COMPETITIVE STRATEGIES ADOPTED BY INDEPENDENT OIL LUBRICANT MARKETERS IN KENYA

BY

TOM DAVID ODUOL

A RESEARCH PROJECT SUBMITTED IN PARTIAL FULFILLMENT OF THE REQUIREMENTS FOR THE AWARD OF THE DEGREE OF MASTER OF BUSINESS ADMINISTRATION, SCHOOL OF BUSINESS, UNIVERSITY OF NAIROBI.

AUGUST, 2012

DECLARATION

This research project is my original work and has not been submitted for examination in any other University.

Signed______________________ Date: 13/11/2012

TOM DAVID ODUOL
D61/73133/2009

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

Signed______________________ Date: 13-11-2012

DR. JOHN YABS
LECTURER
SCHOOL OF BUSINESS
UNIVERSITY OF NAIROBI

ACKNOWLEDGEMENT

The study would not have been successful had it not been for the valuable support, assistance and guidance of various nature from several colleagues, workmates and my family members. I would like to express my heartfelt appreciation and gratitude to all of them in general. I however feel obliged to mention a few names to acknowledge their special contribution.

Special thanks go to my supervisor, DR John Yabs whose guidance facilitated the realization of this work. His invaluable critique and discussions opened my mind to the quality of academic writing.

I am also grateful to my colleagues, particularly Leonard, Mercylynate and Ivy for their encouragement and support.

I would also like to express my sincere gratitude to all the many respondents who played key roles in ensuring that I got detailed information from their organization. Their cooperation has made this work a success.

DEDICATION

To my parents, who sacrificed a lot for the sake of my education. To my Wife and Child for their love, support, patience and encouragement.

Above all to God Almighty, through him all things are possible.

ABSTRACT

Competitive strategy concerns what a firm is doing in order to gain sustainable competitive advantage. This study was to establish the competitive strategies adopted by independent Lubricant marketers in Kenya to meet the competition in the sector. The study was done through a cross-sectional census survey .Primary data was used in this study and was collected through questionnaires administered through a combination of drop and pick, face to face interviews or electronically transmitted to all independent Lubricants marketers who are currently active in the Kenyan Market as listed in Petroleum institute of East Africa insight publication of 1st Quarter 2012. A response rate of 63.6% was achieved. The study explored characteristics of marketers/factors that influence the competitiveness and hence adoption of the various competitive strategies. In this study the use of the term independent Lubricant marketers is used to differentiate from the Multinational Lubricant marketers.

The results show that 78% of the independent Lubricants marketers have less than 20 retail outlets and majority were also engaged in other petroleum products business line and were either in the process of entering the lubricants marketing or strengthening their presence. Economic factors and intense rivalry within existing marketers was found to have the greatest influence on the organizations competitive strategies. The study established that the exiting of multinationals has opened up more opportunities for the independent Lubricant marketers. However the factors influencing competition in the lubricants business to the greatest extent were brand loyalty and Original equipment manufacturers (OEM) recommendations. Some independent Lubricants marketers have responded to this by getting into distributorship agreements with global partners, enhancing their service levels and improving their overall technical capabilities.

The researcher deduced that the independent Lubricant marketers in Kenya generally adopt competitive strategies in their operations. These tend to be replicated from the more established multinational oil companies but simplified to suit the local market condition. This is because most customers view lubricants as a premium product, requiring extensive Customer service, strict quality control and need proof of performance. So competitive strategies used by independent Lubricant marketers are pre-dominantly differentiation and Cost leadership. The study established that extensive customer service and influence over distribution channels were some of the competitive methods used to a great extent by the Independent lubricant marketers as part of their differentiation strategy.

Finally it was established that there are other Lubricant marketers whose sales statistics are not captured in either the Petroleum institute of East Africa data nor in those of Ministry of Energy. An improved Lubricants business licensing and regulatory framework should be able to address this and help in tackling the counterfeit business.

The researcher recommends further research should be undertaken on the link between strategy and key industry success factors among Lubricants marketers in Kenya. A further research should also be undertaken on the strategic responses to challenges of globalisation in the Lubricants Industry in Kenya.

TABLE OF CONTENTS

LIST OF TABLES

LIST OF FIGURES

CHAPTER ONE: INTRODUCTION

1.1 Background of the study

As global economies continue to integrate, many organizations have had to adapt to the changing business environment. To survive petroleum companies must be agile enough to respond to the pressures to compete on levels unrivalled in the past .But it's not just about surviving, it about adopting globalization, move in new directions and take advantage of change to evolve and ultimately grow.

Ansoff (1987), states that an organization must adapt to the environment. Therefore to successfully position a firm in competitive situations, its strategic managers must look beyond its operations. They must consider what other relevant stakeholders are likely to do. Environment is a key element to an organization's success. There are three types of environments of the firm: External remote environment, External industry or immediate or Operational environment and internal environment. Environment can be relatively stable or highly turbulent. Each level of environmental turbulence has different characteristics and requires strategies and different firm capabilities.

Industry level environmental forces are those forces that influence performance of industries in particular sector of the economy. An industry refers to a group of firms that produce similar or substitutable goods. Such firms usually compete for a bigger share of the market and each device various strategies to get it. Competition is a natural thing and each firm in an industry tries to establish an edge over the others. Strategy is the framework within which choices about the future and direction of an organization can be made. Strategy is about an organization's relationship with its external environment. The Oil industry operates in a competitive environment and therefore each organization must adapt a strategy to handle this relationship.

1.1.1 Competitive Strategies

Hofer and Schendel (1979) describe strategy as the basic characteristic of the match an organization achieves with its environment. Aosa (1992) argues that strategy is creating a fit between the external characteristics and the internal conditions of an organization to solve strategic problem which is a mismatch between the internal characteristics of an organization and its external environment.

Competitive strategies refer to how a company can compete in a particular environment. Competitive strategies are concerned with how a company can gain competitive advantage through a distinctive way of competing. Industry competition depends on the structure of the industry as defined by forces affecting the industry.

Porter noted that every firm that is competing in an industry must have a competitive strategy whether explicit or implicit. A firm's relative position within its industry determines whether a firm's profitability is above or below the industry average, Porter (1998). The fundamental basis of above average profitability in the long run is sustainable competitive advantage. There are two basic types of competitive advantage a firm can possess: low cost or differentiation. The two basic types of competitive advantage combined with the scope of activities for which a firm seeks to achieve them, lead to three generic strategies for achieving above average performance in an industry: cost leadership, differentiation, and focus. The focus strategy has two variants, cost focus and differentiation focus.

In cost leadership, a firm sets out to become the low cost producer in its industry. The sources of cost advantage are varied and depend on the structure of the industry. They may include the pursuit of economies of scale, proprietary technology, preferential access to raw materials and other factors. A low cost producer must find and exploit all sources of cost advantage. If a firm can achieve and sustain overall cost leadership, then it will be an above average performer in its industry, provided it can command prices at or near the industry average.

In a differentiation strategy a firm seeks to be unique in its industry along some dimensions that are widely valued by buyers. It selects one or more attributes that many buyers in an industry perceive as important, and uniquely positions it to meet those needs. It is rewarded for its uniqueness with a premium price (Porter, 1998).

The generic strategy of focus rests on the choice of a narrow competitive scope within an industry. The focuser selects a segment or group of segments in the industry and tailors its strategy to serving them to the exclusion of others.

Organizations thus have to strive to achieve sustainable competitive advantage in order to not only do well but to survive when external circumstances change. Organizations have to strategically respond to the changes (Thompson, 1997).

1.1.2 Competitive Advantage

Competitive advantage can be defined as an edge over rivals in attracting customers and defending against competitive forces. When a firm sustains profits that exceed the average for its industry, the firm is said to possess a competitive advantage over its rivals. A competitive advantage is an advantage gained over competitors by offering customers greater value, either through lower prices or by providing additional benefits and service that justify similar, or possibly higher, prices.

