COMPETITIVE MARKETING STRATEGIES ADOPTED BY KENYA INVESTMENT AUTHORITY TO ATTRACT FOREIGN DIRECT INVESTMENT (FDI) IN KENYA

BY:

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A RESEARCH PROJECT SUBMITTED IN PARTIAL FULFILLMENT OF THE REQUIREMENT FOR THE AWARD OF THE DEGREE OF MASTER OF BUSINESS ADMINISTRATION OF THE

SCHOOL OF BUSINESS, UNIVERSITY OF NAIROBI

OCTOBER 2013

DECLARATION

I declare to the best of my knowledge that this is my original work and has not been presented to any other University or Institution of Higher Learning for examination.

Signature: ………………………………….. Date: …………………………..

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D61/67045/2011

DECLARATION BY SUPERVISOR:

This is to declare that this project has been submitted for examination with my approval as the university supervisor

Signature: ………………………………… Date: ……………………………

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DEDICATION

This project is dedicated to my family as a whole. My father Joseph Munyao, my mother, Joyce Munini, my sister, Virginia Nthenya and my brother, Dennis Tama for their unconditional love, support and motivation.

ACKNOWLEDGEMENTS

My sincere appreciation and gratitude goes to my Supervisor Dr. Justus Munyoki, Senior Lecturer at Nairobi University MBA programme in School of Business for his invaluable guidance, counsel and direction in the development of this project.

I wish to thank my family for giving me the invaluable support and motivation they accorded me to concentrate on this research.

The study would not have been complete without the invaluable support of all the respondents at the Kenya Investment Authority who accepted to share with me the required information on the attraction of Foreign Direct Investment in Kenya.

Above all, I thank the Almighty God as my source of all inspiration in allowing me to undertake this project that is too involving in terms of time and resources and who gives us the ability to succeed and prosper.

ABSTRACT

This study sought to determine the competitive marketing strategies adopted by Kenya Investment Authority to attract foreign direct investment (FDI) in Kenya and to establish the challenges that KenInvest experiences in attracting foreign direct investment (FDI) in Kenya. The case study design was chosen due to its ability to provide in-depth analysis of the case to be studied. Data was collected by me using an interview guide and qualitative analysis was done using content analysis. The interviewees were the senior management of the organization due to their immense knowledge in the field of the competitive marketing strategies adopted by KenInvet in attracting Foreign Direct Investments in Kenya. The study revealed that the Kenyan Government had contributed towards creating more in FDI through signing bilateral trade agreements that facilitate smooth trade and investment processes between countries. The government had enabled expansion of markets through membership of EAC and COMESA where investors would have access to a 600 Million people market. The study further revealed that the Government had improved regulations by abolishing import licensing requirements and provided good infrastructure such as the ports in Mombasa and Airports which have led to easy access of markets thus increasing investments. The study found that most of the investors were attracted to Kenya because of the economic environment i.e. macroeconomic drivers, good business environment such as ease in getting work permits, licenses, ease in doing business and low living costs. As a matter of working towards increased FDI into the country, Kenya Investment Authority has adopted a way of ensuring that FDIs build a linkage with the rest of the economy by reviewing the profit repatriation incentive so that FDI investors re-invest profits in Kenya by giving them guarantees against imports for creating long-term export capacity). This would ensure that both Kenya and investors enjoy a fair return of FDI inflows. Kenya Investment Authority had come up with competitive strategies e.g. packaging of the Vision 2030 projects that helps the Authority to provide the investors with the maximum information to enable them reach an investment decision. Further, the marketing division of the Authority had been restructured into focused regions of the world as this helped the marketers to specialize in a specific region thus getting as much information on the region as possible. In addition, the Authority had adopted the Distribution, positioning, Audience targeting and product Strategies that have helped in repositioning the country as the most preferred investment destination.

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ACRONYMS AND ABBREVIATIONS

AGOA:	Africa Growth and Opportunities Act
DDI:	Domestic Direct Investment
FDI:	Foreign Direct Investment
IPC:	Investment Promotion Centre
KenInvest:	Kenya Investment Authority
KNBS:	Kenya National Bureau of Statistics
SAPS:	Structural Adjustment Programmes

CHAPTER ONE
INTRODUCTION

1.1 Background of the Study

Foreign direct investment is a phenomenon resulting from globalization, which involves the integration of the domestic economic system with global markets (Yilmaz, 2006). It is accomplished through opening up of the local economic sector for foreign investors to establish business, within the economy. When there is a rise in capital movement across national boundaries, it results in financial globalization. Domestic lenders and borrowers take part in the international market with the use of global financial intermediaries (Faeth, 2009). Financial globalization in developing countries is mainly favoured by the availability of cheap labour and the fact that, return on capital is relative. In the recent years, there has been a rise in the amount of capital that has been flowing in to developing countries. Foreign companies investing in developing countries are significant in facilitating economic growth.

The theoretical perspective that guides this study is standardization theory which focuses on the environment that influences the occurrence of effective competitive strategies. This is because the study is on the competitive marketing strategies of attracting Foreign Direct Investment (FDI, with an intention of identifying drive forces for FDI and what should be done to attract or motivate more FDI into Kenya. Kenya Investment Authority was set out in 2004 by the Government to help attract investments in Kenya. Kenya Investment Authority (KenInvest) is a statutory body established in 2004 through an Act of Parliament. It is responsible for promoting investment, facilitate the implementation of new projects, providing after care services for existing investments in Kenya, as well as organizing investment promotion activities both locally and internationally.

1.1.1 Concept of strategy

Gachino (2005) defines strategy as the game plan management has for positioning the company in its chosen market arena, competing successfully, pleasing customers and achieving a good performance. Faeth (2009) defines strategy as the commercial logic of a business that outlines why a firm can have a competitive advantage. Yilmaz (2006) explains that strategy is what a company does and how it actually positions itself commercially. The services marketing concepts and strategies have developed in response to the tremendous growth in service industries resulting in their increased importance to all world economies. The trade in services is growing enormously worldwide. World-class service providers like American Express alongside other small service firms are exporting information, knowledge, creativity and innovation that the world badly needs. The growing market for services and increasing dominance of services in economies worldwide is evident.

The marketing strategy consists of a target market and the marketing mix. It is a big picture of what a firm will do in some target market. It encompasses market segmentation, market targeting, positioning of the product with the target market and value proposition to the target market. The right blend of the marketing mix should be identified for an innovative strategy. The marketing mix is tailored to fit a specific target market through a construction of a proper marketing strategy (Loree and Guisinger, 2005). The focus of a service firm in the current growing and competitive service sector is to gain a competitive advantage by developing a more satisfying marketing mix that guarantees a competitive marketing strategy. The marketing of services is a recent phenomenon. The innovations growing out of the competitive situation in the services sector are as frequent in services as in physical products but the strategies and tactics used in product marketing are often inappropriate for service marketing (Rweyemum, 2011). Marketing scholars and authors, however, do recognize that there is both a product component in the sale of most, if not all goods and services. Therefore, given such differences in goods and services, it is difficulty to put up generalizations about services unless further distinctions are made. However, some generalizations seem safe.

1.1.2 Competitive Marketing Strategy

Competitive strategy consists of all those moves and approaches that a firm has and is taking to attract buyers, withstand competitive pressure and improve its market position (Wheeler and Mody, 2005). It concerns what a firm is doing in order to gain a sustainable competitive advantage. They are of the opinion that a company has competitive advantage whenever it has an edge over its rivals in securing customers and defending against competitive forces. Singh and Jun (2006) define a core competence as an area of specialized expertise that is the result of harmonizing complex streams of technology and work activity. The core competence, they add, has three unique characteristics: It increases perceived customer benefits; It is hard for competitors to imitate and It provides access to a wide variety of markets.

