

**A SURVEY OF FACTORS INFLUENCING CONSUMERS' CHOICE OF
PETROLEUM BRANDS IN KENYA: A CASE STUDY OF THE NAIROBI
CITY**

BY

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Declaration

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

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Dedication

I dedicate this research report to my family members and colleagues at Kenya Shell Limited for being supportive during my studies

Acknowledgement

This study is as a result of hard work in which I have been accompanied and supported by many people to whom I am happy to express my gratitude. In particular, I would like to express my sincere appreciation to my supervisor Dr. Robert M. Ayot, for his valuable guidance and inspiration through out the study.

I would also like to acknowledge the assistance provided by the staff of the sampled petrol stations within Nairobi City in allowing me to interview customers within their business premises. Finally, I would like to thank my family and friends for sharing with me the difficulties I encountered during the process of finalizing this study. I wish you all peace and God's abundant blessings.

Abstract

The general purpose of this study was to establish the factors that influence consumers of petroleum products in the choice of petroleum brands in the market. The study sought to answer the following objectives: identify the factors that influence consumer's choice of petroleum brands; to determine the extent to which the factors affect consumer's choice of petroleum brands; and to examine how the price, product, place and promotion (4Ps) of marketing rank in importance to the consumer choice of petroleum brands. The research adopted a descriptive research design. The target population for this study was all the small-scale consumers of petroleum products in Nairobi region. A sample of 41 stations was drawn from a list obtained from PIEA. Two customers were interviewed from each petrol station. The questionnaire was the principal tool in collecting primary data. The data was analyzed by applying both qualitative and quantitative data

Various factors were identified to influence the consumers' choice of the petroleum brands to purchase. These included price; recommendations from experts and colleagues; quality of service; returns from the business; how often one frequents the petrol station as a customer; authority from the workplace; vehicle manufacturers' specifications; customers taste and preferences; conformity of equipment (e.g. LPG regulators are specific to gas cylinders of certain brands); ease of availability of substitutes; perceived quality of certain brands as compared to others; and brand loyalty that arises as a result of desire by customers to maintain a record of service for their vehicles. The 4Ps model of marketing is made up of Price, Promotion, Place and Products. According to the findings of this study, the 4Ps rank in the order of Price, Product, Place and Promotion. These findings whilst not surprising adds to the knowledge of the buying behaviour of users and extends the work that has previously been undertaken to investigate brand loyalty of consumers. The study recommends various measures towards improvement of quality and pricing of petroleum brands. It is also recommended to researchers that a research to cover the whole country would be essential to give an indication of whether or not the upcountry populace would display similar trends as Nairobi and its surroundings.

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List of Abbreviations and Acronyms

4Ps	:	Product, Promotion, Place and Promotion
LPG	:	Liquefied Petroleum Gas
PIEA	:	Petroleum Institute of East Africa
SERVPERF	:	Service Performance Scale
SERVQUAL	:	Service Quality Scale
SPSS	:	Statistical Package for Social Sciences
UNCTAD	:	United Nations Conference on Trade and Development

CHAPTER ONE

INTRODUCTION

1.1. Background to the Study

Kenya's competition law is contained in the Restrictive Trade Practices Monopolies and Price Control Act (Chapter 504 of the Laws of Kenya) which came into force on 1 February 1989. The Act replaced the Price Control Act, which was repealed, but the previous price control provisions were incorporated into the new law, which was intended to be a transitional measure to allow Kenya to move from a price control regime to a competitive market economy. The intention was that the "government will rely less on instruments of direct control and increasingly on competitive elements in the economy". Part IV of the Act relating to the control and display of prices has not been used since 1994 when petroleum products were the last item to be removed from the price control regime (United Nations Conference on Trade and Development [UNCTAD], 2005).

The government of Kenya regulated the oil industry in Kenya in the early 1990s. During this period, the transnational oil marketing companies like British Petroleum, Shell Oil Company, Caltex Oil Company, Agip Oil Company, Exxon Oil Company, and Total Oil Company were not free to buy crude oil from any source. It was mandatory that these companies buy their crude requirements from the National Oil Corporation of Kenya; a parastatal fully owned by the government of Kenya and incorporated in April 1981 under the state corporations Act and the company Act (Cap 486) (Republic of Kenya, 2004a).

In January 2004, The Monopolies and Prices Commission of Kenya prepared reports on the state of competition and the possible existence of restrictive trade practices in eight sectors of the economy. In the petroleum sector, the Commission investigated pricing in four products, namely premium petrol, regular petrol, diesel and kerosene in the Nairobi area. The national market has five main players with a combined market share of 82 per cent. The companies in this industry determined their prices using the cost build-up process together with the import parity pricing and then add their margins (Republic of Kenya, 2004b).

Given that the price elasticity of demand for petroleum products is generally inelastic, oil companies can be expected to pass on to consumers the whole cost increment. The Commission found that over the period examined (July 2003 and May 2004); the aggregate expected changes in the prices of premium and regular petrol were less than the actual changes, while for diesel and kerosene the observed changes were more than the actual changes. This was attributed to the presence of other variable costs. There were instances of parallel price movements, but these did not occur with high enough frequency to justify allegations of explicit coordination (Republic of Kenya, 2004b).

Improved economic growth has also led to growth of various sectors of the economy, including the oil sector where a growth of 8% in investments was experienced in 2003 (Republic of Kenya, 2004c). This was evidenced by the increase in the number of petrol stations owned by independent dealers and major oil companies. In pursuit of gaining and retaining a large market share in the oil industry, the major oil companies and the

independent petroleum dealers in the past made several competitive moves to attract the consumers into purchasing their products and services.

These are: competitive pricing - raising or lowering prices to gain a temporary advantage (Kotler, 2000). This is usually manifested by the adjustments made to shelf/pump prices for various petroleum products to gain a temporary competitive advantage over that of the rivals in the oil industry; Improving product differentiation - improving features, implementing innovations in the customer service processes hence making their products and service unique (Porter, 1980); and creatively using channels of distribution - using vertical integration or using distribution channels that are novel to the industry. This therefore necessitates a need for a study to determine whether some of these moves had a significant impact into influencing consumers' choice of petroleum brands in the Kenyan market.

1.2. Statement of the Problem

In developing countries such as Kenya, poor people can participate in markets in a number of ways. As consumers, they can benefit from lower prices, improved quality and more choice, which are the expected outcomes of a competitive market (UNCTAD, 2005). Poor people can also participate in the market as entrepreneurs, particularly if there is scope to establish small businesses (Njoroge, 2004). The liberalization of the petroleum sector saw increased investment by independent dealership that led to an increase in the number of petrol stations in the country. This has since resulted to increased competition in the petroleum sector, as well as provided a variety from which consumers can choose from.

A number of empirical studies have documented that by actively managing their product lines in addition to other marketing-mix instruments such as price and promotions, firms are better able to face competitive pressures and retain their loyal customers. For example, by offering broader product lines, firms can increase their market share and profitability (Kadiyali, Vilcassim and Chintagunta, 2000) and preempt competitive entry as well as soften price competition and achieve higher margins. This study sought to address the existing gaps in the petroleum sector by determining the factors influencing consumers' demand for petroleum products.

1.3. Purpose of the Study

The general purpose of this study was to establish the factors that influence consumers of petroleum products in the choice of petroleum brands in the market.

