for the study.

Figure 2.1: Model for CSFs



Source: Synthesis from literature review

Technical skills addressed CSFs related to good management of finance, access to funding, technical abilities, knowledge of the industry while human skills addressed CSFs related to good management of people, passion for what you are doing, maintaining good employee relations, involving the right people with the right skills, staff motivation and entrepreneur willingness to work long hours.

Business conceptual skills addressed CSFs related to establishing a competitive advantage, having the right idea, marketing, ability to perform across all critical success factors, business planning, the building of go/ kill decision making process, retention of organizational knowledge, innovativeness, the ability to set and achieve goals, the ability to recognize commercial opportunities, the use of outside help. Customer focus addressed CSFs related to good customer relations, flexibility to customer needs, product quality and issues of pricing.

2.6 Conclusion

From the foregoing literature, it is worth concluding that petrol retailers need to consistently stand out from their competitors on many levels including sales volume and growth and their longevity in the market in order to curve a success niche. Retailers need to display intangible characteristics that make them the best. Successful petrol retailing calls for innovativeness, adaptability, continuous innovation, adaptation, flexibility and customer focus. Whilst there has been much research concerning CSFs for small businesses in other industries (Chen, 1999; Yusuf, 1995) relatively little is known about the petroleum retailing sub industry especially in Kenya. It therefore appears that very little intellectual research has been published in the area of small businesses within the petroleum retailing industry. This research paper therefore aimed to fill that gap by addressing the aforementioned research questions.

CHAPTER THREE: RESEARCH METHODOLOGY

3.1 Research Design

This study was descriptive in nature and the researcher used survey method. Mugenda and Mugenda (1999) notes that a survey research attempts to collect data from members of a population and describes existing phenomena by asking individuals about their perception. attitudes behavior or values. Moreover, it explores the existing status of two or more variables at a given point in time. Primary data collected from such a population or census is more reliable and up-to-date. The descriptive research enhanced a systematic description that is as accurate, valid and reliable as possible regarding the responses on the CSFs from the dealers.

3.2 Population

The population for the research was the dealers of all the 150 petroleum products retailing petrol stations operating in Nairobi Province (Total, 2004).

3.3 Sampling Design

According to the Total (2004) Network Sales Business Review, Nairobi is split into five regions; these are Westlands, Eastlands, Southlands, North Nairobi and the City Center. This categorization is based on similarity within and differentiation between the five locations with regards to petroleum product pricing, competition dynamics and physical infrastructure of the stations and socio-economic status of the majority of the customers. The researcher used this classification model in the sample design. Stratified random sampling technique was therefore adopted in coming up with a representative sample of 50 retail stations as shown in Table 3.1 below. The major advantage of this sampling technique is that it substantially increases the likelihood of locating the desired characteristic in the population (Mugenda and Mugenda, 1999).

Table 3.1: Sample Design

Region	Population size	Sample proportion	Sample size
Westlands	24	.33	8
Eastlands	49	.33	17
Southlands (Langata Road)	34	.33	11
Thika Road	31	.33	10
City Center	12	.33	4
Total	150		50

Source: Total (2004)

3.4 Data collection

The researcher designed a semi-structured survey questionnaire incorporating the variables identified in the operational model. The list of the CSFs was then presented to the respondents (dealers) for evaluation on the importance of each factor on a 5-level Likert scale from 1 (not important) to 5 (critical). For purposes of data validation, the questionnaire was pilot tested with 10 dealers and final revisions effected. The researcher adopted personal interviews of the sampled dealers at their stations of work.

3.5 Data Analysis

Sample data from the field was screened for errors and omissions, and tested for normality and outliers. Descriptive analysis: frequency and percentages were used to identify the main critical success factors. The analysis was done using SPSS software, version 11.5.

CHAPTER FOUR: DATA ANALYSIS AND PRESENTATION OF RESULTS

4.1 Introduction

The researcher investigated the critical success factors in the petroleum products and the factors that influence petroleum product dealers' ability to address the same in Nairobi. The questionnaire was circulated to the entire 50-petroleum product retailing managers/ dealers/ owners of which 36 responded. The data was then analyzed on the basis of the response rate (n=36) and presented as below.

4.2 Organizational and Management Profile

Data captured in this section included: current capital outlay, monthly sales turnover, year of business establishment, number of station employees, level of education, professional qualifications, experience in petrol station management, age and gender of the station dealer/ owner/ manager.

Majority (77.8%) of the respondents indicated that their current capital outlay stands at above 3 million Kenya shillings (Table 4.1).