According to Faeth (2009), a competitive advantage has a three stage life cycle: build up period; strategic moves are successful in producing competitive advantage; benefit period; fruits of competitive advantage are enjoyed and the firm earns profits and recoups on investments made to create the advantages and; erosion period where the competitive advantage held by the firm is eroded due to imitation, duplication, new technology and attacks by rivals. To succeed in building a sustainable competitive advantage, a firm must try to provide what buyers will, perceive as superior value. This entails either a good quality product at a low price, or a better quality product that is worth paying more for. Kinaro (2010) has hypothesized, why some nations were more competitive than others. As well as being able to successfully manoeuvre through the environment he identified that the foundation of success lay in the "diamond" of "home" advantage. In Porter's analysis industry competitors can be "threatened" by new or potential entrants and substitutes.

1.1.3 Foreign Direct Investment in Kenya

Loree and Guisinger (2005) views foreign direct investment (FDI) as a term used to denote the acquisition abroad of physical assets, such as plant and equipment, with operational control ultimately residing with the parent company in the home country. FDI may take different forms such as the establishment of new enterprises in an overseas country either as a subsidiary or branch, the expansion of overseas branch or subsidiary and the acquisition of overseas business enterprise or its assets. FDI differs from foreign portfolio investment where a stake is taken in an overseas business without operational control, but with the view to acquiring an investment income stream through dividends, capital gains and so on. FDI is furthermore, defined as a situation where a foreign company create a subsidiary to provide goods and services. Thus a firm undertakes FDI in a foreign market if it possessed an ownership advantage over the local competitors. The ownership of the foreign investment usually remains in the investing (home) country. FDI represents the primary means of transfer of private capital (i.e. physical or financial), technology personnel and access to the brand names and marketing advantage (Singh and Jun, 2006).

Kenya has had a long history with foreign companies. In the 1970s it was one of most favored destinations for FDI in East Africa. However over the years, Kenya lost its appeal to foreign firms a phenomenon that has continued to the present. This forced Kenya in 2008 to launch vision 2030 where it hopes to achieve global competitiveness and prosperity of the nation. This initiative has seen as a renewed commitment to attract FDI and assist in the industrialization process (Kenya Investment Policy Review, 2008).

According to Kenya Investment Policy Review (2008) report, foreign firms in Kenya since the 1970s have invested in a wide range of sectors. Most notably they played a major role in floriculture and horticulture, with close to 90 percent of flowers being controlled by foreign affiliates. In the Manufacturing sector FDI has concentrated on the consumer goods sector, such as food and beverage industries. This has changed in the recent years with the growth of the garment sector because of African Growth and Opportunities Act (AGOA). Of the 34 companies involved in AGOA 28 are foreign most of them concentrated in the Export Processing Zones (EPZs). FDI is also distributed to other sectors including services, telecommunication among others. 55 percent of the foreign firms are concentrated in Nairobi while Mombasa accounts for about 23 percent, thus Nairobi and Mombasa account for over 78 percent of FDI in Kenya. The main form of FDI establishment has been through the form of green fields establishments and Kenya has in total more than 200 multinational corporations. The main traditional sources of foreign investments are Britain, US and Germany, South Africa, Netherlands, Switzerland and of late China and India (Wheeler and Mody, 2005).

1.1.4 Kenya Investment Authority

Kenya investment Authority was established by an Act of Parliament, the Investment Promotion Act, 2004 of the laws of Kenya (Kenya Economic Report, 2009). KenInvest replaced the erstwhile Investment Promotion Centre (IPC) that was founded by the Government through an Act of Parliament, Cap 486 of 1986. The IPC was charged with the mandate of promoting private investments in Kenya; at a time when the Structural Adjustment Programmes (SAPS) of the 1980’s where affecting the growth of the economy. Private investments were not spared due to a number of decontrols.

Kenya Investment Authority (KenInvest) draws her mandate of promoting and facilitating investments from the Investment Promotion Act, 2004 (Kenya Investment Authority Report, 2010). KenInvest is a state corporation under the National Treasury (Kenya Investment Economic Report, 2009). In Kenya FDIs have performed below expectations due to the combination of various factors which attract Foreign Direct Investments (FDIs). World Bank Doing Business Indicators 2013 shows that Kenya dropped in the last three years consecutively (KNBS, 2012). The rankings indicate Kenya dropped from position 109 in 2011 to 117 in 2012 and 121 in 2013. The role played by investments in economic growth cannot be overemphasized. This fact has been aptly amplified under Kenya's Vision 2030 that aims at achieving a globally competitive and prosperous country with a high quality of life by the year 2030. Investments are expected to play a key role in the realization of this Vision. In order to achieve the Vision objectives, the level of investments should rise above 20% of GDP in 2013, and maintain an upward trend through the Vision 2030 period. Of critical importance will be growth in public investments, targeting Public Private Partnerships, and building upon progress made in implementation of the six flagship sectors. Private sector investments are expected to maintain a steady growth of upwards of 30% of GDP, in the medium term 2013-2017 (Kenya Investment Authority Report, 2010).

Kenya Investment Authority (KenInvest) core functions include assisting foreign and domestic investors by; Issuing Investment Certificates; assisting in obtaining necessary licenses and permits; assisting in obtaining incentives or exemptions under various Acts and other regulations; providing Information on Investment opportunities and sources of capital; promoting both locally and internationally the opportunities for investment in Kenya ; reviewing the Investment environment and making recommendations to Government and others stakeholders with respect to changes that would promote and facilitate investment, such as changes on regulatory , administrative and licensing requirements; facilitate and manage investment sites, estates or land together with associated facilities on the sites, estates and land; appoint agents within the country and in foreign countries to carry out certain functions on its behalf, as it may consider necessary; and to carry out such other activities as, in the Authority's opinion, will promote and facilitate investments in Kenya.

1.2 Research Problem

The marketing of services is a recent phenomenon. The innovations growing out of the competitive situation in the services sector are as frequent in services as in physical products but the strategies and tactics used in product marketing are often inappropriate for service marketing (Rweyemum, 2011). Marketing scholars and authors, however, do recognize that there is both a product component in the sale of most, if not all goods and services. Therefore, given such differences in goods and services, it is difficult to put up generalizations about services unless further distinctions are made.

As the external environment changes, organizations find themselves in unfamiliar environment and have to respond by integrating change and internalizing the ability to adapt to the new environment for survival and growth. Competitive strategy concerns what a firm is doing in order to gain a sustainable competitive advantage. Loots (2009) outlines three approaches to competitive strategy: low cost leadership strategy: firm strives to be the overall low cost producer; differentiation strategy; firm seeks to differentiate its product offering from that of its rivals and focus strategy; firm focuses on a narrow portion of the market. Kenya Investment Authority contribution is to improve investment climate and through aggressive initiatives aimed at promoting and facilitating both domestic direct (DDI) and foreign direct (FDI) investments. The Authority's core mandate is to promote and facilitate the growth of both local and foreign investments in Kenya.

There are numerous studies done in the area of Foreign Direct Investment; the literature on the empirical determinants of FDI in developing countries is wide and varied. Schneider and Frey (1986) have made important contributions in determinants of foreign direct investments as well as UNCTAD (1992) survey the empirical literature on FDIs and they focused on the political effect. While Yilmaz (2006) and Gachino (2006) addressed Foreign Direct Investment Spillovers and Innovations focusing on the Kenyan Manufacturing Industry. Loots, (2009) focused on determinants of foreign direct investment. However, the empirical work has not directly and fully addressed the competitive marketing strategies in attracting Foreign Direct Investment. As a result of the above situation, determinants of Foreign Direct Investment might permanently remain micro and informal, limiting more foreign direct investments and some support services (Rweyemum, 2011). This situation is likely to worsen as competition intensifies with ongoing globalization. Effective marketing strategies for attraction of foreign direct investments have become an important topic not only for governments, policy makers but also for academic research. Moreover; the importance of foreign direct investments to Kenya arises in view of dismal performance of previous policies that emphasized more attraction of foreign direct investments. It is in the line of the above argument that this study intends to determine the competitive marketing strategies adopted by Kenya investment authority to attract foreign direct investment (FDI) in Kenya.

The research question therefore was which are the competitive marketing strategies adopted by Kenya Investment Authority to attract foreign direct investment in Kenya?

