AN ASSESSMENT OF COMPETITIVE PRICING, STRATEGY AND CUSTOMER LOYALTY IN THE OIL AND GAS SECTOR IN UGANDA: A CASE STUDY OF PETROL STATIONS FOR SELECTED PETROLEUM COMPANIES IN ARUA DISTRICT

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A DISSERTATION SUBMITTED TO THE FACULTY OF BUINESS AND ADMINISTRATION IN PARTIAL FULFILLMENT OF THE AWARD OF A MASTER DEGREE OF BUSINESS ADMINISTRATION OIL AND GAS MANAGEMENT, INSTITUTE OF PETROLEUM STUDIES KAMPALA IN AFFILIATION TO UCU.

JANUARY, 2018

DECLARATION

I declare that am the author of this dissertation about “an assessment of competitive pricing, strategy and customer loyalty in the Oil and gas Sector in Uganda: A case study of Vivo Energy (Shell) and Don Uganda Ltd”, has not been submitted to any institution of learning for the award of any academic qualifications or for any other purpose.

Signed………………………………. Date……………………………….

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APPROVAL

This is to certify that the dissertation prepared by Maya Gloria entitled: An assessment of competitive pricing, strategy and customer loyalty strategy in the Oil and Gas sector in Uganda: A case study of Vivo Energy (Shell) and Don Uganda Ltd is approved for submission.

Sign:……………………………………… Date:………………………………………

JOSEPH JAKISA OWOR

Supervisor

DEDICATION

This Dissertation is dedicated to my beloved family, Mr. Joseph Kenyi, Mrs. Grace Kadayi, my brothers Stephen, Moses, Winnie, my beloved husband Suba Samuel and my children Leah, Leone, Laurenne and Lebron. Thanks for all the support you have given me throughout my academic career and may the good Lord reward you abundantly.

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I thank the Almighty God for giving me the grace; guidance and strength throughout the whole study period because without him I would not have been successful.

I am very grateful to my parents, my brothers, Sisters and my dear husband for their enduring love, care, effort, support and financial aid throughout to this level of my education. May they live to see the outcomes of their sweat and hard work?

Heartfelt gratitude to the management and staff of The Institute of Petroleum Studies but above all, especially to my Supervisor, Joseph Jakisa Owor for the great job done of equipping me with practical skills, guidance in research.

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ABSTRACT

The study aimed at assessing of competitive pricing, strategy and customer loyalty in the Oil and Gas sector in Uganda. The study was guided by objectives which included: to assess the factors affecting competitive pricing, to assess pricing strategies for customer loyalty and to assess how competitive pricing, pricing strategy and customer loyalty relate in the oil and gas sector in Uganda. Furthermore, despite the various pricing strategies adopted by different petroleum companies that are new in the industry, they have still failed to win customer loyalty otherwise enjoyed by the leading petroleum. Therefore, the research findings helped in giving a clear insight on how best competitive pricing strategy can be used by petroleum companies to stay competitive in the market.

The study was carried out using a case study research design where both quantitative and qualitative research methods were used. Simple random sampling of 45 respondents was done and data was collected using questionnaires given to the lower employees of both Don (U) Ltd and Vivo Energy and key informant interviews were done with the top management of the two companies.

The study revealed that competitive pricing greatly affects customer loyalty. Several factors have been found to affect competitive pricing of petroleum companies, for example, cost of production, the nature of market competition and the level of demand of new products in the market. It was further found that there are several pricing strategies that have to be considered for customer loyalty to be achieved in the Oil and Gas industry, the main ones being, price skimming, discounting, customized pricing, value-based pricing, group/ segment-based pricing strategy, market-based pricing and cost-based pricing strategy, among others.

The study recommended that companies dealing in the similar products like the petroleum need to always consider improving their quality because this can to lead to increase in prices of their products. It is also recommended that companies need to first study their market before engaging in competitive pricing and that companies need to also first study their inputs in production and transportation before setting a competitive price, among others.

CHAPTER ONE

1.0 Introduction

There are multiple brands and companies that supply petroleum products in Uganda. Among them are Vivo Energy (Shell), Hashi Energy, Total, Kobil/Kenol, Oryx, Mpishi and Hass. Brands such as Total and Shell have supplied consumers with petroleum products like fuel and cooking gas for a very long time becoming household names while some players are relatively new to the Ugandan market. These include: Hass, Mpishi, Oryx, Hashi, PET Gas, MOGAS LPG, Camel Gas, Lake Gas, and WES Gas. Regardless of being relatively new, these players have grown huge user bases and commercialized the use of gas and this has greatly been attributed to the competitive pricing strategies adopted by these companies (Wafula, 2014). Hoever, this has greatly affected their customer loyalty as statistics show that the number of customers in some of the companies have reduced due to the high prices set by companies. This research addressed several questions associated with factors affecting competitive pricing of petroleum companies in the bid to enhance customer loyalty, strategies how customer loyaltycan be attained by petroleum companies in the oil and gas sector in Uganda and relationship between competitive pricing and customer loyalty in the oil and gas sector in Uganda.

Furthermore, the study focused on two petroleum companies in Uganda which included; Vivo Energy (Shell) Arua Highway Retail outlet located in Arua on Arua Packwach road and Don Uganda Limited Arua Station also located in Arua .

1.1 Background of the study

Petroleum has played an important role in the social, economic, and political history of the world. Since the nineteenth century, countries like the United States have been using petroleum as a source of energy production. However, these countries have encountered major energy crises in 1973, 1979, and 1990. All three of these crises coincided with increased social usage ofpetroleum as well as political turmoil in major exporting countries. Today, countries face fourth energy crises along with economic and political unrest (Sahay, 2015). Throughout the twentieth century and into the beginning of the twenty first century petroleum has played an increasingly important role in the economy of the United States. Petroleum has become an important input in nearly every form of production that is carried out. Farming, mining, and manufacturing of all kinds have come to depend on petroleum and as such the price of outputs in these sectors and the health of our economy have depended heavily on the price of petroleum (Sharma & Iyer, 2011).

The journey to confirm the existence of commercial petroleum resources in Uganda started during the colonial days. Oil seeps were mapped and documented and thereafter wildcat shallowwells were drilled in Kibiro (Hoima), Butiaba (Buliisa) and Semliki valley based on these seepages. These efforts were, however, interrupted by the Second World War and later by colonial policy which zoned the East African region for Agriculture. The political turmoil that existed in Uganda in the 1970s after Independence did not make Uganda an attractive investment destination for petroleum exploration (Byakagaba, 2013).

Uganda spends about sh2 trillion on the importation of petroleum products annually, which is a quarter of the country‟s entire budget. Uganda‟s petroleum products consumption is at 27,000 barrels/day and growing at an annual rate of about 7%. This fact presents an opportunity to Uganda, with the confirmation of over 1.2 billion barrels of recoverable oil in the country (Toolkit, 2015).

This pricing competition in Uganda has been attributed to the fact that Uganda imports all its petroleum products requirements from overseas since there is yet no local production and given that the costs of transportation of the products from the seaports like Mombassa and Dar es Salaam are high (Kalema, 2016). Although such companies have adopted such competitive pricing strategies, they have still failed to oust the customer base and loyalty amassed by companies like Shell and Total which has led to reduced profits and selling of poor quality and duplicated products that has led them into losing their loyal customers through reduced customer base in the long run.

Many companies have been facing severe competition and major customers‟ switch off. Lack of customer loyalty has not been profitable for both the companies and their clients. In the past, many companies took their customers for granted. Customers often didn‟t have any alternative suppliers because the market was growing so fast and competition was very low such that the company didn‟t worry about fully satisfying its customers. A company could lose 100 customers a week, but gain another 1000 customers and considers its sales to be satisfactory. Such a company believes that there will always be enough customers to replace the defecting ones (Kotler & Keller, 2012). However, companies today are working in a highly competitive and rapidly changing work environment. Most company product developments are easy to duplicate and they provide nearly identical services (Anna, Nicola & Alessandro, 2012). Therefore it is easy for customers to switch from one company to another. In such kind of environment, companies need to employ the best pricing strategies which can enable them not only to attract new customers but also retain the existing ones.

Customer loyalty is an important factor in the customer strategy of any organization. Increasing customer loyalty has become a hot topic among managers, consultants, and academic scholars (Boztepe, 2014). The importance of this issue is due to the fact that it leads to purchase of goods and services by the customers. Organizations and institutions that are successful in gaining customer loyalty have a major competitive advantage. Anderson & Fornell, (2015) believe that retaining existing customers is a much more effective strategy for the organization than attempting to attract new customers to replace the lost ones.

For the present research, loyal customers have been studied in order to understand whether competitive pricing has an effect on loyalty. Previous researches have revealed that, as the commercial climate gets tougher and petroleum companies begin to compete with all other petroleum companies who sell similar products, they try to attract customers (Olins, 2013) by using different marketing communication tools. In the highly competitive, complex and dynamic environment of the petroleum industry, the very slight differences which exist in petroleum services and products, together with increasingly demanding customers, have led to great transformations in the industry (Bowen & Shoemaker,2013).

As the competitive environment becomes more turbulent, the most important issue the sellers face is no longer to provide excellent, good quality products or services, but also to keep loyal customers who will contribute long-term profit to organizations (Teng, 2014). Therefore for companies like petroleum companies to effect a change either in a new product or reinvigorate a new brand there are elements that remains constant which must be incorporated in the marketing mix and this is called the Four P„s. These four P„s are product, price, promotion and place

(Simon & Butscher, 2011). In the context of this paper, the emphasis will be on price which is the amount a customer pays for a product or the sum of the values that consumers exchange for the benefits of having or using a product or service (Bearden et al 2014).

Furthermore, competitive pricing has been found to be successful at building trust and commitment with external stakeholders to create those loyal customer relationships (Porrini, 2016). Several studies in the past decade have indicated that competitive pricing has a positive impact on customer loyalty. For example, Bowen & Shoemaker (2013) found that competitive pricing helps company that are unable to anticipate competitor price changes or is not equipped to make corresponding changes in a timely fashion, by offering to match advertised competitor prices in the bid to enhance customer loyalty.

Customer loyalty is greatly affected by the pricing strategies like competitor based pricing of firms and thus companies must keep certain things in mind before setting prices of theirproducts. For consumer, price is the thing that he has to pay to get that actual product or we can say that he must give up some money to acquire that product. So to arouse the interest of the customer companies develop pricing strategies that customers happily pay. Firms should also consider different things like; social changes, economic trends, political situations when developing pricing strategies (Bowen & Shoemaker, 2013).

Despite the increased interest in competitive pricing, limited studies are available to reveal how customers would react toward dynamic pricing. From consumers" perspective, consumers seem to accept the application of dynamic pricing where they are charged different prices for the same service or product (Choi & Coulter, 2012) since dynamic pricing enables consumers to make a choice over the price. Dynamic pricing has been used as a tool to provide price promotion; for example, consumers receive discounted rates if they accept restrictions, or if they make reservations in advance. In addition, studies have showed that consumers react differentlytoward price discounts of the same products or services (Yaprak & Solberg, 2011).

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1.1.1 Theoretical background

According to Monroe (2003), price decisions are one of the most important decisions of management because it affects customer loyalty and profitability and the companies‟ return along with their market competitiveness. Thus, the task of developing and defining prices is complex and challenging, because the managers involved in this process must understand how their customers perceive the prices, how to develop the perceived value, what are the intrinsic and relevant costs to comply with this necessity, as well as consider the pricing objectives of the company and their competitive position in the market (De Toni & Mazzon, 2013a,b; Hinterhuber & Liozu, 2014; Monroe, 2003).

