

**THE EFFECT OF RETAIL DISTRIBUTION STRATEGIES ON THE
COMPETITIVE ADVANTAGE OF OIL MARKETING FIRMS IN KENYA: A
CASE OF VIVO ENERGY**

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DECLARATION

I declare that this research project is my original work and has not been presented for a degree in any other university.

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DEDICATION

I would like to dedicate this work to my beloved family. Thank you for encouraging me to complete my studies.

ACKNOWLEDGEMENT

I would like to thank, praise and worship the Almighty God for granting me wisdom, knowledge, understanding, finances and good health to pursue this course. Secondly I would like to acknowledge my family for encouraging me all through my course.

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LIST OF ABBREVIATIONS

OEM:	Original equipment manufacturers
KRA:	Kenya Revenue Authority
ERC:	Energy Regulatory Commission
KPRL:	Kenya Petroleum Refineries Limited
RBV:	Resource-Based View
RDT:	Resource Dependence Theory
KICC:	Kenyatta International Convention Centre
ERP:	Enterprise Resource Planning
OILS:	Outsourcing in Logistics Services
PIs:	Patronage Intentions
PV:	Perceived Value
PCRI:	Perceived Convenience Retailer Innovativeness
SCA:	Sustainable Competitive Advantage
TR:	Total Revenue

OPERATIONAL DEFINITION OF TERMS

Competitive advantage: This is the favorable position of superiority an organization seeks in order to be more profitable than its competitors.

Convenience retailing strategy: This means the stocking of other products that are not the core business of an organization but are required by clients or customers.

Franchising: This is a long-term cooperative relationship between two entities—a franchisor and one or more franchisees—that is based on an agreement in which the franchisor provides a licensed privilege to the franchisee to do business.

Logistics outsourcing: It is the strategic use of outside parties (business independency) to perform activities traditionally handled by internal staff and resources.

Retail network expansion: This is the increase in the number of sales outlets (enterprises or establishments) belonging to a single company.

Distribution Strategies: These are plans created by the marketing department of a company that outline how the company aims to make its products available to retailers, intermediaries and consumers. The strategy focuses on the location of the target market, transportation and the storage of the stock.

ABSTRACT

The liberalization of the Kenya's petroleum sub-sector in October 1994 has over the years led to unexpected entry of new players into this sector. This has subsequently led to an increase competition as oil marketing companies fight a never-ending war for customers. In addition, the increase in competition has increased the bargaining power of the consumers as they now have a wide variety of choices. This coupled with changes in socio-cultural trends such as education and the increased importance of time has forced oil companies to be more sensitive and responsive as customers are now demanding value for their money. This study therefore sought to assess the implications of retail distribution strategies on the competitive advantage of oil marketing firms by focusing on Vivo energy. The study also sought to determine the influence of retail network expansion, franchising and partnerships, logistics outsourcing convenience retailing strategy on the competitive advantage of oil marketing firms in Kenya. The study was anchored on resource based view, resource dependency and agency theory. This study used a descriptive research design. The target population of this study was all the 110 staff working at the headquarters of Vivo Energy. Stratified random sampling technique was used to select 50% of the target population. The strata included departments in Vivo energy such as marketing, supply chain management, finance and customer service as well as petrol Station managers. The sample size was 55 staff. This study used both primary and secondary data. Secondary data was collected from the financial statements and the strategic plan of Vivo energy. Primary data was collected by use of semi-structured questionnaires and key informant interview guide. Before the main data collection a pilot test was conducted to test the validity and reliability of the research instrument. Quantitative data was analyzed by use of both descriptive and inferential statistics by use of statistical package for social sciences (SPSS version 22). Descriptive statistics included frequency distribution, percentages, measures of central tendencies (mean) and measures of dispersion (standard deviation). The data was then presented in tables and graphs. Inferential statistics such as correlation analysis and multivariate regression analysis were used to establish whether there is a relationship between the dependent and the independent variables. The results indicated that retail distribution strategies explain 75.5% of the competitive advantage of oil marketing firms in Kenya. The results indicated that retail network expansion has a positive influence on the competitive advantage of Vivo energy ($\beta_1=0.402$, $p\text{-value}=0.000$). In addition, logistic outsourcing has a positive influence on the competitive advantage of Vivo energy ($\beta_2=1.019$, $p\text{-value}=0.000$). Further, convenience retailing strategy has a positive influence on the competitive advantage of Vivo energy ($\beta_3=0.441$, $p\text{-value}=0.000$). . Franchising had no significant influence on the competitive advantage of Vivo energy ($\beta_4=0.172$, $p\text{-value}=0.322$). The study recommends that Vivo Energy should seek to increase its branch network even more. In addition, they should focus more on areas lacking fuel stations, upcoming residential areas and developing cities. To improve its distribution network, Vivo Energy needs to adopt the franchising strategy as it requires little or no resources. Also, since the company has been increasing its branch network, it should consider incorporating conveniences stores like shopping Matts and services like car wash and motor vehicle servicing.

CHAPTER ONE

INTRODUCTION

1.1 Background of the Study

The business environment in the oil marketing industry has become competitive following increased changes that have been implemented in the past one decade (Arora, 2015). In addition, continued effects of globalization, information technology advancements and regulatory framework have changed the competitive levels in the industry. In order to keep pace with these changes and remain competitive, oil marketing firms have to develop appropriate response strategies to propel them to attain their organizational goal. According to Cross (2015), competition as one of the environmental influences to a business exerts pressure on firms to be proactive and to formulate successful strategies that facilitate proactive response to perceived and actual changes in the competitive environment. Strategic decisions are ones that are aimed at differentiating an organization from its competitors in a way that is sustainable in the future. It is through response strategies that a firm seeks to build competitive advantage which it can then seek to sustain (Wambua, Namusonge, Waema & Ngongo, 2014).

According to Oduol (2014), a strategy refers to the pattern or plan that integrates an organization's major goals, policies and action sequences into a cohesive whole. A strategy helps to define the specific business of the firm in terms of products, markets and geographical scope and can be considered as a firm's game plan that enables the firm to create competitive advantage (Ehinomen & Adeleke, 2012). A distribution strategy is a plan created by the manufacturing department of a company that outlines how the company aims to make its products available to retailers, intermediaries and

consumers. The strategy focuses on the location of the target market, transportation and the storage of the stock (Amponsah & Opei, 2014).

1.1.1 Distribution Strategies

Distribution strategies play a crucial role in the launch of new products to the market and in the growth of market share in an organization. Distribution is crucial in the eventual acceptance and sales of a new product in the market as it determines the availability of the new product to customers (Mahendra, 2013). Distribution decisions have a far reaching effect in an organization because changing them is both resource and time demanding and hence firms have to take great care in designing their distribution systems during the launch of products (Khandelwal, 2013). As a result an organization distribution strategy plays a role in enabling the availability and application of the product in the marketplace and therefore the distribution strategy employed by the organization would impact the nature of “market support” capability that can be provided to the innovation.

According to Arora (2015), distribution strategies perform a number of functions that make possible the flow of goods from the producer to the customer. These functions must be handled by someone in the channel. Though the type of organization that performs the different functions can vary from channel to channel, the functions themselves cannot be eliminated. Channels provide time, place, and ownership utility. They make products available when, where, and in the sizes and quantities that customers want (Bianchi, 2009). Distribution strategies provide a number of logistics or physical distribution functions that increase the efficiency of the flow of goods from producer to customer.

1.1.2 Global Perspective

In the recent past, research on distribution strategies of products and competitive advantage has gained a lot of interest among researchers globally. In India, Mahendra (2013) indicates that the distribution of petroleum products widely depends on policy designed by the government as prices are controlled by the government and other affiliated bodies. The oil marketing companies believe that a sound distribution strategy and an effective supply chain structure holds a great promise for the future and would be a key element of their plans to enjoy a superior market performance. In addition, Khandelwal (2013) indicates that the distribution of automotive lubes has in the recent past witnessed a major transition from traditional public sector pumps to bazaar trade in the United Kingdom. However, another transition is underway- from shops to workshops. With the technology advancing and maintenance becoming more sophisticated, the workshop channel (both organized and unorganized) is gaining traction at the cost of other distribution formats. Distribution of petroleum products these days is done through authorized workshops, repair shops, lubricants shops and spare part shops.

In Canada, Natural Resources Canada (2016) indicates that the marketing and retailing of gasoline is carried out by many firms, which can generally be divided into two types. The first type consists of outlets operated by the integrated refiner marketers who produce the gasoline, distributes it and markets it, often through affiliate or licensed operators who own individual outlets. These companies provide gasoline to their own network and to other retailers under contract. The second type consists of the independent marketers. Independent marketers are those who do not own a refinery but either buy their product from Canadian refiners or import the gasoline. They tend to operate small numbers of outlets in specific locales, but some

large networks exist. Some of the larger networks of independent stations include Wilson Fuels, Couche-Tard, OLCO, Canadian Tire, Cango, and Domo.

1.1.3 African Perspective

In Ghana, Amponsah and Opei (2014) indicates that the growth of the petroleum industry is highly dependent on ensuring that petroleum products produced at the downstream sector of the industry are distributed consistently and timely to consumers through an effective and efficient supply chain system. Though this is the ideal situation yearned for by stakeholders, the sector is plagued with challenges that negatively impacts on performance. In addition, the energy supply in Ghana continues to be a bottleneck with countless instances of perennial petroleum product shortages. In Nigeria, Ehinomen and Adeleke (2012) indicate that the distribution of petroleum products in the Nigerian economy is fraught with complex problems resulting sometimes in petroleum products outages, inflated prices of products and contentions on the pump price of products.

In Kenya, Wambua et al. (2014) indicate that in an effort to achieve a competitive advantage in the oil industry in Kenya, oil companies were adopting strategies like low cost leadership, product convenience retailing strategies, overnight parking of public service vehicles, car washing, tyre sales and vehicle servicing. In addition, Oduol (2014) found that 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. Other strategies used to improve their competitive advantage include improved customer service, adoption of information technology, differentiation and cost leadership.

1.1.4 Oil Marketing Industry in Kenya

The oil marketing industry has faced numerous challenges as their operating environment evolved. The situation was worsened by the introduction of stringent tax requirements by the Kenya Revenue Authority (KRA) which requires upfront prepayment of 100% taxes on oil imports (Abekar, 2014). About 70% of the fuel sold locally is refined by the Kenya Petroleum Refineries Limited (KPRL) while 30% is imported as fully refined until the closure of KPRL. Currently the country only imports refined oil products on which 100% duty payment is levied upfront. In addition the pump prices especially for Petrol, Diesel and kerosene is controlled by the Energy Regulatory Commission (ERC) which is a Government agency. The number of oil marketing companies has also increased making the industry very competitive (Petroleum Institute of East Africa, 2016).

In Kenya, Oil Marketing firms can be classified into three categories based on market and strategy, Global Multinational Corporations, Regional Emerging Multinationals, and Local and “Independents” Oil Companies with mainly local presence. According to the Energy Regulation Commission Data (2016) there are 55 licensed Oil Marketing companies in Kenya. These are companies that currently import and market petroleum products in Kenya. At the retail level, there are a number of subsidiaries that are foreign and local. They vary in sizes and have outlets through which petroleum products are sold directly to consumers (Kimeu, 2014). The subsidiaries of foreign oil marketing companies are by far the largest players in the sub-sector despite the liberalization of the industry which allows for the entry of more players in the market (Petroleum Institute of East Africa, 2016).

1.1.5 Vivo Energy

Vivo Energy took over the marketing and distribution of shell branded fuels and lubricants in Nov 2012 from Shell international who relinquished their operations in Kenya and Africa as a whole after a long period of loss making, and has adopted new marketing strategies to capture the widening base of consumers across the country. In Kenya, the company operates 177 retail stations spread across the various regions in the country. Vivo Energy market share stood at 16% at end of year 2013 but has since grown to 17.6% as at end of year 2015. Total Kenya is the leading oil marketing company with a market share of 19.5% with the rest of the share being distributed amongst other oil marketers. In the year 2013, Vivo energy acquired 10 new fuel stations in major towns including Nairobi, Thika, Kiambu, Kakamega and Machakos. The oil marketer also opened another 33 fuel stations between the year 2014 and 2015 in towns like Kisii, Meru, Eldoret, Kisumu and Embu; raising its total branch network in the country to 160 by 2015 (Petroleum Institute of East Africa, 2015).

Vivo Energy Investments BV, commonly referred to as Vivo Energy, is a downstream petroleum company based in Africa. Its operations span 16 countries across Africa and encompass the supply, storage, distribution, and retail of a range of petroleum products. Vivo Energy is a Shell licensee and operates in retail of Shell branded commercial fuels, liquefied petroleum gas and lubricants. Vivo Energy operates in retail; commercial fuels (marine, mining and aviation through Vitol Aviation); liquefied petroleum gas and lubricants in Botswana, Burkina Faso, Cape Verde, Ghana, Guinea, Ivory Coast, Kenya, Madagascar, Mali, Mauritius, Morocco, Mozambique, Namibia, Senegal, Tunisia and Uganda.

The Shell brand has been in Kenya since 1900. Today, under Vivo Energy, it is one of the country's most sought-after fuel and lubricant brands, operating an extensive retail network; major bulk oil storage terminals in Nairobi and Mombasa; aviation services at Jomo Kenyatta International Airport, Wilson Airport, Mombasa International Airport and Malindi Airport; and a lubricants blending plant in Mombasa.

Vivo Energy serves all market segments from retail to commercial customers with a full range of products – automotive fuels, lubricants, aviation fuels, liquefied petroleum gas (LPG) and fuel oil. As Shell's exclusive licensee in Africa, Vivo Energy is proud to offer the very best of Shell's products and services to both retail and commercial customers across the continent. These include Shell's world-class differentiated fuels and lubricants; industry-leading technological and technical expertise; and personal, dedicated customer service.

Vivo, which has a storage capacity of 85,200 cubic meters and 140 retail stations across the country, has recently been on an aggressive marketing campaign. In 2014, sales by Vivo energy between January and June grew faster to a share of 19.1 per cent of the petroleum sector up from 16 per cent in a similar period in 2013.

1.2 Statement of the Problem

The advent of liberalization in October 1994 in Kenya's petroleum sub-sector has witnessed unprecedented influx of players into this sector. This has led to stiff competition, as the fight for customers seems to be a never-ending war (Kimeu, 2014). The so-called major oil companies have lost a substantial part of their market share over the years. The increased number of firms in this sector has given the consumers a wide variety of choices from which to make a choice (Abekar, 2014). This coupled with changes in socio-cultural trends such as education and the

increased importance of time has forced oil companies to be more sensitive and responsive as customers are now demanding value for their money.