Competitive advantage therefore is about winning your target customers- and retaining them. This is through coming up with competitive strategy- competitive strategy is the basis on which a business unit might achieve competitive advantage in its market (Johnson and scholes, 2004).Strategies for the organization to be able to gain competitive advantage over its competitors, an organization must first analyse and understand its internal and external environment. One of the goals of crafting and implementing business strategy is to achieve a sustainable competitive advantage. (Porter, 1985) identified two basic types of competitive advantage being cost advantage and differentiation advantage. A company has competitive advantage whenever it has an edge over its rivals in securing customers and defending against competitive forces (Thompson & Strickland 2003).

Thus, a competitive advantage enables the firm to create superior value for its customers and superior profits for itself. Cost and differentiation advantages are known as positional advantages since they describe the firm's position in the industry as a leader in either costs or differentiation. Competitive advantage is created by using resources and capabilities to achieve either a lower cost structure or a differentiated product. A firm positions itself in its industry through first choice of low cost or differentiation. This decision is a central component of the firm's competitive strategy. Another important decision is how broad or narrow a market segment to target. (Porter, 1985) formed a matrix using cost advantage , differentiation advantage, and a broad or narrow focus to identify a set of generic strategies that the firm can pursue to create and sustain a competitive advantage.

Competitive advantages don't tend to stay competitive advantages without significant effort. Over time the edge may erode as competitors try to duplicate a successful advantage for themselves and as the market changes. Half the battle is establishing the competitive edge, while the other half is maintaining it. Continual analysis of the venture's product offering and management will help the venture to stay current with the situation.

1.1.3 The Lubricants Market Industry

The Lubricants Market industry is dominated by the Major oil companies, the smaller oil companies commonly referred to as Independents and private importers. The Lubricants Market in Kenya has been dominated by the major players in the Petroleum Industry. Petroleum industry sales based on 2010 figures represented annual sales of 4,048,404 m3, with 23 players accounting for 99.1% of the market share. The sector has 40 import and marketing firms. (Petroleum insight 2012).

Of the two largest international firms still with a foothold in the Kenyan market, KenolKobil and Total Kenya, only the latter has continued to expand its downstream marketing presence. Total, which increased its retail network after merging with Chevron's Kenyan operation in 2009, ceded some of its stations to National Oil to reduce its dominance in the market.

The lubricants industry is well on its way to becoming a global business. Major international firms like Exxon Mobil, Shell, BP, and Chevron are getting even larger and account for an even more significant market share of the global lubricants business, which is estimated at 38.5 million tons in 2006. Most of these major suppliers are now also managing their lubricants business on a global basis. Clearly, some regions will enjoy significant growth while others will decline. From a volumetric standpoint, the Asia-Pacific region is expected to continue to show the most robust growth.

Against this backdrop, economies of scale are an advantage that the leading players seek in this very competitive market. This has led to erosion among the midsize and "me-too" players and increasing polarization—that is, a move toward large and very large marketers on the one hand and small niche suppliers on the other. Competition is therefore no longer limited to local, regional, or even national markets but is increasingly becoming global in nature.

Lubricants are either sourced locally or through direct importation. Local manufacturing of lubes is concentrated in three blending plants situated in Mombasa and owned by Kenya Shell, Total and Oilibya. It is estimated that locally blended lubricants account for 80% of the total country sales. The lubricants industry in Kenya is divided into four major marketing fronts namely retail, commercial, aviation, marine and resellers. Retail focuses on marketing products to motorists at stations strategically located by the roadside. Commercial arm is concerned with marketing of lubricants to major industrial consumers like factories, agricultural estates, Power plants, Commercial fleets and Mines. The Aviation sector sells lubricants to airlines. Marine sectors sells lubricants to vessels and resellers normally target vehicle spare part shops and garages.

Liberalization of petroleum trading has seen new players enter the market to engage in import, export, wholesale and retail petroleum business. Effective legal and regulatory framework to guide the industry players in a liberalized market consistent with international norms and characterized by prohibitive entry barriers are some inherent hindrances to independents in this market. Some of the critical entry barriers include the high initial investment capital requirement which is made worse by high costs of money in the domestic market. The independent marketers also suffer a credibility problem with consumers and policy makers due to perceived unethical business practises.

The deregulation meant that oil marketers have had to set their own profit margins and meant competing on price, product and services offered to the customers. The Government opened the way for new entrants in 2004 when it adopted a liberalization policy that removed technical barriers. The Government also establishes minimum quality levels for engine lubricants sold within the country. These were adopted in 2000 by the Kenya Bureau of standards. In a bid to encourage local blending the country charges a twenty five percent duty on imports of finished products and only ten percent on base oils In this context, this sector has turned into a highly competitive and potentially loss making business for any company whether major or independent. There are quite a number of these independents who have adopted various strategies and have continued to operate alongside the majors.

Lubricants are highly profitable .The market is projected to grow between 3 percent and 5 percent annually as more cars, lorries and machinery continue to be imported in the Kenya Market. Price control for fuels and standardized valves for gas sold in cylinders has been the outcome. This has led to increased competition and reduction in profit margins in other oil products such as motor fuel, aviation fuel and cooking gas. Industry players say profits margins from lubricants are higher compared to other oil products.

On the independents Galana Oil Kenya, in partnership with the Emirates National Oil Cooperation (ENOC), launched a brand of lubricants to increase her competitiveness. The company, which trades under the brand name Delta, stock's and distributes a range of ENOC lubricants including synthetic engine oils, automotive lubricants, and greases to industrial lubricants such as hydraulic oil etc. Others gaining a foothold are Lacheka Lubricants, General Lubricants and Creative innovations also based in Nairobi and serves as a distributor for Germany's Fuchs Petrolub. Oryx/Addax which blends lubricants in Tanzania and exports to Kenya.

The pace was set in December 2009 when indigenously owned Hass Petroleum Group an independent joined the field which was until then dominated by multinationals such as Shell, Total, Oil Libya and Kenol Kobil. The oil companies are looking forward to good times even as the demand for oil and oil products is set to grow as the government's economic growth figures look up. Among the multinationals companies that have exited the local oil market are Esso, Agip, BP, and Chevron while Shell has also sold off assets. Total commands 47 per cent and the largest share of the lubes market. Oil Libya (19 per cent) and KenolKobil (10 per cent). (Petroleum insight 2012).

The steady growth of Independent Lubricant Marketers is attributed to increased globalization and opening up of markets, exit of multinationals which provide opportunities for local entrepreneurs and government incentives. Governments have realized the value of home grown entrepreneurs and have thus come up with incentives e.g. vision 2030 to promote domestic investment and deregulation in prices. Most of the oil marketers are now moving towards enhancing the lubricants sector which is not adversely affected by the aforementioned but to a limited extent.

Independent oil marketers are upping their investments in alternative revenue streams to grow their market share in an industry where stiff competition in traditional products is narrowing their profit margins. Companies are moving into market the lubricants brand as part of a strategic plan to diversify operations and widen the product offering available and grow company's revenue streams. The divesture of multinationals has created a window of opportunity for growth of independent Kenyan-owned oil firms. However there is now also a bigger challenge of smaller competitors who are unconventional, have lower cost bases emerging as competitors for the lubricants business.

Competitive strategies employed by firms in their operations vary widely. The current operational set-up in Kenya's Lubricants Market after liberalization and introduction of price controls for main fuels and unified valve in Liquefied petroleum gas has created a turbulent and highly competitive market condition. To ensure survival and sustainability in the market place the independent Lubricants Marketers require adopting a competitive strategy.

1.2. Research Problem

The major factors that influence the choice of a strategy in most firms are the match between internal competencies and external environment factors. But the overall choice of a strategy is done by the founders of the firm who determine what products or services to be produced. This is the choice of generic strategy. Porter (1985) states that most firms start choosing their strategies from selecting particular generic strategy .Firms can choose to be the leaders within the industrial Sub sector in least costs, or it can choose to produce differentiated product or still choose to produce goods or services for a niche market in the focus strategy.