1.3 Research Objectives

The objectives of this study were:-

i. To determine the competitive marketing strategies adopted by Kenya Investment Authority to attract foreign direct investment (FDI) in Kenya.
ii. To establish the challenges that KenInvest experiences in attracting foreign direct investment (FDI) in Kenya.

1.4 Value of the Study

The study would guide in policy formulation on Foreign Direct Investment (FDI) in East Africa, since the study gives highlight on the competitive marketing strategies for attraction of foreign direct investments in Kenya. Moreover the study would recommend marketing strategies policies to be employed in attracting more FDI in the country. Indeed this study was useful for a government to give policy guidance thus enhancing decision making on FDI.

Furthermore; practically the study helped Investment Authorities (Kenya Investment Authority) to review their laws and regulations basing on the study in order to cope with the reality, for example the Authorities were in a position to identify which sectors should be given better incentives to attract more Foreign Direct Investments.

In addition to that, the study opens up a way for others to conduct further studies on the issues related to the competitive marketing strategies for attraction of foreign direct investments (FDI).

CHAPTER TWO
LITERATURE REVIEW

2.1 Introduction

This chapter presents a review of theory as well as literature of the study in line with competitive marketing strategies in attracting foreign direct investment. This chapter will also seek to identify the research gap that exists between what other researchers have done and what this study seeks to tackle as well as capture the relationship of the research variables. The study is specifically anchored on the standardization concept and this chapter will discuss this theory in detail.

2.2 Theoretical Foundation

This study is based on the Standardization theory which focuses on the environment that influences the occurrence of effective competitive marketing strategies. With this, the theoretical model for this study is standardization theory as the basis for analysis and development of the arguments in the study. The standardization concept, argues that the following marketing mix elements; the product design, packaging, pricing, advertising and promotion can be standardized across all international markets. This means the selling of identified products at the same price through similar distribution systems, supported by the same promotion programs across foreign markets. Loots (2009) argue that “selling a line of products individually tailored to each nation is thoughtless”. Instead, customers have an “overwhelming desire for dependable, world standard modernity in all things, at aggressively low prices”. In contrast, adaptation requires the modification of the marketing mix elements to meet the different tastes and preferences or requirements.

Adaptation can either be mandatory or voluntary (Maslow, 1943). Mandatory adaptation is necessary to ensure conformity with foreign government regulations, geographic and climatic conditions, different measurement systems and product specifications. Voluntary adaptation is based on the decision to modify the product in response to needs of a target market based on a buyer’s preferences or standards of living. The following are the key assumptions underlying the standardization strategy: The world is a single large market and wants are therefore the same; Specific preferences like product features, functions and design are compromised for low cost and high quality. The concept of standardization says that the firm will be able to sell a low cost product, which is advanced, functional, reliable and of high quality. It enables the firm to enjoy the competitive advantage of scale economies, scope economies, learning efficiency and cost advantages.

In addition, the firm will also benefit from production centralization, purchase dominating, vertical integration and specialized promotion (Pearce and Robinson, 1997). If the above assumptions are met and the firm can exploit the advantages stated, then the standardization argument is strengthened. However, limitations have been observed with regards to this concept. This is because the dividing line between complete standardization and adaptation is not clear. Standardization/adaptation concepts should be applied conditionally on various components of the marketing mix elements. Wagner and Digman, (1997) suggests that standardization works on the condition that the firm can exploit competitive advantage of scale economies, scope economies, global efficiency, raw material supply, labor cost structure and technology in the host country. The above information indicates that standardization is important only up to a point after which it may not be the best strategy to adopt. Bartlett and Porter (1990) also argued that some products demand adaptation, others lend themselves to adaptation, and still others are best left unchanged. This means that while adaptation might be desirable, it cannot be generalized to all products.

The link between standardization and attraction of FDI is discussed here in the context of the cost reduction benefit of standardization versus sales revenue. The cost reduction benefit of standardization is however questionable as theoretically it is not the same as “better profits” or “profit maximization”. An example is the use of the break-even-point analysis where profit maximization is not achieved at the lowest point of the cost curve. If standardization means cost reductions at the expense of profit maximization or better profits then it cannot be justified. Loots (2009) noted that the cost of production is not the only critical component in determining the total cost. Competitive marketing that produces flexible and efficient runs can compensate the presumed low-cost advantage of standardization. This alternative allows firms to provide a variety of products tailored to the specific needs of customers at effective costs.

2.3 Competitiveness in Organizations

According to Mintzberg (2003), Competitiveness is how a nation (region) manages the totality of its resources and competencies to increase the prosperity of its people. Rweyemum (2011) define competitiveness as being relative not absolute. Competitiveness can only be sustained if an appropriate 16 balance is maintained between these factors which can be of a limiting nature. Competitive advantages are the underlying basis for competitiveness of any economic player. In UNCTAD (2010) report, which is a an extensive and thorough analysis of the theoretical foundations of regional competitiveness, she identifies the key determinants that ensure the international competitiveness of national regions to include: clusters; human assets; enterprises and degree of development of local networks; innovations and regional innovative systems; quality of administration and institutional structure of a region; industrial structure (type) of a region; regional infrastructure; investment attractiveness and nature of FDI in a region. Mintzberg (2003) asserts that the determination of the factors of local dynamics is the underlying basis for the design of an effective strategy of enhancing regions competitiveness.

Effective strategic management involves more than just a few easy steps. It requires managers to think strategically, to develop the ability to see things in motion, and to make sense out of a cloudy and uncertain future by seeing the interdependency of key factors. This ability requires more than a passing awareness of significant social, political, legal, economic and technological trends. Managers who think strategically are able to envision their organizations in the context of world trends and events and to spot important interdependencies. They focus on how their organization should act and react to emerging opportunities and barriers. For any organization certain environmental influences will constitute powerful forces which affect decision making significantly. For some manufacturing and service businesses the most powerful force will be customers; for others it may be competition, Yilmaz (2006). According to Wagner and Digman, (1997), the extent to which the environment is changeable or turbulent depends on six factors: changeability of the market environment, speed of change, intensity of competition, fertility of technology, discrimination by customers, and pressures from governments and influence groups. He suggests that the more turbulent the environment is, the more aggressive the firm must be in terms of competitive strategies and entrepreneurialism or change orientation if it is to succeed, Thompson (1997).

Empirical research on the profit impact of marketing strategy indicated that firms with a high market share were often quite profitable, but so were many firms with low market share. The least profitable firms were those with moderate market share. This was sometimes referred to as the hole in the middle problem. Porter's explanation of this is that firms with high market share were successful because they pursued a cost leadership strategy and firms with low market share were successful because they used market segmentation to focus on a small but profitable market niche. Firms in the middle were less profitable because they did not have a viable generic strategy. Combining multiple strategies is successful in only one case. Combining a market segmentation strategy with a product differentiation strategy is an effective way of matching your firm's product strategy (supply side) to the characteristics of your target market segments (demand side). But combinations like cost leadership with product differentiation are hard (but not impossible) to implement due to the potential for conflict between cost minimization and the additional cost of value-added differentiation (Porter, 1980).

2.4 Competitive Marketing Strategies

There are a variety of competitive marketing strategies that organizations can adopt. Some of these are, cost leadership strategy, product differentiation strategy and special focus strategy (Porter, 1980). Porter (1980) the aim of cost leadership strategy is to achieve overall lower cost that one's competitors without reducing comparable product quality. To do this requires a high volume of sales in order for low organizations to structure themselves in such a way that they can achieve economies of scale. This strategy, to quote Porter, requires the "aggressive construction of efficient scale facilities, vigorous pursuit of cost reduction from experience, tight cost and overhead control, avoidance of marginal customer accounts and cost minimization in areas like R & D, services, sales force and so on (Rweyemum, 2011).