According to Petroleum Institute of East Africa (2015), Total Kenya, Vivo Energy and Kenol-Kobil combined market share stood at 71.9 per cent in the three months ended June 2013. In the year 2015, the three companies had seen their market share drop steadily to 52.3 per cent as smaller rivals such as Hashi, Gulf and Gapco expanded their retail presence across the country. In August 2015, Total Kenya recorded a 16 per cent decrease in its profits compared to the previous year (Petroleum Institute of East Africa, 2015). This shows that the entry of new players in the oil marketing industry in Kenya has an influence on the competitiveness of oil companies in terms of market share and profitability.

Vivo energy is the fastest growing oil marketing company in Kenya today. It has been able to turn around performance after buying off Shell assets who exited operations in Africa in 2012 due to diminished returns in profits substantially. In response to increased competition, Vivo energy has adopted various retail distribution strategies in an effort to increase their customer base and market share (Kimeu, 2014). These strategies include increase in branch network, franchising and partnerships, logistics outsourcing, and convenience retailing.

Various studies have been conducted in the oil marketing industry in Kenya. For instance, Oduol (2014) conducted a study on the competitive strategies adopted by independent oil lubricant marketers in Kenya and found that the companies had adopted branch expansion strategy, cost leadership strategy and differentiation strategy. In addition, Wambua et al. (2014) carried out a study on the competitive strategies' effects on the market share of independent petroleum companies in Kenya

and found that apart from market segmentation and convenience retailing, other strategies like overnight parking of public service vehicles, car washing, tyre sales and vehicle servicing are also mostly used by independent petroleum companies to increase their market share in Kenya. Further, Kimeu (2014) conducted a study on price regulation, product stocking strategies and market share for oil marketing companies in Kenya and found that price regulation has a very strong influence on the stocking strategies for Oil marketing companies in Kenya. However, despite their increased adoption by oil companies in Kenya, there is little empirical evidence of studies showing the implications of retail distribution strategies on competitive advantage. This study therefore sought to assess the role of retail distribution strategies in the competitive advantage of oil marketing firms by focusing on Vivo Energy.

1.3 Objectives of the Study

1.3.1 General Objective

The general objective of the study was to assess the role of retail distribution strategies in the competitive advantage of oil marketing firms in Kenya

1.3.2 Specific Objectives

The specific objectives of this study were;

- i. To determine the influence of retail network expansion on the competitive advantage of oil marketing firms in Kenya
- ii. To establish how franchising influence the competitive advantage of oil marketing firms in Kenya

- iii. To establish the influence of logistics outsourcing on the competitive advantage of oil marketing firms in Kenya
- iv. To determine the influence of convenience retailing strategy on the competitive advantage of oil marketing firms in Kenya

1.4 Research Questions

This study sought to answer the following research questions;

- i. What is the influence of retail network expansion on the competitive advantage of oil marketing firms in Kenya?
- ii. How do franchising influence the competitive advantage of oil marketing firms in Kenya?
- iii. What is the influence of logistics outsourcing on the competitive advantage of oil marketing firms in Kenya?
- iv. How does the convenience retailing strategy influence the competitive advantage of oil marketing firms in Kenya?

1.5 Significance of the Study

This study was of great importance to the management of Vivo energy and other oil marketing companies, government of Kenya and policy makers, researchers and academicians. To the management of Vivo energy and other oil marketing companies, the study outlined the role of various retail distribution strategies in achieving a competitive advantage. Specifically, the study showed how retail network expansion, franchising and partnerships, logistics outsourcing and convenience retailing strategy influence the competitive advantage of Vivo energy.

The findings of this study was important to the policy makers in the oil marketing industry in Kenya especially the Ministry of Energy and the Energy Regulatory Commission (ERC) as they may be able to know for certain how to develop appropriate policies to ensure a stable energy sector in Kenya. In addition, the study provided information that can be used to develop policies to enhance retail distribution of oil products in Kenya and ensure there is no shortage.

This study also added more information to the body of knowledge on the implications of retail distribution strategies on the competitive advantage in the oil marketing firms. The study also provided information that forms a basis for further research on retail distribution strategies and competitive advantage of organizations. The study may also be a source of reference material for future researchers on other related topics.

1.6 Scope of the Study

The study was limited to four retail distribution strategies adopted by Vivo energy: cretail network expansion, franchising, logistics outsourcing and convenience retailing strategy. Further, the study was limited to the headquarters of Vivo energy in Kenya. The population of this study was all the staff working in the headquarters of Vivo energy in Kenya. The time scope of review is period between October 2016 and November 2016.

1.7 Limitations of the Study

The management of Vivo energy was unwilling to grant permission to carry out the research because information on retail distribution strategies is considered to be of strategic importance and can be duplicated by their competitors. However, the researcher obtained a data collection letter from the University to show that the study

is meant for academic purposes only. In addition, the researcher assured the management that they would be provided with a copy of the final report. The respondents were also reluctant in giving the required information due to fear of victimization. The researcher however worked at winning their confidence by informing them that the study would only be used for academic purposes only and assured them of confidentiality of any information given.

1.8 Organization of the study

The research proposal is organized in three chapters. Chapter one is the introduction and consists of the background of the study, statement of the problem, objectives of the study which had the general objective and the specific objectives, research questions, significance of the study scope of the study and limitation of the study. Chapter two is the literature review. This focused on theoretical review, empirical review and the summary of the literature and research gaps. The chapter also presents the conceptual framework. Chapter three focused on the research design, target population, sampling design, data collection instruments, data collecting procedures and lastly data analysis and presentation. Chapter four presents data analysis, interpretation of the findings and discussion of the findings. Chapter five presents summary of the findings, conclusions, recommendations and areas for further studies.

CHAPTER TWO

LITERATURE REVIEW

2.1 Introduction

This chapter presents a review of literature on the implications of retail distribution strategies on the competitive advantage. The chapter begins with a theoretical framework that discusses the theories that was used to explain the variables of the study. This was followed by an empirical review, done as per the objectives of the study, summary of the literature, research gaps and a conceptual framework.

2.2 Theoretical Framework

A theory can be defined as a group of assumptions, propositions, or accepted facts that attempts to provide a plausible or rational explanation of cause-and-effect relationships among a group of observed phenomenon. This study was anchored on three theories: resource based theory of competitive advantage, resource dependence theory and agency theory.

2.2.1 Resource based theory of Competitive Advantage

Resource based view theory was developed by Birger Wernerfelt in his article known as ‘a Resource-Based View of the Firm’ in 1984. The resource-based view (RBV) lies primarily in the application of a bundle of valuable tangible or intangible resources at the firm's disposal (Kozlenkova, Samaha & Palmatier, 2014). To transform a short-run competitive advantage into a sustained competitive advantage requires that these resources are heterogeneous in nature and not perfectly mobile. Effectively, this translates into valuable resources that are neither perfectly imitable nor substitutable

without great effort. If these conditions hold, the bundle of resources can sustain the firm's above average returns (Kozlenkova, Samaha and Palmatier, 2014).

Gillis, Combs and Ketchen (2014) emphasize the distinction between capabilities and resources by defining capabilities as a special type of resource, specifically an organizationally embedded non-transferable firm-specific resource whose purpose is to improve the productivity of the other resources possessed by the firm. Resources are stocks of available factors that are owned or controlled by the organization, and capabilities are an organization's capacity to deploy resources. Essentially, it is the bundling of the resources that builds capabilities.

According to RBV proponents, it is much more feasible to exploit external opportunities using existing resources in a new way rather than trying to acquire new skills for each different opportunity. In RBV model, resources are given the major role in helping companies to achieve higher organizational performance. There are two types of resources: tangible and intangible. Tangible assets are physical things like land, buildings, machinery, equipment and capital (Jensen, Cobbs & Turner, 2016). Physical resources can easily be bought in the market so they confer little advantage to the companies in the long run because rivals can soon acquire the identical assets. Intangible assets are everything else that has no physical presence but can still be owned by the company. Brand reputation, trademarks, intellectual property are all intangible assets. Unlike physical resources, brand reputation is built over a long time and is something that other companies cannot buy from the market. Intangible resources usually stay within a company and are the main source of sustainable competitive advantage (Hitt, Carnes & Xu, 2016).

Resource based view theory entails the identification of unique resources in a firm and making a decision where these resources can be invested to earn the company the highest returns. The theory also suggests that a firm's resources are the key determinants of its performance and this significantly contributes to its competitiveness and performance. Resources include organizational processes, assets, information and knowledge as well as attributes that help the organization to develop and implement strategies to improve its efficiency, effectiveness, image, awareness and quality of services or products. If utilized appropriately, these resources help an organization to achieve and maintain a competitive advantage, in the long run (Hitt, Carnes & Xu, 2016).

Oil marketing companies have a wide range of resources that include lorries for transporting oil products, petrol stations, storage tanks, human resource, strategic alliances and partnerships among others. Other resources include corporate brand, technological equipment and range of products. These resources play major role in enhancing retail distribution of oil products in oil marketing companies.

2.2.2 Resource Dependence Theory

This theory was developed by Emerson and further progressed by Pfeffer and Salancik, who proposed that control over critical resources by one organization can make other firm dependent on it (Emerson, 1963; Pfeffer & Salancik, 1978). Resource Dependence Theory assumes that even operating in the same industry, firms are heterogeneous in terms of their resources and capabilities. In essence, the theory argues that organizations are often not self-sufficient for all the needed resources that can enable them remain competitive. Therefore, they need to engage in exchanges

with other organizations in one way or the other so as to gain necessary resources for survival.

Resource Dependence Theory (RDT) is based upon how the external resource of organizations affects the behavior of the organization (Bergmann, Stechemesser & Guenther, 2016). The theory is based upon the following tenets: organizations are dependent on resources, these resources ultimately originate from the environment of organizations, the environment to a considerable extent contains other organizations, the resources one organization needs are thus often in the hand of other organizations, resources are a basis of power, legally independent organizations can therefore be dependent on each other (Harkins & Forster-Holt, 2014).

In the oil marketing industry, oil companies depend partly on the resources other organizations, franchises. These resources include financial resources, human capital and assets such as retailing machines and petrol stations. The use of franchises helps the oil companies to increase distribution of their products without necessarily incurring cost.

2.2.3 Agency Theory

The concept originated from the work of Adolf Augustus Berle and Gardiner Coit Means, who were discussing the issues of the agent and principal, in 1932. Berle and Means explored the concepts of agency and their applications toward the development of large corporation (Bosse & Phillips, 2016). They saw how the interests of the directors and managers of a given firm differ from those of the owner of the firm, and used the concepts of agency and principal to explain the origins of those conflicts. The enhancement of the theory was done by Michael Jensen and William Meckling in 1976. They shaped the work of Berle and Means in the context of the risk-sharing

research popular in the 1960s and '70s to develop agency theory as a formal concept. Jensen and Meckling formed a school of thought arguing that corporations are structured to minimize the costs of getting agents to follow the direction and interests of the principals (Bendickson Muldoon, Liguori & Davis, 2016).

Agency theory exists in any effort, in which one party (the principal), delegates authority to a second (the agent). The link between them is the reciprocal interest they have even to ensure that the agent(s) act(s) in the principal's best interest. Usually the principal has two basic tools at its disposal to ensure the agent cooperation such as observation of the agents' behavior and incentives tied to agent outputs (Bosse & Phillips, 2016).

In franchising agreement, franchisors act as principal and franchisees as agents, because the franchisor (the principal) licenses others (the franchisees) the right to distribute goods and services. Franchisors use the above mentioned tools aimed to reduce deviation in the behavior of the franchisees (Bendickson et al., 2016). Even if the franchisor sets in at a systematic observation of the franchisees' behavior, making several controls over the quality and respect of the procedures, franchising largely alleviates franchisors' need for costly observation of outlet managers, because the franchisees are the residual claimants on their outlets' profits. Moreover, franchisees typically make substantial investments in their outlets, and the anticipated profit stream from these investments depends on franchisees continued best efforts. Eventually, franchisees are highly motivated to maximize the performance of their outlets and franchisors need to monitor franchisees via reduced and direct observation.

The franchisor-franchisee relationship parallels the principal-agent relationship, thus allowing agency theory to provide insights into international retail franchise activity. According to Bosse and Phillips (2016), the agency theory favours franchising when companies want to expand their market. The theory has direct connection with the study judged from its relationship: the principal, who in our case is the major marketer (franchisor) of Vivo energy, gives right to the agent, who is his dependent marketer (franchisee) to the said marketing major but at service stations in different outlets, to operate the petroleum product marketing business.

2.3 Empirical Review

This section presents a review of empirical literature based on the independent variables and the dependent variable. The section covers retail network expansion, franchising, logistics outsourcing, convenience retailing strategy and competitive advantage of oil marketing firms.

2.3.1 Retail Network Expansion and Competitive Advantage

Expansion strategies are used to expand firms' operations by adding markets, products, services, or stages of production to the existing business. The purpose of expansion is to allow a company to expand geographically (Swensrud, 2013). Any company's strategic emphasis is increasing sales volumes, boosting market share and cultivating a loyal clientele. The natural sequence for geographical expansion is local to regional to national to international. The degree of penetration will however differ from area to area depending on the profit potentials (Dahlstrom & Nygaard, 2011).

Illueca, Pastor and Tortosa-Ausina (2009) carried out a study on the effects of geographic expansion on the productivity of Spanish savings banks. The study used

data from 1992 to 2004, the period when most savings banks expanded geographically. The results indicated that banks that expand geographically outside their natural markets achieve greater productivity gains. However, there are some firms for which this result is more moderate. In contrast, lower increases in productivity were found in savings banks that expand on a nationwide basis, or that confine their territorial expansions to their traditional markets.

Bernini and Brighi (2012) carried out a study on the effects of geographical expansion strategies on the Italian minor banks' efficiency. In Italy, the restructuring activity in the banking sector has involved a geographic expansion of the financial organizations to other municipalities within the home province or into other provinces, any of which may be considerable distances away. Minor banks were ensuring growth through geographically expansion in the attempt to increase their market power and margins. The study used an unbalanced panel of Italian banks over the period 2006-2009. The results suggested that geographical dimension measured by the distance between local branches and the headquarters significantly affects cost efficiency and the competitiveness of the whole organization.

In Kenya, Chege (2014) carried out a study on branch expansion strategy adopted by Nakumatt Holdings Limited to gain competitive advantage. The study involved collecting primary data from face to face interviews with five senior managers in the retailer using an interview guide and secondary data collected from newspapers, the internet and review of internal documents. The results indicated that Nakumatt expansion strategy is part of building its competitive advantage and the Nakumatt 2.0 strategy entails registering a Pan African presence targeting to open branches in new markets including Nigeria, Gambia, Zimbabwe, Botswana and Malawi. Key

consideration in opening new branches is the penetration level of retail in a new market.