1.4. Objectives of the Study

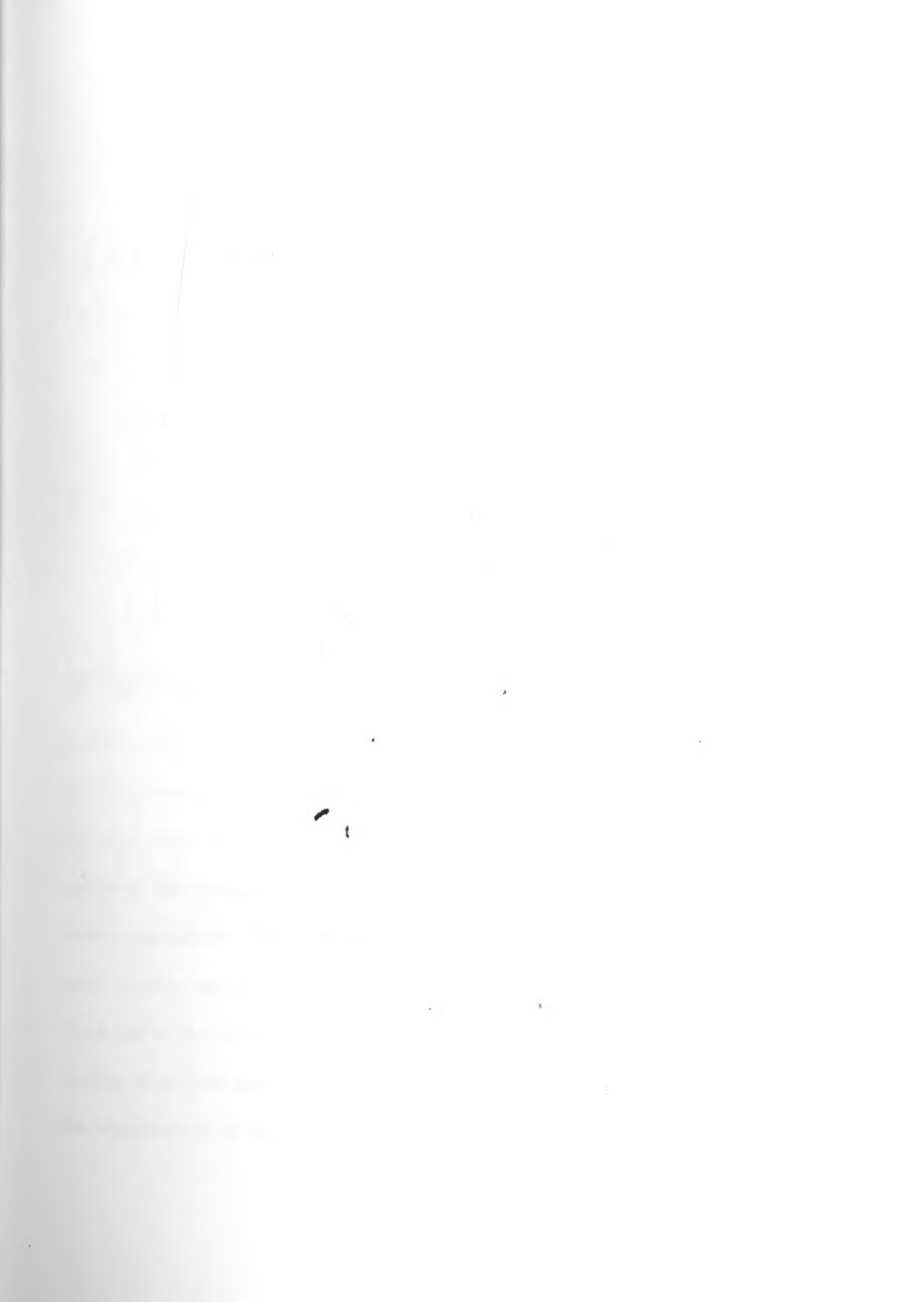
The study sought to answer the following objectives:

- a) To identify the factors that influence consumer's choice of petroleum brands.
- b) To determine the extent to which the factors affect consumer's choice of petroleum brands.
- c) To examine how the price, product, place and promotion (4Ps) of marketing rank in importance to the consumer choice of petroleum brands

1.5. Research Questions

The study sought to answer the following research questions:

- a) What are the factors influencing consumer's choice of petroleum brands in the Kenyan market?



- b) To what extent does each of the factors affect consumer's choice of petroleum brands?
- c) What is the ranking in importance of the 4 P'S s of marketing in regard to consumption of petroleum products in Kenya?

1.6. Basic Assumptions

The study was based on the following assumptions:

- a) That the purchase of petroleum brands is not dependent on the demographic characteristics of the consumer
- b) That findings derived from consumers within Nairobi region are generalizable to represent the entire petroleum industry in Kenya
- c) That the respondents (petroleum products' consumers) will give unbiased information during field study

1.7. Significance of the Study

For the petroleum dealers, the findings from this study will inform on various demand-specific characteristics that they can improve on in order attract and retain customers. On the other hand, the study will also inform the independent dealers on the strategies applied by the station dealers from multinational oil companies hence they will be able to position themselves well in the already competitive environment. The findings of the study will also seek to inform the Government and the policy makers in the Ministry of Trade on the factors that drive demand for petroleum products which will further help in drafting of policies geared towards deregulation, control of cartel-like operators; and in the regulation of the entire oil industry. Finally, the study will provide information to

future scholars and researchers who might need to research on marketing aspects in any industrial sector in Kenya.

1.8. Definition of Significant Terms in the Study

Brand: This refers to a name given to a product or service

Petrol Station: This refers to a retail outlet from which various petroleum products are offered for sale.

Consumer: This refers to a person who uses goods or services

Advertising: It is any non personal paid form of communication using any form of mass media.

Public relations: Involves developing positive relationships with the organization media public. The art of good public relations is not only to obtain favorable publicity within the media, but it is also involves being able to handle successfully negative attention.

Sales promotion: Commonly used to obtain an increase in sales short term. It could also involve using money off coupons or special offers.

Personal selling: Selling a product service one to one.

1.9. Organization of the Study

The rest of the report is organized as follows: Chapter two provides a review of empirical literature on the factors influencing consumers' choice of product brands, including the conceptual framework. Chapter three gives details on methodological approaches that were applied in executing the study. Chapter four is a presentation of the findings from the field research. The chapter provides a basis from which the conclusions of the study were drawn. Chapter five provides a discussion of findings, conclusions and recommendations.

CHAPTER TWO

REVIEW OF RELATED LITERATURE

2.1. Introduction

This chapter presents a review of the related literature on the subject under study presented by various researchers, scholars, analysts and authors. The research has drawn materials from several sources which are closely related to the theme and the objectives of the study. Models by writers are used to illustrate the various sub topics mentioned in the objectives of the study.

2.2. Determinants of Consumers' Choice to Brands

2.2.1. Service Mix

Marketing mix is a plan designed to analyze the marketing problems by utilizing the important forces emanating from the marketing operations of an enterprise (Draganska and Jain, 2001). These elements of market mix are product place (distribution); service mix and promotional (communication mix).

Production mix refers to different classes of product in different product lines. The firm has to see that its products suit the particular market, it has selected. Distribution mix entails distribution channels for transmitting the goods from the producer to the consumer for example, Wholesalers, retailers, or direct to consumers. The company chooses how convenient it reaches the consumer. Communication mix includes sales promotion techniques such as advertising, sales promotion, and personal selling. It gives full

information regarding qualities and characteristics of company's product and company with other products of similar nature so that a customer can choose from. Service mix on the other hand refers to the various services to be provided to the customer before and after sales period (Draganska and Jain, 2001; Kim, Allenby and Rossi, 2002).

