

# THE INFLUENCE OF RETAIL NETWORK EXPANSION ON THE COMPETITIVE ADVANTAGE OF OIL MARKETING FIRMS IN KENYA: CASE OF VIVO ENERGY

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## **Abstract:**

*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. The increased number of firms in this sector has given the consumers a wide variety of choices from which to make a choice. 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 determine the influence of retail network expansion 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. Stratified random sampling technique was used to select 50% of the target population. 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 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). The study found that retail network expansion had a positive and significant influence on the 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. 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*

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*increasing its branch network, it should consider incorporating conveniences stores like shopping Matts and services like car wash and motor vehicle servicing.*

**Keywords:** *Competitive advantage, Retail network expansion, Oil Marketing Firms, Distribution Strategies*

## Introduction

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 et al., 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).

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.

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. 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. 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. 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.

The oil marketing industry in Kenya has faced numerous challenges as their operating

environment evolved. The situation was worsened by the introduction of stringent tax regimes 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 used to be refined by the Kenya Petroleum Refineries Limited (KPRL) while 30% was 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, 2015).

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 an aggressive marketing strategy 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 Kenya market share stood at 16% at end of year 2013 but has since grown to 17.6% as at end of year 2015. Total 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). 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 Kenya 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 decline 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.

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; Wambua et al. (2014) carried

out a study on the competitive strategies' effects on the market share of independent petroleum companies in Kenya; and Kimeu (2014) conducted a study on price regulation, product stocking strategies and market share 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 network expansion on competitive advantage. This study therefore sought to assess the influence of retail network expansion on the competitive advantage of oil marketing firms by focusing on Vivo Energy Kenya.

### Theoretical Framework

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 & Ketchen (2014) emphasizes 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 (Jensen, Cobbs

& Turner, 2016) like land, buildings, machinery, equipment and capital. 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 petrol stations, storage tanks and human resource 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.

## Empirical Review

### Retail Network Expansion

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 headquarter 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.

### **Competitive advantage**

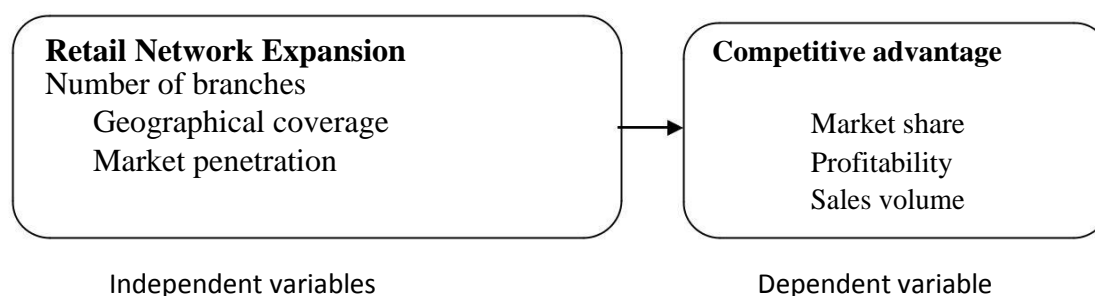
Competitive advantage is the ability to earn returns on investment consistently above the average for the industry. This therefore means that competitive advantage can be achieved if the firm implements a value-creating strategy that is not simultaneously being implemented by any current or potential 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 dependant, 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, dependant on the valuable, rare, and hard-to-imitate resources that reside within an organization (Benrqya et al., 2014).

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 wields 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). According to Yan et al. (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. 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) have 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).

### **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 network expansion (independent variables) and the competitive advantage of oil marketing firms in Kenya (dependent variable). The dependent variable was the competitive advantage of oil marketing firms.

**Figure 1:** Conceptual Framework**Research Methodology**

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). 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. 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.

**Target population**

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 ( $100 < N < 500$ ). The strata in this study were the various categories of respondents i.e. the customers and the staff. 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 1:** 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
<b>Total</b>	<b>119</b>	<b>64</b>

This study used both primary and secondary data. 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. 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.

