

**ASSESSING POST COVID-19 COMPETITION AND PROFITABILITY IN THE UGANDAN
DOWNSTREAM OIL SECTOR A CASE STUDY OF STABEX PETROL STATIONS IN KAMPALA
DISTRICT**

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DECLARATION

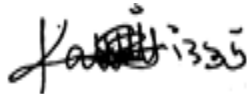
I **Feta Benon Obaya**, hereby declare that this research is my work and it has not been submitted before to any other institution of higher learning for fulfillment of any academic award.

Signature..........

Date.....12/4/2024.....

APPROVAL

This is to certify that, this research entitled “Assessing post Covid-19 Competition and Profitability in the Ugandan Downstream Oil Sector” has been done under my supervision and now it is ready for submission.

Signature..... 

Ms. Isabella Izimba Kasiko

Date.....12/4/2024.....

DEDICATION

With sincerity, I dedicate this work to my family for the support, encouragement and love they have showed me throughout my education journey. My special thanks goes to my beloved dad Asindua Alex Obaya and mum Draleru Joyce for the tuition offered to me throughout all my education levels, also for having natured and trained me into a better person I am today. I will always cherish and love you and may the good Lord grant you many blessings.

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I give special thanks to the good Lord for the wisdom and strength that he has granted me in my entire life and also throughout this whole journey because it has given me the courage to complete my studies. I also extend my sincere gratitude to my supervisor, lecturers and all staff members at the Institute of Petroleum Studies- Kampala for the skills and wisdom imparted in me during my time of study. I also appreciate my classmates for the academic help rendered to me.

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ABSTRACT

The purpose of this study was to assess the post Covid19 pandemic competition and profitability of Uganda's downstream oil sector with a case study of Stabex International Ltd in Kampala district. The study was guided by three objectives which were; to analyze the current competitive landscape of the downstream oil sector in Uganda, to evaluate the impact of competition on profitability margins for companies within this sector and to identify the key drivers of competition and their effects on operational efficiency and market share distribution among downstream oil companies in Uganda.

The study assessed a population of 35 from which a sample of 32 respondents were gotten. The cross-sectional design was used because cross-sectional studies are generally quick, easy, and cheap to conduct because limited time is spent in the field. With the cross-sectional design, the researcher was able to collect appropriate data quickly and cheaply. Closed ended questionnaires were utilized to collect data and analyzed using SPSS in form of percentages.

The findings showed that a large majority agreed that there was a rise in the competition levels after restrictions due to the pandemic were scrapped allowing free operation of businesses. The findings showed that there increasing entry of new firms in the sector which opened room for huge competition with reduced profits. The findings also showed that the market share was in equivalently divided the major dominants like TOTALenergies and VIVO Energy taking the biggest market share leaving multiple players to compete in the smaller niches in the market. .

The study recommends Stabex International Ltd and other petrol retailers should consistently provide high service levels to keep loyal customers and also ensure that monthly customer satisfaction surveys are conducted and the government should consider reducing on the petrol retailing taxes to keep them operative and reduce on their closure due to the high operational costs.

Like any other research, this research is not exhaustive and therefore, further research is needed to research whether the results hold for other fuel stations in other Cities and districts. Other fuel stations might have similarities and therefore this research could also be applied in those fuel stations.

CHAPTER ONE

GENERAL INTRODUCTION

1.1 Introduction

This chapter encompasses the background of the study, the objectives of the study, the scope of the study, the research questions, the purpose of the study, significance of the study, justification of the study, the key definitions involved and the conceptual framework of the study.

1.2 Background of Study

1.2.1 Historical Background

In 1666, the term "pandemic" was first used to describe a continuously spreading disease in a country. The words epidemic and pandemic were used broadly and often alternatively in many social and medical contexts during the 17th and 18th centuries. Some of the historical pandemics include the following;

Athenian Plague that lead to death in 7-8 days in many cases. The exact count is not available, but it is estimated that the plague killed around 25% of Athenians and people in the surrounding areas around 480 BC (Iversen, 2011). The Antonine Plague, resulting in 5 million estimated deaths, including Emperor Marcus Aurelius and likely smallpox (Banaś, 2021). The Black Death resulted in around 200 million deaths and potentially killing 60% of Europe's population. The disease was linked to air pollution and rat flea (Banaś, 2021). The Asiatic cholera pandemic and six subsequent pandemics occurred between 1827 and 1923 claiming 1 million lives. The 1918 Spanish flu, caused by H1N1 influenza, originated in Kansas and spread due to troop movement causing a 12-year drop in life expectancy. Asian flu in 1957, an avian influenza strain from China spread to the US, England, and Scotland claiming over 1 million people in Hong Kong by 1958 (Reid et al., 2003). Other pandemics included HIV/AIDs killing over 36million people worldwide, Severe Acute Respiratory Syndrome, Swine and Ebola Virus Disease.

COVID-19 caused by SARS-COV2, which led to over 190 million confirmed cases and 4 million deaths globally as of July 2021, with symptoms including fever, fatigue, cough, breathlessness, headache, anosmia and sore throat (Sampath et al., 2021).

COVID-19 caused an unprecedented drop in oil consumption and a substantial drop in natural gas consumption. During the onset of the pandemic, mobility restrictions and a general fear of the virus brought global oil demand down in April 2020. The price shock that was caused by OPEC in 2020 cutting oil production by 10 million barrels per day and coinciding Saudi-Russia price war that caused oil prices to fall briefly below zero on financial markets (Studies, 2022).

The Covid-19 pandemic halted the development of the oil industry in Africa, with major oil majors failing to make Final investment Decisions (FID) on multi-billion dollar projects such as Shell's Bonga South-West project, ExxonMobil's Bosi, Owowo West, Uge-Orso projects, and Chevron's Nsiko project are among the affected projects. ExxonMobil's Rovuma LNG project in Mozambique also had an extended green-light while Aker Energy in Ghana postponed the development of its Pecan field and this show reduced anticipated profits of the companies (Prawiraatmadja et al., 2020). Since then, demand has been steadily rising with a marked increase observed between the third and fourth quarter (2021) from 97.7 to 99.2 million barrels per day (Odokonyero & Bulime, 2022). The recovery and rise in demand are associated with the opening up of economies due to the relaxation of COVID-19 restrictions and related economic activities (Sampath et al., 2021).

