CHALLENGES OF MARKET PENETRATION OF GENERAL INSURANCE FIRMS IN KENYA

BY

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DECLARATION

This research project is my original work and has not been presented for examination in any other university or institution for any other purpose.

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

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DEDICATION

I dedicate this work to my family especially my wife and daughter for their sacrifice that enabled me to complete this project. They were the source of inspiration.

ABSTRACT

The main objective of the study was to establish the challenges of market penetration of general insurance companies in Kenya. The study was informed by the recent activities in the insurance market that has seen firms being forced to seek regional expansion without even saturating the Kenya market. This is for reasons that all players in the insurance industry are competing for the limited insured population that is estimated at less than 4% (IRA, 2012). This means that the insurance penetration levels in Kenya are very low hence the intense competition from the few players in a bid to capture the few insured customers. In order to achieve the above, the study adopted a cross sectional survey research design as an efficient way to obtain information needed to describe opinion and views of insurance companies' functional and divisional managers on the market penetration challenges. The target population of this was 10% of all 44 licensed insurance companies in Kenya that were selected using simple random sampling. The collection of the primary data a was done using structured questionnaires that were pilot tested in order to ensure that there was reliability as well as validity. The coding of the data was done with the use of Microsoft Excel as well as SPSS in order to generate the descriptive statistics for instance frequencies and percentages. The presentation of the results was in form of figures and tables as well as cross tabulations. The findings on the contribution of the three strategies to enhance market penetration in the Kenyan market revealed that most of the respondents were of the opinion that Low cost leadership, differentiation, as well as market focus strategies can enhance market penetration of general insurance companies. Concerning the internal factors that make insurance companies to enhance market penetration, the study revealed that the majority of the respondents, highly rated product differentiation as an internal capability that enhances market penetration. At the same time majority of the respondents highly rated, pricing, customer service, management expertise and human resources, client communication, asymmetries, switching costs as internal factors that influence market penetration for general insurance companies in Kenya. With regards to the external factors that influence market penetration for general insurance companies in Kenya. The study findings revealed that the first mover advantage was highly rated to be the highest influencer as far as market penetration is concerned. This is also the case for government policy and regulation pressure, market conditions, as well as the strategic alliances. The study recommends that indeed the insurance industry is indeed a growing industry as far as acceptance is concerned. It is therefore important for organizations to consider adopting the three strategies in order to be able to enhance market penetration. The internal organizational capabilities vary from organization to organization, this therefore means that each organization has an opportunity to acquire and thereby enhance market penetration. The study therefore recommends that general insurance companies should maximize on their internal capabilities in order to enhance market penetration. The external factors that contribute to market penetration indeed play a vital role in the success of any insurance companies. The study therefore recommends that the government regulations as well as other external factors should be aligned in a way that ensures that there is room for companies to explore means of enhancing market penetration.

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CHAPTER ONE: INTRODUCTION

1.1 Background of the Study

The nature of competition in the Insurance industry in Kenya has generated various levels of marketing strategies and applications in order to enhance market penetration. All players in the insurance industry are competing for the limited insured population that is estimated at less than 4% (IRA, 2012). This means that the insurance penetration levels in Kenya are very low hence the intense competition from the few players in a bid to capture the few insured customers. In such an intense industry some insurance firms have been forced to seek regional expansion without even saturating the Kenya market (G.O.K, 2012).

Market penetration increases a firm's profitability, on one hand, and on the other it has also increased the variability in net income because of various financial incentives. Therefore, the managers of the insurance firms need to focus on the importance of market penetration techniques to increase their firms' profitability, this notwithstanding the challenges of market penetration (Afza and Alam, 2004).

In such scenario, it is very essential to study the various challenges facing insurance companies with regards to market penetration in Kenya. Hence it would be of interest to a marketer to learn about consumer preferences with respect to insurance products; what schemes do consumers prefer for what kind of services, which media they prefer to learn about the schemes, whether they prefer incentive immediately or at later date. These are the questions which consumers consider while choosing a brand. Similarly marketing managers in the industry also consider such marketing strategies while designing their schemes (Rangsan & Titida, 2011).

1.1.1 Challenges of Market Penetration

Solomon (2004) acknowledges that the insurance industry is faced with a number of challenges, among them we have the problem of market penetration, internationalization and globalization, and this has therefore increased competition. In addition other factors such as ageing populations or the increasing opportunities in certain markets for example in Brazil, Russia, India, China, and Asia in general, has further complicated insurance entrepreneurship. It follows therefore that insurance companies need to continuously innovate, especially in terms of: creating new products and services improving their competitiveness by use of advanced marketing strategies and techniques, efficient distribution channels, as well as heterogeneous alliances (Foretand Procházka, 2007).

In practice therefore, this means that insurance companies need to understand vehemently how their customers relate to insurance services, for instance how they perceive threats and risks, as well as the need for financial and psychological safety and security, how customers compare and evaluate alternatives, and how such customers decide to (or not to) purchase insurance services. Gaining this knowledge is therefore not a trivial task and it thus requires a thorough analysis of data and information regarding consumer awareness, attitude, and expectations (Stávková, Stejskal and Toufarova, 2008).

1.1.2 Background of Insurance in Kenya

Insurance in Kenya is known to have been in existence for over sixty years now with the first insurance companies believed to have been owned by British insurers during the colonial times. The industry is governed by the Insurance Act and regulated by the Insurance Regulatory

Authority. The Insurance Regulatory Authority (IRA) was created by the Insurance (Amendment) Act of 2006 and came into operation on 1st May 2007 (IRA, 2010).

The Authority was established with the mandate of regulating, supervising and developing the insurance industry. Before the establishment of IRA, these functions were performed by the Department of Insurance in the Ministry of Finance (IRA 2010). Currently there are 44 insurance companies and 2 locally incorporated reinsurance companies which are licensed to operate in the country (AKI, 2013). Of these, 20 are general insurers, 7 long term insurers and 15 are composite (both life and general) insurers. Additionally there are 201 licensed brokers, 21 medical insurance providers (MIPS), 3,076 insurance agents, 23 loss adjusters, 1 claims settling agent, 8 risk managers, 213 loss assessors/investigators and 8 risk managers (Republic of Kenya, 2012).