2.4.1 Distribution Strategies

In marketing terminology, the scope of distribution is the process and location in which customers can purchase a product. With respect to FDI attraction, the scope of distribution should be understood as the place and process in which investors can register and implement their investment projects Lester (2009) assert that distribution relates to the flow of goods and services from the producer to consumer. A distribution strategy is intended to establish a dominant position in the geographic markets served by firms. The selection of an appropriate distribution strategy is a major determinant of an organization's success and distribution decisions represent much longer term commitments than do other marketing decisions because of the time, costs and intermediate relationships that are involved in gaining access to an established channel. Distribution represents a complex, specialized, sophisticated and coordinated supply chain in developed countries and increasingly in many developing countries (Kandie, 2001). The distribution sector includes commission agents, wholesalers and retailers who act as enablers of trade.

The distribution strategy must be carefully integrated with all components of the marketing program. Before a distribution strategy is formulated by a manufacturer, two decisions should occur. These are determining whether the firm will sell directly to end users or will utilize intermediaries and selecting the type of channel (Lester, 2009). Faeth (2009) holds that distribution channels evolved through the utilization of national resources contained within an area of trade, hence the need to move the resources to other areas where they were in demand brought about the need for distribution channels. According to Loots (2009), Modernization of distribution services is becoming crucial in promoting domestic competitiveness and supply capacity, especially given the intermediation role of the sector. In most developing countries there is a prevalence of non-structured and informal distribution activities, which provide many employment opportunities and serve as a refuge for people in the lowest income groups. At the same time, developing countries face challenges in gaining access to international markets for the distribution of their goods and services, often because of a lack of competitive access to international markets and also because of bottlenecks in the distribution systems.

According to Cronshaw et al., (1994), globalization means doing business according to local customs and institutions and on their own terms. According to them this would lead to increased acceptance, improved competitiveness and an ability to quickly move down the experience curve. Success in a global environment calls for customizing products for specific national, regional, or demographic market niches. Products and services must be differentiated, be of higher quality and usually have shorter life cycles. Globalization will mean increased flexibility and tighter linkages among suppliers, manufacturers, market distribution systems, and the customer.

2.4.2 Audience Targeting

Since foreign investors are not uniform, they must be categorized into different segments. They can be divided into groups by country origin, by industry, by company type (MNCs or non-MNCs), or by the strategy they follow (domestic market-oriented versus globally-oriented). The Government cannot satisfy all investors at the same time. The benefits of investment environment should be geared to the targeted foreign investors. A target audience or target group is the primary group of people that something, usually an advertising campaign, is aimed at appealing. Discovering the appropriate target market(s) to market a product or service is one of the most important stages involved with market research. Without knowing the target audience, a company's advertising and the selling efforts can become difficult and very expensive (Faeth, 2009).

A fundamental technique used in audience relations is to identify the target audience and to tailor every message to appeal to that audience. According to Loots (2009), marketers often refer to economy-driven "demographics," such as "white males 18-49," but in audience relations and audience is more fluid, being whoever someone wants to reach. In addition to audiences, there are usually stakeholders, literally people who have a "stake" in a given issue. Sometimes the interests of differing audiences and stakeholders common to a PR effort necessitate the creation of several distinct but still complementary messages. Smaller companies and businesses need to look for one or two specific audiences to target considering that their budget is not large enough to market to the masses.

In emerging markets, the wealthier, urban population has usually been the target in developed countries because of their higher purchasing power and propensity to buy products. This relatively affluent, concentrated market segment requires minimal product and communication adaptation. The increased exposure of worldwide consumers to global media has increased their desire for quality branded goods and services. In emerging markets, they are still at the formative stage of brand loyalty. Many products or product categories are new to them, they have low levels of product knowledge, and they therefore rely on cues from brand name.

Marketing competitive products in emerging markets is not only a strategy to lower unit prices, but also to add perceived value to the offering (Faeth, 2009). Kombo (1997) argue that targeting different brands at separate small segments can incur high marketing costs and consequently result in lower brand profitability. Multiple advertising and promotion campaigns for a variety of product brands are usually substituted by an integrated marketing communication programme, thus reducing the considerable marketing cost of entering growing markets.

2.4.3 Positioning Strategy

According to Robinson and Pearce (2001), "Positioning is what we say to our customers. It helps shape the image of what need, want or desire our product meets, and the value that should be placed on our solution". In other words, positioning is concerned with what perception we would like customers to have about the product. It is important for the government to know the evaluation of investors on the investment environment of their county. The essence of competitive advantage is a positioning theme that sets a business apart from its rivals in ways that are meaningful to the target customers. The most successful themes are built on some combination of three thrusts; better (through superior quality or service), faster (by being able to sense and satisfy shifting customer requirements faster than competitors), and closer (with the creation of durable relationships). The task for management is to simultaneously find a compelling theme and ensure continuing superiority in the skills, resources, and controls that will be the source of advantage over target competitors. There is the suggestion that positioning in the mind of the customer can be achieved using 'meaningful' themes. Undoubtedly these have to be perceived but they must have their basis in reality denoted by actual skills, resources and controls of the business. The avoidance or mitigation of competition can be achieved through product performance benefits that others are unable to match as well as equivalent product performance benefits at a price that others are unable to match (Bush and Sinclair, 1992).

Flexibility in the range and synergy of products, forward or backward integration, or new technologies can all lead to a competitive advantage (Calingo, 1999). The reason why some businesses are more skilful than others at delivering both superior value to customers as well as profitability is raised by Faeth (2009), who points out that the choice of value and managing activities involved in providing the value, whether through the benefits or the cost route, will determine the set of target customers, and the communication of the value to customers will be determined by the particular choice of target market. This implies that a business's preference will not only influence the way to conduct business within those markets but also the choice of target market.

Distinctive competencies, also called resource deployments, are described as the level and patterns of the organization's past and present resource and skill deployments that will help it achieve its goals and objectives (Rweyemum, 2011). In their investigation of the life insurance industry, Thompson and Strickland (1993) identify that a buyer–seller relationship needs more than a social or interactive response, 'shielding buyers from reality', but requires real substance that can be 'rationally' perceived as an objective standard of core service. The roots of competitive advantage depend on the ability to consolidate core competencies that allow a business to adapt quickly to changing opportunities. These core competencies, and particularly some technologies and production skills, should be difficult for competitors to imitate and should make a significant contribution to the perceived customer benefits of the end product (Calingo, 1999). A company is unlikely to have more than five or six fundamental competencies.

2.4.4 Product Strategy

Product is what satisfies customers' need. The modern marketing theory shows that customers buy a product not because of its goodness as perceived by producers but for the benefit of the product as perceived by customers. A product is a collection of physical, service and symbolic attributes, which yield satisfaction or benefits to the user or buyer (Rweyemum, 2011). It has three components that is the physical product core, the product package and the auxiliary services. Examples of the physical core product are the functional features i.e. design, color, size, style and presentation. Elements of product packaging include the brand name, labels, trademark while auxiliary services include warranties, spare parts availability, user instructions, after sales services, delivery and installation. In real estate's marketing, product strategy translates into a policy with regards product adaptation or standardization. The standardization or adaptation can be in any elements of the physical core product, package or auxiliary services. On one hand the strategy is to standardize by providing only one version of the real estate in both the local and international markets, or by customizing products or services to meet the unique needs of individual buyers or groups of buyers in foreign markets (Rweyemum, 2011).

Product strategy is a combination of physical performance, psychological factors, impression and symbolic meanings. The key benefit or purpose for which a consumer buys a product varies from consumer to consumer. Loots (2009) provide an easy categorization, they divide a product into three dimensions: core product, which indicates a product's basic function and benefit; branded product, which means the view of a product's packaging, characteristics, quality, style and brand image; third, augmented product, including not only its core benefit and physical being, but also adding other sources of benefits such as shipping service, warranty, returns, product liability, product recall, and et cetera. Therefore, designing a product strategy should depend on whether the core benefit comes either from the physical good or service performance, or from the augmented dimensions of the product.

Utilize the Relation between the Product Classification and Implicit Exchange Cost according Cronshaw et al., (1994), consumer products are categorized into convenience goods, shopping goods and specialty goods "level of involvement" is the key to understanding the high or low of Implicit Exchange Cost for the above classification. For examples, first, convenience goods buyer is facing with a choice between, this buyer would choose a brand which has a long-term identical positioning. Because such brand product reduces Information Search Cost that is convenience for this buyer who is with low involvement. Since a shopping goods buyer is willing to spend some time looking through information, Information Search Cost is not as low as for a convenience goods buyer (Campbell-Hunt, 2001).