Mutuma (2013) carried out an investigation of the effects of expansion strategies on the performance of commercial banks in Kenya. The study used a descriptive research design. The target population was all the staff working in the headquarters of commercial banks in Kenya. The results indicated that market penetration had the highest effect on performance followed by diversification and market development. The study also found that diversification expansion strategies had great effect on the performance. Further, Onyonka (2013) conducted a study on expansion strategies and performance of commercial banks in Kenya. The main purpose of the study was to determine if there was a link between expansion and performance. The target population was the entire population of commercial banks in Kenya. The study established that to gain sustainable growth and achieve economies of scale, banks were embracing expansion strategy as key competitive strategy. From the study it is clear that expansion strategy is one of the strategies applied by banks in Kenya and has a positive effect on performance.

2.3.2 Franchising and Competitive Advantage

In a study on the developments in international franchising, Welch (2014) indicates that there are several types of franchises: territorial franchise, operating franchise, mobile franchise, distributorship, co-ownership, co-management, leasing, licensing, manufacturing and service. Longo (2008) argue that the major advantages of the franchisor are that it does not have to risk its own capital and it takes a regular share from the profit of the franchised outlet. It involves a continuing relationship in which a franchiser provides the right to use its trademark and management assistance in return for payment from a franchisee.

In a study by Matusky (2014), a franchisor of Mobil Oil could allow the franchise owner running the branded station under the parent company to purchase a second, and perhaps even a third, Mobil Oil Nigeria Plc. But Srinivasan (2006) accentuates that these additional franchises are granted on a one-at-a-time basis. In other words, after establishing the second franchise, the franchise owner (franchisee) of Mobil Oil Nigeria Plc would have to prove to the franchisor he was capable of operating both stations before allowed a third franchise.

Iriowen (2014) conducted a study on the assessment of franchising practices adopted by oil and gas firms (Total Nigeria Plc) as perceived by retail marketers in Edo State. The study adopted descriptive survey research design and was carried out in Edo State. The population for the study was 59 retail marketers of Total Service Stations in Edo State. The adoption or utilization of franchising by Total Nigeria in marketing and distribution of petroleum products in Nigeria has long existed as aforementioned. This substantiates the fact that some form of franchising in petroleum product marketing has been in existence for almost a century owing from the time kerosene was first petroleum product to be marketed in Nigeria, imported under agency agreement concluded by Socony Vacuum Oil (now Mobil) in 1907. The study found that majority of about 56% of the retail marketers of oil and gas products run the single unit franchise arrangement opportunity, the study also found that retail marketers of oil and gas products in Total Nigeria Plc to a little extent adopted the franchising practices in the business.

In Kenya, the concept of oil market franchising has been on the increase. In a research paper on National Oil use of franchises to fuel growth, Otuki (2016) found that the oil marketer, which is owned by the State, has grown its stations to 102, after opening

seven stations through franchises. Since the cost of purchasing land for new station developments has become prohibitive, the focus of the company right now is on franchising.

2.3.3 Logistics Outsourcing and Competitive Advantage

Globally, firms have changed to logistics outsourcing as business strategy to restructure their dissemination network and gain competitive advantage (Sohail, 2008). This strategy has been applied by many firms for long time now and it is therefore noted that firms which has embraced outsourcing as the number one strategy have accessed cheaper inputs from specialized firms eventually leading to restructuring of production (Konig & Spinler, 2016). The strategy has progressively become an effective means of minimizing logistics costs. Data shows that almost 60% of 500 progressive companies use a third party logistics provider to perform their in-house activities.

According to Hofer Knemeyer and Murphy (2015), the decision made by oil and gas companies on whether to outsource logistics activities or not, depend on make or buy decisions. Similarly, literatures show that 3PLs outsourcing is extensively popular in Europe, North America and Asia Pacific region (Agrawal, Singh & Murtaza, 2016). On the other hand, there is less information available on 3PL outsourcing especially in developing regions including Africa. Globalization forces together with institutional and structural reforms that are developing in Africa pledge for a fast-tracked economic improvement and opportunities in the continent.

Muhindo, Zhou and Mzuza (2014) conducted a study on the impact of logistics outsourcing strategy in oil and gas industry in Uganda. Purposive sampling method was used where qualitative data are collected and interpreted. Primary data are

collected using research questionnaires where quantitative method was used in data presentation and analysis of the impact of logistics outsourcing strategy in the oil and gas industry. The research findings revealed that there are many benefits resulting from using logistics outsourcing strategy in the oil and gas industry and in the same way, challenges are faced by both oil and gas companies and logistics service providers in executing business contracts. Solutions are pursued to create an environment for the oil and gas industry and the third party logistics services providers to achieve a common goal. Findings show that it is very important to outsource full or part of logistics activities to logistics service providers in order to attain competitive advantage. Logistics outsourcing strategy plays an important role in the business especially in minimizing operating costs and spreading risk between the parties engaged in business contracts.

Kilic and Gunsel (2016) carried out a study on the effects of outsourcing in logistics services to competitive advantage. The study aimed at revealing the effects of Outsourcing in Logistics Services (OILS) on firm competitiveness and success through Semi-structured interviews conducted on the logistics managers of 7 companies. The findings mainly demonstrate that; Companies attach a great deal of importance on OILS and OILS contribute obtaining and sustaining competitive advantage which ultimately results in superior performance. The results also indicated that OILS enable the firms to get rid of high investment costs, renewal of the materials, extra personnel management and the costs of amortization.

Kilasi, Juma and Mathooko (2013) conducted a study on the impact of outsourcing of logistics on the competitive advantage strategy in Kenya. The study considered case study as the suitable research method to be used since data could be gathered from a

single source. The study found that the outsourcing of transport logistics has an impact on competitive advantage strategy. The outsourcing of transport and distribution logistics influences the competitive advantage of East African Breweries to a great extent. In addition, Kyusya (2015) carried out a study on the effect of logistics outsourcing on the operational performance of shipping industry in Kenya. The study used primary data which was collected through a structured questionnaire from Logistics and operations managers or their equivalents which was administered by 'drop and pick' method. The results established that the firms opted to outsource their services due to its advantages and its possible influence on operational performance, as it enables the firms to focus on its core competencies. The logistics outsourcing practices adopted by the shipping firms will in the long run determine their survival as they would seek to reduce operating costs, improved customer satisfaction and timely delivery of services to clients which in turn increase productivity and reduce lead time and improved profits.

2.3.4 Convenience Retailing Strategy and Competitive Advantage

Convenience stores being a one-stop Centre source for broad range of products and services have gone through rapid change (Riell, 2014). This has been adopted by Malaysia international oil distribution companies. In Malaysia, convenience stores and petrol station stores are self-service stores which concentrate on selling convenience food and beverage products as well as a small range of other products such as personal care, magazines and newspapers (Mount, 2015). The convenience stores have been developed together with the development of a petrol station. In its early operations, the convenience stores offers only selected range of products and the focus at that time is to promote the sale of self-brand lubricants apart of selling the fuel for vehicles (Riell, 2013). Many petrol stations in the early 1970's are developed

together with a Lubricant Bay or better known as 'Lube Bay' and vehicle repair workshop. As the business grows and the contributions from convenience store operations become significant, oil retailers started expanding this sector of business and embark on aggressive transformation and image building exercise to promote goods retailing along with their core business, i.e. distributing of fuel for vehicles.

Wahid (2009) carried out a study on customer loyalty and petrol station's convenience store patronage in Penang. The study found that the development of convenience store in Petrol Station has seen dramatic changes where all players now move towards a standardized image to reflect their seriousness in expanding their retail business apart from distribution of petroleum products. Some players have even been placing their convenience store on the front seat to drive their business expansion. Nowadays, the convenience stores attached to a Petrol Station has transformed their business models and has become a landmark in almost all Petrol Stations. The convenience stores now offers wider product range, ambience shopping experience, provision of complementary services, and other related services for customers convenience.

Montoeli (2006) conducted a study on consumer motivations in forecourt convenience retailing in South Africa. The study adopted a descriptive research design. The results indicated that the proliferation of forecourt convenience shops in South Africa spawned an entirely new model within an existing fuel sales business model. Conversely South Africa's regulated fuel industry was stunned by a near merger of Sasol and Engen, which led to petrol stations looking for new ways to attract business. The forecourt convenience shops are not price regulated and hence have become a strategic revenue generator for petrol station operators.

Bianchi (2009) conducted a study investigating consumer expectations of convenience store attributes in Chile. Interviews were held with Chilean consumers to identify salient convenience store attributes. Further, a survey was applied to 400 consumers and results show that the salient attributes for Chilean consumers are related to the access dimension of convenience such as access to the store, parking facilities and hours of operation. The study also found that the convenience store retail format adopted by oil companies in Chile has grown rapidly due to the advanced distribution of oil in the country.

Chen-Yu (2016) carried out a study on the perceived convenience retailer innovativeness: how does it affect consumers. The purpose of this paper was to examine the influence of consumers' perceptions of convenience retailer innovativeness on their perceived value (PV) and store patronage intentions (PIs). A descriptive research design was used. Modeling results confirm that PCRI is an important antecedent of PV among consumers that further influences their PIs toward specific convenience retailers. Moreover, PCRI significantly and indirectly affects the PIs of less innovative consumers via PV. However, no such indirect association is identified among highly innovative consumers.

2.3.5 Competitive advantage

Competitive advantage is the ability to earn returns on investment consistently above the average for the industry. This therefore means that competitive advantage can be achieved if the firm implements a value-creating strategy that is not simultaneously being implemented by any current or potential competitors. This can be interpreted to mean that sustained competitive advantage results from strategic assets; those that are internally controlled and permit the firm to formulate and implement strategies that expand its efficiency and effectiveness (Kilasi, Juma & Mathooko, 2013).

Competitive advantage is thus not dependent, as traditionally assumed, on such bases as natural resources, technology or economies of scale, since these are increasingly easy to imitate. Rather, competitive advantage is, according to the resource base view, dependent on the valuable, rare, and hard-to-imitate resources that reside within an organization (Benrqya Estampe, Vallespir & Babai, 2014).

Khandelwal (2013) notes that, the competition strategy of a firm is to seek an advantageous competitive position in a particular industrial environment or to build up a profitable, consistent market position by drawing on various factors that are decisive to being competitive in an industrial sector. In other words, both industry type and competitive strategies are two central points to be considered by managers in a market economy (Masinde, 2016). This therefore means that Porter's competition strategy explicitly relies on the pursuit of advantages, which are determined by a firm's exogenous variables that require analysis of the competitors and opportunities in the market. When a particular high-value strategy of a firm cannot be implemented, imitated or replicated successfully by a potential competitor, the strategy provides the firm with a source of sustainable competitive advantage (SCA). On his part, Kimeu (2014) argues that both resources and institutional capital are indispensable to creating an SCA. The capability-based view of the firm also moves a step closer to understanding how enterprises develop and maintain their sources of competitive advantage. Hence for a firm to be assured of a sustainable development, it must identify its competitive advantage variables and harness the same to a maximum benefit.

Competitive advantage can be measured in terms of profitability and market share. According to Oduol (2014), market share is the percentage of business or sales a

company yields out of total business or sales by all competitors combined in any given market. The total available business is called market potential. There are two basic ways of stating market share figures, i.e. through percentage of sales or percentage of units. Market share is an indicator of how well a firm is doing against its competitors (Wambua et al., 2014). This metric, supplemented by changes in profitability and customer revisit, enables an organization to judge not only total market growth or decline but also trends in customers' selections among competitors. According to Yan, Guo, Wang and Amrouche (2011), market share is a key indicator of organizational competitiveness as it shows how an organization is doing against its competitors. Organizations with high market shares often have a greater competitive advantage than those with lower market shares. Market share is the proportion of the market accounted for by a specific firm and it is considered one of the best ways of measuring organizational competitiveness as it is not affected by macro-environmental variables like state of the economy and changes in tax policy.

High organizational market share in an industry, translates into higher profits. According to Bianchi (2009), a high market share leads to greater sales, lesser effort to sell more and a strong barrier to the entry of competitors in an industry. Building or gaining market share is an offensive attack strategy to improve a firm's standing in the market. There are several ways of increasing an organization's market share. However, most of these strategies focus on improving various dimensions of brand equity like brand awareness, brand loyalty, perceived quality and brand image (Chege, 2014).

Profitability is the ability of an organization to make profits. A profit is considered to be the revenue a company generates after paying for all expenses directly related to

the generation of revenue (Olouch, 2009). This is measured by use of return on equity and return on assets. Ndung'u (2012) has argued that high returns enjoyed from having a high market share are counterbalanced by a correspondingly high price paid earlier to acquire that market share. Profit maximization is the long run or short run process that a firm uses to determine product prices and output level that returns the greatest profit. An organizations profit is its total revenue (TR) minus total cost (TC). Cost incurred can be classified into variable costs and fixed costs (Chege, 2014). These costs include the cost of advertising cost and cost of attracting customer. An organization can reduce its total cost by improving its customer based brand equity. A reduction in total cost will subsequently lead to an increase in an organization's profitability (Wahid, 2009).

2.4 Summary of the Research Gaps

Various studies have been conducted on distribution strategies and competitive advantage in various sectors and industries both globally and locally. Globally, Mahendra (2013) conducted a study on distribution of petroleum products by Indian oil marketing companies. In Nigeria, Ehinomen and Adeleke (2012) carried out an assessment of the distribution of Petroleum products in Nigeria. However, due to differences in the legal framework governing the distribution of oil products and the oil marketing companies, their findings cannot be generalized to Kenya.

In Kenya, Ndung'u (2012) carried out a study on the distribution strategies and competitive advantage in Kenya commercial bank limited while Olouch (2009) carried out a study on distribution strategies pursued by food processing firms in Nairobi. However, these studies were limited to the banking sector and food processing sectors and hence their findings cannot be generalized to the oil marketing sector as different sectors use different product or services distribution strategies.

Therefore, there is little empirical evidence of studies showing the implications of retail distribution strategies on the competitive advantage of oil marketing firms. In addition, these studies did not show the influence of retail network expansion, franchising and partnerships, logistics outsourcing and convenience retailing strategy.

Table 2. 1: Summary of the Literature Review

Author	Topic	Research methodology	Findings	Research Gaps
Mahendra (2013)	Distribution of petroleum products by Indian oil marketing companies	The study used exploratory approach of research which included studying objective, vision and mission of concerned OMCs.	The study found that oil marketing companies were using strategies such as Retail outlets, dealerships, and commissioning and forwarding agents	Having been conducted in India, the findings of this study cannot be generalized to Kenya.
Ehinomen and Adeleke (2012)	An assessment of the distribution of Petroleum products in Nigeria	The study adopted a descriptive research design	The findings indicated that distribution of petroleum products in the Nigerian economy is fraught with complex problems resulting sometimes in petroleum products outages, inflated prices of products and contentions on the pump price of products.	Having been conducted in Nigeria, the findings of this study cannot be generalized to Kenya.
Ndung'u (2012)	distribution strategies and competitive advantage in Kenya commercial	The study adopted a case study research design in which an interview guide was used to collect data and content analysis was	The research found out that some of the distribution strategies employed includes warehousing, direct distribution, intense distribution as well as indirect distribution using middlemen.	The study was limited to commercial banks in Kenya, which offer services and hence the findings cannot be generalized to the oil

	bank limited	used in analyzing the data.		marketing industry that deals with products.
Olouch (2009)	distribution strategies pursued by food processing firms in Nairobi	A descriptive research design was adopted in this study.	Food processing firms pursue different distribution strategies which include distribution intensity, distribute scope, multi-channel and Franchising.	The food industry in Kenya is governed by a different regulatory framework as compared to the oil marketing industry and hence the findings of this study cannot be generalized to Kenya.
Kimeu (2014)	Price regulation, product stocking strategies and market share for oil marketing companies in Kenya	The study adopted a cross-sectional survey (census) design where the primary data was collected using a questionnaire as the guiding as key instrument.	The study found that price regulation has a very strong influence on the stocking strategies for Oil marketing companies in Kenya	The study did not show the influence of distribution strategies on the competitive advantage of oil marketing firms.