According to Lovelock and Wright (2002), the services marketing mix is an extension of the 4-Ps framework. The essential elements of *product*, *promotion*, *price* and *place* remain but three additional variables – *people*, *physical evidence* and *process* – are included to 7-Ps mix. The need for the extension is due to the high degree of direct contact between the service providers and the customers, the highly visible nature of the service process, and the simultaneity of the production and consumption. While it is possible to discuss people, physical evidence and process within the original-Ps framework (for example people can be considered part of the product offering) the extension allows a more thorough analysis of the marketing ingredients necessary for successful services marketing (Heller, 2001).

Cowell (1984) states that what is significant about services are the relative dominance of intangible attributes in the make-up of the "service product". Services are a special kind of product. They may require special understanding and special marketing efforts. The three additional P's and their significance in influencing the service mix are people, physical evidence, and process.

The 'People' P arise because of the simultaneity of production and consumption in services. The staff occupies the key position in influencing customer's perceptions of

product quality. In fact, the service quality is inseparable from the quality of service provider (Kotler, Armstrong, Saunders and Wong, 1999). An important marketing task is to set standards to improve quality of services provided by employees and monitor their performance. Without training and control, employees tend to be variable in their performance leading to variable service quality. Training is crucial so that employees understand the appropriate forms of behaviour and trainees adopt the best practices of the andragogy.

2.2.2. Cost and Pricing of Products

According to Kotler (2000), price is the exchange value of good/service in terms of money. It is one of the marketing-mix elements used to adjust-product features, channels and promotion. Besides, Price communicates to the market. A firm must set a price for its product so that a firm can earn a profit. The factors influencing the setting of a price include Economic factors; Social factors; Political factors; Cost factors; Firms objectives; and Level of Competition (Kotler, 2000). Price decision is handled in a variety of ways in different companies. In small companies, the Top management sets price. In big companies, the pricing is handled by divisional and product line managers while the top managers set general guidelines for the products price (Melville, Kraemer and Gurbaxani, 2004). The prices for petroleum products in Kenya are regulated based on international crude oil prices, government taxes, refinery costs, and other costs incurred in delivering the refined product to the petrol station.

According to Kotler (2000), organizations apply a variety of price-adjustment strategies to account for differences in consumer segments and situations. One is geographical

pricing, where the organization decides how to price to distant customers, choosing from such alternatives as uniform delivered pricing, zone pricing and absorption pricing. The second strategy is discount pricing and allowances, where the organization establishes cash discount, quantity, discounts, functional discounts, seasonal discounts and allowances. The third strategy is discriminatory pricing where the organization establishes different prices for different customers, product forms, places, or times. The fourth strategy is psychological pricing where the company adjusts the price to better communicate a products intended position.

How a business achieves and sustains a competitive advantage has long been the central focus of strategic management research (PriceWaterhouseCoopers, 2001). The dominant paradigm in the field has been the competitive forces approach that posits that the intensity of competition determines the profit potential for individual firms (Porter and Ketels, 2003). According to this framework, a firm seeks a position in an attractive market that can be defended against both existing and potential competitors.

Competition delivers many benefits to consumers, including competitive prices and product choices. Low prices are usually a good indication that competition is healthy and active in the marketplace. While competitive prices and low pricing are beneficial to consumers generally, certain pricing behaviour can be designed to frustrate and interfere with the process of competition in the longer term. This type of undesirable pricing behaviour may have short-term benefits for the consumer but will ultimately lead to higher prices or other anti-competitive effects (Government of Canada, 2002).

2.2.3. Quality of Service Offered

The customers' perceptions of service quality have received extensive attention from researchers and practitioners. Based on exploratory research from marketing academics, Parasuraman, Berry and Zeithamal, (1985) first defined service quality as the degree of discrepancy between customers' normative expectation for the service and their perceptions of the service performance.

Based on the above definition of service quality, Parasuraman, et al (1985) developed the "Gap Model" of perceived service quality. This model has five gaps: the first gap is the gap between management perceptions of consumer's expectations and expected service; the second gap is the gap between management perceptions of consumer's expectations and the translation of perceptions into service quality specification; the third gap is the gap between translation of perceptions of service quality specification and service delivery; the fourth gap is the gap between service delivery and external communications to consumers, and the fifth gap is the gap between the customers' expected level of service and the actual service performance.

As mentioned above, this disconfirmation paradigm conceptualizes the perception of service quality as a difference between the expected level of service and the actual service performance. They revealed the 10 second-order dimensions that are used by consumers in assessing service quality in a broad variety of service sectors. The dimensions included tangibles; reliability; responsiveness; competence; courtesy; credibility; security; access; communication; and understanding (Parasuraman et al., 1985; Parasuraman et al., 1988; Parasuraman et al., 1990).

In their seminal study, Parasuraman et al. (1988) made the first effort to operationalize the concept of service quality. They developed an instrument to assess service quality that empirically relied on the difference in scores between expectations and perceived performance. The instrument consisted of 22 items divided along the 10 second-order dimensions as listed above, with a seven-point answer scale accompanying each statement to test the strength of relations. These 22 items were used to represent five dimensions that included reliability, responsiveness, tangibles, assurance, and empathy. SERVQUAL measures service quality as a gap between expectation and perception in the service sector (Parasuraman et al., 1990).

Reliability refers to the ability to perform the promised service dependently and accurately. Responsiveness reflects the willingness to help a customer and provide prompt service. Tangible refers to the appearance of the physical facilities, equipment, personnel and communication material. Empathy refers to caring, individualized attention the firm provides its customer (Yong, 2000). However, several researchers challenged the usefulness of the SERVQUAL scale as a measure of service quality by pointing out its shortcomings. For example, Chia-Ming, Chin-Tsu, Chin-Hsien (2002) selected four service settings that were quite different from those used in the original test. In some situations, SERVQUAL needs to be customized by adding items or changing the wording of items, though it was originally designed to be a generic instrument for measuring service quality at any sector (Hackl and Westlund, 2000):

Cronin and Taylor (1992) questioned the relevance of the expectations performance gap as the basis for measuring service quality. Together with the original SERVQUAL scale,

they examined three alternatives which were an importance weighted SERVQUAL scale, a performance-based approach to the measurement of service quality (called SERVPERF), and an importance-weighted version of the SERVPERF scale (Chi-Cui, Barbara and Won, 2003).

In an effort to conceptualize service quality (by taking in to account all the aspects of customer perceived service quality, including those already addressed in the existing instruments and those that are left out in the empirical service quality literature), Sureshchandar et al. (2001) identified five factors of service quality as critical from the customers' point of view. These factors included core service or service product; human element of service delivery; systematization of service delivery: non-human element; tangibles of service; and social responsibility.

2.2.4. Corporate Branding and Reputation

Marketing on a global scale begins with the decision a business makes to position itself with a mission statement, followed by a thorough, sustainable brand strategy. Each business must position and brand itself. It must also make the commitment to manage its brand, thus, securing its image. Absolute consistency is required from the outset to clearly represent the characteristics of the brand on an on-going basis. In this way, the business's brand image is best managed as part of its marketing strategy (Linda, 2005).

Adamson (2002) stresses that corporate branding is about the customer's perception of both product quality and the company behind the product. Schultz and de Chernatony (2002) argue that corporate branding involves the whole organization

and is founded in the web of internal and external stakeholder activities. Another important issue is the growing awareness of the importance of corporate social responsibility that many firms are now integrating into their corporate brand. However, the increased focus on what the organization stands for, its ethical principles, its attitude towards stakeholders, the environment etc. is a major challenge to firms (Morsing and Kristensen, 2001).

The main focus has been on the product as a brand and according to Aaker and Joachimstahler (2000) the brand hierarchies enhance the focus and effectiveness of the branding strategies. Due to product commoditization, increased service levels, faster innovation, and diminishing brand loyalty, companies are challenged with the issue of increased customer value. Therefore, product branding with its focus on the unique features associated with the product is not enough in contemporary competition. The next step is corporate branding as a strategic weapon (Keller, 2000).