During the COVID-19 pandemic, fuel pump prices for all the East African Countries (EAC) have fluctuated at different levels and in different periods partly reflecting the different fuel regimes across these countries. For example, the fuel pump prices for Kenya, Tanzania and Rwanda sharply decreased between March 2020 and June 2020, while Ugandan prices experienced a “mild” decline. Notably, the decline in demand resulted into limited competition and fuel price manipulation.

According to Odokonyero & Bulime (2022), there's a chance of collaboration and a cartel in Uganda. Out of over 60 oil marketing companies, only two Vivo Energy Uganda Ltd. and Total Uganda Ltd. dominate the market, holding 30.17% of the market share (16.86% for Vivo Energy and 13.31% for Total, respectively). The majority of the companies have a market share of less than 2%. The excessive increase in fuel prices in Uganda (in comparison to the other EAC nations) also prompts worries about market imperfections. For instance, the dealers' present efforts to recoup lost revenue from the first and second lockdowns and prepare for potential market volatility may be the cause of the higher fuel prices. (Odokonyero & Bulime, 2022).

Even at the level of petrol stations, differences in fuel costs are noted specifically within the same geographic area. Different fuel company sellers charge varying rates in the varying locations. There are indications of potential factors that include: competition among retailers, quality of fuel (e.g., high-performance fuel like V-Power for Vivo Uganda), profit margin, and distribution including marketing and other services as well as transport costs. This phenomenon can still be further investigated to fully understand the underlying factors behind such variations. (Odokonyero & Bulime, 2022).

1.2.1 Stabex International Uganda

Under the Kenyan Company Act, Stabex International Limited was established and incorporated (Cap. 4-86). 2009 saw the opening of Stabex's first station in Uganda, located at Nansana Hoima Road in Kampala (*Stabex International Ltd*, n.d.).

With a goal “To be a results-oriented oil marketing company that offers premium petroleum products by honesty, cooperation, creativity, and inventive problem-solving,” and a vision “To become East and Central Africa's most reputable and progressive Oil Marketing company, relentless in its quest of employee excellence and client satisfaction.” By the end of 2023, Stabex International Limited is likely to have over 150 retail stations, making it the oil marketing firm in East Africa with the quickest rate of growth. With more than 12 depots serving both commercial customers and other fuel stations in landlocked nations like Uganda, they also deal in bulk petroleum supplies. It also specializes in supplying cooking gas and petroleum goods to businesses, corporations, restaurants, and communities in order to provide them with energy solutions (*Stabex International Ltd*, 2024).

1.2.2 Conceptual Background

The major concepts in the study are competition as the independent variable and profitability as the dependent variable in the period after the Covid19 outbreak.

Profitability.

Profitability is a fundamental measure used to evaluate the financial performance of a business, indicating its ability to generate income relative to its revenue, assets, or equity over a certain period (Ballantine et al., 1988). Several key profitability metrics and ratios are commonly used to assess and compare the financial health and performance of businesses including gross Profit Margin (left over from revenues after accounting for the cost of goods sold (COGS), Operating Profit Margin (income left after removing operating expenses), Net

Profit Margin (It is calculated as Net Income / Revenue) and other profitability measures include Return on assets, return on equity and Return on Investment.

Profitability in the oil and gas industry is a multifaceted issue, deeply influenced by global economics, geopolitical factors, technological advancements, and environmental regulations. This industry, critical to the global energy supply operates on a massive scale, and its profitability is subject to the volatile nature of oil and gas prices. These prices are influenced by supply and demand dynamics, which can be affected by geopolitical tensions, economic growth rates, and major disruptions such as pandemics or natural disasters (Chucks et al., 2021). Upstream activities involve exploration and production (E&P), which are the most affected by fluctuations in oil and gas prices. High prices can lead to significant profits due to the high value of extracted resources. Midstream activities, which include transportation and storage, tend to have more stable revenue streams, often generated through long-term contracts. Profitability in this segment is less tied to oil and gas prices and more to demand for transportation and storage capacity (Guillermet, 2014).

The downstream sector's profitability is closely linked to the crack spread, which is the difference between the wholesale market price of downstream products (like gasoline, diesel, and jet fuel) and the price of crude oil. When crude prices are lower and product prices remain stable or increase, downstream profitability can soar. Conversely, when crude prices rise significantly while product prices do not adjust accordingly, margins can shrink (House et al., 2009).

For a company like Stabex operating within the downstream segment, maintaining and enhancing profitability involves several strategic focuses. Stabex would need to optimize its operations for efficiency and cost-effectiveness, ensuring that it can market its product and gain better customer base compared to its competitors.

Competition

The concept of competition in the context of economics and business refers to the rivalry among firms striving to gain an advantage in the market to attract more customers, increase sales and achieve a dominant position. (Ballantine et al., 1988). The oil and gas industry is highly competitive due to its complex value chain, each segment facing its unique set of competitive dynamics. In the upstream sector, competition is primarily about access to reserves and the technological and operational efficiency to extract oil and gas economically.

Companies compete for licenses, resources, and the capabilities to operate in challenging environments, from deep-water offshore fields to unconventional shale formations. The midstream sector experiences competition in the development and operation of infrastructure necessary to transport oil and gas from production sites to refineries and distribution points. This includes pipelines, shipping, and storage facilities. Efficiency, reliability, and access to key markets are critical competitive factors (Ranidipa, 1867).

The downstream segment of the oil and gas industry, which involves refining crude oil into finished products like gasoline, diesel as well as distributing is intensely competitive. This competition is driven by factors such as product quality, price, brand recognition, and the distribution network's reach and efficiency. Downstream companies compete on several fronts including innovations in product offerings, marketing strategies, and service delivery can also provide a competitive edge (House et al., 2009).

To thrive, Stabex needs to navigate the challenges of fluctuating crude oil prices, changing consumer demands, regulatory pressures, and changing competitor behaviors. In a broader sense, Stabex's competitiveness is seen to hinge on its strategic initiatives, such as expanding its retail network with over 150 retail outlets across East Africa and various depots (*Stabex International Ltd*, 2024)

1.3 Problem Statement

The outbreak of Covid-19 affected the profitability and competition of oil companies in Uganda and across the world. Many large companies in the oil and gas industry were under pressure during 2022 as the crude oil prices kept falling due to covid-19 pandemic (Dave, 2020). Petrol stations in Kampala Districts experienced a decline in their profit margins which lowered their competition in the oil market this was due to the measures and restrictions imposed by the government to reduce on the rapid spread of the disease. However, the level of competition seems to be rising with still reduced profit margins than expected as the market share keeps been divided with the multiple establishments of new petrol stations.