Game theory in the competitive pricing strategy

Game Theory involves the modeling of interactions among agents. Game theory is used in a variety of economic models to examine various different potential outcomes. Game Theory usually involves looking at events where the decisions of others have some influence on your own decisions. For example, in oligopoly firms may be deciding whether to cut prices, increase prices or keep them static (Hughes, Douglas, Malshe & LeBon, 2012).

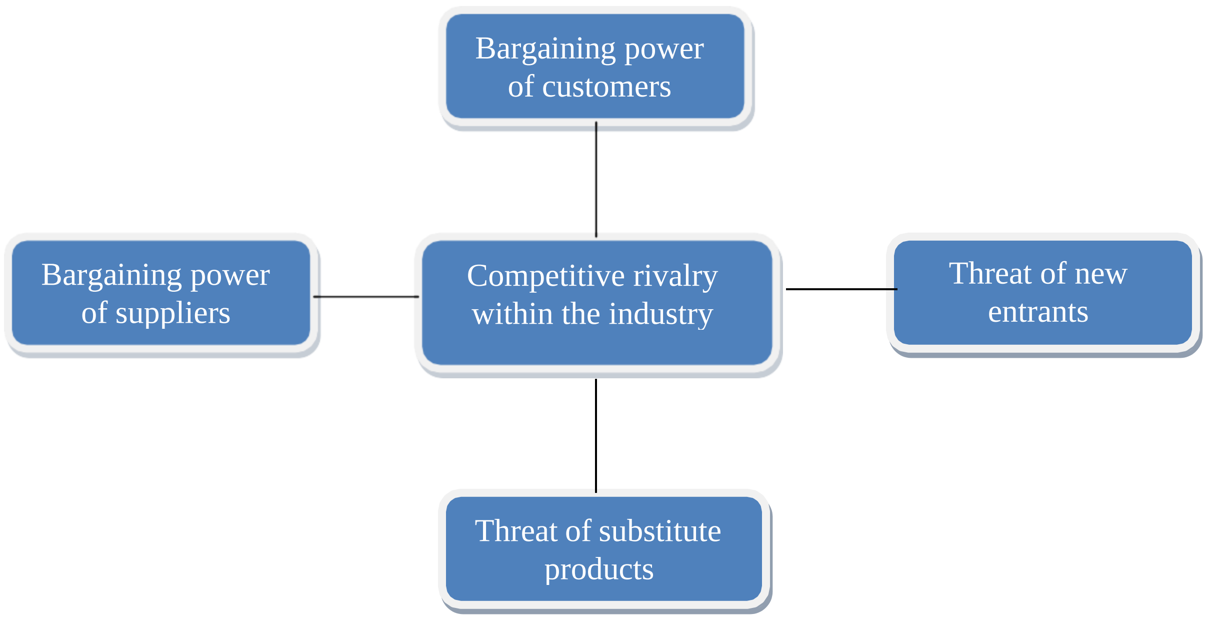
In competitive, monopolistically competitive, and monopolistic markets, the profit maximizing strategy is to produce that quantity of product where marginal revenue equals marginal cost. This is also true of oligopolistic markets. The problem is, it is difficult for a firm in an oligopoly to determine its marginal revenue because the quantity of product that can be sold for a given price will depend on the prices charged by the other firms in the oligopoly and the quantity that they produce. Economists have examined this interdependence by using game theory, which analyzes strategies used by individual players that take into account what the other players will do (Choi, P., & Coulter, K. S., 2012).

Studies of competition dynamics are usually limited to a game theoretic framework where the players are the companies in the market under analysis. For this particular approach, Nash-

Bertrand specification is useful, where players (companies) compete using prices as strategic variables, a reasonable assumption when quantity is flexible when compared to the different levels of demand (Chintagunta *et al*., 2015).

Porter's 5 Forces model in competitive pricing

Porter‟s 5 Forces model explains how petroleum companies can use price competitiveness to attract customer loyalty



Michael Porter‟s 5 forces model are the five renown forces initiated by Michael Porter that give a simplified framework and ideology for assessing and analyzing the competitive strength and position of a corporation or business organization. Porter divided the forces into two i.e. Three forces from Horizontal competition and two forces form Vertical Competition. Michael Porter‟s 5 Forces is part of this research because it vividly provides the basic ground of analyzing competition within a given industry and bring into light the attractiveness in terms of profitability. The three forces from Horizontal competition include Threat of substitute products,Threat of established Rivals and Threat of new entrants while the two forces from Vertical competition include Bargaining power of Suppliers and Bargaining power of customers.

Petroleum companies can utilize Michael Porter‟s Model to get their competitive advantage and we decided to concentrate on two forces out of five i.e. Threat of New Entrants and Competitive Rivalry.

Threat of new entrants: Michael porter identified Threat of new entrants as a force in his model because taking a look at highly performing firms and industries, markets that captivate high and positive trend profits will invite more new firms to join the business. As many firms join the industry, the market share is reduced from the dominant companies which eventually lower the profitability levels of the firms in the industry. Thus, upholding firms should come up with ideas and techniques to block the new entrants so as to limit and control their threat. The following are some ways how petroleum companies can utilize Michael porter‟s model of threatof new entrants to block new firms from entry. For example;

- Petroleum companies can enjoy the economies of scale through the many established branches all over the country acquired over time to penetrate further to the different markets and as well take advantage of existing customers to attract more though referencing and cause vivid impact which will block new entrants into the industry.

- Petroleum companies should take into consideration the idea of tapping the least available market though extra tailored services so as to concentrate the market and put barriers for new entrants into the same market of which such services should be cheaper to attract customers.

- Petroleum companies can highly maintain customer loyalty through best service provision and handling customers as individuals rather than groups and creating in them a feeling of company ownership which will eventually block the new entrants into the firm due to the resistance that they will come across.

Competitive Rivalry: Michael porter identified Competitive Rivalry as a force in his model because in a profitable market where there exist various suppliers and providers in the same industry, there must exist competitive rivalry due to the fight or share of market. The more the competitors providing different products and services, the more undesired and unattractive the market is. Rivalry among firms always up rages when a rival takes actions that falls against a counter response by other firms. The cause of this could be the desire by a firm to gain an advantage. The following are some ways petroleum companies in Uganda can utilize Michael porter‟s model of Competitive Rivalry to pursue and undertake an advantage over its rivals.

- Excessive advertisement though intensive use of visual effects Like televisions and bill boards and as well paper advertisements could be one of a kind to attract attention and desire of customers to be involved.
- Petroleum companies can come up with ideas of improving the already existing products in the market and as well come up with new products so as to capture more market.

The different petroleum companies in Uganda and all over the world are involved in the downstream activities of the oil and gas industry. The downstream sector of the oil and gas industry involves the refining of crude oil and/or raw natural gases obtained in the upstream sector as well as selling or distributing the products obtained. Many products are derived from the refining of crude oil and these include diesel oil, liquefied petroleum gas (LPG), asphalt, petroleum coke, gasoline, fertilizers, antifreeze, plastics, rubbers, pesticides, synthetic rubber, jet fuel and many more. The downstream sector of the industry is the sector that relates with consumers. Facilities involved in this sector include petrochemical plants, oil refineries, natural gas distribution companies and retail outlets among others. However, companies involved inthis downstream sector has greatly been faced by the challenge of pricing of these petroleum products due to the increased competition within the sector which has made them resort to different pricing strategies like competitive pricing keeping in mind that loyalty of the customers to their businesses is at the fore front (Avlonitis & Indounas, 2015).

1.2 Problem statement

Competitive pricing is a pricing strategy that has been widely used by companies in a free market like that of Uganda. However through the use of competitive pricing, loyalty of customers has reduced. Many customers keep changing suppliers due to the competitive pricing.For example in the petroleum industry in Uganda Total and Shell Uganda, the biggest oil marketers in the country, current price of petrol stands at Shs3650 per liter and diesel at Shs3350 which is higher compared to companies like Hashi Energy where petrol goes to Shs

2990 per liter and diesel at Shs2290 per liter. Explaining the disparities in fuel prices by location, Edward Walugembe, the Vivo energy country sales manager noted that the Uganda market is completely deregulated and that demand and supply determine the price. He further noted that there is an aspect of competitiveness in pricing (Byakagaba, 2013).

It should be noted that the main licensed oil companies are Shell, Total, CALTEX and EMPEX, which had a 73% share of the downstream market in 2008. The government tries to motivate more companies to enter this market to improve competitiveness and lower prices. Furthermore, it should be noted that fuel prices are deregulated in Uganda which makes such big companies put their own prices. While there are product differences some customers may not be aware of the price rates in different companies while others are constrained by other factors like limited finances and therefore go for the lower priced, lower quality products (Kojima & Masami, 2013). It should also be noted that companies like Total and Shell which engage in competitive pricing, have actually are able to gain customer loyalty and maintain or even improve their market share. This has left small companies that are new entrants in the market to lose out on customers. It is therefore against this background that the researcher sought to assess the link between competitive pricing, strategy and customer loyalty in the Oil and Gas sector in Uganda,case study selected petroleum companies.

1.3 Purpose of the study

The major objective of the study was to assess the relationship between competitive pricing, strategy and customer loyalty in the Oil and Gas sector in Uganda.

1.4 Specific objectives of the study

This study was guided by the following specific research objectives:

i. To assess the factors that lead to competitive pricing.
ii. To assess the pricing strategies petroleum stations in Arua district/Uganda use to gain customer loyalty.
iii. To assess how competitive pricing, pricing strategy and customer loyalty pricing relate in the oil and gas sector in Uganda.

1.5 Research questions

The study aimed at answering the following questions:

i. What are the factors leading to competitive pricing?
ii. What are the pricing strategies petroleum stations in Arua district/Uganda use to gain customer loyalty?
iii. How does competitive pricing, pricing strategy and customer loyalty relate in the oil and gas sector in Uganda?

1.6 Scope of the study

The scope of the study covered three dimensions that is; geographical, content and time scope and these are discussed in detail below.

1.6.1 Content Scope

The study focused on assessment of competitive pricing strategy and customer loyalty strategy in the oil and gas sector in Uganda. It was limited to assessing the factors affecting competitive pricing, assessing pricing strategies for customer loyalty and assessing how competitive pricing, pricing strategy and customer loyalty pricing relate in the oil and gas sector in Uganda.

1.6.2 Geographical scope

This study was carried out in Vivo Energy (Shell) Arua Highway retail outlet located on Arua Packwach road, Arua town Uganda. And Don Uganda Ltd, Arua Station; Also located in Arua. Vivo Energy (Shell) was chosen because it is one of the leading petroleum companies in Uganda which has continued to use competitive pricing strategy in their operations due to their quality petroleum products which has not affected the loyalty of their customers to the products they provide. On the other hand Don Uganda Ltd was used because it‟s one of the newpetroleum companies in Uganda which is trying to compete for customers base in the market with the big companies especially when it comes to competitive pricing.

1.6.3 Time scope

The study covered a period of statistical data on petroleum prices of both Don Uganda Limited and Shell in 2016 and these will be used to see how setting of such varies prices have influenced customer loyalty of the two companies. The field work took a period of three months from April to June 2017.

1.7 Justification of the study

The study felt a need of availing information on competitive pricing and customer loyalty in the oil and gas sector in Uganda. Despite the various pricing strategies adopted by different petroleum companies like Hass, they have still failed to win customer loyalty otherwise enjoyed by the leading petroleum companies in Uganda like Total and Vivo Energy (Shell), the pace setters in terms of competitive pricing. Therefore once the research is finalized, it will help in giving a clear insight on how best competitive pricing strategy can be used by petroleum companies to stay competitive in the market hence increasing their profits and customer loyalty within the oil and gas sector.

