Effects of 4ps Marketing Mix on Sales Performance of Automotive Fuels of Selected Service Stations in Nakuru Town.

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Declaration
Abstract

Effects of marketing Mix elements on sales performance of automotive fuels in Kenya have not received sufficient attention. This knowledge gap inspires this proposed study. The broad objective is to examine how product, price, promotion and place can applied to increase sales volume of automotive fuels especially regular, super, and diesel in Nakuru town. A survey of selected service stations in the town is chosen to determine the effects of the 4 Ps on sales performance of the products in the stations. 75 motorists and 45 members of staff make up the sample drawn from 15 selected stations. Systematic sampling will be applied to select five respondents from each service station. The data collection tool is questionnaire designed and tested by the researcher for reliability and validity. Five sections are included covering product, price, promotion place and sales performance. The results of the study will benefit industry players; marketers, petroleum institute of east Africa, motorists and regulator (Energy Regulatory Authority). The expected outcome is that the marketing mix elements (4Ps) hold the key to improving sales performance of petroleum marketing firms in Nakuru town. This happens through the singular and collective contribution of the variables to sales performance.

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Definition of Terms
Automotive fuels: Brands of motor fuels namely super petrol, Regular petrol and Diesel.

Marketing Mix: A combination of marketing elements designed to maximize demand.

Petroleum industry: Firms that market oil products to final user

4Ps: Product - liquid commodity that oil marketers sell to motorists. See automotive fuels.

   Price - this is the exchange value of a product in a market.

   Promotion - various activities aimed at creating demand for a product or service e.g. advertising, sales promotion, etc.

   Place - location or distribution channels of a product.

Sales performance: Volume of sales in litres of automotive fuels, super, regular and diesel.

Marketing policy: A firm’s marketing plan defined by the practices and orientation

Financial resources: Money set aside for a particular activity
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CHAPTER ONE

INTRODUCTION

1.1 Background of study.
Grasby et al (2000) argue that marketing is much more than simply selling what the company makes or advertising what the company has. They emphasize that it is rather about deciding what to do and for whom. In practice, marketing should lead the firm’s strategy towards making what can be sold, not selling what can be made. The American Marketing Association (AMA) (2008) has provided a clearer definition of marketing as an organizational function and a set of processes for creating, communicating, and delivering value to customers and for managing customer relationships in ways that benefit the organization and its stakeholders. AMA (2008) Redefined marketing as the process of planning and executing the conception, pricing, promotion and distribution of ideas, goods, services, organizations and events to create and maintain relationships that satisfy individual and organizational objectives. Even though both definitions highlight the importance of the management of relationships in marketing operations, the latest definition, however, places emphasizes on the marketing mix (4Ps – product, price, place and promotion). In addition, Cowell (1994) provides another dimension explaining marketing as the way in which an organization matches its own human, financial and physical resources with the wants of its customers. Similarly, the Institute of Marketing has defined marketing as the management process responsible for identifying, anticipating and satisfying customer requirements profitably. It could be inferred from these definitions that the concept of marketing is to simply create, win and to keep a prospect to be turned into a customer. To do this however, the organization has to create, produce, and deliver the products that the prospects want and value. To ensure the continuity of these activities, the organization, if it is a profit-making venture, must generate revenue that exceeds the costs, is of sufficient size and is generated regularly to attract, keep and develop capital for the organization to keep abreast if not ahead of competitive offerings. For the purpose of this study, a practical definition of marketing is given as the number of actions undertaken to elicit desired responses from a target audience. The actions referred to in this definition must definitely be conveyed to the consumer through a medium referred to as communication. Marketing approaches can be conceptualised in two forms; marketing practice and marketing orientation.
1.1.1 Marketing Practice and Marketing Orientation

Ellis (2005) posits that the key difference between the two is that “one is concerned with markets and the other with marketing”. Market orientation (MO) is concerned with markets and the implementation of the marketing concept. It is externally focused. Marketing practices (MP) emphasise and are concerned with marketing – that is, the performance of the marketing functions and activities within the organization. The study by Ellis (2005) heeds the admonition of McGee and Spiro (1988, p45) to “distinguish between the marketing philosophy (i.e. MO) and management of the marketing mix (MP) both conceptually and in implementation”. As a concept, marketing practices bears on firm performance. The various elements have been studied to determine their influence on firm performance.

1.1.2 Firm Performance

Performance is typically expressed in terms of sales, market share or profitability. Marketing decision variable according to Gatingnon (1993) are basically of two types which differ in their primary objectives. The first group deals with estimating impact of marketing decision variables; specifically, the modeling of interactions between these variables, the second group deals with guidelines as to what level of the marketing mix variations should be. This study measures firm performance as indicated by volume of sales which correlates directly with profitability.

