

**MARKETING ORIENTED STRATEGIES ADOPTED BY KENYA AIRWAYS LTD
IN FOREIGN MARKETS**

BY

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DECLARATION

This management research project is my own original work and has not been presented for examination in any other University.

Signed: 

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This management research project has been submitted for examination with my approval as the University supervisor.

Signature:

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DEDICATION

This research is dedicated to my family that had to bear with my busy schedule of class, job and family affairs.

Showers of blessings to you all.

ACKNOWLEDGEMENT

I first of all thank our good Lord for enabling me complete this research proposal. I would also like to acknowledge my supervisor for advice and tireless efforts in the supervision during my research work and writing of this project.

ABSTRACT

To the best of the researcher's knowledge, no study had been done on the foreign market strategy adopted by Kenya Airways. This was despite its success in establishing networks in many nations of the world. This study therefore sought to fill the gap in literature by investigating the foreign marketing strategies adopted by Kenya Airways. This was a case study since the unit of analysis is one organisation. This was a case study aimed at getting detailed information regarding the strategies adopted by Kenya Airways Limited in foreign markets. The researcher used both primary and secondary data. Primary data was collected using self-administered drop and pick interview guides while secondary data was collected by use of desk search techniques from published reports and other documents. The respondents of this study were the senior staffs, who include top, middle and lower level managers working at Kenya Airways ltd. The interview guides were self administered to give the respondents time to respond to the questions at their convenience, the completed questionnaires were edited for completeness and consistency. A content analysis was employed.

The study found that the company involved in international indirect exporting through domestic intermediary, direct exporting which involves exporting via foreign intermediary; sales and/or collaboration joint venture; sales and/or manufacturing subsidiary; and licensing and franchising. From the findings, the study concluded that the success of foreign market is influenced by export knowledge, commitment, technological superiorities of the exported products and external support programmes such as government assistance influenced. The study also concludes that the foreign market strategies employed by company are use of global marketing strategies shown, sourcing strategies, research and development, sales and customers' service, high level of market orientation, marketing research, promotion and advertising, new products development practices and manufacturing operations. This study therefore recommends that in order to ensure competitive advantage in the foreign market, Kenya Airways should ensure that they have the export knowledge, they are committed and they should have the technological superiorities of the exported products/services which in earlier studies was found to have a positive relationship with success.

TABLE OF CONTENTS

Declaration.....»	»
Dedication.....	iii
Acknowledgement.....	iv
Abstract.....	v
CHAPTER ONE: INTRODUCTION.....	1
1.1 Background of the Study.....	1
1.1.1 Marketing Oriented Strategies.....	3
1.1.2 Kenya Airways.....	6
1.2 Statement of the Problem.....	8
1.3 Objectives of the Study.....	10
1.5 Importance of the Study.....	10
CHAPTER TWO: LITERATURE REVIEW.....	12
2.1 Introduction.....	12
2.2 Marketing Concepts.....	12
2.3 Foreign Market.....	13
2.4 Developing Foreign Markets.....	14
2.5 International Marketing Factors.....	17
2.6 Marketing Strategies.....	19
2.7 Foreign Market Strategies.....	20
2.7.1 Highly Differentiated Products Strategy.....	20
2.7.2 Aggressive Promotion and Advertising.....	21
2.7.3 Number of Distribution Channels.....	22
2.7.4 Comprehensive Market Research.....	24
CHAPTER THREE: RESEARCH METHODOLOGY.....	25
3.1 Introduction.....	25

J.2 Research Design.....	25
3.3 Data Collection.....	25
3.5 Pilot Test.....	26
3.6 Data Analysis and Presentation.....	28
CHAPTER FOUR: DATA ANALYSIS AND INTERPRETATIONS.....	29
4.1 Introduction.....	29
4.2 Response Rate.....	29
4.2 Demographic Data.....	30
4.2.1 Interviewees' Designations.....	30
4.2.2 Work Experience.....	30
4.3 Foreign Marketing.....	30
4.4 Internalization Mode Adopted by the Company.....	30
4.5 Discussion.....	33
CHAPTER FIVE: SUMMARY OF THE FINDINGS, CONCLUSIONS AND RECOMMENDATIONS.....	35
5.1 Introduction.....	35
5.2 Summary of the Findings.....	35
5.3 Conclusions.....	37
5.4 Recommendations.....	37
5.5 Recommendations for Further Studies.....	37
5.6 Limitations of the Study.....	38
REFERENCES.....	39
APPENDICES.....	46
Appendix I: Letter of Introduction from the University.....	46
Appendix II: Interview Guide.....	47

CHAPTER ONE: INTRODUCTION

1.1 Background of the Study

A firm internationalizes incrementally in stages of increasing commitment, starting with exporting, distributor/agent, foreign joint ventures, foreign sales subsidiary and finally foreign direct manufacturing. According to Scissors and Baron, (2002) the decisions pertaining to which foreign market to enter and expand in and, according to Root (1987), which entry mode to use are considered to be the most crucial for a firm's success in the foreign market. Although there has been significant theorizing about market selection, for example, the importance of psychic distance in market selection, according to Scissors and Baron, (2002) scholars have neglected to examine in detail the actual process firms undergo and strategies developed when choosing foreign markets.

The best strategy to address the issue of foreign competition is to improve the products and services at home and to expand the target markets to other foreign markets. However, it is usually advisable to cautiously make the decision of expanding into any foreign market. The relationship between foreign marketing strategy and performance has received considerable attention in the literature (Cavusgil and Zou, 1994). As Dunning, (2000) stipulates, exploration of the associations of foreign marketing strategy can add knowledge to the common approach, which suggests that the value adding of a foreign subsidiary is determined only by the corporate strategy. Furthermore, subsidiary relational behaviour and embeddedness have been explored, as well as the issue of standardization and foreign adaptation of marketing (Katsikeas et al., 2006).

Sissors and Baron, (2002) stated that foreign marketing takes place when a business directs its products and services toward consumers in a country other than the one in which it is located. While the overall concept of marketing is the same worldwide, the environment within which the marketing plan is implemented can be dramatically different from region to region. Common marketing concerns such as input costs, price, advertising, and distribution are likely to differ dramatically in the countries in which a firm elects to market its goods or services. Business consultants thus contend that the key to successful international marketing for any business is the ability to adapt, manage, and coordinate an intelligent plan in an unfamiliar (and sometimes unstable) foreign environment. In today's competitive global marketplace, the importance of formulating an effective foreign marketing strategy has been receiving increased attention. The relationship between foreign marketing strategy and performance has received considerable attention in the literature (Cavusgil and Zou, 1994; Da Rocha and Christensen, 1994.)

