ST. MARY'S UNIVERSITY
SCHOOL OF GRADUATE STUDIES

ASSESSMENT OF FACTORS HINDERING MARKET LEADERSHIP IN PETROLEUM PRODUCTS IN THE CASE OF NATIONAL OIL ETHIOPIA PLC (NOC)

BY

ASHENAFI TADESSE

JUNE, 2015
ADDIS ABABA, ETHIOPIA

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ID NUMBER: - SGS/0042/2006

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ST. MARY'S UNIVERSITY
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List of Abbreviations and Acronyms

NOC	National Oil Ethiopia
LPG	Liquefied Petroleum Gas
OOC	Other Oil Companies
IND	Industry
LOEL	Libya Oil Ethiopia Limited
FDI	Foreign Direct Investment
CIF	Cost Insurance Freight
MOT	Ministry of Trade
KPI	Key Performance Indicators
API	American Petroleum Institute
EQSA	Ethiopian Quality and Standards Agency
ERCA	Ethiopian Revenue and Customs Authority
Upstream	Sources (with refineries)
Downstream	Engagement in marketing refined petroleum

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ABSTRACT

Marketing is a key tool by which business organizations are able to achieve corporate objective they are primarily intended for. Likewise, owning a leadership position in certain industry needs a strong orchestration of marketing strategies in view of responding to demand outlying over the market and competitors actions. Likewise this study is intended for identifying factors constraining National Oil Ethiopia plc (NOC) in leading the Ethiopian oil industry particular to lubricants business segment. The Ethiopian downstream petroleum companies are composed of both multinational and indigenous firms in which the multinational companies are having an upstream source serving them as one of the competitive advantages they are having over the independent local marketers. Hence, as a strong market challenger with significant share in the market, National Oil Ethiopia plc (NOC) has been sustainably securing a second position in an industry with fierce competition. However, pinpointing the major factors hindering NOC not to possess the leadership position is still vital. Accordingly, this study is envisioned for addressing both internal and external factors banning NOC not to own the leadership position. Thus, responses for the major customer segment of the company namely Distributor, Reseller and dealers are used as an input in revealing gaps observed from the external stakeholders point of view from the major marketing mixes perspective. Furthermore, internal responses from the marketing officials and sales person in the company were addressed in pinpointing the extent to which devised marketing strategies are compatible with the level of competition outlying over the market. Secondary data from government bodies have been utilized to supplement the findings as well.As a result areas including branding, packaging and pricing are found to be where the company is challenged of most as compared to the outlying competition over the market as an internally sourced gaps. In addition Price ceiling by MOT, Illegal importation of lubricants, and challenges from entrants were observed as an external gap to be further addressed by the company in its strive towards owning market leadership in the industry.

DECLARATION

I, the undersigned, declare that this thesis is my original work, prepared under the guidance of Mr. Tiruneh Legesse (Asst. Professor). All sources of materials used for the thesis have been duly acknowledged. I further confirm that the thesis has not been submitted either in part or full to any other higher learning institution for the purpose of earning any degree.

______________________________ __________________________

Name Signature

St. Mary's University, Addis Ababa June, 2015

ENDORSEMENT

This thesis has been submitted to St. Mary's university, school of Graduate Studies for examination with my approval as a University advisor.

______________________________ ________________________

Advisor Signature

St. Mary's University, Addis Ababa June, 2015

CHAPTER ONE
INTRODUCTION

This chapter deals with introducing the entire portion of the study. It starts with providing an insight to the research in general under background of the study, background of the organization, and proceeds with stating the real gap with the business under problem statement part. In addition, it encompasses objective of the study backed with research questions to be addressed with research finding. It finally address significance of the research to users followed by the particular area the research is delimited to under Scope of the study.

1.1 Background of the Study

Ensuring achievement of corporate objective in the ever changing and dynamic business environment is not something one could only let towards assuring sustainability of a given business. Business enterprises could be able to meet ‘a going concern principle’, however the extent to which the business itself is operating is always questionable. As far as, certain business is not operating under loss and even with breakeven, business undertaking would be seen as healthy, in principle. However, leaders or business managers are always expected to see far as could be stated in their vision statement, in terms of responding towards the ever changing customer requirements in light of owning certain competitive advantage their competitors might not own so as to own “lions share” in a given market.

The purpose of market share is prominent in many firms. The business performance and economic profit of the firm can be summarized in market share. One of the most important aims of firms is to enhance market share to achieve greater scale in its operations and improve profitability, due to this the managers always want to expand their market share (Maghaddam, 2012).According to Maghaddam, profitability magnitude of a business is highly subject to the size of market share owned, besides the extent of profit margin achieved specific to certain product line. Hence, a business could achieve market leadership, provided it is proactive in responding towards the outlying market challenge that could arise from both external factors (the competitors and customer anticipation) and internally sourced gaps in terms of devising an appropriate marketing strategy.

Similarly, the study deals with pinpointing the major factors restraining National Oil Ethiopia plc (NOC) in leading market for non-fuel oil products in Ethiopian oil Industry. NOC currently owns the highest market share in the fuel segment both in retail and commercial class of markets. However, leading a market especially in automotive grade oil products is currently experienced as one of the challenging areas the company is concerned about. Even though NOC is an indigenous market challenger at the moment led by Total Ethiopia which owns the major share in non-fuel oil products; addressing the rationale behind not owning the leadership in the particular sector is deemed vital.

The Ethiopian oil industry currently comprises five international companies including the big ones Total Ethiopia, Libya oil Ethiopia, and five domestic companies involved in supply and distribution of petroleum products including the recent All way Plc. Hence the industry has become the area characterized by stiff competition especially in the lubricants wide product line (Oils and greases) through time. Moreover, the magnitude of the outlying competition in the sector is resulting to be fierce, majorly due to the difference in import sources of lubricants under each company with which certain companies possess cost leadership as one of the generic strategies identified by porter (Porter, 1980), in addition to the marketing strategies followed in particular.

The fact that Ethiopian lubricants market is price sensitive and competing on price could be challenging where pump prices for the major market segment (retail) is regulated by government, pinpointing other factors will still be crucial. Besides, there is no particular research carried out in the area, despite the ever-growing emergence of international and local petroleum companies in the country through time. Furthermore, Openness of the sector for FDI is also attracting investors to own lubricants blending plant in Ethiopia, which in turn boost the degree of stiffness in competition within the industry.

Although, managers are sensitive to market share of firms but, the factors that effect on market share are still not clear and obvious for many of them (Fizebakhsh, 2002). Accordingly, Market share responds to elements of marketing strategy (Weiss, 1968) and one of the important items that affects market share is marketing strategy and marketing mix.

Hence, the study is dedicated to identify the major internal and external factors hindering NOC in leading the growing market with its *Delo* brand products imported from the known American based Company ‘Chevron’. The study will source relevant data from different customer segments, company officials and marketing expert’s in terms of sourcing out hard facts prevailing in the entire supply chain and challenges in the market against the followed strategy in marketing.

1.2 Background of the Organization

National Oil Ethiopia (NOC) PLC is the first domestic oil company established in April 2004 GC, engaged in supply and distribution of petroleum Products. The Company is marketing its products in both Commercial and retail markets. Like other members in the Ethiopian downstream oil Company, supply and distribution of fuel and lubricants are the major pillars in which the company is dominantly working on.

Ethiopian Petroleum Supply Enterprise (EPSE) is the sole supplier of white products (fuel) through a competitive bid on the international market. Hence, all petroleum marketing companies in Ethiopia including NOC are supplied by EPSE at a standard cost regulated by the government. Hence, NOC is a market leading Company in the fuel sector with progressive increments observed since establishment. NOC markets one of the leading lubricant brand Chevron Caltex Lubricants based in America with a remarkable share in the market particular to the segment. There are about 100 industrial and automotive grade lubricants in its product line items being marketed in the Ethiopian oil market.

Currently NOC lubricants are being marketed through the major customer segments namely, distributors, resellers and retail consumers dominantly engaged in serving individual motorists for automotive grades. Whereas, the Commercial Class of business is being served through a competitive tender dominantly for the industrial grade lubricants.

The Company owns two major depots for JET A-1 and other public products. Dukem Depot is dedicated for storage and sales of Benzene, Gasoil and ethanol. In addition, the company managed to own about three aviation depots at Gambella, Jimma, and Assosa in addition to the other big located at Bole international air port. NOC Kality warehouse is dedicated for imported Lubricants storage and supply point.

Furthermore, NOC markets LPG (Liquefied Petroleum Gas), bitumen, chemicals and petroleum coke at the moment.

1. 3 Statement of the Problem

In a country with an emerging economy where consumption trends of individuals either in fast moving consumer goods or other necessity goods is always progressive through time, besides the level of taste, sensitivity and preference they may have towards certain product; one could certainly observe the stiffness of the outlying competition in owning market leadership. Likewise the Ethiopian downstream oil industry engaged in supply and distribution of petroleum products is among areas with stiff competition particular to non-fuel oil products.

It is an initial stand that the primary purpose of a business organization is about maximizing shareholders value and sourcing the best of a business undertaking in a socially responsible manner. Hence, the issue of maximizing shareholders value and earning as optimum as possible out of a given business can't be seen segregated from reaching the prevailing market through creation of potential demand and delivering the anticipated value to customers. It is with this that a company is always mandated to design an appropriate marketing strategy in terms of the four major marketing mixes in delivering its products and services in winning the stiff competition in an industry. Marketing mixes are inter-related, interdependent, and also a combination of many factors. (McCarthy and E.J, 1978) negates of the marketing mix under 4ps: Product, Price, Place, and Promotion. Furthermore, companies are also expected to travel extra miles in order to stand in a front line of a given industry through designing a competitive strategy, even though owning market leadership could even move beyond these issues in terms of the outlying challenges in industries like the Ethiopian Petroleum companies.

Hence, leading a market in the downstream oil companies of Ethiopia, particularly in a lubricant line of business whereby major companies in the industry are engaged in supplying both automotive and industrial grade lubricants from different global market sources at different cost, it is quite noticeable that there would be significant level of challenges faced in owning leadership. Moreover, the fact that the industry is inclusive of international oil companies owning their own oil base in the upstream business like Total and Libya oil, reveals the possible level of strategic effort and managerial capability needed by indigenous (domestic) oil companies in Ethiopia like NOC, in light of hampering the competitive advantage such international oil companies might enjoy in owning the outlying market share.

Accordingly, as an indigenous downstream oil company with a business experience over ten years in merchandizing white products and Lubricant oil, National Oil Ethiopia Plc (NOC) has demonstrated a remarkable growth in terms of market share and profitability. However the progressive trend sought in line with the emergence of indigenous oil companies in the industry and the fierce competition from existing international oil companies couldn't able to easily allow NOC to lead the market in Lubricants business over the past years than being a market challenger with an average share of 32% marking a sales volume of 7,700 MC per year. Hence, addressing the major factors hindering market leadership in the existing lubricants business would result in being a mandatory chore for NOC, so as to address each pitfall outlying through the market, in view of assuring sustainable market leadership through designing an appropriate business level strategy.

Furthermore, the stiff competition resulting among the different brands of both automotive and industrial grade lubricants of different companies, which is highly forcing companies under the petroleum umbrella to design a differentiated competitive strategy is ultimately believed to be the gap to be narrowed to achieve market leadership.

The following picture reveals the extent to which emerging companies including the lubricant manufacturer company Naztech is cutting prices and thereby achieving cost leadership over the existing Companies like NOC. Hence, motor oil of 208 L is currently sold with a price reduction ranging from 3,000 to 4,000 could be taken as an example.

FIGURE 1 : NAZTECH VS NOC

In General, absence of similar researches done in this particular area will also boost the importance of undertaking the study under process for the organization in particular and others in the industry as a gap to be addressed.

1.4 Research Questions

This section deals with particular questions allied with the major factors restraining the company in leading the existing Ethiopian petroleum market, which is ultimately expected to be addressed with research findings. Likewise, the following are key questions formulated in line with the research problem.

- What is the magnitude of competition in Ethiopian petroleum industry particular to Lubricants?
- What are the external factors limiting NOC not to own market leadership in the industry?
- What are internally sourced gaps in line with devising appropriate marketing strategy resulting in hindering the company not to own leadership position?
- Which of the marketing mix elements NOC is being challenged most, compared to offers by its competitors?

1.5 Objectives of the Study

The study has a general objective of scrutinizing internal and external factors hindering NOC in owning market leadership in lubricants business in particular compared to the leading oil companies /competitors operating in the supply and distribution of petroleum products.