1.1.3 Marketing Mix and Sales Performance

Marketing efforts do not impact performance (product sales or market share) independently of each other. Marketing mix activities need to be coordinated because they interact to determine performance (Gatington, 1993). This will help managers to take advantage of the complementarity and to avoid incompatibility between marketing mix instruments given constraints by budget and the variables themselves.

Evidence from literature shows that, for example advertising effectiveness is enhanced by the quality of the product(Gatington, 1993). Prior sales person contact retail availability and higher or lower price depending on the advertising medium (Prasad and Ring, 1976). Sales call effectiveness increases with the use of samples and handouts in medical marketing and with advertising, consumer price-sensitivity has been shown to be affected
by advertising Sometimes position advertising increasing price sensitivity (Eskin and Baron, 1977), negative in other studies. This phenomenon was attributed to amount of competitive reactions to advertising in the marketing (Gatington 1984 a). The 4P’s marketing mix have been criticized for ignoring the human factor, lack of strategic dimension, offensive postures and lack of interactivity. The model is said to reflect the sellers view rather than the buyer.

1.1.4 Petroleum sub sector

The sub sector is largely oligopolistic despite the incorporation of numerous small independent oil companies. Multinational companies dominate markets accounting for 90% of all petroleum products imported into the country and virtually businesses. Total shell BP, Caltex mobile and Kenol kobil controlled 85.3% of the market (GOK, 2006). In 2008 market concentration ratio was 76.7% with HHI (Harfindal Hirschman index) estimating it at 1649.16. Oligopolistic tendencies between kenol- kobil (8%) shell (20.9% ) Total (19.5%) and chevron (11.17%).

Industry reports indicates market share of the OMC’s for the period January- March 2009. It shows that by the end of the first quarter of 2009, OMC in Kenya numbered 17 lead by kenol-kobil controlling 24.8% of market share followed by shell (19%) total 917.9%) Chevron (11.2%) Libya oil (8.2%) and the rest having a share of less than 5% of the market in terms of retail outlets. kenol kobil has the largest number of service stations (145) followed by shell (131) total (94), caltex- which was later bought by total (89) and Agip (90) stations.

Given that the market for petroleum products in Kenya display Oligopolistic characteristics, it means prices are not market determined but controlled by the major oil marketers namely, total (k), shell, kenol-kobil, and Agip. However, the government through the ERC sets the maximum prices for the liquid products in all the major towers of Kenya. It is the important to determine if the pricing set by the regulatory commission is maintained.

Quantities supplied should be adequate to stem the artificial shortages that have been affecting motors transport in the country for the last few months. The various OMC do not necessarily have similar pricing therefore a tendency to price below the competition especially in as area where concentration is high is common.
In Nakuru town between Lanet and Soilo (junction between Mombasa, Malaba highway and Njoro-molo road, a number of service stations exist. Some of the stations are one while others are similar i.e. belong to the same oil markets. Fifteen service stations of varying size are going to provide the information about the marketing in Nakuru town, the relationship between marketing activities and sales performance will be used to answer the questions implied by the hypothesis.

1.2 Statement of the problem
Recent studies conducted in the developing economies are reporting contradictory evidence regarding the impact of marketing practices on organisational performance. Ellis (2005) in Hong Kong, Appiah-Adu (1998) in Ghana and Akimova (2000) in Ukrain found that marketing practices impact on performance much more than market orientation. Herein lies a major gap in knowledge. Marketing as a concept revolves around customer, profits and sales volume. Its implementation must involve the entire organisation in an integrated manner. It focuses on obtaining information about customer needs and wants and taking action based on this information in order to satisfy the needs and wants. The 4Ps of product, place, price and promotion is a generic marketing mix that has been applied by many organisations and businesses to position themselves competitively in the market. When designed properly, it promises high sales, profits and market share. (Turner and Spencer, 1997). In Kenya, there is a dearth of research made in the areas of marketing of petroleum products especially automotive fuels. What inspired this study is the knowledge gap about the effects of marketing mix elements( 4 p’s -product, price, place and promotion ) on sales performance of automotive fuels among selected service stations in Nakuru town. By gaining insights into how sales are affected by the 4Ps marketing mix, industry player are going to design their marketing campaigns better to reap higher profits while minimizing costs hence improving on the efficiency. In a highly competitive industry like the automotive fuels, each shilling spent must be justified by the gain in the marketing efforts pursued. Only through finding from studies like this would lend credence on the marketing activities undertaken by the various service stations in the town of Nakuru.

1.3 General Objective
To assess the factors influencing sales performance of automotive fuels of selected petrol status in Nakuru town.
1.3.1 Specific Objectives

i. To find out how product considerations influence sales performance of automotive fuels of the said petrol stations in Nakuru town.

ii. To determine the extent to which price influence sales performance of automotive fuels of the selected petrol stations in Nakuru town.

iii. To establish the effect of promotion on sales performance of automotive fuels of the said selected petrol stations in Nakuru town.

iv. To examine the effect of place/location on sales performance of automotive fuels in the said petrol stations in Nakuru town.