In the oil industry, Njoroge (2006) studied competitive strategies adopted by liquefied petroleum gas and focussed on the dominant players in the market who were then the major oil companies. Mwangi (2008) studied the relationship between competitive strategies and performance of independent oil companies in Kenya but the product of focus was motor oil fuel which is a homogenous product. Wairegi (2009) was a survey of the influence of competitive strategies on performance of oil firms in Kenya with a focus on motor fuel and the major oil companies. Kinoko (2008) studied competitive strategies adopted by Primary lubricant marketers in Kenya. In his study, he recommended further research to include all

Importers and traders of lubricants who are not captured in the Ministry of Energy sales statistics.

It is also evident that some of the major oil companies in the previous studies have exited or are in the process of exiting the market. No research has been conducted to determine the competitive strategies used by the independent Lubricant oil marketers in Kenya that have enabled them survive and grow amidst the ever highly competitive market necessitated by reduced margins on the white oil sector. A knowledge gap therefore exists regarding the competitive strategies adopted by the independent lubricants marketers. What are the competitive strategies used by the independent Lubricant oil marketers?

1.3 Research Objective

The objective of this study was to establish the competitive strategies employed by the independent lubricant Oil Marketers.

1.4 Value of the Study

The findings of this study will benefit a number of interest groups as discussed below:-

The managers in the Lubricant firms will use the research findings and recommendations to position themselves and compete competitively in the market. It will also provide vital information for decision making.

To the government authorities and specifically the Kenya economy, the oil industry plays a big role in contribution to the exchequer in terms of taxation. Oil companies are among the top tax payers.

To the marketers in the industry in particular who will gain new insights into the industry. They will also be able to understand the strategies issues that they need to address in order to position themselves more competitively in the environment in which they operate.

There is the opportunity to gather further information on the Kenyan lubricants industry, its size, the drivers and restraints influencing growth. Further light will be shed on the established and emerging distribution channels for lubricants and the impact of Internet and e-commerce on the lubricants business.

For academicians and scholars, the study will enrich their knowledge of the industry and identify areas for further research. Apart from contributing to the body of knowledge this study will stimulate future scholars to further research on competitive strategies planning for small indigenous companies in Kenya.

CHAPTER TWO: LITERATURE REVIEW

2.1 Introduction

This Chapter presents a review of some of the related literature published on the subject of study. The main part of the literature review looks at the forces of competition in Industry with emphasis on threat of new entrants. Previous research dwelt with the competitive strategies employed by the Major oil players in the Lubricants industry though the last 5 years has seen an exit of 3 of these major players from the Market.

2.2 The Concept of Strategy

There is no single universally accepted definition of strategy. According to Johnson and Scholes (1999), Strategy is the direction and scope of an organization over the long term which achieves advantage for the organization through it's configuration of resources within changing environment to meet the needs of the market and fulfill stakeholders expectation. Pearce and Robinson (2000) define strategy as a company's 'game plan'. They further say that by strategy; Managers mean their large scale future oriented plans for interacting with the competitive environment to achieve company objectives.

According to Mintzberg (1985) strategy is a plan, ploy, pattern, position and perspective. Mintzberg further affirmed that strategy defines the organizational purpose, goals, priorities, objectives, and deals with the organizational competitive advantage. It also defines the business of an organization in terms of product or market scope

Yabs (2010) states that private and public firms in Kenya formulate their strategies in accordance with the demands of the environment. Firms that were incorporated in Kenya formulate their long terms plans from the generic strategies and then choose appropriate alternative or grand strategies, depending on the sector of industry they are in. Private sector firms have mostly used expansion as well as growth strategies and combination strategies. Expansion strategies have included use of concentric diversification, conglomerate diversification, joint ventures and mergers and acquisitions. Growth strategies have included market development strategies, product development strategies, innovations and concentration and deepening of specialization. Combination strategies are a mixture of all the above depending on the problems facing the firm.

2.3 Competitive Strategy

The job of the strategist is to understand and cope with competition. Often, however, managers define competition too narrowly, as if it occurred only among today's direct competitors. Yet competition for profits goes beyond established industry rivals to include four other competitive forces as well: customers, suppliers, potential entrants, and substitute products. The extended rivalry that results from all five forces defines an industry's structure and shapes the nature of competitive interaction within an industry.

Understanding the competitive forces, and their underlying causes, reveals the roots of an industry's current profitability while providing a framework for anticipating and influencing competition (and profitability) over time. A healthy industry structure should be as much a competitive concern to strategists as their company's own position. Understanding industry structure is also essential to effective strategic positioning. Defending against the competitive forces and shaping them in a company's favor are crucial to strategy. The configuration of the five forces namely differs by industry. The strongest competitive force or forces determine the profitability of an industry and become the most important to strategy formulation. The most salient force, however, is not always obvious.

A competitor does not deter other entrants, unless if it is perceived as too weak. A weak competitor provides a new entrant with an inviting bench head in the industry though the entrant would not dare to attack the leader directly. New entrants to an industry bring new capacity and a desire to gain market share that puts pressure on prices, costs, and the rate of investment necessary to compete. Particularly when new entrants are diversifying from other markets, they can leverage existing capabilities and cash flows to shake up competition, as Pepsi did when it entered the bottled water industry, Microsoft did when it began to offer internet browsers, and Apple did when it entered the music distribution business. Entry barriers are advantages that incumbents have relative to new entrants.

Demand-side benefits of scale, are also known as network effects, arise in industries where a buyer's willingness to pay for a company's product increases with the number of other buyers who also patronize the company. Buyers may trust larger companies more for a crucial product. Demand side benefits of scale discourage entry by limiting the willingness of customers to buy from a newcomer and by reducing the price the newcomer can command until it builds up a large base of customers.

Switching costs are fixed costs that buyers face when they change suppliers. Such costs may arise because a buyer who switches vendors must, for example, alter product specifications, retrain employees to use a new product, or modify processes or information systems. The larger the switching costs, the harder it will be for an entrant to gain customers. Enterprise resource planning (ERP) software is an example of a product with very high switching costs. Once a company has installed SAP's ERP system, for example, the costs of moving to a new vendor are astronomical because of embedded data, the fact that internal processes have been adapted to SAP, major retraining needs, and the mission-critical nature of the applications.

The need to invest large financial resources in order to compete can deter new entrants. Capital may be necessary not only for fixed facilities but also to extend customer credit, build inventories, and fund start-up losses. The barrier is particularly great if the capital is required for unrecoverable and therefore harder-to-finance expenditures, such as up-front advertising or research and development. While major corporations have the financial resources to invade almost any industry, the huge capital requirements in certain fields limit the pool of likely entrants.

No matter what their size, incumbents may have cost or quality advantages not available to potential rivals. These advantages can stem from such sources as proprietary technology, preferential access to the best raw material sources, and preemption of the most favorable, geographic locations, established brand identities, or cumulative experience that has allowed incumbents to learn how to produce more efficiently.

Porter (1996) defines competitive strategy as deliberately choosing set of activities to deliver unique mix of value. These activities are the basis of competitive advantage. Porter (1985) defines three basic sources of competitive advantage. These, which he refers to as generic strategies are cost leadership, differentiation and focus, and they grow fundamentally out of the value a firm is able to create for its buyers. Competitive strategy is defined as a basis on which a business unit might achieve competitive advantage in the market. Many researchers have noted however that most firms offer multiple products within an industry resulting in product portfolios in which different competitive strategies may be adopted for individual products.The cost leadership and differentiation strategies seek competitive advantage in a broad range of industry segments, while focus having a focal point at market segment aiming at low cost differentiation.

Generic strategies are those general plans of action that are formulated at the beginning Generic strategies express the intention of the founders to provide a particular good or service and the choice of industry to invest in. Most firms start choosing their strategies from selecting particular generic strategy as proposed by Porter (1985). Firms can either chose to be the leaders within the industrial sub sector in least costs, or it can choose to produce differentiated products or still can choose to produce goods or services for a niche market in the focus strategy.

