

**THE IMPACT OF MARKET ORIENTATION ON COMPANY'S  
PERFORMANCE AND COMPETITIVENESS: A CASE STUDY OF GHANA OIL  
COMPANY LIMITED (GOIL)**

**BY**

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**BSc. (Hons) LAND ECONOMY**

**A RESEARCH STUDY SUBMITTED TO THE K.N.U.S.T SCHOOL OF  
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MASTER OF BUSINESS ADMINISTRATION  
COLLEGE OF ARTS AND SOCIAL SCIENCES**

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## DECLARATION

I hereby declare that this submission is my own work towards the MBA and to the best of my knowledge, it contains neither material previously published by another person nor material which has been accepted for the award of any other degree of the University, except where due acknowledgement has been made in the text.

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## DEDICATION

To My Daughter, Hilary Akua Fosua Owusu,

my Mother, Amma Fosua

and my Sweet Wife, Harriet Yaa Oforiwaa Owusu.

## ACKNOWLEDGEMENT

I would like to express my appreciation to the many friends and well wishers who have made this study come to fruition. First and foremost, I am immensely grateful to the Almighty God for His abundant Grace and blessings upon me throughout the period of my study. I am also grateful to my dearest wife, Harriet Oforiwaa Owusu (a.k.a. Obaa Yaa), who closely stood by me through thick and thin.

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## ABSTRACT

For over four decades, corporate market-oriented strategy has been recognized as a pillar of superior company performance by both academics and practitioners. Market orientation in both manufacturing and service industries has attracted a significant amount of academic and practitioner interest in the current marketing literature.

Oil Marketing Companies (OMCs) are basically engaged in the sale and marketing of petroleum products through established retail outlets and industrial or commercial network. Trends in market shares for the Oil Marketing Companies in Ghana indicate that competition in the industry is very keen. The intensity of competition in the industry is influenced by an increase in the number of competitors. These conditions have led to various marketers adopting various marketing techniques (mix) as tools to gain competitive advantage. Customers have more power than ever before.

The author in this study therefore, sought to assess the impact of market orientation on GOIL's performance and competitiveness. The study was a descriptive cross sectional study. Both primary and secondary data were collected during the study through the use of written questionnaires, review of manuals and oral interviews. In all 242 GOIL workers, allied workers and customers were interviewed.

In general, drawing conclusions from empirical investigations, show that there are close correlation between Market Orientation and companies' performance and effectiveness, rendering the former an extremely significant basis for building a competitive advantage.

# CHAPTER ONE

## INTRODUCTION

### 1.1 Background of the Study

As art and a science, marketing is undergoing dramatic and exciting changes and the field promises to be dynamic in the coming years. Thus, according to Bovee and Thill, (1992), marketing has emerged as the most critical function in today's international business climate; even the smallest firms are now using innovative marketing techniques to compete globally. Bovee and Thill, further wrote that contemporary marketers reap the benefits of advanced technology in creating new products and new ways to distribute these products but they also face increasing pressure to market in socially, environmentally and responsible ways.

As opined by Kohli and Jaworski, (1990) and also reinforced by Day, (1994), for over four decades, corporate market-oriented strategy has been recognized as a pillar of superior company performance by both academics and practitioners. Market orientation in both manufacturing and service industries has attracted a significant amount of academic and practitioner interest in the current marketing literature.

According to Slater and Narver, (1994), implementation of the marketing concept characterizes a firm's intentions to deliver superior value to its customers (by satisfying their wants and needs) on a continuous basis. Kohli and Jaworski (1990), also stressed that market orientation refers to the organization-wide generation of market intelligence through decision support systems, marketing information systems, marketing research

efforts, dissemination of the intelligence across company departments, and organization-wide responsiveness to the changes taking place in the environment.

Stoelhorst and van Raaij, (2004) positioned market orientation as marketing's explanation of performance differentials between firms. These advantages of market orientation are generally agreed to be a consequence of improved market-sensing capabilities and thus improved market responsiveness, particularly in a more hostile and unpredictable environment, as presented by Day, (1999), and later supported by Jaworski & Kohli, (1993). Kohli and Jaworski (1990) again emphasized that market orientation and other orientations come at a cost. Conventional marketing wisdom therefore holds that a market-oriented strategy provides a company with a better understanding of its customers and the environment in general. For this reason, it is essential that the bottom-line consequences of a firms' market orientation are critically assessed and evaluated.

The Oil Marketing Companies (OMCs) basically undertake the sale and marketing of petroleum products throughout the country through their established retail, commercial and industrial networks. The leading players in the industry are Shell Ghana Limited, Total Petroleum Ghana Limited (a merger between Total Ghana Limited and Mobil Oil Ghana Limited), and Ghana Oil Company Limited (GOIL), with new aggressive entrants like Allied Oil, Engen Oil and Glory Oil companies. It is against this background that GOIL has been chosen as a case study of this research.

## 1.2 Statement of the Problem

Oil marketing companies are basically established to engage in the sale and marketing of petroleum products through established retail outlets, commercial and industrial networks. Currently, there are 43 licensed Oil Marketing Companies (OMCs) operating in the industry. However, the three main marketers: GOIL, Shell and Total, control 64% of the market whilst the independents, mostly locally-owned control 36% of the market (TID Report July 2006). Trends in market shares in the Oil industry indicate that competition in the industry is very keen. The intensity of competition in the industry is influenced by an increase in the number of competitors, low brand switching cost, declining market growth rate and the fact that customers have become sophisticated.

The above conditions have led to various marketers adopting frequent advertising, new product development, price wars (to some extent), add on services, credit and diversification into other related industries as tools to gain competitive advantage.

Drucker, (1973), opined that "there will always, one can assume, be the need for some selling. But the aim of marketing is to make selling superfluous. The aim of marketing is to know and understand the customer so well that the product or service fits him and sell itself. Ideally marketing should result in a customer who is ready to buy. All that should be needed then is to make the product or service available". Good marketers are constantly gathering information about their customers in an effort to better serve them and, most importantly, to retain them as loyal customers. Customers have more power than ever before. They have more high-quality alternatives, greater access to information, and an unprecedented ability to compare brands.

Today, a company is only as good as its last customer transaction or touch point. And as customers compare value propositions at lightening speed, companies must live up to their promises and be more proactive.

However, lack of effective market orientation in most Oil Marketing Companies has resulted in a loss of market shares by the major players, high customer turnover, low sales and profitability, lack of effective competition and inability of some companies to survive in the industry.

In order to stay in competition there is the need for companies to put up measures that will improve on their performances and competitiveness. There is therefore, the need to assess the impact of market orientation on company's performance and competitiveness.

### **1.3 Objective of the Study**

The goal of the study is to assess the impact of market orientation on GOIL's performance and competitiveness. Specific objectives are:

- To ascertain the use of market-orientated strategies or techniques by GOIL or otherwise
- To assess the impact of market orientation on the company's performance
- To determine whether GOIL has crafted any marketing strategy to insulate them from competitive forces, and
- To recommend and give suggestions as to how GOIL can create sustainable competitive advantage through market orientation techniques or strategies.

#### **1.4 Significance of the Study**

With growing global competition, quality management is becoming increasingly important to the management of all organizations. Evidence from the majority of international studies on market orientation indicate that marketing activities and capabilities are indeed beneficial, but that marketing activities need focus and must be implemented profitably and not just blindly executed.

The study therefore, will help the policy makers in GOIL to identify any gap in their marketing operations and craft effective policies to gain competitive advantage. It also seeks to make management of the company re-orient the minds of all staff towards market orientation strategies.

#### **1.5 Organization of the study**

Finally, the study will serve as a conduit to further studies into the marketing techniques adopted and used by other Ghanaian companies and the effect of market orientation on the sustainability and continuous existence of companies.

#### **1.5 Limitations of the study**

In the course of conducting this study, various limitations were encountered and these include (but not restricted to) the following:

- i. Most respondents (especially customers) were unwilling to answer the questionnaires because they considered it to be waste of time. According to them, similar researches have not yielded any positive results in the past.

- ii. The unwillingness of staff from the Zonal Office and stations to answer questionnaires for fear of reprisal from top management as it was against GOIL's policy for staff, other than designated few, to reveal company policy to the press or 'outsiders'.
- iii. The intensity of competition in the Oil or Petroleum industry makes it difficult for companies to release information into perceived wrong hands.
- iv. The high number of interviewees and the spread of selected stations dotted across the Ashanti and Brong-Ahafo Regions, required longer time to administer questionnaires. The nature of questions required a face-to-face interaction with interviewees.

## **1.6 Organization of the study**

The study was organized into five chapters. Chapter one dealt with the overall overview of the study; Chapter two reviewed various research works, books and other literatures relating to the study; Chapter three was about the various research methods and techniques used to collect data for the study; Chapter four analyzed and discussed the results of research findings and chapter five dealt with conclusions and recommendations made. These are further explained as follows: -

### **Chapter One**

Introduction gives an overview of the study talking about various marketing activities and strategies as well as the activities of Oil Marketing Companies. The chapter also has the background of the study, statement of the problem, objective of the study, significance of the study, the limitations of the study and how the study has been organized.

**Chapter Two**

Literature Review contains definition of technical terms used in the study. The chapter continues with theoretical and empirical literature on the various marketing research techniques, the broad product lines in the industry, organizational structure, product innovation techniques, conceptual framework of the study as well as profile of the study area and the evolution and growth of Ghana Oil Company Limited (GOIL).

**Chapter Three**

Methodology talks about the methods used in data collection and analytical techniques. It also has the hypothesis statement.

**Chapter Four**

This chapter contains the analysis of the data gathered and discussions of the results obtained from the study.

**Chapter Five**

It gives conclusion of the results and discussion on the study that has been conducted and gives recommendations as to how to solve the problems identified.

## CHAPTER TWO

### LITERATURE REVIEW

#### 2.0 Introduction

Marketing have been defined or described by many authors and professionals and this chapter reviews how the various authors defined or described some basic concepts and terminologies in marketing. The chapter also reviews market orientation and related concepts, as well as performance of companies and customer satisfaction.

The chapter further analyzes the structures in the industry, the level of competition and how market orientation affects performance in the industry, base on which the conceptual framework of this study is developed.

#### 2.1 Definitions and Concepts

##### 2.1.1 Marketing

According to Boone and Kurtz, (1998), Marketing is the process of determining customer wants and needs, and providing the goods and services that meet or exceed expectations. Also in the words of Kotler, (2000), Marketing is a societal process by which individuals and groups obtain what they need and want through creating, offering, and freely exchanging products and services of value with others.

Marketing has also been described by Farese, et al, (2003), as the process of developing, promoting and distributing products to satisfy customers' needs and wants. Products include goods and services, both of which have monetary value and satisfy customers'

needs and wants. Goods are the kind of things one can touch or hold whilst services are the kind of things one cannot physically touch. Services are tasks performed for a customer.

The Department of State and Regional Development of NSW, April, 2007 defined Marketing as the means to make a communication about a product or service ,a purpose of which is to encourage recipients of the communication to purchase or use the product or service.

They further explained Marketing to mean finding out what customers want, and then setting out to meet their needs, provided it can be done at a profit. Marketing includes market research, deciding on products and prices, advertising, promoting, distributing and selling a product or service.

According to Brian Norris, (2006), "Marketing is the ongoing process of moving people closer to making a decision to purchase, use, follow, refer, upload, download, obey, reject, conform, become complacent to someone else's products, services or values. Simply, if it doesn't facilitate a "sale" then it's not marketing."

Brian also opined that "Marketing is a four - step process that begins with analyzing and defining a qualified universe of potential users or buyers. After this first phase in the marketing process, a true marketing effort succeeds in capturing the attention of the

intended buyers within the targeted universe. Thirdly, a systematic effort must be put into getting the prospects to accept the concepts or propositions being offered via the marketing effort. Finally, with all three of the previous steps achieved, the marketer must convert the prospective buyer into an actual buyer by getting them to take the desired action (purchase, rent, call, download, subscribe, refer, sell, follow the law, become a member, etc.)."

Marketing is said to be the process of organizing and directing all the company activities which relate to determining the market demand and converting the customers buying power into an effective demand for a service and bringing that service to the customer.

Marketing has also been described as the process of making customers aware of products and services, attracting new customers to a product or service, keeping existing customers interested in a product or service, building and maintaining a customer base for a product or service. Advertisements play a large part in marketing.

### **2.1.2 Market Orientation**

Market Orientation has generally been defined as the act of generating market intelligence, dissemination of the generated intelligence and the organization's responsiveness to this intelligence generated.

The concept of market orientation has been built on and revolves around three pillars namely Customer Focus, Coordinated Marketing and Profitability. The internal structure

and cultural make-up of an organization determines how capable that organization can develop an orientation towards each of these three pillars.

Traditional marketing strategies have paved way for a customer-centric approach or strategies. This approach makes organizations serve (or service) their customers rather than just sell products to them. Customers now have increasing access to information about product features, price and peer recommendation through the emergence of the internet and resulting customers' empowerment.

Market orientation is highly effective when its strategy is transformed and embedded into an organization-wide discipline and practiced by everyone in the organization. In other words, coordinated marketing enjoins other functions of an organization to be collectively responsible for the provision of customer satisfaction and retention. Marketing should therefore, become a coordinated activity that involves finance, operations, human resources and strategy within an organization.