2.5 Challenges Facing FDI Attraction

The entire African continent (except South Africa) received FDI inflows worth an estimated US$ 8.2 billion in 2000. For comparison, this equals the amount of inward FDI attracted by Finland in 2012, and it represented a mere 0.6 per cent of total world FDI flows. Several recent studies have discussed the possible reasons for this seemingly spectacular failure of African countries at attracting foreign investors (Wheeler and Mody, 2012). The main factors motivating FDI into Africa in recent decades appear to have been the availability of natural resources in the host countries (*e.g.* investment in the oil industries of Nigeria and Angola) and, to a lesser extent, the size of the domestic economy. The reasons for the lacklustre FDI in most other African countries are most likely the same factors that have contributed to a generally low rate of private investment to GDP across the continent. Studies have attributed this to the fact that, while gross returns on investment can be very high in Africa, the effect is more than counterbalanced by high taxes and a significant risk of capital losses. As for the risk factors, analysts now agree that three of them may be particularly pertinent: macroeconomic instability; loss of assets due to non-enforceability of contracts; and physical destruction caused by armed conflicts.

The second of these may be particularly discouraging to investors domiciled abroad, since they are generally excluded from the informal networks of agreements and enforcement that develop in the absence of a transparent judicial system. According to Loree and Guisinger (2005) several other factors holding back FDI have been proposed in recent studies, notably the perceived sustainability of national economic policies, poor quality of public services and closed trade regimes. Even where the obstacles to FDI do not seem insurmountable, investors may have powerful incentives to adopt a wait and see attitude. FDI (and especially Greenfield investment) contains an important irreversible element, so where investors' risk perception is heightened the inducement would have to be massive to make them undertake FDI as opposed to deferring their decision. Rweyemum (2011) asserts that this problem is compounded where a deficit of democracy, or of other kinds of political legitimacy, makes the system of government prone to sudden changes. Finally, a lack of effective regional trade integration efforts has been singled out as a factor. Due to this, national markets remained small and grew at a modest pace (and, in some cases, they even contracted).

Although Kenya is trying to be as friendly as possible to FDI, she is facing some problems regarding investment from foreign sector (Gachino, 2006). The FDI friendly policies of the Government and a culture of hospitality to foreigners are very much positive to welcome FDI in Kenya. But it is a matter of concern that FDI records in the country in terms of the number of projects implemented as compared to those officially registered is frustrating. Only 72 FDI projects went into production in end of 1999 and 27 were in process of implementation of the 365 FDI projects registered during the year of 1996 - 1998, while the remaining 266 projects languished only as the file-cases.

The problems that have restricted FDI potential in the country are as follows: bureaucratic interference, irregularities in processing papers, overlapping administrative procedures, absence of a transparent system of formalities, continuity and prevent timely implementation of strategic, procedural, and even routine duties, frequent power failures, poor infrastructure support, labor unrest, political unrest, lack of professional personnel, lack of commitment on the part of local investors, unexpected delays in selecting projects in studying feasibility and frequent changes in policies on import duties for raw materials, machinery and equipment (Gachino, 2006).

CHAPTER THREE
RESEARCH METHODOLOGY

3.1 Introduction

This chapter presented the methodology and procedures used in the study. It focused on the research designs, data collection methods and came to a conclusion with the data analysis and data presentation methods used in this study.

3.2 The Research Design

For this study, a case study design was applied to get the necessary required information. The case study design was chosen due to its ability to provide in-depth analysis of the case to be studied. It was appropriate for gathering data from various sources including documentary reading, questionnaires and interviews. According to Mugenda and Mugenda (2003), a case study involves a careful and complete examination of a social unit, institution, family, cultural group or an entire community and embraces depth rather than breath of the study. The primary purpose of a case study was to determine factors and relationships among the factors that have resulted in the behaviour under study.

3.3 Data Collection

In this study, emphasis was given to primary data. Data was collected using an interview guide. An interview guide is a set of questions that the interviewer asks when interviewing (Mugenda and Mugenda, 2003). It makes it possible to obtain data required to meet specific objectives of the study. The interviewees were the Investment Promotion General Manager at Kenya Investment Authority because he is the one who goes out there and attracts investments into Kenya, the Research, Policy and Advocacy General Manager because his unit is the one that's well versed with reviewing the Investment environment and making recommendations to Government and the Investor Services General Manager who facilitates investors once they invest in Kenya. The choice of the selected was because they are well equipped with rich background on competitive marketing strategies adopted by Kenya investment authority to attract FDI in Kenya.

The interview guide had unstructured questions which was used so as to encourage the respondent to give an in-depth response without feeling held back in revealing of any information. With unstructured questions, a respondent's response may give an insight to his feelings, background, hidden motivation, interests and decisions and give as much information as possible without holding back.

3.4 Data Analysis

The qualitative analysis was done using content analysis. Content analysis is the systematic qualitative description of the composition of the objects or materials of the study (Mugenda and Mugenda, 2003). It involved observation and detailed description of objects, items or things that can be considered as competitive marketing strategies adopted by Kenya Investment Authority to attract foreign direct investment (FDI) in Kenya.

CHAPTER FOUR
DATA PRESENTATION, ANALYSIS AND INTERPRETATION

4.1 Introduction

This chapter focuses on data analysis, interpretation and presentation of the data collected in the study. For this study, a case study design was applied to get the necessary required information due to its ability to provide in-depth analysis of the case to be studied. It was appropriate for gathering data from various sources including documentary reading, questionnaires and interviews.

In this study, emphasis was given to primary data. Data was collected using an interview guide which is a set of questions that the interviewer asks when interviewing (Mugenda and Mugenda, 2003). It makes it possible to obtain data required to meet specific objectives of the study. The interviewees were the Investment Promotion General Manager at Kenya Investment Authority the Research, Policy and Advocacy General Manager and the Investor Services General Manager. The choice of the selected was because they are well equipped with rich background on competitive marketing strategies adopted by Kenya investment authority to attract FDI in Kenya and are the heads of the core departments in the organization. The interview guide had unstructured questions that encouraged the respondents to give an in-depth response without holding back information. With unstructured questions, a respondent’s response may give an insight to his feelings, background, hidden motivation, interests and decisions and give as much information as possible. The qualitative analysis was done using content analysis which is a systematic qualitative description of the composition of the objects or materials of the study (Mugenda and Mugenda, 2003). It involved observation and detailed description of objects, items or things that can be considered as competitive marketing strategies adopted by Kenya Investment Authority to attract foreign direct investment (FDI) in Kenya.

The study established that majority of the respondents held Senior Managerial positions and had been in the organization for 5-10 years.

4.2 Competitive Marketing Strategies

This section of the study shows the competitive marketing strategies adopted by the Kenya Investment Authority in attracting FDI into Kenya.

4.2.1 Determinants of Foreign Direct Investments (FDI)

The study found that the respondents indicated determinants of Foreign Direct Investment (FDI) in Kenya as; infrastructure including roads, ports, rail networks, airports, telecommunications systems and energy supply. Increased efficiency in public investment in infrastructure development greatly reduces the cost of doing business and attracts more potential investors to invest in the country. political stability was ranked second since investors were very wary of instability , availability of natural resources, market size and business environment such as work permits, labor regulations, licences in doing business. This concurs with the extensive literature review on the determinants of FDI; Ajayi (2007) has identified the following factors as determinants: market size and growth, costs and the skills of workers, availability of goods infrastructure, country risk openness, institution environment, natural resources, agglomeration affects, returns on investment, macroeconomic policies among others.