1.5.1 Specific Objective

The study has a specific objective of addressing the under listed particular inputs that are ultimately believed to result in hindering the company not to possess a leading position in the market with the overgrowing demand for petroleum Products:

- To identify the extent to which competition within the industry in general is overwhelming NOC not to lead the oil (lubricant) market in particular.
- To identify the major external factors influencing NOC's market share particular to lubricants product line i.e. competitors, customers and suppliers.
- To ascertain the extent to which internal gaps specific to the existing marketing strategy related to the key marketing mix elements is burdening the Company in owning a leadership position.
- Enquire about the major marketing mix elements NOC is challenged of most in its move as a market challenger in light of owning market leadership.

1.6 Scope of the study

The study is limited towards identifying the major factors banning NOC not to possess market leadership particular to Oil/lubricants product line from the entire petroleum products. The Lubricants product line is subdivided in to several automotive and industrial grade oils and greases. NOC has about 100 lubricants grade of different purpose. However, the study is mainly focused on pinpointing factors hindering market leadership particular to the automotive lubricants as NOC is market leader in terms of the industrial grade ones. The Lubricants line of business is the second wide area in terms of sales turnover and number of product lines next to fuel, though it stood first in terms of profit the company is enjoying. The study relied on the major customer segments namely reseller, distributors and retail in sourcing the relevant data associated with the external factors serving the customer as a major basis in terms of product preferences emerging through time. Hence, major distributors involved in marketing brands of different companies including NOC are considered as the major inputs. Customers in the capital Addis Ababa are deemed to be the target population as representatives of the entire customers the Company owns throughout the country, mainly for the fact that most of the big customers in terms of purchase volume are highly centralized in the capital and is also home for the headquarters of the major distributor organizations. Similarly NOC retail stations in Addis Ababa are deemed to represent the target population for the sake of convenience as well. In addition, the study have utilized the inputs from company sales and marketing officials located at the head quarter in addressing the challenges faced by the company over the market aligned with the deployed strategy.

1.7 Significance of the Study

Researchers are always expected to come up with adding value to certain managerial issue or business problem as part of pointing a remedial action through their valuable recommendations. Likewise, identification of factors hindering NOC in leading the ever-growing petroleum market in line with non-fuel oil products would have a paramount importance to the company's management and shareholders as a tool by which problematic areas are segregated and focused on. Moreover, it could serve as a major input in devising appropriate marketing strategy compatible with the actual demands over the market being an instrument for practical utilization.

On the other hand, it is believed that the study will also be equally important to the emerging indigenous and international investors engaged in the sector in view of having a clear picture as to how the existing oil business is progressing and understanding the ever increasing customer anticipation allied with the business line. This will serve in establishing the most appropriate penetration strategy to enter in to the market especially for new entrants.

Furthermore, the study is deemed to be an imperative instrument by which marketing researchers, consultants and business students at different level will make use of, as a foundation for their research works which will ultimately own theoretical significance.

CHAPTER TWO

REVIEW OF RELATED LITERATURE

2.1 Conceptual framework

2.1.1 Concept of Market Leadership

"Who is a market leader? (Kotler, 2003) '*A market leader is the brand whose product or service offering has the largest share in a specific market category*'. Since, market leaders often enjoy a larger marketing and advertising budget than their competitors; they typically lead competing firms in market reach and coverage, promotional depth and new product introductions. As such, they can afford to invest in new technologies, systems and processes that fortify them against onslaughts by competitors. Market leaders act as a reference point for their competitors who may decide to ignore, emulate or confront them. In the 1970s the Profit Impact of Market Strategy (PIMS) study, a joint initiative of the Strategic Planning Institute and the Harvard Business School, was launched. Over several years, hundreds of firms and their businesses were closely monitored to pinpoint the most significant variables affecting a firm's profitability. The study identified market share as the most important factor. As a result, gaining market share and striving to be the top player became the business focus of many firms" (Kleber and associates, 2012)

(Gilligan and Wilson, 2009), states that in the majority of industries there is one firm that is generally recognized to be the leader. It typically has the largest market share and, by virtue of its pricing, advertising intensity, distribution coverage, technological advance and rate of new product introductions, it determines the nature, pace and bases of competition. It is this dominance that typically provides the benchmark for other companies in the industry. However, it needs to be emphasized that market leadership, although often associated with size, is in reality organization's ability to determine the nature and bases of competition within the market.

2. 1.2 Market Follower (Challenger)

(Gilligan and Wilson, 2009) found that Firms with a slightly smaller market share can adopt one of two stances. They may choose to adopt an aggressive stance and attack other firms, including the market leader, in an attempt to gain share and perhaps dominance (market challengers), or they may adopt a less aggressive stance in order to maintain the status quo (market followers).

2.1.3 Strategies for Market Leaders

Attaining market leadership needs excelling in several dimensions in terms of followed marketing strategies in particular. Market leaders are price leaders, gives a due attention to promotional activities through analyzing nature of the market and differentiators in service delivery and products. More over attainment of market leadership needs responsiveness to the wide macro environment in general and marketing in particular in light of carefully designing appropriate marketing strategy compatible with the existing business environment.

According to (Gilligan and Wilson, 2012, P.521), although a position of market leadership has undoubted attractions, both in terms of the scope that often exists to influence others and a possibly higher return on investment, leaders have all too often in the past proved to be vulnerable in the face of an attack from a challenger or when faced with the need for a major technological change. If, therefore, a market leader is to remain as the dominant company, it needs to defend its position constantly. In doing this, there are three major areas to which the marketing strategist needs to pay attention:

1. How best to expand the total market
2. How to protect the organization’s current share of the market
3. How to increase market share.

In the 1960s and 1970s, for example, Honda increased its sales by targeting groups that traditionally had not bought motorcycles. These groups, which included commuters and women, were seen to offer enormous untapped potential. The company unlocked this by developing a range of small, economic and lightweight machines, which they then backed with a series of advertising campaigns giving emphasis to their convenience and style. (Gilligan and Wilson, 2009, P.522)

Taking into account the above arguments made by the authors market leaders are always expected to see far in having in-depth icon for their business so as to implement an appropriate strategy for a consistent and sustainable competitive advantage they may obliged to have over their competitors. Hence elements like strong customer relations, strong distributor relations, targeting non-user groups are majorly deemed to be the vital ones.

Being among strategies by market leaders On the other hand, market expansion involves encouraging existing users of the product to increase their usage rates, a strategy pursued with considerable success by Procter & Gamble with its Head & Shoulders brand of shampoo, which was promoted on the basis that two applications were more effective than one. At the same time as trying to expand the total market, the market leader should not lose sight of the need to defend its market share. It has long been recognized that leaders represent a convenient target since, because of their size; they are often vulnerable to attack. Whether the attack is successful is often determined largely by the leader's ability to recognize its vulnerability and position itself in such a way that the challenger's chances of success are minimized.

2.1.4 Strategies for Market followers

Market Followers are expected to see far in-depth to their followed strategies compared to market leaders. Owning strong competitor analysis and market intelligence are the major pillars by which market followers should stand in a front line of a given industry. Above all, Market followers will be mandated to design a strategy for offending market share from the leaders in addition to securing their existing share through developing a defensive strategy.

According to (Gilligan and Wilson, 2012, P. 447) Companies that are not market leaders are faced with a straightforward strategic choice: either they attack other firms – including perhaps the market leader – in an attempt to build market share and achieve leadership themselves (market challengers), or they pursue a far less aggressive strategy and, in doing so, accept the status quo (market followers). In deciding between the two, several factors need to be taken into account, the most significant of which are the costs of attacking other firms, the likelihood of success, the eventual probable returns, and the willingness of management to engage in what in most cases will prove to be a costly fight.

On the other hand According to (Forti, 2012) Followers are companies, brands or products that were not fortunate enough to be first in the market. They have a very small market share compared to leaders and challengers. They are happy only to follow the leaders and their main advantage is that they take the market opportunities that have been created by the leader. They are sometimes referred to as "imitators" and successful followers do not go to market to "steal" the customers of leaders. Instead they present similar products side-by- side with those of the leading brand. Being a follower does not necessarily mean that these companies are operating without strategies. Followers must understand customers' needs perfectly in order to hold onto them on one hand, and they should know how to expand their market share on the other hand. They thus try to bring distinctive advantages to the customers in terms of location, services and distribution channels. Since they are under the constant threats of challengers and the watchful eyes of leaders, they must keep production cost low, without compromising their quality and must follow a path that does not attract competitive retaliation from leaders or challengers.

Furthermore, (srinivas, zagone, and andtheratil, 2014) on their joint study 'from follower to leader' tried to pinpoint how ING a branchless internet bank could own a market leadership position in retail financial service in the united states. And accordingly argued that, focusing in product innovation or service differentiation is much vital than offering cheaper. In doing this, such organizations have to stick against offering a non-price value such as greater functionality or better customer service.

In addition the authors argued on what a company should while finding itself on follower position. Accordingly the joint study revealed that, market following companies should either going cheaper being a cost leader in a given industry as or differentiate their services in terms of delivery, customer service and responsiveness towards customer complaints if any. Coordination of efforts from top to lower level workers in a follower company should be enhanced in light of winning the outlying competition an industry.

2.2 Marketing Strategies and Market share

2.2.1 Marketing Strategy

Marketing strategy is a procedure by which companies react to situations of competitive market and forces of market or react to environment forces and internal forces to enable the firms to achieve its objective in the target market. (Lee and Griffith, 2004).

Broderchtova (2008) explained that a marketing strategy is a roadmap of how a firm assigns its resource and relates to its environment and achieve its corporate objective in order to generate economic value and keep a firm a head of its competitors.

Taking the above definitions in to account, it could be objectively deduced that designing an appropriate and a critical path on how to address the ever increasing tastes and preferences of a customer in a given target market through the help of popular marketing mix elements serving organizations as a first hand weapon is vital. As having a well- planned road map will serve as an initial competitive advantage a head of walking the talk, establishment of an appropriate marketing strategy particular to a given market segment or the biggest market portfolio will still be crucial in line with owning a significant level of a market share besides the extent of organizational profitability that will arise together.

2.2.1.1 Elements of marketing strategy

A Marketing strategy is made of several interrelated elements. The first and most important is market selection which is directly related to choosing the markets to be served. Product planning includes the specific product the company sells i.e. the makeup of the product line, the design of individual offerings in the line. Another Element is the distribution system; the wholesale and retail channels through which the product moves to the people who ultimately buy and uses it. The overall communication strategy employs advertising to tell potential customers about the product through radio, television, direct mail, and public print and personal selling to deploy a sales force to call on potential customers, urge them to buy, and take orders.

Finally, pricing is an important element of any marketing program and is most directed marketing elements in the creation of value to shareholders. The company must set the product prices that different classes of customers will pay and determine the margin of commissions to compensate agents, wholesalers, and retailers for moving the product to ultimate users (Mongay, 2006).

On the other hand (varadarajan 2009) found that Marketing strategy refers to an organization's integrated pattern of decisions that specify its crucial choices concerning products, markets, marketing activities and marketing resources in the creation, communication and/or delivery of products that offer value to customers in exchanges with the organization and thereby enables the organization to achieve specific objectives. Marketing strategy refers to an organization's integrated pattern of decisions that specify its crucial choices concerning markets to serve and market segments to target, marketing activities to perform and the manner of performance of these activities, and the allocation of marketing resources among markets, market segments and marketing activities toward the creation, communication and/or delivery of a product that offers value to customers in exchanges with the organization and thereby enables the organization to achieve specific objectives.

The above definitions and arguments associated with marketing and marketing strategy given by the two researchers could represent what strategic marketing and the basic components is in the current business phenomena. In fact marketing strategy couldn't have a single platform that every organization could share and devise its own strategy rather as marketing strategies are derived from the corporate level strategy sub divided to the business level strategy that differs from business to business. Furthermore, besides arguments given above, designing a marketing strategy couldn't solely rely on internal goals and at the same time needs to be shaped in view of responsiveness to the outlying competition that will ultimately result in owning competitive advantage.

2.2.2 Market Share

The percentage of an industry or market's total sales that is earned by a particular company over a specified time period. **Market share** is calculated by taking the company's sales over the period and dividing it by the total sales of the industry over the same period. This metric is used to give a general idea of the size of a company to its market and its competitors. Investors look at market share increases and decreases carefully because they can be a sign of the relative competitiveness of the company's products or services. As the total market for a product or service grows, a company that is maintaining its market share is growing revenues at the same rate as the total market. A company that is growing its market share will be growing its revenues faster than its competitors. Market share increases can allow a company to achieve greater scale in its operations and improve profitability. Companies are always looking to expand their share of the market, in addition to trying to grow the size of the total market by appealing to larger demographics, lowering prices, or through advertising. (www.investopedia.com):23/04/15

2.2.2.1 Strategies to Increase Market Share

Increasing market share of a firm is the most sensitive area managers or business owners need to be curious about. In protecting the existing share of a given market or own additional market offensively, business managers will be obliged to deploy different business level strategies.(www.themanagersguide.co.uk):19/04/15 points; unless a company is increasing its turnover every year, its shrinking in real terms, so as manager must work to ensure the business gets most out of its market place. Although the opportunistic approach of picking up extra sales wherever possible can be effective in short term, it's unlikely to sustain long term business growth. What is needed is a closer look at management strategies to increase market share such as expanding the customer base, selling more to the existing customer, selling into new markets, focus marketing efforts on retaining customers and developing new products and services.