1.1.3 Firms in Insurance Business

British American Insurance Company commenced its operations in Kenya in 1965 with the opening of the first branch in Nairobi. A local company was incorporated on 14November 1979 under the companies Act as a private limited liability company following a government directive that all branches of foreign owned insurance companies would need to be incorporated locally. By this time, the company had established nine branches across Kenya. This local Incorporation represented the first step in the localization of the company (Britam, 2013). The company has evolved over the years, from a home service life insurance branch to a leading Insurance brand in East Africa offering life, health and pension plans. The company unique critical factors include the largest tied agency force in the industry with over 1000 agents knowledgeable about the markets, and effective execution of strategies including market development, product development, market penetration, and diversification (Britam, 2013).

UAP is indeed one of the leading insurance and financial services companies in East Africa, with its headquarters in Nairobi and a network of branches spread across Kenya. Regionally, the company is now the second largest insurer in Uganda and also the first foreign underwriter in Southern Sudan. Its origin traces back over 80 years (UAP, 2013).

In a broad sense therefore the concept of insurance consumer behavior is well embedded as a continuous sequence of elements involved in the decision process when satisfying the insurance needs of an individual. Today, Jubilee is the number one insurer in East Africa with over 250,000 clients, and over 320 employees. Jubilee Insurance is also the largest provider of medical insurance across East Africa that includes many of the region's blue chip companies. Jubilee Insurance has a network of offices spanning Kenya, Uganda, Tanzania, Burundi and Mauritius. And now your favorite insurer will soon be a Pan-African brand, issuing our customers with an assortment of innovative products expertly crafted to conveniently meet all your insurance needs. Jubilee is the only ISO certified insurance group listed on the three East Africa stock exchanges – The Nairobi Stock Exchange (NSE), Dar es Salaam Stock Exchange and Uganda Securities Exchange. Its regional offices are highly rated on leadership, quality and risk management and have been awarded an AA- in Kenya and Uganda, and an A+ in Tanzania.

Phoenix Assurance is one of the most highly capitalized companies in the market. It is the only Company to offer the complete basket of insurance products including Aviation Insurance. The firm has strong Reinsurance tie ups with some of the best reinsurers in the world like Swiss Re, GIC Re, Hannover Re. African Re. It also has a number of businesses in various countries such as Uganda, Tanzania, Rwanda, Zambia and Botswana.

1.2 Research Problem

The insurance industry all over the world is showing tremendous advancement as far as the development of new products as well as technological advancement is concerned. In Kenya however, there has been little success as far as market penetration by insurance is concerned. This can be attributed to the following factors; a general lack of a savings culture among Kenyans; Low disposable incomes for the majority of the population, with close to 50% of Kenyans living below the poverty line; inadequate tax incentives that could encourage the middle classes to purchase life insurance products; and A perceived credibility crisis of the industry in the eyes of the public particularly with regard to settlement of claims (PWC, 2013).

The 43 licensed insurance companies compete for a limited market characterized by low penetration (UAP, 2013). Kenyans' uptake of insurance cover, both at corporate and personal level, remains predominantly in the motor, fire industrial and personal accident (mainly group medical cover) classes (UAP, 2013)*)*. This illustrates a poor attitude towards personal insurance cover in general.

In spite of these developments, not much has been done in topic of market penetration of insurance firms in the Kenyan market. . Most researchers have focused on consumer behaviour in other industries (Barasa Wabuke and Muliaro 2012). A study by Nginga (2013), on the factors that influence the consumer buyer behavior of Kenyans to buy insurance products revealed that Kenyans are influenced by both psychological and sociological factors, when making a choice on the insurance products. Additionally Obuya (2013), while examining the influence of sales promotion on consumer buying behavior for insurance products in Kenya, revealed that insurance customers are influenced by perceived quality, and brand awareness. This study therefore seeks to bridge the knowledge gap by examining market penetration challenges with specific interest in the insurance industry in Kenya.

1.3 Research Objective

The following was the objective of the study: To determine the internal and external organizational factors that affect market penetration.

1.4 Value of the Study

The study was important in order to provide information to insurance Companies in Kenya especially when it comes to selling their insurance products; this automatically taps into their strategic goals. The study will also be of importance to Insurance companies in understanding how their sales promotional activities influence consumers to their products and services. They will therefore make use of the findings of this study in order to come up with effective strategies that will help them enhance their customer base and improve on their performance as well.

This study was also be beneficial to the consumers in that they will have more knowledge about insurance products and the importance of insurance, they will also learn about the different insurance terminologies and the different insurance companies in Kenya. The insurance customers will benefit from this study as the feedback received will hopefully be implemented by the insurance companies for the provision of better services and products recommended back to the customers.

This study was also helpful to other researches and academic institutions to learn about Kenya's insurance industry. This study will also be the centre piece idea to other students willing to pursue a research on a similar field. This is so because the final draft of the completed research will provide further areas of research. Finally the study will also be of great importance to scholars and practitioners, as it will enable them to realize the exact nature of the insurance company and how consumers behave in the context of the insurance industry.

CHAPTER TWO: LITERATURE REVIEW

2.1 Introduction

This chapter presents the various views and perspectives of different scholars which are based on the research objectives. The first section discusses the internal factors that affecting market penetration by insurance companies, the second section discusses the external factors that affect market penetration while the last section unearths empirical strategies that can be used to enhance market penetration.

2.2 Theoretical Foundation

This paper will seek to borrow from the open systems theory which refers simply to the concept that organizations are strongly influenced by their environment. The environment consists of other organizations that exert various forces of an economic, political, or social nature. The environment also provides key resources that sustain the organization and lead to change and survival. The study acknowledges that indeed virtually all modern theories of organization utilize the open systems perspective. As a result, open systems theories come in many flavors. Resource dependency theorists see the organization as adapting to the environment as dictated by its resource providers. Although there is a great variety in the perspectives provided by open systems theories, they share the perspective that an organization’s survival is dependent upon its relationship with the environment. If activities are used as unit of analysis instead the distinction gets messy.