Despite the potential for growth in Uganda's downstream oil sector, there remains a lack of comprehensive analysis on how competition within this segment affects the profitability of involved firms. The intricacies of market dynamics such as price wars, service differentiation, and regulatory compliance costs have profound implications on the operational efficiency and

profit margins of these companies. Moreover, the balance between ensuring competitive market conditions and achieving sustainable profitability levels is yet to be thoroughly examined.

This gap in knowledge hinders effective policy formulation, strategic planning, and investment decisions, potentially stiffening the sector's development and its contribution to the national economy.

Therefore with the above findings, this study focuses on assessing the post covid-19 competition and profitability in the Ugandan downstream oil and gas sector with a focus on Stabex Petrol Stations in Kampala District as it will help to get information that will help the oil sector to improve on its profitability and competition in the oil market.

1.4 Objective of the Study

1.4.1 General Objective

To assess post Covid-19 Competition and profitability in the Ugandan downstream oil sector in Stabex Petrol Stations.

1.4.2 Specific Objectives

- i. To analyze the current competitive landscape of the downstream oil sector in Uganda.
- ii. To evaluate the impact of competition on profitability margins for companies within this sector.
- iii. To identify the key drivers of competition and their effects on operational efficiency and market share distribution among downstream oil companies in Uganda.

1.5 Research Questions

- i. What is the current state of competition in the downstream oil sector of Uganda?
- ii. How does competition within this sector impact the profitability of the companies involved?
- iii. What are the primary factors driving competition in Uganda's downstream oil sector, and how do they affect companies' operational efficiency and market positioning?

1.6 Purpose of the Study

The main purpose of this study was to assess post Covid-19 Competition and profitability in the Ugandan downstream oil sector with a focus on Stabex Petrol Stations in Kampala District.

1.7 Significance of the Study

This research aimed to fill the existing knowledge gap by providing a detailed analysis of the competitive dynamics in Uganda's downstream oil sector and their implications for profitability. By doing so, it sought to offer valuable insights for policymakers, industry players, and investors to make informed decisions, ultimately contributing to the sustainable growth and development of the oil and gas industry in Uganda.

1.8 Scope of Study

1.8.1 Geographical Scope

The study was carried out in Stabex Petrol Stations in Kampala district found in Central Uganda. This geographical study area was selected because it has a high concentration of Stabex petrol stations.

1.8.2 Subject Scope

The research study specifically focused on assessing post Covid-19 Competition and profitability in the Ugandan downstream oil sector with a focus on Stabex Petrol Stations.

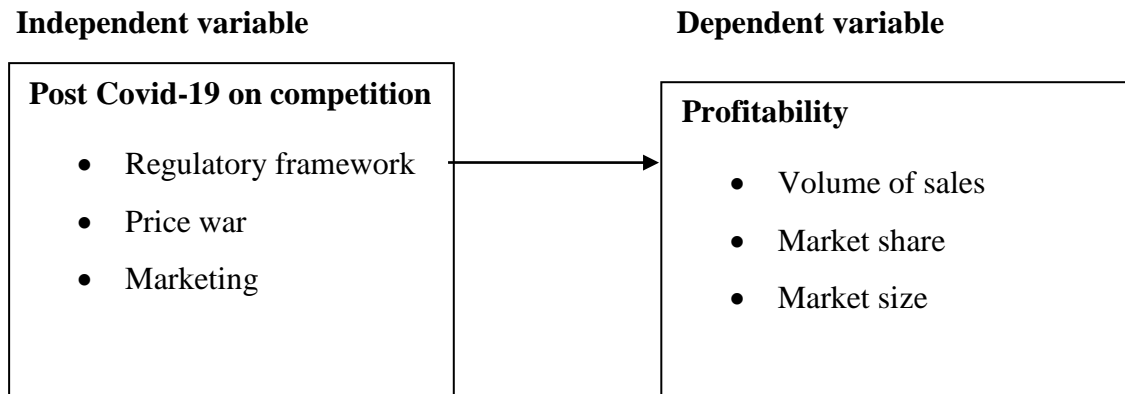
2.8.3 Time Scope

The study based on the aftermath of COVID-19 pandemic on level of competition and profitability after the intense effects of the Covid19 pandemic such as restrictions on transportation in the period between 2021 and 2024. The period is considered because restrictions due to Covid19 pandemic were removed and businesses were on recovery to profitability and normal operations.

1.9 Conceptual Framework

The conceptual framework of this study explains the relationship between post covid-19 on competition and profitability. The independent variable was the post covid-19 competition due to regulatory framework, price war and marketing. The dependent variable was Profitability which included; Volume of sales, market share and market size. It is illustrated in the figure below;

Figure 1: Conceptual Framework



1.10 Definitions of key Terms

Downstream oil and gas sector: This involves complex and diverse activities which include manufacturing, petrochemical refining, distribution and retail (EKT Interactive, 2023).

Competition: According to Britannica Dictionary, competition is the act of trying to get or win something that someone else is also trying to win. In business, competition is the contest between several firms selling similar products (Indeed Editorial Team, 2023).

Profitability: Profitability refers to the capacity of a business or investment to generate profits or financial gains relative to the resources, expenses, and costs involved. It is a crucial measure of an entity's financial health and success, indicating its ability to generate returns for its stakeholders (Ballantine et al., 1988).

CHAPTER TWO

LITERATURE REVIEW

1.1 Introduction

This section reviews various literatures of different scholars with focus on the dependent variables other than the independent variables. It reviews literature on the post covid-19 aspects of competition and profitability.

2.2 Theoretical Review

The following theories were used in the course of carrying out this research study

2.2.1 Competitive Strategy Theory

Competitive Strategy Theory was developed by Michael Porter in 1979. It states that businesses operate in a competitive environment and success depends on the ability to outperform rivals. Porter suggests that there are five forces that shape a company or business competition and these include; the threat of new entrants, the bargaining power of suppliers, the bargaining power of buyers, the threat of substitute products or services and the intensity of competitive rivalry. He further argues that businesses must identify and analyze these forces by developing a strategy that helps them to create and sustain a competitive advantage (open.ncl.ac.uk, 2020).

Porter argues that businesses must develop a unique value proposition that sets them apart from their competitors and creates a barrier to entry. This involves having a deep understanding of the customer needs and preferences and the ability to deliver a product or service that meets those needs better than anyone else. Therefore the only way for oil companies to remain competitive in the oil market is by developing the Porter's five forces (open.ncl.ac.uk, 2020).