The survival and continuous existence of most organizations thrives on the framework of market orientation. Within this framework, profitability encompasses both financial measures (such as return on capital and market share) and non financial measures (awareness, attitudes and behavioral patterns). A comprehensive measurement of these will allow organizations to balance between both short and long terms profitability with cautious emphasis on long term financial health of the organization.

To make the above assertions operate effectively and efficiently, businesses and organizations seeking to embed Market Orientation concept in their day to day operations must understand all the intricacies in the implementation of Market-Oriented strategies into their folds. This was buttressed by Day, (1994), when he wrote that "Market Orientation represents superior skills in understanding and satisfying customers."

Similar to the theory of the three pillars, Narver and Slater, (1990), in defining the conceptual domain of market orientation, identified three behavioral components: (1) Customer Orientation, which involves understanding target buyers current and future needs in order to create superior value for them; (2) Competitor Orientation, which involves acquiring information on existing and potential competitors, understanding the short-term strengths and weaknesses and long-term capabilities of both the key current and potential competitors; and (3) Inter-functional Coordination, which is the coordinated use of resources in creating superior value for target customers. He concluded with a two decision criteria which are Long-term Focus and Profitability.

Shapiro, (1988), also arrived at a similar definition when he propounded that a company is Market Oriented if "information on all important buying influences permeates every corporate function," (p. 120), "strategic and tactical decisions are made inter-functionally and inter-divisionally", (p. 121) and "divisions and functions make well-coordinated decisions and execute them with a sense of commitment." (p. 122).

Gatignon and Xuereb, (1997), wrote that Market Orientation is positioned as marketing's contribution to business strategy and is considered an important strategic orientation, an

assertion collaborated by Hunt and Lambe, (2000). Kohli and Jaworski, (1990), also formally defined Market Orientation as "the organization-wide generation of market intelligence pertaining to current and future customer needs, dissemination of the intelligence across departments and organization-wide responsiveness to it".

Another writer by name Ruekert, (1992), also affirm that the level of Market Orientation in a business unit is "the degree to which the business unit (1) obtains and uses information from customers; (2) develops a strategy which will meet customer needs; and (3) implements that strategy by being responsive to customer needs and wants."

However, Deshpande, Farley, and Webster, (1993), used the term Customer Orientation (instead of Market Orientation) as "the set of beliefs that puts the customer's interest first, while not excluding those of all other stakeholders such as owners, managers, and employees, in order to develop a long-term profitable enterprise"

The implications of believing in the marketing orientation concept become clearer when the alternatives are examined: There are three main alternatives to adopting a marketing orientation. These are: Sales Orientation, Production Orientation, and Product Orientation.

### **2.1.3 Sales Orientation**

Some companies see their main objective as selling more of the products or services they already have. They may therefore, be expected to make full use of selling techniques such as pricing, promotion and distribution skills (just like a marketing-orientated companies).

The difference is that a sales-orientated firm or company pays little attention to customer needs and wants, and does not try particularly hard to create suitable products or services.

#### **2.1.4 Production Orientation**

A production-orientated company is said to be mainly concerned with making as many units as possible. By concentrating on producing maximum volumes, such a company aims to maximize profitability by exploiting economies of scale. In a production-orientated company, the needs of customers are secondary compared with the need to increase output. Such an approach is probably most effective when a company operates in a very high growth markets or where the potential for economies of scale is significant.

#### **2.1.5 Product Orientation**

This is subtly different from production-orientation. Consider a company that is "obsessed" with its own products – perhaps even arrogant about how good they are. Their products may start out as fully up-to-date and a technical leader. However, by failing to consider changing technological developments or subtle changes in consumer tastes, a product-orientated company or firm may find that its products begin to lose ground to competitors.

### **2.2 Performance**

According to an article titled 'Method Acting and (Biomechanics) Performance', sited on the net ([direct.vtheatre.net](http://direct.vtheatre.net)) Performance is a human activity, interactional in nature and involving symbolic forms and live bodies, which constitutes meaning, expressing or affirming individual and cultural values, meaning "to complete" or "to carry out

thoroughly," execution, accomplishment, fulfillment; show. The performance event is the embodiment or enactment of the text-usually a collaborative endeavor involving one or more performers, text, audience, and context.

Performance is generally referred to as work being done, as well as achievement of results through the work that has been done. It can be defined as the outcome of work because it provides the strongest linkage to the strategic goals of an organization, customer satisfaction and economic contributions.

Performance can also be defined as 'actions, products or processes that can be specified and assessed and which rely on knowledge, abilities and skills for delivery and which have an appropriate weighting among the cognitive, psychomotor and affective domains for the purpose'. (An article sited on Web search on 10<sup>th</sup> April 2007)

In an effective performance management approach, measures are not used for assigning blame or to unknowingly comply with reporting requirements. Quite simply, they are used to create and facilitate action to improve performance. Measures and performance information must link to strategic management processes.

The term "Performance Management and Measurement" refers to any integrated, systematic approach to improving organizational performance to achieve strategic goals and promote an organization's mission and values. In this sense, Organizational Performance Management is quite different from Individual Performance Management which specifically targets the personal performance framework.

The main aim of the Performance Management System is to improve the results of individual or personal efforts by linking these to the organization's corporate goals and objectives. It is the ideal means through which employees' performance can be improved by ensuring the appropriate recognition and reward for their efforts, as well as improving communication, learning and working arrangements.

Many Performance Management Systems make use of some new approaches such as "Balancing Scorecard", "Total Quality Management" (TQM), Best Practice "Benchmarking" or "Business Process Re-engineering" (BRP). Performance measurement must be considered as part of the overall performance management system and be viewed as the process of quantifying the efficiency and effectiveness of actions.

Brizius and Campbell, (1993), also revealed that an effective Performance Management system produces information that delivers the following benefits;

- Provides an early warning indicator of problems, and the effectiveness of corrective action.
- Provides input to resource allocation and planning. It can help organizations prepare for future conditions that will likely impact program support function operations and the demands for products and services, such as decreasing personnel or financial resources or changes in workload. Use of measures can give organizations lead times for needed resource adjustments if these conditions are known in advance.

- Provides periodic feedback to employees, customers, stakeholders, and the general public about the quality, quantity, cost, and timeliness of products and services.
- Perhaps most importantly, measures and builds a common results language among all decision-makers. Selected measures define what is important to an organization, what it holds itself accountable for, how it defines success, and how it structures its improvement efforts.

### 2.3 Competition

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Competition includes all the actual and potential rival offerings and substitutes that a buyer might consider. Kotler, (2000), explains competition in four levels based on degree of product substitutability: (1) Brand competition, where a company sees its competitors as other companies offering a similar product and services to the same customers at similar prices; (2) Industry competition, where a company sees its competitors as all companies making the same product or class of products; (3) Form competition, where a company sees its competitors as all companies manufacturing products that supply the same service; and (4) Generic competition, where a company sees its competitors as all companies that compete for the same consumer dollars.

Companies in any type of competition in a particular market, be it Brand, Industry, Form or Generic adopt frequent advertising, new product development, price wars (to some extent), add-on services, credit and diversification into other related industries as tools to gain competitive advantage.

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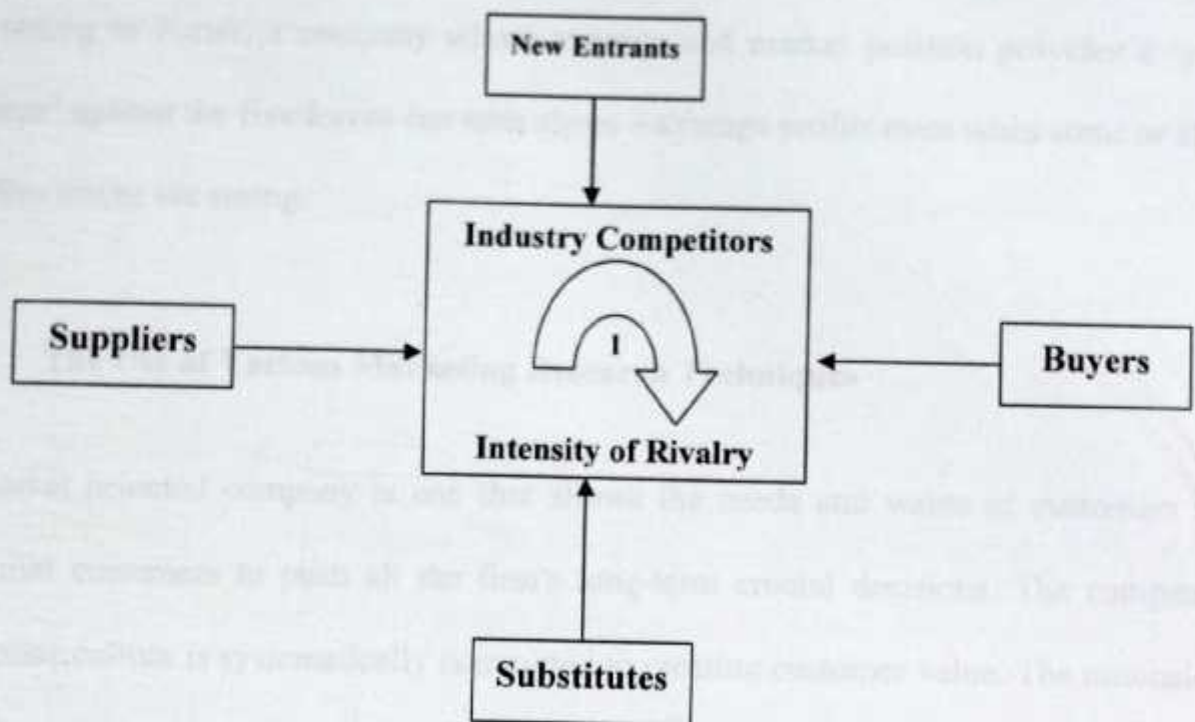
However, the intensity of competition in the industry is influenced by an increase in the number of competitors, low brand switching cost, declining market growth rate and the fact that customers have become sophisticated.

Factors leading to these trends are akin to those used by a renowned writer called Michael E. Porter in his analysis of industry in 1985. Thus, the Porter's Five Forces and Industry Analysis. This analysis begins with the general examination of the forces that influence organizations in an industry and its main objective is to use it to develop competitive advantage to defeat its rival companies. The model focuses on five main forces which shapes competition. These include;

- The rise of new entry by potential competitors
- The degree of rivalry amongst established companies within the industry
- The bargaining power of buyers (customers)
- The bargaining power of suppliers and
- The closeness of substitutes to company's product(s).

An industry analysis begins with the general examination of the forces persisting in the industry and influencing companies. These are represented in a model postulated by Michael E. Porter in 1985 AD.

**Figure 2 1. Elements of Industry Structure: Porter's Five Forces**



**Source: Michael E. Porter, Competitive Advantage, New York Free Press, 1985. A Division of Macmillan Inc.**

Using the diagram, Porter, (1985), opined that a company or organization operating in an industry has to conduct extensive analysis of the five forces mentioned above. The procedure begins with;

- i. Identification of the main sources of competitive pressures that is rivalry among competitors, substitute products, potential entry, bargaining power of suppliers and the bargaining power of buyer.
- ii. Assessment of the strength of each competitive force using scores of strong, moderate and weak, and a scale of 1 – 5 (1 = weak; 5 = strong) and finally

- iii. Explain how each competitive force works and its role in overall competitive picture.

According to Porter, a company whose strategy and market position provides a 'good defense' against the five forces can earn above – average profits even when some or all of the five forces are strong.

#### **2.4 The Use of Various Marketing Research Techniques**

A market oriented company is one that allows the needs and wants of customers and potential customers to push all the firm's long-term crucial decisions. The company's corporate culture is systematically committed to creating customer value. The rationale is that the more a company understands and meets the real needs of its consumers, the more likely it is to have happy customers who come back for more, and tell their friends. This process can entail the fostering of long term relationships with customers. In order to determine customer wants, the company usually needs to conduct some form of marketing research. Overall, the marketer expects that becoming marketing oriented, if done appropriately, will provide the company with a sustainable competitive advantage.

According to the American Marketing Association (AMA), marketing research involves the marketing function that links the customer and public to the marketer through information. Marketing information is used to identify marketing plans and monitor marketing performance. To Farese et al (2003), marketing research involves the methods

used to gather information, analyze it and report findings related to marketing of goods and services. Marketing research can apply to any aspect of marketing.

The type of marketing research companies undertake depends on the problem that they are trying to solve. Some of the most significant areas of research, as enumerated by Farese et al (2003), are attitude research, market research, media research and product research.

#### **2.4.1 Attitude Research**

Attitude research, also known as opinion research, is research designed to obtain information on how people feel about certain products, ideas, or companies. Through interviewing techniques using random samples of the population, opinion poll results can be generalized to the entire population. A company considering a major expansion might be interested in the attitude of the general population toward the economy.

#### **2.4.2 Market Research**

Market research involves the systematic gathering, recording, analyzing and presentation of information related to marketing goods and services. Market research is concerned with the size, location and makeup of the market for a particular product or service. It uses market analysis to obtain the necessary data.