After choosing the major generic strategy, a firm can then choose any of the available business strategies or grand strategies. Pears and Robinson (1985) articulate classification of grand strategies that many firms through practice have perfected over the years. Strickland and Thomson (1989) have called these business strategies alternative strategies. Pierce and Robinson (2003) have called them grand strategies, or business strategies. Examples of these are Specialization, Product development strategy, market development strategy, Innovation, Concentric Diversification, conglomerate, Joint ventures and Strategic alliance.

Different Companies apply differently the above grand or alternative or business strategies. They can use singly or combine different strategies under the following approaches; Development and consolidation Strategies, Expansion Strategies, Survival Strategies. The notion underlying the concept of generic strategies is that competitive advantage is at the heart of any strategy, and achieving competitive advantage requires a firm to make a choice- if a firm is to attain a competitive advantage, it must make a choice about the type of competitive advantage it seeks to attain and the scope within which it will attain it. Being "all things to all people" is a recipe for strategic mediocrity and below average performance; because it often means that a firm has no competitive advantage at all. (Johnson et al., 2005)

Some of the studies on competitive strategies done in other industries in Kenya have supported the existence of these strategies. Some attempts have also been made to capture the differences in the extent to which firms emphasize various competitive dimensions. Ngeera (2003) while studying the pharmaceutical industry observed that when firms are faced with competition, they develop strategies to help them achieve competitive advantage. He found that most retail pharmacies used cost leadership while good customer service was used to attract and retain customers. Omondi (2006) while studying the airline industry found that airlines use market penetration strategies, product development and diversification strategies. Okoth (2005) while studying the sugar manufacturing firms found that competitive strategies of cost leadership, differentiation and focus were employed to different degrees.

Various studies have also been done on the Oil industry in Kenya. Mwangi (2008) studied the relationship between competitive strategies and performance of independent oil companies in Kenya but the product of focus was motor oil fuel which is a homogenous product. His recommendation was for that competitive strategies like focus and cost leadership should be tried by independents and at that time most were using segmentation strategy. Wairegi (2009) studied the influence of competitive strategies on performance of oil firms in Kenya with a focus on motor fuel and the major oil companies. She found that most of the companies employed the competitive strategies to cope with the competitive environment. The most commonly used strategies were differentiation, market focus, diversification, product development and mergers and acquisitions. Cost leadership was also in use but to a limited extent. Kinoko (2008) studied competitive strategies adopted by Primary lubricant marketers in Kenya. His focus was again on the Major oil companies and he found that broad differentiation strategies and hybrid strategies were in use. Offering lubricants recommended by original equipment manufacturers and offering a wide selection of lubricants for customers were the most important strategies in product offering at that time. Some of these majors have either exited or are in the process of exiting the market.

2.4 Competitive Strategy Challenges

Porter (1985) argues that there are two major risks in pursuing generic strategies, failing to attain or sustain the strategy and for the value of the strategic advantage provided by the strategy to erode with industry evolution. He further argues that generic strategies are not necessarily compatible with one another. If a firm attempts to achieve an advantage on all fronts, in this attempt it may achieve no advantage at all. In both differentiation and focus strategies, imitation by competitors poses a challenge. The managerial challenge is to craft a competitive strategy that allows the company to hold its own.

Thompson (2002) asserts that the environment is important and an organization has to respond to its dynamism, heterogeneity, instability and uncertainty. Organizations exist in a complex, commercial, economic, political, technological, cultural and social environment. Also changes in competitive strategies can confuse consumers. For example, if a business employing a low cost strategy attempts to switch to a differentiation strategy, its price-oriented customers may become confused and leave in pursuit of another low cost leader, while those customers willing to pay a premium price for differentiated products may not recognize the organization's strategic change.

CHAPTER THREE: RESEARCH METHODOLOGY

3.1 Introduction

This chapter presents the research design that was used to meet the objectives of the studies as set out in chapter one. Included here are the type of survey, population of interest, data collection and analysis techniques.

3.2 Research Design

A cross-sectional survey research design was used in this study. The choice was necessitated by the nature of data to be collected, which was cross sectional. Cooper and Emory (1985) contend that the surveys are more efficient and economical than observations. It also allows for comparative analysis in order to obtain rational conclusions. The census survey was considered most appropriate for this study since the population of interest was small. In a census survey, all elements in the population are studied which enhances the confidence of the research findings.

Descriptive studies are concerned with finding out who what, where, when or how much of a phenomena (cooper and schindler 2003). This particular research design was thus suitable for this research. This research design has also been successfully used by Lekolool (2010), Khabala (2009) and Njoroge (2006) in carrying out similar studies in Kenya

3.3 The study Population

The population census of interest for this study comprised of all the 22 independent oil marketers listed in the Petroleum Institute of East Africa (PIEA) insight magazine 1st Quarter

2012. The research was conducted in Nairobi where the companies have their headquarters and where all the information required is available.

3.4 Data Collection

The study used primary data. The primary data was collected by use of a semi-structured questionnaire containing both open-ended and closed questions. The questionnaire was used to guide the personal interview and where not possible it was self administered. The personal interview stimulates the respondents therefore permitting for greater flexibility and provides an opportunity for probing. This concurs with Cooper and Emory (1985) who state that the greatest value of personal interviews lies in the depth and detail of information that can be secured.

The questionnaire targeted Marketing Managers or Commercial Managers within the organization since the responsibility of strategy implementation is vested at their level. The questionnaire was delivered to the respondents through direct mail service, electronically transmitted or drop and pick later approach.

3.5 Data Analysis

Due to the cross sectional and descriptive nature of data that was collected, the study used descriptive statistical tools of analysis. These descriptive statistics comprise frequencies mean scores, standard deviations and percentages. The frequency distribution showed the distribution of individual scores for a given variable and percentages gave the proportion of a subgroup to the total sample. Percentages are extremely important especially if there is a need to compare groups that differ in size. The five point likert scale was used to determine and interpret the various competitive strategies in use and the extent of their usage.

To find out the challenges of competition faced and competitive strategies used by the firms, cluster analysis was used. This entailed organizing variables and their relationships in measuring the extent to which they were related in describing a particular challenge faced and a competitive strategy used. Previous studies carried out by Lekolool (2010) Nyatichi (2009) and Mwangi (2008) have successfully used this technique.

CHAPTER FOUR: DATA ANALYSIS, RESULTS AND DISCUSSION

4.1 Introduction

The aim of this study was to determine the competitive strategies used by the Independent lubricant marketers in Kenya. To achieve this, the Marketing Managers or Commercial Managers of the organizations were targeted to provide data. Out of the twenty two firms that were targeted, fourteen responded but only ten responded by returning the filled questionnaire. Out of the four, who did not fill the questionnaire, indicated that they were still at the initial stages of entering the lubricants market. The response rate was thus 63.6%.

This chapter deals with the presentation and analysis of the findings of the study. It presents findings on the factors influencing competition and competitive strategies used by Independent Lubricants marketers in Kenya. Primary data was used and data was collected by way of questionnaire. The respondents were required to provide some background information, information on the competitive business environment and the competitive strategies in use. A 5-point likert scale was used to determine the competitive strategies in use and the extent of their usage. The scale ranged from 1 to 5 where 1 indicated strategy not in use at all while 5 indicated a strategy used to a very great extent. The higher the score, the higher was the extent of the usage of the strategy among the lubricant marketers. Data was summarised and presented in form of tables, frequencies, percentages, mean scores and standard deviations.

4.2 Background Company information.

This section analyses the background information of the independent lubricant marketing companies surveyed in this research study. To help study the factors that influence competitiveness, the study sought to establish: the products, market category served and the number of retail outlets by the various marketers.