4.2.2 Contributions of Kenya Government in creating more FDI Determinants

The study revealed the Kenya Government had contributed in creating more FDI through signing bilateral trade agreements that facilitate smooth trade and investment processes between the countries that have signed them. This also aids in removing trade barriers. The Government has enabled expansion of markets through membership of the East African Community (EAC) and the Common Market for Eastern and Southern Africa (COMESA).This has helped Kenya to expand its free-trade zone, thus investors in Kenya can export to the members free of export duty. Within the region, there is also Trade liberalisation and the elimination of tariff and non-tariff barriers which has enhanced competition in the COMESA region. Further to that, the study found that the Government had concluded Avoidance of Double Taxation Agreements (DTA) with various countries and was currently negotiating a number of others with various countries. Also, the study found out that the government had concluded Investment Promotion and Protection Agreements (IPPA) with France, Finland, Germany, Italy, Netherlands, Switzerland, China, Libya, The Islamic Republic of Congo, UK, and is currently negotiating a number of others with various countries. The study further showed that the government had improved regulations by abolishing import licensing requirements, foreign exchange requirements and has granted incentives to investors. These included tax based incentives mainly covering exemptions from duty and VAT on capital equipment and machinery to be used in the investment project. The study also showed that the Government had provided good infrastructure such as the port in Mombasa, roads and Airports which have led to expansion of markets and lowering of transport expenses thus increasing investments. The study also indicated that the Government had created institutions such as KenInvest and Brand Kenya that publicised Kenya as an investment destination to potential investors and give investment information about the country. On the issue of infrastructure the Government through communication partners have enhanced the ICT sector through the introduction of fibre optic cables that ease business and investment opportunities with the outside world. Availability of serious marketing campaign has been highlighted by Kenya Investment Authority Report (2010) as one of factors that attract FDI in Kenya compared to other East African countries.

4.2.3 Contribution of FDI to East African Country Economies

The study showed that FDI had contributed in the development and upgrading of domestic firms that benefit from linkages with foreign affiliates, thus increasing efficiency of production and contribute to transfer of knowledge and skills. The study established that in the earlier years, Kenya had an import substitution economy where companies were encouraged to specialize in commodities that a country imported. As a result, there was an influx of companies like Unilever and Nestle. Then, in the 1980's and 1990's, the economy became export oriented which made it easier for new investments particularly those seeking opportunities in the export oriented growth schemes; i.e. export processing zones(EPZ's) and the manufacturing under bond. During this period, there was also export compensation. Liberalization of the Kenya economy in 1992 brought about a number of decontrols such as price decontrols, freeing of foreign exchange, repatriation of capital on dividends and profits, currency floatation, and import and export decontrols. In subsequent years and by the turn of the century, the Kenyan economy began to enjoy the fruits of liberalization; with private sector beginning to take the lead in investments and the government undertaking divesture and privatization programmes.

On the other hand, the study showed that FDI had a positive impact on economic growth thus the shares of private and public investment had strong beneficial effects on per capita income. FDI firms operating in East African countries on average employ 86% of the skilled employees as locals. This is significant in terms of employment creation. Furthermore, wages have a significant positive effect on the skilled employees. There are a lot of discoveries that have taken place due to the coming of investors to Kenya. These include: - the discovery of oil in Turkana and alternative energy sources. Infrastructure has also been improved immensely in the region. The study also showed that FDI has led to technological transfer within the East African Countries.

4.2.4 Measures by KenInvest in attracting more FDIs in Kenya

The study showed that high powered delegations led by the president and vice president were taking place where potential investors were being wooed to Kenya. The study also established that KenInvest had rolled out investments promotion activities in the counties. KenInvest was holding conferences and forums within and out of the country showcasing investment opportunities/ projects in the country. Also, it was established that KenInvest together with other government bodies e.g. the Vision 2030 Secretariat and the Public Private Partnerships (PPP) Unit were in the process of profiling vision 2030 projects to make them more presentable to potential investors and also to sort them according to the planning needs of the government. On the other hand KenInvest had rolled out programmes that would ensure that the officers were trained in marketing, team building and customer services as this would ensure that the staff understand their regions. The study also established that KenInvest was in the process of creating/ establishing a One Stop Shop (OSS) for investors where all queries and facilitation would be done in less than 48 hours and under one roof thus lessening the time taken for Company registration. The study further showed that through the African Growth and Opportunity (AGOA), Kenya has unrestricted entry into the United States of America. The study further showed that KenInvest had set up four regional offices in Eldoret, Kisumu, Mombasa and the other at the Jomo Kenyatta International Airport where investors are facilitated and given red carpet treatment. The study established that KenInvest issued investment Certificates to investors free of charge to aide them start operation as soon as possible.

4.2.5 Competitive marketing strategies employed by KenInvest in attracting Foreign Direct Investments

The study showed that KenInvest had adopted different channels and intermediaries to reach the different investors. The distribution strategy had been carefully integrated with all components of the marketing program to determine whether the firm would approach the potential investors directly or via intermediaries. Further, the study showed that KenInvest had introduced/established an OSS which reduces bureaucracy and time taken to register an investment project and launch it. Also, it was found that KenInvest used the Kenyan Embassies abroad to help in investment promotion in their respective countries. Also, Audit firms in Kenya and out of Kenya were one of the methods used in reaching different investors to Kenya.

The study showed that KenInvest had assigned officers to their own target market allowing better analysis of the FDI source market. Market segmentation was done according to geographic regions in order to capture the audiences' attention. In the different markets, different methods were used. For example, direct marketing was used in some markets where as in others, personal selling was more appropriate. The study further showed that KenInvest organized forums which were aimed at bringing together stakeholders and help in disseminating information. The study further showed that the Managing Director was hosted to radio stations to do talks on investments in Kenya. This helped in reaching different audiences in the country. On the other hand KenInvest was in the process of translating its website to different languages i.e. Chinese to woo different investors from various regions. According to the findings the respondents indicated that multiple advertising and promotion campaigns by KenInvest through an integrated marketing communication programme was in place to woo investors into the country.

The study further established that Kenya as a country had positioned itself as a premium market that attracted high returns to investors. To achieve this, benchmarking had been done to various destinations that are Kenya's competitors e.g. Mauritius, Indonesia and Rwanda to improve its investment environment and doing business procedures. In addition, the study found out that KenInvest; during their promotion activities publicize Kenya as a regional hub (Gate way to Africa) for the rest of the East African Region.

The study established that KenInvest had embarked on a world-wide campaign advocating that Kenya was the preferred investment destination. The study also showed that KenInvest had embarked on a brand development process for the country. The brand would be “invest in Kenya” which will redefine Kenya’s competitiveness and showcase Kenya as an investment destination with low risks and high returns. The study further showed that the Authority was embarking on capacity development to make sure all foreign investors passing through KenInvest enjoy the best of services. The study showed that KenInvest was in the process of packaging the Vision 2030 projects, together with the county projects to make them more appealing to potential investors.

The findings showed that KenInvest had adopted issuance of the investment certificates offering investors to start operation without licences. Also, it was found that KenInvest had introduced seminars/workshops/internal local forums that helped boost investor confidence thus making investors to reinvest into the country. There was the use of embassies/commercial attaches who were used as promoters or marketers of FDI. The study further found that KenInvest had used the media in making its services known to the public.

4.3.6 Role of KenInvest in attracting FDI

The respondents indicated that KenInvest had played a major role in attracting FDI through promotion of the investment opportunities available in the country to potential investors. Also, KenInvest had played a facilitator role to investors by helping them to settle into the country and by helping them to establish close working relationship with other agencies and ministries. The study also found out that KenInvest was involved in round tables meetings with various ministries that influenced policies on investments. Also, it was found that KenInvest promotes policy related seminars and workshops which aid in making conducive policies for investors and also aids in educating investors on the available policies. Also, KenInvest makes recommendations on a number of policies that affect investors to the National Treasury so that it can review the policies. The study further showed that KenInvest did capacity building to investors and SMEs through creation of an enabling environment by providing training to trainers. Further, KenInvest has promoted use of brochures and websites to woo investors on the opportunities available. On the other hand, the study found out that, holding investment conferences and road shows in source markets e.g. USA and UK augmented KenInvests' position as an Investment Promotion Agency and thus gave confidence to potential investors.