#### **2.4.3 Media Research**

Media research focuses on issues of media selection and frequency. It measures the effectiveness of the advertising message and media placement. Media research is done on

various forms of media such as print, broadcast and online. Companies often conduct research to determine which media or mixes of media are most effective for getting an advertising message to a particular market.

To conduct that research, companies may request information from the print, broadcast and online media of interest to them. In most cases information received would include a rate card, which lists the advertising costs, as well as its circulation or viewership figures, deadline dates and other requirements for submission of an advertisement. Other information might be about the readers, subscribers or viewers with regard to age, income, interest, hobbies, occupations, and attitudes.

#### **2.4.4 Product Research**

Product research centers on evaluating product design, package design, product usage and consumer acceptance of new and existing products. Many new products and their packages are designed, tested, changed and introduced each year. Product research is also conducted to collect information about competitive products

#### **2.5 The Broad Product Lines**

According to Farese et al.(2003), a product line is a group of closely related products manufactured and/or sold by a company. Retailers frequently sell more than one product line. In product lines, a product item refers to a specific model, brand, or size of a product within a product line. Typically, retailers carry several product items for each product line they sell. In the words of Farese et al.(2003), the width and depth of a company's product offerings define a product mix. Product width refers to the number of different

product lines a business manufactures or sells, while product depth refers to the number of product items offered within each product line. Product mix strategies vary with the type of business.

A product mix strategy is the plan for how the company determines which products it will make or stock. Companies can use different product mix strategies depending upon their resources and their objectives. Some companies develop completely new products to add to their current product lines. Others expand or modify their current product lines. Sometimes companies drop existing products to allow for new product offerings. To determine its product mix, a business needs to identify its target market, its competitors, and the image the company wants to project. Farese et al, continued that after a target market and an image have been identified, a company must plan its product lines and items to manufacture or sell.

Periodically, a company also must review whether its existing product lines need to be expanded, modified, constructed or deleted. To make such decisions, a company must take an objective look at sales as well as other factors such as current trends. A product that experienced success in the past may not continue to thrive if consumers' wants and needs are changing.

## **2.6 Product Innovation Techniques**

Innovation is the activity of people and organizations to change themselves and the environment. It means breaking routines and dominant ways of thinking, introducing new things and behaviors, launching new standards. Focused on a creative orientation,

Innovation arises from non-satisfaction with the current state of art, by leveraging technological and social new opportunities. It is together an individual stance, an organizational process, a social movement. In terms of the macro-economic policy-making innovation is a relevant change in policy variables, as taxation level or the reference interest rates.

Innovation is the complex development of discoveries (e.g. new physical laws) and inventions (e.g. new machinery) brought in the company and social environment (e.g. introduced on the market), hopefully leading to diffusion (adoption by new users). During the diffusion process, improvements to both the idea and implementation often require further innovation. Successful innovations are often imitated by other players in the same industry or applied - by analogy - in other industries.

Innovation is costly and uncertain, with the consequence that the innovation circuit comprehends financial institutions and that the problem of who finances innovation and how much is crucial. Out of several cases, innovation can basically be:

- a **product innovation** (e.g. new goods or services put on sale);
- a **process innovation**, which changes the way a given good is produced within the firm or across a supply chain;
- a **behavioral innovation**, when an organizational routine is replaced with new ones.

Quite often, innovation turns out to be a mix of all three 'pure' categories, as with the case of the introduction of a new product which requires new productive competences

and changes in the organization. What is a product innovation for a supplier can be a process innovation for a user, as with the case of a new machine which revolutionizes the process of manufacturing. In this case, investment is the means by which innovation is spread over the economy.

## 2.7 Customer satisfaction

Whether the buyer is satisfied after purchase depends on offer's performance in relation to the buyers expectations. According to Kotler (2000), satisfaction is a person's feeling of pleasure or disappointment resulting from comparing a product's perceived performance (or outcome) in relation to his or her expectations. Satisfaction is a function of perceived performance and expectations. If the performance falls short of expectations, the customer is dissatisfied. If the performance matches the expectation, the customer is satisfied. If the performance exceeds expectations, the customer is highly satisfied or delighted.

Cacioppo and Petty (1986), viewed Customer satisfaction as the state of mind that customers have about a company when their expectations have been met or exceeded over the lifetime of the product or service. The achievement of customer satisfaction leads to company loyalty and product repurchase. There are some important implications of this definition:

- Because customer satisfaction is subjective and non-quantitative, measurement won't be exact and will require sampling and statistical analysis.

- Customer satisfaction measurement must be undertaken with an understanding of the gap between customer expectations and performance perceptions.
- There should be some connection between customer satisfaction measurement and bottom-line results.

Customer satisfaction measurement reports the state of mind that customers have about a company and its products or services when their expectations have been met or exceeded. This state reflects the customer's lifetime of product or service experience.

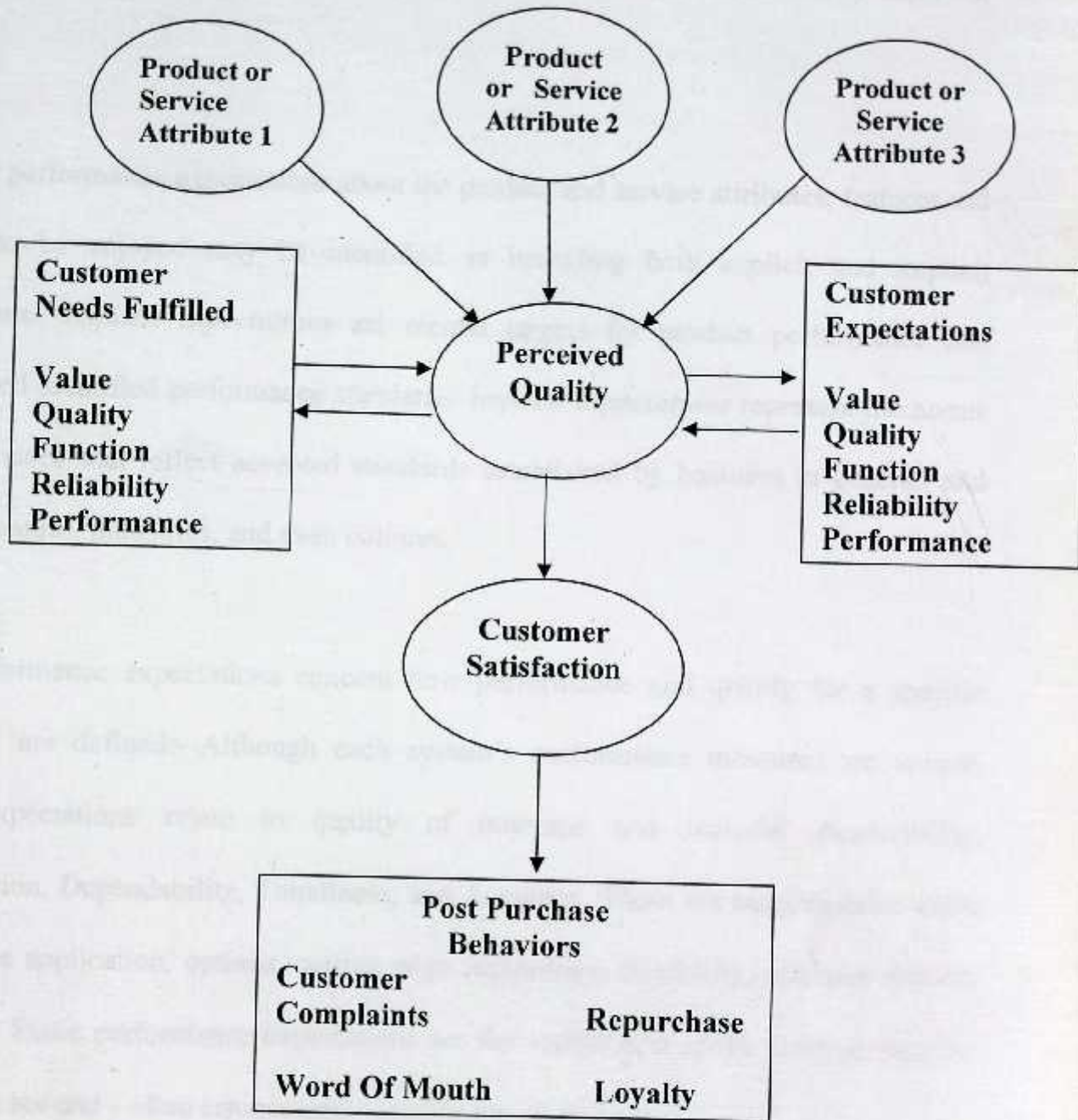
Customer satisfaction with any product or survey reflects the evaluation of the product, service, company, and environment. Customer satisfaction is critical to any product or service because customer satisfaction is a strong predictor of customer loyalty and product repurchase.

Customer satisfaction may be measured by including cognitive (thinking-evaluative), affective (like/dislike), and behavioral dimensions of the product or service experience.

A customer satisfaction survey, along with market segmentation and concept testing surveys is one of the three most common survey types.

Graphically, customer satisfaction can be depicted as being influenced by perceived quality of product and service attributes, features and benefits, and is moderated by customer expectations regarding the product or service.

**Figure 2. 2** Customer Satisfaction Survey



**Source:** [www.surveyz.com/images/image002.jpg](http://www.surveyz.com/images/image002.jpg), 2007

Customer satisfaction is largely a reflection of the expectations and experiences that the customer has with a product or service. However, expectations also reflect or influence the evaluation of the product or service. When we make major purchases, we research the product or service and gain information from the advertising, salespersons, and word-

of-mouth from friends and associates. This information influences our expectations and ability to evaluate quality, value, and the ability of the product or service to meet our needs.

Customer performance expectations about the product and service attributes, features and benefits to be enjoyed may be identified as including both explicit and implicit expectations. *Explicit expectations* are mental targets for product performance that include well identified performance standards. *Implicit expectations* represent the norms of performance that reflect accepted standards established by business in general, and other companies, industries, and even cultures.

Static performance expectations concern how performance and quality for a specific application are defined. Although each system's performance measures are unique, general expectations relate to quality of outcome and include: Accessibility, Customization, Dependability, Timeliness, and Accuracy. These are tangible cues which augment the application, options, cutting edge technology, flexibility, and user friendly interfaces. Static performance expectations are the visible part of the iceberg; they are the ones we see and - often erroneously - assume are all that exist.

Dynamic performance expectations are about how the product or service evolves over time and includes the changes in support and product or service enhancement needed to meet future business or use environments. Dynamic performance expectations may result in revised 'static' performance expectations as new uses, integrations, or systems require changes.

Interpersonal expectations involve the relationship between customer and the product or service provider. These person to person relationships are increasingly important, especially where products require support for proper use and functioning. Expectations for interpersonal support include technical knowledge and ability to solve the problem, ability to communicate, time to problem resolution, courtesy, patience, enthusiasm, helpfulness, understanding of situation and problem, communication skills, and customer perceptions regarding professionalism of conduct, often including image and appearance. For each of these types of expectations that results in customer satisfaction or dissatisfaction and complaining behavior, the perceived quality and value are critical and result in repurchase and loyalty.

Perceived quality is often measured in three areas: overall quality, reliability, and the extent to which a product or service meets the customer's needs. Customers' perception of quality is the single greatest predictor of customer satisfaction.

Perceived value may conceptually refer to the overall price given quality or the overall quality given price. Perceived value is measured in many ways including overall evaluation of value, expectations of price to be paid, and more rigorous methodologies including the Van Westendorp pricing analysis, and Conjoint analysis.

Consumer behavior literature shows that price is a primary indicator of quality when other attributes and benefits are relatively unknown. However, for repeat purchases in some product categories, price may be reduced in importance.

Customer loyalty reflects the likelihood of repurchasing products or services. Customer satisfaction is a major predictor of repurchase, but is strongly influenced by explicit performance evaluations of perceived quality, and perceived value.

## 2.8 Organizational Structures

An organizational chart clearly identifies a company's characteristics to enable both employees and bodies external to the company (customers, suppliers and other stakeholders) to identify the make-up of the company. It identifies the number of people working in the company, what the company hopes to achieve and its line of command. By clearly outlining an organizational structure one will be identifying: who is responsible for what areas of business; who to go to with problems or queries when they arise; why the company exists and what it hopes to achieve; and who is responsible to whom.

Strategy is a concept, an abstraction, a theory of the business, often inferred by reviewing a pattern of managerial decisions. Structure is real, an artifact, a visible determinant of the practice of business, often designed to orient, limit and motivate managerial decision making. That strategy drives structure is a long-accepted tenet deriving from Chandler's (1962) seminal, historical analysis. That structure which in turn creates strategy is increasingly recognized but not that well understood. The theory of the business (strategy) is the basis of organization design (structure) and organization design defines the managerial decision orientation.

The administrative systems perspective identifies (organizational) structure and (planning and control) systems as the two levers that managers can utilize to create the desired form of (competitive) strategy and (management) style. The administrative systems perspective described earlier identifies two indirect ways in which structure impacts strategy. One of these is the impact that the choice of structure has on the planning and control systems in the organization. Most visibly and directly, organizational structure, almost by definition, determines the design of the control system.