4.2.1 The organization Product/Products

Table 4.1: Product/Products

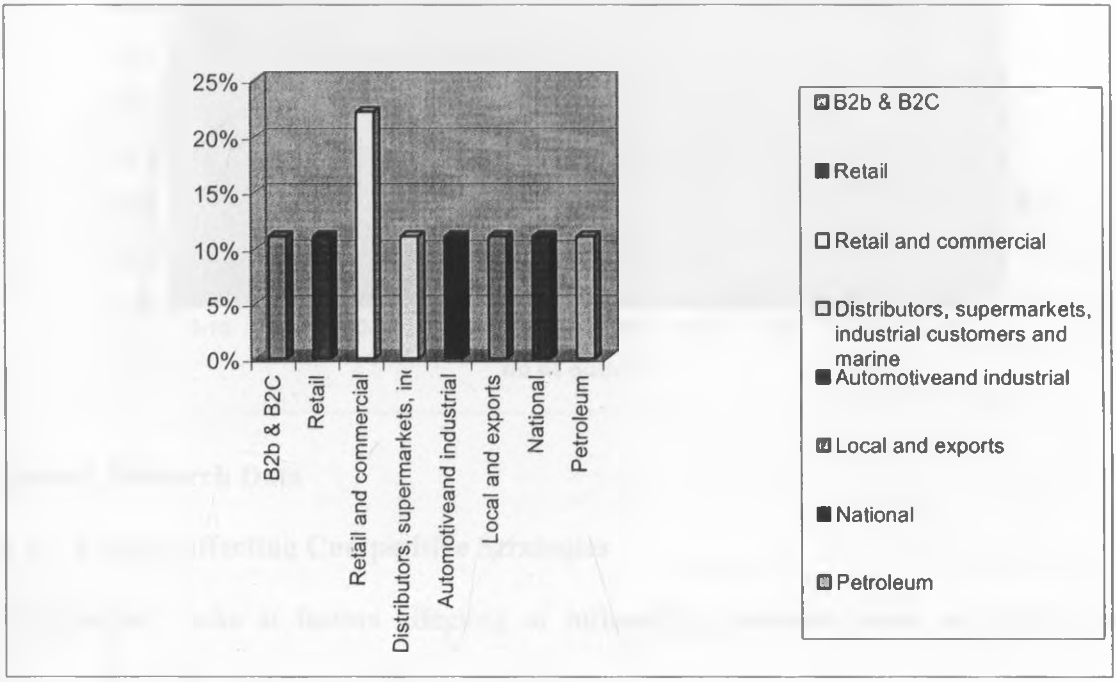
	Frequency	Percentage
Lubricants	6	60%
Lubricants, LPG and white fuels	2	20%
Petroleum products	1	10%
Fuels/Lubricants/household utilities	1	10%

Source: Research Data

Even though majority of respondents indicated that they market Lubricants it was established that the majority of the respondents market other products other than Lubricants.

4.2.2 Market Category served

Fig. 4.1: Market Category



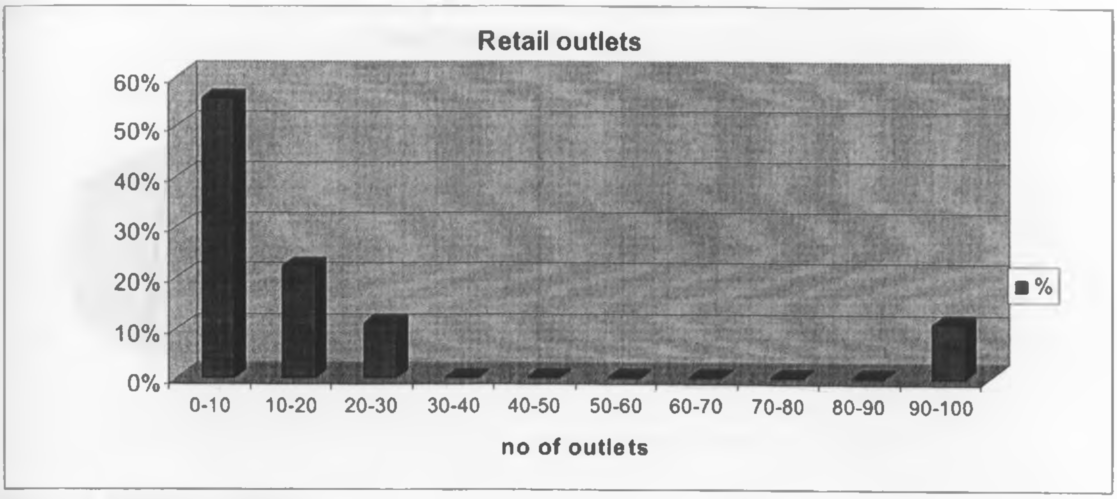
Source: Research Data

22% of respondents indicated that they were both in the retail and commercial sector and only 11% indicated that they serve both local and export markets.

4.2.3 Number of Retail outlets

The range of retail outlets for this population varied from zero to 96 retail outlets. With the majority of 78% having between 0-20 number of outlets. This implies that most of the independent oil marketers have limited presence in the retail market namely service stations.

Fig 4.2: Number of Retail outlets.



Source: Research Data

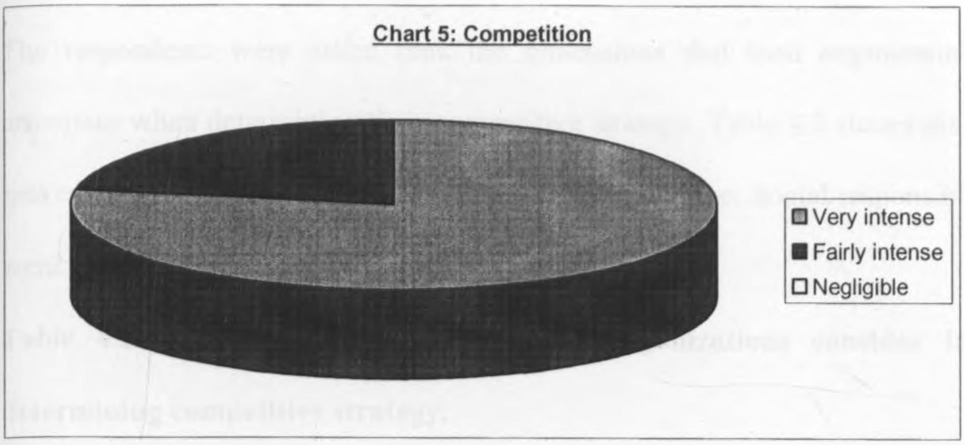
4.3 Factors affecting Competitive Strategies

This section looks at factors affecting or influencing competitiveness and the operating conditions of the independent lubricants Marketers.

4.3.1 Level of competition

The level of competition as seen by the respondents in fig.4.3 below indicates 78% of the respondents reported that they found the competitive environment very intensely competitive, while 22 % indicated that the found the level of competition fairly intense.This is an indication that this business faces stiff competition and rivalry amongst themselves.

Fig 4.3: Level of Competition

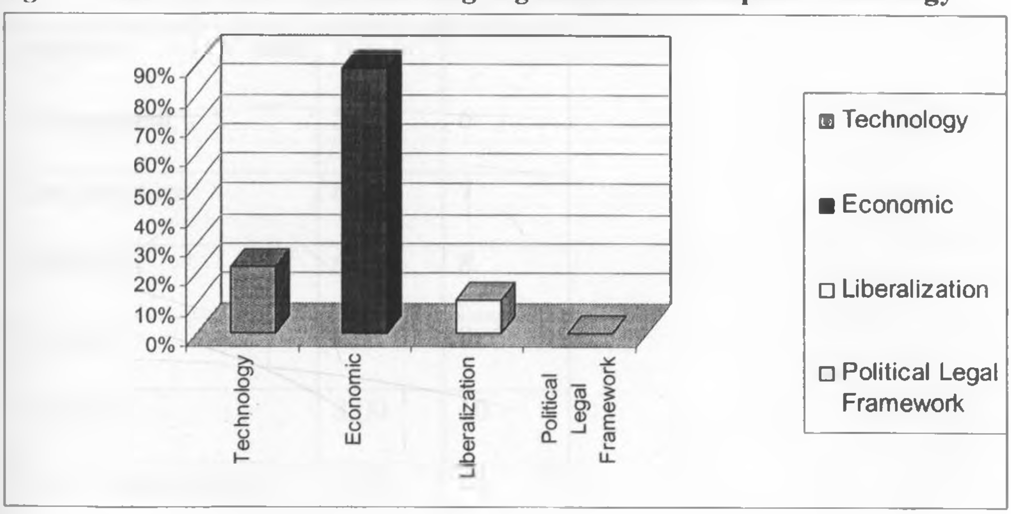


Source: Resource data

4.3.2 External factors influencing organizational competitive strategy

Of the external factors influencing their competitive strategy most of the respondents indicated that Economic factors at 89% was most influential followed by technological factors representing 22% of the respondents see fig 4.5.