4.3.7 Challenges KenInvest Experiences in attracting FDI

The respondents cited challenges such as institutional framework which was as a result multiplicity of independent institutions dealing with investments resulting in turf wars and causing frustrations to investors. There has been difficulties in establishing a one-stop shop for facilitating investment (several attempts, directives and proposals have not borne any positive results) and weak coordination among government departments/agencies and private sector organizations.

The study also showed that KenInvest had adopted poor FDI promotion methods where investors raised issues with the compulsory investment certificates and high capital requirements. There was also concern with multiplicity of laws, regulations and licenses. The study showed that regulatory and tax regimes were not favorable (licenses, taxes, capital allowances). The regulations to investors also came out as a major hindrance to investments thus there was need to rationalize the number of regulations governing FDI, either through border posts reforms; taxation reforms; liberalization and competition laws aspiring to best practice as well as sector based investment policies and strategies. Lack of Trade and Investment policies was also mentioned as a major problem.

The study also showed that corruption and poor governance were major obstacles in attracting FDI into Kenya. Poor and undeveloped infrastructure (electricity, ICT, roads, water) was also cited as another major challenge in attracting FDI into Kenya and doing business in Kenya. On Security and Political Environment, the study showed that investors found unstable political environment and insecurity; perceived political risks; lack of political good will; and insecurity (criminals, judicial credibility), as key disadvantages in investing in Kenya. The study also showed that the perception of Africa as a very poor state had also posed as a major challenge in attracting investments into Kenya. The study also showed that KenInvest lacked a strong legal framework to make its own decisions and most of the decision were made by its head ministry thus a lot of bureaucracy in getting things done. It was also found that KenInvest relied on the exchequer and did not raise its own capital and thus could not carry out as much promotions as was necessary.

The study further found out that the rising cost of labour without corresponding rise in productivity and Low levels of skills (Human resources) were hindering FDI growth in Kenya.

The study showed that targeting the audience had its own challenges and this resulted from:-the geological difference between places. It also emerged that language barrier was a key challenge in audience targeting. This posed a major problem because for the organization to win the heart of investors such as the Chinese, they had to learn the language. The study also showed that there were many cultural differences between the target audience and us Kenyans which posed major problems when promoting Kenya as the most preferred destination for investments.

The study showed that the distribution strategies applied by KenInvest were posing a major challenge since they were not exclusively dealing with KenInvest (promoting Kenya as an investment destination) but were also dealing with other countries. This meant that for the different Embassies to be convinced that Kenya was the place to be for most of their potential investors, Kenya needed a good product to offer because of the stiff competition between other countries for the same investors. For KenInvest, it was very expensive to practice this because of the logistics of reaching different countries and developing the strategies for the different markets. The study also showed distribution strategy was very challenging due to lack of follow-ups from the various institutions that have made contact with the potential investor. As a result, this left many investors frustrated and with nowhere else to turn to. In addition to that, the study showed that KenInvest had not put strategies of approaching the different regions in place thus it was a challenge.

The findings also showed that positioning of the country brand as a premium destination was a major challenge due to political instability in the country that resulted due to the post-election violence. In addition, Kenya has been rated very low in the World competitiveness report, making investors to prefer other countries like Rwanda. The findings also showed that insecurity, high cost of doing business in Kenya also made Kenya's positioning as a hub for investments to rank very lowly. The respondents were further unhappy with lack of:

comprehensive information on investing in Kenya, that there was no single institution with FDI inflow data and consolidated information, nationally and regionally (counties).

The study found out that KenInvest was developing an 'INVEST-KENYA' brand which was meant to attract investors but it was difficult to define the Kenya Brand a competitive investment product since it had many dimensions. The study further showed that profiling of investment opportunities had proved very challenging due to the lack of finances by the implementing institutions. The product, i.e. Kenya was becoming very unfavorable because of the rigid structural and regulatory regimes (e.g. cessation of 35 percent shares in the mining sector to local investors. Lack of consistent legislative frameworks for Private Public Partnerships (PPP's) and for exploiting natural resource (oil, gas, coal, gold, titanium), was also identified as a problem.

4.3.8 Effects of the current political arena on FDI

The study showed that in 2002 and 2007, investor confidence was eroded due to the post-election violence; panic gripped many investors since they were not sure of what to expect from their massive investments. The same situation also applied to before the 2013 General elections; however, after the peaceful elections and successful transition of power, investor confidence/ good perception of Kenya as an investment destination was restored. Also, the study showed that the constitution of Kenya offered protection of investors against impropriety of their investments and this had immensely boosted investor's confidence to invest in Kenya. However some of the respondents cited that perceived political inclination of Kenya to the East has seen an influx of FDI from the Asian Pacific Region, mainly India and China and Eastern Europe

On the other hand the study showed that the International Criminal Court (ICC) cases facing the President and his Deputy had a great negative impact on FDI from the west since many investors had lost confidence and were afraid of the repercussions. However, ICC cases have not affected FDI from the East. In addition, companies such as Tullow Oil and Base Titnium were still in full operation even with the ICC cases being on.

CHAPTER FIVE
SUMMARY, CONCLUSION AND RECOMMENDATIONS

5.1 Introduction

This chapter presents the summary of key data findings, conclusion drawn from the findings and recommendation made. The conclusions and recommendations drawn focused on competitive marketing strategies adopted by Kenya investment authority to attract foreign direct investment (FDI) in Kenya.

5.2 Summary of Findings

The study found that the determinants of foreign direct investment in Kenya ranged from; infrastructure, which includes: - roads, ports, rail networks, airports, telecommunications systems and energy supply. Increased rate and efficiency in public investment in infrastructure development greatly reduce the cost of doing business and attract more foreigners to invest in the country and had led to expansion of market and easy movement of goods and services thus increasing investments. In addition, political stability, availability of natural resources, market size and good business environment such as work permits, labour regulations and licences in doing business had contributed to increase in FDI in Kenya. This concurs with the extensive literature review on the determinants of FDI; Ajayi (2007) has identified the following factors as determinants: market size and growth, costs and the skills of workers, availability of goods infrastructure, country risk openness, institution environment, natural resources, agglomeration affects, returns on investment, macroeconomic policies among others.

The study showed that the Kenyan government had contributed in creating more FDI through signing of bilateral trade agreements thus facilitating smooth trade and investment processes between the countries that have signed them. The study also found out that the government had enabled expansion of markets through being a member of EAC and COMESA. This had helped Kenya to expand its free-trade zone, thus investors in Kenya could export to the members free of export duty. Within the region, there was also Trade liberalisation and the elimination of tariff and non-tariff barriers which had enhanced competition in the COMESA region. Further to that, the study found that the Government had concluded Avoidance of Double Taxation

Agreements (DTA) with various countries and was currently negotiating a number of others with various countries. The study further cited that the government had improved regulation by abolishing import licensing requirements. The study further indicated that the government had created institutions such as KenInvest and Brand Kenya that helped in publicising and marketing Kenya as the most preferred investment destination. On the issue of infrastructure the government through other communication partners has enhanced the ICT sector through the introduction of fibre optic cables that would ease doing business and open up investment opportunities with the outside world. Availability of serious marketing campaign had been highlighted by Kenya Investment Authority Report (2010) as one of the factors that attracted FDI in Kenya compared to other East African countries.

The study found that high powered delegations led by the president and the vice president were taking place to woo investors into the country. The study also established that KenInvest had rolled out investments promotion activities in the counties. KenInvest was holding conferences and forums within and out of the country showcasing investment opportunities/ projects in the country. Also, it was established that KenInvest together with other government bodies e.g. the Vision 2030 Secretariat and the Public Private Partnerships (PPP) Unit were in the process of profiling vision 2030 projects to make them more presentable to potential investors and also to sort them according to the planning needs of the government. On the other hand KenInvest had rolled out programmes that would ensure that the officers were trained in marketing, team building and customer services as this would ensure that the staff understand their regions. The study also established that KenInvest was in the process of creating/ establishing a One Stop Shop (OSS) for investors where all queries and facilitation would be done in less than 48 hours and under one roof thus lessening the time taken for Company registration. To ensure rolling out of investments promotion to the counties, KenInvest was holding conferences and forums within and out of the country showcasing investment opportunities and profiling of the vision 2030 projects.