According to Ghemawat, (2003), businesses choose to explore foreign markets for various reasons. Evans and Berman (2001) state that firms initiate foreign market exploration in response to unsolicited orders from consumers in those markets. Many others, meanwhile, seek to establish a business to absorb overhead costs at home, diversify their corporate holdings, take advantage of domestic or international political or economic changes, or tap into new or growing markets. The overriding factor spurring international marketing efforts is, of course, to make money, and as the systems that comprise the global economy become ever more interrelated, many companies have recognized that international opportunities can ultimately spell the difference between success and failure. Although firms marketing abroad face many of the same challenges as firms marketing domestically, international

environments present added uncertainties which must be accurately interpreted. Indeed, there are a host of factors that need to be researched and evaluated when preparing an international marketing strategy. Key aspects of any potential foreign market include: demographic and physical environment; political environment; economic environment; social and cultural environment; and legal environment (Aulakh et al., 2000).

1.1.1 Marketing Oriented Strategies

Companies that conduct international business in several nations often favor what is known as an "individualized" marketing strategy. This approach, which also is often utilized by smaller businesses involved in only one or two foreign markets, typically involves a comprehensive market research component and a significant effort to tailor a product or service to each individual target market. Under this approach, political, social, and economic factors are important components of the marketing process (Ghemawat, 2003). Another strategy that is sometimes used is commonly called the Global Marketing Strategy (GMS). This controversial approach largely ignores differences between nations. Instead, its proponents claim that while a business that sells its products in the same way in every market may suffer losses in isolated instances, it will reap compensatory savings elsewhere. "GMS is based on the notion that consumers around the world are growing more and more similar and that a standardized product and marketing mix can achieve enormous economies, especially in advertising, packing, and distribution because they would not be changed," (Katsikeas et al., 2006). "Proponents of this strategy believe that modern technology has created a commonality among people around the world. Global travel and communication have exposed more and more people to products and services that they have heard about, actually seen, or even experienced—and now want. Although differences exist in consumer

preferences, shopping behavior, cultural institutions, and promotional media, those who support GMS believe that these preferences and practices can and will change to be more similar." Of course, many companies have embraced a hybrid of the GMS and individualized marketing strategies.

The extent of value-adding activity is crucial as it establishes the international capacity to implement strategy and exploit competitive advantages based on differentiation from competitors (Porter, 1985). Exploration of the associations of foreign marketing strategy can add knowledge to the common approach, which suggests that the value adding of a foreign subsidiary is determined only by the corporate strategy (Ghemawat, 2003). There is an extensive knowledge of corporate strategy implementation based on previous studies (Katsikeas et al., 2006). For example, Roth (1992) examined issues such as international configuration and coordination of business activities, and the identification of the roles of foreign subsidiaries has become another field of research (Taggart, 1997). Furthermore, subsidiary relational behaviour and embeddedness have been explored, as well as the issue of standardization and foreign adaptation of marketing (Katsikeas et al., 2006).

There are numerous companies that are being recognized by and whose brand names are familiar to most of the people in every region of the world. With the span of time, the global competition is becoming more and more intense and is affecting businesses in almost every part of the world (Dunning, 2000). Those domestic companies who have been doing business in a specific region for decades to concentrate in only one area of the market are now finding foreign competitors at their competition and having more market recognition because of their regional presence.

The share of service corporations' foreign investment in the global investment has increased over the years. In this context, the international activities of service corporations have become an important topic of discussion for international managers, governments, researchers, and academics. Thus, in today's competitive global marketplace, the importance of formulating an effective foreign marketing strategy has been receiving increased attention (Da Rocha and Christensen, 1994). Much of the initial research on foreign marketing of firms ignored the important issue of strategy (Birkinshaw and Morrison, 1995). However, the subject received some attention when the term "subsidiary strategy" was introduced into the global strategy literature (Bartlett, 1979). Scholars since then have paid attention to areas such as firm response to foreign market conditions and advantages of early and late market entrants (Makadok, 1998).

Other studies have focused on the motives of venturing into the foreign market including market expansion (Forsgren 2002); exploitation of competitive advantage(Fenwick et al., 2003); and following the client's international involvement (Randy and Dibrell, 2002). Roth (1992) further explains how to integrate the various market entry and development strategies into a series of decisions that reflect interplay of the international marketing environment, technological forces and strength and weaknesses of the firm.

The topic of foreign market strategy has however been subject to limited attention. Most studies have considered specific marketing strategy elements in isolation or have explored the marketing strategy in the context of a developed country. As such, most empirical examinations of the relationship have been derived from narrow strategy orientations of exporters in developed countries, and have not addressed the marketing issues of exporters in developing economies (Aulakh et al., 2000). Given the differences between developed and

developing economies in terms of strategic approach, financial and development footing, the generalization of prior research to exporters in a developing economy context may not be appropriate.

Various local researchers have also reviewed the subject of marketing strategies e.g. Muriuki, (2001) did an empirical investigation of aspects of culture and their influence on marketing strategies in the beverage industry in Kenya while Mukule, (2006) studied retail marketing strategies adopted by commercial banks in Kenya. To the best of the researcher's knowledge, no study has been done on the foreign market strategy adopted by Kenya Airways. This is despite its success in establishing networks in many nations of the world. This study therefore seeks to **fill** the gap in literature by investigating the foreign market strategies adopted by Kenya Airways.

In order to be successful in a foreign market airlines firms undertake various strategies such as code sharing, collaboration, sponsorship, training and investment in systems technologies. It also needs to be effective in four general areas: attracting customers, managing its fleet, managing its people and managing its finances (Richard. McCabe, 2006)

1.1.2 Kenya Airways

Kenya Airways is the national airline of Kenya in East Africa, operating scheduled services throughout Africa, to Europe and Asia. Its hub is Jomo Kenyatta International Airport (NBO) in Nairobi. It was established in 1977 after the break up of the East African Community and subsequent disbanding of the jointly owned East African Airways. Its IATA designator code is KQ. The Kenya Airways groups consist of Kenya Airfreight Handling Limited (KAHL), Africa Cargo Handling Limited (ACHL), Flamingo Airlines Limited, Galileo Kenya and

Kencargo Airlines International Limited. In 1991, Kenya Airways board appointed a new chairman to lead it to privatization after the government agreed to it. In 1996, Kenya Airways was privatized. Since 1998, the group has been growing consistently, in the way that it acquired more aircrafts, carrying more passengers and cargo. The other side was well too since revenue was increasing year after year.