1.4.0 Research Questions

i. How do product considerations influence sales performance of automotive fuels of the said petrol stations in Nakuru town?

ii. What is the effect of promotion on sales performance of automotive fuels for the selected petrol stations in Nakuru town?

iii. To what extent does price influence sales performance of automotive fuels in the selected petrol stations in Nakuru town?

iv. What is the effect of place or location on sales performance of automotive fuels in the selected petrol stations?

1.5 Significance of the study

The study will benefit the following:-

i) Top ministry official will appreciate the nature of the market for automotive fuels so that they will assist the industry in promoting automotive fuels in the country.

ii) The oil marketers who are facing increasing competition will identify the right mix for managing sales automotive fuels in order to improve their profit margins.

iii) Other researchers will gain from this study by extending it to other geographical areas to find the consistency of the findings. Applicability of the findings and methodology will show whether improvements can be made to make it more generalisable.

iv) Staff members in the retail outlets will understand how the 4P’s influence sales performance so that they can improve layout, and service quality.
v) Other stakeholders including investors (existing and potential) and donors will understand Kenyans Petroleum marketing situation so they may use these information for future decisions relating to sales performance.

1.6 Scope of the Study
The study will be carried out among downstream petroleum dealers in Nakuru town especially the stations along the main highway from Lanet to the junction to Njoro. The sample includes twelve service stations, namely: Kenol, Total Kenya, Shell, National Oil, Gulf Energy, Riva, Hashi, Delta, Petro, Triton, Engen and Oil Libya. All the oil marketers in Nakuru town are mainly concentrated along the identified section. Therefore, there service stations will represent other station around town. Given the small number, all the twelve companies will be involved in the study. However, only fifteen motorists from each station shall participate including two members of management. The study will be conducted over a period of four weeks (one month). Sample elements (motorists and management staff) will be approached during the day from 8.00 am to 6.00 pm. Geographically, this study covers the area between Lanet to the East of Nakuru to the junction to Njoro to the West of the town.
CHAPTER TWO

LITERATURE REVIEW

2.1 Introduction
This section reviews literature on marketing which is a strategy for increasing demand for a product. Research done on marketing mix are discussed and placed in context of the study especially marketing mix as applied by firms. It ends with a conceptualization of the problem under investigation and the operationalisation of variables.

2.2 Marketing Mix

Prior to 1980, studies of marketing organization focused largely on its role in implementation of the marketing paradigm. Offered 4ps as marketing mix and introduced that to the scientific centers. He introduced four main factors as effective factors in the marketing of products. These factors were product, price, place and promotion. According to his point of view, all activities in the field of product and service marketing can perform in the frame of four main factors (Mc carthy et al, 2003). The above perspective did not consider vary of activities in different businesses, and offering same alternative for all marketing dimensions (Bennett, A.R, 2000). The marketing audit concept is firmly anchored in the managerial marketing literature that began to emerge in the mid 1950s. Following the lead of management consultants who had been using marketing audit techniques for some time, marketing scholars began to document the strategic value organizations could realize by evaluating and improving their marketing activities on a periodic basis (Reynolds 1959) the tasks marketing managers must undertake:
Marketing mix is one of the major concepts in modern marketing, it is defined as the set of controllable, tactical marketing tools that the firm blends to produce the response it wants in the target market. It consist everything the firm can do to influence the demand for its product. The main possibilities can be grouped into four variables known as the "four Ps": Product, price, place, and promotion. Product means the good and service combination the company offers to the target market. Price is the amount of money customers has to pay to obtain the product. Place includes company activities that make the product available to
target consumers. Promotion means activities that communicate the merits of the product and persuade target customer to buy it. An effective marketing program blends all of the marketing mix elements for product (4p’s) and services (7p’s) into a coordinated program designed to achieve the company's marketing objectives. The marketing mix constitutes the company's tactical tool kit for establishing strong positioning in target markets.

2.2.1 Marketing Strategies
Marketing strategies and tactics are connected with taking decisions on different variables to influence mutually-satisfying exchange dealings and relationships. Characteristically, marketers have different tools they can use, these include mega marketing (Kotler, 1997) and also called 4Ps of product marketing (McCarthy, 2002). Marketing appears simple to describe, but very difficult to practice (Kotler and Connor, 1997). In the service industry, the P’s increase to seven that is physical evidence, process, and people (Bashan, 2011).