According to Sandstrom (2003), corporate branding focuses on the entire organization unlike product branding which focuses on products. The objective of corporate branding is to gain knowledge and acceptance of company values and vision, create trustworthiness and loyalty amongst customers and consumers. Sandstrom further argues that corporate branding targets all stakeholders with a broad communication scope to achieve internal and external communication of business issues. Unlike product branding which is short-term (equivalent to the product life cycle), corporate branding is Long-term (equivalent to the company lifecycle). He finally cites that the main advantage of corporate branding is that it enhances corporate values and politics. This creates goodwill

and trustworthiness that add value to the products and help to solve product-related crises.

2.2.5. Sales Promotion and Advertising

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Norman, Robert, and Morton (1986) defines promotional strategy as the process of developing and maintaining a communications mix that utilizes company resources to their full potential in a way that is competitively attractive to target markets while contributing to the company's short-run and long-run marketing and organizational goals. Promotion, often called marketing communication, is also those means by which marketers communicate to the target market. In general terms, the purpose of marketing communication is to inform, to persuade, or to remind.

Many benefits can flow from an effective promotional effort when promotion communicates product advantages to potential consumers, helps to increase sales of existing products, establishes awareness and favorable attitudes toward new products, helps to create brand preference among consumers and to secure distribution in outlets, helps to obtain greater cooperation and support from middlemen, generates greater effort from the sales force, and helps to build a favorable corporate image.

Promotion as a strategic variable consists of four elements, which must be co-ordinate to from the overall promotional strategy. These elements are advertising, personal selling, sales promotion, and public relations. The interaction of the above four elements of marketing and how they rank in importance in terms of their impact on cement brand choice is what is crucial in the study. The research sought to establish this relationship.

The objectives of this study are basically based on the factors that influence consumer behavior in relation to the cement industry. The subsequent paragraph will describe each promotional element in brief in relation to what various writers have written about the elements.

Sales promotion is an extremely diverse form of commercial mass communications, the purpose of which is to provide additional motivation for customers to make buying decisions now. For example discount coupons, purchase displays and premiums. There is a wide latitude here for creative initiative. The variety of techniques available adds to the challenge of the management task. The audience selected, will have a bearing on the approaches one might use. Other factors such as the stage of the products lifecycle, competitive activity, and industry practice will also be influential. As with other promotional elements, analysis and creativity will both contribute to effective sales promotion decisions (Norman, 1986).

2.2.6. Personal Selling

Personal selling contrasts sharply with advertising. It is a personal, individualized communication that transmits a tailored, highly adaptive commercial message to a small, much selected audience. Personal selling takes place via direct contact between buyer and seller, either face-to-face or through some form of telecommunication. The management decisions here also require a variety of skills and insights, both analytical and interpersonal. Key decision issues include such matters as what type of sales organization to use, how to build and train sales force, what size the sales force should be, how to

deploy the sales force in territories, how to keep sales people motivated, what degree of supervision is needed, what the compensation programme should involve and how to measure sales performance (Robert, 1986).

Norman (1986) in his “promotional strategy” has defined advertising as fundamentally impersonal mass communications. It presents a standard commercial message simultaneously to a large dispersed audience through media. The role of promotion in the total marketing mix is shown in the figure 2.1 below. Although some marketers have added other Ps, such as personnel and packaging, the fundamentals of marketing typically identifies the four Ps of the marketing mix as referring to: Product - A tangible object or an intangible service that is mass produced or manufactured on a large scale with a specific volume of units. Intangible products are often service based like the Tourism industry & hotel industry. Price – The price is the amount a customer pays for the product. It is determined by a number of factors including market share, competition, material costs, product identity and the customer's perceived value of the product. The business may increase or decrease the price of product if ther stores have the same product.

Place – Place represents the location where a product can be purchased. It is often referred to as the distribution channel. It can include any physical store as well as virtual stores on the Internet. Promotion – Promotion represents all of the communications that a marketer may use in the marketplace. Promotion has four distinct elements - advertising, public relations, word of mouth and point of sale. A certain amount of crossover occurs when promotion uses the four principal elements together. Advertising covers any

communication that is paid for, from television and cinema commercials, radio and Internet adverts through print media and billboards. One of the most notable means of promotion today is the Promotional Product, as in useful items distributed to targeted audiences with no obligation attached. This category has grown each year for the past decade while most other forms have suffered. It is the only form of advertising that targets all five senses and has the recipient thanking the giver. Public relations are where the communication is not directly paid for and includes press releases, sponsorship deals, exhibitions, conferences, seminars or trade fairs and events. Word of mouth is any apparently informal communication about the product by ordinary individuals, satisfied customers or people specifically engaged to create word of mouth momentum. Sales staff often plays an important role in word of mouth and Public Relations.

Figure 2.1: The Role of Promotion in the Marketing Mix

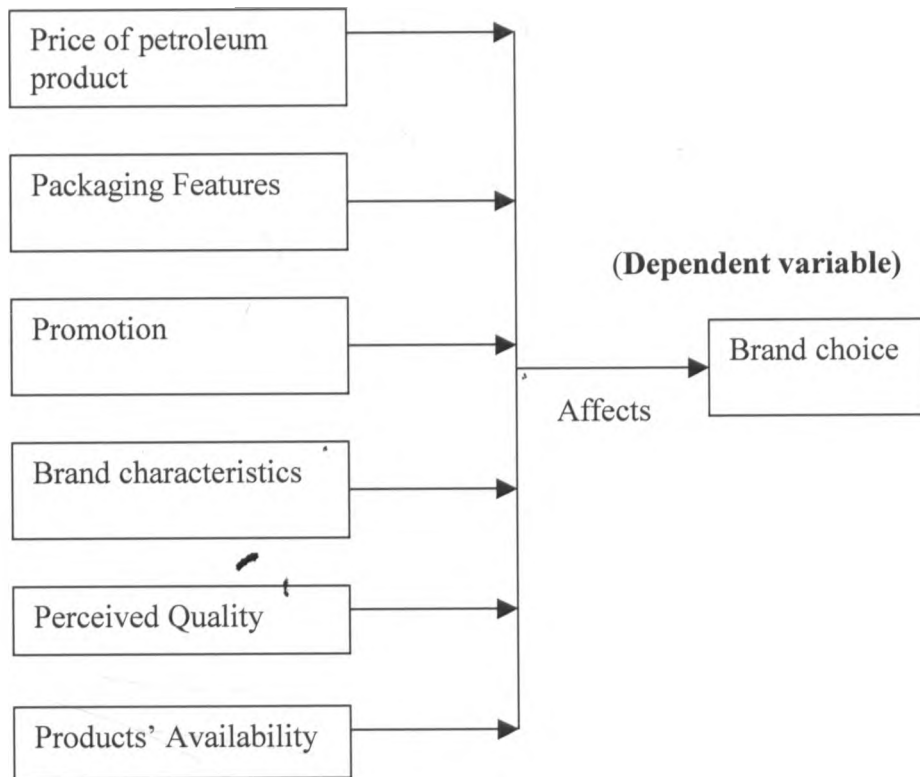


Source: McDaniel and Darden (1987)

2.3. The Conceptual Framework

The conceptual framework of this study was based on six independent variables namely: price, packaging, promotion, petroleum brand characteristics, distribution, and quality. Figure 2.2 shows the conceptualization of how the independent variables relate with the dependent variables.

