

Kuwait National Petroleum Company (KNPC)

Marketing Strategy in Oil Sector

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Abstract

This article evaluates the marketing challenges faced by the Kuwait National Petroleum Company (KNPC). When global companies such as KNPC experience extreme criticism, they usually are tasked with identifying optimum solutions to reverse the negativity. This analysis provides some potential marketing strategies that can be implemented to resolve the issues within this article.

Keywords: KNPC, Marketing strategies, Trends, Implementation

1. Introduction

The sensitivity of the petroleum reserves is clearly reflected in the fact that it has remained or continued to be the goose that lays golden eggs for the Kuwait economy as well as the highest foreign exchange earner contributing over 80% of government revenues and helps the development of Kuwait's infrastructures and other industries (Anyia, 2002; Chukwu, 2002; Gary and Karl, 2003). Kuwait National Petroleum Company (KNPC) is one of the largest petroleum production companies and refineries in the world. KNPC's main activities include oil refining and production to the domestic market and for exportation. The Kuwaiti-based Corporation owns and manages the Mina Abdullah refinery, Mina Al-Ahmadi Refinery, and Shuaiba Refinery, among others. Following governmental expansion plans, KNPC currently is developing new major refinery projects locally to maximize its oil production operations. The most important focus of marketing activities of oil and gas marketing companies is the recognition and satisfaction of clients' needs and wants. These objectives can be attained by identifying the likely marketing mix variables and strategies, including relevant environmental impacts on them.

2. Review of Literature

2.1 Marketing Strategies

Marketing strategies and tactics are connected with taking decisions on different variables to influence mutually-satisfying exchange dealings and relationships. Characteristically, marketers have different tools they can use, these include mega marketing (Kotler, 1997) and also called 4Ps of marketing. (McCarthy, 2002), among others. Marketing appears simple to describe, but very difficult to practice (Kotler and Connor, 1997). Organizational leaders in many firms have applied the so-called marketing concept, which may be easy or complex. The marketing idea and variants like the total quality management concept for example, are fundamentally concerned with satisfying customers' needs and wants beneficially. Creating and implementing efficient and effective marketing strategies which incorporate relevant dimensions of the marketing concept, engage the organic tasks of selecting a target market (customers or clients) in which to operate and implementing an efficient and effective marketing ingredient combination. Marketing thought, with its practice, has been moving quickly into the service industry (Kotler and Connor, 1997). Literature, in part, centres on the conversation of whether physical product marketing is comparable to, or different from, the marketing of service and concludes that the differences between physical product and service might be a subject of emphasis rather than of nature or kind (Creveling, 2005). Some oil and gas companies (O&G) do everything from exploration to marketing; others specialize in one or a few activities. Some O&G perform many of the activities themselves ("make"), while others rely heavily on support from third parties ("buy") (Creveling, 2005). (Figure 1.)

According to Woodward (2004) a marketing strategy for the Kuwait National Petroleum Company comprises six parts.

2.2 Market Analysis and Segmentation

This market analysis considers both customers of oil and gas services (demand side) and providers of such services (supply side), mainly in the upstream part of the industry.

2.3 Oil and Gas Services Customers

Besides oil and gas companies, there is a second group of customers for oil and gas services: oil and gas service providers. This is because oil and gas companies outsource activities to service providers. The more complex these outsourced services (for example, drilling or seismic surveys), the more services these companies tend to require. Therefore, oil and gas service providers should think not only of a direct approach to oil and gas companies but also consider an indirect approach through other oil and gas service providers, including key service providers.

2.4 Market Segments

The objective of market segmentation is to identify meaningful segments so that marketing activities directed at these segments are more effective than if they had been directed to all customers alike. Market segmentation tries to identify distinct behavior in customer groups.

2.5 Targeting

Having appraised dissimilar segments, the company will make a decision which and how many segments to serve up. In further words, it has to decide which segments to target on. There are normally five blueprints of target selection. For solitary segment concentration, this is the simplest case; the business selects a single segment. For selective specialization, the company selects a number of segments, every objectively attractive and appropriate, given the firm's objectives and resources. There may be modest or no synergy among the segments, but every segment promises to be a moneymaker. It is becoming quite popular in radio broadcasting in which they want to appeal both younger and older listeners. For product specialization, the firm concentrates on producing a certain product that it sells to several segments. For marketing specialization, the firm concentrates on serving many needs of a particular customer group. For full market coverage, the firm attempts to serve all customer groups with the products that might need.