The characteristics for an organization environment, starts at the producing/using exchange system using resources (production facilities) that is not solely owned by one organization. This means that claimed independence of the organization to the environment is also part of a quasi-organizational effects as well as effects of the network (Hertz 2005).The resource dependence theoretical evaluation of efficiency and effectiveness as a dualismis a simple picture of the system based on clear-cut boundaries diverging inside/outsideresources and potential important evaluators. Goals and strategies for an organization would probably have problems if they were based on this dualistic thinking. Processes of activities are complex and a clear-cut division of their outcome will probably not facilitate knowledge of their logic. This paper however will not look at the relationship between efficiency and effectiveness but will rather look at the interdependency of the organization with the environment and how this influences strategy implementation.

2.2.1 Ansoff Product Market Strategies

Ansoff's product/market matrix is an accepted way of identifying and categorizing market and product developments and opportunities. Ansoff makes good use of the technique. The matrix identifies various strategies open to organizations, and splits them into four categories. For example, when selling existing products to existing markets, organizations can look to improve their penetration of that market, and so gain a larger market share.

Figure 2.1: Ansoff Matrix

		Products	
		new	existing
Markets	existing	**Penetration of the market**	**New products**
	new	**Extension of the market**	**Diversification**

Source: Smith (2006)

2.2.1.1 Market Development

The market development strategy represents an effort to bring current products to new markets. Typically, management will employ this strategy when existing markets are stagnant, and when market share increases are difficult to achieve because market shares are already very high or because competitors are very powerful. This strategy can be implemented by identifying new uses or new users (Burnes, 2004).

2.2.1.2 Market Expansion

According to Barney and Hesterly (2008), A market expansion strategy involves moving into a new geographic market area. Many firms originates as regional competitors Today however market expansion is more likely to be international in scope, and frequently through the growth strategy it is most likely to achieve rapid growth in sales volume. International market expansion strategy can be pursued at one of three levels: regional, multinational, or global level. A regional strategy implies that a company will totally concentrates its resources and efforts in one or two areas. A multinational strategy involves a commitment to a broad range of national market. A global strategy is employed when an organization operates in a broad set of markets but with a common set of strategic principles (Pearce, and Robinson, 2007).

2.2.1.3 Market Penetration

The company is trying to expand its sales in the existing market. Existing products are sold to existing customers. The product is not modified but the firm is seeking to increase its revenues by means of promoting or repositioning its products. One has to convince potential clients and divert competitors (Pearce, and Robinson, 2007).

2.2.1.4 Diversification

Diversification, on the other hand, involves moving into new products and new markets at the same time. This may involve a complete shift away from core activities into some other form of related activity. It represents a step into less familiar, perhaps even unfamiliar territory (Cortor and Chen, 2006).

2.3 Internal Factors that affect Market Penetration

The following subsection presents review of literature on the various internal factors that affect market penetration with respect to the insurance industry.

2.3.1 Product Offering

Product development as well as marketing efforts focus on meeting the local demand for insurance products. This means that good product offerings and effective marketing is likely to result to a successful savings mobilization program, which will then lead to growth in the institution. The initial step in determining how best to meet client demand for insurance products is to establish what clients and potential clients want. Once such information is acquired, insurance managers need to evaluate the existing products in order to see if they meet those demands. Various information sources can be used to evaluate products and services, this include, staff observations, competitor activities client complaints, market research as well as national financial market behavior. If indeed the existing products are not likely to meet the demand for insurance products then it follows that new products have to be developed so as to fill the void (Cortor and Chen, 2006).

2.3.2 Pricing

Pricing is one of the four P's of the marketing mix (Brassington, 2011). Pricing is the manual or automatic process of applying prices to purchase and sales orders, based on factors such as a fixed amount, quantity break, promotion or sales campaign, specific vendor quote, price prevailing on entry, shipment or invoice date, combination of multiple orders or lines, and many others. A well chosen price should achieve the financial goals of the company (e.g. profitability); fit the realities of the marketplace (will customers buy at that price?); and support a product's positioning and be consistent with the other variables in the marketing mix. Price is influenced by the type of distribution channel used, the type of promotions used, and the quality of the product. Price will usually need to be relatively high if cost incurred are high, distribution is exclusive, and the product is supported by extensive advertising and promotional campaigns. A low price can be a viable substitute for product quality, effective promotions, or an energetic selling effort by retailers (Jobber, 2010).

The insurance consumer is conscious about how much they pay for their goods and services. How much to charge for a product or service is usually a typical starting point question for discussions about pricing, however, a better question for a vendor to ask is - How much the customers value the products, services, and other intangibles that the vendor provides. Generally, companies' use pricing as part of their positioning, employing one of three strategic approaches premium pricing, value for money pricing and undercut pricing (Dickman, 2009).

2.3.3 Market Approaches

There are several promotional strategies that can be used to create customer motivation to buy insurance products; these include personal selling, advertising through printed media and electronics, financial planning seminars, sales promotion as well as every year highlighted event. Advertising, sales promotion and public relations are mass communication tools available to insurance firms. Mass communication uses the same message for everyone in an audience. The mass communication tools trade off the advantage of personal selling and the opportunity to tailor a message to each prospect, for the advantage of reaching many people at a lower cost per person (Jone, 2007). Dunn et al. (1987) viewed advertising from its functional perspective, hence they define it as a paid, non-personal communication through various media by business firms, non-profit organization, and individuals who hope to inform or persuade members of a particular audience.

Consumers who patronize insurance services do not mind switching from one company to another due to sales promotion offer. Hence it would be of interest to a marketer to learn about consumer preferences with respect to sales promotion offers; what schemes do consumers prefer for what kind of services, which media they prefer to learn about the schemes, whether they prefer incentive immediately or at later date. These are the questions which consumers consider while choosing a brand. Similarly marketing managers in the industry also consider such marketing strategies while designing their sales promotion scheme (Rangsan & Titida, 2011).