2.5 Conceptual Framework

A conceptual framework is defined as a network of linked concepts. In addition, a conceptual framework is based on the identification of key concepts and the relationships among those concepts. This study seeks to investigate the association between of retail distribution strategies (independent variables) and the competitive advantage of oil marketing firms in Kenya (dependent variable). The independent variables were retail network expansion, franchising and partnerships, logistics outsourcing and convenience retailing strategy. The dependent variable was the competitive advantage of oil marketing firms.

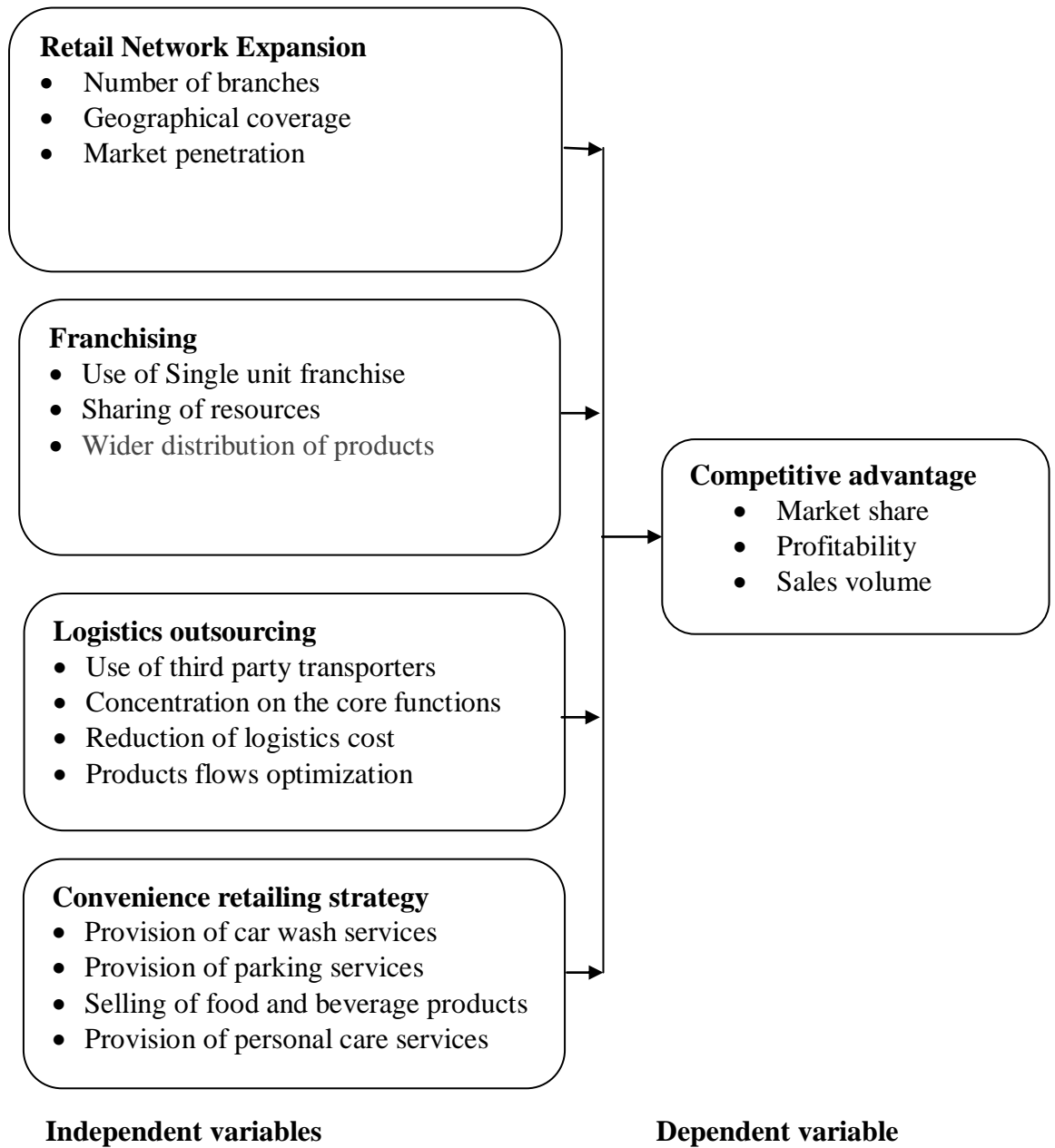


Figure 2. 1: Conceptual Framework

CHAPTER THREE

RESEARCH METHODOLOGY

3.1 Introduction

A research methodology refers to a process of following the steps, procedures and strategies for gathering and analyzing the data in a research investigation (Bryman & Cramer, 2012). This chapter presents procedure that was used in this study, to sample participants, collect data and analyse data. The chapter contains a research design, target population, sample size, sampling technique, data collection instruments, data collection procedure, pretesting research instrument and data analysis and presentation.

3.2 Research design

This study used a descriptive research design. Descriptive research involves obtaining information about a current status of a phenomenon in order to describe ‘what exists’ in relation to conditions and variables in a situation (Greener, 2008). This design is ideal as it provides room for feasible evaluation of the results. Further, it gives an in-depth and comprehensive exploration required in research studies. In addition, a descriptive approach was used because it is able to collect accurate data on and provide a clear picture of the phenomenon under study.

3.3 Target Population

Target population refers to all the members of a hypothetical or real group of subjects, objects or individuals to whom the conclusions of the study are generalized (Kothari, 2004). The target population of this study was all the staff working at the headquarters

of Vivo Energy. This excluded all the support staff like drivers, caretakers and cleaners. The managers of the 9 petrol stations in Nairobi County were treated as the key informants.

Table 3. 1: Target population

Department	Target population
Marketing	23
Supply chain Management	43
Finance	23
Customer service	21
Petrol station managers	9
Total	119

3.4 Sample and Sampling Technique

A sample is a selected part of the total population that is set apart as a representation of the whole population under study (Creswell, 2006). Stratified random sampling technique was used to select 50% of the target population. Greener (2008) indicates that a 50% of the sample should be used for a population of between 100 and 500 ($100 < N < 500$). Stratified random sampling involves the classification of a population into lesser sub-groups known as strata. These strata are developed on the basis of the members' shared characteristics or attributes. After classification, a random sample was obtained from each stratum in a number proportional to the size of the stratum when compared with the population (Bryman, 2003). The strata in this study were the various departments. The main advantage with stratified sampling is how it captures key population characteristics in the sample. Since the managers are only 9, they were all interviewed in the study. The sample size of the study was therefore 55 staff and 9 managers of shell petrol stations in Nairobi County.

Table 3. 2: Sample Size

Department	Target population	Sample Size
Marketing	23	12
Supply chain Management	43	22
Finance	23	12
Customer service	21	11
Petrol Station managers	9	9
Total	119	64

3.5 Data Collection Instruments

This study used both primary and secondary data. Primacy data as explained by Kultar (2007) is fresh data collected for the very first time. Secondary data on the other hand is the data that has been previously collected and has undergone a statistical process. Secondary data will be collected from the financial statements and the strategic plan of Vivo energy.

To collect primary data, this study used semi-structured questionnaires and key informant interview guides. Questionnaires are commonly used for cases where the respondents willingly cooperate and are within reach. This kind of data collection method is convenient as it can be used to reach many people provided such persons can independently read and write. The questionnaires encompassed both closed ended or open ended questions so as to enable the respondent to express their views. The structured questions were used in an effort to conserve time and money as well as to facilitate an easier analysis as they are in immediate usable form. On the other hand, the unstructured questions were used as they encourage the respondent to give an in-depth and felt response without feeling held back in revealing of any information.

Kothari (2004) indicates that a questionnaire is a cost efficient method to collecting information particularly from a huge group of respondents and it facilitates anonymity. Questionnaires were utilized in this research since the component of anonymity as some of the information needed is sensitive.

The questionnaire comprised of six sections. The first section contained questions on demographic information. The second, third, fourth and fifth sections contained questions on the four independent variables while the sixth section comprised of questions on the dependent variable.

3.6 Data Collection Procedure

A research permit was applied from the National Commission of Science Technology and Innovation (NACOSTI). A letter of transmittal of data collection instruments was also written to individual respondents. Appointments were booked with the management of Vivo Energy and the period of data collection was also deliberated. A drop and pick later method was used to administer the questionnaires to the staff of the company. Follow-ups were made on daily basis to monitor the progress of the respondents in filling up the questionnaires. The data collection exercise was expected to take approximately two weeks.

3.6.1 Pre- Test

A pre-test was conducted in an effort to identify and rephrase any ambiguous, misinterpreted or misunderstood questions. In addition, the pre-test facilitated the removal of typographical errors and determination of whether the questions asked are relevant and appropriate (Creswell, 2006). The pre-test was conducted in Gulf energy as it has a similar environment. The pre-test group was sampled randomly and comprised of 10% of the sample size.

3.6.2 Validity of Research Instruments

Validity as explained by Creswell (2006) is the degree to which the measurement instrument or approach is successful in quantifying or describing the element under measure. Face validity and content validity, are the two types validity commonly used. If the question posed is misinterpreted or misunderstood, then this is called face validity. Cooper and Schindler (2006) advise that the use of pre-testing decreases face validity. Content or logical validity is the degree to which the used measure represents all the facets of the provided social construct. This study improved content validity by consulting individuals such as the supervisors who are experts in the current area of study. Additionally, face validity of the research was improved by use of the pre-test and making clear all the ambiguous and unclear questions.

3.6.3 Reliability of Research Instruments

Reliability in statistics and psychometrics is the overall consistency of a measure. A measure is said to have a high reliability if it produces similar results under consistent conditions (Creswell, 2006). Data reliability which is a measure of internal consistency and average correlation was measured using Cronbach's alpha coefficient which ranges between 0 and 1. Cronbach's alpha is a measure of internal consistency, that is, how closely related a set of items are as a group. It is considered to be a measure of scale reliability (Kultar, 2007). Higher alpha coefficient values means there is consistency among the items in measuring the concept of interest. A cronbach's alpha (α) of more than 0.7 is considered acceptable while a cronbach's alpha (α) of less than 0.7 is considered questionable.

Table 3. 3: Cronbach's alpha coefficients

Construct	Cronbach's alpha	No of items
Retail network expansion	0.782	3
Franchising	0.712	3
Logistics outsourcing	0.873	4
Convenience retaining strategy	0.852	4
Competitive advantage	0.792	3

From the findings, retail network expansion had a Cronbach's alpha of 0.782, franchising had a Cronbach's alpha of 0.712, logistics outsourcing had a Cronbach's alpha of 0.873, convenience retaining strategy had a Cronbach's alpha of 0.852 and competitive advantage had a Cronbach's alpha of 0.792. These findings show that Cronbach's alpha for all the variables was able 0.7 and hence the research instrument was reliable.

3.7 Data Analysis and Presentation

Data analysis process entails the process of packaging the collected data putting in order and structuring its major elements in a way that the results can be easily and efficiently communicated (Creswell, 2006). Quantitative data was analyzed by use of both descriptive and inferential statistics by use of statistical package for social sciences (SPSS version 22). Preceding the analysis, a codebook for the different quantitative variables was prepared on the basis of the numbering structure of the questionnaires.

After confirming that all the data entered is accurate, descriptive statistics were utilized to analyze quantitative data. Descriptive statistics include frequency distribution, percentages, measures of central tendencies (mean) and measures of

dispersion (standard deviation). The data was then presented in tables and graphs. Additionally, correlation analysis and multivariate regression analysis was used to establish whether there is a relationship between the dependent and the independent variables. The study applied a 95% confidence level. A 95% confidence interval indicates a significance level of 0.05. This implies that for an independent variable to have a significant influence on the dependent variable, the p-value ought to be below the significance level (0.05).

Since there are four independent variables in this study the multiple regression model was as follows:

$$Y = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \beta_4 X_4 + \varepsilon$$

Whereby;

Y = Competitive advantage

B₀ = Constant

β₁- β₄ =Coefficients of determination

X₁ = Retail network expansion

X₂ = Franchising

X₃ = Logistics outsourcing

X₄ = convenience retailing strategy

ε = Error term

CHAPTER FOUR

RESEARCH FINDINGS AND DISCUSSIONS

4.1 Introduction

This chapter presents the analysis of data and interpretation of the findings. The data analysis, interpretations and discussion of the findings were done as per the objectives of the study. The main objective of this study was to assess the role of retail distribution strategies in the competitive advantage of oil marketing firms in Kenya. The study also sought to determine the influence of retail network expansion, franchising, logistics outsourcing and convenience retailing strategy on the competitive advantage of oil marketing firms in Kenya. The findings were presented in tables and figures.

The sample size of the study was therefore 55 staff and 9 managers of shell petrol stations in Nairobi County. Out of the 64 (54 staff and 5 managers) respondents 59 responses were obtained. This gives a response rate of 92.18%. As indicated by Kothari (2004) a response rate of 50% or more is adequate for analysis, which shows that 92.18% was an acceptable basis for drawing conclusions.

Table 4. 1: Response Rate

Department	Sample Size	Responses	Response rate
Marketing	12	11	94.74
Supply chain Management	22	21	94.74
Finance	12	11	94.74
Customer service	11	10	94.74
Petrol Station managers	9	9	94.74
Total	64	59	92.19

4.2 Demographic Information

This section presents the respondents' gender, age bracket, level of education, department they were working in Vivo energy and number of years working in the organization.

4.2.1 Gender of the Respondents

The respondents were requested to indicate their gender. The responses were as indicated in figure 4.1.