Accordingly, if the attention is to maximize market share by selling more to existing customers and potential customers like them, a manager must know their customers in terms of what they buy, why they buy, how they buy, their typical budget and where else they buy from. As well as looking at past trends, a manager should position for the future. By accurately predicting changes in customer behavior, a manager may be the first to exploit a niche and gain a market share quickly.

Organizations couldn't be in a position to think about market share enhancements without looking in depth to the market strategy elements in view ascertaining how well they are running their business in terms of what their competitors are offering in a particular market.

In addition (Rust and Zahorik, 2001) argued that customer satisfaction and retention are the key tools for market share enhancements as well. The value of customer satisfaction rests on its relationship to choice and market share. The consideration of this relationship belongs to the domain of defensive marketing (defending existing customers) which augments the offensive marketing paradigm that has traditionally been predominant.

2.2.3 Brand positioning as a Competitive strategy

Branding and the role of brands, as traditionally understood, were subject to constant review and redefinition. A traditional definition of a brand was: "the name, associated with one or more items in the product line that is used to identify the source of character of the item" (Kotler 2000). The American Marketing Association (AMA) definition of a brand is "a name, term, sign, symbol, or design, or a combination of them, intended to identify the goods and services of one seller or group of sellers and to differentiate them from those of competitors" .Within this view, as (Kotler and Keller,2003) says, "technically speaking, then, whenever a marketer creates a new name, logo, or symbol for a new product, he or she has created a brand". He recognizes, however, that brands today are much more than that. As can be seen, according to these definitions brands had a simple and clear function as identifiers.

All forward looking companies now regard positioning at the heart of competitive strategy. As the ultimate aim of any business strategy is to satisfy the customer, gaining a valued position in the minds of customers is essential. Some people argue that branding is really positioning, stating that unless a brand has a position, it has no unique value in the minds of consumers. You can establish a brand personality, and through precise market segmentation identify and reach your target audience, but what links them together is positioning the brand in the minds of that audience. But, what is a position and how do you arrive at a good strategy for achieving one.

The branding process seeks to create a unique identity for a company, product or service, which differentiates it from the competition. And every brand has to have a strategic platform. One half of that platform is created by carefully formulating a distinct brand personality, which makes the identity of the brand unique. The other half of the strategic brand platform is positioned. Positioning is critical to brand building because it is responsible for projecting the brand identity and creating the perception and image of the brand in people's minds. In other words, positioning is the process of offering the brand to the consumer. It is positioning that makes the brand appear to be different and better than all competing brands.

2.2.4 The Lubricants industry

The lubricants industry is well on its way to becoming a global business. Major international firms like ExxonMobil, Shell, BP, and Chevron, even Thai National Oil Company; PTT are getting even larger and account for an even more significant market share of the global lubricants business. (Tanekosem, W., Changchenkit, C. and Sritawanna, T. 2013).

Likewise, The Ethiopian Lubricants market was majorly dominated by Total, Mobil, Agip and shell lubricants feeding the market with their source in the upstream bases. However Emergence of National oil Ethiopia (NOC) in 2004 as an indigenous oil marketing firm with its import from Chevron and liquidation of AGIP, Exxon Mobil and shell from the downstream activity with the aim of strengthening the upstream source ,brought Total, NOC ,Oilibya and yetaberut the major ones involved in the downstream business. While Total and Oilibya has upstream sources in supplying their branded lubricants, the other indigenous ones have different import sources for the products.

In addition associated with the foreign direct investment policy of the Ethiopian government in promoting manufacturers in the country in view of reducing imports, NAZTECH has also emerged as the first foreign company engaged in producing lubricants. (http://fuelsandlubes.com/)

2.2.5 Chevron Lubricants.

Chevron is a leader in finished lubricants and a leading global manufacturer of premium base oil. It sells products on five continents and employs a diverse workforce.

Chevron is a leader in lubricant technology with over 100 years of experience delivering products that meet or exceed industry standards. It provides innovative products that customers depend on for high performance from their engines to meet today's demands.

Chevron family of products include Delo®, Havoline®, Supreme, Ursa® andTechron®, which are recognized for technological innovation, performance and reliability. These products include an array of motor oils, fuel additives, coolants and greases, all supported by unparalleled dedication to customer service. (http://www.chevron.com/):14/04/15

2.3 Empirical Review

2.3.1 Influence of Marketing Strategy on Market Share

(Moggahadam, 2012), in his study title 'The Influence of marketing strategy elements on Market share of firms in the case of polymer sheet manufacturing co." concluded that; In the competitive environment of the market share, it is very important for a firm to be looking forward to the determinants of market share. The central theme of the research was to explore the factors that influence market share. The findings suggested that marketing strategy consist of product, price, promotion, and place strategies influence market share. In the product strategy quality, variety, sale service and product specification increased market. These findings show that firms need to manufacture a product with better quality, and this issue requires more attention in this competitive market. One of the important items in quality is the material of products that has the significant impact on quality of products. As noted by market needs different kinds of product with special specification in size, color, cover and thickness. Customers need after-sale service and information, especially about applying this kind of product for different production. So, managers who want to increase market share need to improve quality, introduce new product or variety of goods, apply the customer request specification in size and color, and hiring the specialized staff for after-sale service. According to analysis pricing, period of payment, offer of discounts, which are under the pricing strategy increases market share. Companies need to decrease their cost to offer better price to customers due to the first important item for buyers, which is price of goods. In order to differentiate the price, one of Porter generic strategy is applied by many companies in their attempt to obtain these capabilities. In addition, period of payment and discount offering provide more value for buyers.

Accordingly, one might share the arguments made by the above research in which it pointed being responsive to the market mix elements are basic tools for market share enhancement.

On the other hand looking from Profitability's point of view, Empirical research on the profit impact of marketing strategy indicated that firms with a high market share were often quite profitable, but so were many firms with low market share. The least profitable firms were those with moderate market share. This was sometimes referred to as the hole in the middle problem. Porter's explanation of this is that firms with high market share were successful because they pursued a cost leadership strategy and firms with low market share were successful because they used market segmentation to focus on a small but profitable market niche. Firms in the middle were less profitable because they did not have a viable generic strategy. (Tanwar, 2013).

However Michael porters' argument will be subject to critics in such a way that his argument for market share enhancement is based on cost leadership as a strategy. However firms might not obliged to be solely cost leaders to own the highest market share as they may look into product or service differentiation in their entire business. Moreover the extent to which they build customer intimacy may still make them stand in front in having major share also.

A study by (Srivastava, 2013)named the 'impact of brand positioning on the consumer purchase decision of lubricant consumers' brand positioning brought a paramount significance being a competitive strategy in enhancing market share after identifying brand positioning and consumers buying decision as attributes in the empirical study. The attributes of brand positioning are independent variables whereas the attributes of consumer purchase decision are dependent variables. After that the researcher has found the relationship between the attributes of brand positioning and consumer buying behavior by using multiple regression analysis.

2.4.3 Nature of Lubricants Market in selected Countries

Zambia one of African country's with huge oil and lubricants consumption has two major sources both the upstream and downstream business (relied on importing from global market) .Hence, Lublend Limited is the only company licensed to blend and package lubricants in the country. The company is jointly owned by Total Zambia Limited, Kobil Zambia Limited and Spectra Oil Corporation Limited, each with a shareholding of 59.5 per cent, 25.5 per cent and 15 per cent respectively. Lublend Limited was once a SOE with the Government holding 51 per cent of the shares. Lublend Limited only processes lubricants for the participating companies. Processing for third parties can only be done through one of the participating companies. The processing involves the blending of base oils and additives to come up with the desired lubricants. The participating companies provide all the raw materials required for the blending and packaging of lubricants.

On the other hand, there are only 53 valid licenses for the importation of lubricants. Surprisingly, even some big names in lubricants are missing from the list. This market is segmented into commercial and retail. The large commercial consumers are sensitive to both product price and quality, with quality being of paramount importance. The small commercial consumers are sensitive to both product price and quality, with price being more important. The retail market is predominantly concerned with product price. The market continues to be plagued by unlicensed operators who continue to flood the market with imported lubricants. (UN, 2011)

Apart from Africa, The Indian automotive lubricants market is largely price sensitive and volume growth is stagnating due to longer lasting lubricants. The market is fragmented with over 22 big and small manufacturers and with the spate of mergers and acquisitions (M&A), only a handful of big companies enjoy a major market share.

Companies are adopting a more customer-oriented approach where they are likely to focus on creating brand awareness through print and visual media. For example promotional campaigns and trade shows offering gifts to their customers are methods of driving sales of automotive lubricants. The original equipment segment and retail trade are the two major marketing channels in the Indian automotive lubricants market. Due to the growing competition, tie-ups with original equipment manufacturers (OEM) are becoming important as they reinforce the value proposition of a particular brand. Petrol pumps form a major distribution channel in retail trade, however sales of lubricants through retail outlets has transformed the Indian automotive lubricants market into a fast moving consumer goods (FMCG) sector. The other marketing channels are authorized service stations, garages, rural and agricultural dealers, super markets, and wholesale distributors Public sector unit (PSU) companies, that manufacture their own base oil, follow different distribution strategies as compared to private participants that solely dependent on imports. http://www.researchandmarkets.com/reports/364392/):15/04/15

2.4.4 Competitive strategies in Marketing Lubricants

Competitive strategy concerns what a firm is doing in order to gain sustainable competitive advantage (Tanekosem, W., Changchenkit, C. and Sritawanna, T. 2013).

A study by (Odoul, 2012) named ‘Competitive strategies adopted by independent lubricant manufactures in Kenya’ aimed at identifying the extent of competitive advantages enjoyed by indigenous Kenyan downstream companies over multinationals concluded that independent Lubricants marketers largely pursue differentiation and cost leadership strategy. Differentiation strategy is demonstrated on the extensive use of extensive customer service, marketing innovation, influence over distribution channels, new product development and building and maintaining brand equity. This is demonstrated further by the fact that most independent Lubricants marketers have entered into exclusive distributorship agreements with overseas lubricant brands. In cost leadership strategy, independent Lubricant marketers the study reveals uses extensively operating efficiently /cost control and managing raw material costs and availability. The least used method however is pricing below competitors. Moreover, the study sought to establish, how independent lubricants marketers were handling competition. This introduced the various competitive strategies adopted by the different marketers to remain competitive. The questionnaire sought five strategies that the marketers could use. They were; product, service and price offerings, product distribution, marketing and human resources. Service offering followed by product offer were established as the most important as part of the organization strategy. Product distribution was considered extremely important. The study established that the most competitive methods used by the independent Lubricant marketers were as follows: Strict product quality control, Operating efficiency/cost control, Premium product quality and extensive customer service.

CHAPTER THREE

RESEARCH DESIGN AND METHODOLOGY

This section incorporates the major pillars by which the entire process of addressing the research problem at hand is undertaken. Accordingly, it starts with designing the research, identifying the target group to be involved in the research and deploying an appropriate sampling technique. Furthermore data sources, method of data collection and analysis are incorporated in this section including ethical considerations.

3.1 Research Design

A research design is the arrangement of conditions for collection and analysis of data in a manner that aims to combine relevance to the research purpose with economy in procedure (Kothari, 2004).

The purpose of this study is about pinpointing the major hindering factors with the Company in line with leading the outlying market particular to Lubricants in Ethiopia, and identification of such factors is directly associated with customers taste, basis for their product preference and anticipation in the actual product value. Hence, the research is designed as being descriptive, dominantly. Furthermore, identification of factors hindering NOC not to lead the market will not be ultimately rely on external elements i.e. either customer or competitor based facts, but also deals with assessing the existing marketing strategy deployed by the company itself in view of assessing the degree of responsiveness against the outlying competitors. And hence selected group of staffs with a direct exposure towards the marketing aspect had been addressed in view of sourcing the fact on the ground as well. Thus, designing the research as a descriptive being dominantly qualitative is deemed to be most appropriate. However certain analysis of numerical data particular market shares and sales volume trends have been undertaken in light of establishing the degree of competition in the industry.