The parameters, for example sales revenue or profits that define the performance of an organizational unit have to reflect the scope of decision authority that the unit possesses. Within a division, if a unit that markets certain products decides the selling price of these products, then the appropriate performance measure is profit - the unit manager makes the decisions that combine price and volume to maximize profits. If the unit has no say in deciding the selling price then it can reasonably only be evaluated on the basis of sales volume or sales revenue, not profits.

To some extent, structure broadly defines the limits of responsibility and authority of the unit managers and the control system has to map directly on these limits. Indeed, in the view of some sociologists, structure is control. A maxim in the management control discipline is that "what you measure is what you get." If you measure revenue, profits or market share, then the manager being measured will focus, respectively, on improving revenue, profits or market share.

Control systems have a fundamental influence on decision-making and structure defines the control system. Similarly structure has a fundamental influence on the planning system that supports the creation of strategy. For instance, the definition of what are the "strategic business units" within a multi-business organization greatly influences the design of the planning system and process, which in turn inevitably guide strategic analysis and thinking.

The second strong though indirect link between structure and strategy is through the impact of structure on the management style in the organization. For instance, hierarchical structures are thought to limit creativity and idea generation at lower levels in the organization with obvious implications for strategic flexibility and innovation. Alternatively, flat organizations are preferred where knowledge and idea-generation are widely distributed in the organization and high-involvement (Lawler, 2003) mode of strategy creation is desired.

The design of the organizational structure and the desired strategic posture necessarily has to be in harmony. Strategy itself is expected to define a harmonious relationship between the organization and its environment. As the business environment changes, so also must strategies change. The more dynamic the environment, the more flexible strategy needs to be. Changes in strategy require and are created by changes in structure. Structure can be viewed as the brush that paints the strategic posture of the organization, the managerial wand that transforms the concept of strategy into reality.

A recent benchmarking study on strategic planning Camillus, (1998) highlighted the strategy or approach now adopted by companies as the leading edge of managerial practice. In Royal Dutch Shell, for instance, the driver of performance is the amalgam of strategy and structure. Rapid and quantum changes in performance are much more readily attained through modifying structure than through visualization and communications of a desired new strategic posture.

## 2.9 The Petroleum Industry

The petroleum industry has been grouped into two main segments namely the upstream and downstream. The upstream activity, which is yet to realize its full potential in the country, is being handled by Ghana National Petroleum Corporation (GNPC). They have been mandated to undertake exploration into crude oil and other mining activities.

The downstream activity consist of refining and supply of crude oil into the various petroleum products (Diesel, Premium or Petrol, Kerosene, Liquefied Petroleum Gas, Marine Diesel and Premix) by Tema Oil Refinery (TOR), whilst the various Oil Marketing Companies distributes these refined products including bitumen and lubricants to the consuming public through their retail and consumer outlets.

There are other key industry players who work in tandem with TOR and are charged with overseeing and regulating activities of the oil marketing companies. These include;

- **The National Petroleum Authority (NPA)**, who are responsible for the issuance of permits and licenses, conduct tenders for supply of refined petroleum products

and regulate prices, a responsibility which hitherto was done by the Energy Commission;

- **The Environmental Protection Agency (EPA)**, a body responsible for environmental compliance issues;
- **Ghana Standard Board (GSB)** which promulgates standard for ensuring high quality of petroleum products supply and in right quantities;
- **Factory, Office, Shops and Industry Inspectorate Division**. They have an oversight responsibility of the registration of factories, the health, wealth, welfare and safety of persons and employees.
- **The Calibration Companies** which are mandated to calibrate new storage tanks and carry out periodic calibration for existing ones, distribution and marketing of

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## **2.10 Ghana Oil Company Limited**

Ghana Oil Company Limited (GOIL) succeeded the marketing outfit of AGIP Ghana Company Limited, a subsidiary which was established in Ghana on June 14, 1960. In 1974, the government of Ghana acquired 100% shares from the owners namely AGIP S.P.A. and SNAM S.P.A. (both of Italy) and changed the name of the company to Ghana Oil Company Limited by a special resolution in 1976. The main objective was to market petroleum products and other related products, particularly fuels, liquefied petroleum gas (LPG), lubricants, bitumen and specialty products in Ghana.

The Government of Ghana wholly owns the company. A nine-member Board of Directors governs the company. Apart from the Managing Director, all other directors are

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non-executive. The directors comprise lawyers, business executives, a chartered accountant and other professionals.

GOIL came out with a new vision in the latter part of 1999 "to transform the company into a dynamic, highly efficient and profitable independent and largely own Ghanaian oil marketing company operating in a healthy, safe, environmentally friendly and socially responsible manner in Ghana and within the West African sub-region".

In line with its business operations, GOIL operates an extensive network of distribution depots at various parts of the country including Tema, Takoradi, Kumasi, Tamale, Buipe and Accra. Co-ordination of activities is done through the various Zonal Offices. The Southern zone office is responsible for the Greater Accra, Volta, Eastern and parts of Central regions. The middle Belt, Kumasi office, is responsible for the Ashanti, Brong Ahafo and parts of Western and Eastern regions. As the names imply, the Northern zone office in Tamale has oversight responsibility for the Northern, Upper East and Upper West Regions while the Zonal Office in Takoradi handles the Central and Western Regions. A Central Depot is located in Tema, the industrial centre of the country. It is responsible for the distribution of products to the various depots.

The Company also operates an extensive retail network of about 146 stations, comprising 85 filling and 61 service stations. They also have about 138 consumer outlets that spread across the country. In other words, the company finds itself in an industry, which is driven by two main sectors, namely Retail Network and Industrial/Commercial. Whilst the focus of the retail network sector is to meet the demand of passenger/commercial

vehicle through a network of service stations across the country, the industrial/commercial sector serves various industrial and commercial establishments in the nation through the depots.

The downstream retail network core business of these oil marketing companies is basically the refined petroleum products which include the white products (super, diesel and kerosene), lubricants, liquefied petroleum gas (LPG) and special products, also referred to as specialties. The white products and LPG are refined and supply by Tema Oil Refinery (TOR) and therefore are not differentiated by quality or attributes but by related or associated services.

The oil marketers only differentiate the lubricants and specialties using their brand names and various additives. GOIL services their retail and commercial customers with wide range of Auto Lubricants, Transmission Lubricants, Specialties or Special products and Car Care. The auto lubricants range from mineral to synthetic based lubricants otherwise called auto lubes. They also have lubricants specifically made for commercial vehicles or diesel engines (CVL – commercial vehicle lubricant) as well as those refined for spark or petrol engines (otherwise known as PVL - passenger vehicle lubricant).

Among the auto lubes are 'Diesel Gamma – SAE 40, Diesel Sigma SAE 30, Diesel Sigma SAE 40, Diesel Sigma S 40, Diesel Sigma SAE 50, Diesel Sigma SG 40, Diesel Sigma SG 15W/40, and Diesel Multigrade 15W/40 (all CVL or diesel engines). Others are Motor Oil HD 40/50, GOIL Engine Oil 40/50, S.M.O. 20W/50, and Super Turbo

15W/40 and EMD S 40 (all for PVL super / petrol engine) There is also a synthetic base lubricant called SINT 2000 10W/40 for super or petrol engine.

Transmission lubricants include Rotra HY 90, Rotra HY 140, Rotra MP 90, Rotra MP 140, Rotra HY 80W/90, Rotra HY 85W/140, Rotra MP 80W/90, Rotra MP 85/140 and Rotra ATF. Others are ATF II D and Dexron III.

Also in the range of Specialties are Domus Oil, Brake Fluid (Dot 3), Brake Fluid (Dot 4), Penetrating Oil, AGIP Antifreeze and New GOILTOX. The Car Care range also comprises Radiator Flush, Radiator Sealant, Dashboard Spray, Car Polish, Car Shampoo, Upholstery Cleaner, Starter Spray and Contact Drier.

They also offer a range of Greases at the various stations. These include Grease 30, GR MU 3, GR MU EP 2, GR MU EP 3, GR NG 3, GR SM 2, GR NF 2, GR PV 2, Grease 33 FD and MP Grease.

The above product lines and ranges make motorists or customers from a very wide range of different categories to demand and use whatever specifications are required by the type of cars they use. This enables the company to satisfy its numerous customers.

The Zonal Office in Kumasi, which is responsible for operational and marketing activities within the Middle Belt Zone, is headed by a Zonal Manager. The area also has an Accountant, an Operations Engineer, two Sales Representatives (otherwise known as marketing executives), a Commercial Sales Executive and a Customer Service

Representative. There are 20 and 10 retail fuel stations operating in the Ashanti and Brong Ahafo Regions respectively.

There are two main types of retail fuel stations namely service station, where lubricant servicing and other ancillary services are provided and the filling station, where there is no lube bay service (although lubricants are sold). The stations are also categorized base on the type of ownership or interests therein. That is Dealer Owned Dealer Operated (DODO) and Company Owned, Dealer Operated station (joint venture station or CODO).

For the former, a private individual puts up the property and receives some level of support from the company in terms of equipment and funds, and enters into contractual agreement with the company to sell petroleum products under the company's brand name. The latter is also where the company appoints or employs an individual to operate a station built and owned by the company under certain contractual arrangements. Out of 146 filling and service stations, 65 are operating under the joint venture agreement while the remaining 81 are wholly owned by the company

In either case, there are some levels of control from the company to protect and defend its brand name and image. There is also a high level of exclusivity in the operational and marketing activities in both systems of operation.

This research however, was concentrated on the marketing activities in the retail network stations and narrowed down to the operations within the middle belt zone.

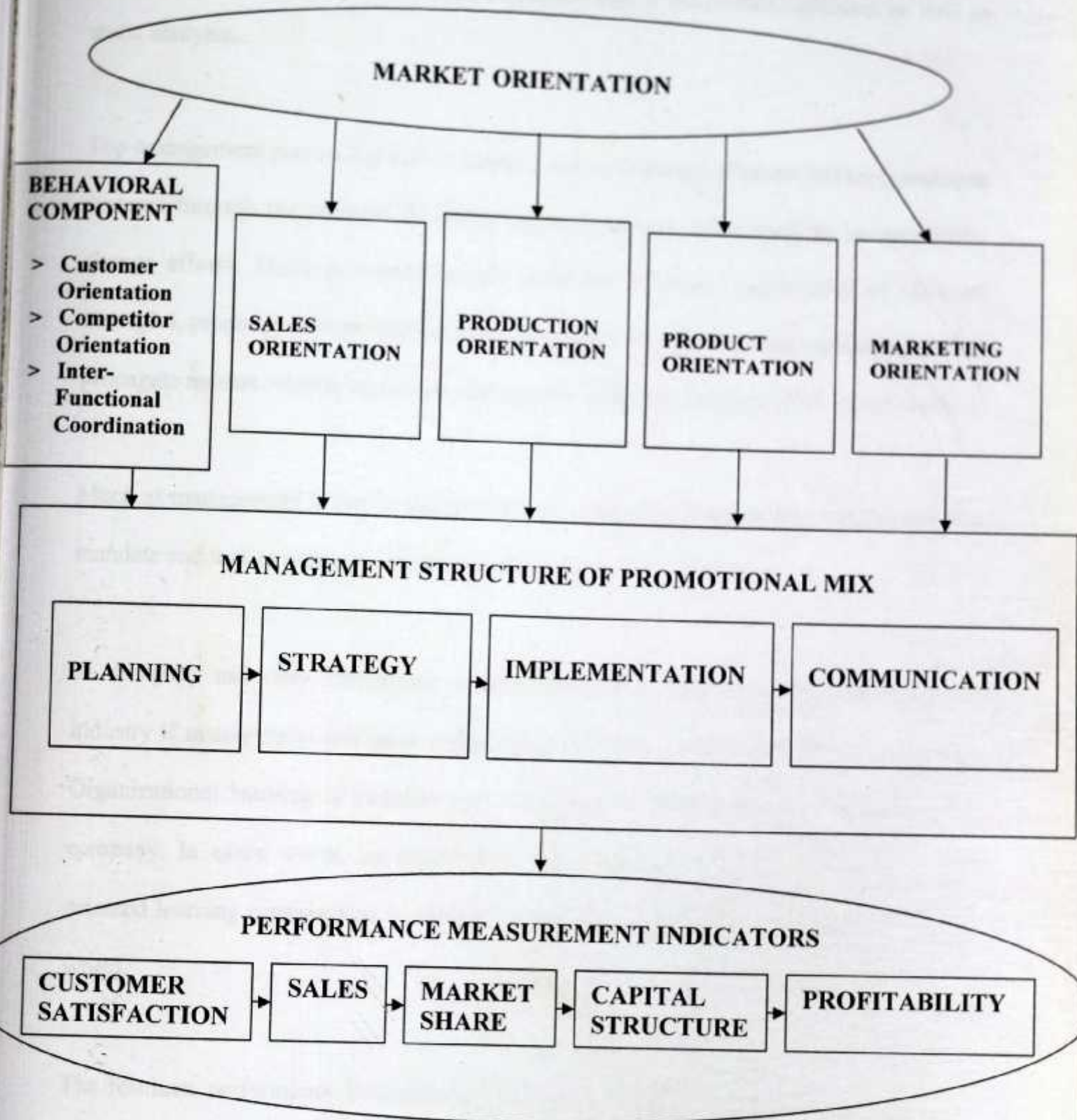
## **2.11 Conceptual Framework**

According to Narver, (2007), market orientation is an organization culture in which all employees are committed to the continuous creation of superior value for customers. It is cross functional and consists of Customer orientation, Competitor orientation and Inter-functional Coordination (product, production, sales and marketing orientations).

