

**MARKET ENTRY STRATEGIES ADOPTED BY INSURANCE COMPANIES IN
KENYA**

BY

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DECLARATION

This research project is my original work and has not been presented for a degree in any other university

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LIST OF ABBREVIATIONS AND ACRONYMS

AKI:	Association of Kenya Insurers
CEE:	Central and Eastern European Markets
FDI:	Foreign Direct Investment
FMCG:	Fast Moving Consumer Goods
IRA:	Insurance Regulatory Authority
OLI:	Ownership Location and Internationalization

ABSTRACT

Overtime businesses diversify into different areas, perhaps they develop a new type of product or move into a number of different geographical areas. Market entry requires carefully crafting of strategies for a company's penetration of new markets either locally or internationally. Organizations may enter new markets by considering three major decisions; where to enter, when to enter and how to enter various markets. Strategies that companies use to enter new markets include joint ventures, management contracting, development of new products, pricing strategies and franchising. The research objectives were to determine market entry strategies pursued by insurance companies and Kenya and challenges the insurers face when entering new markets. The study adopted a descriptive survey design with the population of the study being a census of all the 49 duly licensed and operational insurance companies in Kenya. Primary data was collected by use of questionnaires with one respondent picked from each company. The respondents were forty nine (49) senior managers from the marketing or business development department as they were deemed to be in possession of the required information for this study. After data was obtained through questionnaires, it was prepared in readiness for analysis using the statistical package for social sciences (SPSS) computer software. The statistics generated descriptive statistics and inferential statistics. Microsoft excel was used to complement SPSS especially in production of diagrams and tables. The study reveals that franchising is a rarely used strategy especially if the companies do not have a strong brand that is brand recognition in the product or service it sales. Further, the findings indicate that joint ventures, pricing and franchising are the least used methods of entry into markets by insurance firms in Kenya. Management contracts and new product development are the most used strategies by insurance firms in Kenya. Results indicate that cultural misunderstanding, political and economic instability and changes in exchange rates caused by the currency differences within countries are some of the challenges that affect market entry decisions. The study provides one key recommendation to insurance companies and other institutions that decisions on mode of entry should be carefully analyzed and planned to ensure companies do not end up making losses from the choice of market entry. Companies considering franchising and joint ventures as an entry mode are recommended to have enough resources for greater financial investment so as to attract prospects for support and management. Pricing strategy is a good entry mode for companies in industries whose products prices are not strictly regulated by the governing body.

CHAPTER ONE

INTRODUCTION

1.1 Background of Study

Insurance is an economic activity, whereby individuals substitute a small certain cost (the premium) for a large uncertain financial loss (contingency insured against) that would exist in future. Insurance companies require proper planning and successful strategies for entry to untapped market. Market entry requires carefully crafting of strategies for a company's penetration of new markets either locally or internationally (Munch, 2009).

The product life cycle and type of product is the main basis that market entry strategies will always depend on. Companies find new products and services to market faster in new markets, which has made them rely on product lifecycle management systems as this helps them manage the complexity of a new product and its entry to new markets. These have been supported by the so many theories such as the competitive game theory and international theory. The latter supports market entry strategies to foreign markets. This theory was suggested by researchers (Buckley & Casson, 2009). The choice of market entry modes is a strategic decision most companies must consider as it may affect future decisions and performance of the organization in foreign markets (Root, 1998). Firms invest in foreign markets to reduce entry cost and have control over their firms operations. The resource based theory which explains how a firm can compete when there is a fit between the firm's resources and external opportunities (Albaum & Strandkov, 2008).

Organizations also seek to venture into new markets locally that are within their country. An organization market growth can be conceptually be analyzed in terms of their products (Fauconnier &Turner,2002). Companies may enter local market by reviewing their pricing, attractive packaging of products or additional attractive features in a service as well as creation of accessible locations for purchase of service or product. A marketing manager makes decisions on identification of whether the entry in a particular market will be profitable, whether there will be need for introduction of new or modified products and what channel of distribution to use.

1.1.1 Concept of Strategy

Capon (2008) describes strategy as a long term plan, drawn up by organizational leaders in order to meet the organizations objective. In the game theory, strategy is defined as a plan which specifies what choices a player that is the organization, will make in certain situations. The different types of strategies helps organizations in focusing on managing strategic direction and control to get things done. Strategies may be either specific or general, a strategy may be specific. According to Capon (2008) as cited from Mintzberg, strategy can be a plan, a ploy that is a way of removing competitors for example a grocery chain might threaten to expand a store, to avoid a competitor moving into the same area. Mintzberg further describes strategy as a position which involves how companies position itself in the marketplace. In this way strategy helps organizations explore the fit between the organization and the environment and develop a competitive advantage.