Table 4.1: Current capital outlay

	Frequency	Percent
1-3 million	8	22.2
4-6 million	14	38.9
More that 6 million	14	38.9
Total	36	100.0

Source: Survey Data (2005)

The findings point to the fact that petroleum retailing requires high capital investments, calling for the entrepreneurs to identify and implement the critical success factors in order that they safeguard any risk of business failure.

Majority (94.4%) of Petroleum product retailers' monthly sales turnover stands at 5 to more than 15 million Kenya shillings (Table 4.2).

Table 4.2: Monthly sales turnover in millions

	Frequency	Percent
Less than 5	2	5.6
5-9	8	22.2
10-14	8	22.2
More that 15	18	50.0
Total	36	100.0

Source: Survey Data (2005)

This point to the high cash flow that characterizes the business calling for efficient cash management policy to safeguard fraud and cash related risks.

Majority (72.2%) of the petroleum product retailers established business in the last five years confirming the increased trends in dealership changes in the recent past (Table 4.3).

Table 4.3: Year of establishment

	Frequency	Percent
1965	2	5.6
1993-1998	8	22.2
1999-2005	26	72.2
Total	36	100.0

Source: Survey Data (2005)

This could be attributed to the reduced earnings in the sector while shouldering high risks and increased management costs. This could also be a pointer to poor dealer-company relationships that characterizes the industry and creation of independent stations by the existing dealers.

Majority (94.6%) of the petroleum retailing stations employ between 11 to over 30 employees (Table 4.4)

Table 4.4: Total number of employees

	Frequency	Percent
Less than 10	2	5.6
11-20	20	55.6
21-30	8	22.2
Above 30	6	16.6
Total	36	100.0

Source: Survey Data (2005)

The findings imply that the industry is more labor intensive calling for more management effort and physical availability of the dealer.

Eighty eight percent (88%) of petroleum product retail managers/ dealers hold post-secondary education level (Table 4.5).

Table 4.5: Level of education of the manager/ dealer

	Frequency	Percent
Secondary	4	11.8
College	12	35.3
University degree	18	52.9
Total	34	100.0

Source: Survey Data (2005)

It may be argued that due to the high turn over and labor intensiveness in the retailing sector, tend to attract management with the above level of education. It is also one the requirement by multinationals who seek entrepreneurs in dealership contracts.

Except for 5.6% of managers/ dealers, the rest of the dealers hold professional qualifications in accountancy, business administration, economics, engineering, secretarial and stores management (Table 4.6).

Table 4.6: Professional Qualifications attained by station manager

	Frequency	Percent
Accountancy	10	27.8
Administration	6	16.4
Marketing/ Commerce/ Business ministration	10	27.8
Economics	2	5.6
Engineering	2	5.6
No profession	2	5.6
Secretarial	2	5.6
Store management	2	5.6
Total	36	100.0

Source: Survey Data (2005)

The management qualifications reflect on relevant knowledge necessary for efficient management and articulation of the CSFs for their petroleum retail businesses to remain on the competitive edge.

All the dealers/ station managers sampled have between 2 to more than 10 years in petrol station management (Table 4.7).

Table 4.7: Experience (in years) in petrol station management

	Frequency	Percent
2-5 years	22	61.1
6-10 years	6	16.7
More than 10 years	8	22.2
Total	36	100.0

Source: Survey Data (2005)

The data on the management experience on petroleum product retailing is likely to enhance the achievement of the CSFs since they are expected to have mastered the industry dynamics.

Majority (94.6%) of the respondents sampled were males pointing that petroleum product retailing is male dominated (Table 4.8).

Table 4.8: Gender

	Frequency	Percent
Male	34	94.4
Female	2	5.6
Total	36	100.0

Source: Survey Data (2005)

A possible reason could be due to the high capital and time requirement. It is perceived that females dominate small businesses that require relatively less capital outlay.

Seventy two percent of the dealer/ owner/ managers are aged between 46 to above 55 (Table 4.9).

Table 4.9: Age of dealer/ owner/ manager in years

	Frequency	Percent
36-45	10	28
46-55	16	44
Above 55	10	28
Total	36	100.0

Source: Survey Data (2005)

The findings on the age distribution of the petroleum retail dealers imply that the business is dominated by those in the retirement age pointing by extension that capital outlay and some experience are necessary in the business.

Majority (61.1%) of the study respondents were of the view that their businesses had, for the period covering the year 2003 been averagely successful (Table 4.10).

Table 4.10: Success in the business for the period covering the last one year

	Frequency	Percent
Poor	8	22.2
Average	22	61.1
Above average	6	16.7
Total	36	100.0

Source: Survey Data (2005)

This indicates that the petroleum product retailing sector is very competitive as margins are average. The cut-throat competition in the industry calls on the players to identify and implement the critical success factors to remain competitive. Average results may point to a sector that may not in the future attract potential investors.