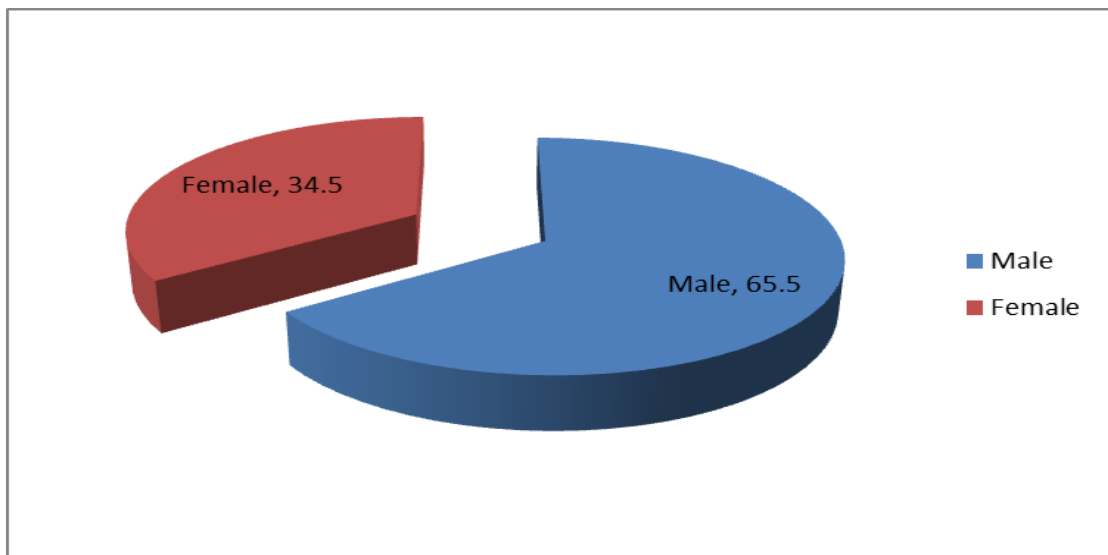


Figure 4. 1: Gender of the Respondents

As indicated in figure 4.1, 65.5% of the respondents were male while 34.5% indicated that they were female. This implies that most of the staff working in Vivo energy are male.

4.2.2 Age Bracket of the Respondents

The respondents were queried on their age bracket. The responses were as presented in figure 4.2.

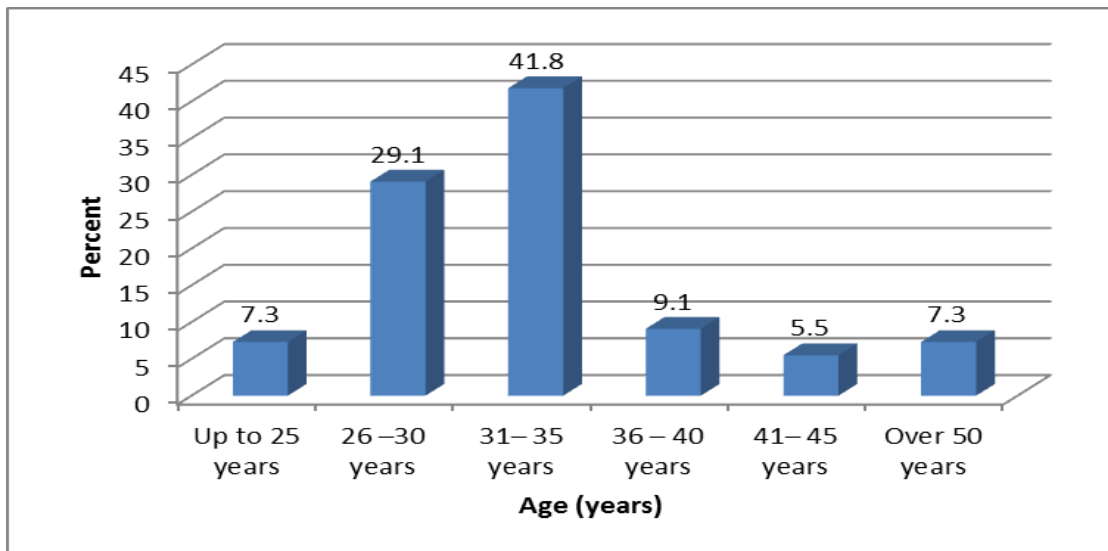


Figure 4. 2: Age Bracket of the Respondents

According to the findings, 41.8% of the respondents indicated that they were aged between 31 and 35 years, 29.1% were aged between 26 and 30 years, 9.1% were aged between 36 and 40 years, 7.3% were below 25 years in age, the same percent were above 50 years and 5.% were aged between 41 and 45 years. This implies that most of the staff working in the headquarters of Vivo Energy were aged between 31 and 35 years.

4.2.3 Respondents' Highest education level

The respondents were asked to indicate their highest level of education. The results were as presented in figure 4.3.

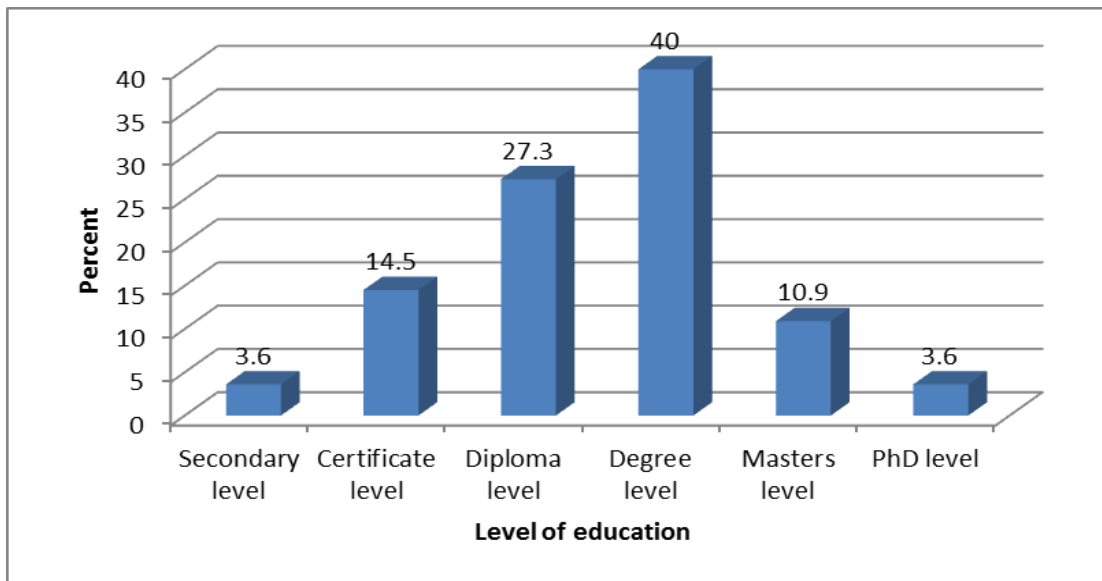


Figure 4. 3: Respondents' Highest education level

As indicated in figure 4.3, 40% of the staff indicates that they had undergraduate degrees, 27.3% indicated that they had diplomas 14.5% indicated that they had certificates, 10.9% indicated that they had masters degrees, 3.6% indicated that they had PhDs, and the same percent indicated that they had secondary education.

4.2.4 Respondent's Department in Vivo Energy

The respondents were asked to indicate the department in which they worked in Vivo energy. The results were as presented in figure 4.4.

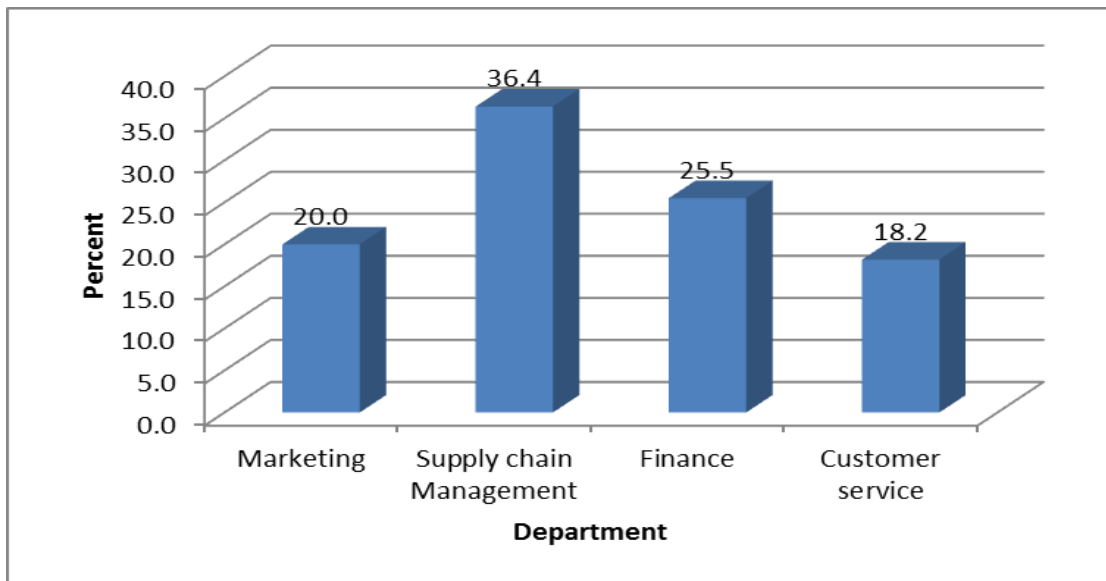


Figure 4. 4: Respondent’s Department in Vivo Energy

As shown in figure 4.4, 36.4% of the respondents indicated that they were working in the finance department, 25.5% indicated that they were working in the supply chain management department, 25.5% were working in the finance department, 20% were working in the marketing department and 18.2% were working in the customer service department. This implies that most of the staff working in the headquarters of Vivo Energy were in the supply chain management department. However, the study included staff from all the departments in the organisation.

4.2.5 Number of years working in the organization

The staff were also asked to indicate the number of years they had been working in their organization.

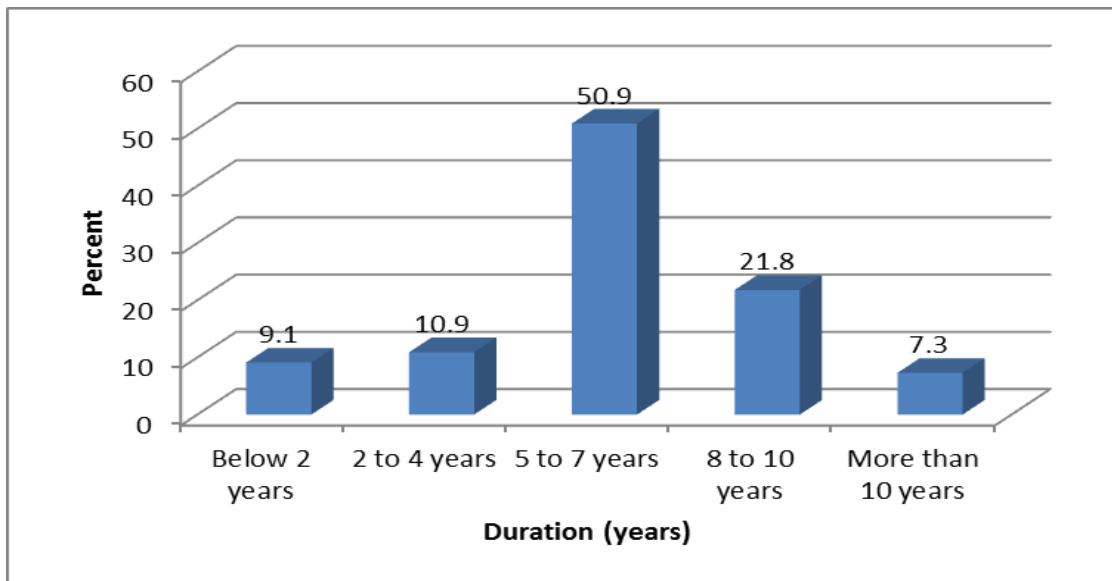


Figure 4. 5: Number of years working in the organization

As indicated in figure 4.5, 50.9% of the respondents indicated that they had been working in their organization for between 5 and 7 years, 21.8% indicated for between 8 and 10 years, 10.9% indicated for between 2 and 4 years, 9.1% indicated for below 2 years and 7.3% indicated for more than 10 years. This implies that most of the staff had been working in Vivo energy for between 5 and 7 years.

4.3 Effect of Retail Network Expansion on competitive advantage

The study sought to determine the influence of retail network expansion on the competitive advantage of oil marketing firms in Kenya.

4.3.1 Number of Branches and Decision to Increase the Number of Outlets

The respondents indicated that Vivo energy had 169 branches all over the country. This was supported by interviewees (petrol station managers). The respondents were asked to indicate what informs the decision to increase the number of outlets. From the findings, they indicated that growth prospects in the country inform management's

decision to exploit this opportunity. Other reasons include the need to increasing network coverage and volume growth.

4.3.2 Retail Network Expansion Strategy and Competitive Advantage

The respondents were also asked to indicate the extent to which retail network expansion strategy influences the competitive advantage of Vivo energy. The responses were as indicated in figure 4.6.

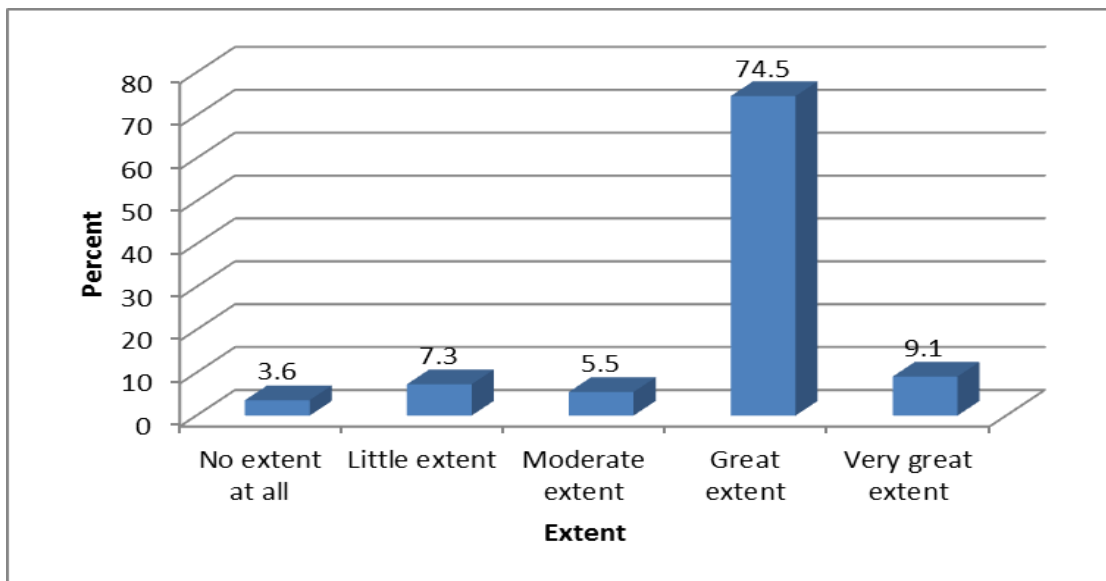


Figure 4. 6: Retail Network Expansion Strategy and Competitive Advantage

According to the findings, 74.5% of the respondents indicated that retail network expansion strategy influences the competitive advantage of Vivo energy to a great extent, 9.1% indicated to a very great extent, 7.5% indicated to a moderate extent, 5.5% indicated to a little extent, and 3.6% indicated to no extent at all. This shows that retail network expansion strategy influences the competitive advantage of Vivo energy to a great extent. These findings agree Swensrud (2013) findings that geographical expansion plays a significant role in the sales volume of a company. These findings also agree with Illueca, Pastor and Tortosa-Ausina (2009) findings that

Spanish banks that expand geographically outside their natural markets achieve greater productivity gains.