Figure 2.2: The conceptual framework



(Independent variables)

Source: Researcher (2008)

2.4. Chapter Summary

The chapter has provided a review of empirical literature on the various factors that influence consumers' choice of petroleum brands in the market. The next chapter outlines the methodology that was applied in executing the field study that gathered the data to show how the various variables enhance choice amongst the consumers of petroleum products within the Kenyan petroleum industry.

CHAPTER THREE

METHODOLOGY OF THE STUDY

3.1. Introduction

According to Kothari (2003), research methodology gives details regarding procedures used in conducting the study. It includes all techniques, methods and procedures adopted in the research. The issues described in this chapter includes the target population, the sampling techniques, the research design, a description of instruments or tools used to collect data, sample size and the techniques to be used in data analysis.

3.2. Research Design

The research adopted a descriptive research design. The descriptive design was applied to investigate the factors influencing consumers' choice of petroleum brands. Descriptive research determines and reports the ways things are (Kothari, 2003). This approach was found appropriate because the study involved fact finding and enquiries to describe the state of the affairs (factors influencing consumers' choice of petroleum brands).

3.3. Scope of the Study

The research was confined to petrol stations situated in Nairobi region. The Nairobi region included the city of Nairobi (Nairobi central), Athi-River municipality, Ngong municipality, Thika municipality, Kikuyu municipality, Limuru municipality, Kiambu municipality and Ruiru municipality. This was arrived at based on the assumption that the research findings in Nairobi and surroundings easily be related to those of other areas of

Kenya. The target respondents were the consumers of petroleum products (stations' customers).

3.4. Target Population

According to Mugenda and Mugenda (2003), the target population is the population to which a researcher wants to generalize the result of the study. The target population for this study was all the small-scale consumers of petroleum products in Nairobi region. The larger cluster of the population is comprised of motorists, and consumers of domestic cooking gas. The study was confined to the non-industrial consumers of petroleum products.

3.5. Sampling Design

3.5.1. Sampling Frame

A sampling frame is the list or a set from which the respondents of a research study are picked (McCarty, 1997). The sampling frame of the study was made up 416 petrol stations located within the Nairobi according to the Petroleum Institute of East Africa [PIEA]. A sample of 41 stations was drawn from a list obtained from PIEA.

3.5.2. Sampling Technique

In the process of determining the sample size, the researcher used cluster sampling and simple random sampling techniques. To ensure representativeness, Nairobi region was sub-divided into five clusters namely Southern, Western, Central, Northern and Eastern. A random sample of participating petrol stations was drawn from each cluster. The customers to be interviewed were then selected through simple random sampling from

the selected petrol stations. This ensured that there was no biasness in sampling given that arrival of customers in a petrol station is a statistically independent event.

3.5.3. Sample Size

From the sampling frame (Table 3.1), 41 petrol stations from the region were selected at random to participate in the study. This represented 10% of the total population in the region. Cooper and Schindler (2001) pointed out that samples of descriptive studies are considered adequate within the range of 10% and 30%. A sample of 2 customers was drawn from each petrol station hence the overall sample size comprised of 82 respondents. Table 3.1 shows the sampling frame and the sample size.

Table 3.1: The Sampling Frame and Sample Size

Region	Population	% sample	Sample size (Petrol stations)	Number of customers per station	Customers' sample size
Southern	124	10%	12	2	24
Western	84	10%	8	2	16
Central	48	10%	5	2	10
Northern	68	10%	7	2	14
Eastern	92	10%	9	2	18
Total	416	10%	41		82

Source: PIEA and Researcher (2008)

3.6. Data Collection

The focus during the field survey was on gathering primary data. This is factual data collected for the first time to address the problem at hand. The questionnaire was the principal tool in collecting primary data. The questionnaire contained structured, semi-structured and open-ended questions. According to Kinoti (1998), semi-structured

questions may elicit adequate qualitative and quantitative data. The questionnaire was structured into two broad sections. The first section requested the general information of the respondent. The second section sought to capture information on the factors influencing consumers' choice of petroleum brands.

The first step involved obtaining authority from the management of selected petrol stations in order to facilitate interviews with the customers. The questionnaires were then administered to the customers of the selected service stations by the researcher at the time they purchased products and services. A deadline was set by which the completed questionnaires were to be ready. To ensure high response rates, the researcher interpreted each of the sections of the questionnaires to the respondents to ensure that they fully understood the questions before answering. Secondly, the researcher ensured that the respondents picked were not in a hurry and that they had adequate time to answer the questionnaires.

3.7. Data Analysis Tools and techniques

After the fieldwork, before analysis, all the questionnaires were adequately checked for completeness. The information was coded and entered into a spreadsheet and analyzed using SPSS (Statistical Package for Social Sciences). The data was checked to ensure that the output was free from outliers and the effect of missing responses was at minimum. Quantitative analysis involved generating descriptive statistics. The descriptive statistics included frequency tallies, and their corresponding percentage scores. The data was presented by using tables. Qualitative analysis involved categorizing of data into common themes and presented using frequency distribution tables and charts.

CHAPTER FOUR

DATA ANALYSIS, PRESENTATION AND DISCUSSIONS

4.1. Introduction

This chapter presents the findings of the study, analysis of data and presentation of findings. For the purpose of showing the relationship amongst various variables, descriptive statistics such as frequencies and percentages have been used. The study applied primary data that was collected from 82 consumers of petroleum brands drawn from the City of Nairobi. The data formed the basis for the analysis presented in this chapter. The chapter is organized as follows: Section 4.2 presents information on demographic characteristics of the sample; and Section 4.3 presents findings on determinants of consumers' choice of petroleum brands in Kenya.

4.2. Demographic Characteristics of the Sample

Table 4.1: Demographic Characteristics of the Sample

Demographic	Category	Number of responses	% of the total
Gender	Male	42	51.2%
	Female	40	48.8%
	N	82	100.0%
Demographic	Category	Number of responses	% of the total
Age	Below 25 years	2	2.5%
	26 – 35 years	28	34.1%
	36 – 45 years	33	40.2%
	Above 45 years	19	23.2%
	N	82	100.0%

Demographic	Category	Number of responses	% of the total
Level of Education	Primary	5	6.1%
	Secondary	12	14.6%
	Tertiary College	26	31.7%
	University Graduate	31	37.8%
	University Postgraduate	8	9.8%
	N	82	100.0%

Source: Field Data (2008)

The findings presented in Table 4.1 above indicate the distribution of responses on demographic characteristics of the sample respondents. The sample was almost equally split by gender with 51.2% of the respondents being male and the remainder (48.8%) being female. The respondents were drawn from various age categories, with most of the respondents (40.2%) aged between 36 and 45 years. The rest of the respondents varied in age as follows: 2.5% were aged below 25 years; 34.1% were aged between 26 and 35 years; and 23.2% were aged above 45 years. The findings further indicate that the respondents had attained various levels of education namely: primary level (6.1%); secondary level (14.6%); tertiary college level (31.7%); university graduate level (37.8%); and university postgraduate level (9.8%).