4.3 Critical Success Factors in the Petroleum Products Retailing in Nairobi

Data captured in this section have been classified broadly as CSFs related to technical, human and conceptual skills and customer focus as presented in Tables 4.11, 4.12, 4.13 and 4.14 respectively.

4.3.1 CSFs Related to Technical Skills

Maintaining an efficient credit management policy is the main CSF related to technical skills that was implicated by 66.7% of the study respondents. Marketing of station brand, products and services; definition of expected return on capital employed and invested were each indicated by 44% of the respondents. Access to adequate financing of working capital was indicated by 38.9% while use of outside audit, marketing consultancy and knowledge of operation of petroleum products were indicated by 5.6% of the participants. The least number (2.8%) of participants indicated knowledge of petroleum industry as critical success factors in petroleum products retailing in Nairobi (Table 4.11).

Table 4.11: CSFs related to technical skills

Critical success factor rating	Frequency	Percentage
To maintain an efficient credit management policy	24	66.7%
Marketing of station brand, products and services	16	44.4%
Define expected return on capital employed and invested	16	44.4%
Access to adequate financing of working capital	14	38.9%
Management of operating costs to include utilities, services, procurements etc	8	22.2%
Safety requirement for the outlet	8	22.2%
Future traffic and demographic growth for the location	8	22.2%
Use of outside help e.g. audit, marketing etc	2	5.6%
Knowledge of operation of petroleum products	2	5.6%
Knowledge of petroleum industry	1	2.8%

Source: Survey Data (2005)

The findings implicate petroleum product retailers to pay attention to, in order of priority efficient credit management policy and marketing of station brand, products and services and define expected return on capital employed and invested in order that they curve a competitive niche. Efficient credit management policy regulates creditor risks thus limiting the possibility of bad debts. It also ensures steady cash flows as capital held by creditors is regulated. Failure to define business expectations and returns is likely to result in loss of focus on the CSFs.

4.3.2 CSFs Related to Human Skills

CSFs related to human skills were implicated by relatively less number of study respondents. While 33.3% indicated staff training, development and retention of staff as critical, 27.8% pointed management meetings and 22.2% each, use of appropriate leadership skills and right staff motivational methods. Maintenance of good employee relations, recruitment of right staff with the right skills, and employment of right staff level for each sales area were implicated as critical by each by 16.7% of the study respondents. Station organization and specification of staff roles was pointed out by 5.6% of the study participants (Table 4.12).

Table 4.12: CSFs related to Human skills.

Critical success factor rating	Frequency	Percentage
Staff training, development and retention of staff	12	33.3%
Holding management meetings	10	27.8%
Use of appropriate leadership skills to the operating team	8	22.2%
Employing the right staff motivational method	8	22.2%
Maintain good employee relations	6	16.7%
Recruiting the right staff with the right skills	6	16.7%
Employing the right staff level for each sales area.	6	16.7%
Maintaining station organization and specifying staff roles	2	5.6%

Source: Survey Data (2005)

The findings imply that management pay particular attention to staff training, development and retention, as this is likely to advance staff knowledge and skills, which in turn enhances their service delivery competences. Relevant staff knowledge advances a firm's competitive positioning in the market.

4.3.3 CSFs Related to Business Conceptual Skills

Location of station in respect to type of road, demographics and business activity and the use of effective financial controls and assessments of periodical returns were implicated by 97.2% and 94.4% of the study respondents as CSFs respectively. Stock, financial, staffing and equipment planning was indicated by 44.4% of the study respondents as critical. Tolerance for business risk (16.7%), quick and timely business decisions (11.1%), innovativeness and ability to set and achieve goals (11.1%) and maintain relevant statutory environmental standards and licensing (5.6%) were however indicated by relatively less number of study respondents (Table 4.13).

Table 4.13: CSFs related to business conceptual skills.

Critical success factor rating	Frequency	Percentage
Location of station in respect to type of road, demographics and business activity	35	97.2%
Use of effective financial controls and assessments of periodical returns	34	94.4%
Ability to perform across the perceived critical success factors	24	66.7%
Business planning: stock levels, finance, staffing, equipment etc	16	44.4%
The ability to recognize commercial opportunity	14	38.9%
Tolerance for ambiguity and risk e.g. roles and business operation	6	16.7%
Need to be independent and in charge of own destiny	4	11.1%
Quick and timely business decisions	4	11.1%
Innovativeness and ability to set and achieve goals	4	11.1%
Maintain relevant statutory environmental standards and licensing	2	5.6%

Source: Survey Data (2005)

Station location remains critical as it defines customer segmentation dynamics, which in turn determine customer buying power and consequently sales margins. Stations located in busy highways with high motor traffic are more likely to record higher sales volumes than their counterparts in less busy roads. Effective financial controls and assessments of periodical returns is critical as it is likely to reveal timely inherent business risks. Necessary and timely recovery measures can then be taken as a result.