According to Rangsan and Titida (2011) value increasing promotions manipulate the quantity/ price equation to increase the perceived value of a product offering. Examples of these would be discounts, coupons, payment terms, multi-parks or quantity increase. Value –adding promotions manipulate the price and core product untouched, and offer the customer something extra. Examples of these are product trial or samples, valued packaging, free gifts, loyalty schemes or clubs information (such as a brochure or in-store magazine) or a competition. In high competition in the insurance industry, sales promotion is the one important tool that many insurance providers will use to compete and stimulate sales.

2.3.4 Customer Service

There are many ways in which insurance companies can enhance their customer experiences (Stone, 2009). These services are often considered an added benefit in buying the products of a company (Burns, 2011). According to Hunter (2012) customers have the tendency to feel more positive about a particular brand of insurance to which they had previous good experience dealing before, during and after the sale has been consummated.

According to Burns (2011) customer service is free and should therefore not be part of any add-on on services offered by a company on their products or services. Customer service need therefore, fulfill the deepest needs of customers. As such, customer service is meant to enhance the main offer of an insurance and is in itself not the main offer. It is a pleasant bonus that business companies offer their customers to reinforce the message that the business company cares about their expectations, needs and wishes (Burns, 2011).

Insurance firms should be able to quickly identify customers' activities through a management information system that accurately reports and monitors such activities. They therefore need to follow up with the clients to communicate to them any message that is relevant to the customer in a timely manner. Follow-up procedures may involve visiting the client, scheduling weekly staff meetings to discuss customer issues and decide on the correct action as well as the suitable communication channel to use for their clientele (Ledgerwood, 2009).

2.4 Strategies to Enhance Market Penetration

There are a number of strategies that can be employed by a business to enhance market penetration. This subsection provides a review of the literature on how these strategies can be essential to enhance market penetration in the insurance industry.

2.4.1 Product Innovation

Innovation and technology in the insurance sector has been necessitated by the need to be competitive in a global environment. According to Oyeyinka and Lal (2004), the growth of new technologies has been and is indeed critical for the development of all sectors of the economy in terms of providing employment, enhancing productivity, efficiency of resource use and improving information flow, use of timely, accurate and complete decision making at policy making level and planning. In the end, adoption of technology by business enterprises contributes positively towards enhancing competitiveness within a competitive environment (Republic of Kenya, 2004). The provision of cash in an economy has a high but often unseen cost. The government, the reserve bank, and ultimately the citizen do pick up these costs. The expansion of a nation's banking reach and the minimization of cash holdings has security benefits for businesses and individuals, benefits for the velocity of circulation of money in the economy (Silverstone and Hirsch, 2005).

2.4.2 Strategic Alliances

Strategic alliances allow firms to procure assets, competencies or capabilities that are not readily available in competitive factor markets particularly, specialized expertise and intangible assets such as reputation. Alliances allow firms to tap into time compression diseconomies and history dependent competencies that are difficult to trade in strategic factor markets (Oliver, 1997). While competitors can surely be threats, the right competitors can strengthen rather than weaken a firm's competitive position in many industries. Competitors can serve a variety of strategic purposes that increase a firm's sustainable competitive advantage and improve the structure of its industry (Porter, 1985).

2.4.3 Providing Tax Incentives for Insurance Companies

Incentives tend to fall into two broad camps. Constrictions, unfulfilled demands, gaps in financial provision, and new technology all tend to act as positive incentives for innovation. Negative incentives tend to come in the form of tightly controlled allocation of resources, chiefly by government authorities but also possibly by entrenched or incumbent groups. Particular economic conditions may encourage innovation (Obstfeld, 2009). A good example here has been the recent period of extraordinary low interest rates, the search for yield, and the abundance of emerging economies' savings circulating in the global economy. This recent experience has, of course, raised the question of innovation outpacing of the capacities of regulatory and supervisory authorities (Lin et al. 2009).

As Sundaresan (2009), notes, light-touch regulation can lead to powerful flows of innovation but also high, or even excessive, risk taking. Heavy-touch regulation may stifle innovation although it could, of course, stimulate financial intermediation outside the formal financial structure. It is also worth noting here that technological advance and innovation in other sectors may spark innovation in the financial sector. A classic example of this in the emerging world has been the growth of mobile telephone banking (Lipsky, 2009).

CHAPTER THREE: RESEARCH METHODOLOGY

3.1 Introduction

This chapter presents the methodology components of the study, that is, research design, target population and sample selection, research instruments and data analysis. Consequently, the study was conducted in an objective, systematic manner of gathering information so at to attain the objective.

3.2 Research Design

The research design for this study was a cross-sectional survey design. The method was an efficient way to obtain information needed to describe opinions and views of insurance companies' functional and divisional managers on the market penetration challenges in Kenya. The method had an advantage in that it helped obtain data from each of the companies which then provided greater accuracy and reliability.

3.3 Study Population

The target population of this study included all general insurance companies from which 4 insurance companies were selected; these are Britam, UAP, Jubilee, and Phoenix. Simple random sampling was used. The choice for this is based on the fact that the entire population is sufficiently small with only 44 licensed insurance companies.

3.3 Data Collection

The study was a survey where data was collected from the insurance companies using a questionnaire. Self-administered drop and pick questionnaires were distributed to strategic managers or their Equivalent currently working for insurance companies in Kenya. These are persons directly dealing with the strategy development and implementation in the insurance companies. In order to maximize the response of the respondents, the researcher made personal visits to the respondents' place of work where he requested the respondents to participate by responding to the questionnaires. The questionnaire was divided into two parts. The first part seeked information on the company background that related to ownership and strategy. This was to enable the researcher know the nature and type of the insurance company, while the second and subsequent sections was on the research objectives.

3.4 Data Analysis

Data collected was first edited for accuracy, consistency, and completeness. Then, it was be arranged to simplify coding and tabulation. Descriptive statistics was used to analyze the data collected. Statistical package for social sciences (SPSS) package was used to generate means and standard deviations. In addition, the frequency of each identifiable factor in the transcripts was tabulated. This informed the researcher the perceived importance of the identifiable factor across the respondents. The researcher carried out a pilot study of the research at the Kenya Orient insurance where he is currently working. The pilot test was to test the efficacy of the research in order to establish the validity, reliability and timeframe of the actual research. The researcher also tested for face validity by giving experts to go through the proposal. The researcher also gave out four questionnaires, which were filled by respondents from four insurance companies. Analysis of the responses was not included in the actual study.