4.3.3 Aspects of Retail Network Expansion Strategy

The respondents were asked to indicate the extent to which various aspects of retail network expansion strategy influence the competitive advantage of Vivo energy. Where 5 represents very great extent, 4 represents great extent, 3 represents moderate extent, 2 represents low extent, 1 represents no extent at all.

Table 4. 2: Aspects of Retail Network Expansion Strategy

	1	2	3	4	5	Mean	Std. Deviation
Number of branches	1.8	7.3	7.3	70.9	12.7	3.854	.803
Geographical coverage	0.0	1.8	12.7	65.5	20.0	4.036	.637
Market penetration	0.0	7.3	18.2	65.5	9.1	3.763	.719
Average						3.884	0.720

From the findings, the respondents indicated with a mean of 4.036 that Geographical coverage influences the competitive advantage of Vivo energy to a great extent. These findings concur with Bernini and Brighi (2012) argument that geographical expansion strategies affect the Italian companies' efficiency and sales volume. These findings also agree with Bernini and Brighi (2012) argument that geographical dimension measured by the distance between local branches and the headquarters significantly affects cost efficiency and the competitiveness of the whole organization. In addition, the respondents indicated with a mean of 3.854 that number of branches influences the competitive advantage of Vivo energy to a great extent. Also, the respondents indicated with a mean of 3.763 that market penetration influences the competitive

advantage of Vivo energy to a great extent. These findings agree with Mutuma (2013) findings that to gain sustainable growth and achieve economies of scale, commercial banks were embracing expansion strategy as key competitive strategy in enhancing market penetration.

The findings show that retail network expansion strategy in terms of number of branches, geographical coverage, market penetration influences the competitive advantage of Vivo energy to a great extent as indicated by a mean of 3.884.

4.3.4 Influence Retail Expansion Strategy on the Competitive Advantage

The respondents were asked to indicate how retail expansion strategy influences the competitive advantage of Vivo energy. According to the findings, they indicated that expansion of the retail network in VEK significantly influences the competitive advantage of VEK. Retail presence in the country generates at least 50% of VEK revenues and is a sure fire way of increasing average monthly and yearly throughput for the firm. Having such a presence therefore increases top of mind awareness among consumers consequently generating competitive advantage for the firm. In addition, they indicated that retail expansion or growth enables the company to have a wider reach and thus access to more customers within the country. This also enables the company to be able to win tenders for supply of fuel especially card customers with a wider network coverage. The petrol station managers also indicated that retail network expansion has led to market share dominance.

Retail network expansion has led to market share dominance and vivo has toppled total Kenya as the market leader in retail fuel business K04

4.4 Effect of Franchising on competitive advantage

The study sought to find out how franchising influence the competitive advantage of oil marketing firms in Kenya.

4.4.1 Use of Franchising In the Retail Distribution of Products

The staff were asked to indicate whether their organization uses franchising in retail distribution of products. The results were as shown figure 4.7.

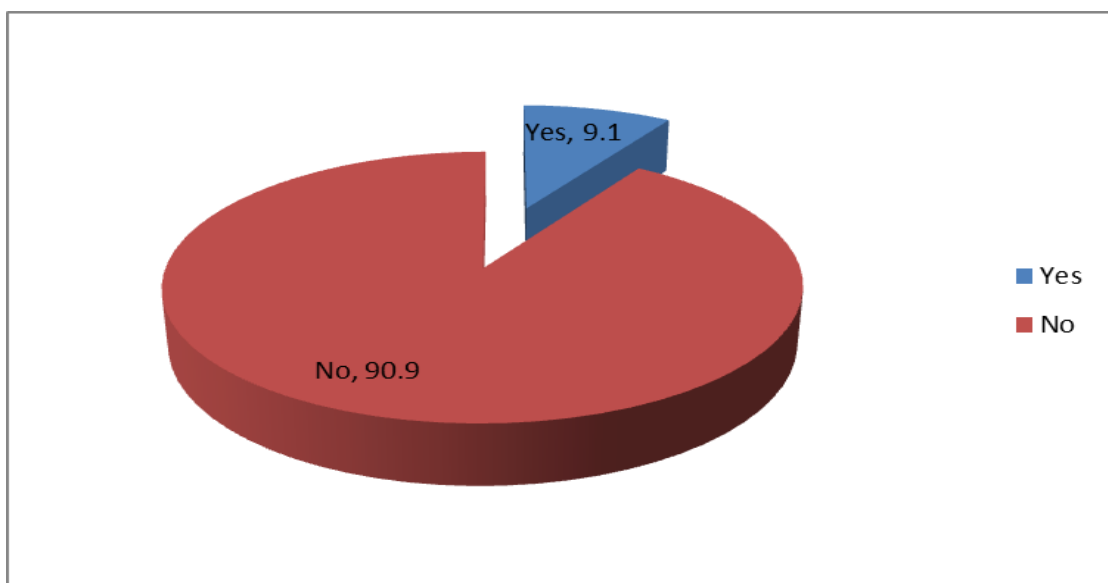


Figure 4. 7: Use of Franchising In the Retail Distribution of Products

As indicated in figure 4.7, 90.9% of the respondents indicated that their organization was not using franchising in retail distribution of products while 9.1% indicated that they were using franchising in retail distribution of products. This implies that Vivo Energy was not using franchising in retail distribution of products. These findings are contrary to Matusky (2014) argument that oil and gas companies were using franchising as a competitive strategy.

However, the key interviews indicated that the company had given few companies license to distribute one of their products known as lube.

Vivo has given a few licensed companies to be its official distributor of Lubes in the whole country KOI

4.4.2 Influence of franchising on the competitive advantage of Vivo energy

The respondents were asked to indicate the extent to which franchising influences the competitive advantage of Vivo energy. The results were as presented in figure 4.8.

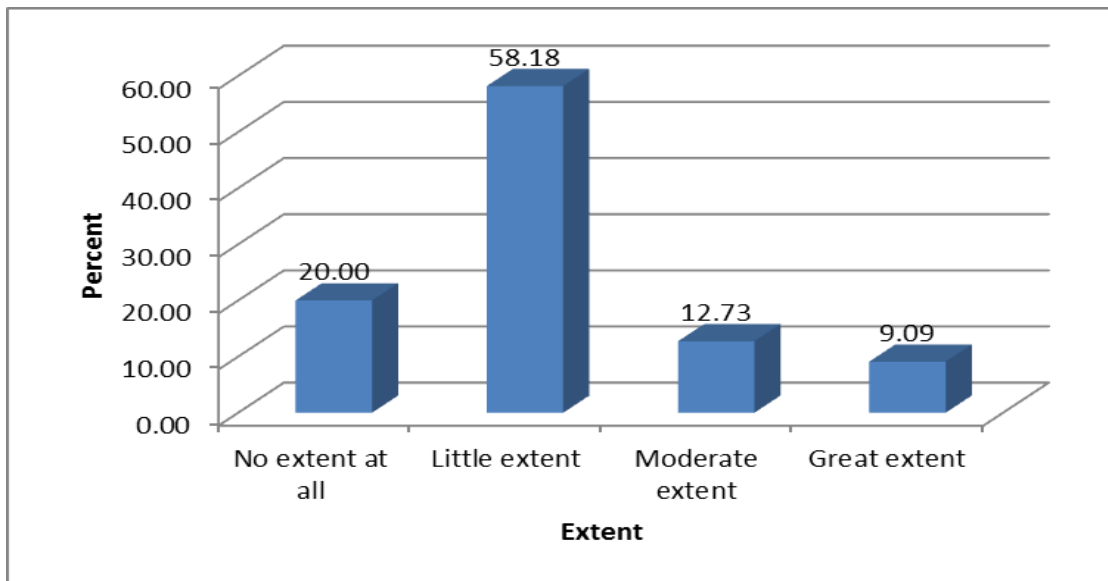


Figure 4. 8: Influence of franchising on the competitive advantage of Vivo energy

From the findings, 58.18% of the respondents indicated that franchising influences the competitive advantage of Vivo energy to a little extent, 20% indicated to no extent at all, 12.73% indicated to a moderate extent and 9.09% indicated to a great extent. This implies that franchising influences the competitive advantage of Vivo energy to a little extent. This can be explained by the fact that Vivo Energy was not using franchising in retail distribution of products. These findings agree with Iriowen (2014) findings that retail marketers of oil and gas products in Total Nigeria Plc to a little extent adopted the franchising practices in the business.

The key informants indicated that the adoption of franchising influences had a positive influence on competitive advantage of the company.

Use of franchising influences competitive advantage by ensuring all market segments in the whole country are reached and as such the products are made available and known to all. This helps to cement the relationship between customers on loyalty and the company and to a great extent has contributed to the rapid growth of the lubes business in Vivo Energy K02

4.4.3 Aspects of Franchising

The respondents were requested to indicate the extent to which various aspects of franchising influence the competitive advantage of Vivo energy.

Table 4. 3: Aspects of Franchising

	1	2	3	4	5	Mean	Std. Deviation
Use of Single unit franchise	43.6	47.3	9.1	0.0	0.0	1.654	.644
Sharing of resources	69.1	21.8	9.1	0.0	0.0	1.400	.655
Wider distribution of products	74.5	20.0	5.5	0.0	0.0	1.309	.573
Average						1.454	0.624

From the findings, the respondents indicated with a mean of 1.645 that Use of Single unit franchise influences the competitive advantage of Vivo energy to a little extent. In addition, the respondents indicated with a mean of 1.400 that sharing of resources in franchising influences the competitive advantage of Vivo energy to a little extent. Further, the study found that wider distribution of products through franchising influence the competitive advantage of Vivo energy to little extent. The findings imply that Use of Single unit franchise, sharing of resources and wider distribution of

products through franchising do not influence the competitive advantage of Vivo energy. This can be explained by the fact that the company had not adopted franchising as a retail distribution strategy. Since the cost of purchasing land for new station developments has become prohibitive in Kenya, the focus of most oil marketing companies in Kenya is on franchising.

The findings show that franchising in terms of use of single unit franchise, sharing of resources and wider distribution of products influence the competitive advantage of Vivo energy to a little extent as indicated by a mean of 1.454.

4.5 Effect of Logistics outsourcing on competitive advantage

The study sought to establish the influence of logistics outsourcing on the competitive advantage of oil marketing firms in Kenya.

4.5.1 Outsourcing of logistics services to third parties

The respondents were asked to indicate whether their organization outsources logistics services to third parties. The results were as shown in figure 4.9.

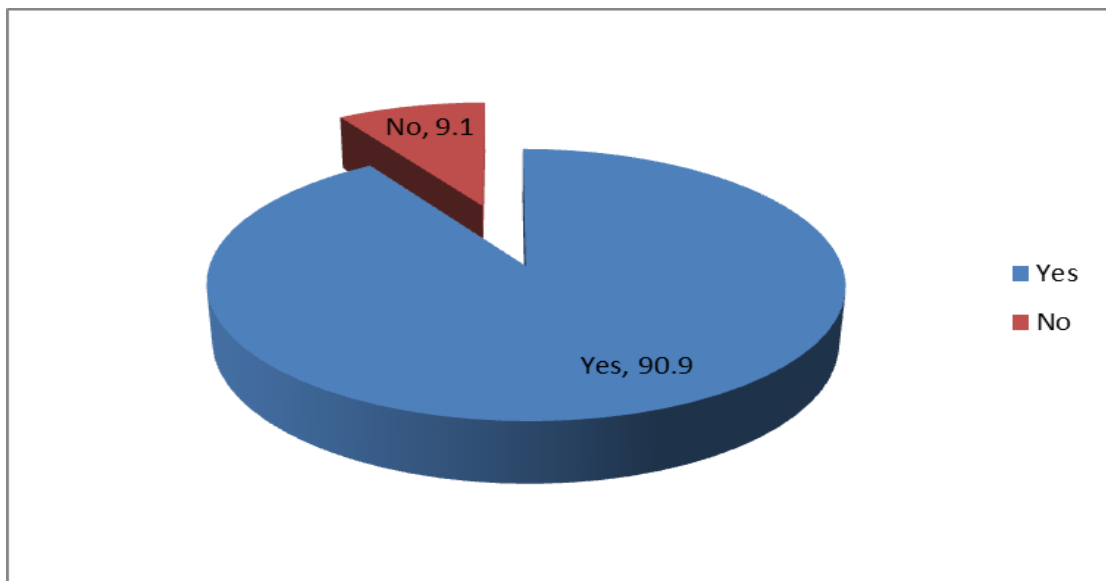


Figure 4. 9: Outsourcing of logistics services to third parties

According to the findings, 90.9% of the respondents indicated that their organization outsources logistics services to third parties while 9.1% indicated otherwise. This implies that Vivo energy was outsourcing logistics services to third parties. These finding concur with Sohail (2008) argument that firms have changed to logistics outsourcing as business strategy to restructure their dissemination network and gain competitive advantage.

From the respondents who indicated that their organization outsources logistics services to third parties, the study sought to establish which companies provide their company’s logistics services. The respondents indicated that these companies include A.O. Bayusuf, Dakawou and Sibed transporters. These findings were supported by the petrol station managers who indicated that the company was outsourcing logistics services such as Dakawou Transporters, A.A Bayusuf & Sons Transporters, Sibed Transporters, Siki General Contractors, Kiter Electrical Engineering contractors.

4.5.2 Logistics Outsourcing and Competitive Advantage

The respondents were asked to indicate the extent to which logistics outsourcing influence the competitive advantage of Vivo energy. The results were as shown in table 4.3.

Table 4. 4: Logistics Outsourcing and Competitive Advantage

	Frequency	Percent
No extent at all	1	1.8
Little extent	2	3.6
Moderate extent	2	3.6
Great extent	31	56.4
Very great extent	19	34.5
Total	55	100.0

According to the findings, 56.4% of the respondents indicated that logistics outsourcing influences the competitive advantage of Vivo energy to a great extent, 34.5% indicated to a very great extent, 3.6 indicated to a moderate extent, the same percent indicate to a little extent and 1.8 indicated to no extent at all. These findings show that logistics outsourcing influences the competitive advantage of Vivo energy to a great extent. These findings agree with Muhindo, Zhou and Mzuza (2014) argument that it is very important to outsource full or part of logistics activities to logistics service providers in order to attain competitive advantage.