Businesses diversify into different areas, perhaps they develop a new type of product or move into a number of different geographical areas each of which may have need for a slightly different type of management. Firms may take into account adoption of the 3 categorization of strategies, which include functional, business and corporate strategies (Adrian & Alison, 2008). Functional strategies include the firm's individual function; business level strategy is handled by managers who are continuously looking for new ways to align the current potential strengths and weaknesses of the organization with the potential opportunities and threats in the environment. Corporate level strategy on the other hand is about selecting an optimal set of businesses and determining how they should be integrated into the corporate whole (Bob & Meyer, 2004).

Strategies are something that organizations need. Lack of strategy brings about several disadvantages such as lack of focus inside and outside the organization as well as the inability to spot good and new market opportunities which will have impact in the organization. Most organizations strive to expand through entering other new markets which requires careful planning to develop a beneficial market entry strategy (Capon, 2008).

1.1.2 New Markets

A new market consists of new consumers or an untapped market in a certain area or region. Companies enter new markets as a result of, competitive forces which compel organizations to new markets, resources available in the new markets, identification of new consumer demands and change in preferences (Albaum, Duerr & Strandkov,

2005). A new market represents both a potential opportunity and a risk to an organization. A company's market entry strategy should aim to balance these two elements. Objectives must be clearly stated for each foreign segment and with due regard to local conditions by being achievable. New market identification requires an analysis of competitors and existing customers within that region intended for exploration. Some factors considered when entering new markets include competition, customer knowledge and awareness, trade barriers and availability of resources (Czinkota & Ronkainen, 2003).

1.1.3 Market Entry Strategies.

Root (1998) claimed that the market entry mode is one of the most critical strategic decisions. Organizations may enter new market by considering three major decisions; where to enter, when to enter and how to enter various markets. Some businesses achieve increased sales, brand awareness and business stability by entering a new market. Developing a market entry strategy involves a thorough analysis of potential competitors and possible customers. There are different strategies a company can choose from to enter new markets, they may include; joint venture or strategic alliance strategy, direct investment or ownership, licensing, franchising, management contracting and pricing strategy. Organizations may use the mentioned strategies to reach the untapped market in the country.

Joint venture or strategic alliance is where two or more investors share ownership and control over a business. Direct investment or ownership is an entry mode used mostly by companies deciding to go international Palmer (2008). Licensing another entry

mode includes companies giving out grant patent rights, trademark rights to the foreign company. Franchising is similar to licensing but it tends to involve longer term commitment. Management contracting as another entry mode may be where companies set up their own organization in the foreign country or region so as to have full control on the same. Pricing strategy involves companies being the cost leaders in the market through creation of affordable prices for products to win a greater market share thus attracting new markets.

However before deciding on which mode of entry one must assess the level of control on the firm he or she would have and the return on investment (Hollensen, 2004). The choice of entry modes is one of the most critical strategic decisions a company has to make in its foreign expansion. A wrong choice can increase the costs of the entry and in extreme cases it may force the company to leave the market. To change the entry mode after a certain period of time is difficult, because a change of entry modes, from one to another, will lead to losses in time and money. Entry mode choice also affects future operations and decisions of the company in the specific market (Ovcina, 2010).

1.1.4 Insurance Industry in Kenya

According to Insurance Regulatory Authority (IRA), 2013 Kenya has forty nine (49) registered and licensed insurance companies. Insurance are governed by regulations which is important as it leads to sustainability and development of the industry for example by preventing abuse of consumers and regulation of competition in the industry. The companies are governed by Insurance Regulatory Authority. Licensed insurance

companies are also required to register as a member in the association of Kenya insurers (AKI), as the latter advocates for the interest of the members. Statistics as at June 2013 shows that Kenya has 49 registered insurance companies. The public procurement manual for insurance services (2009) presents the industry's composition which consists of insurance agents, brokers or the underwriters. A broker is an independent person who is registered under the Insurance Act who advises customers on insurance. The broker operates as the buyer's agent and not an agent of any insurance company. An agent on the other hand is a person or group of people selling insurance on behalf of an insurance company. The insurance industry also comprises of the auxiliary service providers who are assessors for risk and damage or accident in order to determine the eligibility of the customer to receive their products when a loss is incurred.

Insurance main objective of expansion through increase in market share is to accelerate growth and development of the industry, gaining a competitive advantage, for success and increased profitability. According to Kaboro, editor of Association of Kenya (AKI) insurers journal (2012) there is a developed plan to accelerate growth so as to attain a gross premium of Kshs.200 billion by 2015. Further as illustrated by the journal the aim is to also make the insurance industry a major player in the financial service sector. According to Kaboro (2012) public awareness on insurance products is high however the penetration to the market is relatively low. He further states that there is massive opportunity for the industry and that the latter is looking at ways to increase the level of market penetration

1.1.5 Insurance Companies in Kenya

In Kenya, few insurance companies have managed to enter new markets locally and regionally. Examples of insurance companies that have strategically entered new markets are: UAP insurance in Kenya, whose expansion has been seen in Rwanda southern Sudan, Tanzania, and Uganda by use of the public offer of shares for steady and profitable growth Muraya (2013). The offer raised a larger amount than the targeted thereby increasing its number of investors. The group again records profitability and stronger market share within the regions driven by development of new products, such as crop insurance and domestic insurance.

