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DETERMINANTS OF PROFITABILITY OF POSTAL CORPORATION'S EMS KENYA COURIER SERVICE

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ABSTRACT
Postal and Courier businesses for the past decade have been facing challenges ranging from technological advancement, government policies, and globalization among others. The objective of this study is to explore the challenges affecting profitability of courier firms in Kenya with a focus on Postal Corporation of Kenya EMS Courier. To achieve the desired objective of the study, a descriptive research design was used.. The study targeted three hundred (300) respondents comprising of 200 customers, , twenty (20) members of staff within the management level, twenty (20) supervisors in EMS and sixty (60) collection and delivery officers of EMS center Nairobi. A twenty percent (20%) of each stratum was used and this gave a sample size of sixty (60) respondents. Questionnaires were used as the only key data collection tool. MS Excel was used to capture the data, while Statistical Package for Social Sciences (SPSS) which is a data analysis tool was used.. A major finding of the study was that since the government removed trade barriers, more and more players have entered the courier industry posing a serious competition on EMS service hence slow growth of revenue. It is therefore recommended that Postal Courier should change her design of doing business particularly in this era of competition, globalization and or technological advancement. EMS should invest more heavily on promotional activities because it is the only way to transform the customer perception.
Keywords: Courier service, postal corporation, customer, EMS, Courier Operators, technology, profitability

INTRODUCTION
Courier services are predominantly offered by Postal administrations throughout the world. Nevertheless, this is not exclusively so because other companies such as DHL, FedEx, EMS International, TNT, UPS, and Aramex just to mention but a few have entered the market to offer the same service and filling the service gap Postal Administrations have been unable to (McAlister,2006). The Courier service will usually cost a lot more than the Post office regular mail though it is often more reliable, offer better security and quicker delivery as well as other premium services like tracking. As courier companies became more popular, the realization by businesses was that the service is a secure way of getting deliveries done on time and efficiently encouraging bigger companies such as banks, hospitals, government and corporations to use the services. This realization in the opinion of McAlister (2006) is an indication that the global Postal environment continues to change dramatically and calls for Postal corporations to adapt to the rapid economic and social changes and keep pace with the technological developments. On the other hand, Postal services are continuing to change as a result of increased competition and higher customer expectations. Additionally, the new technology driven information society has brought a host of new ways to communicate and do business, such as e-mail and e-commerce (Sussex, 1998). This is a sign that the increasing demand for faster, cheaper, and more flexible communications services calls for Courier Operators and the other players in the industry to continually rethink their methods for reaching and keeping today's communications customer.
The US Postal and Express Courier market is quickly recovering, following recent years of poor performance.US Postal and Express Courier Market has been experiencing a drop in first-class mail

deliveries from 6 billion pieces to 170.6 million pieces in the recent past. To respond to these issues, the US Postal administration has tried to come up with regulatory reforms, internal restructuring, increased use of technology and embracing a faster and efficient delivery mail service- the Courier service (Postal Technology International, March 2011). The views of Sussex (1998) are that Courier firms should continually rethink their methods for reaching and keeping today's communications customer. On the other hand, Postal Technology International (March 2011) cited government regulatory reforms, internal restructuring and increased use of technology as a way of increasing profitability of the courier firms. But the biggest question is how these measures affect the short term profitability of the organizations' courier service without embracing innovative and creative solutions that would go a long way in sustaining the service.

The courier sector in Nigeria has been seen by Markesan (1999) as one with great potentials which, if properly harnessed is capable of making more profits and contribute to creation of more jobs within the country. However, a large number of private companies are entering the courier delivery market gradually transforming the monopoly in the market – which was a preserve of the state Postal Administration to a free and competitive market. The rapid development in Technology and e-commerce poses another challenge which the courier firms in Nigeria have to deal with since it is inversely impacting on the noble goal of profitability (Kenneth, 2004). The disconnect in the views of Markesan (1999) and that of Kenneth (2004) points to the regulatory practices of the governments which are characterized by bureaucratic and red tapes that can erode the great potential in this sector hence affecting the profitability of the courier industry players.

In Kenya, Postal Corporation of Kenya (PCK) is charged with offering the universal service and is protected in the distribution of letters and courier service by being granted the privilege of the market tariffs. However, other service providers are equally mandated to offer such services but only allowed to do so, provided they charge a minimum of five times the PCK rate. Apparently this demand does not seem to be enforced because mostly the other players in the market charge far less than what PCK offers. Sending a parcel by Matatu, Fargo Courier, G4S or BM Securicor is two times cheaper than sending by PCK (SBO Report, June 2008). CCK report (May, 2008) indicated that the volume of postal letters sent locally dropped by 32.2 per cent in the year ending June 2007 to 74 million compared to 109 million in a similar period in 2012. This could explain the fact that there is stiff competition in the sector or worse still the market is not regulated and the government needs to do so.