3.2 Target Population

The study focuses on target groups involved in the lubricants wholesaling and retailing customers of the Company. Accordingly, a head of moving to establish whom to point at, in sourcing data it will be necessary to note the existing customer segments in merchandizing automotive grade oil/lubricants with NOC. There are about three customer segments involved throughout the entire sales and marketing process namely, retail, wholesale and consumer. The Retail segment involves sales of lubricants to the end user through dealers owning NOC service stations geographically distributed throughout the country, while wholesalers are those who directly purchase the products from the company massively and distribute accordingly. On the other hand, the Consumer class of market is meant for direct purchasers for regular consumption i.e. manufacturing co, government and other companies. However the consumer class of market has the highest share for Industrial grade lubricants in the industry. Hence, the study primarily targeted selected wholesalers and resellers carrying products of NOC and other oil Companies (OOC), which will similarly be followed by NOC service station dealers/retailers. Furthermore, concerned officials with a direct exposure to the marketing activity i.e. marketing and sales manager, and sales representatives had also been targeted in sourcing relevant data about the existing marketing strategy deployed by the company as a market challenger striving to win the existing competition particular to the oil/lubricants market.

3.3 Sample Size and Sampling Technique

Sample size represents the actual magnitude of the targeted data sources which are deemed to represent the entire population in a reasonable manner. Similarly, determining sampling technique and sample size will ultimately rely on the size of the target population in view of enhancing result accuracy and appropriateness. As stated with the scope of the study the study will totally rely on customer size in Addis Ababa and hence, station dealers, lubricant distributors and resellers located within the territory will accordingly be addressed.

Likewise, as per the up-to-date customer data base of the company there are about 18 lubricants distributors, 12 resellers and 20 dealers in Addis Ababa. Likewise, 100% of distributor, reseller and two respondents' from each station in Addis Ababa had been used as a sample for being limited in total population size through census method. In general 70 respondents were approached for the external response.

Similarly one marketing manager (Retail), and fourteen retail territory managers (sales representatives) in the company were deemed to be the most appropriate target groups for internal responses and addressed accordingly. Hence, the target population in general is addressed fully through census for being limited in size.

3.4 Sources of Data

It is believed that hindering factors in leading the lubricants market with NOC had been sourced directly from the customers themselves, categorized in different segments in addition to revealed inputs by the marketing officials of the company in identifying pertinence of the marketing style deployed in terms of the major mixes and major challenges ongoing with the business, as a primary data sources. In addition Secondary data like lubricants sales, market share data and other documents (manuals from MOT) had also been potentially utilized in undertaking comparative analysis among the companies within the industry.

3.5 Methods of Data Collection

At this juncture questionnaires (closed ended) were distributed to the established size of customers in light of sourcing the actual taste and basis of preference individual consumers might exhibit in terms of product quality, pricing, service quality and other subjects they are having towards NOC's Chevron Lubricants compared to the leader and follower brands. Furthermore, questionnaire is similarly opted for collecting internal responses allied with followed marketing strategy .In-depth interview had also been undertaken with retail sales and marketing manager and retail territory manager at head quarter primarily intended for addressing competition in the oil industry particular to lubricants market segment.

Finally, data bases for secondary data had been exploited in sourcing quantitative figures essential for analysis.

3.6 Methods of Data Analysis

The Data Collected was checked for completeness. Readiness had been checked through identifying blank responses. Accordingly, statistical package for social sciences (SPSS) was deployed for producing frequencies and percentages of each response. In addition, Tables, charts and graphs are positioned to present the results on numerous variables with the study in arriving at summary of the data collected.

3.7 Ethical Considerations

As a marketing research deals with examining both the wider external and internal environment, high consideration of ethical issues while approaching respondents and collecting data for analysis is believed to be what a marketing researcher should give a due attention to.

Similarly, as the research at hand deals with addressing major customers of NOC; discussion was undertaken in terms of creating awareness as to the objective of the study. Thus, respondents have come to understand that the study is merely intended for academic purpose and hence their response will be kept confidential and solely dedicated for the stated objective. On the Other hand internal respondents had been provided an insight about the objective of the study to overcome possible ambiguity in the course of providing genuine responses.

CHAPTER FOUR

RESULTS AND DISCUSSION

This segment is composed of two major sub sections. The first category deals with presenting results of data collected from both primary and secondary sources and the other portion is where results will be discussed, analyzed and interpreted as part of addressing the research objective through findings.

4.1 Results

4.1.1 Overview of NOC Market Share versus Industry in Lubricants

Growth in Ethiopian oil industry is composed of Consumption enhancements observed in the major product segments namely fuel and lubricants; however few indigenous companies are engaged in marketing LPG, Bitumen and petroleum coke in addition. Hence, Demand in both product line is directly associated with level of growth seen in the national economy in terms of energy consumption. Below is sales trend for lubricants in the past ten years in Ethiopian downstream oil industry.

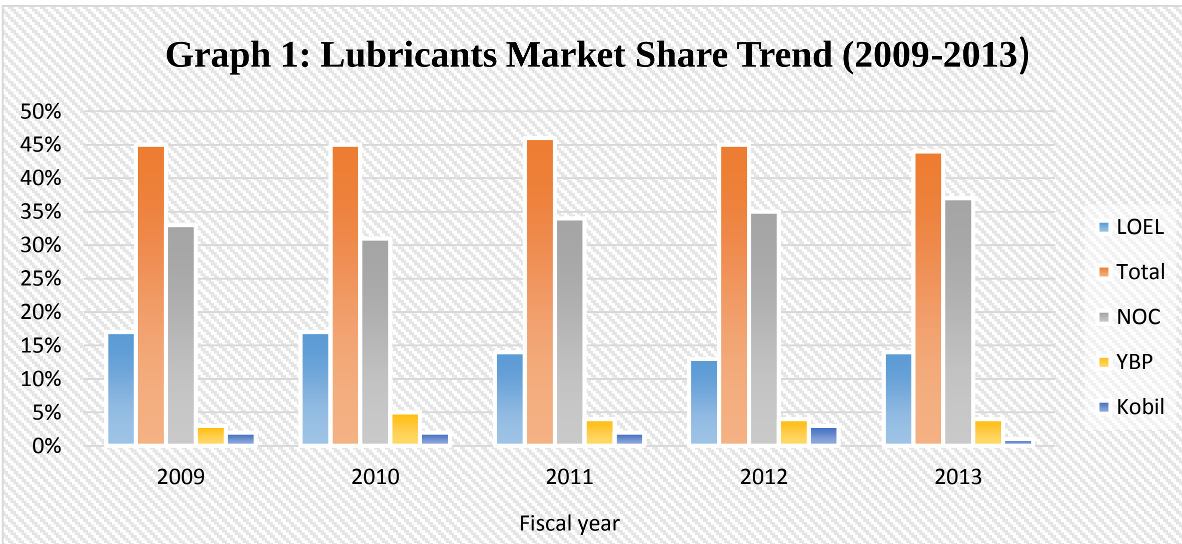
Table 1: Overview of NOC Market Share versus Industry in Lubricants

	Volume in MC							
Year	NOC Retail	IND Retail	NOC Commercial	IND Comm	NOC Overall	IND All COB	NOC Trend in %	Industry Trend in %
2005	1,239	7,327	935	11,709	2,174	19,036	0%	0%
2006	2,014	8,690	1,988	12,729	4,002	21,419	84%	13%
2007	2,336	9,285	2,639	14,003	4,975	23,288	24%	9%
2008	2,584	9,775	4,006	15,386	6,590	25,161	32%	8%
2009	5,557	12,934	3,287	13,802	8,844	26,736	34%	6%
2010	4,617	12,778	3,851	14,985	8,468	27,763	-4%	4%
2011	4,554	11,568	4,534	15,162	9,088	26,730	7%	-4%
2012	5,253	12,505	5,427	17,964	10,680	30,469	18%	14%
2013	6,297	14,995	5,485	19,819	11,782	34,814	10%	14%
2014	5,851	12,310	7,146	25,574	12,997	37,884	10%	9%

(Source: A.A Bromhead & Co)

4.1.2 Market Share Trend in the Ethiopian oil industry

Currently there are five companies that are having a tangible share in the Ethiopian oil industry particular to lubricants market segment of which two are indigenous/local companies' i.e. NOC and YBP. The following data shows respective shares owned in the oil market for the recent five years.



(Source: A.A Bromhead & Co)

As can be depicted from graph 1, NOC is moving as a strong market challenger in the industry with a progressive trend seen 2010 onwards achieving 37% share, even though it can be objectively deduced that the multinational Total Ethiopia is a market leader in the industry securing a sustainable market share throughout the years. Libya oil Ethiopia Ltd (LOEL) seems a market follower with a stagnant figure in share.

4.1.3 Industry Analysis

The Industry analysis is carried out based on interview data with the Marketing Manager and secondary data on MOT's requirement and regulation in entering the oil industry with the primary aim of addressing competition in the industry.

The industry environment is analyzed using the popular contemporary scholar, Michael Porter's five forces model which gives insight into the intensity of competition in an industry. The Porter model offers a more immediate scan of the competitive dynamics faced by an organization.

These five forces model is illustrated in the following diagram:

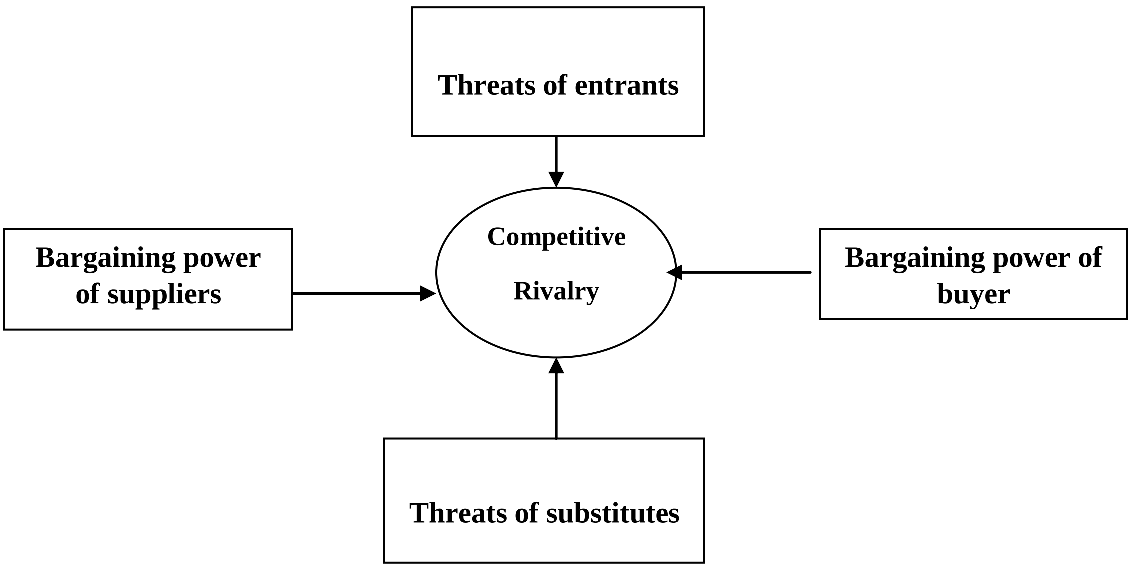


Figure 2: Porters' five force model

4.1.3.1 Entry Barrier

The Degree of intensity in joining the oil industry in Ethiopia is highly subject to the existing barriers to entry. Hence the following are identified as barriers to Entry in Ethiopian oil industry.

- ✓ The minimum requirement by MOT (Ministry of trade) for having an oil company anticipates full construction of a fuel depot containing a minimum of 500,000 L in addition to increase in number for retail stations from three to six.
- ✓ Ethiopian Investment agency requires a minimum of registered capital of 12,000 million dollars for investment in lubricant blending plant.
- ✓ MOT forbid/regulate marketing of lubricants independently i.e. One is expected to engage in both fuel and lubricants business.

- ✓ The industry is highly exposed to supply chain management problems i.e. Shortage of bulk trucks in the country.
- ✓ Lack of skilled man power in the area of petroleum in line with its technical nature.
- ✓ Profit margin unattractiveness in fuel retail segment.
- ✓ Significant level of exposure towards fraud.
- ✓ Shortage of lease land in major cities with potential demands for constructing retail stations.
- ✓ High HSE requirement.

4.1.3.2 Bargaining Power of Buyers

There are two major segments of buyers for oil products in the industry namely the retail individual motorist and business consumers. The Retail market is majorly carried out through distributors, resellers and station owners in reaching individual consumers. Hence, individual consumers may develop their own taste for preferring a given brand from the others in the market. Price sensitivity, brand reputation and differentiation in service delivery are the major pillars by which individuals look for oil products. Furthermore, business Consumers owning heavy duty machineries, trucks or manufacturing plants either governmental or privately owned may particularly focus on price, discounts and credit terms in awarding companies through tender. However it is also noted that requirements for meeting product specifications especially in multi grade lubricants is being a major concern for business consumers. Hence, the fact that there is low or no switching costs for a demand shift from buyers is in turn boosting sensitivity/stiffness of the competition in the industry.