2.2.2 Innovation Theory of Profit

Joseph A. Schumpeter who formulated this theory in 1934, thought that an entrepreneur could make money by bringing in profitable inventions. The theory suggests that the main function of a business person is to introduce innovations in the businesses that will enable him/her to generate a lot of profits. Innovation is divided into two categories; the first category involves all activities which reduce on the cost of production like introduction of new machinery and the second category involve activities which increase the demand for a product like increasing on the quality of the product (Mona Assistant Professor, 2023).

On addition to that, Innovation may take any shape like introduction of a new technique, a change in the quality of raw material, a new form of energy, better method of salesmanship among others. Furthermore, Schumpeter makes a distinction between invention and innovation. Profit is the reward for this strategic role, Innovations are not possible by all entrepreneurs. Only exceptional entrepreneurs can innovate. They are capable of tapping new resources, technical knowledge and reduce the cost of production. Profit is therefore the cause of innovation (Mona Assistant Professor, 2023).

2.3 Review of Related Literature

2.3.1 The Impact of Covid-19 on Competition in Businesses

The Covid-19 pandemic resulted in the deepest global recession since the World War II. The rapid spread of the disease and movement restrictions to contain the virus created sudden supply and demand shocks thereby leading to declines in outputs (Mariam Bruhn, 2023).

The Covid-19 pandemic had a profound impact on businesses. Businesses which were more productive broke down meaning they became less productive this was due to the restrictions and measures imposed on business during the crisis like reducing on the number of workers in the company, maintaining the Standard Operating Standards(SOPs), even some firms were completely closed down. This reduced the production in the market and the competitiveness of the firms. In research survey conducted on about 8000 firms both small and large firms in twenty three developing countries in Europe and Central Asia, smaller firms were hardly hit by Covid-19 and economic activity was reallocated towards firms with higher pre-crisis labour productivity (Mariam Bruhn, 2023). Countries with a strong competition environment experienced more reallocation from less productive to more productive firms than countries with a weak competition environment. In addition to that, evidence also recommends that reallocation from low to high productivity firms during the Covid-19 pandemic was more strong compared with times of pre-crisis. Therefore, the analysis indicated that the government measures implemented to reduce the rapid spread of the disease many both small and large firms became less productive. Thus, the government measures imposed during covid-19 had adverse impact on the competition and productivity growth of businesses (Mariam Bruhn, 2023).

Stabex International Ltd faced significant challenges due to the COVID-19 pandemic, which had a profound impact on competition within its industry. The pandemic disrupted supply

chains, caused demand fluctuations, and led to unprecedented market volatility. As a result, competition intensified as companies vied for market share amidst economic uncertainties. Stabex International Ltd had to adapt its strategies to navigate these challenges, including optimizing operational efficiencies, leveraging digital technologies for remote work and communication, and diversifying its product portfolio to meet evolving customer needs.

2.3.2 Profitability

Profitability refers to a measure of an organization's income relative to its expenses. Organizations that are more efficient will realize more profit as a percentage of its expenses than a less- efficient organization which must spend more to generate the same profit (Profitability, 2022). Profitability of company is determined by its ability to use its resources to earn more sales revenues which exceed its expenses. Generally, it is the company's ability to generate more profits from its operations. Sales profitability refers to the money amounts a company gains from its customers through the products and services offered. Thus, if a company generates higher sales profitability, it believed that it is more efficient (Mona Assistant Professor, 2023).

One of the indicators of sales profitability is profit margins. This is used by the company administrators to determine whether to give promotions or bonuses for each representative, or to determine the amount of the commission. An increase in sales indicates the number of sales obtained from each marketing activity (Reid, Smith & McCloskey).

However in recent developments, importation or supply of oil in Uganda was handed over to the Uganda National Oil Company (UNOC) by the parliament of Uganda which leaves all petrol retailers like Stabex Uganda Limited dependent on the sole supplier hence profitability through optimization of the supply chain minimum.

Stabex International Ltd's petrol stations represent a strategic segment of its business, contributing significantly to the company's overall profitability. These stations are strategically located in key markets, offering a wide range of fuel products and related services to meet customer demand. Through effective inventory management, pricing strategies, and customer service initiatives, Stabex International Ltd's petrol stations have consistently attracted and retained customers, driving sales and revenue growth.

2.3.3. Sales volume

Sales volume is the primary goal for businesses that rely on sales and profit. When sales volume increases, margin, profit and numerical distribution are controllable, but managing business parameters becomes challenging when volume decreases. Sales can be impacted by various channels and portfolios. Positive sales growth over a given time frame indicates that a business is on track to meet sales targets and expand (Sartorius et al., 2007).

The quantity of both existing and potential sales is crucial in sales management. Only legitimate qualified leads are essential for sales, while unqualified leads are a significant marketing metric. Accurate contact details are essential for closing deals (Louviere et al., 1990).

Tracking the quantity of fresh sales prospects and their prospective buy volume is a valuable sales metric that compares present performance with the previous month. Average purchase value is a sales performance metric used for forecasting, revenue estimates, and growth strategies. Sales volume can be tracked at the product or sales area level, and break-even sales volume helps management decide when to cut expenses when sales are declining. However, using this idea can be challenging when dealing with multiple products with unique contribution margins (Kean, n.d.)

Stabex International Ltd's petrol stations have witnessed a notable increase in sales volume, showcasing the company's strategic prowess and customer-centric approach. Through a combination of factors such as prime location selection, competitive pricing strategies, and a diverse range of offerings, Stabex International Ltd has attracted a steady stream of customers to its petrol stations. The company's focus on delivering high-quality fuel products, coupled with efficient and reliable service, has garnered customer loyalty and repeat business, further boosting sales volumes.

2.3.4. Market share

Market share is the percentage of a company's total revenues generated by dividing its sales by overall sales during a given period. It can be value or volume-based, with value being determined by a company's overall percentage of total segment sales. The actual number of units sold by a corporation relative to the total number in the market is referred to as volume. The relationship between value and volume market share is not always linear, as a unit with high value but low numbers could have a high value market share but a low volume share. A higher market share typically means better revenue, less effort in expanding the product line,

and a significant barrier to entry for new competitors. A larger market share also implies that the leader benefits more than others if the market grows (Louviere et al., 1990).

Growing market share allows a corporation to operate more profitably and on a larger scale, develop a cost advantage over rivals, increase overall sales, and facilitate a business's efforts to expand its clientele.