However, the problem was that profits were declining. It is apparent that before the appointment of the CEO of the Kenya Airways Group Mr. Naikuni, the senior management did not see this clearly that though the group was growing, profits was decreasing or if they saw that then they did not realise that it needed attention and fast. This is seen in the first business meeting that the CEO attended and despite the fact that the profits had declined by 60.2% the senior management did not discuss anything about it. The reason why profits were declining and on the other hand, revenue was rising needed to be identified. The reason is obvious it being the costs incurred increasing at a much higher rate than the increase in revenue.

The main theme that arises from this case is that of a company that needs to cut cost of its operation. The case of revenue increasing over the years while at the same time profits falling mean that rate at which cost is increasing is higher than that of revenue. This is why the profits have been falling. The management provided a detailed exposition of the factors leading up to the restructuring and subsequent privatisation of Kenya Airways. He described how Kenya Airways went from a loss-making, over-staffed and inefficient company to a successfully privatised and competitive firm. A team of consultants conducted far-reaching research leading to the redefinition of the company objectives, streamlining of the organisation chart and a new culture of profit-making. Although there were many layoffs,

through open communication the union supported the preparation of Kenya Airways for privatisation.

Kenya Airways has not been left behind as far as contributing to development of national economy is concerned. In order to increase efficiency companies address the effects of business environment. Kenya Airways operates in different countries and is faced by environmental factors in those countries. Kenya Airways through gradual expansion program has opened several stations in foreign countries in recent past with bid to increase its revenue and to improve its network.

1.2 Statement of the Problem

There are numerous companies that are being recognized by and whose brand names are familiar to most of the people in every region of the world. With the span of time, the global competition is becoming more and more intense and is affecting businesses in almost every part of the world (Dunning, 2000). Those domestic companies who have been doing business in a specific region for decades to concentrate in only one area of the market are now finding foreign competitors at their competition and having more market recognition because of their regional presence.

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1.3 Objectives of the Study

- i. To establish the marketing strategies adopted by Kenya Airways to be successful in foreign market
- ii. To establish the foreign market entry strategies adopted by Kenya Airways in a bid to remain competitive and the challenges faced by Kenya Airways in foreign market.

1.5 Importance of the Study

The study would be invaluable to the following:

To the Kenya Airways stakeholders: the study would be invaluable to the Kenya Airways management in that it would provide an insight into the various approaches towards foreign market strategies and how foreign market strategies could be used to ensure a competitive advantage.

To the government: the study would be useful to the government in policymaking regarding taxation and other regulatory requirements of the Kenya Airways. The government and other policy makers would be equipped with knowledge on the approaches towards foreign market strategies and how foreign market strategies could be used to ensure a competitive advantage by local companies.

To the researchers and academicians: the study would provide a useful basis upon which further studies on foreign market strategies can be conducted in future. The academicians would be furnished with relevant information regarding credit risk management practices.

CHAPTER TWO: LITERATURE REVIEW

2.1 Introduction

This chapter summarizes the information from other researchers who have carried out their research in the same field of study. The specific areas covered here are foreign market, developing foreign markets, international marketing factors, marketing strategies, foreign market strategies, highly differentiated products, aggressive promotion and advertising, many distribution channels and comprehensive market research.

2.2 Marketing Concepts

Market-oriented strategies, embodied in managed competition, have become the primary focus of contemporary company policy. Being a fundamental construct in marketing, market orientation has received a great deal of attention from marketing scholars. According to Kohli and Jaworski (1990), while the marketing concept is commonly defined as a philosophy or way of thinking that guides the allocation of resources and formulation of strategies for an organization, market(ing) orientation is considered to be activities involved in the implementation of the marketing concept. With this definition, three sets of activities - intelligence generation, intelligence dissemination and responsiveness to market intelligence, represent the operationalization of market orientation. Similar conceptualizations and scales, tested for reliability and validity were also reported by Narver and Slater (1990), as well as by Ruekert (1992).

In the past decade, a steady stream of research has focused on the impact of market orientation upon business performance. A summary of past empirical studies on the relationship between market orientation and business performance can be found in Sin *et al.*

(2000), which reported that nearly all studies, including those conducted in Chinese environments found support for a positive association between market orientation and performance. Although literature on market orientation (MO) has provided sufficient evidence of the positive relationship between MO and firms' business performance, some scholars have highlighted the importance of relationship marketing orientation (RMO) to compete effectively (Perrien *et al.*, 1992).

2.3 Foreign Market

The term "foreign market" often refers to the country in which a firm conducts business. Often, entry into a foreign market requires internationalization modes (organizational structure used to enter and penetrate a foreign market) organized according to the resource commitments they require and the level of control over international operations that the firm can afford (Johanson and Vahlne, 1977). Internationalization modes include: indirect exporting (i.e. via domestic intermediary); direct exporting; exporting via foreign intermediary; sales and/or manufacturing joint venture; sales and/or manufacturing subsidiary; and licensing and franchising (Calof and Beamish, 1995 and Petersen and Welch, 2002). A firm internationalizes incrementally in stages of increasing commitment, starting with exporting, distributor/agent, foreign joint ventures, foreign sales subsidiary and finally foreign direct manufacturing (Johanson and Wiedersheim-Paul. 1975).

According to Ellis (2000) and Reid and Rosson (1987) the decisions pertaining to which foreign market to enter and expand in and, according to Root (1987), which entry mode to use are considered to be the most crucial for a firm's success in the foreign market. Although there has been significant theorizing about market selection, for example, the importance of

psychic distance in market selection (Johanson and Wiedersheim-Paul, 1975), according to Ellis (2000) scholars have neglected to examine in detail the actual process firms undergo and strategies developed when choosing foreign markets.

