STRATEGIES ADOPTED BY BRITAM PLC KENYA TO GAIN COMPETITIVE ADVANTAGE IN THE INSURANCE INDUSTRY IN KENYA

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DECLARATION

This research project is my original work and has not been submitted in any other learning institution for academic merit.

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D61/79834/2015

This research project has been submitted for academic award with my approval as the university supervisor.

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Special gratitude to the love of my life Mercy Langat and our Son Santon Kimutai Yegon for the moral support and patience when I was pre-occupied with this study.

DEDICATION

I dedicate this work to my Son Santon Kimutai Yegon who made my study lively and hopeful and to the love of my life Mercy langat for her firm belief in my potential.

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ABSTRACT

The insurance industry in Kenya has for almost a decade been encountered by various challenges such as increased level of competitiveness in the insurance industry, market dilution by fraudulent activities among other challenges. Insurance firms are struggling to gain competitiveness with others adopting various competitive strategies to survive. Against all odds, Britam has been in the forefront of the best performing insurance companies for quite some time. This study focused on strategies adopted by Britam Kenya to gain competitive advantage. The study adopted case study method while interview technique of primary data collection was utilised. In data analysis, the researcher adopted content analysis method which involves presentation of both conceptual and rational information. In data analysis, findings identified that Britam Kenya has fully adopted differentiation, diversification, technological advancement, product development and cost leadership strategies. The study also concluded that there is relationship between strategies adopted by Britam and attainment of competitive advantage. The study recommendations focused on the need for the management to review policies and address strategies which can effectively enhance long-term competitive advantage in the insurance industry. Other recommendations were in relation to effective research and development, environmental scanning towards identification of organization's strengths and weaknesses and also enhancing management commitment in implementation and review of organizations policies. The study finally recommended that future studies should focus on addressing strategies adopted by the insurance industry in general where every insurance point of view should be addressed towards making general conclusion on insurance industry in Kenya.

CHAPTER ONE: INTRODUCTION

1.1 Background of the Study

Changes in the global markets resulting from technological advancements, economic restructuring, labour movements and public demands for better products and services have forced organizations to reconsider their business strategies in order to achieve a sustained competitive advantage. Competitive strategy enables an organization to give money and leverage its capabilities and relationships in support of charitable causes. Taking this new direction requires fundamental shift in the way organizations approach their contribution programs. Competitive strategies are defined as innovative avenues which enhances management plan for the organization towards provision of superior and unmatched products or even services (Perreault & McCarthy, 1999).

Shin (2001) conducted a study on strategies for competitive advantage in electronic commerce. The study which adopted survey strategy in interviewing different companies involved in e-commerce identified that for a company to gain competitive advantage over competitors, there is need to build customer base through adopting different strategies. In relation to the insurance industry, competitive advantage can be attained through ensuring that the right strategies are aimed at reducing cost, customer attraction and enhancing product or services sale. Likewise Porter (2004) stressed that adoption of different strategies such as differentiation strategies relinquishes organization from threat to new entries and intense competition hence creating niche market with no competitor hence resulting to increased sales and revenue which is quite significant towards achievement of competitive advantage.

This study is anchored on two theories which are Porter's theory of competitive advantage and resource based theory. Hamel and Prahalad (1992) stated that Porter theory of competitive advantage was first coined by Michael Porter who stated that competitiveness is a function of factor conditions, demand conditions, related or supporting industries and company's strategy, structure and rivalry. Porters stressed that integration of these functions results to competitiveness of a form since they result to cost leadership, differentiation and focus. Resource based theory on the other hand stresses that achievement of strategic advantage dependents on the ability of an organization to possess strategic resources. Barney (1991) states that strategic resource is a rare resource, unique, valuable and difficult to imitate. In most cases, organizations have focused on their technology and knowhow as a strategic resource such as the secret ingredient and technology used by the Coca-Cola Company. These theories will be directly used to present strategies adopted by Britam plc towards gaining competitive advantage.

The insurance industry in Kenya has undergone a series of changes through financial reforms, advancement of communication and information technologies, globalization of financial services and economic development. Such changes have had a considerable effect on efficiency, productivity, market structure and performance in the insurance industry. Competition for market by many players has also led to price wars with some insurers charging unsustainable premiums which has compromised service delivery as the insurers are not able to fund infrastructure for efficient delivery of services and claims settlement.

1.1.1 Concept of Strategy and Competitive Advantage

According to Johnson & Scholes (2005), strategy provides long term direction to an organization that aims at attaining competitive advantage through the configuration of resources within a challenging environment. In other words, strategy is an organizations game plan that's carefully implemented to enable it sustain competitive advantage. Over the years, competitive advantage has attracted a lot of attention from the definition point of view to the concept point of view. The most common definition of competitive advantage was adopted by Porter (1985) who stated that competitive advantage is simply the ability of an organization to use different attributes towards outperforming its competitors.

Ansoff (1965) cites strategy as a link of firm's activities and markets for its products which in turn defines the kind of business the organization engages in the future. Firms and business are factors of products and services that defines their value proposition. Ansoffs Matrix focuses on product and Market dimensions towards four growth strategies namely; market penetration, market development, product development and business diversification. Market penetration focuses on increasing market share of existing products in existing markets through pricing, advertising and promotion whereas market development focuses on creating new markets for existing products. Product development involves innovation of new products targeted at existing markets. Business diversification on the other hand involves marketing new products to new markets (Ansoff, 1987).

Likewise, study conducted by Gray and Balmer (1998) on managing corporate image and corporate reputation focused on collection of data from primary sources in US based organizations identified that effective management of corporate image requires the need for an organization to focus fully on Porters generic strategies. According to the study, Cost leadership provides an organization with the ability to produce goods and services at the lowest price than competitors through finding cheapest labour, cheap raw materials and low cost facilities. The benefits of cost leadership strategy includes increased level of productivity as a result of reduced cost, high capacity utilization enhances customer bargaining power towards negotiating lowest prices as possible and enhances lean production method such as just in time production due to availability of cheap raw materials

Differentiation on the other hand focuses on creating unique and different products against those of competitors. This can be achieved through strong research and development and creativity in the production department. There are several benefits of adoption of this form of strategy such as enhancing customer loyalty as a result of well-established products and create positive brand image which is distinct from competitors and contributes to limited promotion cost because the product itself is well established in market (Gray & Balmer, 2018).