The respondents cited challenges such as institutional framework which was as a result multiplicity of independent institutions dealing with investments resulting in turf wars and causing frustrations to investors. There had been difficulties in establishing a one-stop shop for facilitating investment (several attempts, directives and proposals have not borne any positive results) and weak coordination among government departments/agencies and private sector organizations. The study also showed that KenInvest had adopted poor FDI promotion methods where investors raised issues with the compulsory investment certificates and high capital requirements. There was also concern with multiplicity of laws, regulations and licenses. The study showed that regulatory and tax regimes were not favorable (licenses, taxes, capital allowances). The regulations to investors also came out as a major hinderance to investments thus there was need to rationalize the number of regulations governing FDI, either through border posts reforms; taxation reforms; liberalization and competition laws aspiring to best practice as well as sectoral investment policy and strategy. Lack of Trade and Investment policies was also mentioned as a major problem.

The study also showed that corruption and poor governance were major obstacles in attracting FDI into Kenya. Poor and undeveloped infrastructure (electricity, ICT, roads, water) was also cited as another major challenge in attracting FDI and doing business in Kenya. On Security and Political Environment, the study showed that investors found unstable political environment and insecurity; perceived political risks; lack of political good will; and insecurity a major challenge in attracting FDI into Kenya.

5.3 Conclusions

The study concluded that most investors were attracted to Kenya because of the economic environment i.e. macroeconomic drivers, business environment such as work permits, licenses, ease in doing business and living costs. Further promotion activities such as campaigns, provision of investment incentives and reforms on investment policies were partly effective in attracting FDI into Kenya but there were challenges that needed to be addressed. The study further revealed that FDIs contributed to job creations, Technological transfer, Skills development, Capital formation, Improvement of living standards of citizens, and an increase of the source government of revenue. However the study revealed that FDIs had been faced by various challenges which include bad impression on investors developed by local people due to lack of knowledge on FDIs, the Kenyan power due to lack of knowledge term the investors as exploiters who are here to use their country resources and fail to see their positive contribution to the economy.

The researcher found that there was poor linkage between major investors and the locals as there were issues concerning the management of FDI data and information. Specifically, there was lack of comprehensive information on investing in Kenya or a single institution keeping FDI inflow data and consolidated information and data nationally and regionally (counties). As a result, collection, collation and analysis of accurate and comprehensive data was difficult. Poor political climate in Kenya was found to be a key challenge in attracting FDI into the country due to instability in the country. Lastly other challenges the study established were issues with the compulsory investment certificates and the high capital requirements in order for an investment to materialize. There was also concern of the multiplicity of laws, regulations, capital allowances and licenses were also not favorable for investments.

5.4 Recommendations

The study found that KenInvest had not carried out enough promotion/ marketing activities all round the world because the organization relied on the Government for its money and did not have any income generation projects. It is therefore recommended that KenInvest should enhance its Investment Promotion Activities to ensure Kenya attracts high quality Foreign Direct Investments that will lead to meaningful Economic and Social Development in the country. Further, it was recommended that KenInvest markets the Vision 2030 investment projects and hold comprehensive worldwide campaigns to reverse negative perceptions about Kenya.

The study found that the Kenya allowed investors to repatriate the profits made from their investments back to their countries. It is therefore recommended that the incentive on profit repatriation to be reviewed to ensure investor re-invest profits in Kenya, and instead but give them guarantees against imports for creating long-term export capacity). This would ensure that FDIs build a linkage with the rest of the economy and that both Kenya and investors enjoy a fair return of FDI inflows.

The study further showed that political instability had been found to be one of the factors that had adversely affected investments in Kenya and that before foreign investors make investment decisions, they consider political stability and risk. It is therefore recommended that in order to benefit from FDI, Kenya needed to maintain political stability in the region as it is one of the determinants of Foreign Direct Investment (FDI) all over the world. Further, it is recommended that the country adopts democratic practices and good governance as these are some determinants of political stability.

The study showed that most of the incentives given by the government to investors were not sector specific and had not been rationalized, thus recommending that the Kenya government rationalizes the investment and regulatory institutions through reviewing the incentives in place and move towards soft incentives. It was also recommended that the government reduces the cost of compulsory investment licenses and the high initial capital outlay required for investors which make foreign direct investors shy from investing in Kenya.

The study further found that the marketing strategies that had been adopted by KenInvest to attract foreign direct investments in Kenya were outdated and did not seem to yield much returns to the country. It is therefore recommended that the Authority needed to come up with modern and more competitive strategies that would help in positioning and promoting Kenya as the most preferred destination for investments.

5.5 Suggestions for Further Research

While this study successfully examines the competitive marketing strategies adopted by Kenya Investment Authority to attract foreign direct investment (FDI) in Kenya, the competitive marketing strategies however are implemented by other institutions in Kenya which differ in their way of management and have different settings all together. This warrants the need for another study which would ensure generalization of the study findings for all organizations that are dealing with investors in Kenya and hence pave way for new policies. The study therefore recommends another study be done with an aim to investigate competitive marketing strategies adopted by all firms that promote investments in Kenya and the East Africa and not only the Kenya Investment Authority, to see if the results are replicated. Further, a study should also be carried out to investigate the factors influencing the growth of business enterprises in Kenya.

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APPENDICES

Appendix I: Student Introduction Letter

KENYA INVESTMENT AUTHORITY,

P.O BOX 55074-00200

NAIROBI

Dear Sir/Madam,

RE: REQUEST FOR YOUR PARTICIPATION IN MBA RESEARCH PROJECT

I am a student at the University of Nairobi pursuing a Master of Business Administration. As part of my coursework, I am required to carry out and submit a research project report on the competitive marketing strategies adopted by Kenya Investment Authority to attract Foreign Direct Investment (FDI) in Kenya

To achieve this objective, I kindly request for your assistance in completing the attached copy of interview guide. I assure you the information you provide is purely for academic purposes and will be treated with utmost confidentiality. Should the finding of this Research Project be of interest to you or your organization, a copy would be available at the University of Nairobi Library.

Yours faithfully,

Heather Mbaika Munyao
D61/67045/2011
MBA Student

Copy to: Supervisor/ MBA Co-ordinator

Appendix II: Interview Guide

Dear Respondent

The following Interview intended to collect data basing on the following topic; COMPETITIVE MARKETING STRATEGIES ADOPTED BY KENYA INVESTMENT AUTHORITY TO ATTRACT FOREIGN DIRECT INVESTMENT (FDI) IN KENYA. You are requested to assist in responding to the questions as you know them. The research is for academic purposes and the report will be submitted to the University of Nairobi as part of the requirements for my MBA degree. I anticipate my gratitude to your assistance

Respondents Information

1. Indicate your gender
2. What is your age in years?
3. What is your current position?
4. How long have you been in the current position?
5. What is your managerial level?

Competitive Marketing Strategies

6. What are the determinants of Foreign Direct Investment in Kenya?
7. What are the contributions of Kenyan Government in creating more FDI determinants?
8. Do you think FDI is contributing to the East African Countries economies? Briefly state how?
9. Which measures has KenInvest put in place in ensuring proper efforts in attracting more FDIs in Kenya?

10. Kindly indicate how KenInvest is implementing the following competitive marketing strategies in attracting more foreign direct investment

a) Distribution Strategies

b) Audience Targeting

c) Positioning Strategy

d) Product Strategy

11. Which other strategies has KenInvest adopted?

12. Do you think KenInvest has played its roles to attract FDI from the respective countries? kindly state why

Challenges that KenInvest Experiences in Attracting (FDI)

13. What are the main challenges that your KenInvest faces in attracting foreign direct investment?

14. How has the current political arena affected FDI in Kenya?

15. Which are the main challenges experienced while implementing the following competitive marketing strategies?

    a) Distribution Strategies

    b) Audience Targeting

    c) Positioning Strategy

    d) Product Strategy