Organizational leaders in many firms have applied the so-called marketing concept, which may be easy or complex. The marketing idea and variants like the total quality management concept for example, are fundamentally concerned with satisfying customers’ needs and wants beneficially. Creating and implementing efficient and effective marketing strategies which incorporate relevant dimensions of the marketing concept, engage the organic tasks of selecting a target market (customers or clients) in which to operate and implementing an efficient and effective marketing ingredient combination. Marketing thought, with its practice, has been moving quickly into the service industry (Kotler and Connor, 1997).

Literature, in part, centers on the conversation of whether physical product marketing is comparable to, or different from, the marketing of service and concludes that the differences between physical product and service might be a subject of emphasis rather than of nature or kind (Creveling, 2005). Some oil and gas companies (O&G) do everything from exploration to marketing; others specialize in one or a few activities. Some O&G perform many of the activities themselves (“make”), while others rely heavily on support from third parties (“buy”) (Creveling, 2005).

According to (Schnars, 1991), marketing strategy has been a most important focus of academic inquiry since the 1980s. There are number of definitions of marketing strategy in
the literature and such definitions reflect different viewpoints (Li et al., 2000). On the other hand, the consensus is that marketing strategy gives the avenue for utilizing the resources of an organization in order to gain its set goals and objectives. In general, marketing strategy deals with the adapting of marketing mix-functions to environmental forces. It evolves from the interaction of the marketing mix elements and the environmental factors (Li et al., 2000).

Therefore, the function of marketing strategy is to determine the nature, strength, way, and interaction between the marketing mix-elements and the environmental factors in particular circumstances (Jain and Punj 2002). According to (McDonald, 1992), the aim of the development of an organization’s marketing strategy is to set up, build, defend and maintain its competitive advantage. Decision-making judgment is important in coping with environmental ambiguity and uncertainty in strategic marketing (Brownie and Spender, 2005).

Generally, marketing strategy deals with the adapting of marketing mix elements to environmental force (Li et al, 2000) cited in Akinyele (2011). The function of marketing strategy is to determine the nature, strength, direction and interaction between the marketing mix elements and the environmental factors in a particular situation. According to Levie (2006) the aim of developing an organization marketing strategy is to establish, build, defend and mention its competitive advantage. (ibid)

2.2.2 Demand for oil and gas products

The main factor that affects a person’s demand for oil and gas service is that person’s attitude towards risks. The peculiarities of oil and gas services may create marketing programs that are different from those found in the marketing of tangible products. The peculiarities may, also, require unique marketing approaches and strategies. However, marketing concepts, principles and strategies are of relevance in the marketing of oil and gas services. Sound and robust marketing strategies are important to the survival and growth of any business, including oil and gas business, considering the increasingly subtle, unstable and seemingly hostile business environments in which contemporary business organizations operate (McDonald 2004 and Creveling 2005).
However, it is difficult for an organization to achieve an efficient and effective marketing strategy (Li et al 2000). As a result of the ambiguity and instability of environmental factors, strategic marketing may be a difficult task for organizational strategists. Many factors prevent organizational managers from designing and implementing efficient and effective marketing strategies (McDonald 1992). The fact is that environmental factors generally interact in an astonishing manner and affect the efficiency and effectiveness of managers in strategic marketing issues (McDonald 1989; 1996).

Marketing strategies and tactics are concerned with taking decisions on a number of variables to influence mutually-satisfying exchange transactions and relationships. Typically, marketers have a number of tools they can use, these include mega marketing (Kotler 1996) and the so-called 4Ps of marketing (McCarthy 1995), among others. Marketing seems easy to describe, but extremely difficult to practice (Kotler and Connor 1997). Organizational managers in many firms have applied the so-called marketing concept, which may be simple or complex. The marketing concept and variants like the total quality management concept for example, are essentially concerned with satisfying clients' needs and wants beneficially. Developing and implementing efficient and effective marketing strategies which incorporate relevant dimensions of the marketing concept involve the organic tasks of selecting a target market (customers/clients) in which to operate and developing an efficient and effective marketing ingredient combination. Marketing thought, with its practice, has been moving speedily into the service industry (Kotler and Connor 1997). Marketing is one of the salient and important organic functions which help to service organizations to meet their business challenges and achieve set goals and objectives (ibid)

Oil marketers sell petroleum products that are similar – have a higher degree of homogeneity. These products are Illuminating Kerosene (IK) Industrial Diesels Oil (IDO), Automotive Gas Oil (AGO), Heavy Fuel Oil (HFO), Petroleum Motor Spirits (PMS) and Candles. This study focuses on the automotive gas (super petrol, regular petrol) and diesel sold to motorists in Nakuru and those plying the Mombasa Malaba road. The intension of the study is to find out how product place, promotion and price differentiate (or not) the service stations located along the main highway between Lanet and Njoro junction. These
stations are twelve, namely: Petro, National Oil, Engen, Kenol-Kobil, Riva, Hashi, Triton, Total, Shell, Delta and Oilibya.