Rijamampianina, Abratt and Yumiko (2003) conducted a study on a framework for concentric diversification through sustainable competitive advantage. The study which was based on descriptive statistics from randomly selected companies identified that one of the most significant strategy towards achievement of competitive advantage is the focus strategy. Findings from the study also stressed that focus form concentrates on the need for businesses to narrow down to a small target group. This strategy is mostly achieved through market segmentation and matching price and quality.

Adoption of focus strategy is quite important because it is one of the techniques used to create customer loyalty and long-term engagement through producing exactly what the customer wants. The strategy also contributes to limited cost of operation such as advertisement cost since the market is well known and established. The study recommended on the need for organizations to have product focus hence resulting to customer attraction.

A study conducted by Alexander (2013) stated that the concept of competitive advantage is based on the ability of a firm to produce goods and services more efficiently than its competitors. The rationale behind this concept is that customers are found of choosing products which are cheaper but of the same quality. The concept of competitive advantage does not support product differentiation or improvement of feature but it supports the need to produce products with the lowest cost hence creating price efficiency. Other factors which enhance low price include efficient internal systems, cheap labour, economies of scale and geographical location. For example in relation to the insurance market, customers will go for a company which offer cheap premiums but recoups higher benefits than a company which offers expensive premiums and recoups low benefits. The advantage associated with this form of competitive advantage is that an organization will always have streams of customers than competitors hence contributing to organizational performance.

Differential advantage on the other hand stresses on the need for firms to produce superior product package to those of the rivals. Different products are always sought when superior than products with the same features (Jaynie, 2012). Using the advantage of modern and improved technology, skilled manpower and enhancing research and development are some of the important aspects which enhance differential advantage. A good example of differential product in the insurance industry is in relation to different aspects Britam plc Kenya has adopted such as provision of insurance services, investment services, property management and private equity hence contributing to customer attraction.

1.1.2 Insurance Industry in Kenya

In relation to global, a study conducted by Shin (2000) on cost transparency identified that the insurance industry globally has faced enormous challenges such as increased cost of running a fully functional institution, shareholders pay-out and inability to provide services as per the insurance objectives. The study focused on challenges faced by America international group which has struggled to repair its reputation after being entangled with financial challenges worth $185B. The study in general concluded that the challenges faced by insurance firms are in relation to failed ability to adopt market and product focus strategies.

Squires (2003) focused on determination of growth of Insurance industry identified that the insurance industry is currently one of the most lucrative industry across the globe. With increased demand of insurance services, the industry has growth from the basic risk management to provision of various services such as investments, underwriting, life assurance, banking services to individuals and businesses. This clearly indicated that the industry has gained competitive advantage over the years through product diversification and cost leadership.

Locally, the insurance industry is among the growing industries in Kenya before new regulations came into place back in 2013. Growth and influx has been due to increased need to make easy income through uninformed market, limited regulations and increased demand for insurance services among Kenyans. Since regulations, growth had been witnessed not only necessarily in terms of new entries but in terms of substantial services and reliability from the public point of view. Kenya insurance industry is regulated by the Insurance Regulatory Authority (IRA). The industry is made up of 44 insurance companies which provide not only insurance services but have diversified in various services such as investment services, banking and asset management.

A study conducted by Kwach (2018) identified that just like any other industry in Kenya; the insurance industry faces challenge such as increased fraudulent activities which have been influenced by flooding of insurance companies with high level of brokers whose aim is to provide unreliable information and misguide clients. Other challenges include lack of trained personnel due to changing technology and globalization of services and products and inability to honour genuine claims. The study indicated that out of 100 claims made by customers, almost 40% of the claims end up being unclaimed due to ambiguity and hidden information from the insurance provider.

Likewise, Insurance unlimited (2013) listed various challenges facing insurance industry such as lack of saving culture among Kenyans as a result of poor economic condition, low disposable income and perceived crisis in the industry. Kenyans assume that just like in the real estate, insurance industry is a bubble burst and there is likelihood of losing value in future. The study also considered that a total of 35% population in the insurance industry have limited knowledge in relation to the products, services and how to make claims.

1.1.3 Britam Plc in Kenya

Britam plc Kenya previously known as British American Investment Company Kenya is the holding company which has been engaging in various activities such as insurance, investment management, private equity and property business in Kenya. Britam plc in Kenya was established in the early 1965 and has been one of the most reliable company in provision of insurance and asset management services. Britam plc in Kenya holds assets worth over 25 billion Kenya shilling with brand equity value above 6 billion Kenya shillings. Britam success has been guided all through by the company mission and vision statement which reads; providing financial security all the step of the way and to be the leading diversified financial services provider across Africa respectively. One of the aspects contributing to the company success includes use of diversification strategies than any other insurance firm in Kenya. With other insurance companies focusing only on provision of insurance related services, Britam has chosen a different path and partnered with Equity bank and housing finance in provision of asset management and investment services. Britam also boasts of a large portfolio of assets, both financial and non-financial assets (Britam Kenya, 2017).

Since 2013, the insurance industry in Kenya has undergone various changes which have brought both positive and negative impacts to major stakeholders. Some of the benefits of these changes include increased financial stability within the industry, minimization of fraudulent activities and enhanced compliance. Provided that 2013 regulations brought about eminent changes; Britam plc holding is facing various challenges such as increased competition resulting from local and international organizations such as AIG insurance, Pan Africa, APA insurance, Jubilee insurance, Heritage and UAP insurance. Other challenges the company has recorded over the last 5 years include technological changes which brings about the need for business processes review as well as employee trainings among other factors. Additional challenges include changing consumer in terms of age hence affecting the company target and availability of options and supporting technology which affects sales volumes (Britam Kenya, 2017).

1.2 Research Problem

Strategy enables an organization to define its business both in the present and in the future and determine the industry or markets to compete. The resource based view states that not all firm resources hold the potential of sustainable competitive advantage; instead, they must possess four attributes: rareness, value, inability to be imitated and inability to be substituted (Barney, 1991). However, Porters competitive model states that superior performance can be achieved in a competitive industry through the pursuit of generic strategies including overall cost leadership, differentiation or focus approach to industry competition (Porter, 1980). The dynamic capabilities theory indicates that it is the organizations ability to quickly integrate, build and reconfigure internal and external competences to address rapidly changing environments using internal resources.

Poth (2014) studied the competitive advantage in the service industry and concluded that an integrated approach of competitive advantage where both positioning framework and valuable resources are used as complementarities is beneficial but the study did not cover the insurance sector. In Kenya, Mirang'a (2015) examined strategies adopted by local media houses to gain competitive advantage in Kenya and established that most media houses profile their customers and tailor their products to meet their specific need but the study focused on media houses not insurance. Angara (2010) also studied the strategic responses adapted by Kenya Commercial Bank to changes in the environment but the study focused on commercial banks.