1.8 Significance of the study

The Government of Uganda specifically policy makers will benefit from this study in that they will be better informed on the challenges facing the oil and gas industry especially when it comes to pricing of the petroleum products and the possible measures that can be put in place to best improve this.

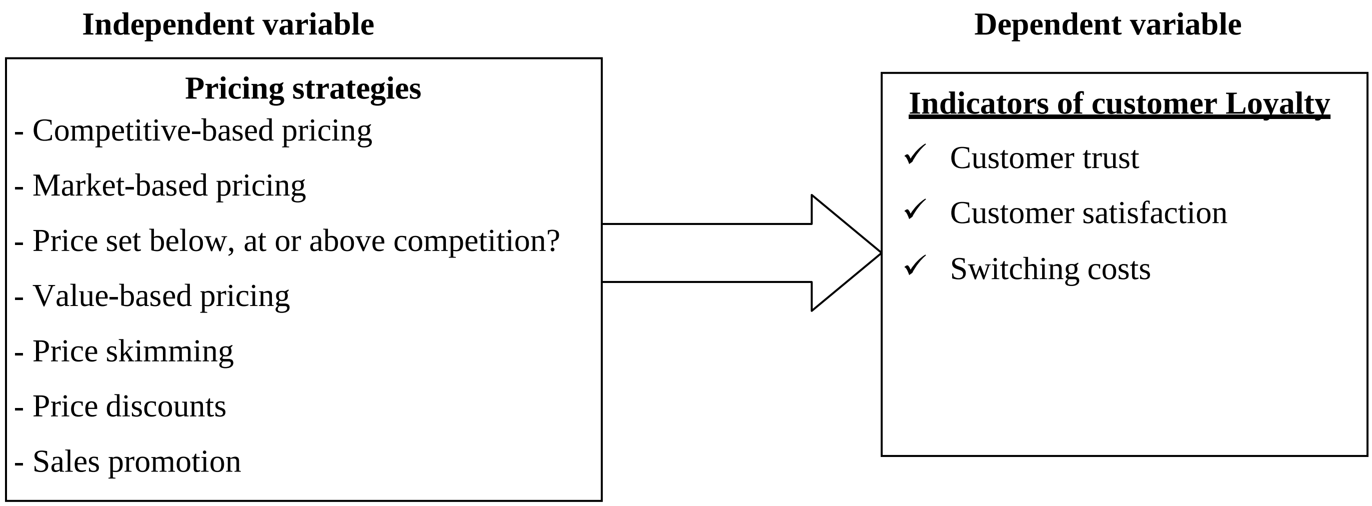
The study will be useful to the executive authorities and managers in Don Uganda Ltd and Vivo Energy (Shell) Uganda as they will get insight on how to best set competitive prices of their petroleum products without compromising their customer loyalty.

This study is of interest to academicians and future researchers who will be undertaking other researches related to this. The findings will increases their knowledge on competitive pricing and customer loyalty in the oil and gas sector.

Public and private institutions especially public universities will also benefit from this study as they will be provided with information on how to effectively implement pricing strategies like competitor based pricing in order to enhance customer loyalty in the oil and gas sector.

1.9 Conceptual framework

Figure 1.1: Conceptual framework



Source: Researcher's Conceptualization

The figure above shows the conceptual framework for this study. It shows that the adoption of different pricing strategies like competitive-based pricing, market-based pricing, price set below, at or above competition, value-based pricing, price skimming, rice discounts and sales promotion greatly improve customer loyalty which is manifested through customer trust, customer satisfaction and switching costs among others.

CHAPTER TWO

LITERATURE REVIEW

2.1. Introduction

This chapter represents a review of related literature on the subject matter in the study. This review was presented under the identified variables in relation to the study objectives. The literature review included text books, journal articles, newspapers and other articles with information related to the study.

2.2 Competitive pricing definitions and concept

According to Avlonitis & Indounas (2015), competitive pricing is setting the price of a product or service based on what the competition is charging. This pricing method is used more often by businesses selling similar products, since services can vary from business to business, while the attributes of a product remain similar. This type of pricing strategy is generally used once a price for a product or service has reached a level of equilibrium, which occurs when a product has been on the market for a long time and there are many substitutes for the product.

A competitive pricing strategy, where prices for a product or service are set based primarily on the prices of the competition, is best suited for a price-sensitive and highly competitive market. Competitive-based pricing, or market-oriented pricing, involves setting a price based upon analysis and research compiled from the target market. With competition pricing, a firm will base what they charge on what other firms are charging. This means that marketers will set prices depending on the results from their research. For instance, if the competitors are pricing their products at a lower price, then it's up to them to either price their goods at a higher or lowerprice, all depending on what the company wants to achieve (Nagle & Holden, 2012).

Businesses have three options when setting the price for a good or service: set it below the competition, at the competition or above the competition. Above the competition pricing requires the business to create an environment that warrants the premium, such as generous payment terms or extra features. A business may set the price below the market and potentially take a loss if the business believes that the customer will purchase additional products from their business once the customer is exposed to the other offerings (Bonnemeier, Burianek & Reichwald, 2010).

Competitive pricing consists of setting the price at the same level as one‟s competitors. This method relies on the idea that competitors have already thoroughly worked on their pricing. In any market, many firms sell the same or very similar products, and according to classical economics, the price for these products should, in theory, already be at equilibrium (or at least at a local equilibrium). Therefore, by setting the same price as its competitors, a newly-launched firm can avoid the trial and error costs of the price-setting process. However, every company is different and so are its costs. Considering this, the main limit of the competitive pricing method is that it fails to account for the differences in costs (production, purchasing, sales force, etc.) of individual companies. As a result, this pricing method can potentially be inefficient and lead to reduced profits (Avlonitis & Indounas, 2015).

Moreover, this pricing method is often used within well-established and highly competitive markets. This is due to the assumption that the equilibrium level of price is already reached in this type of market, meaning that competitors are setting their prices at the equilibrium price. This method is simple in terms of economic theory and also entails a low risk of setting an inefficient price, allowing a company to move towards an economic equilibrium (Sinha & Sarmah, 2014).

This method is simple because competitors‟ prices are most often publically displayed and it is therefore easy to copy them. When products are identical or highly similar (as is widely the case in oil and gas industries), it is often simpler to copy competitors‟ prices rather than implement another pricing strategy. With this method, the firm allows its competitors to incur the costs of establishing an optimum price (Sinha & Sarmah, 2014).

This method carries low-risk. If the prices used by competitors do not lead them to bankruptcy, it will likely be the same for other firms on the market too. And while there could potentially be some punctual inefficiencies (on one specific product) resulting from this method which could then spread to the entire market, such situations are rare (Bonnemeier, Burianek & Reichwald, 2010).This method leads to equilibrium. In the retail industry, there are millions of customers and millions of sales that take place every day. Therefore, assuming that most retail players on the market are using the competitive pricing method, the entire market can reach a stabilized equilibrium price.

2.2.1 Theoretical review

Game theory in the competitive pricing strategy

Key assumptions

- Players are selfish: all they care about is their own material payoffs.
- Players are rational: they are taking the best action they can according to their preferences; they are acting to maximize their payoffs.
- Rationality is common knowledge: "I am rational. I believe you are rational. I believe you believe I am rational. I also believe you believe that I believe you are rational..."
- The structure of the game is common knowledge (games of perfect information): players know the set of other players, their own actions, the payoffs associated to each action profile.

Game Theory involves the modeling of interactions among agents. Game theory is used in a variety of economic models to examine various different potential outcomes. Game Theory usually involves looking at events where the decisions of others have some influence on your own decisions. For example, in oligopoly firms may be deciding whether to cut prices, increase prices or keep them static (Hughes, Douglas, Malshe & LeBon, 2012).

In competitive, monopolistically competitive, and monopolistic markets, the profit maximizing strategy is to produce that quantity of product where marginal revenue equals marginal cost. This is also true of oligopolistic markets. The problem is, it is difficult for a firm in an oligopoly to determine its marginal revenue because the quantity of product that can be sold for a given price will depend on the prices charged by the other firms in the oligopoly and the quantity that they produce. Economists have examined this interdependence by using game theory, which analyzes strategies used by individual players that take into account what the other players will do (Choi, P., & Coulter, K. S., 2012).

Studies of competition dynamics are usually limited to a game theoretic framework where the players are the companies in the market under analysis. For this particular approach, Nash-Bertrand specification is useful, where players (companies) compete using prices as strategic variables, a reasonable assumption when quantity is flexible when compared to the different levels of demand (Chintagunta *et al*., 2015).

2.3 Customer Loyalty definitions and concept

Loyalty is defined as a deeply held commitment to re-buy and re-patronize a preferred product or service in the future despite situational influences and marketing efforts having the potential to cause switching behavior. On the same note Kotler & Keller (2012) argue that loyalty occurs when the customer feels that the firm and its products and services can best meet his/her relevant needs that competitors are virtually excluded from the consideration set.

Customer loyalty is the most important goal of implementing relationship marketing activities. Oliver (2016, p.392) defined customer loyalty as a “deeply held commitment to rebury or repatronize a preferred product or service consistently in the future, thereby causing repetitive same-brand or same brand-set purchasing, despite situational influences and marketing efforts having the potential to cause switching behavior” (Oliver, 2016). Customers are the drivingforce for profitable growth and customer loyalty can lead to profitability (Hayes, 2016). For a customer, loyalty is a positive attitude and behavior related to the level of re-purchasing commitment to a brand in the future (Chu & Kuo-Ming, 2011). Loyal customers are less likelyto switch to a competitor solely because of price, and they even make more purchases than non- loyal customers (Bowen & Shoemaker, 2013). Loyal customers are also considered to be the most important assets of a company. It is thus essential for vendors to keep loyal customers whowill contribute long-term profit to the business organizations (Berry, 2010).

Every supplier wants to create and retain a loyal customer who engages in continued profitable business with him. Customer Loyalty is the measure of success of the supplier in retaining a long term relationship with the customer. Thus customer loyalty is when a supplier receives the ultimate reward of his efforts in interacting with its customer. Customer loyalty tends the customer to voluntarily choose a particular product against another for his need. The loyalty may be product specific or it may be company specific (Narayandas, 2015). When a loyal customer has repetitive requirement of the same product, such customers may be described as being „brand loyal‟. On the other hand he may also require different products of the same manufacturer. That is to say he makes significant purchases direct from the same supplier and that counts as the company specific loyalty (Chu & Kuo-Ming, 2011).

Loyalty is demonstrated by the actions of the customer. But it doesn‟t mean that the customer satisfaction level can measure his loyalty. Customer loyalty is not customer satisfaction. Customer satisfaction is the basic entry point for a good business to start with. A customer can be very satisfied with the deal and still not be loyal. On the other hand a customer may not express satisfaction but wants to remain loyal to the supplier due to some reasons which keeps him benefited from that supplier. For the same degree of satisfaction, the loyalty level may also be different for different suppliers (Narayandas, 2015).

2.4 Factors affecting competitive pricing

Cost of Production: For effective competitive pricing, the total cost of production must be fully ascertained, leaving no stone unturned. The fixed cost as well as the variable cost must be determined and all the various costs that may be incurred in the marketing process must be inculcated e.g. advertising expense, transportation, etc. When cost is not fully ascertained, pricing decision becomes faulty and when the price is wrong, it will definitely hinder customer loyalty hence affecting the income of the company and eventually may affect the survival of the business (Baker, 2011).