Oil marketers can differentiate themselves only in terms of promotional activities they undertake to attract more customers, some level of price difference is located close to one another like in the case of this study, location so that access to a majority of customers is easy and quality of product which may refer to whether petroleum fuel is pure or adulterated. Fuel adulteration has been cited as major threat in the industry. This happens when unscrupulous marketers mix diesel with some kerosene so as to increase volume and consequently make more money. However, this action is considered dangerous to the customer since the motorist may end up with inefficient motor engine due to the adulteration. Service stations are either privately owned (franchised), operated on agreement with oil marketers, owned and operated by oil marketers or operated by leases. As a result of this ownership structures, service stations are free to set their own prices depending on their cost structures, market forces in their own areas and business operations.

2.3.0 The 4 Ps of Marketing Mix

2.3.1 Product
Lamb et al (2009) divided product into two parts, namely business and customer product. A product can be a good or as service. When considering product as a marketing element, issues such as brand, quality, design and packaging are very important. A company must devise strategies to boost demand for its product in order to succeed in the market. The brand should be acceptable to the customer; the quality should be high so that loyalty of the buyer can be won through satisfaction. (Seine, 1993).

For automotive fuels, the product is uniform (homogeneous) but the quality may differ depending on the process of transportation, storage and the temptation to adulterate in order to increase profit margins. The dealers (marketers) in this respect must ensure that they maintain and attract customer loyalty to their service station by selling petroleum products of high quality to guarantee longer engine life and more miles of drying. For instance, shell came up with a product called V-Power intended to improve efficiency in motoring by covering more mileage. In sulphur diesel has also been argued to be of better quality due to its low residue. These are considerations that oil marketers must make in order to gain the
completion edge in the market. Motor engines require high quality automation fuels for better service and problem free driving.

2.3.1.1 Previous studies on product
Brooksbank et al (1992) using model studies of Chinese firms in Hongkong found a significant correlation between performance of the product and reputation of companies or brand. Quality characteristics of a product include information regarding usage, importance of product to different customers and its ability to make a difference. Research proofs that there is a relationship between product qualities with customer loyalty (Youn and Kijewski, 1997). The relationship is positive between brand, quality and design. Similar to advertising, product activity (e.g., innovations, changes in form, etc) enhances a brand’s perceived quality, increases purchase likelihood and builds equity (Berger, Draganska, and Simonson 2007).

2.3.2 Price of product
Pricing in a highly competitive industry like the automotive full need to be competitive. In Kenya, this price is pre-determined each month by the angry regulatory commission which uses a formula to determine the price of the product (fuel) for the coming mouth. The factors used to determine this are: international crude prices for the month preceding effective month, the exchange rate and other costs related to geographical distance across Kenya. Therefore, different towns have different prices with the lowest being at Mombasa and highest at Lodwar. The difference is however between shs.3.00 and sh.10.00 between the lowest price and the highest. Kevin, Hartley and Rudelins (2007) argued that in general, customers always went a reasonable price in buying a product or services. The price must however show value of the product for the customer to remain loyal.

The main element of this is the amount a customer pays for a product. This amount determines the level of profit for a company and consequently its survival. Charging price has a profound impact on marketing strategy, price elasticity of the product which then affects demand and sales. The price should therefore be set to compliment other elements of to marketing mix (Needam Dare (1996) Business for High Awards, Oxford England Heinemann). Marketers are also advised to be aware of the customer perceived value when setting price for the product. Pricing strategies are: market skimming, market penetration
and neutral pricing. Reference value, and differential value must be taken into account. (Needham, 1996) Price changes have inverse relationship with sales (demand) for a normal good and other things assumed. Pricing include: discount, allowance and credit. Research indicates that there is a positive relation between suitable prices with customer loyalty. (Martin, Ponder and Lueg, 2008) It must be remembered that customers who are loyal to a brand or company will always be less price sensitive. In this industry, prices do not differ significantly within the same location. Therefore in order for the service stations to retain their customers and attract new ones, the quality of service will be the differentiate along with locations. Automotive fuels, diesel, super, regular have to be priced appropriately as directed by the commission which sets the maximum price. Failure to reflect this as the pump will drive away customers.

These service stations that are able to price below the maximum recommended or even to give discounts like Kenol-Kobil does, will attract more customers to the stations other things remaining equal. The challenge therefore lies in procuring these product(s) in large quantities in order to enjoy reduced unit cost of transport, storage and procurement. However, prior to setting a price, marketers often set objective for the price to facilitate the process of price determination. The objective usually is to remain in the market, to capture a large market share, maximise profit by highlighting product quality. (Armstrong and Kotler, 2000) A suitable price is one that will cover the costs (fixed and variable) and leave the proprietor with a reasonable profit. Consequently, the contribution margin per litre of fuel sold is critical in determining volume to be sold in order to break even and even to post a profit. The industry is profit making and highly competitive. Therefore, very small changes in price may translate into significant volumes of sale and also higher profits.