Stabex International Ltd has established a notable market share in Uganda's downstream oil industry, showcasing its strong presence and competitive position in the market. Through strategic investments in infrastructure, efficient supply chain management and a diverse product portfolio, Stabex International Ltd has captured a significant portion of the market. The company's petrol stations are strategically located across key regions, attracting a steady flow of customers and contributing to its market dominance. Furthermore, Stabex International Ltd's commitment to quality, reliability, and customer satisfaction has earned it a loyal customer base, further solidifying its market share.

2.3.5 The Relationship between Competition and Profitability

Competition drives companies to their best to offer innovative and give superior services resulting in increasing their sales. If a company decides to lower prices beat the competition, this may increase sales but could decrease profitability if the price is lowered too much. Therefore it is just important for a company to be innovative like in terms of increase on the quality of the products offered or bring a new a product in the market as it can increase the market size hence increased sales leading to much profit generated (Kean, 2021).

Competition should put pressure on profit levels so that they move toward the cost of capital in the medium to long run. A situation where profits are persistently above the cost of capital for firms that represent a substantial part of the market could be an indication of limitations in competitive process. There is a large divide between proponents of the use of profitability as an indicator of market power (Kean, 2021).

Stabex International Ltd, operating in Uganda's competitive downstream oil sector, experiences a direct impact from the dynamic relationship between competition and profitability. The company's profitability is intricately linked to its ability to navigate and thrive in a competitive market environment. As competition intensifies among oil industry players in Uganda, Stabex International Ltd must continuously innovate and differentiate its offerings to maintain market share and drive revenue growth. This heightened competition exerts pressure on pricing strategies, operational efficiencies, and customer acquisition and

retention efforts. However, adept management of these factors can also lead to improved profitability for Stabex International Ltd. By leveraging market insights, optimizing cost structures, and delivering value-added services, the company can enhance its competitive position while safeguarding profitability. Thus, Stabex International Ltd's success hinges on its strategic agility and ability to strike a balance between competitive forces and sustainable profitability in Uganda's dynamic downstream oil industry.

2.3.6. Primary Factors Driving Competition in Uganda's Downstream Oil Sector

The downstream oil sector in Uganda has experienced significant competition due to various primary factors. This literature review aims to explore these factors and their impact on companies' operational efficiency and market positioning.

Regulatory Environment: One of the key drivers of competition in Uganda's downstream oil sector is the regulatory environment. According to Nyakecho and Kirabo (2020), the liberalization of Uganda's petroleum sector in the early 1990s led to increased competition among market players (Nyakecho, A., & Kirabo, 2020). The government's regulatory framework, including licensing requirements and pricing regulations, influences market entry and operational strategies for companies. For instance, deregulation efforts aimed at promoting market competition can enhance operational efficiency by allowing companies to set competitive prices and adopt efficient business practices (Tumuhairwe, E., & Othieno, 2019).

Infrastructure Development: The development of infrastructure such as storage facilities, pipelines, and distribution networks plays a crucial role in driving competition in the downstream oil sector (Muhumuza, M., & Bukenya, 2018). Companies that invest in robust infrastructure can improve their operational efficiency by reducing transportation costs, minimizing product losses, and ensuring reliable supply chains. Moreover, a well-developed infrastructure network enables companies to expand their market reach and enhance their market positioning by serving a larger customer base (Mwase, 2021).

Technological Advancements: The adoption of advanced technologies has become a significant factor driving competition in Uganda's downstream oil sector (Turyatunga, E., Kakuru, D., & Atukunda, 2019). Companies that leverage technologies such as digital marketing, data analytics, and automation can enhance their operational efficiency by optimizing processes, reducing operational errors, and improving decision-making.

Furthermore, technological innovations contribute to market differentiation and competitive advantage, allowing companies to position themselves as industry leaders (Nambatya, G., Mukasa, P., & Isiko, 2022).

Market Dynamics and Consumer Behavior: Changes in market dynamics and consumer behavior also impact competition in the downstream oil sector (Kasirye, I., & Byamugisha, 2017). For instance, shifts in consumer preferences towards environmentally friendly products have compelled companies to offer eco-friendly fuel options, thereby influencing market positioning. Understanding consumer needs and market trends enables companies to tailor their strategies, enhance operational efficiency, and maintain a competitive edge (Kagumire, R., Nalwoga, R., & Sekamate, 2020).

Competitor Strategies: The strategies adopted by competitors significantly influence the level of competition in Uganda's downstream oil sector (Aheisibwe, D., & Mugisha, 2019). Companies that engage in aggressive pricing strategies, product differentiation, and effective marketing campaigns can gain market share and improve their operational efficiency through economies of scale. Conversely, intense competition may lead to price wars and margin pressures, impacting companies' profitability and market positioning (Musinguzi, Ntambi, F., & Kikoola, 2021).

Stabex, a key player in Uganda's downstream oil sector, is significantly influenced by several primary factors driving competition in the industry. Firstly, the regulatory environment plays a crucial role, impacting market entry barriers, pricing strategies, and operational practices for companies like Stabex. Deregulation efforts or changes in government policies can either intensify or alleviate competition, affecting Stabex's market positioning and profitability. Secondly, infrastructure development is a key driver. Companies with robust storage facilities, distribution networks, and efficient logistics gain a competitive edge by ensuring reliable supply, reducing costs, and reaching a broader customer base. Stabex's investments in infrastructure determine its operational efficiency and market reach in the downstream oil sector. Thirdly, technological advancements significantly impact competition.

CHAPTER THREE

RESEARCH METHODOLOGY

3.1 Introduction

This chapter presents the research design, area of study, study population, sampling procedures which are sample size and sampling techniques, data collection methods and instruments, data analysis, data validity, data reliability, ethical considerations and limitation of the study.

3.2 Research Design

This study used the cross-sectional research design. The cross-sectional design was used because cross-sectional studies are generally quick, easy, and cheap to conduct because limited time is spent in the field. With the cross-sectional design, the researcher was able to collect appropriate data quickly and cheaply.

3.3 Area of Study

The area of study was Kampala District found in central Uganda. Stabex Uganda limited is among the big companies in the petroleum white product retailing in Uganda. Its location lies along the roads with high traffic in the district and visits to the stations were done on public means bodaboda/Taxi. The districts were selected as the area of study because of the multiple number of Stabex petrol stations located in them

3.4 Study Population

The study population targeted was 35 respondents from the different Stabex petrol stations in Kampala District including the executive management and accounts department (20 people) and the pump attendants (15 people).