4.1.3.3 Bargaining Power of Suppliers

The degree to which suppliers may overwhelm availability of sufficient level of supply in the industry is limited, mainly due to existence of sufficient number of manufacturers in both automotive and industrial grades globally. Furthermore, the fact that individual companies in the industry are independently reliant on particular source of supply is in turn resulting in having a minimal bargaining power from the supplier. Currently NOC, YBP, DALOL and TAF are importing different lubricant grades from Chevron-Caltex, British petroleum (BP), UAE and National Lube respectively. On the other hand the multinationals like TOTAL, Kobil, Nile petroleum and LOEL are reliant on their upstream sources. Hence, existence of optimum level in oil refining companies over the world is a case in particular for having minimal bargaining power from suppliers. However there is high switching cost to the oil companies in light of losing built brands with the existing supplier to shift.

4.1.3.4 Threats of Substitutes

The following are identified as major threats from substitute products.

- ✓ Emergence of lubricant blending plants like NAZTECH as part of FDI.
- ✓ Entrance of additional oil companies to the industry. i.e. (All way, Tabarak and Marathon)
- ✓ Manufacturing mono grade lubricants of similar purpose with multi grade (high grade lubricants) fora lower price.
- ✓ Existence of illegally imported lubricant oils.

4.1.3.5 Rivalry among Competitors

Emergence of indigenous oil companies following liquidation of International companies like Exon Mobil and shell since 2004which owned the whole market share in country; the industry is characterized with a stiff competition having nine oil companies at the moment. The difference in source of import which is serving some international companies as a source of competitive advantage in being a cost leader, expertise, and reputation built and followed marketing strategies in particular and customer intimacy are among the major concerns boosting the level of competition. Furthermore specific issues like credit limits, terms, discounts given to customers is in turn resulting the competition among the companies severe.

4.1.4 Results (Internal Respondents)

This particular section deals with analyzing the extent to which NOC is responsive to marketing mix elements particular to Lubricants marketing in view of winning the competition outlying in the industry. The degree to which the company is strong with its marketing mixes will ultimately reveals the marketing strategy being followed in light of enhancing its share in the market.

Accordingly, responses were collected from Marketing officials, sales representative and individuals with a direct exposure with marketing activities within the company. All fifteen questionnaires distributed are collected in total from the respondents.

Table 2: Respondents' Demographic Characteristics

Description	Category	Frequency	Valid Percent	Cumulative Percent
Gender	Male	14	93.3	93.3
	Female	1	6.7	100
	Total	15	100	
Age	26-30	7	46.7	46.7
	31-35	5	33.3	80
	Above 40	3	20	100
	Total	15	100	
Educational Background	BA/BSC	14	93.3	93.3
	Master's Degree	1	6.7	100
	Total	15	100	

Majority of the respondents (93.3%) were male and only one respondent accounting 6.7% of them was female.

Likewise, 46.7% of the respondents are aged between 26 to 30 years old. Whilst, 33.3% and 20% are aged in between 31 to 35 and above 40 years respectively.

Except one respondent (6.7%) holding master's Degree the rest of respondents accounting for about 93.3% were BA/BSc degree holders.

Table 3: Competition in the Ethiopian Oil Industry

The Extent of competition in Ethiopian oil industry		Frequency	Valid Percent	Cumulative Percent
Valid	Strongly Agree	7	46.7	46.7
	Agree	7	46.7	93.3
	Not Sure	0	0	93.3
	Disagree	1	6.7	100.0
	Strongly Disagree	0	0	100.0
	Total	15	100.0	

About 46.7 %(7) of the respondents strongly agree that there is stiff competition in the Ethiopian oil industry. Likewise, the other 46.7 %(7) of the respondents also agree that the industry is highly competitive and one respondent 6.7 %(1) disagree that the competition is stiff.

Table 4: Marketing Plan

The extent to which in-depth marketing plan is undertaken at NOC		Frequency	Valid Percent	Cumulative Percent
Valid	Strongly Agree	2	13.3	13.3
	Agree	4	26.7	40.0
	Not Sure	3	20.0	60.0
	Disagree	6	40.0	100.0
	Strongly disagree	0	0	100.0
	Total	15	100.0	

Table 4 above depicts about in-depth annual market planning by NOC as part of designing appropriate strategy for marketing its imported oil products. Hence, 13.3% of the respondents strongly agrees where as 26.7% agree. However, majority of the respondents accounting for 40% disagree that the company undertakes in-depth market planning in waving the road to market leadership in the industry while 20% of the respondents are indifferent.

Table 5: Brand Awareness

The degree to which NOC has travelled in building brand awareness		Frequency	Valid Percent	Cumulative Percent
Valid	Strongly agree	0	0	0
	Agree	4	26.7	26.7
	Not Sure	5	33.3	60.0
	Disagree	5	33.3	93.3
	Strongly Disagree	1	6.7	100.0
	Total	15	100.0	

26.7 %(4) of the respondents agree that the company has travelled sufficient miles in creating brand awareness with its oil products. However majority of the respondents still believe that the company didn’t engaged enough in creating brand awareness where 33.3%(5) and 6.7%(1) of them disagree and strongly disagree respectively. In addition 33.3 %(5) of the respondents are indifferent as to how far the company is worked on creating brand awareness.

Table 6: Price Ceiling by MOT

Lubricants retail pricing and favorability for NOC		Frequency	Valid Percent	Cumulative Percent
Valid	Strongly agree	0	0	0
	Agree	4	26.7	26.7
	Not Sure	3	20.0	46.7
	Disagree	6	40.0	86.7
	Strongly Disagree	2	13.3	100.0
	Total	15	100.0	

Respondents accounting for about 40 %(6) of the entire population disagree that ceiling price built by MOT for the retail market is favorable to NOC. In addition about 13.3% (2) of the respondents strongly disagree that the price cupping is favorable to the company. However 26.7% (4) agree that the price built by government is favorable to the company with 20% being indifferent on the subject matter.

Table 7: Pricing and Value Proposition

Consideration of value proposition wile pricing lubricants		Frequency	Valid Percent	Cumulative Percent
Valid	Strongly agree	0	0	0
	Agree	3	20.0	20.0
	Not Sure	6	40.0	60.0
	Disagree	6	40.0	100.0
	Strongly disagree	0	0	100.0
	Total	15	100.0	

Value Proposition is the extent to which a customer value certain product priced lower than similar ones in the market. Accordingly, 20 %(3) of the respondents agree that the Company is taking into account Value proposition in pricing its products. However 40 %(6) of the respondents disagree that NOC is undertaking value proposition in pricing oil products and the other 40%(6) are neither agreeing nor disagreeing on the subject.

Table 8: Competitor Analysis

The degree to which NOC is undertaking Competitor analysis		Frequency	Valid Percent	Cumulative Percent
Valid	Strongly agree	3	20.0	20.0
	Agree	7	46.7	66.7
	Not Sure	4	26.7	93.3
	Disagree	1	6.7	100.0
	Strongly disagree	0	0	100.0
	Total	15	100.0	

Majority of the respondents believe that the Company undertakes competitor analysis in view of wining the competition in the oil industry. Similarly, 46.7 %(7) and 20 %(3) of the respondents strongly and agree that NOC is strongly working on Competitor analysis respectively. However 6.7 %(1) of the respondents are in disagreement with 26.7% (4) of abstaining to confirm.

Table 9: Strategy for Defending Market share

Strategy for Defending Market share from Indigenous Companies.		Frequency	Valid Percent	Cumulative Percent
Valid	Strongly Agree	2	13.3	13.3
	Agree	3	20.0	33.3
	Not Sure	3	20.0	53.3
	Disagree	6	40.0	93.3
	Strongly Disagree	1	6.7	100.0
	Total	15	100.0	

In line with designing strategies for defending market share from indigenous oil companies joining the oil Industry, 13.3 %(2) of the respondents strongly agree and20 %(3) agree. However majority of the respondents accounting for 40 %(6) and 6.7 %(1) disagrees and strongly disagrees respectively, with the other 20% being indifferent.

Table 10: Credit terms and limits.

Uniformity of Credit Term Privilege for Customers under similar segments		Frequency	Valid Percent	Cumulative Percent
Valid	Strongly Agree	1	6.7	6.7
	Agree	4	26.7	33.3
	Not Sure	2	13.3	46.7
	Disagree	6	40.0	86.7
	Strongly Disagree	2	13.3	100.0
	Total	15	100.0	

Allied with Credit term granted to the customers 6.7%(1) and 26.7%(4) of the respondents strongly agree and agree that the company is offering uniform terms of credit to its customers under similar segment. Even though, 40 %(6) of the respondents disagree that the terms granted are uniform, with 13.3% strongly in disagreement and other 13.3%(2) neither agree nor disagree.

Table 11: Distributors and Resellers

Size of distributors and resellers in marketing NOC lubricants		Frequency	Valid Percent	Cumulative Percent
Valid	Strongly agree	0	0	0
	Agree	10	66.7	66.7
	Not Sure	2	13.3	80.0
	Disagree	3	20.0	100.0
	Strongly disagree	0	0	100.0
	Total	15	100.0	

Majority of the respondents accounting for 66.7 %(10) agree that NOC is reliant on few major oil distributors and resellers in marketing its products. However 20 %(3) of the respondents disagree with 13.3 %(2) being indifferent

Table 12: Promotional activities

Adequacy of Promotional activities		Frequency	Valid Percent	Cumulative Percent
Valid	Strongly agree	0	0	0
	Agree	2	13.3	13.3
	Not Sure	7	46.7	60.0
	Disagree	6	40.0	100.0
	Strongly disagree	0	0	100.0
	Total	15	100.0	

Respondents accounting about 40 %(6) of the entire population disagree that the promotional campaign by NOC is strong and appropriate in terms of the existing competition over the industry. Furthermore 46.7 %(7) of the respondents are not sure while the other 13.3 %(2) agreed that the company is sufficiently dwelling on promotional activities.

Table 13: Retaining customers

Customer retention		Frequency	Valid Percent	Cumulative Percent
Valid	Strongly agree	0	0	0
	Agree	4	26.7	26.7
	Not Sure	2	13.3	40.0
	Disagree	9	60.0	100.0
	Strongly disagree	0	0	100.0
	Total	15	100.0	

Respondents accounting for 60 %(9) disagree that the company is not sufficiently working on retaining existing customers once registered with NOC, while 26.7% (4) are agreeing in addition to the rest 13.3% neither agreed nor disagreed.

Table 14: Expansion of retail Outlets

		Frequency	Valid Percent	Cumulative Percent
Valid	Strongly Agree	4	26.7	26.7
	Agree	9	60.0	86.7
	Not sure	0	0	0
	Disagree	2	13.3	100.0
	Strongly disagree	0	0	100.0
	Total	15	100.0	

About 26.7 %(4) and 60% (9) of the respondents strongly agree and agree that retail outlet expansion could in turn result in enhancing market share respectively. However, the rest of the respondents accounting for 13.3 %(2) disagree that retail outlet expansion could result in enhancing its market share.

4.1.4.1 Results from Open Ended Questions

Two Open ended questions were additionally addressed by internal respondents. Likewise their responses is summarized as follows

A) Missed Opportunities.

Respondents were asked about existence of missed opportunities in terms of reaching potential markets particular to lubricants and they revealed that there are missed prospects in some areas. Areas like automotive companies, Garages and machinery rentals are raised as untapped and dissimilar from the existing channels in marketing lubricant oils. Special focus and strategic approach to areas including these segments backed by strong brand awareness and technical assistance/training would result in enhancing share in the market. Furthermore it is pointed that intensive utilization of all bulk truck associations working with the company in the fuel segment could be additionally considered in owning potential market size.