4.3.4 CSFs Related to Customer Focus

Competitive product pricing and monitoring was indicated by majority (83.3%) of the study respondents as critical for success in petroleum retailing in Nairobi. Efficient and effective customer service and consistent product quality offering were each implicated by 66.7% of the study participants. Half (50%) of the respondents pointed that service diversification as critical to business success. Maintenance of good customer relational skills and flexibility to varying customer demands were confirmed by 33.3% of the respondents as critical for successes in the petroleum retailing. However, relatively less number of study respondents implicated efficient station lighting and security (27.8%) and good station standards and facilities (11.1%) as critical success factors in petroleum retailing in Nairobi (Table 4.14).

Table 4.14: CSFs related to customer focus.

Critical success factor rating	Frequency	Percentage
Competitive product pricing and monitoring	30	83.3%
Efficient and effective customer service	24	66.7%
Consistent product quality offered	24	66.7%
Diversification of services to suit customer needs e.g. shop, tires, oil change etc	18	50%
Easy access of station from the main road.	14	39.8%
Maintain good customer relational skills	12	33.3%
Flexibility to varying customer demands	12	33.3%
Efficient lighting of the station and security.	10	27.8%
Good station standards and facilities	4	11.1%

Source: Survey Data (2005)

The findings point to the fact that firms can outperform rivals by supplying the market at lowest price, efficient and effective customer service and consistent product quality offering and service diversification. These points to the need for firms in the petroleum retail industry to offer high value and low cost products and services to its customers in order that they remain on the competitive edge. A good understanding of the customers' diverse and dynamic needs is a critical success factor in the development and provision of high value products.

4.3.5 Other Identified CSFs

Other CSFs identified by majority of the participating respondents included: government policy and monopoly, adequate and comprehensive insurance cover for the business, dealer-oil company relationships and cost reduction strategies. Enforcement of the government policy and monopoly is weak, enabling the multinationals a privileged position as they regulate petrol product sourcing and retailing prices thorough cartels tendencies in contravention of the Petroleum Monopoly Act. This may favor the multinational oil companies' retail market leadership. The independent retail businesses tend to therefore to be guided on issues of price by the multinationals.

Adequate and comprehensive insurance cover for the petroleum product retailing business ensures that fire and theft related risks are addressed for business progression incase of such finality. By the very nature that petroleum products are highly flammable puts stations at a high risk of fire. High state of insecurity especially on high ways justifies theft risks insurance cover.

4.4 Factors that influence Petroleum Product Dealers' Ability to Address the CSFs

Enforcement of the government policy on fuel monopolistic tendencies, management of fuelling equipments and pumps and maintenance of civil works are the major challenges facing independent petroleum products retailers' ability to address the critical success factors. Due to inadequate fuel monopoly policy enforcement, the multinationals dictate fuel prices at the depot where independent petroleum product retailers buy products. The multinationals, by the very fact that they are market leaders in petroleum product retailing, determine industry trends including fuel pricing. The dynamic realignment by the market forces of fuel demand and supply affect the independents' ability to articulate competitive fuel pricing thus reducing their profit margins. The multinationals dominate both petroleum product sourcing and retailing, leaving the independents vulnerable to their policies. Also, high initial capital outlay cost has to be met by the independent entrepreneur.

The CSFs that are beyond the scope of the majority of petroleum products dealers to address include product branding, service marketing and product pricing and station location as these are prerogative decisions of the multinational oil companies. The multinationals make independent decisions with minimum consultations with station dealers. Dealership margins are also fixed by the oil company and do not vary with the fuel prices which keeps on fluctuating upwards thus affecting the working capital negatively. Multinationals also ask for higher station rentals and royalties. However, the multinationals oil companies bare the cost of provision and maintenance of fuelling equipments, pumps and civil works as opposed to the case of independent petroleum product retailers who bear the same costs. The other advantage of multinationals is free training and seminars for their dealers.

CHAPTER FIVE: SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

5.1 Summary of Findings

The critical success factors identified by more than half of the respondents include: location of station in respect to type of road, demographics and business activity; use of effective financial controls and assessments of periodical returns; competitive product pricing and monitoring; manager's ability to perform across the critical success factors; efficient and effective customer service; consistent product quality offering; maintenance of an efficient credit management policy and diversification of services.