CHAPTER FOUR: DATA ANALYSIS, RESULTS AND DISCUSSION

4.1 Introduction

This chapter presents the results and findings of the study on the research questions with regards to the data collected from the respondents who were employees of the four insurance companies involved in the study. A total of 15 employees from each of the four insurance companies were served with the questionnaires, this sums up to 60 respondents. At the end of the data collection only 50 questionnaires were returned.

4.2 Background Information

This section presents the background information with regards to the respondents' age gender, level of education, occupation, as well as monthly income. These aspects were put into consideration because of the meaningful contribution they offer to the study as the variables help in the provision of the logic behind the responses given by the respective respondents.

4.2.1 Gender of the Respondents

Table 4.1 is a summary of the respondents who were engaged in the survey on the basis of their gender.

Table 4.1: Gender of the Respondents

Gender of the Respondents	DISTRIBUTION	
	Frequency	Percentage
Male	15	30
Female	35	70
Total	50	100

Source: Research Data, 2013

The results of the study show that indeed 30 percent of the total respondents were of the male gender, while the remaining 70 percent were of the female gender. This shows that the study was not gender biased.

4.2.2 Age

Table 4.2 presents the results of the respondents with regards to their age.

Table 4.2: Age of the Respondents

Age of the Respondents	Distribution	
	Frequency	Percent
20-25 years	20	40
26-30 years	17	34
31-35 years	8	16
Above 36 years	5	10
Total	50	100

Source: Research Data, 2013

The study findings reveal that 40 percent of the respondents were between 20-25 years, 34 percent of the respondents between 26-30 years, 16 percent of the respondents between 31-35 years and the remaining 10 percent of the respondents above 36 years.

4.2.3 Years in Employment

Table 4.3 is a presentation of the study findings with regards to the years in employment.

Table 4.3: Years in Employment

Years in Employment	DISTRIBUTION	
	Frequency	Percent
Less than 3 years	22	44
3-5 years	15	30
6-10 years	6	12
More than 10 years	7	14
Total	50	100

Source: Research Data, 2013

The study findings show that indeed the majority of the respondents (74 percent) had worked for a period less than six years. Specifically 44 percent of the respondents were in employment less than 3 years. Consequently 30 percent of the respondents were in employment between 3-5 years, 12 percent of the respondents between 6-10 and 14 percent, more than 10 years respectively.

4.3 Strategies used in Insurance Companies

The study further sought to establish the various strategies used by insurance companies engaged in the study. This is presented in figure 4.1 below.

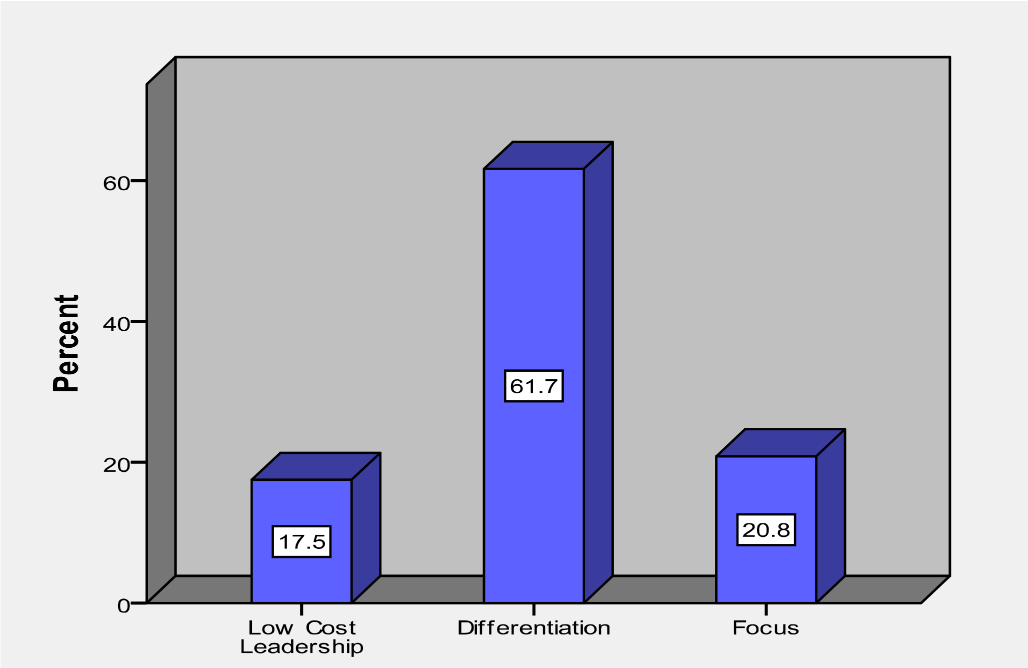

Figure 4.2: Strategy Used

The figure 4.1 reveals that majority of the respondents believe that their firms, pursues differentiation (unique products and services) strategy, while the minority of the respondents believe that low cost leadership is the strategy pursued by the Company. The figure 4.1 specially shows that 61.7 percent of the respondents believe that their firm uses a differentiation strategy; on the other hand 20.8 percent of the respondents believe that the organization pursues market focus strategy, while the remaining 17.5 percent of the respondents are of the opinion that the Company pursues Low cost leadership strategy.

4.3.1 Suitable Strategy for the Kenyan Insurance Industry

Figure 4.2 shows the respondents view with regards to the suitability of the three strategies in the Kenyan market.