4.5.3 Aspects of Logistics Outsourcing

The respondents were asked to indicate the extent to which various aspects of logistics outsourcing influence the competitive advantage of Vivo energy. The results were as shown in table 4.4.

Table 4. 5: Aspects of Logistics Outsourcing

	1	2	3	4	5	Mean	Std. Deviation
Use of third party transporters	1.8	3.6	9.1	52.7	32.7	4.109	.853
Concentration on the core functions	1.8	3.6	32.7	38.2	23.6	3.781	.916
Reduction of logistics cost	3.6	3.6	16.4	61.8	14.5	3.800	.869
Products flows optimization	0.0	1.8	5.5	70.9	21.8	4.127	.579
Average						3.954	0.804

According to the findings, the respondents indicated with a mean of 4.127 that products flows optimization influences the competitive advantage of Vivo energy to a great extent. The respondents also indicated with a mean of 4.109 that use of third

party transporters influences the competitive advantage of Vivo energy to a great extent. These findings concur with Kyusya (2015) findings that logistics outsourcing practices determine the survival of firms as they seek to reduce operating costs, and enhance timely delivery of services to clients which in turn increase productivity and reduce lead time and improved profits. In addition, the respondents indicated with a mean of 3.800 that reduction of logistics cost influences the competitive advantage of Vivo energy to a great extent. These findings are in line with Muhindo, Zhou and Mzuza (2014) findings that logistics outsourcing strategy reduces cost logistics and operations.

These findings also agree with Kilic and Gonsel (2016) argument that Outsourcing in Logistics Services enable the firms to get rid of high investment costs, renewal of the materials, extra personnel management and the costs of amortization. Further, the respondents indicated with a mean of 3.781 that concentration on the core functions influences the competitive advantage of Vivo energy to a great extent. These findings agree with Kyusya (2015) findings that the firms opted to outsource their services due to its advantages and its possible influence on operational performance, as it enables the firms to focus on its core competencies.

The results indicated that logistics outsourcing in terms of use of third party transporters, concentration on the core functions, reduction of logistics cost and products flows optimization influences the competitive advantage of Vivo energy to a great extent as indicated by a mean of 3.954.

4.5.4 Influence of Logistics Outsourcing on Competitive Advantage

The respondents were further asked to indicate how logistics outsourcing influences the competitive advantage of Vivo energy. From the findings, they indicated that

outsourcing logistics allows VEK to focus on its key business objectives which is the marketing of oil products. These findings concur with Muhindo, Zhou and Mzuza (2014) argument that besides playing a major role in minimizing operating costs and spreading risk between the parties, logistics outsourcing helps companies to focus on their core business.

4.6 Effect of convenience retailing strategy on competitive advantage

The study sought to determine the influence of convenience retailing strategy on the competitive advantage of oil marketing firms in Kenya

4.6.1 Other convenience products and services Vivo energy Sells

Apart from selling oil products in petrol satiations, the respondents were asked to indicate other convenience products and services their company provides. From the findings, they indicated that VEK provides convenience retailing options such as Carwashes, QSRs and Supermarkets. Other products include tyre Centre, wheel alignment, 3rd Party fast food franchise shops, car wash, motor vehicle service and automated teller machines. The petrol station managers indicated that Vivo energy applying convenience retailing strategy.

The company applies convenience retailing strategy by setting up Shell select shops in strategic petrol stations, Partnering with big brands such as Java, innscore, Big Square etc to put of convenience stores at shell petrol stations K01.

4.6.2 Convenience Retailing Strategy and the Competitive Advantage

The respondents were asked to indicate the extent to which convenience retailing strategy influences the competitive advantage of Vivo energy. The results were as presented figure 4.10.

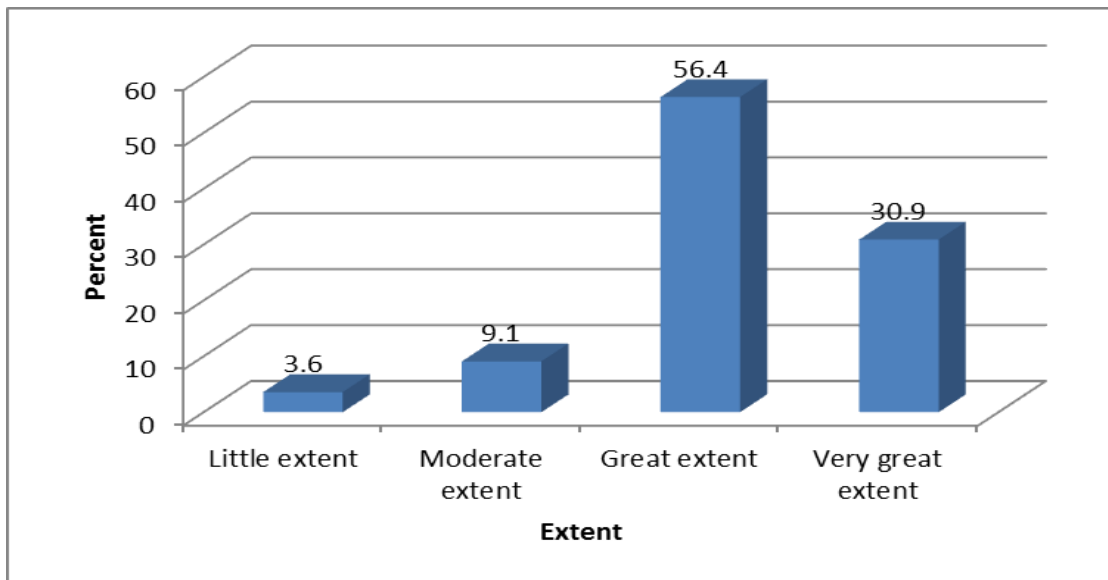


Figure 4. 10: Convenience Retailing Strategy and the Competitive Advantage

According to the findings, 56.4% of the respondents indicated that convenience retailing strategy influences the competitive advantage of Vivo energy to a great extent, 30.9 indicated to a very great extent, 9.1% indicated to a moderate extent and 3.6% indicated to a little extent. These findings imply that convenience retailing strategy influences the competitive advantage of Vivo energy to a great extent. These findings agree with Wahid (2009) findings that the development of convenience store in Petrol Station has seen dramatic changes where all players now move towards a standardized image to reflect their seriousness in expanding their retails business apart from distribution of petroleum products.

4.6.3 Aspects of Convenience Retailing Strategy

The respondents were asked to indicate the extent to which various aspects of convenience retailing strategy influence the competitive advantage of Vivo energy.

The results were as presented in table 4.5.

Table 4. 6: Aspects of Convenience Retailing Strategy

	1	2	3	4	5	Mean	Std. Deviation
Provision of car wash services	3.6	5.5	7.3	61.8	21.8	3.927	.920
Provision of overnight parking services	1.8	1.8	9.1	63.6	23.6	4.054	.755
Selling of food and beverage products	1.8	3.6	7.3	41.8	45.5	4.254	.886
Provision of personal care services	0.0	1.8	12.7	56.4	29.1	4.127	.695
Average						4.091	0.814

The respondents indicated with a mean of 4.254 that selling of food and beverage products was influencing the competitive advantage of Vivo energy to a great extent.

The respondents also indicated with a mean of 4.127 that provision of personal care services influences competitive advantage of Vivo energy to a great extent. In

addition, the respondents indicated with a mean of 4.054 that provision of overnight parking services influences the competitive advantage of Vivo energy to a great

extent. Further, the respondents indicated with a mean of 3.927 that provision of car wash services influences the competitive advantage of Vivo energy to a great extent.

These findings are in line with Mount (2015) findings that in Malaysia, convenience stores and petrol station stores are self-service stores which concentrate on selling

convenience food and beverage products as well as a small range of other products such as personal care, magazines and newspapers, which significantly improves their competitive advantage.

The results indicated that convenience retailing strategy in terms of provision of car wash services, provision of overnight parking services, selling of food and beverage products and provision of personal care services influences the competitive advantage of Vivo energy to a great extent as indicated by a mean of 4.091.

4.6.4 Influence of Convenience Retailing Strategy on the Competitive Advantage

The respondents were also asked to indicate how convenience retailing strategy influences the competitive advantage of Vivo energy. From the findings, the respondents indicated that today's consumers are very informed and demand attention. Customers want a convenient fueling experience at any site that they visit. Having these customer relations offers enables customers to make VEK SHELL BRANDED sites a first choice as they know they will be able to satisfy all their needs over and above fueling. The respondents also indicated that convenience retailing increases sales as customers prefer to fuel at a station they will be able to get more offers and allow them to sort out all their needs in one stop. The key informants indicated that convenience retailing led to an increase in volume growth and customer loyalty.

It influences competitive advantage by way of volume growth in sites where convenience retailing offers exist. Secondly, it helps to attract traffic at the shell sites where it exists and thus leads to customer loyalty who in turn make the station their one stop shop for fuel and other commodities available in the store K04

4.7 Competitive Advantage

The respondents were asked to rate the general competitive advantage of their organization in the last five years. The results were as presented in figure 4.11.

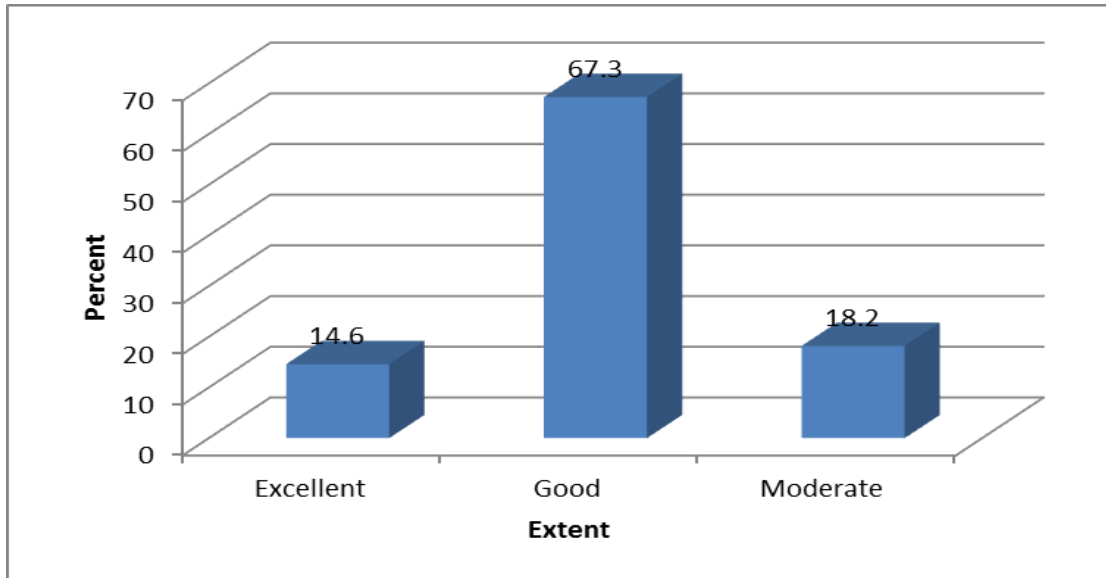


Figure 4. 11: Competitive Advantage

As indicated in figure 4.1, 67.3% of the respondents indicated that the competitive advantage of Vivo energy was good, 18.2% indicated that it was moderate, 14.6% indicated that it was excellent. This shows that the competitive advantage of Vivo energy was good.

4.7.1 Retail Distribution Strategies and Competitive Advantage

The respondents were asked to indicate the extent to which the use of retail distribution strategies influences the measures of the competitive advantage in Vivo energy.

Table 4. 7: Measures of the Competitive Advantage in Vivo Energy

	1	2	3	4	5	Mean	Std. Deviation
Market share	0.0	0.0	10.9	43.6	45.5	4.345	.672
Profitability	0.0	0.0	7.3	40.0	52.7	4.454	.632
Sales volume	0.0	1.8	3.6	45.5	49.1	4.418	.658
Average						4.406	0.654

From the findings, the respondents indicated with a mean of 4.454 that retail distribution strategies influence the profitability of Vivo energy to great extent. In addition, the respondents indicated with a mean of 4.418 that retail distribution strategies influence the sales volume of Vivo energy to great extent. Further, the respondents indicated with a mean of 4.345 that retail distribution strategies influence the market share of Vivo energy to great extent. The results show that retail distribution strategies influence the competitive advantage in Vivo energy to a great extent as indicated by a mean of 4.406.

4.8 Correlation Analysis and Regression Analysis

The study used both correlation analysis and regression analysis to investigate the association between the independent variables and the dependent variable. Table 4.7 presents the summary of the descriptive statistics and analysis of results.

Table 4. 8: Summary Statistics, Correlations and Results from the Regression Analysis

Variable	Mean	Std	Correlation with competitive advantage	Multiple regression weights	
				P-value	β
Competitive Advantage	4.406	0.654			1.775
Retail Network Expansion	3.884	0.720	.799**	0.000	0.402
Franchising	1.454	0.624	.009	0.322	0.172
Logistics outsourcing	3.954	0.804	.874**	0.000	1.019
Convenience retailing strategy	4.091	0.814	.839**	0.000	0.441

** . Correlation is significant at the 0.01 level (2-tailed).

The results show that retail network expansion is positively and significantly correlated with the competitive advantage of Vivo energy ($r=0.799$). Franchising is not significantly correlated with the competitive advantage of Vivo energy ($r=0.009$). The results also show that logistics outsourcing is positively and significantly correlated with the competitive advantage of Vivo energy ($r=3.954$). Also, convenience retaining strategy is positively and significantly correlated with the competitive advantage of Vivo energy ($r=4.091$).

The multiple regression model with the four independent variables produced $R^2 = 0.775$, $F(4, 50) = 43.171$, $p < 0.05$. This implies that the four independent variables (retail network expansion, franchising, logistics outsourcing and convenience retailing strategy) can explain 75.5% of the dependent variable (competitive advantage of Vivo energy). In addition, the regression model is a good fit for the data and hence can be

used in predicting the influence of the independent variables on the dependent variable.

$$Y = 1.775 + (0.402X_1) + (0.172X_2) + (1.019X_3) + (0.441X_4)$$

From the findings, retail network expansion has a positive influence on the competitive advantage of Vivo energy as shown by a regression coefficient of 0.402. This implies that a unit increase on retail network expansion would lead to a 0.402 improvement in the competitive advantage of Vivo energy. These findings concur with Illueca, Pastor and Tortosa-Ausina (2009) findings that retail network expansion influences the competitive advantage of Spanish savings banks. The findings are also in line with Chege (2014) findings that branch expansion strategy helped Nakumatt Holdings Limited to gain competitive advantage.

The results show that franchising does not contribute to the competitive advantage of Vivo energy as shown by a regression coefficient of 0.172. There was no significant association between franchising and the competitive advantage of Vivo energy. These findings are contrary to Matusky (2014) findings that franchising influences the competitive advantage of Mobil Oil in Nigeria.