The emphasis therefore, is on market orientation and performance relationships, customer value by way of effectively managing customer satisfaction and organizational learning which involves the culture and behaviors of all employees of a company.

Figure 2.3

**CONCEPTUAL FRAMEWORK OF THE IMPACT OF MARKET ORIENTATION ON COMPANY'S PERFORMANCE AND COMPETITIVENESS. A CASE STUDY OF GOIL GHANA LIMITED**



Source: Authors Own construct, 2007

In the words of Narver, the greater a company's market orientation, the greater its return on capital invested (ROI), sales growth, new product success, and customer retention. The market orientation and performance relationship is observed in dynamic as well as static analysis.

Top management plays a key role in creating and maintaining efficient market orientation systems through the creation of results-driven processes rather than by programmatic change efforts. These processes include pragmatic planning, formulation of effective strategies, proper implementation of these strategies and effective communication tools to propagate market orientation culture amongst the company staff and other stakeholders.

Much as management is key in this process, the marketing function also has the ongoing mandate and task to manage customer satisfaction.

A company can only create and sustain competitive edge over competition in the industry if management and other stakeholders are able to learn faster than competitors. Organizational learning is therefore very important in creating market orientation in a company. In other words, an organization must develop a culture that is a market-oriented learning organization in order to achieve maximum effectiveness in a dynamic world.

The resultant performance indicators are customer satisfaction, increased sales, market share growth, effective capital structure and overall profitability as well as share value.

## CHAPTER THREE

### METHODOLOGY

#### 3.0 Introduction

The methodology used to achieve the objectives of the study includes the study design, data collection techniques and tools, data sampling and analysis. Data was gathered from both primary and secondary sources and various opinions and observations were gathered from various motorists, both customers and non customers of Ghana Oil Company Limited (GOIL), as well as personal observations made during site visits to the various stations in the middle belt zone (Ashanti and Brong Ahafo Regions)

#### 3.1 Study Design

The study design was a descriptive cross sectional study. A descriptive cross-sectional study was done by using both quantitative and qualitative tools.

#### 3.2 Data Collection Techniques and Tools

Data collection techniques that were used include administration of Questionnaires alongside verbal interviews as well as reviewing existing data.

The study also relied on both qualitative tools such as, open and closed - ended Questionnaires and an interview guide, and quantitative tools such as a review of existing data and records for data collection.

### **3.2.1 Data Collection**

Data collected during the study was from both from primary and secondary sources.

### **3.2.2 Primary**

Primary data was collected from the Zonal Manager, Sales Representatives (Marketing Execcutives), the Accountant and Customer Service Representative at the zonal office as well as Managers, Assistant Managers, Pump Attendants and customers at various stations visited, through the use of written questionnaire and an interview guide.

### **3.2.3 Secondary Data**

Secondary data was collected from annual reports and periodicals of Ghana Oil Company Limited (GOIL). Others were taken from Tema Oil Refinery (TOR), Tema Lube Oil Company (TLOC) and the National Petroleum Authority (NPA).

## **3.3 Study Population**

The study population comprises of the staff of Ghana Oil Company Limited (GOIL) Zonal Office in Kumasi including the Zonal Manager, Marketing Executives, Accountant and the Customer Service Representative. Also in the population are 20 fuel station Managers, 20 assistants as well as 40 pump attendants and 157 customers of GOIL in the Middle Belt Zone, which embraces the Ashanti and Brong Ahafo Regions.

## **3.4 Scope of Study**

The study was limited to the Middle Belt Zone which happens to be the second most densely populated Zone in the country and happens to be the second in the rating of the

number of stations and sales activities. The zone lies in the middle of the country and would best help address the research objectives. Also, the study was restricted to the retail network stations since the area covers over 60% of the customer base of the company and constitutes the core business of same.

### **3.5 Sampling Methods**

Purposive sampling method and convenient sampling method was used in the study. A purposive sampling method was used to select the zonal manager; marketing executives, accountant and customer service representative from the zonal office as well as managers, assistant managers and pump attendants that constituted the sample. Convenient sampling method was used to select the customers that constituted the sample size.

#### **3.5.1 Sampling Technique**

On the sampling technique used, 20 out of the 30 stations in middle belt zone as well as the zonal office were used for the study. There were 30 stations in the middle belt zone, 20 in the Ashanti region and 10 in the Brong Ahafo region. 14 stations were selected from the Ashanti region and 6 from the Brong Ahafo region. All the stations had a manager and either one or two assistants (called Clerks), depending on the size of the station. The sample for service station includes the manager, one assistant (called Clerk) and two attendants from each of the chosen sites. For the Customers, between five and ten were interviewed from each station.

### **3.5.2 Sampling Size**

The sample size for the study includes all the 40 managers (dealers) and assistant managers (clerks), 40 pump attendants from the forecourt as well as 157 customers. There are 30 stations in the zone out of which 20 were sampled, so taking one manager or dealer, one assistant and two pump attendants from each station that sums up to 80. At the district office the zonal or district manager, two sales representatives (marketing executives), the customer service representative and the district or zonal accountant were interviewed. A minimum of five customers were interviewed at every station (depending on size and volume).

### **3.6 Data Processing and Analysis**

Data collected through interviews were recorded by the use of recorders and note books and transcribed in line with the specific objectives. Questionnaire were also administered and checked for corrections, completeness and used stored for analysis.

The data collected from the field was coded and analyzed using Statistical Programme for Social Scientist (SPSS) version 11.0.

The data was analyzed based on the stated objectives using the SPSS program for tables and percentages. The information was used to plot graphs using Ms Excel from which conclusions were drawn. Findings were mainly in absolute figures and percentages.

Refer to attached Appendices for sample questionnaires for the various sampled groups.

## CHAPTER FOUR

### ANALYSIS OF DATA AND FINDINGS

#### 4.0 Introduction

In all 242 people made up of a mix of GOIL workers, allied workers (assigns) and customers were interviewed. Among them were the Zonal Manager and the Zonal Accountant, 2 Sales representatives and the Customer Service Representative at the middle belt zone. 20 dealers or station managers, 20 Assistant Managers and 40 pump attendants were also interviewed. The sample also includes 157 motorists and customers from all walks of life who pulled at the station to fuel their cars.

The company's customer base comprises Government Ministries, Departments and Agencies (MDAs), Public Organizations, Private and Commercial vehicle users. Out of these, MDAs and Public Organizations constitute about 48% of the customer base and this is as a result of the fact that most of them have been compelled to do so by successive governments. For this reason, the company does over 50% credit sales.

Out of the 157 customers interviewed (65% of total interviewees), 121 (77%) were loyal customers or repeat buyers, 32 (20%) were floating buyers or indifferent with brands (purchase from any station on their route) with only 4 (3%) customers buying from GOIL for the first time out of necessity.

In addition to the above, there were personal observations made while on sites conducting the interviews. There have been other discussions with friends, colleagues and other acquaintances who patronize stations from other Oil marketing Companies.

#### 4.1 Performance Review

In spite of these challenges, the company has grown in profitability over the years. With a 34% increase in marketer's margin in 2005, net turnover of the Company increased by 39.7% to the sum of ₵1.381 trillion compared to ₵988.2 billion in 2004. Gross margin of ₵131.54 billion was generated, resulting in an increase of 25.32% over the previous year. With regards to net income after tax, the Company recorded a 3% growth over the previous year.

However, there was a drop in return on capital employed due to high expenses and increased taxation. Whereas, the Company recorded 26.62% in 2004, the subsequent year they recorded an increase of 17.53% in returns. This is a reflection of the increase in operating expenses from ₵84,618 billion in 2004 to ₵102,545 billion in 2005. These results have emphasized the need to streamline activities and improve on efficiency.

Most players in the industry use product differentiation strategy for the lubricants market, specialties and service category in view of the fact that fuel is sourced from the same refinery. GOIL's sustained control of a sizeable portion of the lubricant market is supported by their advertising campaign, which they have carried out over the years.

In addition, they have strategically positioned themselves by penetrating the mass market mainly dominated by commercial vehicles. The main focus is the lower grade lubricants, whose margins are equally on the low side. However, with a significant number of motorists identifying with and patronizing their lubricants, they have effectively maintained a sizeable market share (average of 43.1% within the period January – June, 2006) with equally great returns. Indeed, the company used a similar strategy during their price reduction campaign in 2003, which was largely successful. The GOIL brand name is quite synonymous with lower-prices within the commercial sector.

#### **4.2 Measuring Performance**

According to the Zonal Manager, targets are set for each product for the year and that the company determines performance (sales) based on actual sales against target set on a monthly basis. This is used to determine market share of the company in the industry. The Zonal (District) Manager also supported the assertion that meeting set targets at the end of appraisal period (monthly, quarterly, bi - yearly or yearly) in terms of sales is what they used to measure performance. Coincidentally all the station managers (dealers), assistants and the pump attendants responded affirmatively to that.

#### **4.3 Competition**

In terms of measures in place to be in competition, the Zonal Manager said the concept of market orientation is being enacted on the minds of all employees (across functional departments); after which aggressive marketing skills should be the hallmark of every member of staff. Constant market survey, monitoring competitive activities, improving upon customer service, meeting demand of customers at all times and continuous training

programs for staff and other stakeholders to improve their skills and efficiencies were some of the points enumerated by the Zonal Manager.

Currently, there are over 40 Oil Marketing Companies in the country categorised into four groups based on the market shares. The major players are Shell Ghana, Total Petroleum Ghana Limited (merger between Total Ghana Limited and Mobil Oil) and Ghana Oil Company Limited. The recent entry of Allied Oil and Engen Oil has added another dimension to the level of competition within the industry. As at June 2006, the four leading companies Shell, Total, Mobil and GOIL had over 64% of the total market share in Ghana (refer to table 4.1 and figure 4.1).

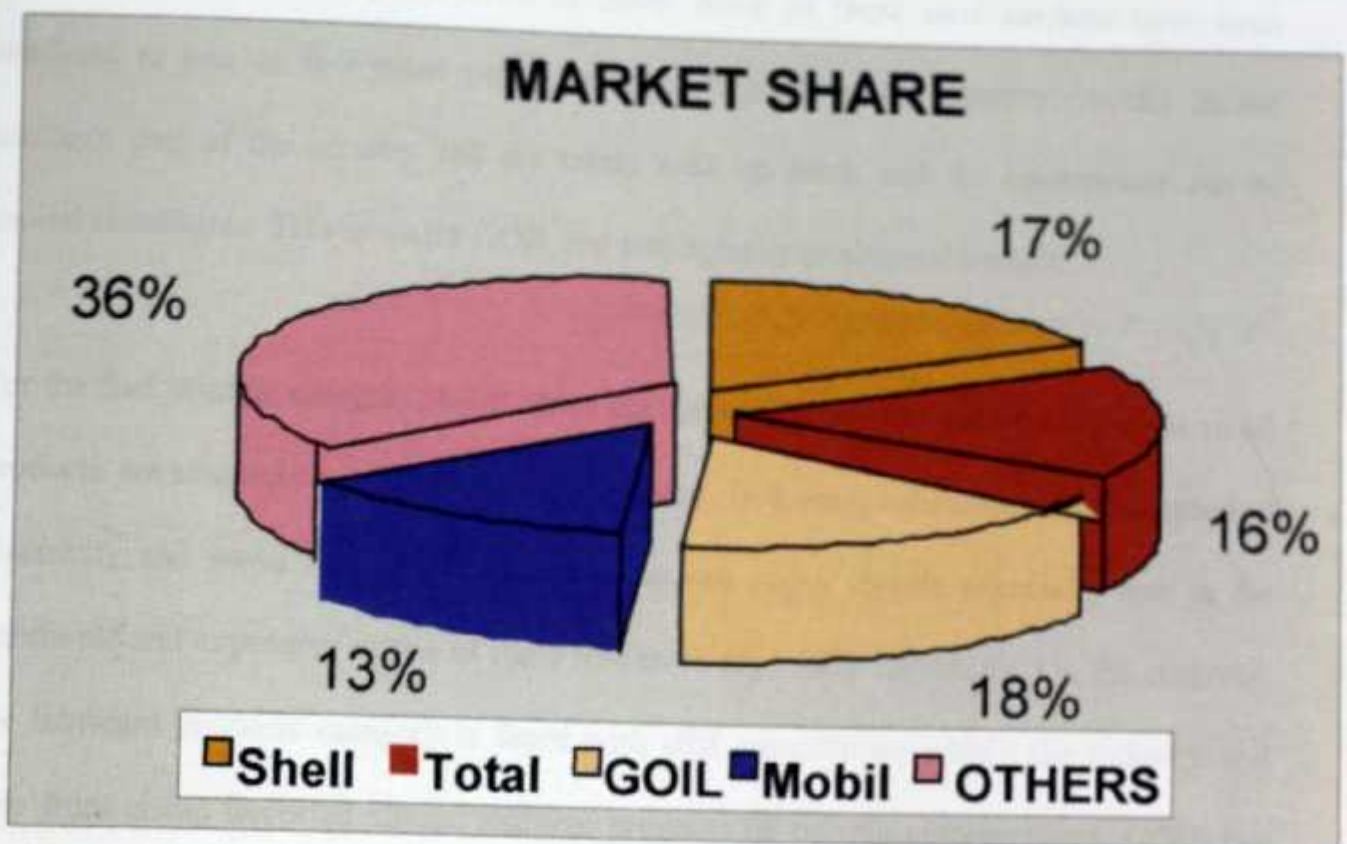
**TABLE 4.1 Cumulative Market shares for the Oil Industry from January to June, 2006**

GRADE A		GRADE B		GRADE C		GRADE D	
NAME	% MKT SHARE	NAME	% MKT SHARE	NAME	% MKT SHARE	NAME	% MKT SHARE
Shell	17.05	Star	5.83	Excel	1.53	Universal	0.31
Total	16.21	Allied	5.44	Unity	2.31	Others	6.21
GOIL	17.98	Glory	4.48	Fraga	2.13		
Mobil	13.04	Nasona	2.82	Oando	2.59		
				Engen	1.08		
				Agapet	1.00		
<b>Total</b>	<b>64.28</b>	<b>Total</b>	<b>18.57</b>	<b>Total</b>	<b>10.64</b>	<b>Total</b>	<b>6.53</b>

\* Grade 'D' OMCs are those with market shares less than 1%.