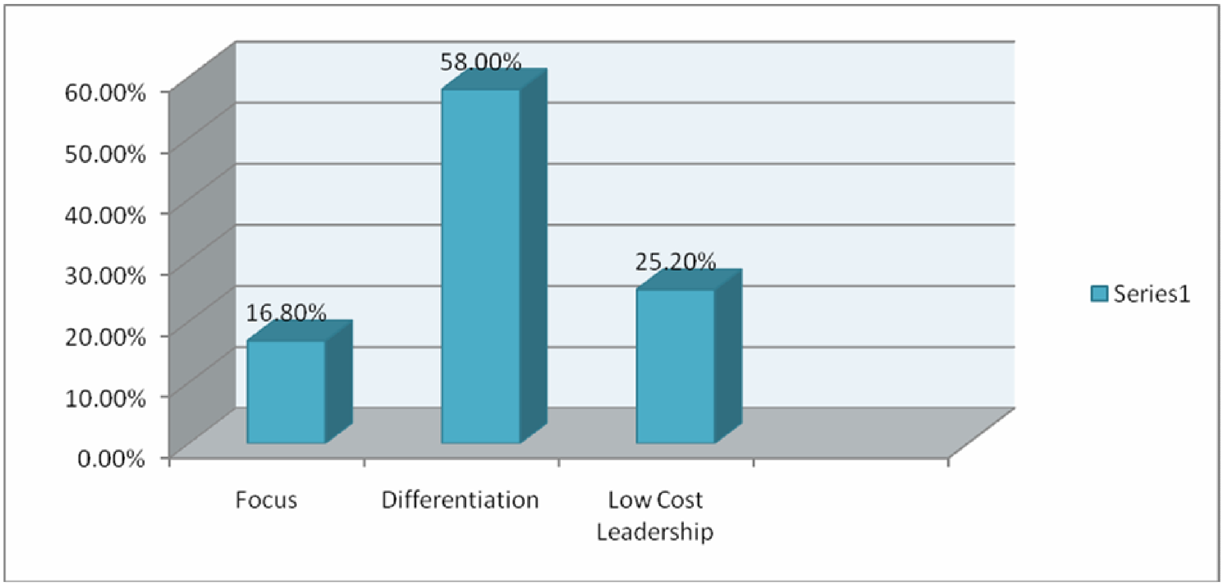

Figure 4.3 Suitable Strategies for Insurance Market in Kenya

The results of the study show that the respondents view differentiation strategy as being the most suitable for the Kenyan insurance industry. The figure clearly indicates that 58.0 percent of the respondents viewed differentiation as the most suitable strategy for the Kenyan market while 25.2 percent of the respondents viewed low cost leadership as being the suitable strategy. On the other hand 16.8 percent of the respondents viewed focus strategy as the best suitable for the insurance industry in Kenya.

4.4 Contribution of Various Internal factors to Market Penetration

4.4.1 Product differentiation.

The study sought to show how product differentiation contributes to market penetration. Table 4.4 shows the results of the respondents.

Table 4.4 Product Differentiation

Product Differentiation		Distribution	
		Frequency	Percent
	High	42	84
	Moderate	7	14
	Low	1	2
	Total	50	100.0

Source: Survey Data, 2013

As seen in the table, 84 percent of the respondents highly rated differentiation as the contributing factor to market penetration, 14 percent moderately rated it while 2 percent lowly rated differentiation as a contributing factor to market penetration. It follows that product differentiation is the highest contributor of market penetration.

4.4.2 Pricing

The study sought to show how pricing contribute to market penetration. Table 4.5 presents the results of the responses.

Table 4.5: Pricing

Inimitable Pricing		Distribution	
		Frequency	Percent
	High	30	60.0
	Moderate	15	30.0
	Low	3	6

	Never	2	4
	Total	50	100.0

Source: Survey Data, 2013

Table 4.5 reveals that, 60.0 percent of the respondents highly rated pricing as the contributing factor to market penetration, 30.0 percent moderately rated it while 6.0 percent lowly rated pricing as a contributing factor to market penetration, and 2.4 percent of the respondents believe that pricing never contributed to market penetration. In this regard pricing contributes in a greater way to market penetration of insurance companies in Kenya. These findings are in line with Brassington (2011), who argues that pricing is the manual or automatic process of applying prices to purchase and sales orders, based on factors such as a fixed amount, quantity break, promotion or sales campaign, specific vendor quote, price prevailing on entry, shipment or invoice date, combination of multiple orders or lines, and many others. A well chosen price should achieve the financial goals of the company (e.g. profitability); fit the realities of the marketplace (will customers buy at that price?); and support a product's positioning and be consistent with the other variables in the marketing mix. Price is influenced by the type of distribution channel used, the type of promotions used, and the quality of the product.

4.4.3 Customer Service

The study sought to show how customer service contributes to market penetration of insurance companies in Kenya. Table 4.6 is a presentation of the results of the responses.

Table 4.6 Customer Service

Customer Service		Distribution	
		Frequency	Percent
	High	18	36.0
	Moderate	24	48.0
	Low	7	14.0
	Never	1	2.0
	Total	50	100.0

Source: Survey Data, 2013

Table 4.6, reveals that, 36.0 percent of the respondents highly rated customer service as the contributing factor to market penetration, 48.0 percent moderately rated it while 14.0 percent lowly rated learning as a contributing factor to market penetration, and 2.0 percent of the respondents believe that customer service never contributed to market penetration. In this regard therefore, customer service though not the highest contributor also influences to market penetration of insurance companies. The findings also agree largely with Hunter (2012), who argues that customers have the tendency to feel more positive about a particular brand of insurance to which they had previous good experience dealing before, during and after the sale has been consummated. According to Burns (2011) customer service is free and should therefore not be part of any add-on on services offered by a company on their products or services. Customer service need therefore, fulfill the deepest needs of customers. As such, customer service is meant to enhance the main offer of insurance and is in itself not the main offer. It is a pleasant bonus that business companies offer their customers to reinforce the message that the business company cares about their expectations, needs and wishes (Burns, 2011).

4.4.4 Management Expertise and Human Resources

The study sought to show how management expertise and human resources contributes to market penetration of insurance companies. The table 4.7 presents the results of the responses.

Table 4.7: Management Expertise and Human Resources

Management expertise and Human Resources		Distribution	
		Frequency	Percent
	High	22	44.0
	Moderate	21	42.0
	Low	5	10.0
	Never	2	4.0
	Total	50	100.0

Source: Survey Data, 2013

As presented in the table 4.7, 44.0 percent of the respondents highly rated management expertise and human resources as the contributing factor to market penetration, on the same line 42.0 percent moderately rated it while 10.0 percent lowly rated management expertise and human resources as a contributing factor to the market penetration, and 3.2 percent of the respondents believe that management expertise and human resources never contributed. In this regard therefore, management expert and human resources though not the main contributor to the market penetration of insurance companies, plays an important role in the same vain. These are the questions which consumers consider while choosing a brand. Similarly marketing managers in the industry also consider such marketing strategies while designing their sales promotion scheme (Rangsan & Titida, 2011).