Enforcement of the government policy on fuel monopoly, management of fuelling equipments and pumps and maintenance of civil works are the major challenges facing independent petroleum products retailers' ability to address the critical success factors. On the other hand, dealers' ability to address the CSFs are constrained in product branding, service marketing, product pricing, and station location, as these remain prerogative decisions of the multinational oil companies. The multinationals make independent decisions with minimum prior consultations with station dealers. Dealership margins are also fixed by the oil company and do not vary with the fuel prices which keeps on fluctuating upwards thus affecting the working capital negatively. Multinationals also ask for higher station rentals and royalties.

5.2 Conclusions and Recommendations

The findings point to a number of implications for petroleum product retailers (dealers and independent), the government, and the multinationals. The designing and implementation of petroleum product retailing business should be based on the identification and prioritization of the eight main critical success factors, starting with location, use of effective financial controls and assessments of periodical returns, competitive product pricing and monitoring, efficient and effective customer service, consistent product quality offering, maintenance of an efficient credit management policy and diversification of services in that order. The different CSFs should be addressed at different times in different ways depending on the availability of resources and situations in the operating environment. A proactive entrepreneurial development program for the retailers requires long-term view of current positioning in the market. Sustainable and long lasting solutions need to be the focus.

It can also be concluded that while petroleum monopoly policy is on paper, questions regarding its practicality and enforcement remain a challenge to the success of petroleum product retailing especially for the independents as the multinationals continue to dominate fuel pricing both at the depot and at the retail level. This questions whether the petroleum market has been fully deregulated. This calls for a strategic and collective approach, incorporating the independent retailers and the Ministry of Energy to chart the way forward. In this respect, the independent retailers could consider forming alliances among themselves to create a voice and channel their interests.

While independent petroleum product retailers' ability to dress the CSFs related especially to product sourcing and pricing are constrained by the multinational oil companies, the dealers attached to the multinationals benefit from maintenance of fuelling equipments, pumps and civil works. The latter also get incentives like business skill training and seminars. However, the dealers' profit margins are fixed and the independents have to bear high initial capital outlay. This pattern depicts an unfavorable trading environment for both the dealers and the independents and could sound a future retarded growth in the sector.

In the mean time and in the event that the current status quo remains, the researcher recommends that future entrepreneurs wishing to venture into petroleum product retailing consider investments where the eight key critical success factors can be employed to ensure acceptable returns. The idea of the petroleum product retail station being strategically located is the most critical to success in the business.

5.3 Recommendations for Further Study

In concluding this study, it is recommended that future researchers gear their efforts to the following areas:

1. The emergence and development of the post deregulation era for the independent petroleum product dealers in Kenya.
2. The implication of petroleum monopoly policy enforcement on the petroleum product retailing industry.

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Appendix i: Work Plan

	Calendar year 2005							
Activity	Jan.	Feb.	Mar.	Apr.	May	Jun.	Jul.	Aug
Problem Identification								
Topic selection								
Topic approval by UoN								
Proposal writing								
Literature review								
Questionnaire design & refining								
Data collection								
Data organization, analysis								
Report writing								
Presentation								
Final report								

Source: Author 2005

Appendix ii: Questionnaire

Instructions to respondents

1. **It is extremely important that you are honest in your responses**
2. **Your answers to these questions remain completely confidential and anonymous**

Section a: Organization profile

1. Location (Tick)

Westlands ☐ **Eastlands** ☐ **Southlands/ Langata road** ☐

Thika road and its environs ☐ **City Center** ☐

2. Current capital outlay

Less than 1 million ☐ **1-3 million** ☐ **4-6 million** ☐

More that 6 million ☐

3. Monthly sales turnover in millions

Less than 5 ☐ **5-9** ☐ **10-14** ☐

More that 15 ☐

4. Year of establishment……………………………………………………………

5. Total number of employees…………………………………………………………

Section b: Management profile

6. Level of education of the manager/ dealer

Secondary ☐ **College** ☐ **University degree** ☐

7. Professional Qualifications attained ....

8. Experience (in years) in petrol station management.......................................

9. Ownership: **Independent** ☐ **Licensee/ licensor arrangement** ☐

10. Age of dealer/ owner/ manager in years..

11. Gender **Male** ☐ **Female** ☐

12. Does your business operate under preset targets (sales turnover, profit etc) by the

owner? **Yes** ☐ **No** ☐

Licensor? **Yes** ☐ **No** ☐

13. How would you describe you success in the business for the period covering the last one year?

Poor ☐ **Average** ☐ **Above average** ☐

Section c: CSFs related to technical skills.