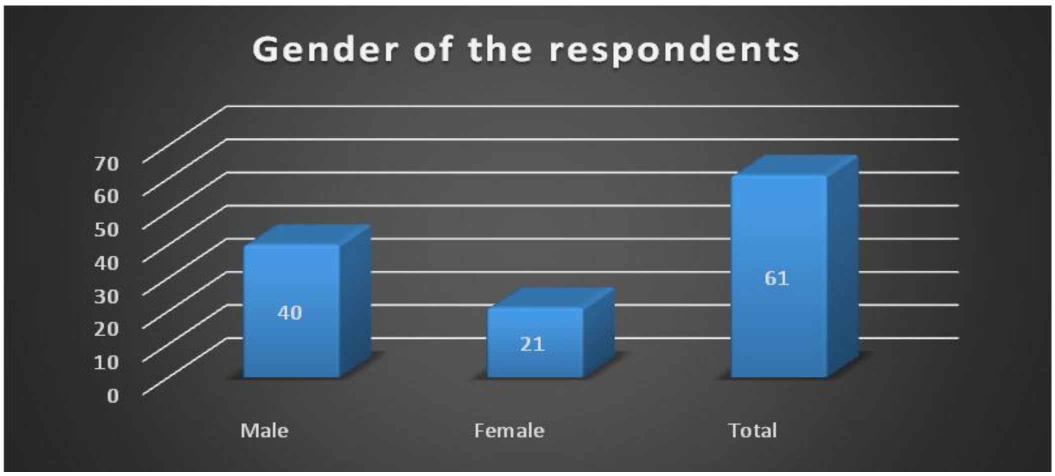
B) Gaps of NOC

Respondents identified that NOC is weak compared to its competitors in such areas like branding, packaging and pricing in marketing its lubricant oils. In addition application of an incentive scheme up on target achievement, lubricants quality testing laboratory and technical supports provided to customers were said to be minimal compared to industry members/leader. Furthermore intensive application of marketing and retention strategies are areas of improvement revealed by respondents.

4.1.5 Results (External Respondents)

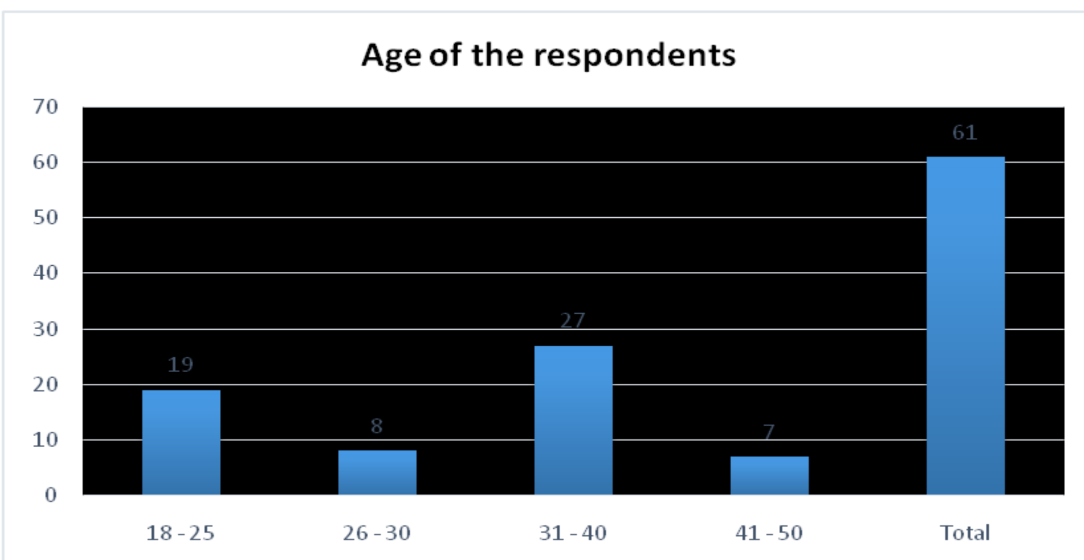
This sub section deals with presenting and analyzing data from external respondents (Company Customers) in view of sourcing the appropriateness of NOC marketing strategies granted to them compared to the outlying competition in the industry. Out of the 70 questionnaires distributed to the entire customers in Addis Ababa, 61 questionnaires are returned with 87% level of response achievement.

Graph 2: Gender of the respondents



Out of the total 61 respondents 40 were male and 21 respondents were female.

Graph 3: Age of the respondents



The above graph reveals that about 19 of the respondents are aged between 18 to 25, 8 between 26 to 30 and 27 of them are between 31 to 40 years while the rest 7 are aged between 41 to 50.

Table 15: Duration in Lubricants business

Customers duration in lubricants business		Frequency	Valid Percent	Cumulative Percent
Valid	Less than a year	2	3.3	3.3
	1 year	5	8.2	11.5
	2 - 4 years	18	29.5	41.0
	5 -7 years	26	42.6	83.6
	8 -10 years	10	16.4	100.0
	Total	61	100.0	

As can be depicted on table 17 above majority of the respondents had worked with NOC for five years and above. Hence 18 of them worked with the company between 2 to 4 years, about 26 between 5 to 7 years and the other 10 worked between 8 to 10 years.

Table 16: Quality Perception of the Customer

The extent to which customers are aware off NOC lubricants in terms of quality		Frequency	Valid Percent	Cumulative Percent
Valid	Strongly agree	14	23.0	23.0
	Agree	19	31.1	54.1
	Not Sure	21	34.4	88.5
	Disagree	7	11.5	100.0
	Strongly disagree	0	0	100.0
	Total	61	100.0	

Majority of the respondents have a clear perception about NOC Delo lubricants. Hence 23 %(14) of them strongly agrees and the other 31.1 %(19) agrees. However about 34.4 %(21) of them are not sure about the level of product quality while the rest 11.5 %(7) claims that they don’t have sufficient awareness about the level of its quality.

Table 17: Associating "DELO" with "NOC"

The extent to which customers associate "Delo" with Company name "NOC"		Frequency	Valid Percent	Cumulative Percent
Valid	Strongly agree	15	24.6	24.6
	Agree	32	52.5	77.0
	Not Sure	11	18.0	95.1
	Disagree	3	4.9	100.0
	Strongly disagree	0	0	100.0
	Total	61	100.0	

As depicted on the above table respondents accounting above average 52.5 %(32) agrees that individual consumer of NOC lubricants are associating the brand name with the company name with the other 24.6 %(15) strongly agree. On the Contrary, the other 18 %(11) and 4.9 %(3) are not Sure and disagree that individual consumers in the market are well associating the two names respectively.

Table 18: Brand Awareness and sales volume enhancement

Significance of Brand awareness to sales Volume enhancement		Frequency	Valid Percent	Cumulative Percent
Valid	Strongly agree	19	31.1	31.1
	Agree	35	57.4	88.5
	Not Sure	7	11.5	100.0
	Disagree	0	0	100.0
	Strongly disagree	0	0	100.0
	Total	61	100.0	

In line with significance of awareness creation in enhancing sales volume of its Delo brand lubricants, 31.1%(19) of the respondents strongly agree that creating extra brand awareness on NOC lubricants will ultimately enhance volume, with the other 57.4%(35) respondents agreeing. Whereas the other, 11.5% are not sure.

Table 19: Consumers' sensitivity to Price than Quality

The Extent to which the market is sensitive to price than quality		Frequency	Valid Percent	Cumulative Percent
Valid	Strongly agree	19	31.1	31.1
	Agree	25	41.0	72.1
	Not Sure	4	6.6	78.7
	Disagree	13	21.3	100.0
	Strongly disagree	0	0	100.0
	Total	61	100.0	

The above table reveals that Individual Consumers over the market are sensitive to price than quality. Hence, 31.1 %(19) and 41 %(25) of the respondents strongly agree and agree respectively. However, the other 6.6 %(4) are not sure whether most customers sensitive to price than quality in the market while 21.3 %(13) of them disagree.

Table 20: Competitive Pricing

The magnitude to which NOC is undertaking competitive pricing		Frequency	Valid Percent	Cumulative Percent
Valid	Strongly agree	0	0	0
	Agree	22	36.1	36.1
	Not Sure	12	19.7	55.7
	Disagree	23	37.7	93.4
	Strongly Disagree	4	6.6	100.0
	Total	61	100.0	

Competitive Pricing is the extent to which a firm adjusts product prices compared to what competitors are offering in a given market. As far as NOC is concerned, 36.1 %(22) of the respondents agrees that the company is competitively offering its products to customers. However the other accounting for 19.7 %(12) are not sure while the majority 37.7% (23) and 6.6%(4) disagree and strongly disagree that the company is offering its products at a competitive price respectively.

Table 21: Product/Lubricants Packaging

The extent to which NOC is meeting packaging requirements by customers.		Frequency	Valid Percent	Cumulative Percent
Valid	Strongly agree	0	0	0
	Agree	19	31.1	31.1
	Not Sure	5	8.2	39.3
	Disagree	27	44.30	83.6
	Strongly disagree	10	16.40	100.0
	Total	61	100.0	

As revealed on table 23 above 44.3 %(27) respondents disagree that the company is availing its lubricant oils with required net weight (package) with the other 16.4 %(10) strongly disagreeing, whilst 8.2% (5) not sure about the subject. However there are 31.1 %(19) agreeing.

Table 22: Responsiveness to Customer Complaints

Company's Responsiveness to Customer Complaints		Frequency	Valid Percent	Cumulative Percent
Valid	Strongly agree	3	4.9	4.9
	Agree	20	32.8	37.7
	Not Sure	15	24.6	62.3
	Disagree	19	31.1	93.4
	Strongly Disagree	4	6.6	100.0
	Total	61	100.0	

As can be observed from the above table 32.8 %(20) of the respondents agree that NOC is responsive to their complaints that may arise in business relationship in addition to the other 4.9 %(3) strongly agreeing. On the Contrary 31.1 %(19) and 6.6 %(4) of the respondents disagree and strongly disagree that the company is sufficiently responding to customer requirements respectively. The other 24.6% (15) are not sure.

Table 23: Training to Customers.

Company's dedication on providing sufficient trainings on oil Usage and Significance		Frequency	Valid Percent	Cumulative Percent
Valid	Strongly agree	2	3.3	3.3
	Agree	29	47.5	50.8
	Not Sure	13	21.3	72.1
	Disagree	15	24.6	96.7
	Strongly Disagree	2	3.3	100.0
	Total	61	100.0	

As per the output above 47.5%(29) respondents agree that the company is sufficiently working on awareness creation and customer trainings associated with its lubricants with the other 3.3%(2) respondents strongly agreeing. While the other 21.3 %(13) and 24.6 %(15) disagree and strongly disagree that trainings and capacity building is sufficiently provided to the customers. The remaining 21.3 %(13) are not sure about the subject.

Table 24: Introduction of new product lines

Introducing new product lines to the market		Frequency	Valid Percent	Cumulative Percent
Valid	Strongly agree	6	9.8	9.8
	Agree	19	31.1	41.0
	Not Sure	27	44.3	85.2
	Disagree	9	14.8	100.0
	Strongly disagree	0	0	100.0
	Total	61	100.0	

Table 24 above reveals that 9.8 %(6) and 31.1 %(19) of the respondents strongly agree and agree that NOC is travelling enough in introducing new product lines to the competitive market. However, 44.3 %(27) of the respondents neither agree nor disagree on the subject while the other 14.8% (9) disagree.

Table 25: Illegal importation of Lubricants

The magnitude to which illegally imported lubricants are affecting the market		Frequency	Valid Percent	Cumulative Percent
Valid	Strongly agree	47	77.0	77.0
	Agree	14	23.0	100.0
	Not Sure	0	0	100.0
	Disagree	0	0	100.0
	Strongly disagree	0	0	100.0
	Total	61	100.0	

As can be depicted from table 25 above almost all of the respondents are in agreement with the existence of illegally imported lubricants being sold with low price in the market. Hence 77 %(47) and 23 %(14) strongly agree and disagree respectively.

Table 26: Incentive Scheme

Adequacy of incentive schemes compared to competitors		Frequency	Valid Percent	Cumulative Percent
Valid	Strongly agree	5	8.2	8.2
	Agree	12	19.7	27.9
	Not Sure	12	19.7	47.6
	Disagree	17	27.8	75.4
	Strongly Disagree	15	24.6	100.0
	Total	61	100.0	

Table 26 above reveals that 8.2 %(5) and 19.7 %(12) of the respondents strongly agree and agree that NOC is granting them adequate incentive scheme up on meeting sales target. However, 27.8 %(17) of the respondents and the other 24.6 %(15) disagree and strongly disagree that the Company is sufficiently providing them incentives. The remaining 19.7 %(12) neither agree nor disagree on the subject.

Table 27: Substitution Effect

Impact of mono grade lubricants in the market on sales performance		Frequency	Valid Percent	Cumulative Percent
Valid	Strongly agree	40	65.6	65.6
	Agree	7	11.5	77.0
	Not Sure	14	23.0	100.0
	Disagree	0	0	100.0
	Strongly disagree	0	0	100.0
	Total	61	100.0	

Respondents accounting for about 65.6 %(40) and 11.5 %(7) strongly agree and agree that mono grade lubricants of same significance but of low quality compared to the multi grade ones are highly overwhelming sales volume respectively. However, about 23 %(14) respondents neither agree nor disagree on the subject matter.