According to Tallman and Shenkar, (1994), some foreign market entry modes, such as exporting and licensing, are associated with low levels of control over operations and marketing, but are also associated with lower levels of risk. In contrast, other entry modes such as joint ventures and full ownership of facilities involve more control, but entail additional risk. Major entry mode alternatives include exporting, licensing/franchising, joint ventures, and full ownership. Exporting involves a company selling its physical products which are manufactured outside the target country to the target country (Tallman and Shenkar, 1994). Licensing and franchising arrangements are non-equity associations between an international company and a party in the host country in which technology or management systems are transferred to the host party (Shane, 1994). A joint venture is an arrangement whereby the firm is required to share equity and control of the venture with a partner from the host country. An additional entry alternative is full ownership of facilities in the host country, whereby the parent company takes a 100 percent equity stake in the operation in the foreign country. Full ownership can involve either acquiring an existing business or investing in new facilities in the host country (Root, 1994)

2.4 Developing Foreign Markets

International marketing takes place when a business directs its products and services toward consumers in a country other than the one in which it is located (Buysse and Verbeke, 2003). While the overall concept of marketing is the same worldwide, the environment within which

the marketing plan is implemented can be dramatically different from region to region. Common marketing concerns—such as input costs, price, advertising, and distribution—are likely to differ dramatically in the countries in which a firm elects to market its goods or services. Business consultants thus contend that the key to successful international marketing for any business—whether a multinational corporation or a small entrepreneurial venture—is the ability to adapt, manage, and coordinate an intelligent plan in an unfamiliar (and sometimes unstable) foreign environment (Farjoun, 1998).

There are several general ways to develop markets on foreign soil. They include: exporting products and services from the country of origin (Ghemawat, 2003); entering into joint venture arrangements; licensing patent rights, trademark rights, etc. to companies abroad (Lado and Martinez-Ros, 2004); franchising; contract manufacturing; and establishing subsidiaries in foreign countries. A company can commit itself to one or more of the above arrangements at any time during its efforts to develop foreign markets. Each method has its own distinct advantages and disadvantages (Zou and Cavusgil, 2002).

New companies, or those that are taking their first steps into the realm of international commerce, often begin to explore international markets through exporting (though they often struggle with financing) (Kustin, 2004). Achieving export sales can be accomplished in numerous ways. Sales can be made directly, via mail order, or through offices established abroad (Lam and White, 1999). Companies can also undertake indirect exporting, which involves selling to domestic intermediaries who locate the specific markets for the firm's products or services. Many companies are able to establish a healthy presence in foreign markets without ever expanding beyond exporting practices.

International licensing occurs when a country grants the right to manufacture and distribute a product or service under the licensor's trade name in a specified country or market (Vernon, 1996). Although large companies often grant licenses, this practice is also frequently used by small and medium-sized companies. Often seen as a supplement to manufacturing and exporting activities, licensing may be the least profitable way of entering a market (Hult, Ketchen and Slater, 2005). Nonetheless, it is sometimes an attractive option when an exporter is short of money, when foreign government import restrictions forbid other ways of entering a market, or when a host country is apprehensive about foreign ownership. A method similar to licensing, called franchising, is also increasingly common (Albaum, Strandkov and Duerr, 2002).

A fourth way to enter a foreign market is through a joint venture arrangement, whereby a company trying to enter a foreign market forms a partnership with one or more companies already established in the host country (Novicevic and Harvey, 2004). Often, the local firm provides expertise on the intended market, while the exporting firm tends to general management and marketing tasks. Use of this method of international investing has accelerated dramatically in the past 25 years (Petersen and Welch, 2002). The biggest incentive to entering this type of arrangement is that it reduces the company's risk by the amount of investment made by the host-country partner. A joint venture arrangement allows firms with limited capital to expand into international arenas, and provides the marketer with access to its partner's distribution channels. Contract manufacturing, meanwhile, is an arrangement wherein an exporter turns over the production reins to another company, but maintains control of the marketing process. *

A company can also expand abroad by setting up its own manufacturing operations in a foreign country, but capital requirements associated with this method generally preclude small companies from pursuing this option (Yenivurt, Cavusgil and Hult, 2005). Large corporations are far more likely to embrace this alternative, which often allows them to avoid high import taxes, reduce transportation costs, utilize cheap labor, and gain increased access to raw materials.

2.5 International Marketing Factors

Although firms marketing abroad face many of the same challenges as firms marketing domestically, international environments present added uncertainties which must be accurately interpreted (Hobday and Rush, 2007). Indeed, there are a host of factors that need to be researched and evaluated when preparing an international marketing strategy. Key aspects of any potential foreign market include: demographic and physical environment; political environment; economic environment; social and cultural environment; and legal environment.

Demographic and physical environments that needs to be assessed that fit under this category include population size, growth, and distribution; climate factors that could impact on business; shipping distances; time zones; and natural resources (or lack thereof) (Christmann, Day and Yip, 1999). Pehrsson (1995) stated that economic environment factors include disposable income and expenditure patterns; per capita income and distribution; currency stability; inflation; level of acceptance of foreign businesses in economy; Gross National Product (GNP); industrial and technological development; available channels of distribution; and general economic growth. Obviously, the greater a nation's wealth, the more likely it will

be that a new product or service can be introduced successfully. Conversely, a market in which economic circumstances provide only a tiny minority of citizens with the resources to buy televisions may not be an ideal one for a television-based marketing campaign.

According to Fletcher (2001), the social and Cultural Environment also affects a company decision in entering an international market. This category encompasses a wide range of considerations, many of which can—if misunderstood or unanticipated—significantly undermine a business's marketing efforts. These include literacy rates; general education levels; language; religion; ethics; social values; and social organization. "The ability of a country's people to read and write has a direct influence on the development of the economy—and on marketing strategy planning," observed Samiee and Roth, (1992). "The degree of literacy affects the way information is delivered—which in marketing means promotion." Attitudes based on religious beliefs or cultural norms often shape marketing choices in fundamental ways as well. As Fang, Wade, Delios and Beamish (2007) noted, "cultures differ in their values and attitudes toward work, success, clothing, food, music, sex, social status, honesty, the rights of others, and much else." They observed that even business practices can vary tremendously from people to people. "For instance, haggling is never done by the Dutch, often by Brazilians, and always by the Chinese." The company that does not take the time to make itself aware of these differences runs the risk of putting together an international marketing venture that can fail at any number of points.