4.3. Petroleum Brands Consumption Characteristics

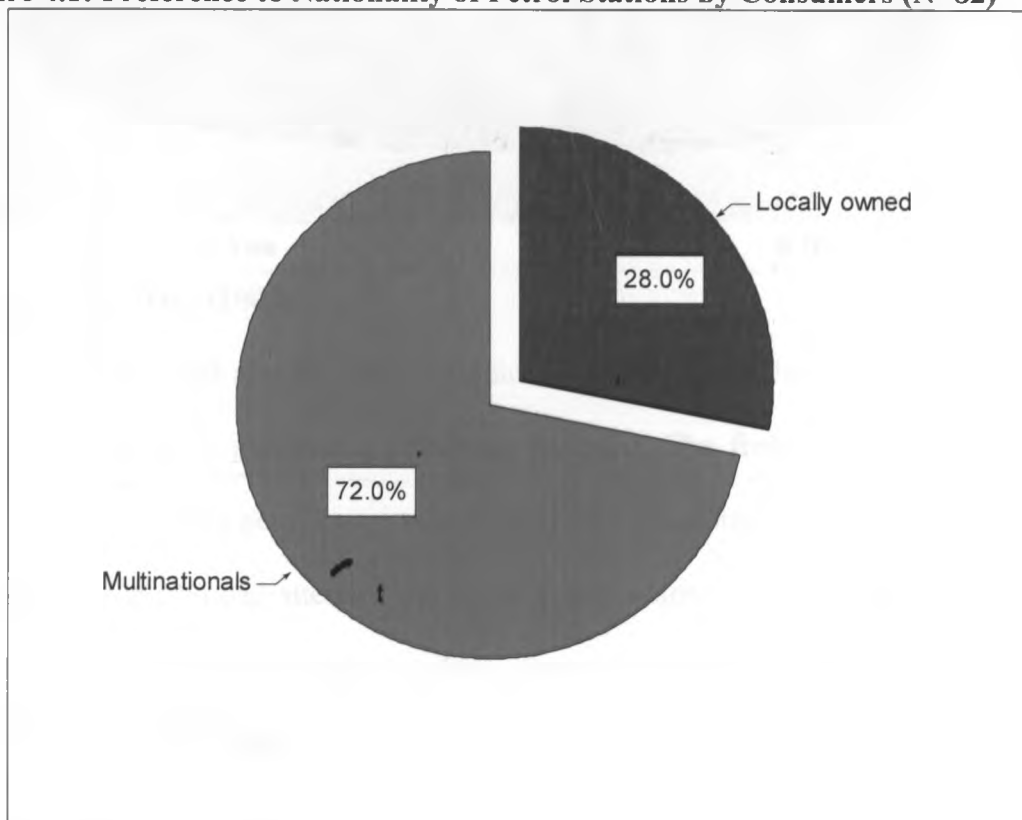
Table 4.2: Consumption Patterns for Various Petroleum Brands

Category of consumption	Number of responses	% of the total
Motor Vehicle (N=82)	82	100.0%
Domestic purposes (N=82)	56	68.3%
Business purposes (e.g. mechanics) (N=82)	24	29.3%

Source: Field Data (2008)

The findings presented in Table 4.2 above indicate the split of multiple responses regarding the main categories of petroleum products consumed. The findings indicate that a majority of consumers of petroleum brands purchase the products for automotive use and for domestic purposes. Specifically, it includes the purchase of gasoline for motor vehicles and liquefied petroleum gas for domestic cooking energy purposes. Only 29.3% of the sample cited utilization of petroleum products for business purposes. The findings are in line with the study's research design of targeting small-scale consumers of petroleum products in Nairobi region.

Figure 4.1: Preference to Nationality of Petrol Stations by Consumers (N=82)

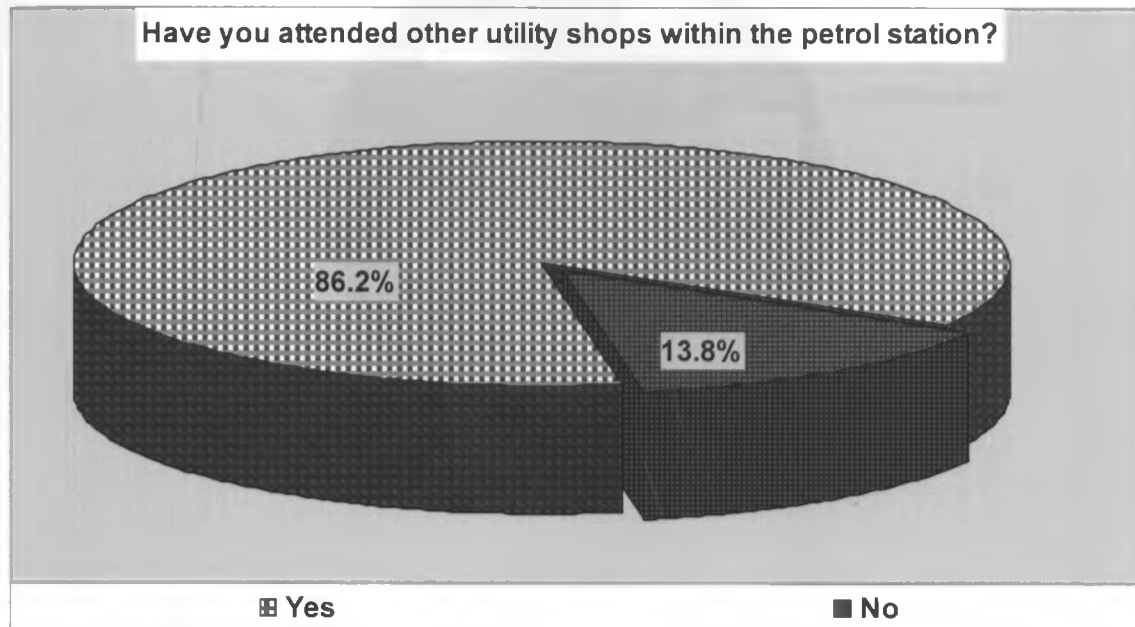


Source: Field Data (2008)

The findings presented in Figure 4.1 above indicate the extent of consumers' preference to various petrol stations on the basis of their nationality. The findings indicate that a

majority of the sample consumers would prefer multinational petrol stations to the locally-owned.

Figure 4.2: Customers who had attended Other Utility Shops



Source: Field Data (2008)

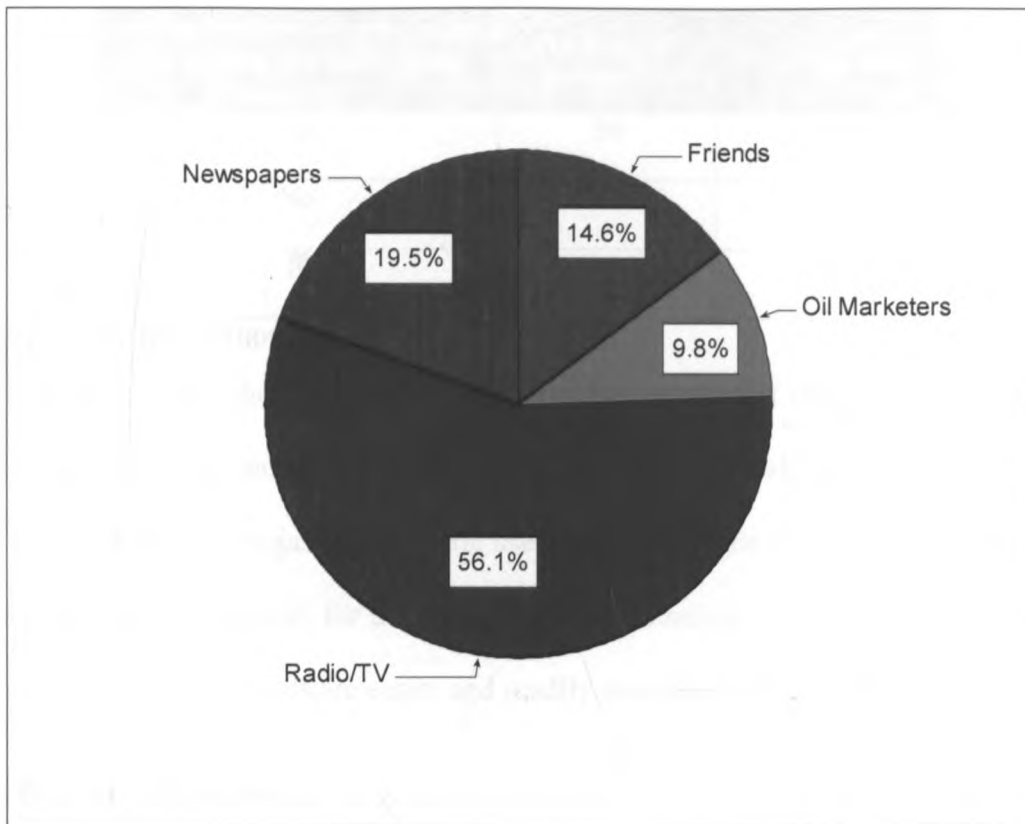
The respondents were also requested to indicate whether or not they attended other utility shops in addition to purchasing petroleum products. The findings established that in addition to purchasing petroleum products from petrol stations, majority of the customers interviewed (86.2%) had attended other utility shops situated within the petrol stations' premises. These include restaurants, salons, pharmacies and fast food shops. The findings are presented in Figure 4.2 above.