Table 28: Pricing

The Extent of lubricants price uniformity from Shop to Shop		Frequency	Valid Percent	Cumulative Percent
Valid	Strongly agree	2	3.3	3.3
	Agree	0	0	3.3
	Not Sure	16	26.2	29.5
	Disagree	17	27.9	57.4
	Strongly Disagree	26	42.6	100.0
	Total	61	100.0	

Respondents accounting for about 3.3 %(2) strongly agree that NOC lubricants are sold from shop to shop with a uniform price. However, the majority 27.9 %(17) and 42.6 %(26) disagree and strongly disagree that NOC lubricants are sold at similar prices from one shop to the other. The remaining 26.2 %(16) neither agrees nor disagree.

Table 29: Store and Shops Distribution

Even distribution of Distributor/reseller shops in the market		Frequency	Valid Percent	Cumulative Percent
Valid	Strongly agree	0	0	0
	Agree	13	21.3	21.3
	Not Sure	26	42.6	63.9
	Disagree	17	27.9	91.8
	Strongly Disagree	5	8.2	100.0
	Total	61	100.0	

As far as distributor/reseller shop placements are concerned, about 21.3 %(13) respondents agree that there is even distribution. However the other accounting for 27.9 %(17) and 8.2 %(5) disagree and strongly disagree that the shops are dispersed well. The remaining 42.6 %(26) neither agree nor disagree about the subject matter.

Table 30: Customer Service and Handling

Customer handling service by sales representatives		Frequency	Valid Percent	Cumulative Percent
Valid	Strongly agree	18	29.5	29.5
	Agree	32	52.5	82.0
	Not Sure	8	13.1	95.1
	Disagree	3	4.9	100.0
	Strongly disagree	0	0	100.0
	Total	61	100.0	

As per the response rate from table 31 above, majority of the respondents strongly agree and agree that NOC sales representatives are supportive enough in the business relationship with customers respectively. The other respondents accounting for 4.9 %(3) disagree while about 13.1 %(8) neither agree nor disagree as to the extent of supportiveness and competence in customer handling from the sales representatives.

4.2 DISCUSSION

4.2.1 Discussion (Internal Results)

The Ethiopian oil industry is characterized with a remarkable rate of growth throughout the past ten years with a significant decrease sought in 2010 and 2011 in the commercial sector as a result a global decrease in production and supply as revealed on table 1.

The Ethiopian downstream oil industry is mainly engaged in supply of fuel and lubricating oils. Until recently the petroleum industry is mainly composed of few multinational companies striving to meet the growing demand including shell, Agip, mobil and Total. However following the termination of these companies with their global strategies of oil exploration and their stringent operational Safety requirements the emergence of indigenous oil companies took the major share in the Ethiopian market. Accordingly the need for fuel is at an increasing rate and the demand is beyond supply, still the competition lies with managing the supply chain (transportation). However the fact that all the nine industries are importing lubricant oils from different global market with their own cost structure a stiff competition is being observed in penetrating, challenging and leading the lubricants market as revealed by the respondents strongly agreeing (46.7%) and agreeing to the extent of 46.7% from table 3 above.

Majority of the respondents accounting for 40% disagree that the company is sufficiently undertaking market planning with 20% being neutral in responding. As per (Kotler and Keller, 2009) "A marketing plan is the central instrument for directing and coordinating the marketing effort". Hence, it is observed that NOC is not strong enough in having an in-depth market planning both at strategic and tactical level in light of leading the oil market with predefined strategies in terms of the major marketing mix.

"The sign of great brand is how much loyalty or preference it commands" (Kotler, 2003). In line with building a brand or creating awareness about worth of its lubricant oils imported from the known chevron Company, the collected data reveals that NOC hasn't travelled sufficient miles with 33.3% level of disagreement and 6.7% strong disagreement. In reality building a brand is not an outcome from an overnight decision, having continuous advertisement on quality, feature and price of a product. However, brand building needs a sustainable effort through integrating variety of tools including advertisings, sponsorship, event participation and public relations.

Furthermore, the way services are delivered, commitment from sales persons and part taking in corporate social responsibility issues in aggregate put an icon for differentiating certain product from the other. Accordingly, the existing level of efforts made in this regard with NOC is said to be minimal and striving further is expected to position '***Delo'*** in the mind of its customers than any other brands in the market. However there are respondents agreeing the company is sufficiently working on branding accounting for 26.7% while the rest are abstaining.

As a regulatory body MOT is ceiling retail price for lubricants in the Ethiopian market. However, the average price build by MOT is reliant on import costs (CIF) of the independent companies in Ethiopia. Hence, multinational companies having upstream sources always have the upper hand in being price leaders both in the retail and commercial markets over the indigenous companies importing from manufacturers. Accordingly NOC being one of the importers supplying from the American chevron Texaco is challenged of being a price leader as can be inferred from table 6.

As far as pricing is being made through taking value proposition in to account , the result reveals that certain items are priced lower than the market price in which it would probably impose wrong message to customers as to products level of quality as shown on table 7.

Undertaking a comprehensive and structured Competitor analysis is among a means by which a firm could enhance market shares in a competitive market like the Ethiopian oil industry. Based on reaction from the respondents, majority accounting for over 60 % are agreed that NOC is undertaking Competitor analysis in marketing its 'Delo' branded oil. However the Company is expected to move faster in its campaign against having knowledge about what its competitors are offering, their competitive advantage, price, packaging, channeling and etc. This can be done through approaching customers from different oil companies and undertaking marketing intelligence particularly through marketing officers/sales representatives.

Moreover, undertaking Competitors analysis with entire companies in the industry will not only help in offending market share with the leading multinational companies but also defending market share from the indigenous companies. A case in particular that FDI is open for lubricants blending and marketing would also boost the need for undertaking Competitor Analysis.

Market Challengers should be in a position to defend their market share from new entrants than market leaders. Defensive strategy could be Pre Entry or Post entry. Pre entry defensive strategies occur when a company defends its share in advance before a firm be established. Continuous improvement, capacity expansion and signaling are means for pre entry strategies. Likewise a firm should also utilize post entry strategy through introducing fighting brands. Likewise the fact that producers like NAZTECH are joining the industry and cutting prices must ultimately be an input for NOC to build its defensive strategies. Areas like motor oil, brake fluids and greases are currently in the market at lower prices by producers like NAZTECH. Hence, in addition to offending share of the leaders i.e. TOTAL the company should also strive in defending its share from entrants through strategic planning particular to the area as could be inferred from table 9.

Besides the Challenge in being a cost leader NOC is still granting credits to its major customer segments as a tool for expanding its market share. However the responses revealed shows that the extent to which the Company is granting credit term on its Lubricant items varies from one customer to the other. Likewise the level of disagreement by the respondents in aggregate is accounting 53% with the other indifferent for 13% though the rest believes that the company is granting uniform Credit terms to its customers from same segments as can be inferred from table 10.

The three customer segments namely Distributor, reseller and Retailers (station owners) have their own credit terms granted as per the sales volume history. Similarly Distributor market segments are entitled better discounts than the other allied with sales turnover they are registering. However the alarming issue in this side is that the price stability of a particular item in the market will as a result be highly affected and in turn affects the other distributor from another wing in marketing its products relatively at higher price. Moreover, the fact that few distributors has a bargaining power over pricing will ultimately result in affecting retail stations and other resellers for holding a product of higher price. This must be seen from the market nature in the country for which price sensitivity is leading consumers at most. Generally speaking, entitling fluctuating credit terms and discounts in uneven manner will result to own a particular item with significant price difference between shops and in turn result in sending a wrong message that these lubricants could also be of low quality in terms of value proposition.

Hence this would be seen among innate (internal) factors influencing NOC's campaign towards leading the Lubricants market from being a challenger.

Channeling plays a significant role in addressing potential market in terms of expanding market shares. Besides the progressive development seen potentially in the country the influence of the multinational companies formerly operating in the industry is still observed, as most oil distributors and resellers are highly tied to brands already built. Hence, the emerging indigenous oil companies including NOC are using the existing channels built by these companies. As a result most distributors in the country are holding products of different companies and sell as per the needs arising from the individual consumers in terms of brand preference. On the contrary the multinational companies like Total Ethiopia have their own authorized distributors and resellers solely marketing Total brands. Hence, reliance on few distributors and resellers owned by other companies is definitely result in limiting NOC from leading the market being an internal factor as revealed by 66.7% of the respondents on table 11

As far as Sufficiency and appropriateness of promotional activities are concerned 40% of the respondents are disagreeing that it exists, with 46.7% not sure. Companies use advertising, sales promotion, sales people and public relations to disseminate messages and attract customers. However this cannot be effective unless it catches people attentions. NOC is utilizing advertisement though sponsorship with fana broadcasting and TV advert slightly with ETV. However compared to the outlying competition with the other industry members it is not said to be sufficient. In addition the company is not sufficiently dwelling on sales promotion compared to the leaders. The issue of sponsorship and corporate social responsibility would also help to position mind of its customers further for which there are extra miles to be travelled in terms of leading the market. Furthermore, promotional activities need to be incorporated with strategic and tactical marketing plans as a predefined strategy to expand market share.

Significance of Customer Retention on the other hand has a paramount benefit over creating additional market potential. The disagreement level achieved (60%) in response reveals that the company is being challenged of retaining its customers once registered. The Company could observe this from competence in creating customer intimacy, awareness build up, training and close follow up. The Company is being challenged of customer retention particular to Reseller segments as further revealed from customers' database.

Expanding retail outlet involves a huge capital investment and factors including low profit margin on fuel, lack of land lease, competent dealers and contamination of products in aggregate are factors hindering retail station expansion. Hence, compared to the multinational companies existing in the industry with 180 to 200 stations, NOC didn't yet achieve the anticipated level for market leadership. However the highly progressive expansion rate demonstrated the past ten years had a paramount contribution for leading the market in fuel segment.

4.2.2 Discussion (External Results)

Convincing customers about value of certain brand starts with delivering quality products. However availing quality products by itself couldn't enhance market share in certain industry, unless users are well aware of the quality standard the product owns than the other in certain market. Accordingly the finding (table 16) reveals that customers are aware of NOC lubricants in terms of its quality with an aggregate agreement level of above 50%. However, the gap observed with the rest of the respondents' shows that their quality perception with NOC chevron lubricants is low or not existing. Hence, as a company striving for market leadership observed gap in this regard is what is expected to be narrowed. Hence, though quality testing laboratory for lubricants is not available in the country, NOC could certainly capitalize on assuring quality of its products with the "API" donut labeled by American Petroleum institute as part of authentication for quality, backed with a strong campaign towards awareness creation.

Even though, findings from the table 17 depicts that the respondents are confirming individual consumers of DELO branded lubricants are associating the brand name with Company name "NOC" ; as a strong market challenger striving for leadership in the Ethiopian oil industry the company is anticipated to strongly work on aligning the name NOC and its imported DELO branded lubricants. The significance of awareness creation in terms of brand name would have a paramount significance for the company in view of winning the existing competition in the industry. Attracting, existing or potential customers in the Ethiopian oil market whereby multinational companies had already built a strong brand name throughout the past 50 years could be the most challenging area for the Indigenous NOC with its lubricants of different brand name unless assurance of a strong promotional campaign is in place.

Niall Fitzegerald Chairman of Unilever observed: "*A brand is a store house of trust that matters more and more as choices multiply"* (Kotler, 2009). Likewise the Ethiopian downstream oil industry is characterized with progressive number of entrants with different brands through time particular to Lubricants which in turn forces the consumer to have multiple choices. Hence Existence of alternative products where a degree of differentiation in content or quality is minimal, creating brand awareness in view of positioning customers mind will be a mandatory chore (table 18) for a challenging brand aimed at achieving leadership. In particular, either Individual motorists or business consumers in the market are forced to choose products based on popularity, as all types of lubricants in the market have an equivalent grade in all the companies. i.e.(RUBIA for TOTAL is equivalent to DELO GOLD of NOC and DEOMAX of LOEL in which all are meant for Diesel Engine oils) with undifferentiated level of quality except reputability in the market.

The name Shell, Agip, Mobil and Total were influential and built within the past 50 years whereby all the downstream oil business in Ethiopia was entirely operated with multinationals. However, emergence of indigenous companies and exit of multinationals had created a situation by which consumers go for oil products based on price due to existence of several brands for which brands are not well built with all the indigenous companies. Furthermore, NOC as an importer with no upstream source like the multinationals couldn't able to easily be a cost leader in terms of owning leadership. However, Service differentiation, brand building and customer intimacy are areas in which such price war could be replaced by, in winning the stiff competition being an external factor as reveled on table 19.