Kenyan insurance companies face myriad challenges that cause poor performance and failure to maintain competitive advantages. This has posed a major marketing challenge to the insurance companies due to high number of insurance entities which bring about unhealthy competition. Insurance firms in Kenya have experienced increased competition over the last few years resulting from increased innovations among the players and new entrants. Several other insurance companies have been reporting losses mostly attributable to the competitive and challenging business environment in the industry. Increased entries has diluted the market and spiked price wars hence affecting the ability of insurance firms to gain competitive advantage since the consumer focus shifted to low prices instead of quality of service. The research addressed what strategies Britam Holdings Plc adopted to gain competitive advantage in the insurance industry.

1.3 Research Objective

The objective of this study was to determine the strategies adopted by Britam Holdings Plc in Kenya to gain competitive advantage.

1.4 Value of the Study

The research findings shall be important to the management of the insurance sector in Kenya through the use the study findings and conclusions to formulate effective strategies. The study findings will also assist management of Britam Plc to formulate effective strategies that would spur the firm's agenda a notch higher. For instance, the diversification strategies enable the company to invest in other investment portfolios to boost its asset base and provide it with the capability to meet its obligations while significantly gaining market share.

The findings are of importance to policy makers who may use the study findings and recommendations to develop policies in the insurance sector to fill the existing knowledge gap on strategies in the insurance industry. There's indeed need to introduce new policies in the insurance industry to transform the way transactions are undertaken. These facelifts the insurance sector in Kenya placing it in the same level like that of competitive states. For instance, the insurance regulatory authority needs to place benchmarks and enforce policies that protect the interest of the participants.

Lastly, the research is a development of previous studies therefore it provides new insights and literature to ensure continuity in the area. The study findings are useful to future scholars in their research studies.

CHAPTER TWO: LITERATURE REVIEW

2.1 Introduction

This chapter presents theoretical foundation in relation to strategic management and competitive advantage. The chapter also involves presentation of different types of competitive strategies, influence of strategies on competitive advantage, effectiveness of competitive strategies and research gap.

2.2 Theoretical Framework

2.2.1 Porter's Theory of Competitive Advantage

Porter's theory was coined by Michael Porters in early 1985. The theory was written with aim of helping companies and organizations to create competitive advantage over rivals (Porter, 1985). Porter identified that just because an organization is the current leader in the market, it doesn't mean that it will be the leader in future hence putting pressure on the need to strategize hence contributing to future organizational performance. Porter also identified that a company must ensure that there are clear goals, strategies and organizational operations towards building sustainable competitive advantage (Amadeo, 2018). Michael porter pointed out that achievement of competitive advantage is based on three aspects which are; - cost leadership, differentiation strategy and focus strategy.

In relation to cost leadership concept of competitive advantage, Michael porter identified that to gain competitive advantage; an organization must produce product packages at a cost lower than the competitors. The idea of producing goods at the lowest cost is based on the ability to source raw materials at cheapest cost possible and ensuring cheap labour is enhanced. Michael porter identified that lower cost will result to increased sales in future hence contributing to improved organizational performance. Porter also stressed that adoption of cost leadership strategy contributes to cost saving which has significant effect on organizational performance (Chacarbaghi, 1999).

The second aspect considered by Michael porter is the differentiation strategy. Differentiation strategy occurs when a business produces goods and services different from its competitors. In this strategy, Porter identified that a business must consider intensive research and development, product development, redesigning and repackaging (Peteraf & Barney, 2003). Product differentiation must be accompanied by outstanding quality and features for organization to sell effectively. Growing customer needs, taste and preferences in the current global competitive market requires organization to be different in production, quality, package and delivery of products to the customers.

In the third form of strategic advantage, Porter identified that the need for an organization to have focus strategy is quite significant towards organizational performance (Alexander, 2013). The concept of focus strategy is based on the idea that organization should consider targeting few markets instead of targeting everyone in the market. This includes focusing on a specified group of customers such as segmenting products and services based on geographic location, demographic, income level, behavioural and physical segmentation.

In relation to the current study, the concept of Michael porter has quite been applied in various companies. Organizations have considered adopting either one or two of the strategies at a time. Britam Plc for instance has diversified its services and has focused on differentiation strategy, through offering various services in a unique way compared to competitors who have fully focused on insurance services only.

2.2.2 Resource Based Theory

This theory which was coined by Barney in 1991 indicates that the need to have strategic resources within an organization is critical towards organizational performance hence achieving competitive advantage. Barney (1991) identified that strategic resources are valuable, rare, non-substitutable and imperfectly imitable. Possession of skilled employees, organizational capabilities and secret concepts towards production of goods and services is one of the good examples of possession of strategic resources as it has been in Coca-Cola Company with their secret capabilities of staying unique for decades.

Resources are considered to be valuable when they have the capability of contributing directly to organizational performance. Valuable resources also limit the capabilities of threats and effect of external environment such as competitors hence contributing to competitive advantage. The theory identified an example of Southwest airline which has been making profits every year despite that the business environment is very competitive. Southwest Airline uses organizational culture which is aimed at delivery of advantage over competitors (Selznick, 2007).

Rare resources according to resource based theory are those held by an organization but rarely found in any other organization. In most cases, rare resources are quite common but majority of organizations fail to consider their impact towards performance. Still focusing on the Southwest airline culture, the theory identified that their culture provides employees with ability to perform with strong employee relations in an industry where high level of employee layoffs, poor morale and increased strike affects performance and ability to be competitive (Chi, 1994).

While the concept of difficult to imitate and non-substitutable focuses on how it is hard for competitors to imitate or substitute the strategy with any other or similar or counter strategy, the study identified that the influence of Southwest organizational culture does not only focus on delivery of substantial services but also focuses on enhancing customer experience such as ensuring customers are treated with respect hence contributing to customer attraction and competitive advantage (Hooley *et al.*, 2001).

The theory clearly indicates how organizations can use resource based theory towards enhancing competitive advantage through ensuring that service uniqueness is enhanced, strategic resources are valued, rare, difficult to imitate and non- substitutable.

2.3 Empirical Studies and Knowledge Gap

A study conducted by Olson and Slater (2015) on the balanced scorecard, competitive strategies and performance established that the need to adopt various strategies can be effective towards enhanced organizational performance. The study identified that one of the most common and effective strategy an organization can focus on is cost leadership, it also identified that out of a total of 100 studied companies, 60% have been struggling with cost management hence contributing not only to break-even but also realization of loss within an organization.