Fig 4.4: External factors influencing organizational competitive strategy



Source: Resource data

4.3.3 Dimensions considered when determining Competitive strategy

The respondents were asked rank the dimensions that their organizations saw as most important when determining their competitive strategy. Table 4.2 shows the distribution was ranked as the most important followed by product service. Social responsibility and changes were considered the least important.

Table 4.2: Ranking dimensions to what organizations consider important when determining competitive strategy.

	Mean	rank
Distribution	3.22	1
Product service	3.63	2
Strategic response	3.75	3
Price	4.44	4
Differentiation	5.50	5
Research and development	5.71	6
Cost structure	6.25	7
promotion	6.29	8
Process	6.33	9
Changes	8.00	10
Social responsibility	9.14	11

Source: Research data

4.3.4 Importance of the After sales service to the customer

Table 4.3 Importance of after sales service to the customers
After sales service

	n	Mean	Std Deviation
Product availability	9	4.778	1.684
Used oil collection	9	3.889	0.889
Lubricants training	9	4.333	1.238
Provision of lubricating equipment	9	3.889	0.770

Source: Research data

Product availability was considered most important after sales-service.

4.3.5 Factors influencing Competition

Table 4.4: Factors influencing competition

	n	Mean	Std Deviation
Price wars	9	3.889	0.871
Original Equipment Manufacturers recommendation	9	4.222	1.156
Barrier to entry	8	3.000	0.526
Brand loyalty	9	4.444	1.189
Global brand	9	4.111	0.866
Switching costs	9	3.222	0.547
Local production	9	4.000	0.869

Source: Research data

Brand loyalty with a mean score of 4.444 was considered a very important factor influencing competition in the lubricants business. Recommendation by the Original Equipment manufacturer (OEM) was also considered important with a mean score of 4.222.

4.3.6 Factors influencing lubricants business retention or acquisition of new business

Table 4.5: Factors influencing lubricants business retention or acquisition of new business

	n	Mean	Std Deviation
Low price	9	3.5556	0.6116
Product availability	9	4.3333	1.0553
Brand	9	4.4444	1.1889
Technical support	9	4.1111	0.8664
Customer care	9	4.5556	1.2967
Trading terms	9	4.2222	0.9480

Source: Research data

Customer care, Brand and trading terms were considered as the most important factors that determined retaining a customer or acquiring a new one. Though the variance of responses on brand and customer care was quite wide as compared to trading terms.

4.4 Competitive Strategies

This section analyses the importance the independent lubricants marketers' place of various Strategies in their own organization's competitive strategy so as to compete effectively in the areas of product offering, price, service, distribution, marketing and human resource. It also examines the various competitive strategies employed by the independent lubricant marketer.

4.4.1 Product Offering

Table 4.6: Product offering

Item	Not important	Less important	Important	Very importatnt	Extremely important
Product offering	-	-	11%	67%	22%

Source: Research data

67% of the respondents found product offering as very important as part of their organization's competitive strategy.

4.4.2 Price Offering

Table 4.7: Price offering

Item	Not important	Less important	Important	Very important	Extremely important
Price Offering	-	-	44%	44%	11%

Source: Research data.

44% of the respondents found price offering as very important as part of their organization's competitive strategy

4.4.3 Service Offering

Table 4.8: Service offering

Item	Not important	Less Important	Importatant	Very importatnt	Extremely important
Service offering	-	-	-	44%	56%

Source: Research data.

55% of the respondents found service offering as extremely important as part of their organization's competitive strategy.

4.4.4 Product Distribution

Table 4.9: Product distribution

Item	Not important	Less important	Important	Very importatnt	Extremely important
Product distribution	-	-	11%	22%	67%

Source: Research data.

67% of the respondents found product distribution as extremely important as part of their organization's competitive strategy.

4.4.5 Marketing

Table 4.10: Marketing

Item	Not important	Less important	Important	Very importatnt	Extremely important
Marketing	-	-	44%	22%	33%

Source: Research data.

44% of the respondents found marketing as important as part of their organization's competitive strategy. While 33% found it extremely important.

4.4.6 Human Resources

Table 4.11: Human Resources

Item	Not important	Less important	Important	Very important	Extremely important
Human Resources	-	-	11%	78%	11%

Source: Research data.

78% of the respondents found Human Resources as very important as part of their organization's competitive strategy.

4.4.7 Competitive Strategies employed

In factor analysis, various variables are grouped in order of relevance and relatedness. The results displayed in Table 4.10 below reveals that the strategies used in order of importance are :Strict product quality with a mean score of 4.556, operating efficiently and cost control with a mean score of 4.333, premium product quality with a mean score of 4.222 and extensive customer service with a mean score of 4.222. Amongst these the one most agreeable to all is extensive customer service with a standard deviation of 1.032. The least used competitive strategy is pricing below competitors and this shows great agreement amongst the independent lubricant marketers.

Table 4.12: Competitive method

	n	Mean	Std Deviation
New product development	9	4.000	0.954
Extensive customer service	9	4.222	1.032
Building and maintaining brand equity	9	4.000	0.964
Marketing innovation	9	4.111	0.866
Influence over distribution channels	9	4.111	0.866
Targeting high priced segments	9	3.556	0.641
Advertising	9	3.000	0.365
Providing products with many features	9	3.778	0.709
Premium product quality	9	4.222	1.402
Operating efficiency/cost control	9	4.333	1.140
Pricing below competitors	9	2.000	0.320
Managing raw materials costs and availability	9	4.111	0.915
Trade promotions	9	3.222	0.918
Servicing several market segments	9	3.889	1.100
Maintaining high point of sale inventory levels	9	3.111	0.804
Being first to market	9	3.222	0.461
Broad product range	9	4.000	0.767
Strict product quality control procedures	9	4.556	1.402

Source: Research Data.

CHAPTER FIVE: SUMMARY, CONCLUSION AND RECOMMENDATIONS

5.1 Introduction

In this chapter, the findings of the study are summarized, discussed and conclusions drawn. This chapter also highlights recommendations and areas thought necessary for further research, limitations of the study and recommendations for policy and practise.

5.2 Summary and Findings

The study was to determine Competitive strategies used by independent Lubricant marketers in Kenya and the characteristics of the market. The study was by way of consensus survey. A 63.6% response rate was achieved. Based on the study, it was established that the respondents were also involved in the marketing of other petroleum products with Lubricants being one of the business lines. It was also evident that the independent Lubricant marketers apart from one respondent have limited number of retail outlets. This is in contrast to the Major Lubricants marketers who have a heavy presence in the retail network.

The study established that the Lubricants market is very competitive with the most independent Lubricants marketers indicating that economic factors were the most influential external factors in determining their competitive strategy in the last two years. The study also sought to establish the most important dimension when determining their competitive strategy. It found that distribution ranked as the most important .This is in line with the findings that most independent Lubricants marketers have limited number of retail outlets and getting their products to the end customer becomes an important dimension. This is an industry where constraints of the infrastructure dictate the pace of growth rather than existing opportunities in the market place.