4.4. Determinants of Consumers' Choice of Petroleum Brands

4.4.1. Sources of Information on Petroleum Brands

All the sample respondents agreed that they usually have prior information about the existing petroleum brands when they are purchasing.

Figure 4.3: Sources of Information Regarding Petroleum Brands



Source: Field Data (2008)

Figure 4.3 above shows the distribution of responses regarding various sources of prior information acquired by the sample respondents. The findings indicate that a majority of the respondents (56.1%) had obtained prior information regarding petroleum brands from the electronic media namely radio and television. Further to that, the findings indicate that consumers of petroleum brands obtain prior information on available brands from newspapers (19.5%); friends (14.6%); and oil marketers (9.8%).

4.4.2. Ease of Availability of Petroleum Brands

Table 4.3 below presents the split of responses regarding whether or not petroleum brands are easily and readily available in the market.

Table 4.3: Ease and Readiness of Availability of Petroleum Brands

Are petroleum brands easily and readily available in the market?	Number of Responses	% of the total
Yes	56	71.8%
No	22	28.2%
N	78	100.0

Source: Field Data (2008)

The findings indicate that a majority of the respondents were of the view that petroleum brands (products) are easily and readily available. The respondents reported that other than liquefied petroleum gas for domestic use, the other ranges of petroleum products are readily and easily available, for all brand types. The findings therefore indicate that the consumers' preferred brands are easily and readily available in the market.

4.4.3. Channels of Distribution for Petroleum Brands

The findings presented in Table 4.4 indicate various channels of distribution from which the consumers source various brands of petroleum products. The presentation is based on analysis of multiple responses.

Table 4.4: Point of Purchase for Various Petroleum Brands

Point of Purchase	Number of Responses	% of the total
Directly from the depot (<i>N=82</i>)	2	2.4%
Through the petrol station (<i>N=82</i>)	80	97.6%
Through a wholesale distributing agent (<i>N=82</i>)	18	22.0%
Through a retail distributing agent (<i>N=82</i>)	6	7.3%

Source: Field Data (2008)

The findings of Table 4.4 above indicate that a majority of the retail consumers (97.6%) purchase their products from petrol stations. For consumers that purchase products for

business purposes, they source them from wholesale distributing agents (22.0%) or retail distributing agents (7.3%). Only a small proportion (2.4%) was found to source their products from dealers' depots.

4.4.4. Brand-Specifics, Recommendations to Purchase, and Market Forces

The respondents were requested to select various factors that influence their decision to purchase products and services under certain petroleum brands. This question elicited multiple responses from the respondents. The findings are presented in Table 4.5.

Table 4.5: Factors Influencing Purchases of Certain Petroleum Brands (N=82)

Factors	Number of Responses	% of the total
Recommendations from friends/relatives/employer	80	97.6%
Recommendations from experts	78	95.1%
Pricing of products	76	92.7%
Quality of service	56	68.3%
Brand Loyalty	48	58.5%
Ease of Availability/Nearness to customers' localities	22	26.8%
Packaging	8	9.7%

Source: Field Data (2008)

As shown in Table 4.5 above, the findings established that a majority of the customers are influenced to purchase certain petroleum brands and services based on recommendations from friends, relatives and employers (97.6%); recommendations from experts (95.1%); pricing of products and services (92.7%); quality of service offered by the products (68.3%); and brand loyalty (58.5%). The findings indicate that very few customers are influenced to purchase petroleum brands based on their ease of availability of the nature of packaging provided.

The findings of Table 4.5 above also indicate that the pricing structure, recommendations from experts and colleagues, and quality of service are the three leading factors influencing customers' decisions to purchase various brands of petroleum products. According to the respondents, other factors that influence their choice of petroleum brands include the following: returns from the business; how often one frequents the petrol station as a customer; authority from the workplace; some cars are designed to use a particular brand like unleaded premium hence the demand is specific to 'premium' petroleum products; customers taste and preferences; conformity of equipment (e.g. LPG regulators are specific to gas cylinders of certain brands); ease of availability of alternatives; perceived quality of certain brands as compared to others; and brand loyalty that arises as a result of desire by customers to maintain a record of service for their vehicles.

The findings presented in Table 4.6 indicate the extent to which various aspects petroleum brands and points of sale are perceived by the consumers.

Table 4.6: Perceived Aspects of Petroleum Brands and Points of Sale

Factor	Strongly agree		Fairly agree		Not sure		Fairly disagree		Strongly disagree	
	n	%	n	%	n	%	n	%	n	%
The petroleum brands are readily available when required (N=78)	46	58.9	24	30.8	-	-	8	10.3	-	-
The brands' marketing staff are very co-operative and friendly (N=68)	22	32.5	14	20.6	12	17.6	12	17.6	8	11.7
The products sold in the market have undergone quality tests (N=80)	66	82.5	8	10.0	6	7.5	-	-	-	-
There is no notable difference in the quality of petroleum products between various brands in the Kenyan market (N=82)	34	41.5	32	39.0	10	12.2	6	7.3	-	-

Source: Field Data (2008)

The findings of Table 4.6 above indicate that a cumulative majority of the sample respondents (89.7%) were of the opinion that petroleum brands are readily available when required. In addition, 53.1% of the respondents opined that the brands' marketing staff are very co-operative and friendly. The findings indicate that a majority of the respondents (92.5%) agreed that the products sold in the market have undergone quality tests. Finally, 80% of the respondents were of the opinion that there is no notable difference in the quality of petroleum products between various brands in the Kenyan market. The findings therefore imply that consumers would be attracted to various brands of petroleum products due to their ease of availability; friendliness of the marketing staff; perceived quality of the products; and lack of disparity in the quality of products offered, especially due to the fact that they are sourced from the same refinery.

CHAPTER FIVE

CONCLUSIONS AND RECOMMENDATIONS

5.1. Introduction

This chapter presents the summary, conclusions and recommendations derived from the findings of the study. Section 5.2 is a brief discussion of the research findings. Section 5.3 provides the conclusions. Section 5.4 provides the recommendations for improvement and areas for further research.