Read through this section first and then allocate weight for each factor as defined below.
Tick the appropriate box:

Not important; Slightly important; Important; Very important; critical

1	2	3	4	5

1. To maintain an efficient credit management policy
[1] [2] [3] [4] [5]

2. Access to adequate financing of working capital
[1] [2] [3] [4] [5]

3. Knowledge of operation of petroleum products
[1] [2] [3] [4] [5]

4 Knowledge of petroleum industry
[1] [2] [3] [4] [5]

5. Safety requirement for the outlet
[1] [2] [3] [4] [5]

6. Marketing of station brand, products and services
[1] [2] [3] [4] [5]

7. Future traffic and demographic growth for the location
[1] [2] [3] [4] [5]

8. Use of outside help e.g. audit, marketing etc
[1] [2] [3] [4] [5]

9. Define expected return on capital employed and invested
[1] [2] [3] [4] [5]

10. Management of operating costs to include utilities, services, procurements etc
[1] [2] [3] [4] [5]

Section d: CSFs related to Human skills.

Read through this section first and then allocate weight for each factor as defined below.
Tick the appropriate box.

Not important; Slightly important; Important; Very important; Critical

1	2	3	4	5

1. Maintain good employee relations
   [1] [2] [3] [4] [5]

2. Recruiting the right staff with the right skills
   [1] [2] [3] [4] [5]

3. Employing the right staff motivational method
   [1] [2] [3] [4] [5]

4. Use of appropriate leadership skills to the operating team
   [1] [2] [3] [4] [5]

5. Staff training, development and retention of staff
   [1] [2] [3] [4] [5]

6. Maintaining station organization and specifying staff roles
   [1] [2] [3] [4] [5]

7. Employing the right staff level for each sales area.
   [1] [2] [3] [4] [5]

8. Holding management meetings and gang review
   [1] [2] [3] [4] [5]

Section e: CSFs related to Business conceptual skills.

Read through this section first and then allocate weight for each factor as defined below.
Tick the appropriate box.

Not important; Slightly important; Important; Very important; Critical

1	2	3	4	5

1. Need to be independent and in charge of own destiny
[1] [2] [3] [4] [5]

2. Tolerance for ambiguity and risk e.g. roles and business operation
[1] [2] [3] [4] [5]

3. Location of station in respect to type of road, demographics and business activity
[1] [2] [3] [4] [5]

4. Ability to perform across the perceived critical success factors
[1] [2] [3] [4] [5]

5. Business planning: stock levels, finance, staffing, equipment etc
[1] [2] [3] [4] [5]

6. Quick and timely business decisions
[1] [2] [3] [4] [5]

7. Innovativeness and ability to set and achieve goals.
[1] [2] [3] [4] [5]

8. The ability to recognize commercial opportunity
[1] [2] [3] [4] [5]

9. Use of effective financial controls and assessments of periodical returns.
[1] [2] [3] [4] [5]

10. Maintain relevant statutory environmental standards and licensing.
[1] [2] [3] [4] [5

Section f: CSFs related to customer focus.

Read through this section first and then allocate weight for each factor as defined below.
Tick the appropriate box.

Not important; Slightly important; Important; Very important; Critical

1	2	3	4	5

1. Maintain good customer relational skills
   [1] [2] [3] [4] [5]

2. Flexibility to varying customer demands
   [1] [2] [3] [4] [5]

3. Competitive product pricing and monitoring
   [1] [2] [3] [4] [5]

4. Efficient and effective customer service
   [1] [2] [3] [4] [5]

5. Diversification of services to suit customer needs e.g. shop, tires, oil change etc
   [1] [2] [3] [4] [5]

6. Consistent product quality offered
   [1] [2] [3] [4] [5]

7. Efficient lighting of the station and security.
   [1] [2] [3] [4] [5]

8. Good station standards and facilities
   [1] [2] [3] [4] [5]

9. Easy access of station from the main road.
   [1] [2] [3] [4] [5]

Table 4.27: Employing the right staff motivational method

	Frequency	Percent	Cumulative Percent
Slightly important	4	11.1	11.1
Important	10	27.8	38.9
Very important	14	38.9	77.8
Critical	8	22.2	100.0
Total	36	100.0	

Source: Survey Data (2005)

Table 4.28: Use of appropriate leadership skills to the operating team

	Frequency	Percent	Cumulative Percent
Slightly important	4	11.1	11.1
Important	10	27.8	38.9
Very important	14	38.9	77.8
Critical	8	22.2	100.0
Total	36	100.0	

Source: Survey Data (2005)

Table 4.29: Staff training, development and retention of staff

	Frequency	Percent	Cumulative Percent
Important	6	16.7	16.7
Very important	18	50.0	66.7
Critical	12	33.3	100.0
Total	36	100.0	