Fang, et al (2007) also indicated that the legal environment includes limitations on trade through tariffs or quotas; documentation and import regulations; various investment, tax, and employment laws; patent and trademark protection; and preferential treaties. These factors

range from huge treaties that profoundly shape the international transactions of many nations to trade barriers erected by a single country. They also indicated that the system of government in targeted market; political stability; dominant ideology; and national economic priorities also affect the foreign market trading. This aspect of an international market is often the single most important one, for it can be so influential in shaping other factors. For example, a government that is distrustful of foreigners or intent on maintaining domestic control of an industry or industries might erect legal barriers designed to severely curtail the business opportunities of foreign firms.

2.6 Marketing Strategies

International market efforts take many forms. Companies that conduct international business in several nations often favor what is known as an "individualized" marketing strategy (Birkinshaw and Morrison, 1995). This approach, which also is often utilized by smaller businesses involved in only one or two foreign markets, typically involves a comprehensive market research component and a significant effort to tailor a product or service to each individual target market. Under this approach, political, social, and economic factors are important components of the marketing process.

Another strategy that is sometimes used is commonly called the Global Marketing Strategy (GMS). This controversial approach largely ignores differences between nations. Instead, its proponents claim that while a business that sells its products in the same way in every market may suffer losses in isolated instances, it will reap compensatory savings elsewhere. "GMS is based on the notion that consumers around the world are growing more and more similar and that a standardized product and marketing mix can achieve enormous economies, especially

in advertising, packing, and distribution because they would not be changed," summarized Boddewyn and Soehl and Picard, (1986). "Proponents of this strategy believe that modern technology has created a commonality among people around the world. Global travel and communication have exposed more and more people to products and services that they have heard about, actually seen, or even experienced—and now want. Although differences exist in consumer preferences, shopping behavior, cultural institutions, and promotional media, those who support GMS believe that these preferences and practices can and will change to be more similar." Of course, many companies have embraced a hybrid of the GMS and individualized marketing strategies (Farjoun, 1998).

2.7 Foreign Market Strategies

Foreign market strategies refers to long term plans undertaken by an organization in those markets that are in other countries other than its country of operation. The strategies mainly focus on marketing tools and the customers. The whole idea lies behind how to approach the market and it can be by product differentiation, advertising, distribution or research. A company will gain competitive advantage and growth depending on strategies adopted after considering its strength, weaknesses, threats and opportunities.

2.7.1 Highly Differentiated Products Strategy

Relevant differentiation attributes may be pursued to various extents and become competitive advantages. In fact, differentiation is an important strategy component that is frequently used (Aldenetal., 1999).

As customers react to differentiation attempts, there is a need to put the attributes into categories that are relevant from the customers' point of view and select attributes that are

relevant for the study sample. Following this logic, Usunier (1993) suggests physical product attributes. In this study, the common product attributes of product range, product design, technical product features, and pricing are used. Furthermore, in accordance with the study of Andersson and Larsson (2005) process attributes are employed here and these pay attention to activities such as product development processing and service processing. In this study, customer flexibility attributes are used as well. They implicitly indicate the combination of different attributes applied to meet various customer needs and include for example, features of distribution and solutions to customer problems. In essence, the application of flexibility attributes enables a business unit to simultaneously penetrate several market segments, each with different requirements.

2.7.2 Aggressive Promotion and Advertising

Advertising and trade promotions are two categories of export promotion (e.g. Koh, 1991; Cavusgil and Zou, 1994). The positive influence of advertising on export performance is based on the rationale that through sound advertising procedures an exporter can stimulate higher sales. The rapidly changing promotion element of the international marketing mix contains more than the branding and advertising. The promotion element has constraints from the internal situation and the international environment. Simple language translation of a promotion does not constitute a change from a global to localised strategy, according to (Kanso and Nelson, 2006).

Much research in the last 20 years has focused on the issue of standardized (universal) versus localized (individualized) advertising approaches. The evidence suggests that international advertising managers are becoming more sensitive to cultural differences in designing

messages for foreign markets (Kanso and Nelson, 2006; Taylor and Okazaki, 2006). By analyzing competitive expenditures in various media, an advertiser can determine the relative evaluation of different communication options by competitors (Dunn, 1966; Sissors and Baron, 2002). In some countries, an international company may stimulate national competitors to follow its course of action. In other countries, an aggressive entry may lead nationals to ask their governments to restrict the "intruder" to protect national producers.

In every media-selection situation, the task of the advertiser is to develop a definite understanding of the market for his or her product (Nowak *et al.*, 1993). He or she can select the medium to carry the message after identifying the group of consumers to whom the message is to be targeted. This, however, may not be as simple as it seems - especially when it is recognized that an optimal medium may not be available in some areas of the world (Jeannet and Hennessey, 2004).

2.7.3 Number of Distribution Channels

The literature of marketing analyses the relationship between foreign concentration vs diversification strategies and performance, but it does not obtain conclusive evidence as to which of the two leads to better performance. However, Piercy (1981a), recommend the exports diversification strategy, holding that less participation in many markets could be more profitable than concentrating on a few key markets. This was empirically demonstrated by Piercy (1981a). The explication offered by this line of research is that small firms trying to avoid direct competition with large firms by having small market shares in many markets could be more profitable than if they had large market shares in few markets.

Basically, the relationship between internationalisation and a firm's performance is positive when it has a dispersed network ("wide" which covers many countries with few subsidiaries per country) and negative for a concentrated network ("deep", which has multiple subsidiaries in each country) (Pantzalis, 2001). The argument is that internationalisation requires the strengthening of subsidiary managerial supervisory systems, which brings about increased agency costs.

The dichotomy of foreign concentration vs diversification represents a dichotomy of deep network structure vs disperse, as gradual expansion vs rapid (implicit in concentration vs diversification) implies, in the opinion of Aval and Zif (1979), that at each point in time a concentrated strategy leads to a lower number of markets served and to greater marketing efforts assigned to each market (given fixed resources) in relation to diversification. In addition, by virtue of the impact of a transnational network structure on performance, we can assume higher performance for the foreign diversification strategy (disperse network structure) than for the concentration strategy (deep network structure), because the agency costs of supervising foreign operations will be largely exceeded by returns on diversification due to its implied operational flexibility. Along this line, we propose that strategy of diversification to foreign markets generates superior performance than the strategy of foreign concentration. Foreign concentration/diversification per se is not sufficient to explain all the variations in firm performance. Hence, some studies, such as those of Lee and Yang (1990), find no differences in performance from the strategies of foreign concentration vs diversification.