*Culled from: TID Report (January – June, 2006)*

FIGURE 4.1 Cumulative Market shares for the Oil Industry from January to June, 2006



In addition to the distribution of petroleum products indicated, the OMC's also deal in the non-fuel range of distribution and marketing of insecticides, car care products, LPG accessories and other special products.

Secondary data collected supports Porter's (1985) key competitive forces in the industry, amongst them: threat of new entrants, threat of substitutes and competitive rivalry. Porter continued that, to establish a strategic agenda for dealing with these forces and to grow despite the presence of new entrants, a company must understand how they work in the industry and how they affect the company in its peculiar situation.

The policy on entry into the industry has been reviewed by government to boost the private sector. With government's new policy on deregulation, many more marketers, mostly local investors have entered and the number of competitors has increased from six in 1999 to forty-three by the close of 2006. Most of these new entrants have been confined to one or few retail points in selected parts of the country, mostly in the southern part of the country and are rarely seen up north and the countryside due to capital constraints. This is where GOIL has strategically positioned herself.

For the fuel product category, GOIL does not face any severe threat of substitutes as all products are sourced from the Tema Oil Refinery. In a way, substitutes can be traced to electricity and wood fuel. However, these are not major threats especially due to the unreliable and expensive nature of these resources especially electricity. On the contrary, the lubricant products category is faced with stiff competition within the industry and also from cheap imported special additive products by private entrepreneurs. GOIL has surmounted this challenge effectively with a sustained advertising campaign.

The table below shows GOIL's strength in this regard. There was a slight dip in April due to a penetration strategy by Shell, which carried out an outreach to the major garages nationwide. GOIL bounced back strongly by intensifying the advertising campaign.

**TABLE 4.2 GOIL's Lubricant market share for January to June, 2006**

Month	January	February	March	April	May	June
Market share	43.9%	45.3%	48.3%	38.9%	40%	42.4%

*Culled from: TID Reports (January – June, 2006)*

A SWOT analysis of GOIL would help to better appreciate the company's position within the industry.

#### 4.3.1 Strengths

- Expansive distribution network; With representation in all the ten regions, one hundred and ten district and two hundred and thirty constituencies in the country, GOIL can effectively capitalise on economies of size and scale.
- The Company uses a business strategy of diversification of services to meet the demand of the market. It provides high class one-stop service centres for high class as well as fuel sales only service for motorists at their relatively modest filling stations. In view of this, the company has been able to maintain their market share and even made appreciable gains over the past years.
- Community reputation. The Company is one of the traditional oil marketing companies in Ghana and can be said to have significant goodwill among the motoring public due to her corporate social responsibilities within communities.
- The supply arrangement in place with corporate clients ensures at least a certain level of income.
- Company's ownership of stations ensures sustainability of business. It also ensures retention of full margins allowed by the National Petroleum Authority.
- GOIL is wholly owned by the Government of Ghana and has a 'mandatory' customer – base. All the Government Ministries, Departments and Agencies (MDAs) and other public organizations are obliged to fuel from GOIL.

### 4.3.2 Weakness

- The Company, like many state-owned institutions, has high administrative expenses as well as difficulty in debt collection. This has weakened their cash flow position.
- Over-reliance on government agencies, where the risk element is extremely high in the area of credit management and debt collection.
- Not much emphasis on sale of fuel to the commercial, industrial, mining, aviation and bunkering sectors, which are highly competitive and profitable. These sectors are currently dominated by Total and Shell. Hopefully, this could be addressed during their eventual enlistment on the stock exchange, which would give them a better opportunity to exploit more profitable avenues.
- Bad maintenance culture, culminating to bad appearance and equipment at majority of their stations.

### 4.3.3 Opportunities

- The liberalization of oil marketing in Ghana offers opportunities for growth to companies like GOIL, which has a solid infrastructure base, if the right strategies are adopted.
- Increased business opportunities within the industrial and corporate sectors since government is on an investment drive to attract foreign partners.
- Proper credit management would yield better returns on products sold and reduce the increased cost of financing.
- Re-alignment of operational duties for greater efficiency.

- Government's plan to enlist the company at the stock exchange market to boost capital inflows.
- Steady growth in automobile market and industrialization due to improvement in the country's economy.

#### 4.3.4 Threats

- The main threat facing the Company is competition from the well-established companies, which have more financial strength, economies of scale and more operational efficiency to push GOIL out of the market.
- Lowering of entry requirements into the oil industry. The independent marketers currently control about 35% of the market. With government adopting measures to liberalize the economy, more entrants are expected in the industry. Table 4.1 attached shows the growth of the independents over the past five years.
- Restricted margins. The business, which is margin-based, is extremely sensitive to cost. Therefore any operational inefficiency is likely to affect the operating margin and sustainability.
- Increasing bargaining power of buyers. Buyers have greater options to make choices from with the opening up of the industry.
- Slow market growth. With the increased entry of independents, the market is almost saturated. This might limit opportunities for growth.
- Inconsistency in supply of products from TOR.

#### 4.4 Market Structure

In a highly competitive environment, every company within the industry would like to gain advantage over their competitors. Basically, opportunities for profit-making depend on the competitive environment.

The environment currently, is one whose entry barriers are somewhat restricted by the heavy capital injection required to start up. Even though, there are a significant number of regulatory bodies to restrict entry, the recent proliferation of smaller entrants has reduced their effectiveness. The market is dominated by 4 major players (Shell, Total, GOIL and Mobil – which has been taken over by Total), who control over 64% of the market and therefore make substantial returns on their investment. It might be argued that the 4 traditional oil marketing companies (almost becoming 3) might be in some form of cartel, on account of the substantial size of market share they control. However, it might not necessarily be the extreme form, given that buyers are well-informed about the prices of the core product (fuel) which is, homogenous.

Whilst the NPA determines the range of maximum indicative price for petroleum products and most recently has opened the flood gates for a price war amongst the players, ex-pump prices still fall within a limited range (refer to table 4.3, which shows just minimal variances in price differentials for premium gasoline). This suggests some tacit collusion within the industry. Indeed, each company is cautious about any arbitrary increase and would rather consider the reactions of others when contemplating their own moves.

**TABLE 4.3 Price range for premium gasoline for selected OMCs within Accra (¢)**

Govt price	Mobil	Total	Shell	GOIL	Allied	Oando	Engen	Fraga	OJK
8104	8099	8098	8096	8094	8093	8094	8083	8100	8089

*Culled from: TID Report, (July, 2006)*

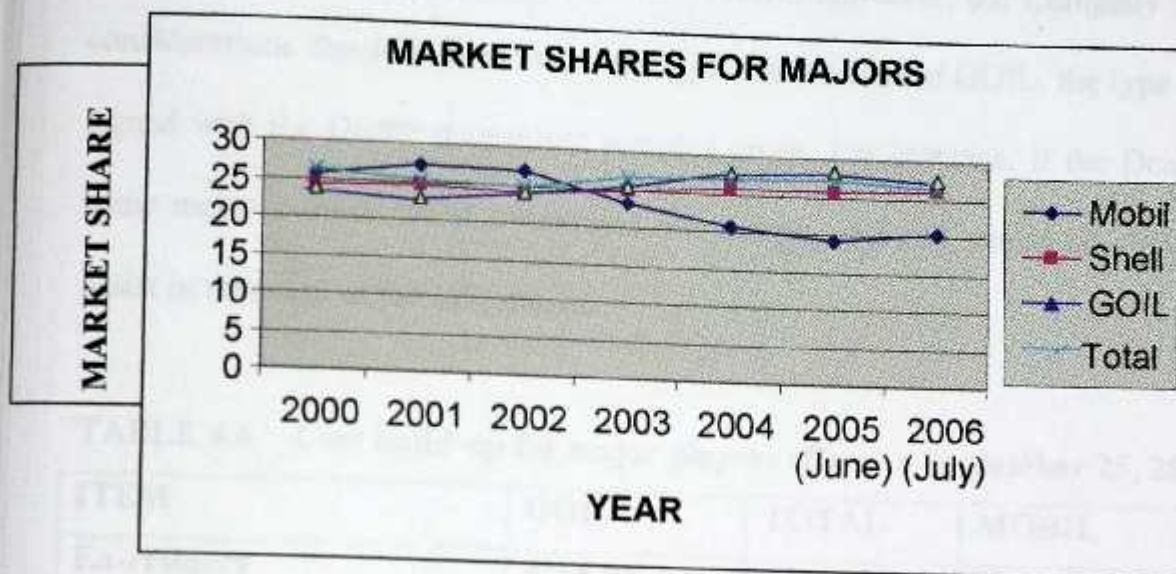
GOIL has been largely successful in a somewhat oligopolistic market by anticipating the reaction of the consumers and their competitors to price changes. After taking a proactive stance in 2003 by introducing a price reduction strategy, supported by sustained advertising prior to the official announcement of government's deregulation, GOIL captured a significant portion of the market. This improved on their market share significantly from 24.0% in 2002 to 25.5% in 2003 and 27.5% as at July 2006 (percentages refer to majors). In other words, GOIL's success factor was the anticipation and direction of consumer behaviour. The latter part of 2004 to 2006 might not actually reflect the true potential of the market since the period was characterised by delivery constraints and rationing of some products as earlier mentioned (table 4.4).

**TABLE 4.4 Market shares for the Traditional Oil Marketing Company (majors)**

OMC	2000	2001	2002	2003	2004	2005 (June)	2006 (July)
Mobil	25.7	27.2	27.0	23.1	20.5	19.1	20.2
Shell	24.3	24.7	24.0	24.8	25.6	25.6	25.9
GOIL	23.7	22.9	24.0	25.5	27.6	28.2	27.5
Total	26.3	25.2	25.0	26.6	26.9	27.1	26.4

*Culled from: Annual TID Report, (July, 2006)*

**FIGURE 4.2 Market shares for majors players**



*Culled from: Annual TID Report (July, 2006)*

Even though GOIL benefited initially from a significant price reduction, it faced stiff competition within the period 2004 to 2006. In a government-controlled supply environment, GOIL's volume trend is indicated in the table below for half year 2006.

**TABLE 4.5 GOIL's Volume Trend from January to June 2006**

Month	January	February	March	April	May	June
Volumes (KTs)	16.491	16.855	16.324	16.363	14.326	17.066

*Culled from: TID Report (July, 2006)*

#### 4.4.1 Price Structure

The price structure is virtually the same for most OMCs. The government approved one is given to the OMCs. The major difference is the margin split between the OMCs and their Dealers. In the case of GOIL, the company has one of the most attractive margins

(commission) amongst the majors as is indicated in the graph below for premium gasoline. It must be noted that the margins indicated are averages for each OMC. This makes it an ideal choice for investment in retail. However, the Company's profitability considerations should inform the margin split. In the case of GOIL, the type of agreement signed with the Dealer determines margins given. For instance, if the Dealer has made some major infrastructural investment, the margins offered would be slightly higher to assist in recovery of the investment.