Nature of market competition: The nature of market competition must also be considered when competition based pricing decision is made. For a business that is in a monopolistic market, competition may not really affect the pricing decision, but a business in the oligopolistic market or a free market, where competition is tense, this has to be considered before price is set. In a situation where the market leader dictates the price and others follow, the price of the market leader must also be considered and in a situation where the price of substitute goods will affect the price of the product, this is very important (Chesbrough, 2012).

Customers and market segment: When a producer knows his customers, he will be able to set his prices accurately. The market segment must be carefully identified and the amount they will be willing to pay for the product identified. For example, for the producers of cars, there are different models for different set of people, thus producing varieties for different set of people. There are some products which are mainly for the elites, while some are for the masses. A producer of products for the masses will need to consider the per capita income of the people before making his a competitive based pricing decision as this can greatly affect its customers in terms of their loyalty to his products (Simon & Butscher, 2013).

Demand: For a new product, there is need to price such product strategically in such a way that it penetrates the market and be able to gain customer loyalty in the long run, even if it will be at par with the total cost, while for a highly demanded product, an increase in price may not really have a high effect on the demand for such products, so is the need for management when making pricing decisions to consider the demand for the product (Tsao, 2009). Some companies who receive order from customers may decide to reduce their price per unit or increase their discount, when it is noted that demand from a customer is high, and this may be on the other way round, depending on other factors considered by the management (Teng, 2014).

Consumer behaviour and perception: Consumers attitude and perception about the product must be considered, when making competitive based pricing decisions. The company should consider if an increase in price will lead to an increase or a decrease in demand, and vice versa as this could greatly affect the loyalty of their customers. When it comes to making a purchase decision customers assess the overall “worth” of a product much more than they assess the price (Scott, 2016). When deciding on a price marketers need to conduct consumer research to determine what “price points” is satisfactory (Rajala, 2014).

Channel of distribution: The cost of distribution and the channel of distribution must also be considered when the producer or seller is to determine the competitive pricing of a product. It must be considered if the product will be supplied directly to the final consumer or has to pass through the various channels of distribution. For a product that has to pass through the wholesaler, to the retailer and then to the final consumer, the profit of these middle men as they are called must be considered, so that the final price set by the retailer will not affect demand negatively. In some situations, the producer may need to set a standard price, which is known bythe wholesaler, the retailer as well as the consumer (Nagle & Holden, 2012).

Macroeconomic trends: The macroeconomic trends of the country must also be put into consideration when competitive pricing decisions are made. In an unstable economy, where cost of living increases, without a change in the income of the people, an increase in the price of a product may affect demand for that product hence affecting customer loyalty in the long run, so also when there is an increase in the income of the people, increase in the price of a product may not necessarily affect the demand for that product at that point in time (Avlonitis & Indounas, 2015).

Government regulation: Marketers need to be aware of regulations that influence how price is set in the markets in which their products are sold. These regulations are primarily government endorsed, meaning that there may be legal consequences if the rules are not followed. Price regulations can come from any level of government and vary extensively in their requirements (Scott, 2016).

2.5 Pricing strategies for customer loyalty

Value-based pricing: Value based pricing can be defined as setting a price in relation to an offering"s value (Anderson & Narus, 2004). The reason many managers do not pursue value pricing is that they perceive customers as quite price sensitive. However, in their research, Avila and Dodds found that purchasing managers ranked price as the least important criteria in the decision making process. Sales managers, on the other hand, perceived price much higher on the list of criteria. This demonstrates their lack of understanding of what is critical in the purchasing process (2003). A price increase can bring either an increase or decrease in revenue depending on the elasticity of demand (Hoffman et al, 2002). Nagle and Holden suggest 10 factors which influence customer price sensitivity in the context of services (2002). They proposed that price sensitivity decreases as the customer"s ability to build an inventory decreases. Lee and Ng continue this line of thought and find that more capacity should be saved for the time of consumption as price sensitivity decreases (2001).

Price Skimming: If the objective of pricing strategy is to build market share, low penetration pricing is often recommended (Nagle & Holden, 2002). However, if the goal is to capture as much of the customer perceived value as possible, "price skimming" might be the method of choice. Price skimming relies on the assumption that different customers value an offering at different prices. The technique involves introducing a new offering at a high price and lowering the price over time, so that as much as possible of each consecutive level of valuation is captured (Gebhardt, 2006). Price skimming can be a brief process, but sometimes premium prices are drawn out over years.

Customized prices: While customized pricing in consumer markets is at best slow, and at worst, illegal, it is common practice in B2B markets (Simon & Butscher, 2001). Clients may have such large differences in needs that a firm must provide a different solution to every customer. Due to this reality, the use of customized prices is also widely accepted, even expected, of firms. When the usage of the offering is what provides the value, a customized price can be built which reflects this unique value (Narayandas, 2005).

Discounting: Many researchers including Teng (2009), Tsao (2009), and Choi and Coulter (2012) have studied the phenomenon of discounting in retailing and other B2C settings. Despite the prevalence of discounting in B2B situations (Frenzen, Hansen, Krafft, Mantrala, & Schmidt, 2010), far less research has been conducted on the phenomenon of discounting in these contexts. In their study on the delegation of pricing authority to the salesforce, Frenzen et. al. find that rigid sales pricing policies are not the answer, but rather, salespeople should be given sufficient autonomy to price according to context, especially in the face of uncertain markets (2010). In a single-vendor multi-buyer context, however, Sinha and Sarmah find that specifically under a level of uncertainty, coordinated discounting is not an efficient method of building channel profitability (2010).

Market based pricing: The default method of pricing for many firms is using market prices. Many managers feel prices are dictated by the market and they have little or no control over them (Dolan, 1995). However, there are two very different perspectives from which a market- based price can be derived. The reference price may be from the product or service, which is viewed as most similar to the firm‟s own offering. In their paradigm-shifting book, Nagle and Holden claim that the reference point should rather reflect the customer‟s perceived alternative to a particular offering (2002).

Cost based pricing: Cost pricing or cost-plus pricing is the practice of adding some percentage to known costs to arrive at the offering price (Anderson & Narus, 2004). Nagle and Holden state that while cost must be taken into account in pricing decisions, the cost-plus pricer often uses an inefficient chronology of steps in the pricing process. The method involves setting a volume first, and constructing a cost based price from that. A more efficient method is to begin by determining a value that customers can accept and building the market and quantity numbers from there (2002).

Group/ Segment based pricing: Buyer grouping or segmentation allows a company to offer an appropriate price to groups of customers with differing willingness to pay. Each level is carefully separated using a number of different tactics (Chesbrough, 2010). If taken to an extreme segmentation can be illegal, but many legal methods are available. Segments do not separate themselves, but require careful consideration by the firm to distinguish differences in what customers‟ value and how much (Nagle & Holden, 2002).

2.6 How competitive pricing, pricing strategy and customer loyalty pricing relate in the oil and gas sector

Companies operating in the downstream oil and gas sector are faced with a changing price competitive environment (Akeke, Akeke and Awolusi, 2015). They are competing in creating the best pricing conditions that will enable them to be competitive in both domestic andinternational markets. Accordingly, oil and gas companies seek to adopt and implement a set of pricing strategies like price skimming and discounts that have been successful elsewhere andthat will help them to identify changes in their environment and to respond proactively to customers‟ needs (Ibrahim and Najjar, 2008; Osu, 2011). Pricing strategies are aimed at improve performance substantially on key factors that impact both customer loyalty and consumer perceived value (Teo, 2002).

The effect of market forces, dynamic market environment, globalization and highly competitive markets has forced petrol stations in the oil and gas industry to be highly competitive to sustain their marketability locally and internationally. The intense price competition in the markets has made businesses search for better methods to retain existing customers in order to remain competitive. Pricing is very important in commercializing ideas and inventions successfully. Therefore, it is very risky for companies that fail to consider the importance of marketing

(Ibrahim and Najjar, 2008). Successful pricing strategies provide significant inputs to the firm‟s overall strategies, retention and attracting the customer and enhance sales.

Due to the keen competition nowadays, companies involved in the oil and gas sector are increasingly keen on sales promotion as a pricing strategy to attract consumers and retain them as loyal clients. Sales promotion is a short term incentive which encourages the purchase of sales of a product or service. Sales promotions are non-personal promotional efforts that are designed to have an immediate impact on sales. Sales promotion is media and non-media marketing communications employed for a pre-determined, limited time to increase consumer demand, stimulate market demand or improve product availability. Some common types of salespromotion include samples, coupons, sweepstakes, contests, in-store displays, trade shows,price-off deals, premiums and rebates.

To set realistic prices, businesses need to be aware of all costs involved in producing a product or service. This includes easy tracking costs such as the price of transportation, as well as less tangible costs associated with the skills and knowledge they bring to the table. Some entrepreneurs set prices that do not account for all of these expenses. They may forget to add in overhead such as utilities or rent, or have difficulty putting a price tag on the value of their time.One approach service based businesses use to determine a fair rate for their offerings is to set an hourly wage to charge for services. They then multiply this figure by the total number of hoursit takes to complete a job to determine a project‟s overall price. This will greatly help a businessto set a realistic competitive price that doesn‟t scare away customers so as to enhance customer loyalty (Yaprak & Solberg, 2011).

A company basing its pricing structure on the competition‟s can be dangerous because the costs competitors use to calculate prices may have little relation to that of the company. They may pay suppliers less or more than the company has, buy different technology, and have larger or smaller marketing budgets. That said, it does pay to know how much competitors charge so you can confirm that your prices are realistic for the market. If the company notices its figures are much lower than competitors‟, there is need to check to be sure that the company hasn‟t left something out of the pricing equation (Biyalogorsky & Gerstner, 2014).

Setting prices solely to beat the competition is a shaky proposition. The company is bound to attract buyers this way, but they are unlikely to be loyal customers. If low cost attracted them to the business, they may abandon the company when a less expensive option comes along. A better approach is to differentiate the business from competitors in other ways, such as superior customer service, enhanced product features, or finer quality (Theodosiou, 2010).

Increased demand or the rising cost of supplies may put the business in the position of having to decide whether or not to raise prices. Some business owners avoid increases because they fear customers will react negatively. In many cases it's a better strategy to make regular, small price increases than to hit customers with one large increase. In other words, a 10 percent price increase is likely to draw more negative attention than two 5 percent increases (Popescu & Yaozhong, 2015).

Some clients may try to negotiate a better deal from the supplier. This can put the company in a difficult position, especially if it runs a service-based business. Delivering an agreed-upon order for a lower price can inadvertently send the message that the company‟s initial prices were too high, and all future business is open to price negotiation. A better approach is to agree to a lower price, but change the delivery terms slightly. For example, if the company is negotiating the price for a three-month long technical installation, it might agree to a lower project cost if the number of weekly meetings is reduced or monthly reports are streamlined. Another option that makes sense for large orders is to position lower rates as volume discounts (Perner, 2012).

Some customers may insist upon having an understanding of how your pricing structure is designed, so it is critical to be able to justify the prices you charge. In addition, unless you have a clear sense of how costs relate to your prices, it will be difficult for you to identify when the right time is to adjust the amount you charge (Popescu & Yaozhong, 2007).

2.7 Research gap

In conclusion, it can be noted that competitive pricing has had a major impact on customer loyalty in different ways. However, it still possess a challenge for the other companies in the market that are not the market leaders since the setting of a competitive price by these companies might reduce the company‟s profitability or reduce on the number of customers coming to access goods and services from the market hence greatly affecting customer loyalty in the long run. Therefore this research sought to close this gap by establishing how effective competitive pricing can be enabled to enhance customer loyalty especially in the oil and gas industry.