2.7.4 Comprehensive Market Research

Market research is another major factor in the success of an investment in the foreign market (Murphy and Maynard, 1996). An accurate understanding of the demographic and psychographic characteristics of the target market is believed to be useful in formulating a media plan, message positioning, and in developing a creative platform. Before the reputation of a brand can be built, the consumer must perceive added value in a product when compared to other brands (Media, 1998). Market research is important in terms of identifying customers' needs and points of superior performance that are relevant to them, and a good reason why they should believe the superiority claim.

"The business strategy approach is based on the idea of pragmatism" (Welford and Prescott, 1994), with the firm making trade-offs between a number of variables in its decision to internationalize and the methods it adopts to do so. Reid (1983) argues that foreign expansion is contingency based and "results from a choice among competing expansion strategies that are guided by the nature of the market opportunity, firm resources and managerial philosophy". Root (1987) and Turnbull and Ellwood (1986) discuss the factors which should be evaluated by the research using this approach, which, for market selection include market attractiveness, psychic distance and accessibility and informal barriers, while the choice of organisational structure to serve the market will be dependent on these market characteristics "as well as company specific factors such as international trading history, size, export orientation and commitment" (Turnbull and Ellwood, 1986). Porter (1985) adds the number of competitors in the foreign market as a key factor affecting market entry.

CHAPTER THREE: RESEARCH METHODOLOGY

3.1 Introduction

This chapter was a blueprint of the methodology that was used by the researcher to find answers to the research question. In this chapter the research methodology was presented in the following order, research design, target population, sampling procedure, data collection methods, instruments of data collection, the pilot study and finally the data analysis.

3.2 Research Design

This was a case study since the unit of analysis is one organisation. This was a case study aimed at getting detailed information regarding the strategies adopted by Kenya Airways Limited in foreign markets. According to Yin (1994) a case study allows an investigation to retain the holistic and meaningful characteristics of real life events. Kothari, (2004) noted that a case study involves a careful and complete observation of social units. It was a method of study in depth rather than breadth and places more emphasis on the full analysis of a limited number of events or conditions and other interrelations. Primarily data collected from such a study was more reliable and up to date.

3.3 Data Collection

The researcher used both primary and secondary data. Primary data was collected using self-administered drop and pick interview guides while secondary data was collected by use of desk search techniques from published reports and other documents. Secondary data included the companies' publications, journals, periodicals and information obtained from the internet.

The interview guides had open-ended questions. The open-ended questions enabled the researcher to collect qualitative data. This was used in order to gain a better understanding and possibly enable a better and more insightful interpretation of the results from the study. The interview guides designed in this study comprised of two sections. The first part included the demographic and operational characteristics designed to determine fundamental issues including the demographic characteristics of the respondents. The second part was devoted to the identification of the resource based strategy where the main issues of the study were put into focus. The respondents of this study were the senior staffs, who include top, middle and lower level managers working at Kenya Airways Ltd.

The interview guides were self administered to give the respondents time to respond to the questions at their convenience. Each interview guide was coded and only the researcher knew which person responded. The coding technique was only used for the purpose of matching returned, completed interview guides with those delivered to the organizations.

3.5 Pilot Test

The researcher carried out a pilot study to pre-test and validate the questionnaire. According to Cooper and Schindler (2003), the pilot group can range from 25 to 100 subjects depending on the method to be tested but it does not need to be statistically selected. This was in line with a qualitative research design methodology employed in this research project.

According to Berg and Gall (1989) validity is the degree by which the sample of test items represents the content the test is designed to measure. Content validity which was employed

by this study was a measure of the degree to which data collected using a particular instrument represented a specific domain or content of a particular concept. Mugenda and

Mugenda (1999) contend that the usual procedure in assessing the content validity of a measure is to use a professional or expert in a particular field.

To establish the validity of the research instrument the researcher sought opinions of experts in the field of study especially the researcher's supervisor and lecturers in the department of educational administration, planning and curriculum development. This facilitated the necessary revision and modification of the research instrument thereby enhancing validity

According to Shanghverzy (2003), reliability refers to the consistency of measurement and is frequently assessed using the test-retest reliability method. Reliability was increased by including many similar items on a measure, by testing a diverse sample of individuals and by using uniform testing procedures (ibid).

The researcher selected a pilot group of 10 individuals from the target population at Kenya Airways to test the reliability of the research instrument. This was achieved by first stratifying the individuals according to level of management, level of education and number of years worked. The researcher also put in consideration gender equity and geographical background of individuals.

The pilot data was not included in the actual study. The pilot study allowed for pre-testing of the research instrument. The clarity of the instrument items to the respondents was established so as to enhance the instrument's validity and reliability. The pilot study enabled the researcher to be familiar with research and its administration procedure as well as identifying items that require modification. The result helped the researcher to correct inconsistencies arising from the instruments, which ensured that the⁷ measure what was intended.

3.6 Data Analysis and Presentation

This included analysis of data to summarize the essential features and relationships of data in order to generalise from the analysis to determine patterns of behaviour and particular outcomes. Before processing the responses, the completed questionnaires were edited for completeness and consistency. A content analysis was employed. The content analysis was used to analyze the respondents' views about the foreign marketing strategies. The organised data was presented in a continuous prose.

CHAPTER FOUR: DATA ANALYSIS AND INTERPRETATIONS

4.1 Introduction

This chapter presents the analysis and interpretations of the data from the field. It presents analysis and findings of the study as set out in the research methodology on the foreign marketing strategies adopted by Kenya Airways. The data was gathered exclusively from an interview guide as the research instrument. The interview guide was designed in line with the objectives of the study. To enhance data quality of data obtained, unstructured questions were used whereby interviewees indicated their views and opinions about the foreign marketing strategies adopted by Kenya Airways.

4.2 Response Rate

Rate	Frequency	Percent (%)
Responded	9	75
Not responded	j	25
Total	12	100

From the target population of twelve (12) respondents, nine (9) interviewees committed themselves for the interview making a response rate of 75%. This commendable response rate was made a reality after the researcher made personal calls and visits to request the interviewee to fill-in the interview guide as well as insisting the importance of participating in the study.