**TABLE 4.6 Cost build-up for major players effective September 25, 2006**

ITEM	GOIL	TOTAL	MOBIL	SHELL
Ex-refinery	4265.93	4265.93	4265.93	4265.93
Excise duty	718.20	718.20	718.20	718.20
Social impact levy	442.56	442.56	442.56	442.56
Debt recover levy	500.00	500.00	500.00	500.00
ITEM	GOIL	TOTAL	MOBIL	SHELL
Road fund levy	600.00	600.00	600.00	600.00
Energy fund levy	5.00	5.00	5.00	5.00
Exploration levy	10.00	10.00	10.00	10.00
Cross subsidy levy	500.00	500.00	500.00	500.00
Primary distribution levy	44.00	44.00	44.00	44.00
BOST Margin	88.00	88.00	88.00	44.00
Sub-total	7173.69	7173.69	7173.69	7173.69
Transport (UPPF)	280.00	280.00	280.00	280.00
Dealers Margin	250	183.00	218.00	229.00
Marketer's margin	400	467.00	432.00	421.00
Customer discount	(10)	(6.00)	(5.00)	(8.00)
Open market	8094	8098	8099	8096

*Culled from: NPA price build-up (September 2006) and major OMCs*

Highest figures for Dealers Margin (250) and Customer discount (10) shows the level of appreciation and responsiveness of the company to its customers – Customer 'market' orientation

#### **4.4.2 Demand Pattern**

Demand in the petroleum industry is largely influenced by the general level of economic activity and the supply disruptions from the refinery. Though price could also be considered a factor of demand, the general trend in the consumption pattern of the product (which is a necessity for both domestic and industrial use) after various prices adjustments reveals that demand is relatively price inelastic. A close observation of the market indicates that a week or two after a price increase, consumption dips and then picks up immediately. This is usually a natural reaction to change.

#### **4.4.3 Supply Pattern**

The petroleum industry is critical to the economy as it drives the transportation, construction, mining and manufacturing sectors. Currently, TOR is the sole supplier in the industry. The refinery relies on imports and therefore any instability in the international market affects the cost of the products. Supply is therefore highly impacted by the prevailing domestic financial status of TOR and international economic conditions. The supply situation is highly challenged by the debt build up of TOR which hindered the importation of products therefore affecting the supply pattern. It is hoped that the continuous restructuring of the TOR debt by the government and the installation of a Residual Catalytic Cracking Unit recently installed by TOR at the refinery will improve the supply of products, which is a main challenge to the industry.

Furthermore, the direction by the government to deregulate the industry by allowing oil marketing companies to import refined fuel to supplement production from TOR will greatly impact on availability of fuel at all times.

As a result of the supply situation, industry growth has undergone a chequered pattern as indicated in the table below.

**TABLE 4.7 Industry Growth Rate**

Year	2001	2002	2003	2004	2005	2006
Avg. growth rate of industry	(2.5%)	2.9%	(8.6%)	3.8%	(6.7%)	(2%)

*Culled from: TID Reports (2001-2006)*

#### **4.5 Use of Various Marketing Research Techniques**

According to Farese et al (2003), marketing research involves the methods used to gather information, analyze it and report findings related to marketing goods and services. Some of the most significant areas of research, as enumerated by Farese et al are attitude research, market research, media research and product research.

It came to light from the interviews that not much could be said about the marketing research techniques used in the company. According to the Zonal Manager, there is a special department created to undertake market research in order to be abreast with events and activities that happens within the industry. He also said that the company was not so much involved in research work. However, the company has in place a strong

customer service department that, once a while, makes enquiries into the performance of the sector.

#### **4.6 Product Innovation Techniques**

GOIL has not removed any of their products and services but instead have added on to. The District Manager did mention the selling of LP Gas by rendering door-to-door service. He also said they have initiated the process to distribute Bitumen, mining and aviation fuel. None of the Station Managers or their assistants could readily name any product or service line recently introduced or launched. However, shop attendants at one of the stations revealed that some of the products in the shop have been removed from the shelves (in other words, no more on sale), and a few others have been added on.

In terms of the various techniques employed during new product launch, service or product innovation, the District Manager said the company mostly organizes seminars, training and fairs for existing and prospective or potential consumers. According to the District Manager, advertisements, demonstrations, workshops and sensitization were some of the techniques used. In a sample survey by the zonal office, 12 out of 20 dealers (60%), 11 out of 20 assistant managers (55%) and 7 of 40 pump attendants (17.5%) said they prefer product launch through promotions. Others chose advertisements.

#### **4.7 Customer Satisfaction**

Cacioppo (1998) wrote that Customer satisfaction is the state of mind that customers have about a company when their expectations have been met or exceeded over the lifetime of the product or service. The achievement of customer satisfaction leads to

company loyalty and product repurchase. In all 73 (46%) respondents (customers) said they were very satisfied with the products and services. Some said they provide very good fuel with others saying they provide good fuel. Also, 13 (18%) out of the 73, who were commercial drivers said they hardly buy their fuel from other stations. Again, 9 (6%) respondents said they were indifferent, thus could not tell whether they were satisfied or not, but the rest 75 (48%) just said they were satisfied. Some of those who said they were just satisfied did talk about the fact that there were occasional shortages at some of the stations. The shortage complaint expressed by the customers happens to be one of the problems enumerated by all the managers, assistant managers and pump attendants.

As to how customer satisfaction was measured, the zonal manager said a customer care section has been established. They collate the database of most of their customers and make regular calls to ascertain whether they are dissatisfied or otherwise and take remedial measures to correct them where necessary. According to the District Manager, customer satisfaction is measured when goods and services provided meets the expectations of the customer or even exceeds customers' expectation so that there is mutual benefit to both the customer and company.

The managers and assistant managers as well as the pump attendants assert that customer satisfaction is measured by their various responses after they have received products or services rendered. Some of the attendants said when a customer comes to the station and gets all he or she needs in the right quality and quantity, the person is said to be satisfied.

In response to a question on customer retention and improvement on customer base, there were numerous comments that came from the managers and assistant managers as well as the pump attendants. In what appeared to be unanimous, they assert that the stations provide and give good, quality products and service to customers. There is a very good interpersonal relationship between the workers and customers, high respect for the customers as they provide customers with the needed assistance as well as good technical advice. Some of the pump attendants went further to say that the way they signal to call customers to their station and relate to them add value to their service offering and brings in more customers. The district manager said that the company rewards loyal customers; organize promotions to attract new customers and conduct market research to identify potential and prospective customers to win them to their fold. He also said that in terms of customer retention, the company meets customer demands on time, provides satisfactory services and keeps a good personal relationship with them. On improvement on customer base, the district manager gave a narration on their plans to look for more sites to build stations and gather adequate data on customers.

#### **4.8 Complaint Monitoring Procedures**

On complaint monitoring procedures, 113 (72%) out of the 157 respondents (customers) said they are not aware of the existence of any complaint procedure. Out of the remaining 44 respondents, 31 (20%) said whenever there is a problem, the manager should be notified. The last 13 (8%) respondents said the problem should be reported to the person in charge at that moment, while other customer said there are supervisors around to handle that.

It was clear from the responses of the managers and assistant managers as well as the pump attendants, that the complaint monitoring procedures were virtually the same. If there is a problem at the forecourt (pump island), the customer needs to report to the attendants or the shift supervisor. If they are not able to solve the problem, then it will be referred to the assistant managers or the manager. At any other unit, the procedure remains the same.

The Zonal Manager, in response to the complaint monitoring procedures said their doors are opened to all people or customers who feel aggrieved or get peeved during product or service delivery. It is incumbent upon all members of staff (from the messenger to the Managing Director) to attend to and deal with any complaint(s) received from customers or refer such complaints to the appropriate authority. In this regard the customer services manager or his assigns in the department.

According to the Zonal Manager, complaints were channeled through dealers (station managers) to either the marketing executives (marketing representatives) or customer service representatives to be dealt with. Where it becomes imperative that the problem is beyond these people, they forward it to the district manager who in turn directs it to the appropriate section or Head of Department for solutions. The Customer Service Department also takes up the challenge and call customers to find out if problems still exist and channel them to the right source. For instance, all technical problems are forwarded to the engineering department whereas all problems concerning product and service delivery are channeled to the Customer Service Department

#### 4.9 Level of Cordiality in the Organizational Structure

In response to the relationship between workers along the organizational ladder, the Zonal Manager said, like any other government organization, there are quite a number of lazy, unskilled and under-utilized staffs who form the majority but who take or receive so much remuneration which they do not deserve. In such situations, there is always grunting, rumor mongering, back bickering, lack of trust and red tapeism among staff within the system. The district manager agreed to these and said it was normal but top management must do well to unfreeze the old ways of doing things by educating those below about the need for all to get focused and committed on the common goal of the company.

With reference to GOIL's aim and objective of improving efficiency and focusing on the core-business activity (marketing of petroleum products), the company has embarked on a human resource organisation and development exercise. Strategic business units have been created along the three core product lines – fuels, lubricants, LPG and operations. A health, safety and environment division has also been established to see to the health, safety and environmental issues of all stakeholders and the organization. In addition, a customer service unit has been included to improve the competitiveness of the various segments of the market in addressing the needs of the customers better. A merchandizing unit to boost range of services at the station is the latest addition.

Line managers otherwise known as Strategic Business Unit (SBU) managers, specialized in the various fields, report directly to the Managing Director. Each of these managers heads a business unit which currently includes highly skilled staff. The U-form

management hierarchy is used in the organisation and this incorporates a pyramid organised according to specialities. To ensure continuous and sustained systems appropriate to internal control and compliance with laid down financial and operational procedures (best practices), there is an Internal Audit Department.

The company is trying to develop an internal service culture that reflects motivation, team work and sense of ownership. Indeed, in creating a sense of ownership, each of the line managers is involved in the establishment of goals and budget.

Over the past five years, manpower level was downsized. Staff strength, however, increased from 226 in 2004 to 245 by end 2005, an increase of 08%. This was due to recruitment of highly skilled staff to face the rapidly changing business environment as indicated in the Company's vision and mission statement. A reorganization exercise in the form of early voluntary retirement (redundancy package program) is on-going to reduce inactive and unskilled labour (under employed) and retain a more vibrant and skilled labour force to improve efficiency. In this vain, GOIL will be better positioned to in the minds of customers and well poised to wade off treats of competition. The redundancy exercise aims at improving efficiency to meet challenges in the highly competitive environment. The professionals are imbued with high skills and have new ideas to move the company upwards.

In view of the increasing size of the company's operations coupled with specialisation, GOIL would probably have to re-assess the system of management to ensure adequate supervision at the various levels. This would prevent any opportunistic behaviour by subordinates and safeguard the interest of the shareholder.

## CHAPTER FIVE

### CONCLUSIONS AND RECOMMENDATIONS

#### 5.0 Introduction

The study was aimed at investigating whether GOIL has effectively adopted the market orientation strategy or system in their business operations or not, so as to assess its impact on company's performance within a competitive environment.

The study was conducted using the descriptive cross-sectional study using quantitative and qualitative tools. The data was collected through questionnaire and verbal interviews from the study area and also from secondary sources such as annual and other trade reports at the industry level.

Based on the research findings, conclusions and various recommendations have been made to propel GOIL to become the market leader. Based on findings, the following conclusions were drawn.

#### 5.1 Conclusions

The empirical findings presented in this study give important insight into the understanding and practice of the concept of market orientation and its impact or influence on GOIL's performance and competitiveness.

The analysis of the study showed that there is a close correlation between market orientation and performance. This was based on the beliefs and perception from both the staff of the zonal office and those at the stations, that their activities and attitudes towards customer complaints are directly related to customer satisfaction and retention.

GOIL was using price reduction and product differentiation strategies targeted at the masses since most of the motorists in Ghana, especially commercial motorists, patronize low – priced lubricants and other products. This resulted in the dominance of the market by GOIL from January to June, 2006.

From the research study, GOIL had no customer database system to track the type of complaints, source, date and time as well as response and behavior of aggrieved customers for them to monitor the activities of their customers and to address their grievances.

Another finding was that the company has not created any systematic structure (a marketing dashboard or platform), which would enable different departments or functions to collectively hold discussions about customers, their complaints and the market. The existing practice is that the marketing function handles customer requests and passes on any complaints to the customer service function, whilst Accounting and Finance, Operations, Audit and other ancillary functions stick to their respective traditional roles in the company.

The existing system allows the marketing and customer service staff to focus on satisfying customers' needs but, the knowledge of what exactly these needs are and how they can be satisfied is lacking. There is the need for the skilled professionals in the company to gather intelligence from the market and incorporate them into the company and re-design structural arrangements to accommodate the necessary intradepartmental flow of information.

In spite of these challenges, the company has grown in profitability over the years. However, there was a drop in return on capital employed due to high expenses and increased taxation. GOIL determines performance (sales) based on actual sales against targets set on a monthly basis.

GOIL became the market leader in the industry with a cumulative market share of 17.98% for the period January to June, 2006. Secondary data collected reflects Michael E. Porter's five key competitive forces theory at work in the industry. With government's new policy on deregulation, many more competitors, mostly local investors have entered the industry, increasing the number of competitors from six in 1999 to about thirty eight or more by the of the year 2006.

There is no differentiation in the white product category (premium, diesel, kerosene and LPG) as mentioned earlier in chapter two and as a result GOIL does not face any severe threat from substitutes. However, there are lots of close substitutes in the lubricant and special products category which is currently faced with stiff competition from cheap,

imported special additives and products by private entrepreneurs. GOIL has surmounted this challenge effectively with sustained advertising campaigns.

A SWOT analysis would help to better appreciate GOIL's position within the industry.

➤ Expansive distribution network was a major strength. The Company uses a business strategy of diversification of services to meet the demand of the market. The company's community reputation also constituted a major strength. The supply arrangement in place with corporate clients also ensures at least a certain level of income. Company's ownership of stations ensures sustainability of business.