On the factors influencing competition in the Lubricants business to the greatest extent, the study established that these were brand loyalty and Original equipment manufacturers (OEM) recommendations. This corroborates findings by Kinoko (2008). This is a reflection of the dominance of the industry by the major oil companies who had invested heavily in their brands and in acquiring OEM recommendations as part of their competitive strategy. These Research and development, design, and branding-based advantages of multinationals will continue being a key factor influencing competition given the technological advances being made in lubrication. The huge capital requirement for this limits the pool of likely entrants.

The research established that the exit of multinationals has resulted in removal of entry barriers by opening the market and making it more receptive to non-traditional brands. Customer are now paying attention to new entrants and the independent lubricant marketers have had to undertake training of their staff in order to realize sales. It was established there is an overall reduction in industry technical capability, more room for innovative solutions, stability in pricing, reduced standards of safety and tapping into global technologies. The independent lubricant marketers have had to improve their processes by bench-marking against best practices and have benefited from availability of knowledgeable staff from the exiting multinationals.

The study sought to establish, how independent lubricants marketers were handling competition. This introduced the various competitive strategies adopted by the different marketers to remain competitive. The questionnaire sought five strategies that the marketers could use. They were; product, service and price offerings, product distribution, marketing and human resources. Service offering followed by product offer were established as the most important as part of the organization strategy. Product distribution was considered extremely important. The study established that the most competitive methods used by the independent Lubricant marketers were as follows: Strict product quality control, Operating efficiency/cost control, Premium product quality and extensive customer service.

In conclusion, from the competitive methods above and the research findings, it can be concluded that independent Lubricants marketers largely pursue differentiation and cost-leadership strategy. Differentiation strategy is demonstrated on the extensive use of extensive customer service, marketing innovation, influence over distribution channels, new product development and building and maintaining brand equity. This is demonstrated further by the fact that most independent Lubricants marketers have entered into exclusive distributorship agreements with overseas lubricant brands. In cost-leadership strategy, independent Lubricant marketers the study reveals uses extensively operating efficiently /cost control and managing raw material costs and availability. The least used method however is pricing below competitors.

5.3 Limitations of the study.

This study was limited in several dimensions. First, not all the target respondents filled and returned the questionnaire in time, though the response rate was 63.6%. The researcher also noted that there are other lubricant traders who import lubricants and sell in the Kenyan Market and whose statistics are neither captured in the ministry of energy data nor that of Petroleum institute of East Africa. Time limitations did not allow the researcher to wait for marketers who failed to respond.

5.4 Recommendations for further research

The researcher recommends further research should also be undertaken on the link between strategy and key industry success factors among Lubricants marketers in Kenya. A further research should also be undertaken on the strategic responses to challenges of Globalisation in the Lubricants Industry in Kenya.

5.5 Recommendations for Policy and Practise

Policy makers' needs to note that currently there are no established means of establishing Lubricant data because of many players. This is due to the lack of regulations for Lubricant business licensing. This has led to unfair trade practises in some instances and high level of counterfeiting in the lubricants business. With the exiting of multinationals, there is a reduced standard of safety, quality and a reduction in overall industry technical capability. The government through its agencies will need to provide necessary standards benchmarks and regulations for the Lubricants industry.

REFERENCES

Ansoff, H, I. (1965) *corporate strategy, an Analytic Approach to Business for Growth and Expansion*, New York: McGraw-Hill

Ansoff H.I (1984), *Corporate Strategy*, New York, McGraw-Hill

Ansoff, H.I. (1987), *Corporate Strategy*, revised edition, Penguin Books

Ansoff, H.I. and Mc Donnell E.J. (1990), *Implanting Strategic Management*, 2nd Edition, Europe: Prentice Hall.

Aosa, E. (1992). An Empirical Investigation of aspects of Strategy Formulation and Implementation within large private manufacturing companies in Kenya, *Unpublished Thesis. Strathclyde University.*

Chepkwony, J.K. (2001). "Strategic Responses of Petroleum Firms in Kenya to challenges of Increased Competition in the Industry" *Unpublished MBA research Project, University of Nairobi.*

Cooper, D.R and Emory W. (1985) *Business Research Methods*, 3rd Edition, R.D Irwin

Gathoga W. (2001) "Competitive strategies employed by Commercial banks" *Unpublished MBA research Project, University of Nairobi.*

Hofer and Schendel (1979) *Strategic management: A new view of business policy and planning*, Boston: Little, Brown

Isaboke, S (2001)."An investigation of the strategic Responses by Major Oil Companies in Kenya to the threat of new Entrants", *Unpublished MBA research Project, University of Nairobi.*

Johnson, G; Scholes K. and Whittington R. (2006), *Exploring Corporate strategy*, 7th Enhanced Media edition, London: Prentice Hall

Johnson and Scholes. (1999). *Exploring Corporate Strategy.* London Pitman

Khabala ,M.K.(2009) "Competitive strategies used by small mushrooming firms in the solid waste transportation and disposal industry in Nairobi Kenya" *Unpublished MBA research Project, University of Nairobi,*

Karanja, P. (2002) "Competitive Strategies of Real Estate firms: Perspective of Porters Generic Model", *Unpublished MBA research Project, University of Nairobi.*

Kariuki, D.N. (2006) "A Survey of Competitive Strategies and Performance of the Five Stars Hotels in Kenya", *Unpublished MBA research Project, University of Nairobi.*

Kinoko, J.M. (2008) "Competitive strategies adopted by Primary Lubricant marketers in Kenya", *Unpublished MBA research Project, University of Nairobi.*

Kline and Company (2006) *Competitive Intelligence for the Global Lubricants Industry, 2006-2016.*

Kombo, D.K., Tromp,D.L.A (2006). *Proposal and Thesis writing: An introduction.* Nairobi: Paulines Publications Africa.

Lekolool, D.M (2010) "Competitive Strategies adopted by Private Security firms operating in Mombasa" *Unpublished MBA research Project, University of Nairobi.*

Mbugua, J.M. (2005). "Critical Success factors in Petroleum Products retailing in Nairobi" *Unpublished MBA research Project, University of Nairobi.*

Mintzberg, H. (1979), *The structuring of organizations*, London: Prentice-Hall, Inc.

Mintzberg, H., Lampel J., Quinn J. B and Ghoshall S. (2003) *The Strategic Process: Concepts, Contexts, Cases*, 4th Edition, Essex: Pearson Education Limited.

Muchira, M (2005) "Differentiation strategies used by the Formal Private Security Industry in Kenya," *Unpublished MBA research Project, University of Nairobi.*

Mwangi M. W. (2007). "Strategies used by Major Oil Companies to create Competitive Advantage for their stations in Nairobi" *Unpublished MBA research Project, University of Nairobi.*

Mwangi, H.K. (2008) "The relationship between Competitive strategies and performance of independent oil companies in Kenya", *Unpublished MBA research Project, University of Nairobi.*

Ngeera (2003) "Competitive Strategies applied by the retail sector of the pharmaceutical industry in Nairobi" *Unpublished MBA research Project, University of Nairobi.*

Njoroge (2006) "Competitive Strategies adopted by Liquefied Petroleum Gas marketers in Kenya to cope with Competition" *Unpublished MBA research Project, University of Nairobi.*

Okoth, Z, O (2005) "Competitive Strategies employed by Sugar Manufacturing Firms in Kenya" *Unpublished MBA research Project, University of Nairobi.*

Omondi, E (2006) "Competitive Strategies adopted by Airlines in Kenya" *Unpublished MBA research Project, University of Nairobi.*

Petroleum Insight (2008), *Global warming, the Kenyan Perspective*, Jan- March

Petroleum Insight (2012), Magazine Quarterly publication

Pearce, J.A. and Robinson, R.B. (2007), *Strategic Management, Formulation, Implementation and control*, 10th edition, New York: McGraw-Hill/Irwin

Pearce, J. A., II and Robinson, R. B., Jr. (2000), *Strategic Management: Strategy Formulation, Implementation and Control*, 7th edition, Chicago, IL: R. D. Irwin, Inc.,

Porter, M.E. (1985) *Competitive Advantage: Creating and sustaining Superior performance*, New York: The Free press

Porter, M.E (1980) *Competitive Strategy: Techniques for Analysing Industries and Competitors*, New York: The Free press

Porter, M.E (1998) *Competitive Strategy: Techniques for Analyzing Industries and Competitors*, New *York:* The Free Press.