Porter (1990) identified that the only means to fight the effects of increased cost within the organization is through ensuring that a firm becomes low cost producer within the industry it operates through pursuit of economies of scale, investing in current technology, sourcing for cheap raw materials, cheap labour and cutting current expenses. Through cost cutting, organizations can save on cost hence contributing to competitive advantage over competitors.

Akingbade (2015) conducted a study on the implementation of competitive strategies to improve customer satisfaction, retention and loyalty. The study identified that customers are always concerned with availability of services or products hence calling the need for implementation of differentiation strategy. Just like in the production industry or retail industry, a supermarket can be worthy selling if it differentiates or invests in different and various products where customers can make a choice based either on availability, quality, price and promotion. The study supported the concept portrayed by Porter (2012) effective use of differentiation strategy can effectively contribute to achievement of competitive advantage.

Koffi, Yanney and Awuath (2014) stressed on the need for adoption of focus strategy. The study identified that most of the small scale organizations in Ghana have failed to attain competitive advantage because they have failed to strategize on their products. The study considered that 60% of the market in Ghana is made up of perfect competition market where organizations strive to sell their products due to the nature of the products, which is being common. The study proposed the need for companies to do intensive research towards creating unique and customer focused product which will help them attain competitive advantage. The study also identified that the target market must have buyers with unusual needs or else production and the nature of products an organization is seeking to offer must differ or have desirable characteristics from the normal market production.

A study conducted by Schmutzler (2013) proposed the need for implementation of innovative strategy towards attaining competitive advantage. The study portrayed that through innovation, an organization can be able to concentrate its limited resources towards achievement of competitive advantage. The study also pointed out that innovation contributes to over 20% of organizational performance since through innovation, an organization can redesign products and services, manufacture or produce customer focused products and create product efficiency in the market through pricing and packaging.

Garfinkle (2005) on strategies used by companies to gain competitive advantage pointed out that adoption of technology based strategy effectively contributes to achievement of competitive advantage. The need to adopt modern technology in the face of production and enhancement of services has grown over years. Technology based applications and access of financial services conveniently has grown over years with customers preferring to adopt the best technology based company. Ability to provide services effectively and efficiently contributes to competitive advantage over competitors. Technology is also one of the key strategic resources which contribute to competitiveness once effectively applied.

Sage (2015) also identified that adoption of strategies influences decision making, human resource management and organizational structure. The study which focused on how Ansoff matrix of competitiveness influences organization performance pointed out that decision on whether to go for diversification, product development, market development or even market penetration involves a lot of decision making such as in relation to availability of raw materials, sufficient skills and knowhow and management structure. Welch and Welch (2005) also added that achievement of competitive advantage requires organizations to focus on effective resource allocation and the need to have concrete decision making.

Similarly, Aaltonen and Ikavalko (2002) supported that successful implementation of strategies is vital for organizational success. The study identified that effective implementation influences necessary skills for internal stakeholders such as employees towards performance improvement, appropriate organizational structure, organizational culture and resource allocation. The study which focused on McKinsey 7S framework (structure, strategy, systems, shared values, style, staff and skill) portrayed how adoption of various strategies has contributed not only to organizational performance but also enhanced shared vision within organization which is quite significant towards attaining competitive advantage.

The studies identified various strategies adopted by companies towards achievement of competitive advantage. Based on the studies, most of the literature fully focused on effective implementation of Porter competitive strategies including cost leadership, differentiation and focus. Studies clearly indicated that through adoption of cost leadership for instance, organization has the capability to produce goods and services at relatively low cost than competitors hence resulting to enhanced performance and competitive advantage. Studies also identified that differentiation strategy aims at ensuring that a company differentiates its products from those of competitors either through product development and product improvement to create quality and taste.

The third aspect which includes focus also concentrated on the need of organizations to base their focus on narrowing down to a different market with different needs. Other strategies identified include technological leadership which focuses on the need to be technologically solid and moving in the same pace with technology and innovation which has been featured in Porter strategies.

2.4 Conceptual Framework

Mugenda (2013) stated that conceptual framework is a hypothesized model identifying the concepts under study and their relationship. The current study of independent variables comprise of strategies adopted by Britam Kenya while the dependent variable comprise of competitive advantage.

Independent Variables **Dependent Variable**

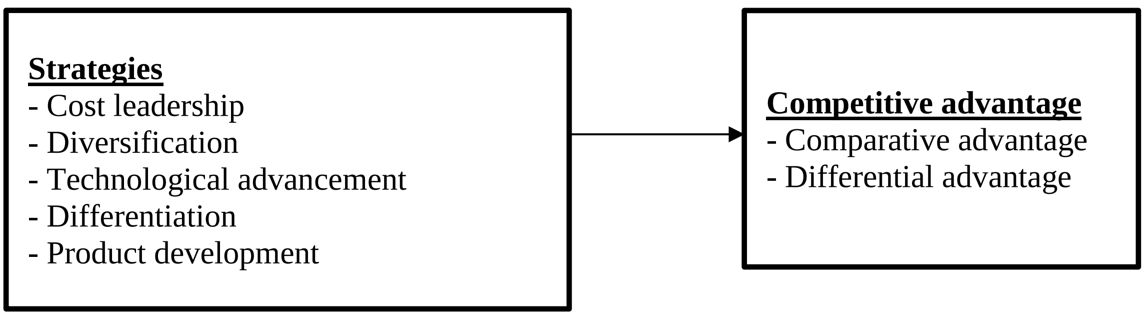

Figure 1.1 Conceptual Framework

CHAPTER THREE: RESEARCH METHODOLOGY

3.1 Introduction

This chapter highlights the research design, data collection tools and data analysis methods to be adopted. This being a case study, respondents were drawn from selected respondents with clear understanding of strategies employed in the organization.

3.2 Research Design

Research design is a basis for identifying study variables connections and set out techniques for a research activity. According to Kothari (2010), research design is a strategy which is adopted by researchers towards bringing together different components of information in a logical and rational manner with the aim of making sound decision or providing solution to related research problem.

This study adopted case study method to establish strategies adopted by Britam Kenya to achieve competitive advantage in the insurance industry. Mugenda (2008) explains that a case study attempts to thoroughly investigate the concept at hand. This case study sought to determine the influence of the strategies adopted by Britam Kenya Plc on its competitive advantage.

The case study method is preferred since it enables the researcher to gain an in-depth understanding of the phenomena at hand. The case study method is also ideal since it helps ascertain effectiveness of scientific theories and models in the real life (Martin, 2008).