Profile of Postal Corporation of Kenya

The Postal Corporation of Kenya (PCK) is regulated by the Communications Commission of Kenya (CCK). According to the Kenya Communications Act of 1998, CCK is mandated to license and regulate Postal and courier services throughout the country (Posta Profile, 2011) CCK grants licenses to operators, regulates the tariffs and fees for basic services, and maintains the overall order of the Postal and courier market. PCK is the official universal service provider for Kenya and is a member of the Universal Postal Union (UPU) which has a membership of 191 countries. According to the Union, PCK must provide consistent and affordable supply of basic quality Postal services. EMS Kenya – a brand name is a premium service offered by the Postal Corporation. The service is an international and domestic courier services for both documents and parcels. EMS Kenya is said to have service levels that meets international standards in speed, reliability, security, accessibility and at affordable prices (Institute for the Future, 2010).

Statement of the Problem

The customers who visit the Expedited Mails Service (EMS) Kenya banking hall on daily basis continue to reduce with time. On average 200 customers visit the courier firm for service delivery according to EMS Cash Account Record (2011/2012). This figure is far below what their competitor G4S for instance serves according to CCK (August 2012) and considering that EMS Kenya has been in the business longer than the competitors. The number of EMS courier outlet has grown modestly in the year 2007 from 119 to 184 in the year 2012. But the growth in EMS traffic has not grown in consistent to the growth of the outlets. There have been a lot of inconsistencies in the EMS traffic in this period. EMS National Revenue and Traffic Performance Report (April, 2013) shows how the traffic has been growing for the past five years. In the year 2007, the traffic stood at 444, 000 and in the year 2008 it went up to 622, 000 while in the year 2009 it climbed again to 857,000. But in the year 2010 the traffic dropped to 834,000 while in the year 2011 the traffic further dropped to 816,000 and 798,000 in 2012. The CCK report (2011) indicates that EMS Kenya has been reviewing her rates upward on annual basis. In the year 2007, the revenue was 117 million, 153 million in the year 2008, while in the year 2009 it was 205 million, 250 million in the year 2010. The year 2011 through 2012 the revenue was 286 million and 334 million respectively (ENR and TPR, April 2013)

EMS courier firm is a product of Postal Corporation which is a state organization that until recently has been enjoying government protection through monopoly in the mail business. The monopoly is no longer there and it is expected to operate like profit making organization. Being in the mail business longer than new entrants, the Corporation is expected to be a market leader in the mail and parcel business. But the report by CCK (2011) shows EMS Kenya trailing behind G4S, Wells Fargo and the Matatu Industry for local courier industry. The courier also lags behind DHL, UPS, TNT and FedEx for international courier business despite the fact that it enjoys government goodwill. The Courier service (EMS Kenya) has been striving to guarantee profitability of the service through expansion of her branch network, minimizing customer complaints and offering quality service delivery. But regardless of these efforts there has not been meaningful impact on the profitability levels of EMS Kenya as illustrated by SBO Report (June 2008). It is due to these inconsistencies and the slow growth in traffic of this courier firm that this study sought to explore the factors that determine its profitability and was guided by the following objectives:

- To investigate if technology determines the profitability EMS Kenya Courier service
- To explore how competition determines profitability of EMS Kenya Courier service
- To establish if marketing mix determines profitability of EMS Kenya Courier service
- To examine how Brand Equity determines profitability of EMS Kenya Courier service

THEORETICAL FRAMEWORK

Theory of Innovation Diffusion

Diffusion of Innovations is a theory that seeks to explain how, why, and at what rate new ideas and technology spread through cultures. The theory was developed by Rogers (1962). According to him, diffusion is the process by which an innovation is communicated through certain channels over time among the members of a social system. The origins of the diffusion of innovations theory are varied and span multiple disciplines. Rogers (1962) espoused the theory that there are four main elements that influence the spread of a new idea that is the innovation, communication channels, time, and a social system. This process relies heavily on human capital. The theory perfectly fits this study because competition in the courier industry has become so stiff and the demand of customers have changed so drastically that it is only those service providers who can efficiently and effectively address customers' needs will survive. Today's customers want information on the delivery process of consignment. It is not possible to get this information in the absence of tracking and tracing facility for items. The innovation must be widely adopted in order to be self-sustained. Within the rate of adoption according to Rogers (1962), there is a point at which an innovation reaches critical mass. He pointed out four categories of innovation. These include innovators, early adopters, early majority, late majority, and laggards.