Source: Survey Data (2005)

Table 4.30: Maintaining station organization and specifying staff roles

	Frequency	Percent	Cumulative Percent
Important	18	50.0	50.0
Very important	18	50.0	100.0
Total	36	100.0	

Source: Survey Data (2005)

Appendix iii: Results (CSFs)

Table 4.15: To maintain an efficient credit management policy

	Frequency	Percent	Cumulative Percent
Important	2	5.6	5.6
Very important	10	27.8	33.3
Critical	24	66.7	100.0
Total	36	100.0	

Source: Survey Data (2005)

Table 4.16: Access to adequate financing of working capital

	Frequency	Percent	Cumulative Percent
Important	6	16.7	16.7
Very important	16	44.4	61.1
Critical	14	38.9	100.0
Total	36	100.0	

Source: Survey Data (2005)

Table 4.17: Knowledge of operation of petroleum products

	Frequency	Percent	Cumulative Percent
Not important	2	5.6	5.6
Slightly important	6	16.7	22.2
Important	22	61.1	83.3
Very important	4	11.1	94.4
Critical	2	5.6	100.0
Total	36	100.0	

Source: Survey Data (2005)

Table 4.18: Knowledge of petroleum industry

	Frequency	Percent	Cumulative Percent
Not important	8	22.2	22.2
Slightly important	4	11.1	33.3
Important	18	50.0	83.3
Very important	6	16.7	100.0
Total	36	100.0	

Source: Survey Data (2005)

Table 4.19: Safety requirement for the outlet

	Frequency	Percent	Cumulative Percent
Slightly important	2	5.6	5.6
Important	16	44.4	50.0
Very important	10	27.8	77.8
Critical	8	22.2	100.0
Total	36	100.0	

Source: Survey Data (2005)

Table 4.20: Marketing of station brand, products and services

	Frequency	Percent	Cumulative Percent
Important	12	33.3	33.3
Very important	8	22.2	55.6
Critical	16	44.4	100.0
Total	36	100.0	

Source: Survey Data (2005)

Table 4.21: Future traffic and demographic growth for the location

	Frequency	Percent	Cumulative Percent
Important	12	33.3	33.3
Very important	16	44.4	77.8
Critical	8	22.2	100.0
Total	36	100.0	

Source: Survey Data (2005)

Table 4.22: Use of outside help e.g. audit, marketing etc

	Frequency	Percent	Cumulative Percent
Slightly important	18	50.0	50.0
Important	16	44.4	94.4
Critical	2	5.6	100.0
Total	36	100.0	

Source: Survey Data (2005)

Table 4.23: Define expected return on capital employed and invested

	Frequency	Percent	Cumulative Percent
Important	6	16.7	16.7
Very important	14	38.9	55.6
Critical	16	44.4	100.0
Total	36	100.0	

Source: Survey Data (2005)

Table 4.24: Management of operating costs to include utilities, services, procurements

	Frequency	Percent	Cumulative Percent
Slightly important	2	5.6	5.6
Important	10	27.8	33.3
Very important	16	44.4	77.8
Critical	8	22.2	100.0
Total	36	100.0	

Source: Survey Data (2005)

Table 4.25: Maintain good employee relations

	Frequency	Percent	Cumulative Percent
Important	18	50.0	50.0
Very important	12	33.3	83.3
Critical	6	16.7	100.0
Total	36	100.0	

Source: Survey Data (2005)

Table 4.26: Recruiting the right staff with the right skills

	Frequency	Percent	Cumulative Percent
Important	18	50.0	50.0
Very important	12	33.3	83.3
Critical	6	16.7	100.0
Total	36	100.0	

Source: Survey Data (2005)

Table 4.31: Employing the right staff level for each sales area.

	Frequency	Percent	Cumulative Percent
Important	18	50.0	50.0
Very important	12	33.3	83.3
Critical	6	16.7	100.0
Total	36	100.0	

Source: Survey Data (2005)

Table 4.32: Holding management meetings and gang review

	Frequency	Percent	Cumulative Percent
Slightly important	4	11.1	11.1
Important	4	11.1	22.2
Very important	18	50.0	72.2
Critical	10	27.8	100.0
Total	36	100.0	

Source: Survey Data (2005)

Table 4.33: Need to be independent and in charge of own destiny

	Frequency	Percent	Cumulative Percent
Not important	6	16.7	16.7
Slightly important	10	27.8	44.4
Important	16	44.4	88.9
Critical	4	11.1	100.0
Total	36	100.0	

Source: Survey Data (2005)