➤ The Company, like many state-owned institutions, has high administrative expense as well as difficulty in debt recovery, over-reliance on government agencies (MDAs) and other public institutions. There is not much emphasis on the sale of fuel to the commercial sector which is currently dominated by Total and Shell. These government agencies are mandated to buy fuel from GOIL on credit. This poses a challenge in terms of delayed payments and debt recovery.

➤ The current micro economic conditions in the country offer opportunities for growth to GOIL. There are increased business opportunities within the industrial and corporate sectors since government is on an investment drive to attract foreign partners. Proper credit management and re-alignment of operational duties for greater efficiency is required by management of GOIL.

- The main threat facing GOIL is competition from the well-established companies. Lowering of entry requirements into the oil industry and restricted margins were some of the threats. Buyers have greater options to make choices from, with the opening up of the industry. Slow market growth and inconsistency in supply of products from TOR posed great challenge to the company.

In the area of marketing research, not much could be said about research techniques employed in the company. There were product innovation techniques in place within the company.

The management and the workers of GOIL place high premium on customer satisfaction through the establishment of a complaint monitoring procedure.

In relation to the level of inter-personal relations in the organization, the staff rated it just above average and recommended further education along the ladder. Various problems within the area of supervision were also highlighted.

## **5.2 Recommendations**

The concept of market orientation thrives on three important foundations namely: customer focus, coordinated marketing and profitability.

With the advent of the internet and its associated customer enlightenment and empowerment, GOIL has to become customer centric to be able to create efficient future corporate strategies. That is, the basic tenet of the company should be to serve customers

rather than sell products, while at the same time establishing long-term relationships by treating them (customers) as strategic assets.

There is the need for the company to break the narrow confines of the tactical (traditional) '4P framework'. Marketing should be transformed into a company-wide discipline practiced by anyone and everyone. Thus marketing has to become a coordinated, cross-disciplinary function.

Further, the need to maximize profitability is highly essential and serves as bait for potential investors and other stakeholders. The future potential of GOIL and its potential attractiveness is dependent on return on capital and profitability of the company and these will often be controlled by the capital markets after their planned enlistment into same.

For GOIL to effectively become market oriented in a true sense, management needs to establish a customer database system. The sudden increase in internet facilities and the possibility of recording specific details about customers, their online movement and purchase behavior will add power and importance to the database. The first step is for GOIL to optimally leverage this database to its advantage.

The potential marketing intelligence that this database would offer, will allow GOIL to understand their customers' (and potential customers') current and potential needs clearly. After the establishment of a customer database, there is the need to create a marketing dashboard to serve as a systematic structure that would allow different functions to collectively discuss customer issues and the markets. This dashboard would create a

platform where representatives from each function or department can come together and discussed the various functional (especially customers) issues and take collective actions which will result in activities to enhance the company's relationships with customers.

The next step is for GOIL to constantly update its established measuring matrices. This matrices measure marketing activities such as investments, competitive activities, new product launches, customers' reactions, effects of pricing, advertisement and promotion on the company. Efficient, effective and useful matrices would be arrived at through collaborative discussions with other functional departments within GOIL, in line with their corporate mission and underlying philosophy.

However, GOIL should ensure that these matrices incorporate both financial and non-financial measures. The marketing department should also strive for developing matrices that go beyond the discipline and are able to capture the outcome of all activities that bear on the relationship with customers.

There is also the need for management to put measures in place to reduce the high administrative expenses and also improve upon debt recovery program. The management of GOIL should therefore endeavor to institute measures to reduce the company's over-reliance on government agencies, where the risk element is extremely high in the area of credit management and debt collection.

Again, management of GOIL needs to refocus and put more emphasis on sales to the commercial and private passenger vehicles segment, which is currently dominated by Total and Shell since it could also be highly profitable if well-managed.

Management would also have to improve on the level of interpersonal relations within the organization. There is the need for regular education along the ladder.

In view of the increasing size of the company's operations and specialization, the management of GOIL needs to re-assess and evaluate the system or style of management to ensure adequate supervision at the various levels. This would prevent any opportunistic behaviors by subordinates and safeguard the interest of other stakeholders and potential shareholders.

### **5.3. The Need for Future Research**

In order to determine customer needs and wants, a company usually needs to conduct some form of market and marketing research. Generally, marketers expect that an appropriate adoption of the market-orientation philosophy would provide the company with a sustainable competitive advantage. It is therefore recommended for the management of GOIL to place emphasis on market research to better understand consumer needs.

Many of the above findings and conclusions presented in the study may only stimulate or serve as a spring board for further research efforts by GOIL to help understand market

orientation, adopt (or adapt) and improve its application and its effects on their performance.

The direction for future research that may spring from this research would be the need to attempt to seek, construct and validate, through empirical evidence, the measurements of market orientation in the attitudes and the behaviors towards the concept. This would facilitate further research in the field of marketing, and specifically to investigate the relationships between the adoption of market orientation and other stakeholder considerations.

Finally, GOIL may also need to research into the process of market orientation. In a bid to achieve successful revision in the organization and structure as well as attitude and behavior of staff, management of GOIL has to undertake research in this direction so as to be very enlightened and constructive in their business or operational practices.

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**INTERVIEW GUIDE FOR SELECTED STAFF FROM THE KUMASI DISTRICT/ZONAL OFFICE OF GOIL GHANA LIMITED.**

This is a guide for interviewing the Staff of the GOIL Zonal Office, on the project: The Impact of Market Orientation on Company's Performance and Competitiveness. - A case study of GOIL Ghana Limited.

PLEASE, KINDLY TAKE SOME TIME OFF YOUR SCHEDULE TO RESPOND TO THESE QUESTIONS WHICH ARE BEING USED FOR ACADEMIC PURPOSE. A THESIS TO BE SUBMITTED TO THE SCHOOL OF BUSINESS, KWAME NKRUMAH UNIVERSITY OF SCIENCE AND TECHNOLOGY, IN PARTIAL FULFILMENT OF REQUIREMENT FOR THE AWARD OF AN MASTER OF BUSINESS ADMINISTRATION (MBA) DEGREE PROGRAM

THANK YOU

1. What are the measures in place to retain customers and improve on the customer base
2. How is performance of the Company measured
3. In the area of marketing research, What can you say about the Company
4. What are the products and services rendered in the company  
What are some of the products and services added or removed
6. In case of an introduction of new products or services, what are the various techniques employed
7. How do the Company measure customer satisfaction
8. How is the complaint monitoring procedure like in the Company
9. What can be said about the Organizational structure in terms of reporting
10. Given the opportunity, which areas would you like modified
11. What can you say about the relationship between workers along the organizational hierarchy
12. What are the measures in place to be in competition within your trade area

**INTERVIEW GUIDE FOR WORKERS FROM SELECTED FUEL STATIONS IN THE KUMASI DISTRICT/ZONE (ASHANTI AND BRONG – AHAFO REGIONS) OF GOIL GHANA LIMITED**

This is a guide for interviewing selected fuel station managers (otherwise called Dealers), Assistant Managers, Supervisors and/or Pump Attendants of the middle belt zone of GOIL, on the project: The Impact of Market Orientation on Company's Performance and Competitiveness. - A case study of GOIL Ghana Limited

PLEASE, KINDLY TAKE SOME TIME OFF YOUR BUSY SCHEDULE TO RESPOND TO THESE QUESTIONS WHICH ARE BEING USED FOR ACADEMIC PURPOSE. A THESIS TO BE SUBMITTED TO THE SCHOOL OF BUSINESS, KWAME NKRUMAH UNIVERSITY OF SCIENCE AND TECHNOLOGY, IN PARTIAL FULFILMENT OF REQUIREMENT FOR THE AWARD OF A MASTER OF BUSINESS ADMINISTRATION DEGREE PROGRAM

THANK YOU

1. What are the measures in place to retain customers and improve on the customer base
2. How is performance of the station measured
3. In case of an introduction of new products or services, what are the various techniques employed
4. How does your station measure customer satisfaction
5. How is the complaint monitoring procedure like at the Station
6. Given the opportunity, which areas would you like modified
7. What can be said about the relationship between workers along the organizational hierarchy
8. What are the major challenges facing the operation of the service station

## INTERVIEW GUIDE FOR CUSTOMERS AND MOTORISTS

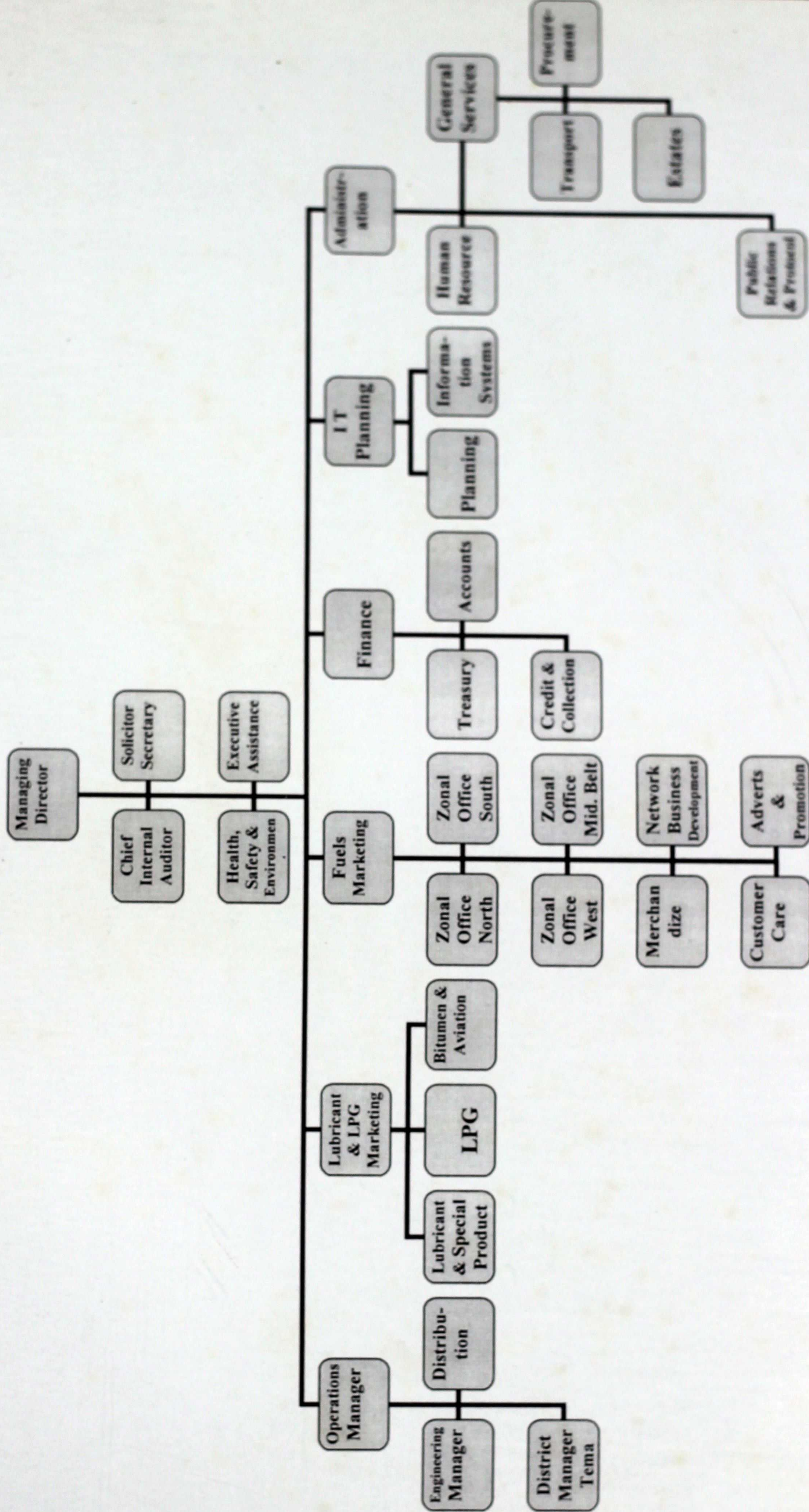
This is a guide for interviewing Customers and other motorists who will pull at GOIL fuel stations within the period of data collection on the project: The Impact of Market Orientation on Company's Performance and Competitiveness. - A case study of GOIL Ghana Limited

PLEASE, KINDLY TAKE SOME TIME OFF YOUR BUSY SCHEDULE TO RESPOND TO THESE QUESTIONS WHICH ARE BEING USED FOR ACADEMIC PURPOSE. A THESIS TO BE SUBMITTED TO THE SCHOOL OF BUSINESS, KWAME NKRUMAH UNIVERSITY OF SCIENCE AND TECHNOLOGY, IN PARTIAL FULFILMENT OF REQUIREMENT FOR THE AWARD OF A MASTER OF BUSINESS ADMINISTRATION DEGREE PROGRAM

THANK YOU

1. Are You a Regular customer of the station
2. Do you patronize products and services from different Oil Marketing Companies
3. What are some of the products and services you patronize at this station
4. What do you like about the customer service delivery of the station?
5. How would you rate the performance in terms of service delivery among other stations operating under different brand names
6. What are some of the changes you may want to be done in service delivery at the station
7. Does the company periodically modify, improve or introduce new products and services
8. Are there opportunities for you to register complaints
9. How does the company respond to complaints

# ORGANIZATION CHART OF GOIL



Source: Goil Ghana Limited Buletting 2006