Neoclassical Growth Theory

The Postal landscape has undergone rapid change over the past decade both locally and globally. With the emergence of new market entrants within the most profitable segments of the Corporation such as the courier division, the Corporation must adopt strategies to defend its margins while maintaining high level of service delivery (Atijosan, 2000). At a time of substantial market pressure, the increased level of competition presents both challenges and opportunities in which Postal Corporation of Kenya must maximize efficiency, improve service delivery and maintain high level of customer service in order to remain viable (McAlister, 2006)

The Neoclassical Theory is relevant for this study. The theory was proposed by Aspromourgos (1986) and it suggests that preferences between two goods are independent of the consumer's current entitlements. It is an economic theory that outlines how a steady growth rate of an organization will be accomplished with the proper amounts of the three driving forces namely labor, capital and technology. In a more fundamental nature the theory states that by varying the amounts of labor and capital in the production function, an equilibrium state can be accomplished. When a new technology becomes available, the labor and capital need to be adjusted to maintain growth equilibrium that will lead to profitability maximization.

Theory of competitive advantage

The theory of competitive advantage was developed by Porter (1990) starting from the actual economic reality which could no longer be explained on the basis of the model of comparative advantages. Competitive advantage theory suggests that states and businesses should pursue policies that create high-quality goods to sell at high prices in the market. Porter emphasizes productivity growth as the focus of national strategies. Competitive advantage rests on the notion that cheap labor is ubiquitous and natural resources are not necessary for a good economy. Michael Porter (1990) in his theory further notes that a competitive advantage, sustainable or not, exists when a company makes economic rents, that is, their earnings exceed their costs (including cost of capital). That means that normal competitive pressures are not able to drive down the firm's earnings to the point where they cover all costs and just provide minimum sufficient additional return to keep capital invested. The theory according to Porter (1990) occurs when an organization acquires or develops an attribute or combination of attributes that allows it to outperform its competitors. The focus of this research work is to find out the challenges facing profitability of a firm. This theory perfectly fits this study because the theory starts from the principle that the only important concept of a firm is productivity (Constantin, 2004). In the elaboration of his theory, Porter starts from the premises the nature of the competition and the sources of competitive advantage are very different among industries and even among the segments of the same industry, and a certain country can influence the obtaining of the competitive advantage within a certain sector of industry. Secondly, the globalization of the competition and the appearance of the trans-national companies do not eliminate the influence of a certain country for getting the competitive advantage. Thirdly a country can offer different competitive advantages for a company, depending if it is an origin country or a host country. Fourthly, the competitiveness has a dynamic character and finally the innovations have a role of leading force in this permanent change and determine the companies to invest in order not to be eliminated from the market (Negrițoiu, 1997).

Marketing Orientation Theory

The Marketing Orientation (MO) theory was introduced during seminar presentations by Kohli and Jarworski (1990) and Slater and Narver (1990) in the United States of America. The fundamental premise of the theory was to explain an organization's performance. The emergence of the MO theory sprang out of the need to implement the "marketing concept" (Kohli and Jaworski, 1990)

The marketing concept holds that consumer needs satisfaction is the only economic and social justification for a company's corporate existence. The concept is a business culture that places the highest priority on the profitable creation and maintenance of superior value for customers while considering the interest of other stakeholders and provides norms for behaviors regarding the organizational generation of market intelligence, dissemination and responsiveness to market information (Langerak, 2003). The marketing concept has the long term customer view which in the long run will create the needed sustainable competitive advantage for the organization.

It follows that companies with market-oriented cultures better satisfy their customers, and it is postulated that organizational behaviors geared towards meeting and exceeding the needs of customers will in return enable organizations achieve their objectives. The theory relates well with this study due to the fact that the objective of any business entity is to minimize on operational cost and maximize on revenue.

Conceptual Framework

One of the objectives of a conceptual framework is to classify and explain concepts relevant to the study and plot relationships between the concepts as well as defining how variables interrelate. Figure 1 below gives an illustration of the Conceptual framework.