5.2. Discussion of Findings

The general purpose of this study was to establish the factors that influence consumers of petroleum products in the choice of petroleum brands in the market. The study sought to answer the following objectives: identify the factors that influence consumer's choice of petroleum brands; to determine the extent to which the factors affect consumer's choice of petroleum brands; and to examine how the price, product, place and promotion (4Ps) of marketing rank in importance to the consumer choice of petroleum brands. The research adopted a descriptive research design. The target population for this study was all the small-scale consumers of petroleum products in Nairobi region. A sample of 41 stations was drawn from a list obtained from PIEA. Two customers were interviewed from each petrol station. The questionnaire was the principal tool in collecting primary data. The data was analyzed by applying both qualitative and quantitative data

The findings established that a majority of consumers of petroleum brands purchase the products for automotive use and for domestic purposes (Table 4.2). Specifically, it includes the purchase of gasoline for motor vehicles and liquefied petroleum gas for domestic cooking energy purposes. Others purchase petroleum products for business purposes. A majority of the sample consumers would prefer multinational petrol stations to the locally-owned ones (Figure 4.1). The findings established that in addition to purchasing petroleum products from petrol stations, majority of the customers also attend other utility shops situated within the petrol stations' premises. These include restaurants, salons, pharmacies and fast food shops. Consumers mainly obtain prior information regarding petroleum brands from the electronic media namely radio and television, in addition to newspapers, friends, and oil marketers. The findings established that the consumers' preferred brands are easily and readily available in the market, except for cooking gas.

The findings established that pricing structure ('price'), recommendations from experts and colleagues, and quality of service ('product') are the three leading factors influencing customers' decisions to purchase various brands of petroleum products (Table 4.5). According to the respondents, other factors that influence their choice of petroleum brands include the following: returns from the business; how often one frequents the petrol station as a customer; authority from the workplace; some cars are designed to use a particular brand like unleaded premium hence the demand is specific to 'premium' petroleum products; customers taste and preferences; conformity of equipment (e.g. LPG regulators are specific to gas cylinders of certain brands); ease of availability of alternatives; perceived quality of certain brands as compared to others; and brand loyalty

that arises as a result of desire by customers to maintain a record of service for their vehicles.

Finally, the findings established that consumers would be attracted to various brands of petroleum products due to their ease of availability ('place'); friendliness of the marketing staff ('promotion'); perceived quality of the products; and lack of disparity in the quality of products offered, especially due to the fact that they are sourced from the same refinery.

5.3. Conclusions

Various factors were identified to influence the consumers' choice of the petroleum brands to purchase. These included price; recommendations from experts and colleagues; quality of service; returns from the business; how often one frequents the petrol station as a customer; authority from the workplace; vehicle manufacturers' specifications; customers taste and preferences; conformity of equipment (e.g. LPG regulators are specific to gas cylinders of certain brands); ease of availability of substitutes; perceived quality of certain brands as compared to others; and brand loyalty that arises as a result of desire by customers to maintain a record of service for their vehicles.

The location of the point of sale of various petroleum brands has been used by players in the industry to influence the pricing structure of products and services. Since there is variation in prices across brands, the location-price factor influence brand choice to a greater extent. The nature of product/brand type is closely associated with the user's loyalty and the authority to which the choice of brand is attached to. The 4Ps model of

marketing is made up of Price, Promotion, Place and Products. According to the findings of this study, the 4Ps rank in the order of Price, Product, Place and Promotion. These findings whilst not surprising adds to the knowledge of the buying behaviour of users and extends the work that has previously been undertaken to investigate brand loyalty of consumers.

5.4. Recommendations

5.4.1. Recommendations for Improvement

The respondents gave various recommendations in regarding to improvement of consumer behaviour for petroleum products. The government should consider regulating the oil prices as this affects the oil industry to a great extent. The players in the industry should also put in place measures to curb shortage of products that are experienced from time to time. A quality monitoring department should also be set up within the Ministry of Energy to ensure that petroleum dealers comply with certain quality standards requirements. For instance, some station sell adulterated products which later damage vehicle's engine thus should be checked regularly to ensure consumers get quality products.

5.4.2. Areas for Further Research

This research provides encouraging support that more accurate estimate of brand switching elasticities can be obtained by incorporating forward-looking consumer behavior into marketing models. This calls for future research projects in this area. As the buying public becomes more and more informed about prices and shopping issues, taking into account the rational consumer will become more and more important in evaluating

the effectiveness of sales promotions. It is also recommended to researchers that a research to cover the whole country would be essential to give an indication of whether or not the upcountry populace would display similar trends as Nairobi and its surroundings.

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APPENDICES

Appendix I: Letter of Introduction

9th August 2008

Dear respondent,

I am a postgraduate student at University of Nairobi pursuing Postgraduate Diploma in Project Planning and Management. As part of partial fulfillment I am conducting a management project paper on: **FACTORS INFLUENCING CONSUMERS' CHOICE OF PETROLEUM BRANDS IN KENYA: A CASE STUDY OF THE NAIROBI REGION**. For this reason I would appreciate if you would kindly spare a few minutes of your time to fill in the blanks in the attached list of questions to the best of your knowledge as they apply to yourself.

The information in this questionnaire will be treated with confidentiality and in no instance will your name be mentioned in this research. In addition, the information will not be used for any other purpose other than for this research. Your assistance in facilitating the same will be highly appreciated.

Thank you in advance.

Yours Faithfully

STELLA MASINDE
STUDENT

Appendix II: Questionnaire for Petroleum Brands Consumers

Kindly indicate with an **X** or tick (✓) your appropriate choice:

DATE _____ / _____ / _____

REGION Western Eastern Southern
Northern Central

Section 1: General Information

1. Your Gender

- a. Male
- b. Female

2. What is your age? (select appropriate category)

- a. Below 25 years
- b. 26 – 35 years
- c. 36 – 45 years
- d. Above 45 years

3. What is your level of education?

- a. Primary
- b. Secondary
- c. Tertiary College
- d. University Graduate
- e. University Postgraduate

4. What is your profession? (Teacher, doctor, clerk etc)

5. What is your main category of consumption of petroleum products?

a. Motor vehicle

b. Domestic purposes

c. Business (e.g. mechanics)

d. Others (please specify) _____

6. Which is your most preferred petrol station?

a. Locally owned

b. Multinational (for example: Shell, BP, Caltex, Total, and Mobil)

7. Other than purchasing petroleum products at the petroleum, have you attended other utility shops within the premises (restaurant, salon, pharmacy, etc)?

a. Yes

b. No

Section 2: Information on Choice of Petroleum Brands

8. Do you usually have prior information about the existing petroleum brands when you are purchasing?

a. Yes

b. No

9. If YES in Q8 above, where do you usually acquire prior information on existing petroleum brands?

a. From friends

b. From the oil marketers

c. From the Radio\TV

d. From the newspaper

e. Others (specify) _____

10. In your own opinion, are petroleum brands readily and easily available in the market?

a. Yes

b. No

11. How do you purchase your petroleum products?

a. Directly from the depot

b. Through the petrol stations

c. Through a distributing agent (wholesale)

d. Through a distributing agent (Retail)

e. Other (please specify) _____

12. Which of the following are the factors influencing your decision to purchase certain brands of petroleum products? (tick appropriately)

Rank

a. Pricing of products

b. Quality of service

c. Brand Loyalty

d. Recommendation from friends, relatives etc

e. Recommendation from expert

f. Nearness to my locality

g. Packaging

h. Other (Please specify) (_____)

13. In your own opinion, to what extent do you agree with the following aspects as regards the choice of petroleum brands to purchase?

Factor	Strongly agree	Fairly agree	Agree	Fairly disagree	Strongly disagree
The petroleum brands are readily available when required					
The company marketing staff are very co-operative and friendly					
The products sold in the market have undergone quality tests					
There is no notable difference in the quality of petroleum products between various brands in the Kenyan market					

14. What other factors influence your choice of petroleum brands to use?

15. What recommendations would you make to the oil marketers and petroleum dealers regarding pricing, quality and branding of petroleum products in relation to your choice of brand?

THANK YOU FOR YOUR CO-OPERATION