It can also be concluded that there are several factors affecting competitive pricing that most petroleum companies have neglected and need to be effectively handled in the bid to improve customer loyalty. However, this can be done in the right way through effective analysis of the market trends for example a company needs to first determine whether in its operations the channel of distribution or consumer behavior is a factor worth to be critically considered. Lastly, it can be concluded that there are several pricing strategies that petroleum companies have to consider in order to maintain the loyalty of their customers. Therefore there is need for such companies to critically analyze the market and see what pricing strategy can best work for them depending on whether they are the market leaders or new entrants in the market.

CHAPTER THREE

METHODOLOGY

3.0 Introduction

This chapter presents the methodology that was be used in conducting the research. It described how this study was conducted. It included the study design, the study setting, study population and the sample size. It also described the sampling procedure, definition of variables, research instruments, data analysis and management, ethical considerations, and the proposed limitations of the study.

3.1 Study Design

The research design that the study utilized is a case study design. A case study is an intensive analysis of an individual unit or event stressing developmental factors in relation to context (Bent, 2011:301-316). Basically, a case study is an in depth study of a particular situation rather than a sweeping statistical survey. It is a method used to narrow down a very broad field of research into one easily researchable topic. It helped the researcher to concentrate the time to carry out a more in depth study, to identify the meaningful trends and patterns of the phenomenon, rather than spreading thin and missing out on some of the very important issues about assessment of competitive pricing strategy and customer loyalty strategy.

3.2 Research approaches

The study also used triangulation approach (i.e. qualitative and quantitative. Both approaches were utilized for instance the qualitative opinions that were obtained were confirmed by statistical data for instance, qualitatively, the attitudes and perceptions by the respondents in relation to competitive pricing and customer loyalty were assessed and confirmed by statistical data.

Quantitative research approach: this approach was involved in the research to explain the event using numerical data which were basic statistically analyzed. Quantitative research approach helped to generate deeper understanding of how competitive pricing is carried out in the oil and gas sector in Uganda.

Qualitative research approach: Qualitative approach was used because it gives in depth details of research which was used to produce findings on an assessment of competitive pricingstrategy and customer loyalty in the oil and gas sector in Uganda. This assisted the researcher to find out what respondents do, think, know and feel about the subject, through responding to questionnaires, observations, interviewing the respondents and reviewing the documents which were relevant to the study as urged by Bent (2011).

3.3 Study area

This study was carried out in Vivo Energy (Shell) Arua Highway retail outlet located on Arua Packwach road, Arua town Uganda. And Don Uganda Ltd, Arua Station; also located in Arua. Vivo Energy (Shell) was chosen because it is one of the leading petroleum companies in Uganda which has continued to use competitive pricing strategy in their operations due to their quality petroleum products which has not affected the loyalty of their customers to the products they provide. On the other hand Don Uganda Ltd was used because it‟s one of the newpetroleum companies in Uganda which is trying to compete for customers in the market with the big companies especially when it comes to competitive pricing.

3.4 Study population and Sample size

The research study sampled 48 employees comprising of 21 employees of Don Uganda Ltd and 27 employees of Vivo Energy (Shell) from different departments like marketing and sales, administration, accounts and finance, procurement and logistics and engineering among others and these are shown in the table below:

Table 3.1: Population and sample size

Respondents	Population	Sample size
Vivo Energy (Shell) Uganda	27	25
Don Uganda Ltd	21	20
TOTAL	**48**	**45**

3.5 Sample size

According to Martins (2009:262), the correct sample size in a study is dependent on the nature of the population and the purpose of the study. The sample size usually depends on the population to be sampled. Although there are no general rules, thirty cases are sufficient for studies in which statistical analysis is to be done. The formula below was used for the calculation of the sample since it is relevant to studies where a probability sampling method wasused (Roberts-Lombard, 2006:87):

Formula:

$$n = \frac{N}{1 + N(e^2)}$$

Where; n= sample size; N= Total population; 1= constant and e^2 =sample error. =0.05 = 5%. This gives confidence level of 95%

Sample size for Vivo Energy (Shell)

$$n = \frac{27}{1 + 27(0.05^2)}$$

$$n = \frac{27}{1 + 27(0.0025)}$$

$$n = \frac{27}{1 + 0.0675}$$

$$n = \frac{27}{1.0675}$$

n=25 respondents from Vivo Energy

Sample size for Don Uganda Ltd

$$n = \frac{21}{1 + 21(0.05^2)}$$

$$n = \frac{21}{1 + 21(0.0025)}$$

$$n = \frac{21}{1 + 0.0525}$$

$$n = \frac{21}{1.0525}$$

n=20 respondents from Don Uganda Ltd

3.6 Sampling technique and method:

The study used simple random sampling technique to select the sample. According to Amin (2005), simple random sampling gives every member an equal chance of being recruited into the sample. A sample frame was constructed and then the members were randomly sampled. In applying simple random sample all such subsets of the frame were given an equal probability. Furthermore, any given pair of elements had the same chance of selection as any other such pair (and similarly for triples, and so on). This minimized bias and simplifies analysis of results.

On the other hand, purposive sampling was used to select key informants like top management from each petroleum company on account of their knowledge of competitive pricing andcustomer loyalty. This method was selected because it ensured that the critical aspects and feedback of the study was not misused out and increased the likelihood that variability common in any social phenomenon was represented in the data (Schwandt, 2001).

3.7 Measurement of study variables

Measurement of the study variables was based on measurement items established which included the pricing strategies the petroleum companies and the factors affecting competitive pricing. These were measured on how they affect customer loyalty. The researcher also developed measurement scales which were used after they had been pre-tested based on theory and empirical studies. The measurement of the study variables was done using ordinal scales where variables were measured in order of magnitude, property of magnitude and numbers werealso assigned to categories.

3.8 Sources of data

While carrying out the research study, both primary and secondary data were used by the researcher.

3.8.1 Primary source

Primary data from the field were obtained through personal interviews and self administered questionnaires to selected respondents in order to get their opinions. Primary data helped the researcher in collecting information for the specific purposes of their study. Primary data was collected by using questionnaires from the employees of Don Uganda Limited and Shell.Primary data was also collected using interviews carried out with the management of Don Uganda Limited and Shell.

3.8.2 Secondary source

For the purposes of a historical research project, secondary sources are generally scholarlybooks and articles. This source was used to collect data from already written literature for example e-books, journals, published articles and periodicals. Documentary resources are classified in order to facilitate the data collection and textual analysis (Mubazi 2008). Secondarydata about the prices of fuel and gas in both Shell and Don Uganda Ltd in the year 2016 from different reports and articles were considered for comparison. These price differences helped in determining how competitive pricing, pricing strategy and customer loyalty pricing relate in the oil and gas sector in Uganda

3.9 Data Collection Methods

The researcher employed both qualitative and quantitative data collection methods. This involved use of questionnaires and key informant interviews as explained below:

3.9.1 Quantitative data collection methods

Questionnaires: Questionnaires were constructed based on the research objectives. Questionnaires are preferred since they are easy to administer and time saving (Mugenda & Mugenda, 2003). The questionnaire contained closed-ended questions using a liker scale (ranging from 1= Strongly Disagree; 2= Disagree; 3= Not sure; 4= Agree; 5=Strongly Agree). A few open-ended questions which elicit qualitative data on subjective thoughts of employees were also formulated. Self-administered questionnaires were completed by those who could interpret the questionnaire. The researcher administered questionnaires to respondents who did not have the ability to easily interpret the questions probably because of their educational or literacy levels.

3.9.2 Qualitative data collection methods

Key informant interview: these were used to obtain information from key respondents who were vastly knowledgeable on the subject matter under investigation. A key informant interviewguide was developed to guide data collection on key critical aspect of the research and ensure comprehensive feedback. According to Schwandt, (2001) key informant interviews ensured that critical aspect of the study didn"t miss out key issues about competitive pricing and customer loyalty.

3.10 Data collection procedure

The researcher obtained a recommendation and an introductory letter from the Institute of Petroleum Studies, after which she sought permission from the different respondents in both Vivo Energy (Shell) Uganda and Don Uganda Ltd to use as a case study. The researcher approached various respondents to administer interviews and distribute the questionnaire guides.

3.11 Quality and error control

According to Oso and Onen (2009), controlling quality is about ensuring acceptable levels of validity and reliability of the study through proper control of extraneous variables. This used a systematic approach to check the quality of the information collected in order to avoid double counting.

3.11.1 Validity

According to Amin, (2005) validity refers to the appropriateness of the instrument, thus the degree to which an instrument measures and what it is supposed to measure. In order toemphasize validity, the questionnaires were constructed according to research objectives which were validated by the supervisor and two other experts in order to get expertise judgment on the content validity to ensure that the questions were capable of capturing the intended data. This was also done to help improve the sentence construction and language clarity of the data instruments based on the comments that were obtained from those who reviewed the instruments.

3.11.2 Reliability

The reliability of an instrument reflects its stability and consistency within a given context (Streiner and Norman, 1996). It is the consistency of measurement over time, whether itprovides the same results on repeated trails. It is defined as a characteristic of an instrument that reflects the degree to which the instrument provokes consistent responses (Reichardt and Cook, 1997). Test-retest reliability or stability refers to degree to which research participants‟ responsechange overtime (Reichardt and Cook, 1997). Test-retest method is used to test stability of the tool. In this method an instrument was given to the same individuals on two occasions within relatively short duration of time. A pilot study was carried out on the same few respondents on this research topic before the questionnaire were sent to different respondents.

3.12 Data analysis

Data collected from the field were carefully edited, sorted and coded to eliminate the inconsistencies and errors that were made during data collection. This involved the use of simple tables and percentages, graphs and charts. After processing it, data were subjected to further analysis for easy understanding and interpretation. This involved the use of SPSSversion 20 a computer package and this helped in generating charts, tables, and graphs. A correlational and descriptive analysis of the findings was used to establish the relationships between the two variables. This was possible through Chi-square tests and other correlationsthat were deemed necessary. These techniques enabled the researcher to ascertain the findings in regards to competitive pricing and customer loyalty. Qualitative data from key informants were edited and categorized under major sub-headings and later analyzed.

3.13 Ethical Considerations

Lo, (2009) summarized three basic ethical principles relevant to research involving human subjects as respect for persons, beneficence and Justice.

The researcher sought permission from the two petroleum companies (Total and Vivo Energy) before conducting the study. The purpose of the study was clearly explained to the respondents and a verbal consent sought from them. Explanations about the purpose of the study and expected outcomes and benefits were made clear to each of the interviewees. Notably, no respondent was forced to give information against his or her will. The researcher also ensured respondents‟ anonymity and treated the information given by them with utmost confidentiality.

3.13 Limitations of the Study

In view of the following threats to validity, the researcher claimed an allowable 5% margin of error at 0.05 (level of significance). Measures were also indicated in order to minimize if not to eradicate the threats to the validity of the findings of this study.

i. *Extraneous variables* which were beyond the researcher‟s control such as respondents‟ honesty, personal biases and uncontrolled setting of the study.
ii. *Instrumentation:* The research instruments were not standardized. Therefore a validity and reliability test was done to produce a credible measurement of the research variables.
iii. *Testing:* The use of research assistants can bring about inconsistency in the administration of the questionnaires in terms of time of administration, understanding of the items in the questionnaires and explanations given to the respondents. To minimize this threat, the research assistants were oriented and briefed on the procedures to be done in data collection.
iv. *Attrition*: Not all questionnaires were returned neither completely answered nor even retrieved back due to circumstances on the part of the respondents such as travels, sickness, hospitalization and refusal/withdrawal to participate. The researcher reserved more respondents by exceeding the minimum sample size. The respondents were also reminded not to leave any item in the questionnaires unanswered and were closely followed up as to the date of retrieval.