Independent Variable **Dependent Variable**

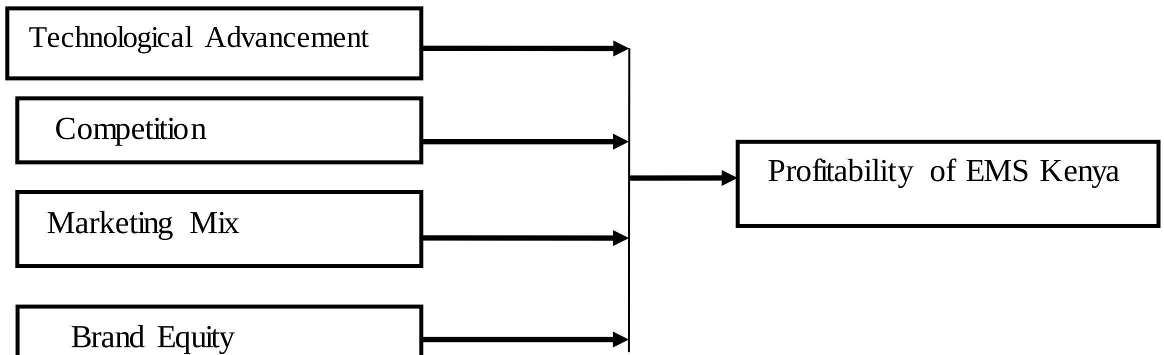

Fig. 1 Conceptual Framework

Empirical Literature Review

Postal and courier service is part of the service sector in the world that continues to develop. The sector is related to delivery of parcels, packages, documents, letters, and printed materials. The global mail and package delivery was estimated to reach USD500 billion in 2008 and is expected to keep increasing (Sundbo, 1997). Emerging technology based on the convergence of telecommunications, broadcasting and publishing has and will continue to change the landscape of physical communications globally. Therefore, postal organizations nowadays, regardless of their sizes are faced with challenges of dealing with the new technologies. To survive in today's world, postal organizations according to Gouvea and Filho (2001) need to change through deregulation to become more competitive, market-oriented and customer-driven.

Another opinion by Kenneth (2004) was that the Global Courier and Delivery Services industry has experienced relatively stagnant growth in the past five years. During this time, the industry's revenue is estimated to grow at an annualized rate of just 0.1% to reach $188.5 billion, largely weighed down by the global recession. Revenue collapsed in 2009 and remained weak in 2010, as the global economic downturn diminished demand for courier services. Although Global business conditions have stabilized since, debt concerns in Europe and North America continue to dampen consumer and business sentiment. Keeping the industry afloat over the period has primarily been higher business activity in emerging economies and demand for time-sensitive goods (Markesan, 1999)

Carola (1990) noted that the courier industry in the United States is a $59 billion industry, with 90% in 2009 of the business shared by four companies, including DHL, FedEx and UPS. On the other hand, local courier carrier and delivery services were highly diversified and tended to be smaller operations; the top 50 firms accounted for just a third of the sector's revenues. Local players are vying for market share on select lanes that do not require significant operational capabilities. This, according to UPU (2010) has led to increased competition in the past few years. There is also an evolving trend of customers opting for more than one courier and parcel service provider. For example, textile companies in the country generally work with more than one express company, based on rates, network, and service quality for different destinations.

The year 2009 was an extremely difficult year for the courier services sector. The total value of the UK Postal and Courier services market fell by an estimated 7.4% to £13.6 billion, partially owing to recessionary factors (Regan and Gallear,2006). The market was also exceptionally competitive, with severe price cuts introduced by courier and express services companies as customers traded down from premium to economy delivery services. In response to such difficult trading conditions, many companies in the sector restructured their operations, reduced their depot numbers, cut their vehicle fleets and reduced their employee numbers (Kandampully, 2002).

In 2008, there were about 1,987 courier establishments in Canada that generated almost $7.2 billion in operating revenue, an increase of 6% over 2007. While this segment accounted for only 10% of all the industry's establishments, couriers generated 82% of the total operating revenue. Courier establishments had an average operating margin of about $299,000 per establishment and the segment's operating ratio was 0.92 (Weber and Kauffman, 2003)

The Ministry of Science Technology and Innovation in Malaysia ranked Malaysia Postal Administration at 24th in the Innovation Competitiveness and at 26th in the Global Competitiveness Index for the year 2010-2011. The Postal and courier service in Malaysia is part of the service sector that continues to develop. The recent launch of Economic Transformation Program (ETP) by the government of Malaysia is expected to have more positive impact on the sector. The courier market could reach USD 1.3 billion by the year 2020. However, this industry faces challenges as a result of globalization. Although, the Malaysia courier market has grown at 7 percent annually in average, this industry has numerous challenges ahead in terms of low profit margin, access to capital, technology adoption, and quality (Ringim and Razalli, 1998). In responding to this falling market share Matlay and Addis (2000) observed that the Postal Courier providers increased their operational efficiencies by exploiting growth opportunities in certain niche sectors of the market

The South African market for courier services is competitive, with hundreds of existing firms chasing very similar customers. The market is dominated by a number of big global companies like DHL, UPS, TNT and FedEx (Wei-Chen, 2010). There are also large operators that have local roots; these include Dawn Wing and RAM Hand-to-Hand Couriers. Communications technology poses a threat to some areas of courier services. Email and videoconferencing according to Carola (1990) are the kinds of technology that make it possible to transmit information almost instantaneously, making it unnecessary to deliver certain documents physically. However, the delivery of signed or bound documents (often legal documents) is still an important market niche.