Wanja (2013) provides a profile of insurance companies in Kenya who have expanded their operations and those that have plans to expand to other regions. For instance, Jubilee insurance the oldest in the industry, is said to have plans to expand to 12 other countries in Africa in the coming three years. APA insurance holdings were a merger between Pan Africa general insurance limited and Apollo insurance company limited. Another interesting insurance company in Kenya is the heritage insurance company which provides short term insurance policy products such as travel insurance, motor insurance and medical insurance. It came about when Norwich union fire insurance came together with the legal and general insurance societies started business in Kenya, merging their ideas and interests to form Heritage. Over the years the industry has seen the increase of insurance companies in Kenya whose performance through market entry strategies has made possible expansion to local and regional markets possible.

Just like other companies, insurance companies face some challenges as well. Vaughan (1989) points out the challenges discussed herein that face the insurance companies. Insurance and their agents argue that if banks are permitted to enter the insurance field, they will have excessive market power which could lead to destructive competition. The insurance industry by nature is cyclical; it goes through periods of profitability followed by periods of unprofitability. During profitable periods insurers engage in price cutting, which includes not only reduction in rates, but loosening of underwriting standards, which generates losses. The response of insurers is then to often increase rates and return to tighter underwriting. Lack of consumer sophistication is another challenge, where majority of consumers misunderstand the purpose of insurance and this creates widespread difficulties for insurance companies. In addition, many people lack awareness and sustainable knowledge on the insurance field as a result end up feeling that insurance policies are not worthwhile and find the cost of insurance too high.

Competition as another challenge as there are over 40 insurance companies most of them offering the same products with the same policies. Insurance companies are unique in nature with regards to the kind of products they sell. Products such as life insurance, education policy, investment insurance among others are unique products which makes the companies even more competitive. There is limited market in Kenya because most are living below the poverty line and lack knowledge on the benefits that come along with insurance. Strict regulations can also pose a challenge to insurers with the many laws they come along with.

1.2 Research Problem

Organizations which have a plan to grow their market share are usually faced with a number of challenges as understanding where the opportunities lie and how to access them is tricky. To respond to challenges such as competition, increasing consumer awareness and changing customer needs for sustainability of businesses, organizations need to enter new markets, through use of various market entry strategies. Various studies have been done to analyze market entry strategies of firms. Most of these strategies focus on the foreign market entry. For instance, research by Koech (2011) focused on foreign entry strategies adopted by Kenya Seed Company. Mutuambah (2012) focused on entry strategies by multinational manufacturing companies in Kenya. These researchers put their focus on foreign market entry strategies of firms not within the insurance industry thus creating a gap on those specific strategies that are in practice by the insurance industry.

As much as there are various entry strategies, challenges that comes along with the strategies ought to be addressed to ensure effectiveness of the entry modes. Research done by Kamau (2011) concentrated on challenges facing the motor vehicle insurance in Kenya. Magondu (2011) study was on the strategies adopted by insurance companies in Kenya to enhance corporate image. Studies concentrate on internal and external challenges affecting particular companies thus failing to address challenges on entry to new markets. Insurance companies have to make a number of decisions regarding entry which include; which countries/which segments and products to market, mode of entry, time of entry, what strategies to adopt to ensure these plans are kept in operations.

Decisions again on whether to enter a market by introduction of a new product either jointly or as a solo company has again to be considered.

Previous reviews done on market entry of insurance industry has concentrated more on marketing strategies and challenges affecting the insurance companies. Kadzo (2010) focused on strategies to improve quality and challenges that come about when implementing such strategies in insurance companies, thus the study creates a gap on the strategies the companies use to enter and remain attractive to that particular market segment. . Aswani (2010) focused on effects of marketing strategies on the performance of insurance companies in Kenya. His research focused on marketing strategies such as sales promotion, market intelligence and product development and innovation in increasing firms' sales and profitability.

These identified studies failed to investigate on market entry strategies for insurance firms. Identified gaps from previous studies presented the need for an insurance sector specific study which was addressed in the study. This led to the key research question of the study; what are the strategies adopted by insurance firms in Kenya to enter new markets?

1.3 Research Objectives

The key objectives of the study were to;

- i) Determine market entry strategies adopted by insurance companies in Kenya.
- ii) Determine Challenges faced by insurers in entering these markets.