CHAPTER FOUR

DATA PRESENTATION, INTERPRETATION, ANALYSIS OF DATA

4.0 Introduction

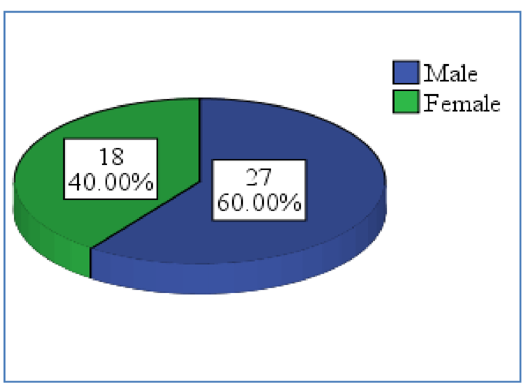
This chapter comprises of a presentation of results and their interpretation. The presentation in this chapter shows the results as analyzed according to the objectives of the study. The chapter begins with the demographic characteristics of the respondents such as age, gender and educational level among others which was all presented using tables and figures. The descriptive data for the objectives are also presented using frequencies and percentages where responses were rated using a scale of 1 to 5 where 5 (strongly agree), 4 (agree), 3 (neutral), 2 (disagree) and1 (strongly disagree). The study included respondents from two petroleum companies i.e. Vivo Energy (Shell) Petroleum Company that was represented by 25 respondents and Don Uganda limited that was represented by 25 respondents making a total of 45 respondents involved in the study as discussed below.

4.1 Demographic Characteristics of Respondents

4.1.1 Gender of respondents

The figure below shows the gender of respondents who are employees of both Vivo Energy (Shell) and Don Uganda limited and the data in the figure was interpreted below

Figure 4.2: Gender of the respondents



Source: Primary data

From figure 4.1, the study revealed that majority of respondents (60%) were male, while female make up 40%. This implies that there are more men employed in the petroleum companies compared to women.

4.1.2 Age of the respondents

The table below shows the age of respondents who are employees of both Vivo Energy (Shell) and Don Uganda limited:

Table 4.2: Age of the respondents

	Frequency	Percent
20-29 years	35	77.8
30-39 years	8	17.8
40-49 years	2	4.4
Total	45	100.0

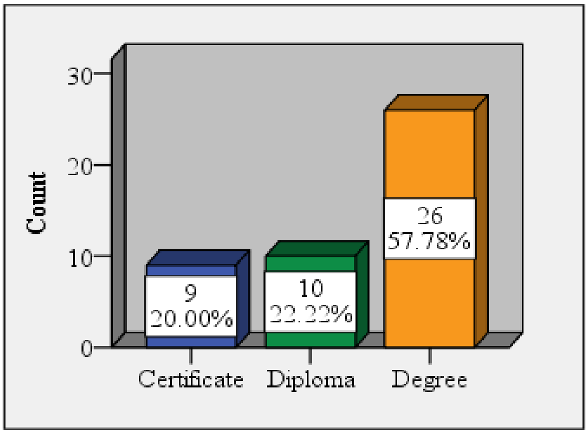
Source: Primary data

From table 4.1, the study revealed that majority of respondents, 77.8% are between 20-29 years, followed by 17.8% who are between 30-39 years while those with 40-49 years constituted the minority represented by 4.4% of the total population. This implies that majority of the employees in the two petroleum companies are relatively in their youthful years since majority are between 20 to 29 years. This therefore can be attributed to the fact that Uganda as a country is comprised of majority youth according to the recent released 2014 population census.

4.1.3 Education level of the respondents

The figure below shows the education level of respondents who are employees of both Vivo Energy (Shell) and Don Uganda limited and the data in the figure was interpreted below:

Figure 4.3: Level of education



Source: Primary data

From figure 4.2, the study revealed that majority of respondents (57.8%) hold bachelors‟ degrees, and 22.2% hold diplomas whereas 20% hold certificates. It can therefore be noted that majority of the respondents are qualified enough to answer the questionnaires. Therefore they understand and have vast knowledge about competitive pricing and its effects on customer loyalty.

4.1.4 Finding on the departments respondents belong to

The table below shows the different departments respondents who are employees of both Vivo Energy (Shell) and Don Uganda limited:

Table 4.3: Work Department of respondents

	Frequency	Percent
Administration department	24	53.3
Finance & Accounts department	6	13.3
Others	15	33.3
Total	45	100.0

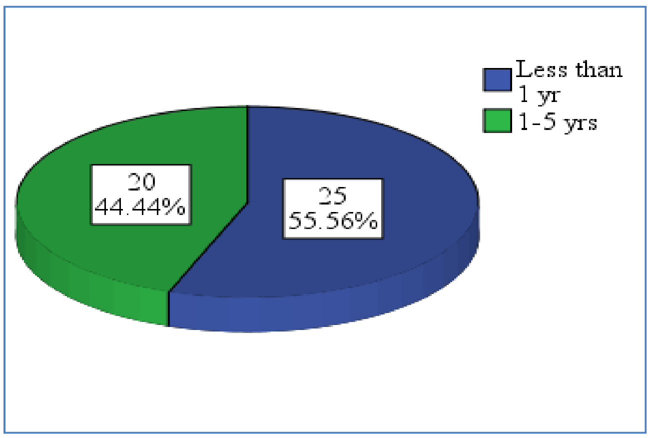
Source: Primary data

From table 4.2, the majority of respondents (53.3%) belong to the administration department, followed by 33.3% who belong to other departments like retail department, procurement and logistics department and the human resource department whereas 13.3% of the respondents belong to the Finance & Accounts department.

4.1.5 Employment duration of respondents

The figure below shows the period respondents have spent working in both Vivo Energy (Shell) and Don Uganda limited:

Figure 4.4: Period spent working for the respective petroleum companies



Source: Primary data

From figure 4.3, the majority of respondents (55.6%) have spent a period of less than 1 year working in both Vivo Energy (Shell) and Don Uganda limited while those who have spent between 1-5 years constituted 44.4% of the total population. It can therefore be noted that majority of the respondents have spent quite a short time working in the petroleum stations and this shows a high rate of employee turnover in these companies.

4.2 Factors affecting competitive pricing (Quantitative)

Table 4.4: Factors affecting competitive pricing

Statement	Mean	St. Dev
The nature of market competition is a factor that affects competitive pricing of the company"s products	4.44	0.503
The cost of production is a factor that affects competitive pricing of the company"s products	4.33	0.477
The level of demand of new products in the market is a factor that affects competitive pricing of the company"s products	4.27	0.580
Consumers attitude and perception about the company products greatly affects its competitive pricing strategy	4.22	0.420
The cost and channel of distribution has been found to be one of the factors affecting competitive pricing of the company"s products	3.71	0.815
The government regulations especially on pricing also affects competitive pricing of the company"s products	3.40	1.009
The macroeconomic trends prevailing in the country also affect competitive pricing of the company"s products	4.02	0.657

Source: Primary data

Table 4.4 above shows analysis on factors affecting competitive pricing of petroleum companies using means and standard deviations. The scale was: Strongly agree (5), agree (4), not sure (3), disagree (2) and strongly disagree (1). The scores of disagree and strongly disagree have been taken to present a variable which mattered to a *Small Extent* (equivalent to mean score of 0 to 2.4 on the continuous Likert scale: (0≤ S.E <2.4). The score of „not sure" has been taken to represent a variable that mattered to a *Moderate Extent* (equivalent to a mean score of 2.5 to 3.4 on the continuous Likert scale: (2.5≤ M.E <3.4). The score of „agree and strongly agree" have been taken to represent a variable that mattered to a *Large Extent* (equivalent to a mean score of 3.5 to 5.4 and on a continuous Likert scale: (3.5≤ L.E <5.4).

From table 4.4 above, the respondents scored all the factors in the range of *Large Extent*, except "effect of government on competitive pricing" which scored a mean of 3.4 (*Moderate Extent*).

The following factors are therefore found to affect competitive pricing:

1. Nature of market competition (mean 4.44, SD 0.5)

2. Cost of production (mean 4.33, SD 0.48)

3. Level of demand (mean 4.27, SD 0.58)

4. Consumers" attitude and perception about products (mean 4.22, SD 0.42)

5. Macroeconomic trends prevailing in the country (mean 4.02, SD 0.66)

6. Cost and channel of distribution (mean 3.71, SD 0.82)

However, most of the respondents were not sure whether the government regulations especially on pricing also affect competitive pricing of the company"s products represented by (mean of 3.40 and SD 1.00).

It can be deduced from this finding that respondents agreed that the main factors affecting competitive pricing of petroleum companies are that the nature of market competition (mean 4.44, SD 0.5) cost of production (mean 4.33, SD 0.48).

However, respondents from the top management of the two petroleum companies had divergent views from what the employees had to say for example. Respondents that were interviewed were also asked to give other factors affecting the use of competitive pricing in the petroleum industry and most of them noted that *new entrants* in the market are one of the factors greatly affecting their use of competitive pricing. Others noted that the *quality and cost* of the products also determine of competitive pricing. Lastly, the others pointed out the fluctuation *rate of the dollar* (foreign exchange rate) to be another factor affecting competitive pricing. One of the senior employees in Vivo Energy had this to say:

> "*The increasing number of entrants in the petroleum business in Uganda has greatly affected the loyalty customers have for our products especially when using competitive*

pricing. You see back then when we were like two companies in the business, it was easy for us to set a high price and people would keep on buying our products because they had no option but these days there are many new companies desperate to make business and increase on their profits,. Secondly we are facing a great challenge of increasing price fluctuation rates of the dollar which drives the prices high and we end up losing our customers to such new entrants."

From the above analysis, it can be noted that the top management believes that the rate of the increase in the dollar and the rate of the new entrants who usually charge lower prices to attract customers has greatly affected their competitive pricing. This is in contrast with what the lower employees noted that the main factor affecting competitive pricing is the consumers‟ attitude and perception about products. This could be due to the fact that they are the ones who regularly interact with these customers on a daily basis compared to the top management.

4.4 Pricing strategies for customer loyalty in petroleum companies

Table 4.5: Pricing strategies for customer loyalty in petroleum companies

Statement	Mean	St. Dev
The company uses value-based pricing where price is set according to the value of the product to enhance customer loyalty	4.22	0.927
The company also employs a price skimming strategy where low prices are set for the products to attract customers and retain them	4.62	0.490
The company uses customized pricing where different prices are set for each customer depending on their capacity	4.31	0.468
Discounting where price reduction and promotions of the product are set is also used by the company for improved customer loyalty	4.56	0.503
The company also uses market based pricing to maintain its customers‟ loyalty	4.07	0.495

The company also employs a group/ segment based pricing strategy to maintain its‟ customers‟ loyalty	4.09	0.596
The company employs a cost based pricing strategy to maintain its‟ customers‟ loyalty	3.84	0.767

Source: Primary data

Table 4.5 above shows analysis on pricing strategies for customer loyalty in petroleum companies using means and standard deviations. The scale was: Strongly agree (5), agree (4), not sure (3), disagree (2) and strongly disagree (1). The scores of „disagree and strongly disagree‟ have been taken to present a variable which mattered to a *Small Extent* (equivalent to mean score of 0 to 2.4 on the continuous Likert scale: (0≤ S.E <2.4). The score of „not sure‟ hasbeen taken to represent a variable that mattered to a *Moderate Extent* (equivalent to a meanscore of 2.5 to 3.4 on the continuous Likert scale: (2.5≤ M.E <3.4). The score of „agree and strongly agree‟ have been taken to represent a variable that mattered to a *Large Extent* (equivalent to a mean score of 3.5 to 5.4 and on a continuous Likert scale: (3.5≤ L.E <5.4). A standard deviation of >1.5 implies a significant difference on pricing strategies for customer loyalty in petroleum companies.