3.3 Data Collection

Data collection is the process of gathering and measuring information on variables of interest, in an established systematic fashion that enables one to answer stated research questions, test hypotheses and evaluate outcomes (NIU, 2005).

The research used primary data, collected through direct interviews administered through one on one discussion hence collecting relevant information which addressed research questions. Interview technique is ideal since interviews are useful for getting the story behind a participant's experiences and that the researcher can obtain detailed information around the topic under study (Harish, 2009).

3.4 Content Analysis

According to French (2016), data analysis is the process of converting raw data into usable information. The prevailing study adopted content analysis technique. Content analysis technique involves compressing many words to fewer words or even coding information to enhance easy analysis and interpretation of information (Mugenda & Mugenda, 2010).

Content analysis technique is important because it eases the ability of a researcher to analyse qualitative information retrieved from the respondents. The other benefit associated with adoption of content analysis includes the advantage of being able to identify respondents' intentions and expressions through behavioural response to the stated questions.

The study adopted two types of content analysis which involved conceptual analysis and rational analysis. This was aimed at addressing the study research problems through breaking down information into meaningful and pertinent information (Krippendorff, 2001). In rational analysis, the study identified relationship among concepts in a text, this was conducted through coding study variables to bring clear meaning. Rational analysis clearly determined whether there is relationship between strategies adopted by Britam and ability to gain competitive advantage.

CHAPTER FOUR: DATA ANALYSIS, RESULTS & DISCUSSION

4.1 Introduction

This section presents analysis and discussion of findings in relation to data collected on strategies adopted by Britam Kenya to gain competitive advantage in the Kenyan insurance industry. The study focused on content analysis which involves purely qualitative information as retrieved from the study. Data collection was conducted through interview guide where five respondents in top management participated on the study. The analysis of the findings was based on the questions that were put through to the interviewees.

4.2 Strategies adopted by Britam Kenya Plc to gain Competitive Advantage

Competitive advantage is a factor of unique attributes or capabilities not easily copied without use of extensive resources to come up with alternatives that would outdo the distinctive offer by the business in a given industry. The study sought to establish the nature of strategies adopted by Britam in the Kenyan insurance industry to gain competitive advantage.

4.2.1 Differentiation

The interviewees acknowledged differentiation as a key strategic tool adopted by Britam in seeking to stand out and address the unique financial solutions sought by various clients. The respondents cited various forms of differentiation strategies embraced by the entity namely product, service, distribution and pricing. Product differentiation was cited as the main differentiation tool applied by Britam, according to the findings, the study identified that product differentiation concept is easily sellable and has a psychological thrust towards the consumer's option, Product differentiation helps Britam to stay on top of competition and keep up with the dynamic external environment. It also helps to justify the difference in premium pricing for its products as compared to those offered by rivals in the market and make its distribution easy.

The interviewees cited products such as 'Britam biashara', a simplified combined solution for Small and Medium enterprises whose unique features included optional combined coverage, self-rating, relaxed conditions. The 'Britam Imarika, was also identified as one of the unique offers, a digital investment plan that is accessible through mobile applications with a flexible contribution options and with extensive unique features such as flexible term, partial withdrawals and free life cover.

The motivation behind the product differentiation drive by Britam was cited as desire to evolve the insurance products that defy the concept of insurance in order to grow its customer size and keep competition on check as well as to leverage against the ever growing competition in the insurance industry and maintain its position as the leader in the insurance industry in Kenya and region. According to the content responses, respondents further indicated that they have capitalized on their ability to design unique and responsive products through aggressive marketing of the various products, both new and revamped products which have a positive intrinsic effect to the public where the majority of the masses have a low appetite for insurance and this is what has made Britam a preferred choice, customizing products to suite different customer need as well as conducting market research with aim of identifying gaps in the market and offering better products and services.

Pricing differentiation was also highlighted as strategy applied by Britam as a way of reaching out to the various segments in society. According to respondents, the customer profile varied based on its purchasing power and therefore the only way to reach out to the different customer segments is through offering each segment a differentiated product at a different price. Typical examples of products with varied pricing according to the responses included its travel insurance products whose prices would differ based on the limit of covers involved with high limits attracting first-class rates and the low limits option attracting highly discounted rates of up to a third of highly priced option, other products included Health products, accident and life products. This strategy by Britam according to interviewees is largely credited for the huge and varied pool of clients who have derived value from its products and has granted the business a competitive advantage in the market and hence enabled it capture its current market leadership position.

Service differentiation came out as another differentiation strategy that Britam was applying to gain competitive advantage. Respondents indicated that they deliberately offered distinguished service to its customers through a highly skilled and motivated work force and partners in the value chain. The initiatives adopted in delivering this was through a 'one stop shop' and seamless experience to clients, operation of a 24 hour contact centre to handle inquiries and ensure accessibility throughout the year, implementation of customer relationship management system to manage all customer requests, express motor assessment centre as well as triaging approach to claims processing.

Distribution differentiation was also indicated to be a differentiation strategy that Britam is using to reach out to the wider market of clients seeking financial services. Respondents cited extensive distribution channels, both traditional channels such as brokers, agents and bancassurance and modern channels such as mobile distribution channels like the 'Unstructured Supplementary Service Data (USSD) portal *778# and digital portals like customer portal, marine portal and financial advisors portal. This channels according to respondents have been well resourced with supporting infrastructure as well as complementing single distribution management structure. The bancassurance channel was said to have helped complement the existing countrywide networks due to the vast banking services presence countrywide. Equity bank and Housing finance companies were cited to be the strategic partners where Britam had a stake in and therefore acted as critical distribution channels to its customer base of Britam services through their bancassurance framework across the country thus making distribution differentiation a competitive advantage.

All interviewees agreed that differentiation has contributed towards gaining competitive advantage, they cited that adoption of differentiation has helped Britam remain relevant, be a market leader as well as build a tag of "provider of financial security every step of the way" as envisaged in its mission statement through unique and quality products and services.

4.2.2 Cost leadership

This section presents results in relation to Britam cost leadership strategy and how it contributes to achievement of competitive advantage. All respondents concurred that the company has adopted cost leadership strategy towards gaining competitive advantage. According to respondents, this may not be only through offering cheap products as compared to competition but also offering wider solutions at a competitive price, therefore instances of products with higher pricing compared to competition but with enhanced coverage were cited.