3.5 Sampling Procedures

3.5.1 Sample Size

According to Krejcie and Morgan Table (1970), the sample size is 32 respondents and was divided as follows; executive management (09), accounts department (09 people) and pump attendants (14 people).

The Krejcie and Morgan Sample Size Formula is commonly used in research methodology to calculate the sample size needed for a survey or study to ensure it represents the population

adequately. It takes into account the population size, desired level of confidence, and the margin of error.

The formula is:

$$n = \frac{N \cdot e^2}{Z^2 N \cdot e^2 + Z^2}$$

Where:

n = required sample size

N = population size

e = margin of error (expressed as a decimal)

Z = z-score corresponding to the desired confidence level

3.5.2 Sampling Technique

The researcher used simple random sampling where the sample was obtained from the subject in such a way that all individual had a chance of being selected. The selection was done by drawing numbers assigned to participants and this was to enable collection of data from the sample representative for simplicity of the findings.

3.6 Data Collection Methods

The collection of data for this study involved use of only questionnaire survey. A questionnaire survey is a data collection method by which the participants are directly questioned about their feelings on the study problem. The questionnaire survey was very useful because it is fast to use in data collection.

3.7 Data Collection Instruments

The researcher used a self-administered questionnaire. A self-administered questionnaire is a quantitative data collection instrument. The questionnaire had two sections that are sections A and B. The questions in sections A had background characteristics while the questions in section B contained the main variables. The self-administered questionnaires were close-ended items. Closed questions was selected because they are easy to administer, easily coded and analyzed, allowed comparisons and quantification, and they were more likely produce fully completed questionnaires while avoiding irrelevant responses.

3.8 Data Analysis

Quantitative Analysis

Quantitative data was presented in form of statistics of frequencies and percentages for every variable used in the study and analyzed using Statistical Package for Social Sciences (SPSS). Strongly agree and agree was joined to mean agree and strongly disagree and disagree was considered to mean disagree.

3.9 Data Validity

By confirming that the independent and dependent variables are consistent with the conceptual framework of the study, content validity of the instruments was verified. The relevance, language and clarity of the instruments' items were discussed with the supervisors, and the questionnaire's questions were validated. The instrument was validated based on the questions' completeness, relevance, and clarity in respect to the study constructs.

3.10 Data Reliability

With the supervisor's input, the instruments' reliability was improved. Personal biases were avoided, accurate record keeping was maintained, a transparent decision-making process was shown and interpretations of data was consistent and open during data collecting. Clarity in terms of cognitive processes was also seen throughout data processing and subsequent interpretations.

3.11 Measurement of Variables

A 5-point Likert scale was used in the study to measure the variables which are the impacts of post covid-19 pandemic on competition and profitability. The arrangement of the scale was from strongly agree to strongly disagree that is; strongly agree, agree, uncertain, disagree and strongly disagree.

3.12 Ethical Considerations

Ethical concerns was put in consideration by first getting an introduction letter from the university and then seeking permission from the administrators of the area of study

The questionnaires were structured in such a way that there was no mention of the respondents' names to ensure confidentiality

Responding was made optional where respondents were not been forced to fill in the questionnaire.

Briefing of the respondent's will be done in so as to inform them about the purpose of the study and the relevance of their contribution

3.13 Limitation of the Study

Some respondents were not willing to respond to the questionnaire. To solve this challenge, the researcher convinced the respondents that their responses were to be kept confidential and only used for academic purposes.

It was difficult to get in touch with the different people needed to respond to the questionnaire. This was resolved by making appointments early enough and keeping the convenient time of the respondents.

CHAPTER FOUR

PRESENTATION OF RESULTS AND ANALYSIS OF FINDINGS

4.1. Introduction

This chapter presents findings of the study; it presents findings on respondent's background in terms of level of education, respondents Gender, and respondents by age, Marital status and job title. It further describes the current competitive landscape of the downstream oil sector in Uganda, evaluates the impact of competition on profitability margins for companies within this sector and identifies the key drivers of competition and their effects on operational efficiency and market share distribution among downstream oil companies in Uganda.

The findings are presented in line with the sole objective of the research study and are intended to give answers to the research questions which are asked in relation to the study. The statistical tools such as frequency distribution tables and percentages were used to generate the results in this chapter.

4.2. Response rate

Table 4.1: Showing Response rate

Respondents	Frequency	Percentage
Returned	32	91.4
Missing	03	8.6
Total	35	100

Source: Primary data, (2024)

Findings in table 4.1 above indicate that from the 35 questionnaires distributed to the respondents, 32 questionnaires were returned and only 3 were not returned representing a response rate of 91.6%. The response rate is adequate for the study because Amin (2005) observed that a response rate of 70% and above was relevant for such a study. This therefore, implies that the study got a good response rate which justifiably provides a good analysis of responses on ground.

Table 4.1: Proportion of Respondents by Gender

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Male	17	53.1	53.1	53.1
	Female	15	46.9	46.9	100.0
	Total	32	100.0	100.0	

Source; Primary data, (2024)

Findings on respondent's gender showed that out of the 32 respondents who were involved in the study, 53.1 % were males and 46.9% were females which implied that males comprised the majority of the responses in this study but females were also fairly represented.

Table 4.2: Response by Age

Age

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	20-24	3	9.4	9.4	9.4
	25-29	9	28.1	28.1	37.5
	30-34	8	25.0	25.0	62.5
	35-39	5	15.6	15.6	78.1
	40 and above	7	21.9	21.9	100.0
	Total	32	100.0	100.0	

Source: Primary data, (2024)

Findings on the respondent's age category showed that 28.1% were in the age bracket of (25-29), 25.0% were in the age bracket of (30-34), 21.9% were 40 years and above, 15.6% were in the age bracket (of 35-39) and 9.4% were in the age bracket of (20-24). This therefore means that the data was obtained from younger respondents.

Table 4.3: Response by Level of Education**Educational level**

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	0	1	3.1	3.1	3.1
	UCE	3	9.4	9.4	12.5
	UACE	4	12.5	12.5	25.0
	Certificate	7	21.9	21.9	46.9
	Diploma	9	28.1	28.1	75.0
	Degree	7	21.9	21.9	96.9
	Masters	1	3.1	3.1	100.0
	Total	32	100.0	100.0	

Source: *Primary data, (2024)*

Findings on the distribution of education levels of respondents showed that 12.5% were UACE holders, 9.4% were UCE holders, 28.1% were diploma holders, 21.9% were bachelor's degree, 21.9% were certificate holders and 3.1% held a Master's degree and 3.1% had no qualification. This therefore implies that the responses were obtained from fairly educated group of respondents who were knowledgeable enough to understand the questions in the questionnaire.