Porter (1996) *what is strategy,* Harvard business review

Thompson, A.A and Strickland, A.J. (1996) *Strategic Management: Concepts and Cases,* 9th Edition, Chicago: Irwin

Thompson, J. &John, L. (1997), *Strategic Management awareness and Change.* International Thomson Business Press. London

Wairegi, M (2009) "The influence of Competitive strategies on performance of oil firms in Kenya" *Unpublished MBA research Project, University of Nairobi.*

Yabs, J (2010), *Strategic Management Practices,* 2nd edition, Nairobi: Lelax Global Limited

Appendix A: Letter of Introduction

UNIVERSITY OF NAIROBI
School Of Business
P.O Box 30197, 00100-G.P.O,
Nairobi, Kenya.
Telephone: (+254-20) 318262
Fax: (+254-20) 245566,
JULY 22, 2012

Dear Respondent,

RE: DATA COLLECTION

As one of the Lubricants Marketers in Kenya, your company has been selected to participate in the study of strategies adopted in the industry to create competitive advantage. Along with this letter is a short questionnaire that asks a variety of questions about Competitive strategies in use in relation to your firm.

This survey should take you about 10-15 minutes to complete. I hope you will take time out of your busy schedule to complete the questionnaire and return it to me. Your participation is voluntary and highly appreciated and there is no penalty if you do not participate.

I hope to share my results through a thesis and subsequent publishing of the same in the University press where students and the public can access them.

I do not know of any risks to you if you decide to participate in this survey and I guarantee that your responses will be handled with utmost confidentiality. Kindly do not put your name on the questionnaire. All responses will be kept confidential. You may send the questionnaire to this e-mail address: **tdoduol@gmail.com.**

Regardless of whether you choose to participate, please let me know if you would like a summary of my findings.

If you have any questions or concerns about completing the questionnaire or about being in this study, you may contact me through my cell phone line **+254722803509**. The board of post graduate studies at University of Nairobi has approved this study.

Thank you for your attention and assistance.

Yours sincerely

Tom Oduol

MBA Student

Attached letter from University:-

Appendix B: Questionnaire

COMPETITIVE STRATEGIES EVALUATION QUESTIONNAIRE

Your responses to these questions will provide data relating to Competitive strategies in your organization. It will also provide data that will enable the researcher identify functional areas where Competitive strategies usage has created competitive advantage in your organization

1. Name of your organization____________________________________
2. Product or Products___________________________________
3. Market Category served __________________________________
4. Retail Outlets in Kenya _________________
5. Which of the following best describes your competition? Click on your selection.

   - ○ VERY INTENSE
   - ○ FAIRLY INTENSE
   - ○ NEGLIGIBLE

6. Which of the following external factors is most influential in determining your organization competitive strategy in the last 2 years?

   - ○ TECHNOLOGY
   - ◉ ECONOMIC
   - ○ LIBERALIZATION
   - ○ POLITICAL LEGAL FRAMEWORK

7. Rank the following dimensions to what your organization see as most important to the least when determining your competitive strategy.

   - ○ STRATEGIC RESPONSE
   - ○ CHANGES
   - ○ PRICE
   - ○ PRODUCT SERVICE
   - ○ DISTRIBUTION
   - ○ PROMOTION
   - ○ RESEARCH AND DEVELOPMENT
   - ○ PROCESS
   - ○ SOCIAL RESPONSIBILITY
   - ○ COST STRUCTURE
   - ○ DIFFERENTIATION
   - ○ Others (Specify) __________________

8 How important is your product offering as part of your Organization competitive strategy?

- Not important
- Less important
- Important
- Very important
- Extremely important

9 How important is price offering as part of your organization competitive strategy in your Organization?

- Not important
- Less important
- Important
- Very important
- Extremely important

10 How important is Service offering as part of your organization competitive strategy in your Organization?

- Not important
- Less important
- Important
- Very important
- Extremely important

11 How important is product distribution as part of your organization competitive strategy in your Organization?

- Not important
- Less important
- Important
- Very important
- Extremely important

12 How important is Marketing as part of your organization competitive strategy in your Organization?

- Not important
- Less important
- Important
- Very important
- Extremely important

13 How important is Human resources as part of your organization competitive strategy in your Organization?

- Not important
- Less important
- Important
- Very important
- Extremely important

14 What action Plans has your organization used to overcome competition in the liberalized market?____

15 What impact has the exit of multinationals had on your organization's business plans?____

16 If a competitive method that you use is not listed below, please add it to the bottom of the list and list the degree to which it has been emphasized on a scale of 1 – 5. Mark with (x) against your choice

	5 – Very great extent	4 – Great extent	3 – Moderate extent	2 – Small extent	1 – Not at all
New product development					
Extensive Customer service					
Building and Maintaining Brand equity					
Marketing innovation					
Influence over distribution channels					

	5 – Very great extent	4 – Great extent	3 – Moderate extent	2 – Small extent	1 – Not at all
Targeting high priced segments					
Advertising					
Providing products with many features					
Premium product quality					
Operating efficiency/cost control					
Pricing below competitors					
Managing raw material costs and availability					
Trade promotions					
Servicing several market segments					
Maintaining high point of sale inventory levels					
Being first to market					
Broad product range					
Strict product quality control procedures					
Others (specify)					

17 On a scale of 1 - 5, how do you rate the following after sales service to your customer? Mark with (x) against your choice

	5 – Very great extent	4 – Great extent	3 – Moderate extent	2 – Small extent	1 – Not at all
Product availability					
Used Oil Collection					
Lubricants Training					
Provision of Lubricating Equipment					
Other (specify)					

18 On a scale of 1 - 5, to what extent do the following dimensions influence competition in the lubricants business? Mark with (x) against your choice

	5 – Very great extent	4 – Great extent	3 – Moderate extent	2 – Small extent	1 – Not at all
Price wars					
Original Equipment manufacturer's (OEM) recommendation					
Barrier to Entry					
Brand Loyalty					
Global Brand					
Switching costs					
Local Production					
Other (specify)					

19 On a scale of 1 - 5, to what extent do the following dimensions influence lubricants business acquisition or customer retention? Mark with (x) against your choice

	5 – Very great extent	4 – Great extent	3 – Moderate extent	2 – Small extent	1 – Not at all
Low Price					
Product availability					
Brand					
Technical Support					
Customer Care					
Trading terms					
Other (specify)					

20 In your opinion, has Competitive method used enabled your Organization achieve its organizational objectives?

○ Yes ○ No

Please state objectives achieved in

____
____
____
____
____
____
____
____
____

LIST OF INDEPENDENT LUBRICANT MARKETERS

1. NATIONAL OIL CORPORATION OF KENYA
2. BAKRI INTERNATIONAL ENERGY CO. LTD
3. GAPCO KENYA LTD
4. GULF
5. HASHI EMPEX LIMITED
6. HASS PETROLEUM (K) LTD
7. GALANA OIL (K) LTD
8. ENGEN KENYA LTD
9. OILCOM (K) LTD
10. RIVA PETROLEUM DEALERS LTD
11. MOGAS
12. TROJAN
13. FOSSIL
14. ADDAX
15. BANODA
16. REGNOL
17. PETROLUBE KENYA LIMITED
18. MILLENIUM
19. EA GASOIL
20. AL-LEYL
21. GLOBAL
22. MULOIL

Source: *Petroleum Insight magazine (Jan-March 2012)*