4.4.5 Client Communication

Client communication is one fundamental aspect that the study sought to show how it contributes to market penetration. Table 4.8 is a summary of results of the respondents view on this matter.

Table 4.8: Client Communication

Client Communication		Distribution	
		Frequency	Percent
	High	28	56.0
	Moderate	15	30.0
	Low	5	10.0
	None	2	4.0
	Total	50	100.0

Source: Survey Data, 2013

As revealed in the table 4.8, 56.0 percent of the respondents highly rated client communication as the contributing factor to market penetration on the same line 30.0 percent moderately rated it while 10.0 percent lowly rated client communication as a contributing factor to market penetration, and 4.0 percent of the respondents believe that client communication never contributed to market penetration.

4.4.6 Asymmetries

Table 4.9 provides a summary of the respondents view on the contribution of asymmetries to the market penetration of insurance companies.

Table 4.9: Asymmetries

Asymmetries		Distribution	
		Frequency	Percent
	High	6	12.0
	Moderate	21	42.0
	Low	19	38.0
	None	4	8.0
	Total	50	100.0

Source: Survey Data, 2013

As clearly presented in the Table 4.9, 12.0 percent of the respondents indicated that asymmetries contribute highly, while 42.0 percent of the respondents indicated that asymmetries moderately contribute to market penetration. On the other hand 38.0 percent of the respondents went for low contribution as 8.0 stated that asymmetries never contributed to market penetration.

4.4.6 Switching costs

In terms of the switching costs, table 4.10 provides the summary of the statistics.

Table 4.10 Switching costs

Switching costs		Distribution	
		Frequency	Percent
	High	17	34.0
	Moderate	18	36.0
	Low	9	18.0
	None	6	12
	Total	50	100

Source: Survey Data, 2013

As clearly presented in the Table 4.10, majority of the respondents reiterated that switching costs contribute to market penetration. Specifically, 33.3 percent of the respondents noted that switching costs contribute highly while 35.7 percent went for moderate contribution. The findings also established that consumers who patronize insurance services do not mind switching from one company to another due to sales promotion offer. Hence it would be of interest to a marketer to learn about consumer preferences with respect to sales promotion offers; what schemes do consumers prefer for what kind of services, which media they prefer to learn about the schemes, whether they prefer incentive immediately or at later date.

4.5 External Factors Contributing to Market Penetration

The following subsection presents a summary of the findings with regards to the external factors contributing to market penetration.

4.5.1 Government policy and regulation pressure

The table 4.11 shows the results of the responses given with regards to the contributions made by the government policy and regulation pressure.

Table 4.11 Government Policy and Regulation Pressure

Government policy & Regulation Pressure		Frequency	Percent
	High	19	38.0
	Moderate	23	46.0
	Low	8	16.0
	Total	50	100.0

Source Survey Data, 2013

As revealed in the Table 4.11, 38.0 percent of the respondents highly rate the government policy, while 46.0 percent rate it moderately. The remaining 16.0 percent rate it lowly. The results show that indeed government policy and regulation pressure contributes to market penetration. The provision of cash in an economy has a high but often unseen cost. The government, the reserve bank, and ultimately the citizen do pick up these costs. The expansion of a nation's banking reach and the minimization of cash holdings has security benefits for businesses and individuals, benefits for the velocity of circulation of money in the economy (Silverstone and Hirsch, 2005).

4.5.2 Market Conditions

Table 4.12 provides the results of the responses given with regards to the contributions made by the market conditions.

Table 4.12 Market Conditions

Market Conditions		Frequency	Percent
	High	25	50.0
	Moderate	19	38.0
	Low	5	10.0
	None	1	2.0
	Total	50	100.0

Source: Survey Data, 2013

As presented in the table 4.11, 50.0 percent of the respondents highly rate the contribution made by market conditions, while 38.0 percent rate it moderately. On the other hand 10 percent rate it lowly, while 2.0 percent believe that market conditions make no contribution to market penetration.

4.5.3 First Mover Advantage

Table 4.13 shows the results of the responses given with regards to the contributions made by the first mover advantage.

Table 4.13: First Mover advantage

First Mover Advantage		Frequency	Percent
	High	35	70.0
	Moderate	11	22.0
	Low	2	4.0
	None	2	4.0
	Total	50	100.0

Source: Survey Data, 2013

The results in the Table revealed that 70.0 percent of the respondents believe that first mover advantage is a very high contributor while 22.0 percent believe it is only moderate. On the other hand 4.0 percent believe that the contribution made by the first mover advantage is both low and none respectively. These results show that indeed the first mover advantage is a core contributor to market penetration. According to Oyeyinka and Lal (2004), the growth of new technologies has been and is indeed critical for the development of all sectors of the economy in terms of providing employment, enhancing productivity, efficiency of resource use and improving information flow, use of timely, accurate and complete decision making at policy making level and planning. In the end, adoption of technology by business enterprises contributes positively towards enhancing competitiveness within a competitive environment (Republic of Kenya, 2004

4.5.4 Strategic Alliances

Table 4.14, presents the results of the responses given with regards to the contributions made by strategic alliances.

Table 4.14: strategic Alliances

Strategic Alliances		Frequency	Percent
	High	14	28.0
	Moderate	14	28.0
	Low	17	34.0
	None	5	10.0
	Total	50	100.0

Source: Survey Data, 2013

The results from the table reveal that 28.0 percent of the responses rate highly the contributions made by strategic alliances, 28.0 percent rate it moderately, while 34.0 percent gave a low rating, as the remaining 10.0 percent of the respondents believe that the strategic alliance have no contribution at all to this matter. The results clearly indicate that although strategic alliances contribute to market penetration, their contributions are minimal. Alliances allow firms to tap into time compression diseconomies and history dependent competencies that are difficult to trade in strategic factor markets (Oliver, 1997). While competitors can surely be threats, the right competitors can strengthen rather than weaken a firm's competitive position in many industries. Competitors can serve a variety of strategic purposes that increase a firm's sustainable competitive advantage and improve the structure of its industry (Porter, 1985).