2.6 Differentiation

For the sake of obtaining a comparative advantage, developers try to identify the specific ways to differentiate its product. Differentiation is the act of designing a set of meaningful differences to distinguish the company's offering from other competitors' offerings.

Market offering can be differentiated along five dimensions: products (features, performance quality, conformance quality, durability, reliability, reparability, style, and design), services (ordering ease, delivery, installation, customer training, customer consulting, maintenance and repair, and miscellaneous services), personal (competence, courtesy, credibility, reliability, responsiveness, and communication), channel (coverage, expertise, and performance) and image (symbol, written and audiovisual media, atmosphere, and events).

2.7 Positioning

Positioning is the act of designing the company's offering and image so as to occupy a meaningful and distinct competitive position in the target customers' minds. The factors for positioning include as follows:

- Attribute
- Benefit
- User
- Competitor

3. Services

Marketing is a most important organic activity which assists to service organizations to meet their business challenges and achieve set goals and objectives (Kotler and Connor, 1997). The word “service” is used to explain an organization or industry that “does something” for someone, and does not “make something” for someone (Silvestro and Johnston, 2001). “Service” is used by companies or firms that meet the needs and wants of people, such organizations are fundamentally bureaucratic (Johns, 2005). “Service” may also be described as intangible, its result being perceived as a function rather than as a tangible offering. The question of the difference between services and tangible products is based on the amount of service components that a particular offering contains (Johns, 2005).

A service may consequently be seen as an activity or advantage which can be offered to an organization or individual by another organization or individual and which is fundamentally intangible. It is a separately identifiable other than intangible offer which produces want-satisfaction to the client, and which may or may not be essentially tied to the sale of a physical product or another service (Osugwu, 2009). Services include a wide range of activities and form some of the rising sectors of the economies of developed and developing countries. Services include specialized services such as legal, accounting, medical, management consulting, etc, general services such as insurance, postal, telephone, transportation, internet, tourism, etc, maintenance and repair services, and services from marketing researchers and product manufacturers, amongst others. Oil and gas business/services is not a tangible thing like food, clothing and cars. The main reason that affects a person's demand for oil and gas service is that person's attitude towards risks. The peculiarities of oil and gas services may generate marketing programmes that are different from those identified in the marketing of tangible products. The peculiarities may, as well, require sole marketing approaches and strategies. However, marketing concepts, principles and strategies are of relevance in the marketing of oil and gas services. Sound and robust marketing strategies are significant to the survival and expansion of any business, including oil and gas business, considering the increasingly subtle, unbalanced and seemingly hostile business environments in which contemporary business organizations operate (McDonald, 2004 and Creveling, 2005). So, in order to formulate and implement well-organized and effective marketing strategies, business organizations should have a thorough and continuous understanding of the relevant environment that impacts on their marketing strategies.

4. Marketing Mix

Marketing mix is one of the major concepts in modern marketing, it is defined as the set of controllable, tactical marketing tools that the firm blends to produce the response it wants in the target market. It consist everything the firm can do to influence the demand for its product. The main possibilities can be grouped into four variables known as the "four Ps": Product, price, place, and promotion.

Product means the good and service combination the company offers to the target market. Price is the amount of money customers has to pay to obtain the product. Place includes company activities that make the product available to target consumers. Promotion means activities that communicate the merits of the product and persuade target customer to buy it. An effective marketing program blends all of the marketing mix elements into a coordinated program designed to achieve the company's marketing objectives. The marketing mix constitutes the company's tactical tool kit for establishing strong positioning in target markets.