2.3.2.1 Previous studies on price
Discounting policies are typically found to decrease price elasticities (make them more negative) by focusing consumers’ attention to price-oriented cues (Boulding et al. 1994; Mela, Gupta, and Lehmann 1997; Papatla and Krishnamurthi 1996; Pauwels et al. 2002). Wairachu (2000) found out that oil companies were becoming flexible on payment terms as indicated by extension of credit limit and period. He also found out that companies were also extending discounts and allowances to customers in order to remain them. Less frequent changes of prices caused customers to perceive a company as focused and this assists in planning hence positively enhancing a company perception in the market.
According to Isaboke (2003) most oil companies follow the strategy of matching competitor prices more often than price skimming strategy. Price skimming is a pricing strategy in which a marketer sets a relatively high price for a product or service at first, and then lowers the price over time.

2.3.3 Promotion of product
Promotion involves a variety of activities undertaken by a firm to communicate the merits of its products and to persuade target consumes to purchase it. (Nasirundin, 2011) It includes activities like advertising, sales promotion, personal selling and publicity. Promotional techniques common to the oil industry has been price discounts, free gifts and vouchers, advertisements in the press and after sales service like checking for oil, cleaning windows, wind screens, car washing and break fluids. These activities have been observed in the town led by discounts which is provided by Kenol-Kobil of between sh.2.00 and Sh.5.00 for different days of the week. Motorists will fuel cards also enjoy discounts and assorted gifts. Many of the promotional activities take place at the site. This is probably because they are particular to certain service station. What is important to remember is that the service stations are franchised by individuals, others are owned by oil marketers themselves.

Brand-oriented advertising (e.g., non-price advertising) strengthens brand image, causes greater awareness, differentiates products and builds brand equity (Aaker 1991; Keller 1993). Advertising may also signal product quality leading to an increase in brand equity (Kirmani and Wright 1989). Accordingly, several authors have found advertising to have a positive and enduring effect on base sales (e.g., Dekimpe and Hanssens 1999).

2.3.3.1 Previous Studies on Promotion
The purpose of promotion is to communicate benefits of using a product or service so that more customers are attracted to buy (Lamb et al, 2009). Strategies employed are advertisement, merchandise promotion (sales promotion) and direct selling (Lamb et al, 2009; Kotler and Keller, 2009; Kevin et al, 2009; Brookbank, 1994) It has been applied in order to remind users about the product and to increase product demand. (Jager, 2007) Each product or service requires a unique mix of promotional activities to yield maximum effect. Therefore, each seller must tailor product promotion to suit the product and the market
segment. Some users are attracted to product characteristics while others are attracted to
discount price (Jager, 2007).

Research by Gaski and Etzed (1996) proved there is no relation between promotion and
customer satisfaction. A study in India found out that confusing advertisement led to
dissatisfaction of the customer (Vadarajan, 1990). Other studies however, have
recommended an integrated marketing communication (IMC) as a more effective method of
promotion. This includes a mix of promotional elements like advertising, public relation,
merchandise promotion and personal selling. (Boone and Kurte, 2007)

2.3.4 Placement of product

Businesses need to decide on the place of purchase or where and how to distribute the
product to the customer. Consumer would be satisfied if products are made available at the
right time, in the right place and in the right quantity. (Hashin, 2011). Oil marketers need to
strategically locate their stations so that motorists can easily access them whether in town or
out of town. For instance, since automotive fuels are demanded by motorists, its supply
should be at convenient locations for motorists (along busy highways or roads). The stations
do not have to be widely dispersed but should be guided by the volume of traffic along a
given road.

Distribution breadth (the percent of distribution that carries a brand) can affect brand
performance, but as with product, theoretical and empirical evidence for these effects are
limited. Increases in the breadth of distribution lead to higher base sales as the wider
availability facilitates consumers’ ability to find the brand (Bronnenberg, Mahajan, and
Vanhonacker 2000). A recent study by Ataman, Mela, and Van Heerde (2008) showed that
distribution plays a central role in building new brands. Product innovation is also likely to
have considerable effects as it is a core source of differential advantage. Wairachu (2000)
indicated the need of companies to ensure accessibility of their products and services by
establishment of convenience stores to ensure convenience and ease. Ease of accessibility of
products and services ensures customers are flexible and perceives the purchase as easy.
This wholesomely affects sales and in turn the market shares of the company. Isoboke
(2000) while addressing the responses of oil industry players highlighted that many
companies were developing new market as well as carrying out market segmentation to
ensure a wide coverage and ease of accessibility to customer perception of a company changes as it becomes easy to deal with this kind of company.