Lowly priced products such as ‘Kinga ya Mkulima’, a product targeting tea farmers were cited as some of the companies low cost products.’Equimed’, an individual medical insurance solution was cited as one of the cheapest product offered in the market and enables Britam address the needs of the low income population who require better coverage compared to the National Hospital insurance scheme which may have limitations in its scope.

Cost leadership was cited as a critical enabler towards penetrating the mass market especially the population in the informal sector, most of whom are unable to afford the high cost insurance. The respondents indicated that the 2017 insurance penetration for Kenya was still low at 2.8% of Gross Domestic product (GDP) as compared to Africa’s penetration level of 3.5%.It is this reality of low penetration that Britam is alert to the massive potential available to reach out to millions of potential clients who needs their services but are hindered by the high cost by continuously rolling out low cost products and hence capture the mass market.

According to the findings, respondents further indicated that emphasis is given to service and product delivery, variable cost therefore takes precedence with minimal fixed costs such that every input has a commensurate output. Partnerships with low cost providers in service provision such as healthcare and garages on repairs were cited as some of the measures employed to ensure the cost of the services are minimized resulting in lowering the cost of its products.

Low cost distribution through its in-house agency network and direct marketing digitally and through its various branch networks spread across the country marketing were highlighted as key focus to the business towards realizing its low cost strategy. Respondents also pointed out that Britam outsources non-essential services such as surveys, assessments, property development, and document management, as well as maintaining centralising shared services such as human resources, Information technology services and finance functions to avoid duplication of roles hence cutting cost.

Cost leadership strategy has contributed to achievement of competitive advantage according to 80% of the respondents pointing that through cost leadership, the company is able to project an image of affordable and value provider with products that are pocket friendly and at the same time offer un-parallel services at affordable cost. Other reasons provided is that customers are more sensitive to price especially when prices go up hence use of cost leadership through low cost products has enabled the company gain competitive advantage in the industry. In relation to the 20% of the respondent who disagreed, the response was that cost leadership compromises the quality of products and services and may not be sustainable given that some of the partners working with the business such as garages and hospitals may not give priority to its clients on low expected return basis as compared to competition that offer highly priced products to a small segment and therefore able to deliver a high level of service for perceived commensurate compensation and taking back the intended credit of gaining competitive advantage through cost leadership.

The respondents further cited that cost leadership has directly contributed towards its huge size of client base especially the retail portfolio and the same time has helped the company breed and advance customer loyalty. Cost leadership was also quoted to have helped the company offer affordable products as well as reach out to various segment of the market hence maintaining a significant market share which is key in the urge to attaining competitive advantage. In relation to those who disagreed with contribution of cost leadership on competitive advantage, respondent indicated that cost leadership has an inverse effect on quality of service therefore depriving the objective of cost leadership.

4.2.3 Diversification

There was unanimous agreement by all respondents that Britam has adopted diversification as a strategy towards achievement of competitive advantage. The respondents highlighted that diversification was used by the company to achieve a stable portfolio by spreading risks. They further cited the need to enhance its product offering and cushioning its customer base from wandering to competition by being a one stop shop for all financial services from insurance to investment as well as asset management, this would enable cross-selling which in turn breeds loyalty as a partner instead of provider.

The respondents highlighted that Britam had implement diversification through use of various financial services both insurance services which include life, general and health insurances and non-insurance services such as investment advisor, pensions, property development, and asset management. It is through diversification that Britam has been able to partner with various sectors of the economy such as banks for banking solutions such as putting deposits for client funds and bancassurance business, telecommunications as aggregators, property developers as suppliers of property and distributors as well as health facilities as providers.

Diversification according to the results, has been useful to Britam since it gives its clients a variety of options to choose from based on their need and budget and increases presence and the ability to cushion adverse performances when one line of product is hit. Diversification has also helped Britam design unique products by packaging various solutions from the different units and pushing them as one product and in turn project itself as an all-round solutions provider and at the same time maintain its diversification capabilities. The respondents cited diversification as core to the business as it resonates well with their mission of ‘providing financial security every step of the way’.

Diversification according to interviewees contributed towards gaining competitive advantage because it gives the company a niche with a tag of a one stop shop which is not common in the industry. It is through diversification that the business is able to build several partnerships which in turn contribute to a wider base of clients which is critical in capturing the mass market and grow the market share. It also helps management to create a stream of revenues that help keep its profitability levels at high and minimize price fluctuations associated with a volatile one-line book. This factors are said to give Britam a competitive advantage against other players in the industry.

4.2.4 Technological Advancement

All interviewees confirmed that Britam had aggressively resourced towards technology advancement in order to build its operational excellence and in turn gain competitive advantage in an industry where several players have made little efforts to advance its technology capabilities.

Technology was identified as a core business enabler tool, from distribution of products to servicing of portfolios whose capabilities results to increased efficiency through number of business underwritten and reduction of time wastage in getting to the customer. Respondents cited that the company had made huge investments of over US Dollar ten Million in modern technology over the past 5 years through a project called 'Project Jawabu' a transformational Informational technology project which sought to overhaul the old technology and replace it with a state of the art infrastructure which they said has largely been successful and transformed the business environment with exciting experiences to customers, partners and other stakeholders. This helped the business in Systems Reengineering and delivery of first class experience to its customers which in turn delivers value to the customer translating to competitive advantage over competition.

Respondents indicated that Britam had deployed technology across entire business to complement human effort and provide modern solutions in service delivery. Findings also identified that technology is the arteries and veins of Britam, every process is driven by technology and this has helped register operational excellence through addressing customer needs on day to day service provision. Britam has also enhanced its IT systems in line with ever changing business environment and customer profile.

The company boast of the most advanced system in the industry that is able to boost digital services for varied customer segments and able to integrate with various platforms like payment gateways and telecommunications infrastructure such as online applications.

Technology was merited as a source of convenience for Britam to provide reliable customer services, the robust technological capabilities were cited as key drivers of the operational excellence experienced by its stakeholders from intermediaries to clients as well as partners Technology was also identified as a major gateway to a highly digital market that is keen on seamless service at their comfort zones and aids provision of services at low cost. Findings revealed that its system had portal capabilities that would enable suppliers, distributors and customers to interact with the company which in turn enables the business track requests and ensure all inquiries are handled conclusively without losing track of requests.

According to the results, all respondents agreed that technology advancement has contributed towards gaining competitive advantage. It further ascertained that technology advancement had contributed to speedy delivery of services to customers and partners. The use of the most current systems has helped the company to do away with manual ways of running the business which prone to delays, less reliable due to limited tracking and control and are more susceptible to fraudulent activities. Speed of service, high reliability achievable through automation and less cases of fraud enhances the corporate image which in turn translates to competitive advantage.