The Intervention of Ethiopian government in petroleum products pricing is as to setting the retail ceiling price. Ministry of Trade (MOT) sets average retail price every quarter based on landed cost data from all companies. However Companies can set their own wholesale prices based on their import cost structure (CIF) and level of mark up to own. Likewise Companies with upstream source and comparatively lower CIF are lowering prices of their items. On the contrary price cutting is a challenging area for NOC as import costs especially for its multi grade lubricants are comparatively higher and the average price built by MOT couldn't easily allow being a price leader as revealed as observed on table 20.

Thinking about marketing mix starts with product. Likewise product is composed of elements including quality, durability and packaging at least. Accordingly the above finding reveals that NOC has observed gaps in packaging size of its lubricants. Motor oil, gear oil, greases, and brake and clutch fluids are items with high sales turnover in the market. However, the fact that these products are not available with the required size (table 21) creates a loophole in terms of responding to customers repeated requests. For Example: Grease (EP3) is a high grade item and there are no packages in ½, 3, 4 and 5 Kgs. In addition, Hydraulic Oils (Rando HD groups) have no pail packages with 20/25 litters, except drums. Moreover the iconic brand Delo gold ultra has no package beyond 20 liters except drums as well. On the Contrary, these are fasting moving size other competitors are holding as stock. In addition frequent change in package colors for small packs is sending a wrong message to consumers in which they are considering as if the product is not original.

"We are now living in customer economy where customer is king. This is a result of production overcapacity. It is customers, not goods that are short in supply" (Kotler, 2003). In the buying and selling process with NOC, customers could have comments and complaints to be addressed by the company in view of enhancing a win - win situation in the business. Accordingly, Coordination works starting from receiving orders, passing to warehouse and fast delivery at required volume are key to the customers. Assuring market leadership is a dream unless a company is providing optimum customer service and satisfaction. Hence, sufficient focus in receiving and addressing complaints has a paramount significance as one can't think of profitability and market share without customers as required through table 22

Oil marketing demands high involvement of technical support. As all automotive and industrial grade oils are finally meant for engines, customers and the sales force needs to be well acquainted with technical specification and usage of each and every grade of oils. Even though the above finding reveals that NOC is good at providing technical support to its customers the observed gaps on the other hand (table 23) is anticipated to be filled as an input in leading the market. Either Distributors/resellers in the market need to have a thorough knowledge as to products significance and its content to convince their customers and enhance sales.

Leading Companies use new product development as a means of enhancing their share in certain market. Especially, Manufacturing firms give due attention for designing products with additional feature and value to end users. Likewise Importers like NOC could strongly work with their producers in demanding new products with additional significance as a means of creating market potential or retaining the existing one in the course of dwelling on leadership as claimed through table 24. The fact that the NOC is introducing the new and enhanced DELO GOLD ULTRA heavy duty motor oil, HAVOLINE ENERGY SYNTHETHIC (for benzene motors) and EXTENDED LIFE COOLANT XLC is being objectively seen in improving the sales volume.

The finding from table 25 reveals that the level of frustration customers have towards illegal importation of lubricant oils in Ethiopian market. However the spread of such products is not limited to a single company' brand, the fact that NOC DELO branded lubricants are illegally entering the market is resulting in overwhelming the sales with lowered sales price. Even though upcountry retail stations and distributors nearer to ports i.e. jigjiga, Harar, Diredawa are highly vulnerable to contraband sales, the central market is also bearing its share for being a victim of illegal importation as revealed by the customers. Moreover it has been observed that the company had strived in regulating the illegal act with ERCA and regional governments, though further campaign is expected in this regard as a strong input for enhancing market share from the existing level.

As resulted from table 26, the company has an incentive scheme for its customer on achieving targets. However the company is still expected to strongly work on incentive scheme in responding to what others are offering in the industry. Moreover, this is observed as an area in which the market leader company is excelling.

Mono grade and multi grade are the two independent names differentiating quality levels of certain lubricant oil of same significance. Mono grade lubricants are less synthetic oils with comparatively lower level of engine support and labeled (SAE 10, 30, 40) whereas multi grade lubricants (15W40, 10W30) are highly synthetic with an improved engine supporting feature. However the existing low level of awareness created, price sensitivity of the consumer and substitutability of the products in aggregate is burdening sales volume of the customers holding multi grade lubricants with relatively higher price as resulted from table 27.

As Price is revenue for a company it should also be noted that it is an expense for a customer. *"Charging too little wins the sale but makes little profit. Furthermore it attracts the wrong customer those who will switch to save a dime. It also attracts competitors who will match or exceed the price cut. And cheapens the customer's view of the product On the Contrary charging higher price will result in losing sale and the customer as well" (Kotler, 2003).* Hence As a strong market challenger striving to assure leadership NOC will be in charge of assuring price uniformity under each customers segment. Distributors having sufficient discount shouldn't cut the retail prices of a particular product for which resellers or retail station owners couldn't compete on. The fact that such distributors are involved in retail marketing is pushing others out of competition and ultimately affecting price sustainability of a product within a market for which customers could observe significant price variance. This will ultimately send a wrong message to customers mind in terms of value proposition and hinder sales volume enhancement being an internal factor. (Table 28)

Place is a means of enhancing accessibility of products through the help of marketing channels. Placing plays a significant role in achieving target attainment and thereby enhances market shares. However the gap observed with NOC from the finding (table 29) in terms of even distribution of customer stores and shops is expected to be narrowed further, as a means for reaching potential customers in the city and upcountry as well. The initial strategy used in evenly distributing retail stations in the city must be benchmarked towards the densely populated resell shops emerging around each station. Places like Gofa, Kera and kaliti are known for a dense population of smaller retail shops around stations, distributor shops and garages which will in turn result in a fierce and unhealthy competition in terms of price and hinder volume attainment as a result.

The Current 10 P's of marketing includes People as one pillar in the mix. Accordingly Sales persons play a vital role in handling customer requirements at most, in view of assuring satisfaction and enhanced sales volume in turn. Hence, as a challenger brand company NOC is expected to further assure that its marketing and sales staff is highly dynamic in terms of attaining anticipated customer intimacy. (Table 30)

CHAPTER FIVE

CONCLUSIONS AND RECOMMENDATIONS

5.1 Introduction

This chapter is intended to draw conclusions from data analyzed, recommend on the possible gaps observed in line with the general objective and pinpoint research limitations.

5.2 Summary of Findings

The study was intended to identify factors hindering NOC not to possess a leadership position in petroleum products particular to lubricants. Accordingly, identification of these factors was carried out through examining both external factors with the macro environment and internal factors specific to the firm. Hence, Customers outlying in the capital Addis Ababa engaged in marketing of several competitor brands and Company's marketing and sales officials are sources in which the entire study is relied on in addition to secondary data utilized. The study has made its base on the popular marketing mix elements which are inputs for strategic marketing, in measuring the extent of Company's responsiveness towards the outlying competition in light of striving for market leadership.

5.2.1 Findings

The study established that the petroleum industry is at a growing rate with a stiff competition seen in the downstream marketing of lubricant oils. A moderate barrier to entry, high bargaining power of buyers with low switching cost, a strong rivalry among existing competitors and threats from substitute products are found to put the Ethiopian oil industry competitive, where NOC is holding a market challenger position with its existing share of 34% demonstrated in 2014.

5.2.2 Summary

Inadequacy of in-depth marketing plan as part of a long term strategic planning at corporate level or business level strategy is observed as an area of gap. Hence absence of an in-depth analysis of the external and internal marketing environment came to be among factors hindering, for devising appropriate marketing strategy in light of winning the competitive oil market. Furthermore, awareness creation on brand which is a basis for assuring brand positioning and loyalty is at its infant stage; despite it is believed to be a major weapon by which product differentiation is realized. In addition under achievement in meeting packaging requirements in terms of net weight and periodic change in package for small packs and pails is also observed as an internally sourced gaps hindering market share enhancement particular to the product line. In addition non uniformity of credit terms had resulted in affecting price sustainability and thereby negatively influencing customers in terms of value proposition they may exhibit towards the particular brand. Likewise, price cutting observed from distributors in the retail market as a result of better discounts granted, is in turn imposing a high pressure on resellers and retailers. In adequacy of promotional activity, technical support to customers, reliance on few distributors and resellers in aggregate had resulted in boosting the gap observed with NOC’s marketing strategy internally; however a market challenger is anticipated to overcome such pitfalls in the course of offending share from the leader.

Moreover, absence of a predefined strategy in defending market share from indigenous companies joining the industry and foreign producers is observed as an internally sourced gap. Retaining existing customers once registered with the company especially with reseller customer segment is also seen as area of remedy.

Absence of quality testing laboratory and challenges with retail outlet expansion are additionally drawn as additional external factors challenging the way to market leadership in lubricants.

Non-favorability of average price build up by MOT for its imported lubricants, Price sensitivity of the market, Illegal importation of lubricant oil and spread in mono grade lubricants in the market by competitors and emergence of lubricant blending companies as part of FDI is observed as added external factors hampering market leadership.

In General it has been observed that Product, pricing and promotion are the major marketing mix elements the company is challenged of most.

5.3 Recommendations

The following recommendations are made as part of a remedial action intended for filling gaps observed with the research results. Furthermore, the recommendations are believed to serve as an input for Company's management in its campaign for achieving market leadership particular to lubricants channel. The recommendation is made from the major marketing mix point of view and also emphasize on enhancing strategic capability in responding towards the emerging challenge with the industry in light of moving from the current challenger position to leader.

- The Company is expected to have an in-depth marketing plan derived from strategic planning at corporate level in terms of having a predefined path to achieve set targets. Hence, a marketing plan developed through environmental scanning will ultimately serve as a basic input by which the Company responds to emerging competitive actions.
- It is advisable if the Company management allots sufficient resources for marketing activities in light of devising appropriate strategies than being entirely engaged on sales and customer account management undertakings.
- As an aggressive market challenger striving for leadership in the industry, it would be highly advisable if the Company could have Key performance indicators (KPI) in terms of its marketing strategies with which actual results be measured i.e. periodic review on number of new customers injected, level of customer complaints resolved ,sales figures pre and post incentive etc.
- The Company better enhance a long-range view and try to adopt a more structured approach to acquire information about potential customers, competitor's action and market intelligence in with the industry.
- It is highly recommendable if NOC could strongly work on brand building through coordinating various promotional tools i.e. event sponsorship, trade fair ,corporate social responsibility and advertisement in light of offending market share from the multinational company leading the market with a well-built brand over the past 50 years.
- The Company is expected to jointly work with its sole supplier (Chevron) in light of responding to packaging requirements of the customer for which incompetence is observed compared to members in the industry.

- The Company better devise its credit term and limit entitlement for major distributors in light of safeguarding small resellers and retailers which had in turn resulted in under achieving targets and influencing products value proposition.
- It is highly advisable to strengthen incentive scheme extension to customers for achieving sales target.
- The Company is anticipated to enhance typical strength on its brand/API/ donut in light of overcoming claim on quality if any and as an input for differentiation.
- The Company better works with EQSA in view of having quality testing laboratory at national level.
- It is highly recommendable if NOC could own authorized distributors of its DELO brands than relying on limited number of distributors and resellers marketing products of all industry members.
- A predefined strategy is expected to be devised in light of retaining its customers once registered.
- Closely working with its supplier in light of introducing fighting grade lubricant oils as an input for defending market share from indigenous companies and foreign producers like NAZTECH.
- The Company could respond to a price cutting observed on mono grade lubricants by competitors through introducing equivalent grade lubricants in liaison with its supplier.
- The Current technical training on significance and usage of automotive grade lubricants limited to the Lubricants Manager could be further extended to sales representatives.
- The Company could expand its share and strengthen brand building through training Garage mechanics and targeting automotive companies.
- NOC better enhance working with ERCA and regional governments to further control illegal importation of its products.
- Promotional activities needs to planned, appropriate and consistent in light of overcoming reactive promotions from competitor actions. In addition, feedback assessment mechanism needs to be in place.
- The Company needs to extend technological advancements seen in the fuel sector to its stations, in view of differentiating its service and own the desired level of target in an industry where product differentiation is minimal.

- NOC better adopt differentiation in service delivery through out its eye catching retail stations outlying in major cities in view of building brand loyal customers.

5.4 Limitations of the study

However, relevant data sourced from company's customers and marketing officials are thought to be the basic inputs for undertaking the study, failure to address the major competing firms in the industry associated with their unwillingness in disclosing facts with their marketing strategy may result in limiting the accuracy of the finding to some extent. In addition, lack of similar research papers in the specific area is also one of the limitations observed in course of the research undertaking.

On the other hand, Even though NOC retail stations widely distributed throughout the country are governed with company's uniform procedure and operate based on MOT's price regulation, failure to address upcountry stations as a sample could slightly affect the finding in terms of exhaustiveness.

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