4.2 Demographic Data

4.2.1 Interviewees' Designations

The study sought to establish the designations of the respondents. From the study the respondents held designations such as senior flight attendant, finance managers, accountants, cashiers, procurement officers, marketing officer, sale person, flight attendants, flight pursers, safety and emergency procedure instructor, in-flight trainer, marketing executives, corporate branding executives, human resource officers, employee relation officers, chief pilot, training officers and manager.

4.2.2 Work Experience

The respondent were also required to indicate their total work experience in terms of years, the total work experience for the respondents ranged between 4years to 30 years. On the length of time in the company this ranged between 3 years to 30 years.

4.3 Foreign Marketing

The respondents were required to indicate the ways in which Kenya Airways made foreign market transactions. From the responses, the company involved in international indirect exporting through domestic intermediary, direct exporting which involves exporting via foreign intermediary; sales and/or manufacturing joint venture; sales and/or manufacturing subsidiary; and licensing and franchising.

4.4 Internalization Mode Adopted by the Company

The study sought to establish the internalization mode adopted by Kenya Airways. From the study, most of the respondents said that tcf organization adopted the indirect exporting which is done through domestic intermediary others said exporting via foreign intermediary a small

proportion indicated direct exporting, sales and/or manufacturing joint venture, while a few of the respondents said that the company adopted licensing and franchising mode of internalization.

On what is considered to be the most crucial decision for a firm's success in the foreign market, the interviewees indicated that the most crucial decision for the company's success in the foreign market was the foreign market to enter and expand in as well as the entry mode to use was the most crucial decision considered.

The study required the respondents to indicate the most basic approach to foreign market employed most of the respondents reported that the airline basic approach to foreign market employed was the descriptive approach, while a few of the respondents said the normative approach.

The study sought to investigate how various factors of foreign markets affect foreign market expansion of the Kenya Airways. With regard to classical country selection, the interviewees indicated that it affected foreign market expansion and attractiveness to a great extent in that various country differ in regulations that govern the airline operations and some are affected by insecurity than others. With respect to location advantages the respondents indicated that foreign markets strategies are greatly affected by location through competition, infrastructure and market aspects. On transaction cost approaches, the foreign markets are affected by various foreign currency trades, foreign environments, and trademark rights. On cost-benefit reflection, the interviewees indicated that the company market strategies involved exporting activities and licensing which may be the least profitable way of entering a market, where

transaction cost approaches and location advantages affect market strategies to a great extent as well as infrastructure or culture.

The interviewees were required to briefly outline the influence of the various factors on the success in foreign markets of the company. From the results, the factors that influenced the success of foreign markets in the company to a very great extent according to the majority of the respondents were export knowledge and commitment, while technological superiorities of the exported products and external support programmes such as government assistance influenced the success of foreign markets in the company to a great extent.

The study also required the respondents to indicate how the company employed the foreign market practices in various ways. From the results, the foreign market strategies that were employed to a great extent included; use of global marketing strategies, sourcing strategies, research and development, sales and customers service, high level of market orientation and marketing research practices. Others were promotion and advertising, new products development practices as and manufacturing operations.

On the various value adding strategies employed at the company as a foreign market strategy the study found that the value adding strategy mostly employed by the company was the product design and improvement, while a few of the respondents said manufacturing design and improvement.

The study also required the respondents to give an account of the adoption of the various strategies by Kenya Airways in order to succeed in the foreign market. The respondents indicated that the differentiation attributes perused by the company to achieve competitive advantages in the foreign market were physical product attribute, common product attributes

of product range and customer flexibility attributes. The strategies adopted to a great extent were export promotion strategy and advertising and trade promotions, value adding, export channel strategy, differentiation attributes and export product strategy and export pricing strategy.

4.5 Discussion

From the findings, the company the company is involved in international indirect exporting through domestic intermediary, direct exporting which involves exporting via foreign intermediary; sales and/or collaboration joint venture; sales and/or service subsidiary; and licensing and franchising. These findings correlate with those by Calof and Beamish, (1995) and Petersen and Welch, (2002) that internationalization modes include: indirect exporting (i.e. via domestic intermediary); direct exporting; exporting via foreign intermediary; sales and/or manufacturing joint venture; sales and/or manufacturing subsidiary; and licensing and franchising.

According to Ellis (2000) and Reid and Rosson (1987) the decisions pertaining to which foreign market to enter and expand in and, according to Root (1987), which entry mode to use are considered to be the most crucial for a firm's success in the foreign market. In line with this, the study established that the most crucial decision for the company's success in the foreign market was the foreign market to enter and expand in as well as the entry mode to use was the most crucial decision considered.

The study also established that factors of foreign markets affect foreign market expansion of the Kenya Airways were classical country selection, currency trades, foreign environments, trademark right and transaction cost. This concur with Hobday and Rush. (2007) findings

that indeed, there are a host of factors that need to be researched and evaluated when preparing an international marketing strategy. Key aspects of any potential foreign market include: demographic and physical environment; political environment; economic environment; social and cultural environment; and legal environment.

From the results, the foreign market strategies that were employed to a great extent included; use of global marketing strategies, sourcing strategies, research and development, sales and customers service, high level of market orientation and marketing research practices. Others were promotion and advertising, new products development practices as and manufacturing operations. These findings are similar to those by Richard. McCabe, (2006) that in order to be successful in foreign market airlines firms undertake various strategies such as code sharing, collaboration, sponsorship, training and investment in systems technologies. It also needs to be effective in four general areas: attracting customers, managing its fleet, managing its people and managing its finances

CHAPTER FIVE: SUMMARY OF THE FINDINGS, CONCLUSIONS AND RECOMMENDATIONS

5.1 Introduction

This chapter provides the summary of the findings from chapter four, and also it gives the conclusions and recommendations of the study based on the objectives of the study. The objectives of this study were to establish the marketing strategies adopted by Kenya Airways to be successful in foreign market to establish the foreign market entry strategies adopted by Kenya Airways in a bid to remain competitive and the challenges faced by Kenya Airways in foreign market.

5.2 Summary of the Findings

The study found that the company involved in international indirect exporting through domestic intermediary, direct exporting which involves exporting via foreign intermediar*}"; sales and/or manufacturing joint venture; sales and/or manufacturing subsidiary; and licensing and franchising.