4.2.5 Product development

Product development strategy according to all respondents had been adopted by Britam towards gaining competitive advantage. According to the findings, innovation through new products that are tailored to meet the market needs is key to remain relevant in the industry. The changes in the customer profile, taste and preference according to respondents is part of the reasons why the company develops new products regularly.

The study identified that Britam carries out regular market research to collect data on desired customer needs in order to ensure that products that are designed are responsive to customer expectations. Britam rolls out at least 2 products either new or enhancement of existing products per line of Business every quarter, this is supported by continuous research to anticipate the need before competition. The business has a functional product development committee that champions the process and is the consumer of the continuous market research data, its mandate is design new products and to revamp existing ones in line with evolving market needs.

Product development according to the results has enabled Britam commercialize both profitable and customised products which have kept the business on top. Product development has also helped the company to acquire and maintain existing customers. Through product development, Britam has been able to address customer needs. Similarly, product development confirms business awareness of the evolving needs and it’s through this that the company is credited a market leader.

According to the findings, it is clear that all respondents agreed that product development has directly contributed towards gaining competitive advantage through responsive solutions and this enables the company continue to maintain a tag for innovations which is a main advantage in the market of operation. Product development sustains the company and is a means of reaching out to customers who are uninsured and those with competition.

4.2.6 Other strategies

Based on the results, respondents identified that other strategies adopted by Britam were strong governance with highly skilled and experienced management and board members with latest entry being from IFC a World Bank arm, acquisition of a competitor with aim of enhancing bigger market citing recent acquisition of Real Insurance a regional insurer, strategic alliances with firms such telecommunication firms like Safaricom in expanding the customer base as well as alliances with international insurers such as the American insurer Chubb to benefit on their global expertise and partner in providing solutions to their international clients based locally, aggressive publicity through channels such as digital and media advertising as well as international expansion into East and Southern Africa markets.

4.3 Discussion of Findings

The purpose of this section is to present discussion of findings in relation to the objective of the study which was meant to determine strategies adopted by Britam Kenya to gain competitive advantage in the Kenyan insurance industry. The section links findings of the study with theories proposed and findings of the study with other empirical studies.

4.3.1 Link to theories

The finding of the study identified various strategies which Britam Kenya has used towards gaining competitive advantage. In relation to differentiation, findings identified that through adoption of product and service differentiation, Britam has been able to offer customers variety of choices to select with distinguished customer service hence making the company a one stop shop for all customers with varied needs and a preferred choice for excellent service. Britam has also been able to attract various needs and offer products which suit all categories of income earners hence contributing to fulfilment of gaps which other insurance companies haven’t been able to fulfil.

Findings identified that Britam Kenya has adopted cost leadership strategy through enhanced research and development, outsourcing non-core functions and cutting unnecessary cost such as increased current expenditure which has contributed to cost saving hence contributing to gaining competitive advantage.

Diversification according to responses is the third strategy which Britam Kenya has adopted, through diversification, Britam has not only concentrated on offering life policy but the company has intensely invested in other investment vehicles such as investment, real estate, financial advisory, partnership with other companies and acquiring other companies with aim of diversifying revenue streams hence contributing to gaining competitive advantage. Technological leadership has been among the common core strategies which Britam has adopted towards gaining competitive advantage. Through advanced technology, Britam has been able to create efficiency in its operations and enhanced business process re-engineering hence delivering value to customers. Product development is the last core strategy adopted by Britam. As technology changes, Britam engaged its new customers with respect to technology changes and this has enhanced the ability of the company not only to deliver technologically based products but also embrace change and continue being innovative.

The current study links these findings to Porters theory of competitive advantage which clearly identified that for an organization to attain competitive advantage. Several strategies must be put in consideration such as cost leadership, differentiation and focus strategy. Britam has fully considered Porters theory to an extent of adopting cost leadership strategy which has contributed to improved ability of the company to produce goods and services at the lowest cost as possible and delivery quality products and services at low price. In relation to differentiation strategy, Britam is one of the few insurance companies with different and unique products. Differentiation has resulted to increased generation of revenue from different streams and has also resulted to diversification of risk. When one product fails, the other line of products still brings in income.

The study also links the findings to resource based theory, where the theory fully stressed that for an organization to achieve competitive advantage, it must possess strategic resources, and the resources must be rare and non-imitable. Technology, different product line, the strategy adopted and unique services delivery are among the key resources Britam has in comparison to competitors. These resources have enhanced the ability of the company to attain competitive advantage through being unique, flexible, reliable and available.

4.3.2 Link to other empirical Studies

Findings in the current study clearly indicated that respondents agreed with statements that adoption of differentiation strategy, cost leadership strategy, diversification strategy, technological advancement and product development have greatly resulted to gain in competitive advantage by Britam Kenya. Findings also identified that competitive strategies addresses all aspects within an organization and how each aspect can be of importance towards competitive advantage. These findings concur with Olson and Slater (2015) who identified that effective adoption of competitive strategies contributes to competitive advantage. The study further adds that one of the most common and effective strategy an organization can focus on is cost leadership. Cost has been among the key factors which hinder an organization the ability to perform financially.

The findings also agree with Akingbade (2015) who identified that customers are always concerned with availability of services or products hence calling the need for implementation of differentiation strategy. Differentiation strategy as identified in the study finding enhances the ability of organizations to have varied streams of revenue and reduces the risk of product or service failure in the market. Similarly, findings of the study agree with Porter (2012) who identified that effective use of differentiation strategy can effectively contribute to achievement of competitive advantage. The study identified that differentiation is a diversification strategy and through differentiation, a business becomes one stop for all customers.

The study findings links with Aaltonen and Ikavalko (2002) who pointed out that effective implementation of competitive strategies influences effective resource allocation in organizations hence contributing to organizational performance. The study also identified that organizations are always encountered with resource allocation challenges and this affects their ability to attain competitive advantage. In relation to resource allocation, Britam has ensured that strategic leadership is in place to aid resources allocation to different departments hence contributing to attainment of competitive advantage.

CHAPTER FIVE: SUMMARY, CONCLUSION & RECOMMENDATIONS

5.1 Introduction

This chapter of the study presents summary of findings, draws conclusions and makes recommendations in relation to strategies adopted by Britam Kenya to gain competitive advantage in the Kenyan insurance industry. It further highlights the limitations of the study and suggestions for further studies.