A pre-test was conducted in an effort to identify and rephrase any ambiguous, misinterpreted or misunderstood questions. 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. 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.

Data reliability was measured using internal consistency. Cronbach's alpha is a measure of internal consistency. A Cronbach's alpha ( $\alpha$ ) of more than 0.7 is considered acceptable while a Cronbach's alpha ( $\alpha$ ) of less than 0.7 is considered questionable. 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.

**Table 2:** 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

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 such as frequency distribution, percentages, measures of central tendencies (mean) and measures of dispersion (standard deviation) were utilized to analyze quantitative data. 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).

The regression model was as follows:

Whereby;  
 $Y = B_0 + \beta_1 X_1 + \epsilon$   
 Y= Competitive advantage  
 $B_0$ = Constant  
 $\beta_1$ =Coefficients of determination  
 $X_1$ = Retail network expansion  
 $\epsilon$ = Error term

### Research Findings and Discussions

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.



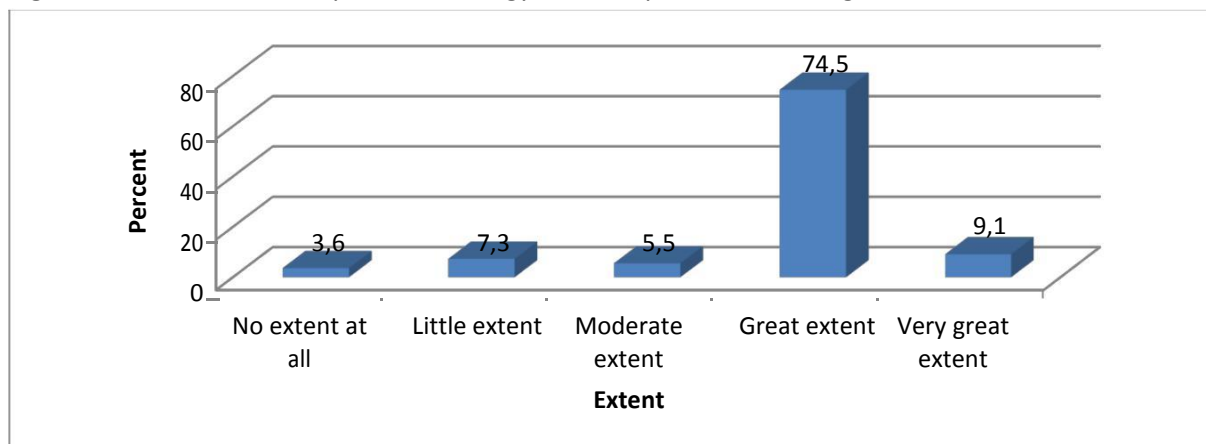
### Number of Branches and Decision to Increase the Number of Outlets

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. 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 2.

**Figure 2:** 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.

### 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 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

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.

#### **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 and vivo has topped total Kenya as the market leader in retail fuel business, Kenya

#### **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 3:** 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

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.

### 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. 1:** Summary Statistics, Correlations and Results from the Regression Analysis

Variable	Mean	Std	Correlation with competitive advantage	Multiple regression weights P-value	regression $\beta$
Competitive Advantage	4.406	0.654			1.496
Retail Network Expansion	3.884	0.720	.753 **	0.000	0.753

\*\* . 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 ( $r=0.799$ ). The multiple regression model with the four independent variables produced  $R^2=0.659$ ,  $F(4, 50) = 102.371$ ,  $p < 0.05$ . This implies that retail network expansion 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.

$$Y = 1.496 + (0.753X_1)$$

From the findings, retail network expansion has a positive influence on the competitive advantage of Vivo energy as shown by a regression coefficient of 0.753. This implies that a unit increase on retail network expansion would lead to a 0.753 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.

### Summary of the Findings

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.

### Conclusion and Recommendations

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 findings are also in line with Chege (2014) findings that branch expansion strategy helped Nakumatt Holdings Limited to gain competitive advantage.

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.

### Areas 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 influence of retail network expansion on 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 retail distribution strategy in Vivo Energy in Kenya.

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