Table 4.34: Tolerance for ambiguity and risk e.g. roles and business operation

	Frequency	Percent	Cumulative Percent
Slightly important	6	16.7	16.7
Important	14	38.9	55.6
Very important	10	27.8	83.3
Critical	6	16.7	100.0
Total	36	100.0	

Source: Survey Data (2005)

Table 4.35: Location of station in respect to type of road, demographics and business activity

	Frequency	Percent	Cumulative Percent
Critical	35	97.2	100.0
Important	1	2.8	
Total	36	100	

Source: Survey Data (2005)

Table 4.36: Ability to perform across the perceived critical success factors

	Frequency	Percent	Cumulative Percent
Slightly important	2	5.6	5.6
Important	10	27.8	33.3
Very important	20	55.6	88.9
Critical	4	11.1	100.0
Total	36	100.0	

Source: Survey Data (2005)

Table 4.37: Business planning: stock levels, finance, staffing, equipment etc

	Frequency	Percent	Cumulative Percent
Important	4	11.1	11.1
Very important	16	44.4	55.6
Critical	16	44.4	100.0
Total	36	100.0	

Source: Survey Data (2005)

Table 4.38: Quick and timely business decisions

	Frequency	Percent	Cumulative Percent
Important	6	16.7	16.7
Very important	26	72.2	88.9
Critical	4	11.1	100.0
Total	36	100.0	

Source: Survey Data (2005)

Table 4.39: Innovativeness and ability to set and achieve goals

	Frequency	Percent	Cumulative Percent
Important	10	27.8	27.8
Very important	22	61.1	88.9
Critical	4	11.1	100.0
Total	36	100.0	

Source: Survey Data (2005)

Table 4.40: The ability to recognize commercial opportunity

	Frequency	Percent	Cumulative Percent
Important	10	27.8	27.8
Very important	12	33.3	61.1
Critical	14	38.9	100.0
Total	36	100.0	

Source: Survey Data (2005)

Table 4.41: Use of effective financial controls and assessments of periodical returns

	Frequency	Percent	Cumulative Percent
Very important	2	5.6	5.6
Critical	34	94.4	100.0
Total	36	100.0	

Source: Survey Data (2005)

Table 4.42: Maintain relevant statutory environmental standards and licensing.

	Frequency	Percent	Cumulative Percent
Important	24	66.7	66.7
Very important	10	27.8	94.4
Critical	2	5.6	100.0
Total	36	100.0	

Source: Survey Data (2005)

Table 4.43: Maintain good customer relational skills

	Frequency	Percent	Cumulative Percent
Important	14	38.9	38.9
Very important	10	27.8	66.7
Critical	12	33.3	100.0
Total	36	100.0	

Source: Survey Data (2005)

Table 4.44: Flexibility to varying customer demands

	Frequency	Percent	Cumulative Percent
Slightly important	4	11.1	11.1
Important	20	55.6	66.7
Very important	12	33.3	100.0
Total	36	100.0	

Source: Survey Data (2005)

Table 4.45: Competitive product pricing and monitoring

	Frequency	Percent	Cumulative Percent
Very important	6	16.7	16.7
Critical	30	83.3	100.0
Total	36	100.0	

Source: Survey Data (2005)

Table 4.46: Efficient and effective customer service

	Frequency	Percent	Cumulative Percent
Important	4	11.1	11.1
Very important	8	22.2	33.3
Critical	24	66.7	100.0
Total	36	100.0	

Source: Survey Data (2005)

Table 4.47: Diversification of services to suit customer needs e.g. shop, tires, oil change etc

	Frequency	Percent	Cumulative Percent
Important	6	16.7	16.7
Very important	12	33.3	50.0
Critical	18	50.0	100.0
Total	36	100.0	

Source: Survey Data (2005)

Table 4.48: Consistent product quality offered

	Frequency	Percent	Cumulative Percent
Important	4	11.1	11.1
Very important	8	22.2	33.3
Critical	24	66.7	100.0
Total	36	100.0	

Source: Survey Data (2005)

Table 4.49: Efficient lighting of the station and security

	Frequency	Percent	Cumulative Percent
Important	16	44.4	44.4
Very important	10	27.8	72.2
Critical	10	27.8	100.0
Total	36	100.0	

Source: Survey Data (2005)

Table 4.50: Good station standards and facilities

	Frequency	Percent	Cumulative Percent
Important	16	44.4	44.4
Very important	16	44.4	88.9
Critical	4	11.1	100.0
Total	36	100.0	

Source: Survey Data (2005)

Table 4.51: Easy access of station from the main road

	Frequency	Percent	Cumulative Percent
Important	4	11.1	11.1
Very important	18	50.0	61.1
Critical	14	38.9	100.0
Total	36	100.0	

Source: Survey Data (2005)