The product made available at a convenient location must be in adequate quantities and steadily supplied. This is because motor fuels are fast moving products due to unavailability of substitute. Therefore guaranteeing steady supply would positively relate to customer satisfaction and loyalty other things equal. Consequently, it is important that proper inventory management procedure, transport and storage system be put in place. If a service station is going to run out of fuels regularly, then it will be unreliable. Motorists will not opt to refill their tanks at such stations.

### 2.3.4.1 Previous Studies on Place/Location

Kevin et al (2009) posited that customers benefit from a well managed and effective distribution network. Research by Ferdons and Towfique (2008) indicated a significant relationship between distribution (place) and customer satisfaction. However, other studies (Sin, 2000) stated that there was no significant correlation between performances of companies with distribution channels. Distribution in the context of this study refers to location of the service stations relative to customers (motorists). The study therefore assumes a direct relationship between location and sales performance for automotive fuels in Nakuru Town. Location matters in this industry also involve provision of adequate parking space, service bays, washrooms, restaurant service and convenient stores.

### 2.5 Other Studies

Several studies measuring customer attitude towards marketing mix have been carried out in industries and emerging nations (Gaski and Etzel, 1986; Wee and Chan, 1989; Chan et al., 1990; Bhuian and Kim, 1999; Lyonski et al., 2003; Chan and Cui, 2004). A significant study in measuring consumer sentiments towards marketing practices was carried out by Gaski and Etzel (1986, 2005). Other researchers Wee and Chan (1989) found that the pricing strategies and advertising appeals must also be adapted to suit the consumer’s needs and tastes. Akimova (2000) in her study of 221 Ukrainian firms used a combination of predictor variables such as MO measures (e.g. marketing as a guiding philosophy of business) and MP measures (e.g. marketing as product promotion and positioning). She discovered that managers who
emphasized MP activities had significantly better scores on the measures of competitive advantage than those who emphasized selling or production; and also had greater sales volume, better profits and better return on investment.

Many marketing researchers have broadly argued marketing strategy to be a concept built on robust platform of segmentation, targeting and positioning (Ferrell et al., 2002; Walker et al., 2001). Marketing strategy requires decisions about the specific target of customers. Besides, marketing mix may be developed to target market by positioning it suitably in a superior way.

In this context, the study of the effectiveness of the marketing tools is essential for an appropriate marketing strategy. Appropriateness of marketing strategies may be viewed as the congruence of market offerings of a set of products and its corresponding consumer perception among its target segment. More the target segment is able to understand and believe the cues (Richardson et al., 1994) communicated by the firms through marketing mix, more is the effectiveness of the marketing strategies.

2.6 Critical review of Major Issue

The major issue for this study is to assess the extent that the marketing mix management tool is applicable to the retail of automotive fuels in Nakuru. The 4 ps have particular significance to marketing of goods but have been criticized as inadequate in the marketing of services. It also suffers from the inability to look at marketing as a relationship tool; to view marketing from the customers perspective. However this tool has wide application and is to be tested in the context of automotive fuels in Nakuru town. Relationship between the Ps is to be determined and their interaction effect explained.
2.5 Figure 1: Conceptual Framework

<table>
<thead>
<tr>
<th>Independent Variables</th>
<th>Intervening variable</th>
<th>Dependent Variables</th>
</tr>
</thead>
<tbody>
<tr>
<td>Prices/discount</td>
<td></td>
<td>Automotive fuels Sales performance.</td>
</tr>
<tr>
<td>Product</td>
<td></td>
<td>Marketing policy</td>
</tr>
<tr>
<td>Promotion</td>
<td></td>
<td>Competition level</td>
</tr>
<tr>
<td>Place/Location</td>
<td></td>
<td>Financial resources</td>
</tr>
</tbody>
</table>

Source: Researcher, 2011.

2.6 Summary of Gap to be filled by the Study
The study will explain how marketing mix (4P’s) used by the oil marketers in Nakuru town. The marketing mix has influence on sales performance from the reviewed literature. This study intends to investigate the relationship in the context of automotive fuels in nakuru town. Oil marketers in Nakuru town will provide information along with customers of big and small stations about the possible relations.
CHAPTER THREE

RESEARCH METHODOLOGY

3.1 Introduction:
This chapter describes the research plan which guides the investigation. It looks at the location, population, sampling method and data collection tools for measuring whether marketing mix in the petroleum subsector yields significant results for oil marketers in Nakuru town.

3.2 Research Design
The study design is survey of a section of Motorists in Nakuru town. Data is to be collected from fuel service stations on average monthly sales of automotive fuel (Regular and Super Petrol and Diesel). The theory behind this study is the marketing mix (4ps) developed by Mc Carthy in the 1960s. It seeks to establish the relationship between the marketing mix elements and sales performance on average per month. Relationships will be tested at the 0.05 level to make a decision on whether the 4 Ps significantly differentiate the oil marketers on the basis of sales.