5.2 Summary of Findings

The study established that Britam has adopted differentiation, diversification, technological advancement and product development. Findings identified that Britam Kenya has adopted differentiation with aim of creating various streams of income and to leverage against ever growing competition in the insurance industry. Through diversification, Britam Kenya has also attracted wide number of customers with varied needs hence resulting to creation of enhanced revenue towards achievement of competitive advantage. Findings also identified that other reason for adoption of differentiation strategy is to gain market leadership which helps the company to attract a pool of customers hence contributing to gaining competitive advantage.

Similarly, 80% of respondents agreed that Britam has adopted cost leadership strategy towards enriching competitive advantage. Findings indicated that Britam outsources non-core functions as a method of cutting cost and possession of centralised service delivery unit where activities and services are handled uniformly. In relation to the disagreement of cost leadership, respondent indicated that cost leadership results to employee boredom hence resulting to employee limited productivity which has negative effect on competitive advantage.

Findings acknowledged that Britam Kenya has adopted diversification strategy towards attaining competitive advantage. Britam has used various financial products both insurance and non-insurance products such as investment advisory and property development. Other methods adopted include provision of general insurance, medical insurance, life assurance and asset management which has contributed to gain in competitive advantage.

Technological leadership or rather technology advancement, findings indicated that Britam has deployed technology across entire business to complement human effort and provide modern services. Findings also identified that technology is the arteries and veins of Britam, every process is driven by technology and this has helped register operational excellence through addressing customer needs on day to day service provision. Britam has also enhanced its IT systems in line with ever changing business environment and customer profile. Britam has identified herself as the most technologically advanced insurance company in the industry.

Similarly, product development has been among one of the core strategies adopted by Britam Kenya to gain competitive advantage. Findings indicated that as a result of rapid technological changes, Britam updates and upgrades her products regularly to meet various need of customers and to remain competitive. Britam has been able to customize profitable products which have kept the business on top. Product development has also helped the company to acquire and maintain existing customers.

Through product development, Britam has been able to address customer needs hence resulting to attainment of competitive advantage.

5.3 Conclusion

The conclusion of this study is that product differentiation, cost leadership, diversification, technology advancement and product development when effectively adopted contributes to gaining competitive advantage. Further, the company has adopted differentiation effectively through varied products and services offered. Similarly, Britam has gained competitive advantage through adoption of cost leadership, for instance through outsourcing non-core functions and having centralized services with aim of avoiding duplication of services.

Diversification strategy has also been used by Britam to gain competitive advantage. Apart from life insurance, Britam is an investment company, financial advisor, real estate advisor and conducts business, Mortgage Company, and business development as a service. Technology advancement has been also among the strategies adopted by Britam to gain competitive advantage in the industry. The insurer ensures that that modern technology has been adopted in service delivery and creation of unique products has also been enhanced. Technology advancement has resulted to efficient services which has positive effect on competitive advantage. Likewise, product development has been a major strategy adopted by Britam Kenya. Britam continues to innovate based on market demands, a recipe for sustainable business. Continuous research and development has been its key towards product development. Based on the study findings, there is relationship between strategies adopted by Britam Kenya and achievement of competitive advantage.

5.4 Recommendations

The researcher recommend that Britam should capitalize on its multiple strategies to focus its products on the youthful population as well as continue rolling out low cost products in order to attract the over 97% penetration space available. The heavy investments on technology should be leveraged in order to reach out to the highly digital population at a time when brick and mortar strategy is no longer effective, distribution by way of technology is a cost effective way in this age and is what should be the focus of Britam.

The study recommends that Britam should create policies which address achievement of organizational goals effectively. These policies should be in line with effective strategies to be implemented and implementation threshold. The study recommends that insurance companies should effectively engage in research and development towards identification of effective strategies which can enhance their ability to gain competitive advantage. Other areas of focus should be environmental scanning to understand organization weaknesses and strengths.

The study also recommends that although Britam insurance has done quite well in implementation of the various strategies, the company should review application of cost leadership since the strategy is not effectively implemented. Management should also be committed in the review and control of operations within the organization to enhance long-term competitive advantage.

5.5 Limitations of the Study

Throughout the study, the researcher encountered some limitations. Respondents were not willing to provide some information to the study which they perceived might affect the company privacy. The study encountered this limitation through clearly informing and validating to the management that the study is purely academic and has no association on direct application of strategies provided. The second limitation of the study was access to information from Britam. Britam has strong policies in relation to providing information to the public. Some information was hard to retrieve and the study overcame this challenge through focusing only on basic information with limited access on privileged information.

5.6 Suggestions for further study

The current study has only addressed strategies adopted by Britam Kenya, but has not addressed common strategies adopted by all insurance companies in the industry. This clearly indicates that the information may not be sufficient in making conclusion in relation to insurance industry in Kenya. Future studies should concentrate on analysing common strategies adopted by insurance companies in Kenya.

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APPENDIX: INTERVIEW GUIDE

SECTION A. Strategies adopted by Britam Plc

A. What are some of the strategies used by Britam Plc towards gaining competitive advantage?

B. Has Britam Plc adopted the following strategies?

1. Differentiation

i. Is differentiation one of the strategies adopted by Britam Plc to gain competitive advantage?

ii. If yes, why?

iii. How do you use it?

iv. How do you find it useful?

v. Has it contributed in any way towards gaining competitive advantage?

vi. If (v) above is yes, How?

2. Cost leadership

i. Is Cost leadership one of the strategies adopted by Britam Plc to gain competitive advantage?

ii. If yes, why?

iii. How do you use it?

iv. Do you find it useful, if yes/no why?

v. Has it contributed in any way towards gaining competitive advantage?

vi. If (v) above is yes, How?

3. Diversification

i. Is Diversification one of the strategies adopted by Britam Plc to gain competitive advantage?

ii. If yes, why?

iii. How do you use it?

iv. Do you find it useful, if yes/no why?

v. Has it contributed in any way towards gaining competitive advantage?

vi. If (v) above is yes, How?

4. Technological advancement

i. Is Technology one of the strategies adopted by Britam Plc to gain competitive advantage?

ii. If yes, why?

iii. How do you use it?

iv. Do you find it useful, if yes/no why?

v. Has it contributed in any way towards gaining competitive advantage?

vi. If (v) above is yes, How?

5. Product development

i. Is Product development one of the strategies adopted by Britam Plc to gain competitive advantage?

ii. If yes, why?

iii. How do you use it?

iv. Do you find it useful, if yes/no why?

v. Has it contributed in any way towards gaining competitive advantage?

vi. If (v) above is yes, How?

6. What other strategies has Britam adopted to gain competitive advantage?