The study found that the organization adopted the indirect exporting which is done through domestic intermediary others said exporting via foreign intermediary, direct exporting, sales and/or manufacturing joint venture and the company adopted licensing and franchising mode of internalization. Kenya Airways has fully established offices in some of the routes it does fly. The main responsibility of these offices is to market the airline and to handle after sales issues with the region. The rationale behind this kind of arrangement is that the local offices understand the market well and hence it is able to respond accordingly.

On what is considered to be the most crucial decision for a firm's success in the foreign market, the study found that the most crucial decision for the company's success in the foreign market was the foreign market to enter and expand in as well as the entry mode to use was the most crucial decision considered.

According to the study, the factors of foreign market that affected foreign market expansion and attractiveness were classical country selection, cost-benefit reflection, early behavioural approaches, state-policy, transaction cost approaches, location advantages and infrastructure or culture. The factors that influenced the success of foreign markets in the company were export knowledge, commitment, technological superiorities of the exported products and external support programmes such as government assistance influenced.

The study also established that the foreign market practices employed by the company were use of global marketing strategies shown, sourcing strategies, research and development, sales and customers' service, high level of market orientation, marketing research, promotion and advertising, new products development practices and manufacturing operations. The value adding strategy mostly employed by Kenya Airways as a foreign market strategy was the product design and improvement, while the attributes perused by the company to achieve competitive advantages in the foreign market were physical product attribute indicated, common product attributes of product range and customer flexibility attributes. The study also found that the strategies adopted by the company in order to succeed in the foreign market were export promotion strategy, advertising and trade promotions, value adding, export channel strategy, differentiation attributes and export product strategy and export pricing strategy.

5.3 Conclusions

From the findings, the study concluded that the success of foreign market is influenced by export knowledge, commitment, technological superiorities of the exported services and external support programmes such as government assistance influenced.

The study also concludes that the foreign market strategies employed by company are use of global marketing strategies shown, sourcing strategies, research and development, sales and customers' service, high level of market orientation, marketing research, promotion and advertising, new products development practices and manufacturing operations.

5.4 Recommendations

This study therefore recommends that in order to ensure competitive advantage in the foreign market, Kenya Airways should ensure that they have the export knowledge, they are committed and they should have the technological superiorities of the exported products or services which in earlier studies was found to have a positive relationship with success.

The study also recommends that the government should give assistance to the exporter (Kenya Airways) with respect to export licenses and also advice on internationalization strategies.

5.5 Recommendations for Further Studies

This study has explored the foreign marketing strategies adopted by Kenya Airways. The study found and analyzed data with a focus on Kenya Airways. There are other companies in Kenya whose orientation in the airline industry is close to that of Kenya Airways but differ in their foreign marketing strategies. There is therefore need to do another comprehensive study to investigate the foreign marketing strategies the airline industry in Kenya adopts. Further, a

similar study should be carried out to investigate the effect of foreign marketing strategies on performance of organizations in Kenya.

5.6 Limitations of the Study

The researcher encountered various limitations that tended to hinder access to information sought by the study. These included:

The researcher encountered problems of time as the research was being undertaken in a short period which limited time for doing a wider research. However the researcher countered the limitation by carrying out the research across all the departments within Kenya Airways which enabled generalization of the study findings.

The respondents approached were reluctant in giving information fearing that the information sought would be used to intimidate them or print a negative image about the company. The researcher handled the problem by carrying with her an introduction letter from the University and assured them that the information they gave would be treated confidentially and it was to be used purely for academic purposes.

The researcher also encountered problems in eliciting information from the respondents as the information required was subject to areas of feelings, emotions, attitudes and perceptions, which could not be accurately quantified and/or verified objectively. The researcher encouraged the respondents to participate without holding back the information they had as the research instruments did not bear their names.

Lack of sufficient funds limited the researcher from accessing all the institutions in Kenya to collect data for study. The researcher however limited himself to Kenya Airways due to inadequacy of funds.

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APPENDICES

Appendix I: Letter of Introduction from the University

UNIVERSITY OF NAIROBI
SCHOOL OF BUSINESS

ft Wk

Dear Sir or Madam,

TO WHOM IT MAY CONCERN

The bearer of this letter Janeffer Gathoni Waime, Reg No. D61/8451/2006 is a Master of Business Administration (MBA) student of the University of Nairobi.

She is required to submit as part of her coursework assessment a research project report on some management problem. We would like the student to do their report on real problems affecting firms in Kenya hence kindly request you to allow her collect data on your organisation.

The research of the report will be solely for academic purposes and a copy of the same will be available to the interviewed organisation on request.

Thank you

PROJECT SUPERVISOR

Appendix II: Interview Guide

SECTION A: BACKGROUND INFORMATION

1. What is your designation?
2. What is your total work experience in years?
3. What is your length of time in the Company?

SECTION B: FOREIGN MARKETING

4. In which ways does Kenya Airways make foreign market transactions?
5. Which Internationalization mode is adopted by Kenya Airways?
6. What is considered to be the most crucial decision for a firm's success in the foreign market?
7. Which is the basic approach to foreign market employed by your company?

8. How do the following factors of foreign markets affect foreign market expansion of the Kenya Airways?

Classical country selection

Location advantages

Transaction cost approaches

Cost-benefit reflection

Infrastructure or culture

9. Briefly outline the influence of the following factors on the success in foreign markets of your company?

Export knowledge

Commitment

Technological superiorities of the exported products

External support programmes such as government assistance

SECTION C: FOREIGN MARKET STRATEGIES

10. How does your company employ the following foreign market practices?

Use of global marketing strategies

High level of market orientation

New product development practices

Marketing research practices

Sourcing strategies

Research and development,

Manufacturing operations

Promotion and advertising,

Sales and customer service

11. How are the following Value adding strategies employed at your company as a foreign market strategy?

Manufacturing design and improvement

Process design and improvement

Product design and improvement

12. Give an account of the adoption of the following strategies by Kenya Airways in order to succeed in the foreign market

Export product strategy

Export pricing strategy

Export channel strategy

Export promotion strategy

Differentiation attributes

Value adding

Advertising and trade promotions

13. What are the challenges facing foreign market strategies adopted by Kenya Airways?

14. What are the possible solutions for the challenges facing foreign marketing strategies by Kenya Airways?

THANK YOU FOR YOUR TIME AND COOPERATION!!