There is general agreement that South Africa's logistics industry is not as efficient as it should be (logistics costs in the economy represent almost 15% of the country gross domestic product compared to 8,5% in the USA). So government is trying to address this through various initiatives, including skills training; speak to the Transport Education and Training Authority about what they offer (UPU, 2010)

A CCK report (2008) shows that over 600 courier companies are operating illegally, posing risk of losses to unaware consumers who rely on their services. Among those operating without licenses according to the report include Bus Companies, Matatu SACCOS, Motorcycles and individuals doing the business door to door. Since the liberalization of the telecommunication and communication market in 1998 the Communication Commission of Kenya has licensed about 160 courier operators, yet many more are in business (CCK, 2008)

However Markesan (1999) states that besides endangering consumers such operators have been disrupting the market prices through unfair competition. Some of the main concerns of courier operators in a liberalized market are unfair pricing and continued operation by unlicensed operators. CCK (2008) on its part says it is making efforts to stop the illegal operators. The licensed courier operators have about 670 outlets while Postal Corporation of Kenya, which has been struggling to stay relevant in the advanced technology era, has 744 outlets countrywide. The courier operators are also proposing an amendment of the Universal Service Fund to cover the reserved weight definition of 350 grams and below, saying the current regulation is discriminative. This would create a level playing field for all players who are in direct competition with freight and transportation companies (CCK report, 2008).

It is true that there has been mounting criticism concerning Technological development in the recent years and its impact on business profitability of a firm. This study will seek to resolve the views of Wei-Chen (2010) with the views pointed out by Postal Technology International (March 2011). The aim is to establish if there is any correlation between profits of a firm and technological development. This is because there is no evidence to link the decline in traditional mail and Australian Courier Post profits with technological development in the industry.

The research also sought to find out the factors that have led organizations to go global and how this has affected their performance in terms of revenue growth (profitability). This aimed to reconcile Moore (2003) opinion with that of Kortum (2001) because all of them were in concession that today's businesses are opting to do cross- border business. But none has pointed out how this has affected the businesses in their endeavor to make more profits.

Buzzell and Gale (1987) and Ellis and Halvorsen (2002) all concurred that businesses are strongly affected by competition in terms of the price they charge, the range of services and the nature of the product they sell. They further pointed out what commercial firms do to develop new products, services and technologies. What they do, according to them, give consumers greater selection and better products except that they failed to link an organization's profitability with competition and hence a research gap that this study will seek to fill.

RESEARCH METHODOLOGY

The research adopted a descriptive survey design. According to Kothari, (2004), descriptive design allows the researcher to describe record, analyze and report conditions that exist or existed. The study used quantitative approach where data was collected regarding the determinants of profitability of courier firms in Kenya with a focus on EMS Kenya.

The study targeted the courier service of Postal Corporation of Kenya and the study population was both customers and staff of EMS center Nairobi. The reason for using the customers as study population is due to the simple reason that the study wanted to establish why they prefer EMS service, how loyal they are to the service and if they have suggestions on how EMS can improve service delivery to remain profitable. On average 200 customers visit EMS center (Nairobi) daily for service delivery. These customers constituted part of the study population (EMS Daily Transaction Record, April 2013). The population was stratified into six from where sample size was drawn. Since the population of 300 respondents is too large, Mugenda and Mugenda's (2004) proposed that a population is considered to be normally distributed or statistically significant when $n > 30$ and that a 10% to 30% of the targeted population is feasible. The study purposively picked a 20% sample to calculate an optimal sample size. The sample size therefore was 60 respondents as illustrated by Table 2 . Probability sampling technique was applied and a simple random procedure employed. This technique has a wide range of sampling technique which can be used across quantitative research designs, and are capable of providing the study justification. This helped to make generalization from the sample that is being studied. The study used structured questionnaires as the major tool for data collection. The questionnaires were divided into three segments where section A was questions relating to demographic while section B was questions for EMS Courier employees and addressed all the variables. Section C comprises questions meant for EMS customers. The questionnaires were designed in a way to give the respondents option to or not to disclose their names.

Table 1. Target population of the study

Category	Target population	Percentage
Customers in EMS Center Nairobi	200	66.7
Junior Staff in EMS Nairobi	60	20
EMS Center Nairobi Supervisors	20	6.7
EMS Top Management	20	6.7
Total	300	100

Table 2. Sampling frame

Category	Target population	Percentage	Sampling size
Customers	200	20	40
EMS Center Staff	60	20	12
EMS Center Nairobi Supervisors	20	20	4
EMS Top Management	20	20	4
Total	300		60

A pilot study was undertaken in City Square Post Office which is approximately three kilometers away from the General Postal Office. The office is equally busy with courier service customers as well as ordinary mail customers. Mugenda and Mugenda (2004) argue that, 10% of the study sample is enough for piloting a study. In this case a 10% of a sample of 60 respondents was 6 respondents. According to Mugenda and Mugenda (2004), The aim of piloting is to check on the clarity of questionnaires, eliminate any ambiguities, and identify any misunderstood or non completed items and to reveal deficiencies in the questionnaire. The prepared questionnaire was administered to the 6 respondents at City Square Post Office. The revised research tool was then used in the final study.