Table 4.3: Response experience in the Industry

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	1-5	21	65.6	65.6	65.6
	6-10	10	31.3	31.3	96.9
	16-20	1	3.1	3.1	100.0
	Total	32	100.0	100.0	

Source: *Primary data (2024)*

The findings on respondents' experience showed that 65.6% had worked for 1-5 years, another 31.3% had worked for 6-10 years, and 3.1% had worked for about 16-20 years. This therefore implies that a majority of the respondents had worked for 1-5 years and are presumed to have fairly adequate knowledge on competition and profitability of the fuel stations. These were complimented by a fairly large group of respondents who had worked for 6-10 years

Table 4.4: Survey response by marital status

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Single	12	37.5	37.5	37.5
	Married	16	50.0	50.0	87.5
	Divorced	4	12.5	12.5	100.0
	Total	32	100.0	100.0	

Source: Primary data, (2024)

Findings on respondent's marital status showed that 50.0% were married, 37.5% were single and 12.5% were divorced. This implies therefore that a majority of the respondents were Single with those who were married also fairly represented.

Table 4.6: Response by job position

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Managers & Accountants	18	56.3	56.3	56.3
	Pump attendants	14	43.8	43.8	100.0
	Total	32	100.0	100.0	

Source: Primary data, (2024)

Findings on respondent's Job title showed that 43.8% were fuel station restaurant attendants and 56.3% were managers and accountants. This therefore implies that a majority of the

respondents were those that had adequate knowledge on the aspects of competition and profitability. .

4.3. Findings on Research objectives

This study was meant to assess profitability and competition in the downstream oil sector of Uganda, a case study of Stabex petrol station. The focus was to analyze the current competitive landscape of the downstream oil sector in Uganda, to evaluate the impact of competition on profitability margins for companies within this sector and to identify the key drivers of competition and their effects on operational efficiency and market share distribution among downstream oil companies in Uganda.

4.3.1 Objective 1: To analyze the current competitive landscape of the downstream oil sector in Uganda.

Statements that portray level of agreement in accordance to a 5-score Likert scale rating was used to get responses from respondents. Note: NA- Not at all, OW- Once in a while, S - Sometime, FO - Fairly Often, F- Frequently, if not always

Table 4.7: Descriptive Data showing current competitive landscape of the downstream oil sector

	N	Minimum	Maximum	Mean	Std. Deviation
I believe the level of competition in our industry has significantly increased over the past five years	32	3	5	4.34	.701
Competitors are investing heavily in marketing and advertising	32	2	5	3.25	1.016
Our main competitors have aggressively cut prices in recent times.	32	2	5	3.25	1.078
The barriers to entry in our industry are high enough to prevent a surge of new competitors.	32	1	5	2.50	1.107

New entrants are disrupting the market and making it difficult to maintain profitability	32	2	5	3.91	.856
Valid N (listwise)	32				

The findings on the competitive landscape of the downstream sector particularly amongst petrol retail businesses showed that;

Competition level has significantly being increasing in the last 5 years (M=4.34; SD=0.701), competitors investing massively in marketing and advertisement (M=3.25; SD=1.016), main competitors aggressively cutting prices in recent times (M=3.25; SD=1.078), Barriers to the industry are high enough (M=2.50, SD= 1.107) and new entrants disrupting the market and making maintenance of profitability difficult (M=3.92; SD=0.856)

In conclusion, findings show that there has been a rise in the level of competition in the downstream sector with competitors all striving to top the market as shown by the responses from the respondents.

4.3.2. Objective 2: To evaluate the impact of competition on profitability margins for companies within this sector.

Statements that portray level of agreement in accordance to a 5-score Likert scale rating was used to elicit responses from respondents. Note: NA- Not at all, OW- Once in a while, S - Sometime, FO - Fairly Often, F- Frequently, if not always

Table 4.8: Descriptive data showing impact of competition on profitability margins**Descriptive Statistics**

	N	Minimum	Maximum	Mean	Std. Deviation
Efforts to streamline operations and reduce costs have been a direct response to competitive pressures.	32	3	5	4.09	.689
Lowering prices to remain competitive has directly impacted profitability.	32	3	5	4.03	.740
The increasing number of competitors in the market has significantly reduced profit margins	32	2	5	4.00	.880
Long-term investment in brand building has led to more resilience to competitive pressures on profitability.	32	2	4	2.97	.782
Customer loyalty programs have been effective in retaining customers amidst increasing competition	32	1	4	3.28	.851
Valid N (listwise)	32				

The findings on the impact of competition on profitability margins for companies within this sector showed that; efforts to streamlining operations and reducing costs have been a direct response to competitive pressures (M=4.09; SD=0.689), lowering prices to remain competitive (M=4.03; SD=0.740), increasing number of competitors in the market leading to significantly reducing profit margins (M=4.00;SD=0.880), long-term investment in brand building leading to resilience to competitive pressures on profitability (M=2.97;SD=0.782), Customer loyalty programs have been effective in retaining customers amidst increasing competition (M=3.38;SD=0.851)

In conclusion, the findings show that competition is has a great impact on profitability which makes the petrol station spend more on leveraging its competitive advantage.

4.4.3. Objective 3: To identify the key drivers of competition and their effects on operational efficiency and market share distribution among downstream oil companies in Uganda.