From the results in table 4.5 above, the following pricing strategies were found to be used by the petroleum companies:

1. Value-based pricing (mean 4.22, SD 0.93))
2. Price skimming (mean 4.62, SD 0.49)
3. Customized pricing (mean 4.31, SD 0.47)
4. Discounting (mean 4.56, SD 0.50)
5. Market based pricing (mean 4.07, SD 0.50)
6. Employs a group/ segment based pricing (mean 4.10, SD 0.60)
7. Cost based pricing (mean 3.84, SD 0.77)

The respondents strongly agreed that the company employs a *price skimming* strategy where low prices are set for the products to attract customers and retain them which was representedby (mean of 4.62 and standard deviation of 0.49). It further shows that a significant number of respondents strongly agreed that *discounting* where price reduction and promotions of theproduct are set is also used by the company for improved customer loyalty represented by (meanof 4.56 and standard deviation of 0.50). A big number of the respondents also agreed that the company uses *customized pricing* where different prices are set for each customer depending on their capacity represented by (mean of 4.31 and standard deviation of 0.47). Responses noted that majority of the respondents strongly agreed that the company uses *value-based pricing* where price is set according to the value of the product to enhance customer loyalty which was represented by (mean of 4.22 and standard deviation of 0.93).

The table further shows that most of the respondents agreed that the company also employs a *group/ segment based pricing* strategy to maintain its‟ customers‟ loyalty represented by (mean of 4.09 and a standard deviation of 0. 60). Quite a number of the respondents also agreed that the company also uses *market based pricing* to maintain its customers‟ loyalty represented by (mean of 4.07 and standard deviation of 0.495). Lastly, a fewer respondents agreed that the company employs a *cost based pricing* strategy to maintain its‟ customers‟ loyalty represented by (mean of 3.84 and standard deviation of 0.77).

It can be deduced from this finding that respondents agreed that the major pricing strategies for customer loyalty in petroleum companies are *price skimming* strategy where low prices are set for the products and *discounting* where price reduction and promotions of the product are set.

4.5 How competitive pricing, pricing strategy and customer loyalty

Table 4.6: Competitive pricing, pricing strategy and customer loyalty

S/N	Statement	N	Mean	St. Dev	Mean Rank
1	Majority of the new companies in the petroleum industry in Uganda aim at setting low prices for their products to attain customer loyalty	45	3.80	.878	2
2	Most consumers in the oil and gas sector perceive price as the most important thing and therefore companies that set prices in relation to quality tend to lose customers hence reduced loyalty	45	3.70	1.112	2
3	Petroleum companies in Uganda have adopted discounting which involves sales promotion in order to maintain their customers‟ loyalty	45	3.93	1.021	2
4	Some petroleum companies in Uganda charge their customers differently for their products depending on their status to maintain loyalty of all their customers	45	3.93	1.208	2
5	Petroleum companies in Uganda also sell different quality of their products to their different customers depending on their ability to maintain customer loyalty	45	3.75	0.618	1

Source: primary data

Table 4.6 above shows analysis on respondents‟ views regarding how competitive pricing, pricing strategy and customer loyalty pricing relate in the oil and gas sector in Uganda using means and standard deviations. The scores of disagree and strongly disagree were (equivalent tomean score of 0 to 2.4 on the continuous Likert scale). The score of „not sure‟ was (equivalentto a mean score of 2.5 to 3.4 on the continuous Likert scale). The score of „agree and strongly agree‟ were (equivalent to a mean score of 3.5 to 5.4 and on a continuous Likert scale). A standard deviation of >1.5 implies a significant difference on respondents‟ views regarding how competitive pricing, pricing strategy and customer loyalty relate in the oil and gas sector in Uganda.

Regarding statement one, respondents scored a mean of 3.80, a standard deviation of 0.88 and a mean rank of 2 out of 5 to the statement: *"Majority of the new companies in the petroleum industry in Uganda aim at setting low prices for their products to attain customer loyalty"*.Such a mean response implies that generally, the respondents agreed that majority of the new companies in the petroleum industry in Uganda set low prices for their products to attain customer loyalty.

Regarding statement two, respondents scored a mean of 3.70, a standard deviation of 1.11 and a mean rank of 2 out of 5 to the statement: *"Most consumers in the oil and gas sector perceive price as the most important thing and therefore companies that set prices in relation to quality tend to lose customers hence reduced loyalty"*. Such a mean response implies that generally, the respondents agreed that most consumers in the oil and gas sector perceive price as the most important thing and therefore companies that set prices in relation to quality tend to losecustomers hence reduced loyalty.

Regarding statement three, respondents scored a mean of 3.93, a standard deviation of 1.02 and a mean rank of 2 out of 5 to the statement: *"Petroleum companies in Uganda have adopted discounting which involves sales promotion in order to maintain their customers' loyalty*". Such a mean response implies that generally, the respondents agreed that petroleum companies in Uganda have adopted discounting which involves sales promotion in order to maintain their customers‟ loyalty.

Regarding statement four, respondents scored a mean of 3.93, a standard deviation of 1.208 and a mean rank of 2 out of 5 to the statement: *"Some petroleum companies in Uganda charge their customers differently for their products depending on their status to maintain loyalty of all their customers"*. Such a mean response implies that generally, the respondents agreed that some petroleum companies in Uganda charge their customers differently for their products depending on their status to maintain loyalty of all their customers.

Lastly, statement five, respondents scored a mean of 3.75, a standard deviation of 0.618 and a mean rank of 1 out of 5 to the statement: *"Petroleum companies in Uganda also sell different quality of their products to their different customers depending on their ability to maintain customer loyalty".* Such a mean response implies that generally, the respondents agreed that petroleum companies in Uganda also sell different quality of their products to their different customers depending on their ability to maintain customer loyalty.

4.6 The price rates of petroleum products for Shell and Don (U) Ltd for the year 23rd May 2016

Petrol Station	**Diesel (per liter)**	**Petrol (per liter)**
Don Petrol Station-Arua	2290	2990
Shell Arua	2300	3180
Shell Kampala Road	2400	3230
Shell Bugolobi	2500	3200

Source: *New Vision, 23rd May 2016*

From the above statistics, generated from the New Vision dated 23rd, May, 2016, it can be seen that prices in different petrol station located in different areas charge different prices. For example it can be seen that the prices of petrol and diesel in Don petrol station are relatively lower per liter compared to the prices in all the Shell stations studied. However it should also be noted that the pricing of petroleum products in the different Shell stations varies depending on the location of that petrol station. For example the prices of petrol and diesel are high in Shell Bugolobi compared to the other stations because of the nature of clientele in the area since most people in Bugolobi are rich and of a high status. The prices in Shell Kampala Road are lower than those in Shell Bugolobi because the nature of customers in this area is different since there are both who are rich and those that are of the middle status. The prices are noted to be also low in these stations because there are other competitors located in these areas like Total petrol stations.

CHAPTER FIVE

DISCUSSION OF FINDINGS

5.0 Introduction

This chapter presents the discussion of findings derived from the study on the effect of competitive pricing on customer loyalty.

5.1 Discussion of findings

5.1.1 Factors affecting competitive pricing of petroleum companies In the oil and gas sector

The study revealed that the nature of market competition is one of the factors affecting competitive pricing of petroleum companies in the bid to enhance customer loyalty. The findings are in line with the literature put forward by Chesbrough (2012) who notes that the nature of market competition must also be considered when competition based pricing decision is made. For a business that is in a monopolistic market, competition may not really affect the pricing decision, but a business in the oligopolistic market or a free market, where competitionis tense, this has to be considered before price is set. In a situation where the market leader dictates the price and others follow, the price of the market leader must also be considered andin a situation where the price of substitute goods will affect the price of the product, this is very important.

The study revealed that the cost of production is a factor that affects competitive pricing of the c company‟s products. The findings are consistent with Baker (2011) who notes that for effective competitive pricing, the total cost of production must be fully ascertained, leaving no stone unturned. The fixed cost as well as the variable cost must be determined and all the various costs that may be incurred in the marketing process must be inculcated e.g. advertising expense, transportation, etc. When cost is not fully ascertained, pricing decision becomes faulty and when the price is wrong, it will definitely hinder customer loyalty hence affecting the income of the company and eventually may affect the survival of the business.

5.1.2 Pricing strategies for customer loyalty in petroleum companies:

The study revealed that the company also employs a price skimming strategy where low prices are set for the products to attract customers and retain them. The findings are consistent with the literature put forward by (Nagle & Holden, 2002) who pointed out that if the objective of pricing strategy is to capture as much of the customer perceived value as possible, "price skimming" might be the method of choice. Price skimming relies on the assumption thatdifferent customers value an offering at different prices.

The study also revealed thatthe company uses customized pricing where different prices are set for each customer depending on their capacity. The findings are in line with the literature put forward by(Narayandas, 2005) who pointed out that clients may have such large differences in needs that a firm must provide a different solution to every customer. Due to this reality, the use of customized prices is also widely accepted, even expected, of firms. When the usage of the offering is what provides the value, a customized price can be built which reflects this unique value.

5.1.3 How competitive pricing, pricing strategy and customer loyalty pricing relate in the oil and gas sector in Uganda:

The study revealed that competitive pricing is one of the elements of the marketing mix that enhances revenue generation through customer loyalty for a company. The findings are in line with the literature put across by David & David (2012) who observed that in a real market the fundamental way of product optimization is pricing. Furthermore, pricing is one of the element of the marketing mix that enhances revenue generation through customer loyalty for an industry, competitive pricing decisions which results to price changes can be implemented relatively quickly and be adapted easily to the conditions surrounding a company‟s internal or external environment because it is the most flexible element of the mix.

The study revealed that communication between the consumers and sellers about competitive pricing determines the level of customer loyalty of the company. The findings correlate with the literature put forward by Malshe and Sohi (2015) who suggested that to enhance communication between the consumers and sellers, sound pricing strategy must be put in place. However, poor performance of the petroleum industry may persist if the consumers and sellers are not communicating well enough about the fundamental elements of pricing strategy. The pricing strategy is principally responsible for manufacturing organization performance through enhanced customer loyalty. In particular, pricing strategy must be considered for a competitive pressures and customer preferences when establishing the revenue per unit for a company"s products and services.

CHAPTER SIX

SUMMARY OF FINDINGS, CONCLUSION AND RECOMMENDATIONS

6.0 Introduction

This chapter presents the summary and description of findings derived from the study. The chapter also provides findings, conclusions and recommendations for customer loyalty as well as recommendations for further research.

6.1 Summary of findings

6.1.1 Factors affecting competitive pricing of petroleum companies in the oil and gas sector

The study revealed that the main factors affecting competitive pricing of petroleum companies in the bid to enhance customer loyalty are that the nature of market competition and that the cost of production is a factor that affects competitive pricing of the company‟s products. However, the respondents noted that there are other factors affecting competitive pricing of petroleum companies in the bid to enhance customer loyalty and these included; that the level of demand of new products in the market is a factor that affects competitive pricing of the company‟s products, that consumers‟ attitude and perception about the company products greatly affects itscompetitive pricing strategy, that the macroeconomic trends prevailing in the country like high inflation rates and the ever fluctuating petroleum products‟ prices also affect competitive pricing of the company‟s products and that the cost and channel of distribution has been found to be oneof the factors affecting competitive pricing of the company‟s products among others. However, most of the respondents were not sure whether the government regulations especially on pricing also affect competitive pricing of the company‟s products.