Data Processing and Analysis

Descriptive statistics was used to analyze the collected data with the aim of generalizing to the whole population. The data collected was cleaned and coded to enhance basic statistical analysis. The analysis involved quantitative (numerical) methods where statistical Package for Social Sciences (SPSS) was used because it is capable of analyzing large data within a short time. Also correlation was used to measure the association of the dependent and independent variables that is determinants of profitability versus technological advancement, competition, marketing mix and brand equity. The study applied Spearman rank-order correlation coefficient which is a non-parametric measure of the strength and direction of association that exists between two variables measured on at least an ordinal scale. It is denoted by the symbol r_s (or the Greek letter ρ , pronounced rho). Chi-Square (X^2) method was run to test the hypothesis of the study.Data was then presented using statistical techniques which include percentages and frequency distribution tables.

Correlation Analysis

Correlation is a statistical technique that shows the strength of association between pairs of variables. Correlations are useful because they can indicate a predictive relationship that can be exploited in practice. This part aims to correlate the dependent and the independent variables. In the study, the dependent variable is determinants of profitability while the independent variables are Technology, Competition, Marketing Mix and Brand Equity.

RESULTS AND DISCUSSION

The association of profitability against ICT integration in EMS operations

The correlation matrix on Table 3 shows there is no significant association of the dependent variable profitability and integration of ICT in EMS. The correlation coefficient (RHO = 0.18, $r^2 = 0.0324$) indicates that the independent variable ICT usage in EMS does not significantly affect profitability. The P-Value (significance level) 0.532 is greater than 0.01 which indicates that there is no significant correlation between the two variables. The correlation is based on what the respondents said about the question on what EMS is able to achieve out the targets compared to their response on their ICTs usage knowledge. These findings clearly shows that there is very insignificant relationship between ICT and profitability of EMS Kenya as demonstrated by a correlation coefficient (r) of 0.18. Correlation is significant at the 0.01 level (2-tailed).

Table 3. Spearman correlations coefficient on ICT and profitability

	Whether EMS is Able to Achieve Out the Targets
EMS Rate of Technology Diffusion has been too Slow	0.17
All EMS Staff are well Trained on IT	0.18
EMS has become more effective due to the use of ICT	0.19
Average	0.18

Correlation on Profitability against the effect of EMS competition

The Spearman correlations coefficient (RHO = 0.933, $r^2 = 0.870$) as observed in the correlation matrix below indicates that competition experienced by EMS from the competitors and her profitability has a great association with a P-Value ($0.000 < 0.01$). A conclusion can be made therefore that EMS profitability is highly determined by competition within the industry as illustrated by correlation coefficient (r) of 0.943 tested at a confidence interval (P-Value) of 0.01 (Table 4)

Table 4. Correlation on Profitability against the effect of EMS competitors

	Whether EMS is Able to Achieve Out the Targets
Competitors have negatively affected EMS Revenues	0.886
Major Competitors of EMS are G4S, DHL, FedEx,UPS and Matatus	0.956
Removal of Trade Barriers in the Courier Industry has Intensified Competition	0.956
Average	0.933

Correlation is significant at the 0.01 level (2-tailed).

Correlation on EMS Profitability against Marketing Mix

Spearman correlation coefficient (RHO = 0.902, $r^2 = 0.813$) as observed in Table 5 indicates that there is great correlation between marketing mix and profitability of PCK's EMS. With lower rates, wider branch net work and quality service delivery are the strengths that EMS uses to enhance her profitability.

Table 5. Correlation on Profitability against Marketing Mix

	Whether EMS is Able to Achieve Out the Targets
EMS Operates in all Post Offices in Kenya	0.895
EMS has lower Rates than Competitors	0.883
EMS is Superior in Quality and Reliability	0.929
Average	0.902

Correlation is significant at the 0.01 level (2-tailed).

Correlation on EMS Profitability against Brand Equity

The Spearman correlations coefficient (RHO = 0.94, r^2 =0.883) as observed in the correlation matrix (Table 6) indicates that brand equity plays a crucial role on profitability of EMS. The P-Value (0.000 < 0.01) also indicates strong association between brand equity and profitability.

Table 6. Correlation on Profitability against the effect of EMS Brand Equity

	Whether EMS is Able to Achieve Out the Targets
The name and Log of EMS Identifies Well with the Service	0.926
Customers are Influenced by the Image of EMS	0.924
EMS is Preferred by Customers because of her Brand Name	0.970
Average	0.94

Correlation is significant at the 0.01 level (2-tailed).