Statements that portray level of agreement in accordance to a 5-score Likert scale rating was used to elicit responses from respondents. Note: NA- Not at all, OW- Once in a while, S - Sometime, FO - Fairly Often, F- Frequently, if not always

Table 4.9: Descriptive data showing key drivers of competition and effect on operational efficiency

	N	Minimum	Maximum	Mean	Std. Deviation
The entry of new competitors into the market has significantly impacted our sales volume	32	3	5	4.03	.740
Strategic partnerships and alliances have been crucial in expanding market share amid rising competition.	32	1	4	3.00	.880
Price competition has directly led to an increase in sales volume but at lower profit margins	32	2	4	3.22	.792
The aggressive marketing strategies of competitors have negatively impacted sales volume	32	3	5	3.75	.622
The competition has expanded the overall market size by increasing consumer demand for products/services	32	2	5	3.28	.772
Valid N (listwise)	32				

The findings in identifying the key drivers of competition and their effects on operational efficiency and market share distribution among downstream oil companies in Uganda show that;

The entry of new competitors into the market significantly impacting sales volumes (M=4.03;SD=0.740), Strategic partnerships and alliances have been crucial in expanding market share amid rising competition (M=3.00;SD=0.880), price competition directly leading to an increase in sales volume but at lower profit margins (M=3.22;SD=0.792), aggressive marketing strategies of competitors having negatively impacted our sales volume (M=3.75;SD=0.622), Competition has expanded the overall market size by increasing consumer demand for products/services (M=3.28;SD=0.772)

According to the summary of the findings, the drivers of competition lead to increasing need for operational efficiency as it tends to reduce the market share of the company.

CHAPTER FIVE

DISCUSSION, RECOMMENDATIONS AND CONCLUSION

5.1 Introduction

This chapter consists of discussions, recommendations based on these results as well as conclusions drawn from results.

5.2 Discussion

The main research instruments used for this study were self-administered questionnaires with close ended questions. The findings generated from the questionnaire are discussed as below;

5.2.1 To analyze the current competitive landscape of the downstream oil sector in Uganda.

The findings of the study show that a large majority agreed that the competition in the downstream sector has increasing in the past 5 years. This rise in competition has been attributed to the increasing presence of new entrants in the market and the less restrictive barriers to entry. The intense competition has been characterized by price wars and investments in marketing and advertising especially among the big players in the industry.

5.2.2. To evaluate the impact of competition on profitability margins for companies within this sector:

The impact of competition on the profitability is seen to be immense according to the findings from the respondents. From the responses, it can be agreed that the competition level has led to unhealthy businesses techniques such as price wars which lead to very low profitability margins and have led to creation of a focus on operational efficiency in an attempt to get better profits.

Furthermore, market shares of companies in the downstream sector keep reducing as new entrants enter the market and gain a share of the market hence lowering their profits too.

5.2.3. To identify the key drivers of competition and their effects on operational efficiency and market share distribution among downstream oil companies in Uganda.

The findings show that the key drivers to competition in the industry are the entry of new competitors into the market, the downstream regulatory framework and the aggressive marketing strategies of competitors in an attempt to gain a bigger market share. Entry of new firms has been seen as the major driver of competition due to a regulatory framework that encourages new firms to deliberately step the competition so as to allow the market forces of demand and supply to apply in a free enterprise economy in which Uganda operates. Aspects of brand image have a huge impact on the market share distribution with the big players of TOTAL and VIVO having a big market share and the rest of the players like Stabex International Ltd. pushed to work on their operational efficiency in order to cut costs and earn more profits.

5.3. Conclusion

In conclusion, for the firms in the downstream industry of the country to flourish financially, the different small emerging firms should work out methods of gaining loyal customers so as to grow and compete with the dominate players in the sector. A focus on particular segments of the market would be ideal considering the intensity of the competition and growing number of new entrants in the market that lower profits of the different petrol retailers and increasing their marketing costs.

5.4. Recommendations

Stabex International Ltd. should use various sales strategies to market and promote their fuel products.

Stabex International Ltd. And other petrol retailers should consistently provide high service levels to keep loyal customers and also ensure that monthly customer satisfaction surveys are conducted.

Petrol retailers should conduct market research to know the existing trend of competitors and to assess current customers' needs and wants so as to serve customers accordingly.

With increasing use of social media, the fuel stations are can leverage on social media for advertisement in an effort to gain more customers.

The government should consider reducing on the petrol retailers to keep them operative and reduce on their closure due to the high operational costs.

5.5. Future research directions

Some of the areas of concern which deserve further interest include; the role of Government Regulations in promoting unhealthy competition in the downstream sector of the country.

More research can also be carried out on the impact of having the Uganda National Oil Company as the chief petroleum white product supplier in encouraging competition.

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APPENDICES

Appendix A: Questionnaire

Dear Respondent;

My name is **Feta Benon Obaya** a student of Institute of Petroleum Studies-Kampala in affiliation with Uganda Christian University pursuing a bachelor of science in oil and gas management. I am conducting a research on the *“Assessing the Post Covid-19 on Competition and Profitability of the Ugandan Downstream Sector using Stabex Petrol Stations in Kampala District”*. The information obtained for this purpose will be treated with confidentiality and will only be used for academic purpose. Your cooperation will be highly appreciated. Thanks very much.

PART 1: BIO DATA

Please read and answer questions by putting a tick against a correct alternative

1. Gender

Male	Female

2. Age Group (Years)

20-24	25-29	30-34	35-39	40 and above

3. Education level

UCE	UACE	Certificate	Diploma	Degree	Masters

4. Marital status

Married	Single	Divorced

5. How long have you worked for this company? (Number of years)

1-5	6-10	11-15	16-20	21 and above

PART 2

This part is designed to help you in describing your view on the post covid-19 on competition and profitability of this company. Please answer the items below by putting a tick to the alternative that perfectly suits your opinion using the scale below

1	2	3	4	5
Strongly disagree	Disagree	Not sure	Agree	Strongly agree

Current Competitive landscape	1	2	3	4	5
I believe the level of competition in our industry has significantly increased over the past five years					
Competitors are investing heavily in marketing and advertising					
Our main competitors have aggressively cut prices in recent times.					
The barriers to entry in our industry are high enough to prevent a surge of new competitors.					
New entrants are disrupting the market and making it difficult to maintain profitability.					

Impact of competition on Profitability	1	2	3	4	5
Our efforts to streamline operations and reduce costs have been a direct response to competitive pressures.					
We have had to lower our prices to remain competitive, which has directly impacted our profitability.					
The increasing number of competitors in our market has significantly reduced our profit margins					
Our long-term investment in brand building has made us more resilient to competitive pressures on profitability.					
Customer loyalty programs have been effective in retaining customers amidst increasing competition					

Competition drivers and their effect on sales volume, market share and market size.	1	2	3	4	5
The entry of new competitors into the market has significantly impacted our sales volume					
Strategic partnerships and alliances have been crucial in expanding our market share amid rising competition.					
Price competition has directly led to an increase in our sales volume but at lower profit margins					
The aggressive marketing strategies of competitors have negatively impacted our sales volume					
The competition has expanded the overall market size by increasing consumer demand for products/services					

THANK YOU FOR YOUR TIME AND COOPERATION