3.3 Target Population and location
The target population for the study will be ten major petrol station and five small dealers in Nakuru. The researcher targets one supervisor and two attendants in each of these several petrol stations. Five motorists are also targeted from the fifteen petrol stations. All this shall be within Nakuru town and its nearest environs and it will be as follows.

3.4 Sampling Techniques & Procedures.
Fifteen service stations are targeted together with their branches. Some have more than one station in the town like shell, Total, NOCK, Oilibya,Shell and Kenol-Kobil. A proportionate random sample by branch network is used in the study. Two branches for Major marketers and one branch each of the small marketer were identified. Each station (branch) will provide five motorists per brand and three members of staff. They will be asked to participate by filling in the questionnaires at their convenience. Out of a total of 15 stations, 75 motorists and 45 employees will form the study sample. This is only a small fraction out of the large population of motorists who visit the stations on a daily basis. Five motorists will be targeted at each station selected randomly over a period of three weeks. This means
that a systematic random sample shall be used to collect data from motorists at hourly interval. The fifteen stations will participate in providing data on average monthly sales.

Table 1: Targeted Respondents.

<table>
<thead>
<tr>
<th>Oil Marketer</th>
<th>Branches</th>
<th>Total Respondents/staff in the branches</th>
<th>Total Respondents/Motorists at branches</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total kenya</td>
<td>2</td>
<td>6</td>
<td>10</td>
</tr>
<tr>
<td>Kenol-kobil</td>
<td>2</td>
<td>6</td>
<td>10</td>
</tr>
<tr>
<td>Oilibya</td>
<td>2</td>
<td>6</td>
<td>10</td>
</tr>
<tr>
<td>Shell</td>
<td>2</td>
<td>6</td>
<td>10</td>
</tr>
<tr>
<td>NOCK</td>
<td>2</td>
<td>6</td>
<td>10</td>
</tr>
<tr>
<td>Engen</td>
<td>1</td>
<td>3</td>
<td>5</td>
</tr>
<tr>
<td>Riva</td>
<td>1</td>
<td>3</td>
<td>5</td>
</tr>
<tr>
<td>Hashi</td>
<td>1</td>
<td>3</td>
<td>5</td>
</tr>
<tr>
<td>Triton</td>
<td>1</td>
<td>3</td>
<td>5</td>
</tr>
<tr>
<td>Gulf energy</td>
<td>1</td>
<td>3</td>
<td>5</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>15</strong></td>
<td><strong>45</strong></td>
<td><strong>75</strong></td>
</tr>
</tbody>
</table>

3.5 Data Collections Tools and procedure
The instrument to be used in data collection will be questionnaire which is predesigned by the researcher and tested for validity and reliability. Instrument reliability and validation will be conducted as a pilot exercise with two service stations not part of the main study in Njoro area. The questionnaire contains administration, classification and the marketing mix items constructed with categorical and ordinal responses. The likert scale will be a 5-point scale from 1 strongly disagree to 5 strongly agree. Two sets of questionnaires will be developed one for the motorists and the other for the attendants’ supervisors and managers at the service stations. The questionnaire for managers and supervisors and attendants will collect data on sales performances of automotive fuels per month on average and their marketing activities. A comparison is intended to be done between the responses of motorists visiting the various stations. In order that a fair comparison is made, on the influence of the various marketing efforts on sales, an equal number of respondents will be sampled from the stations.
The procedure will be to personally visit the stations and with research assistants to administer the questionnaires to the stations management as well as motorists over a period of four weeks. The motorists will be given the questionnaire after an introduction and explanation of the purpose of the data collection exercise.

**Table 2: Respondents by fuel brand**

<table>
<thead>
<tr>
<th></th>
<th>SuperPetrol</th>
<th>Regular petrol</th>
<th>Diesel</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Count</td>
<td>1</td>
<td>1</td>
<td>3</td>
<td>5</td>
</tr>
</tbody>
</table>

Source: Reseacher, 2011.

**3.6 Data Analysis and Presentation**

Once the questionnaires are filled, they will be edited in the field and also at home, coded, classified and entered into a statistic software (SPSS 17) for descriptive analysis to discover correlations and differences between the variables and sources. It will be done to establish how the 4 ps have influenced sales volume of the three automotive fuels. Differences will be tested using ANOVA for the oil marketers classified into the big and small oil marketers depending on market share. Hypothesis test will be conducted at the 0.05 level. Results of analysis will then be displayed using statistical summary tables, charts and graphs.

**3.7 Expected Outcome**

The oil marketers’ performance is significantly influenced by the 4 ps. Each of the elements however carries a unique contribution to sales performance of automotive fuels in the selected stations in Nakuru town.
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