Hypothesis Testing

Statistical hypothesis tests define a procedure that controls the probability of incorrectly deciding that a default position (null hypothesis) is incorrect based on how likely it would be for a set of observations to occur if the null hypothesis were true. The probability of making an incorrect decision is not the probability that the null hypothesis is true, nor whether any specific alternative hypothesis is true. A result therefore is considered statistically significant if it has been predicted as unlikely to have occurred by chance alone, according to a pre-determined threshold probability, the significance level. Small significance values which are less than 0.05 indicate that the observed distribution does not conform to the hypothesized distribution. A Chi-square denoted by X^2 is used to carry out the statistical hypothesis test.

Technology determines profitability of PCK's EMS service

Table 7 shows that there is no meaningful relationship between technology and profitability of PCK's EMS service. This is explained by the fact that the statistical significance is 0.023 which is smaller than 0.05. It can be concluded that though technology is a decisive component in a business environment and often is used to determine profitability in quite number of organization, the opposite is true in EMS because it does not lead to the profitability of the service. The findings therefore reject the null hypothesis and accept the alternative that technology does not determine PCK's EMS profitability.

Table 7. Technology and Profitability

	EMS has become more effective due to the use of ICT
Chi-Square(a)	6.500
df	4
Asymp. Sig.	0.023

Competition determines profitability of PCK's EMS service

Findings from the study show that there is a big statistical significance between competition and profitability of PCK's EMS at 0.061 as illustrated by table 4.23 below. With removal of trade barriers in the industry, competition has greatly increased denying EMS the anticipated profits. This finding consequently accepts the null hypothesis and rejects the alternative hypothesis.

Table 8. Competition and Profitability

	Removal of Trade Barriers in the Courier Industry has Intensified Competition
Chi-Square(a)	9.000
df	4
Asymp. Sig.	.061

Marketing Mix determines profitability of PCK's EMS service

Table 9 shows that there is a very huge statistical significance (0.09) between marketing mix and profitability of EMS service. The distribution aspect is strength of EMS and it can use it to become more profitable. This finding therefore accepts the null hypothesis.

Table 9. Marketing Mix and Profitability

	EMS has more branch network than Competitors
Chi-Square(a)	13.500
df	4
Asymp. Sig.	.009

Brand Equity determines profitability of PCK's EMS service

Findings from table 4.25 below show that there is a great statistical significance at 0.092 between Brand Equity and profitability of EMS service. The name and Log of the service identifies well with the service and this can have a significant impact on profitability. This finding hence accepts the null hypothesis that Brand Equity determines profitability of PCK's EMS service.

Table 10 Brand Equity and Profitability

	The name and Log of EMS Identifies Well with the Service
Chi-Square(a)	8.000
df	4
Asymp. Sig.	.092

A major finding of this study revealed that EMS as a courier sets targets that would guide in realizing profitability objective. The acceptable target to realize this goal according to the majority of respondents (40%) is between 11 million and 20 million. The study consequently has established that EMS was able to achieve between 61% - 90% of the monthly targets. This according to the study is not a very good performance considering the many open opportunities for this organization.

Another finding of the study showed that technological diffusion in EMS is very low as portrayed by a 45% of the total respondents who strongly agreed that technology diffusion in EMS is low and probably because the exercise of adoption is very expensive (45% response rate). Further findings showed that even the staff were poorly trained on IT as illustrated by 55% of respondents who strongly agreed to this fact. But besides this scenario EMS continues to record impressive performance in terms of profitability (61% - 90% of revenue targets). It also emerged from the findings that though EMS is fairly effective in her service delivery, this is not as a result of use ICT in her transaction as illustrated by 40% response rate.

Finding of this study revealed that EMS as a courier sets targets that would guide in realizing profitability objective. The acceptable target to realize this goal according to the majority of respondents (40%) is between 11 million and 20 million. The study consequently has established that EMS was able to achieve between 61% - 90% of the monthly targets. This clearly shows that technology cannot be a key determinant of EMS profitability simply because the nature of the job is only delivery items which requrire little or no technological application at all. It is therefore safe to conclude that profitability of EMS is not hinged on technology.

This study further found out that removal of trade barriers in Kenya has led to intensive competition in the courier industry as illustrated by the highest response rate of 35%. This kind of finding is a detail to show that though removal of trade barriers opens up business to all potential investors; it may lead to poor financial performance especially to the business entities which have been enjoying government protection for some time. Besides this the study established that there was entry of unlicensed courier firms in the Courier industry which were found to pose a great challenge to EMS profitability as illustrated by 50% response rate though according to the findings, EMS strives too hard to impress the customers with quality service despite the many challenges the organization faces, and this is probably what has led to the growth of revenue. But the study as well established that there are times when EMS does not satisfy her customers better than competitors though at other times it does. This nature of extreme scenarios explains the fact that EMS has some strength in her service delivery which the competitor does not have and at the same time EMS has some weaknesses which the competitor is taking advantage This perhaps would impact on EMS profitability. Further on the findings, the study has evidently established that entry of more competitors in the industry has negatively affected the revenue growth of EMS as illustrated by 50% response rate. This explains the fact that there is a high correlation between entry of competitors in the industry and profitability of EMS. But the study has equally established that as a result of competition, EMS has improved on her service delivery and this by itself is an indication that despite its negative impact on revenue growth, competition has some positive impact on service delivery.