6.1.2 Pricing strategies for customer loyalty in petroleum companies:

The study revealed that the major pricing strategies for customer loyalty in petroleum companies are price skimming strategy where low prices are set for the products and discounting where price reduction and promotions of the product are set. However, there are other pricing strategies for customer loyalty in petroleum companies that were noted and these include; customized pricing where different prices are set for each customer depending on their capacity, value-based pricing where price is set according to the value of the product, group/ segment based pricing strategy, market based pricing and cost based pricing strategy among others.

6.1.3 How competitive pricing, pricing strategy and customer loyalty relate in the oil and gas sector in Uganda:

The study revealed that competitive pricing, pricing strategy and customer loyalty pricing are related in the oil and gas sector in Uganda in different ways for example; that majority of the new companies in the petroleum industry in Uganda aim at setting low prices for their products to attain customer loyalty, that most consumers in the oil and gas sector perceive price as the most important thing and therefore companies that set prices in relation to quality tend to lose customers hence reduced loyalty, that petroleum companies in Uganda have adopted discounting which involves sales promotion in order to maintain their customers‟ loyalty, that some petroleum companies in Uganda charge their customers differently for their products depending on their status to maintain loyalty of all their customers and that petroleum companies in Uganda also sell different quality of their products to their different customers depending on their ability to maintain customer loyalty

6.2 Conclusions

In conclusion, the results show that the macroeconomic trends prevailing in the country like high inflation rates and the ever fluctuating petroleum products‟ prices greatly affect competitive pricing of the company‟s products. Therefore this shows that competitive pricing greatly affects customer loyalty. It can be noted that that there are several factors affecting competitive pricing of petroleum companies in the bid to enhance customer loyalty for example the cost of production, the nature of market competition and the level of demand of new products in the market which need to be critically analyzed by companies in a competitive market baring in mind the loyalty of their customers. It was further noted that there are several pricing strategies that have to be considered for customer loyalty to be achieved in the oil and gas industry like price skimming, discounting, customized pricing, value-based pricing, group/ segment based pricing strategy, market based pricing and cost based pricing strategy among others.

6.3 Recommendations

From the study it is realized that effective implementation of competitive pricing is of great importance to every organization in enhancing customer loyalty, however, the application of this competitive pricing strategy is sometimes challenging. These recommendations are therefore made to help make this strategy more effective.

Since respondents noted that quality is an important factor to note while setting a competitive pricing strategy, it can therefore be recommended that companies dealing in the same products like the petroleum stations need to always consider improving their quality because this will be an added advantage to increase the prices of their products and be able to retain the loyalty customers have towards the product.

The study also found out that customers perceptions and preferences are essential while setting a competitive pricing strategy. Therefore this research recommends that companies need to first study their market before engaging in competitive pricing because there are customers who would rather go for cheaper products of low quality than expensive products of high quality and vise verser.

Companies need to also first study their inputs in production and transportation before setting a competitive price because for example if the cost of production and transportation is high and the company sets a lower price to out compete its competitors, it will end up increasing sales but reducing on their profitability which is always the main aim of a private company (to make profits).

Companies engaging in competitive pricing need to do this alongside other marketing strategies like carrying out promotions and after sale services. This will help them to sell their products at a higher cost while retaining the loyalty of their customers because of the better services offered alongside the product.

Companies also need to keep their customers informed of the situation in the market so as to keep them posted especially when implementing a competitive price in the market. This will reduce the likelihood that they will go away from the company they have been buying from because they will be sure of what to find in the market.

6.4 Areas for Further Research

Since the study explored only the assessment of competitive pricing strategy and customer loyalty strategy in the oil and gas sector in Uganda. There is need to undertake further studies onthe same topic and these include;

- The study recommends that future researchers need to make more study on how nature of market competition as a factor of competitive pricing affects customer loyalty in the oil and gas sector.
- The study recommends that future researchers need to focus their studies on the level of the use of competitive pricing on customer loyalty in the oil and gas sector.
- The study also recommends that future researchers need to focus their studies on the benefits of use of competitive pricing on customer loyalty in the oil and gas sector.

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APPENDICES

APPENDIX 1: QUESTIONNAIRE

INSTITUTE OF PETROLEUM STUDIES-KAMPALA

To be filled by employees of Vivo Energy (Shell) and Don Uganda Ltd

Dear respondent,

Thank you for volunteering to complete this questionnaire. Your responses are important and your thoughtful considerations are highly appreciated.

I am Maya Gloria a master"s student of oil and gas from the Institute of Petroleum Studies in partnership with Uganda Christian University-Mukono conducting a research on "the impact of competitive pricing on customer loyalty in the oil and gas sector in Uganda". All responses received will be treated with utmost confidentiality, and will only be for the purposes of this research work. Kindly answer these questions as objectively as possible so that the results of the data analysis are fairly accurate.

Section A: General Information

Tick where applicable

1. Gender

Sex	Tick	Code
Male		1
Female		2

2. Age

Age	Tick	Code
20-29 years		1
30-39 years		2
40-49 years		3
50 years and above		4

3. Your highest level of education:

Education	Tick	Code
Certificate		1
Diploma		2
Degree		3
Masters		4

Others specify:…………………………………………………………….

4. From which department do you belong to?

Category	**Tick**	**Code**
Administration department		1
Finance & Accounts department		2
Productions department		3
Engineering department		4

Others specify:…………………………………………………………….

5. How long have you been working in this company?

Period of membership	Tick	Code
Less than 1 year		1
1-5 years		2
6-10 years		3
Above 10 years		4

In the following sections, please rank by ticking in the boxes the alternative which best suits your answer using the likert scale below

Strongly Agree	**Agree**	**Not sure**	**Disagree**	**Strongly Disagree**
5	**4**	**3**	**2**	**1**

Section B: Factors affecting competitive pricing of petroleum companies

	Factors affecting competitive pricing of petroleum companies	**5**	**4**	**3**	**2**	**1**
1	The nature of market competition is a factor that affects competitive pricing of the company‟s products					
2	The cost of production is a factor that affects competitive pricing of the company‟s products					
3	The level of demand of new products in the market is a factor that					

	affects competitive pricing of the company‟s products					
4	Consumers attitude and perception about the company products greatly affects its competitive pricing strategy					
5	The cost and channel of distribution has been found to be one of the factors affecting competitive pricing of the company‟s products					
6	The government regulations especially on pricing also affects competitive pricing of the company‟s products					
7	The macroeconomic trends prevailing in the country also affect competitive pricing of the company‟s products					

Please suggest any other factors affecting competitive pricing of petroleum companies other than the above

………………………………………………………………………………………………

……………………………………………………………………………………………

Section C: Pricing strategies for customer loyalty

	Pricing strategies for customer loyalty	**5**	**4**	**3**	**2**	**1**
1	The company uses value-based pricing where price is set according to the value of the product to enhance customer loyalty					
2	The company also employs a price skimming strategy where low prices are set for the products to attract customers and retain them					
3	Discounting where price reduction and promotions of the product are set is also used by the company for improved customer loyalty					
4	The company uses customized pricing where different prices are set for each customer depending on their capacity					
5	The company also uses market based pricing to maintain its customers‟ loyalty					
6	The company also employs a group/ segment based pricing strategy to maintain its‟ customers‟ loyalty					
7	The company employs a cost based pricing strategy to maintain its‟ customers‟ loyalty					

Please suggest any other pricing strategies for customer loyalty other than the above

……
………………………………………………………………………………………………………

Section D: How competitive pricing, pricing strategy and customer loyalty pricing relate in the oil and gas sector in Uganda

	How competitive pricing, pricing strategy and customer loyalty pricing relate in the oil and gas sector in Uganda	**5**	**4**	**3**	**2**	**1**
1	Majority of the new companies in the petroleum industry in Uganda aim at setting low prices for their products to attain customer loyalty					
2	Most consumers in the oil and gas sector perceive price as the most important thing and therefore companies that set prices in relation to quality tend to lose customers hence reduced loyalty					
3	Petroleum companies in Uganda have adopted discounting which involves sales promotion in order to maintain their customers‟ loyalty					
4	Some petroleum companies in Uganda charge their customers differently for their products depending on their status to maintain loyalty of all their customers					
5	Petroleum companies in Uganda also sell different quality of their products to their different customers depending on their ability to maintain customer loyalty					

Thank you so much for your corporation

APPENDIX 2: INTERVIEW GUIDE

Interview guide for top management of Vivo Energy (Shell) and Don Uganda Ltd

Dear Respondent,

Please kindly spare some few minutes to respond to the following questions. Information received from you is for academic purposes and will be kept confidential. You will not be victimized for whatever answer you have given and to ensure this; you are not required to identify yourself anywhere on the interview guide.

1) Which position do you hold in this petroleum company?
2) How long have you been working with this petroleum company?
3) Have you as a company adopted competitive pricing when selling your products?
4) If yes, explain how you have been able to use competitive pricing when selling your products?
5) Has the use of competitive pricing affected the loyalty customers have to your petroleum products?
6) If yes, what are the factors affecting competitive pricing on customer loyalty.
7) What strategies as a petroleum company have you put in place when using competitive pricing to improve customer loyalty?

Thank you for your cooperation

APPENDIX 3: INTRODUCTORY LETTER

Institute of Petroleum Studies - Kampala

May 24, 2017

TO WHOM IT MAY CONCERN

Dear Sir/Madam

INTRODUCTION FOR MISS. GLORIA MAYA TO CONDUCT RESEARCH IN YOUR COMPANY

Greetings in the precious name of our Lord.

I wish to introduce to you the above named person, who is a masters student pursuing Masters of Business Administration in Oil and Gas Management, of Uganda Christian University in affiliation with the Institute of Petroleum Studies Kampala (IPSK).

His proposal has been approved by our vetting committee and is in the process of collecting data. Miss. Maya would wish to conduct research in your organization.

The title of her research is **"The Impact of Competitive Pricing and Customer Loyalty in the Oil and Gas Sector. A case study of Petroleum Retail Outlets in Arua"**

By copy of this letter, all respondents are notified that this study is for academic purposes and as an Institution, we request you to corporate in facilitating this very interesting research project.

Sincerely,

INSTITUTE OF PETROLEUM STUDIES - KAMPALA
24 MAY 2017
REGISTRAR
TEL:0414695610

Dorcas Magoba
Academic Registrar

Le Palm Plot 244/245, Tank Hill Road, Muyenga - Kampala, Uganda
Tel: +256 414 695610 Email: info@ipsk.ac.ug Website: www.ipsk.ac.ug

APPENDIX 4: CORRESPONDENCE LETTERS

DON UGANDA LTD
ARUA BRANCH
29th / 05 / 2017

TO:
INSTITUTE OF PETROLEUM STUDIES KAMPALA
(IPSK) IN PARTNERSHIP WITH UCU MUKONO

RE: NOTIFICATION LETTER

This letter is to notify your institute that this student **MAYA GLORIA** has been collecting data for her thesis from our company named above under my supervision.

As a company (DON PETROLEUM ARUA) we have given her all the information that she desired and we wish her all the best in her course.

THANKS

DON UGANDA LIMITED.
★ 01 JUN 2017 ★
ARUA STATION
P.O. Box 29445 Kampala (U)

SIGN: ________________

NAME: DEMA DANIEL.

MANAGER DON ARUA

TEL: +256(0) 706695923