Further, the results indicated that logistic outsourcing has a positive influence on the competitive advantage of Vivo energy as shown by a regression coefficient of 1.019. This implies that a unit improvement in logistic outsourcing would lead to a 1.019 improvement in the competitive advantage of Vivo energy. These findings agree with Hofer et al. (2015) findings that the decision made by oil and gas companies to outsource logistics activities led to an improvement in the competitive advantage. These findings also agree with Kilasi, Juma and Mathooko (2013) findings that the

outsourcing of transport and distribution logistics influences the competitive advantage of East African Breweries to a great extent.

Lastly, the results indicated that convenience retailing strategy has a positive influence on the competitive advantage of Vivo energy as shown by a regression coefficient of 0.441. These findings are in line with Wahid (2009) findings that petrol station's convenience store patronage in Penang lead to an improvement in customer loyalty and the competitive advantage of oil and gas companies.

This infers that logistics outsourcing influences the competitive advantage of Vivo energy most, followed by convenience retailing and retail network expansion. Franchising had no significant influence on the competitive advantage of Vivo energy.

CHAPTER FIVE

SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

5.1 Introduction

This chapter presents a discussion of the key findings, conclusions drawn from the findings, recommendation and suggestions for further studies. The conclusions and recommendations were aimed at addressing the general objective of the study, which was to assess the role of retail distribution strategies in the competitive advantage of oil marketing firms in Kenya.

5.2 Summary

The study also sought to determine the influence of retail network expansion, franchising and partnerships, logistics outsourcing convenience retailing strategy on the competitive advantage of oil marketing firms in Kenya. This study used a descriptive research design. The target population of this study was all the 110 staff working at the headquarters of Vivo Energy and managers of nine police stations. Stratified random sampling technique was used to select 50% of the target population. The sample size was 55 staff and 9 managers. This study used both primary and secondary data. Secondary data was collected from the financial statements and the strategic plan of Vivo energy. Primary data was collected by use of semi-structured questionnaires and key informant interview guide.

Quantitative data was analyzed by use of both descriptive and inferential statistics by use of statistical package for social sciences (SPSS version 22). Descriptive statistics included frequency distribution, percentages, measures of central tendencies (mean) and measures of dispersion (standard deviation). The data was then presented in tables

and graphs. Inferential statistics such as correlation analysis and multivariate regression analysis were used to establish whether there is a relationship between the dependent and the independent variables.

5.2.1 Effect of Retail Network Expansion on competitive advantage

The study found that Vivo energy had 169 branches all over the country. The decision to increase the number of branches over the years is informed by growth prospects in the country inform management's decision to exploit this opportunity. Other reasons include the need to increasing network coverage and volume growth. The study also found that the retail network expansion strategy influences the competitive advantage of Vivo energy to a great extent. The study revealed that geographical coverage influences the competitive advantage of Vivo energy to a great extent. In addition, the study found that number of branches influences the competitive advantage of Vivo energy to a great extent. Geographical dimension measured by the number of branches significantly affects cost efficiency and the competitiveness of the whole organization. Also, the study found that market penetration influences the competitive advantage of Vivo energy to a great extent.

Retail Network Expansion increases top of mind awareness among consumers consequently generating competitive advantage for the firm. In addition, retail expansion or growth enables the company to have a wider reach and thus access to more customers within the country. This also enables the company to be able to win tenders for supply of fuel especially card customers with a wider network coverage.

5.2.2 Effect of Franchising on competitive advantage

Vivo Energy was not using franchising in retail distribution of products and hence the study found that the franchising influences the competitive advantage of Vivo energy

to a little extent. This can be explained by the fact that Vivo Energy was not using franchising in retail distribution of products. The study found that use of Single unit franchise, sharing of resources and wider distribution of products through franchising do no influence the competitive advantage of Vivo energy. This can be explained by the fact that the company had not adopted franchising as a retail distribution strategy. Since the cost of purchasing land for new station developments has become prohibitive in Kenya, the focus of most oil marketing companies in Kenya is on franchising.

5.2.3 Effect of Logistics outsourcing on competitive advantage

The study revealed that that Vivo energy was outsourcing logistics services to third parties to A.O. Bayusf, Dakawou, Siped transporters, Siki General Contractors, Kiter Electrical Engineering contractors. The study found that logistics outsourcing influences the competitive advantage of Vivo energy to a great extent. The study revealed that products flows optimization influences the competitive advantage of Vivo energy to a great extent. the study also found that use of third party transporters influences the competitive advantage of Vivo energy to a great extent. Logistics outsourcing practices determine the survival of firms as they seek to reduce operating costs, and enhance timely delivery of services to clients which in turn increase productivity and reduce lead time and improved profits. The study established that concentration on the core functions influences the competitive advantage of Vivo energy to a great extent.

5.2.4 Effect of convenience retailing strategy on competitive advantage

The study found that Vivo energy provides convenience retailing options such as Carwashes, QSRs and Supermarkets. Other products include tyre Centre, wheel alignment, 3rd Party fast food franchise shops, car wash, motor vehicle service and

automated teller machines. In addition, Vivo energy applying convenience retailing strategy by setting up Shell select shops in strategic petrol stations, Partnering with big brands such as Java, innscore, Big Square etc to put of convenience stores at shell petrol stations. The study found that convenience retailing strategy influences the competitive advantage of Vivo energy to a great extent. The study also revealed that selling of food and beverage products was influencing the competitive advantage of Vivo energy to a great extent. The study further revealed that provision of personal care services, provision of overnight parking services and provision of car wash services influences the competitive advantage of Vivo energy to a great extent.

The study found that today's consumers are very informed and demand attention. Customers want a convenient fueling experience at any site that they visit. Having these customer relations offers enables customers to make VEK SHELL BRANDED sites a first choice as they know they will be able to satisfy all their needs over and above fueling. In addition, convenience retailing increases sales as customers prefer to fuel at a station they will be able to get more offers and allow them to sort out all their needs in one stop.

5.3 Conclusion

The study concludes that retail network expansion has a significant influence on the competitive advantage of Vivo energy. Therefore an improvement in retail network expansion would lead to an improvement in the competitive advantage of Vivo energy. The study found that number of branches, geographical coverage and market penetration influence the competitive advantage of Vivo energy. The findings are also in line with Chege (2014) findings that branch expansion strategy helped Nakumatt Holdings Limited to gain competitive advantage.

The study also concludes that franchising has no significant influence on the competitive advantage of Vivo energy. The study found that use of Single unit franchise, sharing of resources and wider distribution of products do not significant influence the competitive advantage of Vivo energy. These findings are contrary to Matusky (2014) findings that franchising influences the competitive advantage of Mobil Oil in Nigeria.

The study further concludes that logistic outsourcing has a significant influence on the competitive advantage of Vivo energy. This implies that an improvement in logistic outsourcing would lead to an improvement in the competitive advantage of Vivo energy. The study found that use of third party transporters, concentration on the core functions, reduction of logistics cost and products flows optimization influence the competitive advantage of Vivo energy. These findings also agree with Kilasi, Juma and Mathooko (2013) findings that the outsourcing of transport and distribution logistics influences the competitive advantage of East African Breweries.

Lastly, the study concludes that convenience retailing strategy has a significant influence on the competitive advantage of Vivo energy. This implies that an improvement in convenience retailing strategy would lead to an improvement in the competitive advantage of Vivo energy. The study established that provision of car wash services, provision of parking services, selling of food and beverage products and provision of personal care services influence the competitive advantage of Vivo energy. These findings are in line with Wahid (2009) findings that petrol station's convenience store patronage in Penang lead to an improvement in customer loyalty and the competitive advantage of oil and gas companies.

5.4 Recommendations

The study found that expansion of branch network influences competitive advantage of Vivo Energy. The study recommends that Vivo Energy should seek to increase its branch network even more. In addition, they should focus more on areas lacking fuel stations, upcoming residential areas and developing cities.

The study found that the company had not adopted franchising as a retail distribution strategy. To improve its distribution network, Vivo Energy needs to adopt the franchising strategy as it requires little or no resources. The strategy will help the company increase its products distribution and hence an increase in sales volume.

The study also found that logistics outsourcing helps the company to focus on its core function. Therefore, the study recommends that the company should consider outsourcing all its logistic services. This will help them to focus more on distribution of products.

The study also revealed that convenience retailing strategy influences the competitive advantage of Vivo energy. Since the company has been increasing its branch network, it should consider incorporating conveniences stores like shopping Malls and services like car wash and motor vehicle servicing.

5.5 Suggestions for Further Studies

This study was limited to Vivo Energy in Kenya and hence its findings cannot be generalized to other oil marketing companies in Kenya. The study suggests further studies on the role of retail distribution strategies in the competitive advantage of oil marketing firms in Kenya. The study should include other oil marketing firms in Kenya like Oil Libya Kenya Limited, Total Kenya Limited, KenolKobil, Hashi Energy, National Oil Corporation of Kenya among others. In addition, further studies

should be conducted on the challenges facing the adoption of franchising as a retail distribution strategy in Vivo Energy in Kenya.

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APPENDICES

Appendix I: Introduction Letter

Duncan Mathenge Nderitu
P.O. Box 23119 - 00100 ,
Nairobi

Dear Respondent,

I am a postgraduate student in Kenya University. In partial fulfillment of the requirements for the award of a degree in Master of Business Administration (Strategic Management), I am undertaking a research on “Implications of Retail Distribution Strategies on the Competitive Advantage of Oil Marketing Firms in Kenya: A Case of Vivo Energy”.

The findings of the research and your contribution will be treated confidentially and used purely for academic purpose. I am kindly requesting you to assist me by filling in the attached questionnaire. The questionnaire is administered for the academic purposes of this research only and will be treated with utmost confidentiality. Your support and cooperation in this regard will be highly appreciated.

Yours Faithfully

Duncan Mathenge Nderitu

Appendix II: Questionnaire

This questionnaire seeks to collect data on the implications of retail distribution strategies on the competitive advantage of oil marketing firms in Kenya: A Case of Vivo Energy. Please answer the questions to the best of your knowledge. The information that will be obtained will be handled with utmost confidentiality and only used for academic purposes. Do not write your name.

Please tick your options where applicable.

SECTION A: DEMOGRAPHIC INFORMATION

1. Gender:

Male Female

2. Age Bracket:

Up to 25 years 26 –30 years

31– 35 years 36 – 40 years

41– 45 years Over 50 years

3. Highest education level

Secondary level Certificate level

Diploma level Degree level

Masters level PhD level

4. In which department do your work in Vivo energy?

.....

5. Number of years working in the organization?

Below 2 years 2 to 4 years

5 to 7 years 8 to 10 years

More than 10 years

Section B: Effect of Retail Network Expansion on competitive advantage

6. How many branches or outlets does vivo energy have in Kenya?

.....

7. What informs the decision to increase the number of outlets?

.....

8. To what extent does retail network expansion strategy influences the competitive advantage of Vivo energy?

- Very great extent [] Great extent []
 Moderate extent [] Little extent []
 No extent []

9. To what extent do the following aspects of retail network expansion strategy influence the competitive advantage of Vivo energy? (Key: 5=very great extent, 4=great extent, 3=moderate extent, 2=low extent, 1=no extent at all)

	5	4	3	2	1
Number of branches					
Geographical coverage					
Market penetration					

10. How does retail expansion strategy influence the competitive advantage of Vivo energy?

.....

Section C: Effect of Franchising on competitive advantage

11. Does your organization use franchising in retail distribution of products?

Yes [] No []

12. To what extent do franchising influence the competitive advantage of Vivo energy?

Very great extent [] Great extent []

Moderate extent [] Little extent []

No extent []

13. To what extent do the following aspects of franchising influence the competitive advantage of Vivo energy? (Key: 5=very great extent, 4=great extent, 3=moderate extent, 2=low extent, 1=no extent at all)

	5	4	3	2	1
Use of Single unit franchise					
Sharing of resources					
Wider distribution of products					

14. What are the effects of franchising on the competitive advantage of Vivo energy?

.....

Section D: Effect of Logistics outsourcing on competitive advantage

15. Does your organization outsource logistics services to third parties?

Yes [] No []

16. If yes, which companies provide your company's logistics services?

.....

17. To what extent does logistics outsourcing influence the competitive advantage of Vivo energy?

- Very great extent [] Great extent []
- Moderate extent [] Little extent []
- No extent []

18. To what extent do the following aspects of logistics outsourcing influence the competitive advantage of Vivo energy? (Key: 5=very great extent, 4=great extent, 3=moderate extent, 2=low extent, 1=no extent at all).

	5	4	3	2	1
Use of third party transporters					
Concentration on the core functions					
Reduction of logistics cost					
Products flows optimization					

19. How does logistics outsourcing influence the competitive advantage of Vivo energy?

.....

.....

Section E: Effect of convenience retailing strategy on competitive advantage

20. Apart from selling oil products in petrol satiations, which other conveniences products and services does your company provide?

.....

.....

21. To what extent does convenience retailing strategy influence the competitive advantage of Vivo energy?

- Very great extent [] Great extent []

Moderate extent [] Little extent []

No extent []

22. To what extent do the following aspects of convenience retailing strategy influence the competitive advantage of Vivo energy? (Key: 5=very great extent, 4=great extent, 3=moderate extent, 2=low extent, 1=no extent at all).

	5	4	3	2	1
Provision of car wash services					
Provision of overnight parking services					
Selling of food and beverage products					
Provision of personal care services					

23. How does convenience retailing strategy influence the competitive advantage of Vivo energy?

.....

Competitive Advantage

24. How do you rate the general competitive advantage of your organization in the last five years?

Excellent [] Good []

Moderate [] Bad []

Poor []

25. To what extent does the use of retail distribution strategies influence the following measures of the competitive advantage in Vivo energy? (Key: 5=very great extent, 4=great extent, 3=moderate extent, 2=low extent, 1=no extent at all).

	5	4	3	2	1
Market share					
Profitability					
Sales volume					

Appendix III: Key Informant Interview Guide

1. Name (Optional)
2. Branch
3. How many branches does Vivo energy have in Kenya?
4. Which retail distribution strategies does Vivo energy use?
5. How does the use of Retail Network Expansion influence Vivo energy competitive advantage in the oil marketing industry?
6. Does Vivo energy use franchising as a retail distribution strategy?
7. How does the use of franchising influence the competitive advantage of Vivo energy?
8. Does your organization outsource logistics services to third parties?
9. If yes, which companies provide your company's logistics services?
10. Does the use of logistics outsourcing influence the competitive advantage of Vivo energy?
11. In which ways does Vivo energy apply convenience retailing strategy?
12. How does the use of convenience retailing strategy influence the competitive advantage of Vivo energy?

Appendix IV: List of Vivo Energy Petrol Stations in Nairobi County

1. University Way Branch
2. Kasarani Branch
3. Survey Branch
4. Lang'ata Branch
5. Globe roundabout Branch
6. Kirinyaga road Branch
7. Ring road Branch
8. Forest road Branch
9. Parklands Branch