CHAPTER FIVE: SUMMARY, CONCLUSIONS AND RECOMMENDATION

5.1 Introduction

This chapter consists of four sections, namely summary, discussion, conclusions, and recommendations following that order. The first section provides a summary of the important elements of the study which includes the study objectives, methodology and the findings. The second section discusses the major findings of the study with regards to the specific objectives. The third section discusses the conclusions based on the specific objectives, while using the findings and results which are obtained in the fourth chapter.

5.2 Summary

The main objective of the study was to establish the challenges of market penetration of general insurance companies in Kenya. The study was informed by the recent activities in the insurance market that has seen firms being forced to seek regional expansion without even saturating the Kenya market. This is for reasons that all players in the insurance industry are competing for the limited insured population that is estimated at less than 4% (IRA, 2012). This means that the insurance penetration levels in Kenya are very low hence the intense competition from the few players in a bid to capture the few insured customers.

In order to achieve the above, the study adopted a cross sectional survey research design as an efficient way to obtain information needed to describe opinion and views of insurance companies' functional and divisional managers on the market penetration challenges. The target population of this was 10% of all 44 licensed insurance companies in Kenya that were selected using simple random sampling. The collection of the primary data a was done using structured questionnaires that were pilot tested in order to ensure that there was reliability as well as validity. The coding of the data was done with the use of Microsoft Excel as well as SPSS in order to generate the descriptive statistics for instance frequencies and percentages. The presentation of the results was in form of figures and tables as well as cross tabulations.

The findings on the contribution of the three strategies to enhance market penetration in the Kenyan market revealed that most of the respondents were of the opinion that Low cost leadership, differentiation, as well as market focus strategies can enhance market penetration of general insurance companies.

Concerning the internal factors that make insurance companies to enhance market penetration, the study revealed that the majority of the respondents, highly rated product differentiation as an internal capability that enhances market penetration. At the same time majority of the respondents highly rated, pricing, customer service, management expertise and human resources, client communication, asymmetries, switching costs as internal factors that influence market penetration for general insurance companies in Kenya.

With regards to the external factors that influence market penetration for general insurance companies in Kenya. The study findings revealed that the first mover advantage was highly rated to be the highest influencer as far as market penetration is concerned. This is also the case for government policy and regulation pressure, market conditions, as well as the strategic alliances.

5.3 Conclusion

There are strategies that can be adopted by general insurance companies. From the findings and discussion it is indeed clear that low cost leadership, differentiation and market focus can be developed by insurance companies to enhance market penetration.

The study also concludes that internal organizational capabilities that influence of market penetration for insurance companies range from, pricing, asymmetries, switching costs, reputation and buyer uncertainties, management and human resource expertise, inimitable resources and product differentiation.

The study has established that the external factors indeed contribute to market penetration. However the issue of strategic alliances in the telecommunication industry does not seem to be the way forward in enhancing market penetration.

5.4 Recommendations

This section gives a recommendation that the researcher indeed feels that are important in formulating guidelines for market penetration in the general industry. The insurance industry is indeed a growing industry as far as acceptance is concerned. It is therefore important for organizations to consider adopting the three strategies in order to be able to enhance market penetration.

The internal organizational capabilities vary from organization to organization, this therefore means that each organization has an opportunity to acquire and thereby enhance market penetration. The study therefore recommends that general insurance companies should maximize on their internal capabilities in order to enhance market penetration.

The external factors that contribute to market penetration indeed play a vital role in the success of any insurance companies. The study therefore recommends that the government regulations as well as other external factors should be aligned in a way that ensures that there is room for companies to explore means of enhancing market penetration.

5.5 Limitations of the Study

Whereas no effort was spared in ensuring the objective of the study was achieved, the researcher faced some challenges that limited the extent to which the study be done. Time was a key limitation during data collection and analysis. There were cases of travelling constraints, as the researcher had been involved in work assignments outside Nairobi during the study period. The other main limitation was during data collection where the respondents were reluctant to fill in the questionnaires which limited the extent of information availed to researcher. The study focused on a very sensitive area which is the organization strategy limiting the extent of information provided by respondents. Also, the study was cross-sectional collecting data at one point of time. A Longitudinal study would be useful in order to compare reputation risk over a long period of time.

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Appendix 1: Questionnaire

Section A: Background Information

Kindly, fill all the questions either by ticking (✓) in the boxes or writing in the spaces provided.

NAME (Optional) …………………………………………………

1. Gender? Male ( ) Female ( )

2. Age? (years) 20-25 years ☐ 26-30 years ☐ 31-35 years ☐ 36 years and over ☐

3. Level of education?

………………………………………………………..

4. Occupation?

……………………………………………………….

5. For how long have you been employed or working?

Less than 3 years ☐ 3-5 years ☐

6-10 ears ☐ More than 10 years ☐

6. Which of these strategies does your company pursue?

a) Low cost leadership

b) Differentiation (unique product and services)

c) Focus (concentration on a market segment)

7. Rank the above three strategies (a,b,c) in the order of preference/usage by your insurance company

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____

____

8. Which of the strategies do you think fits the insurance market in Kenya?

9. Are the strategies used by insurance companies favorable in Kenya?

10. How much contributions do the following internal organizational factors affect market penetration?

	High	Moderate	Low	None
Product differentiation/uniqueness				
Pricing				
Customer Service				
Management expertise and Human resources				
Client Communication				
Asymmetries				
Switching costs				

1. Rank the factors listed in Q.12 with respect to their magnitude in influencing market penetration in the order 1, 2, 3 ………………..

External factors Contributing to Market Penetration

11. Do you think that certain external factors have contributed to market penetration Challenges by insurance companies?

YES: ☐

No: ☐

12. Rate the below factors according to their contribution to market penetration challenges?

	High	Moderate	Low	None
Government policy and regulation pressure				
Market conditions				
First mover advantage				
Strategic				

alliances				

Thank you for your participation