The nine market segments identified can be further condensed, since some have very similar needs. As shown in the table (1), there are five potential target segments for Kuwait National Petroleum Company. According to (Schnars, 1991), marketing strategy has been a most important focus of academic inquiry since the 1980s. There are number of definitions of marketing strategy in the literature and such definitions reflect different viewpoints (Li et al., 2000). On the other hand, the consensus is that marketing strategy gives the avenue for utilizing the resources of an organization in order to gain its set goals and objectives. In general, marketing strategy deals with the adapting of marketing mix-functions to environmental forces. It evolves from the interaction of the marketing mix elements and the environmental factors (Li et al., 2000). Therefore, the function of marketing strategy is to determine the nature, strength, way, and interaction between the marketing mix- elements and the environmental factors in particular circumstances (Jain and Punj 2002). According to (McDonald, 1992), the aim of the development of an organization's marketing strategy is to set up, build, defend and maintain its competitive advantage. Decision-making judgment is important in coping with environmental ambiguity and uncertainty in strategic marketing (Brownie and Spender, 2005). Marketing strategy development has the following peculiarities:

It requires managerial experience, intuition and judgment (Little, 2000)

- It carries a high level of uncertainty and ambiguity
- It is business sphere knowledge- intensive
- It entails a broad spectrum of strategic information
- It is a process which usually involves subtle decision making by organizational managers based on exhaustive examination of relevant environments and a synthesis of essential and useful pieces of information
- It is specifically concerned with devising an approach by which an organization can effectively differentiate itself from other competitors by emphasizing and capitalizing on its unique strengths in order to offer better customer/client value over a long period of time.

5. Conclusion and recommendations

Kuwait National Petroleum Company should systematically review their service offering and assess the extent to which the offering satisfies customer needs. This analysis should involve all staff who deal with customers and include service feedback interviews with customers. Companies also should look at competitors among Kuwait National Petroleum Company to identify potential improvement areas and ideas for changes to their service offering. A culture of continuous improvement is a leading practice of successful service providers. The service review should create insights into:

- High-value adding components of a service that should be provided
- Low-value adding components of a service that could be dropped
- Market opportunities for new services that would fit in with the Kuwait National Petroleum Company business
- The potential for bundling own services with new or other existing services
- Seasonal aspects of service provisioning (extension of service period) Kuwait National Petroleum Company should start their review immediately.

The busy season offers the opportunity to observe the market and implement new approaches, while managing the risks associated with change. At the close of the busy season, the organizational and financial requirements of intended changes should be assessed. Service offering reviews should become part of a regular marketing routine. Employees should be encouraged to share their ideas and service feedback interviews with customers should be carried out. This approach will improve service management, customer relations and employee commitment. The Kuwait National Petroleum Company should communicate all service offering adjustments to the market.

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Table 1. Nine Market Segments for Oil and Gas Companies as well as Oil and Gas Service Providers

	Needs related to	Size			
		Large	Medium	Small	
Customer Groups	Integrated O&G	All activities	Market Segment 1		
	Exploration & Product. O&G	All activities (no store/move)	Market Segment 2		
	Exploration-focused O&G	Explore	Market Segment 3		
	Oil and Gas Income Trust	Produce	Market Segment 4		
	Marketing-focused O&G	Market, store and move	Market Segment 5		
	Field Mgt Company	All activities	Market Segment 6		
	Drilling Company	Explore and exploit	Market Segment 7		
	Seismic Company	Explore	Market Segment 8		
	Other Service Providers	Various activities	Market Segment 9		

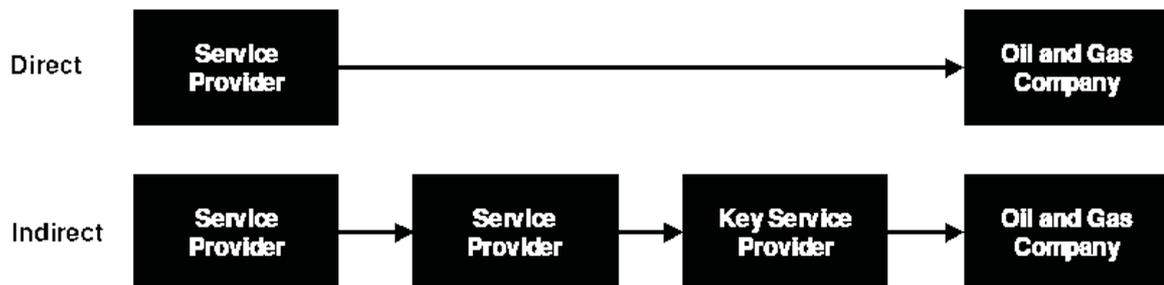


Figure 1. Oil and Gas Services Customers