This study has further found out that the major competitors of EMS are G4S, DHL Fedex, UPS and Matatus according to the highest response rate. These competitors as far as the study is concerned have realized EMS weakness in pricing and has set their rates lower than EMS making the cost of consuming EMS service relatively higher than the competitor and fundamentally impacting on EMS profits. However, EMS has a better and well structured channel of transportation for her consignments as compared to the competitors. This is demonstrated by the highest response rate of 35%. The aspect of logistics is the only thing that can make EMS excel and almost certainly overcome the competitors.

The Spearman correlations coefficient gave an interesting revelation where profitability was found to be highly determined by competition within the industry as illustrated by correlation coefficient (r) of 0.943 tested at a confidence interval (P-Value) of 0.01

Study findings from this work have revealed that marketing mix is a key determinant on profitability as illustrated by a 45% of the respondents who strongly disagreed that EMS has better service differentiation than competitor. This is most likely was the reason the organization could not achieve 100% of her rates. Branch net work has been found to be a key component that influenced EMS profitability. The organization excels in branch net work and this gives it a competitive edge over the competitor. It is therefore evident that EMS uses her expansive branch network to her advantage and for the purpose of maximizing on profits. Further on the findings it has been established that EMS does not contact frequent promotion of her service like the competitors do as illustrated by 40% response rate. This explains the reason why EMS has not been able to attain over 90% of her targets.

Another major finding of this study revealed that Spearman correlations coefficient gave an r of 0.891 with a P- value of 0.000 tested at a confidence interval of 0.01. The P-Value (0.000<0.01) also indicates strong association between brand equity and profitability. EMS is a well known brand name which can be used by the organization to her advantage so as to woo more and more customer to consume the service. This is illustrated by 40% of the respondents who indicated that EMS profitability is so much determined by its brand equity. The study also found out that EMS offers reliable and superior quality service to her customers. But another finding showed that despite the fact that respondents positioned EMS well in terms of her quality and reliability, it appeared that there are instances where EMS does so well in her service delivery and there are equally instances that the customer has issues with the EMS service giving advantage to the competitors. This scenario can be used as a basis to determine whether or not EMS would be profitable.

Further on the findings, customers have been influenced to consume EMS service by the image of the courier firm as illustrated by the highest response rate of 30% though a similar number of the respondents did not find the image of EMS pleasing. Clearly, one can make an observation that while the image of EMS plays a crucial role in influencing consumption of EMS service, there are other factors that contribute to consumption of the service. It can safely be concluded despite the image, profitability is a combination of factors.

CONCLUSIONS

On the basis of the findings, conclusion can be drawn that adoption of technology has not been on top of EMS management agenda. The organization continues to use manual transaction in her operations. Out of the monthly targets they are expected to meet, they are able to achieve 61% - 90%. Considering the opportunities and the potential in the industry, the organization can comfortably surpass these targets only if they factored in technology in their operations.

On the other hand the researcher is now convinced that unless EMS devices strategies on how to deal with her competitors the business may end up being unsustainable. Competitors have taken a big share of the courier business and this has adversely affected profitability of EMS.

This study concludes that EMS service is well distributed across the country and internationally due to the fact that the organization has more branch net works than the competitors. However, the organization has been performing very poorly on promotional activities for her services.

It is again clear that EMS has been able to build a perfect brand equity based on the responses that customers prefer EMS because it is a well known brand name which is easy to pronounce and easy to recognize. It also has some international connotation. Through the quality service delivery EMS has been able to build customer positive feelings, belief and confidence. The study can confidently conclude that brand equity is a determining factor which has increased the financial value of EMS.

RECOMMENDATIONS

In light of the research findings the study recommends that EMS should invest more heavily on promotional activities because it is the only way to transform the customer perception in this era of competition. The organization could be doing quite well as compared to the competitors, but due to her past history, customer still think negative about the service.

In today's business environment, technology adoption is not an option but a life blood for any organization that aims to excel and be competitive. The study found out that EMS was too slow in technological adoption. This alone can be grounds for some of very serious business organization preferring other service providers. EMS should move with speed as her name suggests and embrace technology in all her transaction else, serious customers will lose confidence with the service

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