1.4 Value of the Study

The study will be of benefit for further research as it will provide reference for further research on successful market entry strategies for the insurance industry or other key industries. The study will benefit the students as it will provide information that will contribute to understanding of insurance companies in Kenya and their market entry strategies.

The research will be of help to the insurance practitioners in keeping themselves in line with the entry strategies to use when going to new markets and the challenges that they will likely face and how to respond to the same successfully. Marketing experts and business development strategist will have a similar interest on the best strategies to deploy when their firms are approaching volatile markets which may call for well calculated and thought of entry strategies.

The study will be of help to the policy makers, that is the IRA as they will be in the know of the market entry strategies and will provide regulations to govern market and the applied strategies. The research will also help Insurance Regulatory Authority in coming up with effective policies and review its regulations so as to improve the growth of insurance companies. The finding of the study will come in handy in addressing any policy gaps that may need to be addressed in order to control for risky strategies embedded in mergers and acquisitions related strategies which can in some instances be detrimental to the local insurance sector.

CHAPTER TWO

LITERATURE REVIEW

2.1 Introduction

This chapter reviews theories, general and empirical literature that informs the study. The chapter also contains a review of market entry strategies and challenges that face the insurance companies when entering new markets

2.2 Theoretical Foundations of the Study

This section contains review of theories relevant and which inform the theoretical background of the research subject matter. The theories reviewed are; eclectic theory, resource based theory and traditional foreign direct investment theory.

2.2.1 The Eclectic Theory

The most discussed theory which explains firms' internationalization is eclectic theory developed by Dunning (1993). The framework that he uses to explain the same is known as the Ownership, location and internationalization theory (OLI). The framework tries to explain foreign direct investment (FDI) decisions to be affected by ownership, location and internationalization. OLI explains the reasons why firms decide to start investing abroad, the advantages attached to FDI, the location where such advantages lie and the ownership advantage.

Dunning (1994) suggests that market seeking, resource seeking and efficiency seeking in international production can be explained by the endowment efficiency paradigm. The efficiency seeking argument of FDI looks at the economies of scale and scope, risk reduction through product diversification and taxation. Ownership advantage can be exploited in the host country to get access to some specific market or resource which defines the investment location. This theory relates to the study as it explains entry mode decision of firms. The eclectic theory, emphasizes the advantages of foreign direct investment where companies going to new foreign markets enjoy ownership advantages, own production advantages rather than producing through a partnership arrangement such as licensing or a joint venture.

2.2.2 Resource Based Theory

This theory argues that firms possess resources enable firms to achieve competitive advantage and lead to superior long term performance. Valuable and rare resources can lead to the creation of competitive advantage. That advantage can be sustained over longer time periods to the extent that the firm is able to protect against resource limitation, transfer or substitution (Frawley&Fahy, 2006). Information system resources may take on many of the attributes of dynamic capabilities and may be useful to firms operating in rapidly changing environment. Information resources may not directly lead the firm to a position of superior sustained competitive advantage but they may be critical to the firm's long term competitiveness in unstable environments if they help it develop, add, integrate and release other key resources over time (Wade and Hulland, 2004)

Resources such as adequate finance and competent human resource are crucial for the effectiveness of market entry strategy management practices in a rapidly changing environment (Wade and Hulland, 2004). The dynamic capabilities which consist of the activities and mechanisms of managing resources in the creation of value may have an influence on the effectiveness and success of market entry strategies. It is expected that an organization that has adequate financial resources would have more effective/successful market entry strategies. This theory is relevant to the study as it explains how resources at a firm's disposal are a critical factor to consider before making a choice on market entry.

2.2.3 Traditional Foreign Direct Investment Theory

This theory predicts that firms invest in foreign markets to exploit opportunities either market or scarce resource opportunities and knowledge. Firms that consider entering foreign markets have to cope with uncertainty of the economic and political conditions (Johanson&Vahlne, 1977).Firms may try to reduce this risk of uncertainty by emulating the decisions that were made by those firms among the first to go international. Research on foreign direct investment theory predicts that firms behave in the same manner although for different reasons. An attractive foreign market may entice a number of firms to engage in foreign direct investment.

Foreign direct investment (FDI) theories predict the scale and scope of enterprises operating in foreign markets. It does this by looking at the differences in the competitive advantage across firms or countries which may lead to the extension of corporate control

across borders. Majority of FDI today is done through mergers and acquisition unlike old times when Greenfield investment was used more. Firms looking in at acquisitions find the purchase prices flexible. The theory provides that direct ownership or investment mode of entry provides a high degree of control in the operations and the ability to better know the consumers and competitive environment. However it requires a high level of resources and a high degree of commitment (Albaum&Strandskov, 2008).

2.3 Market Entry Strategies

Developing a market entry strategy involves a thorough analysis of potential competitors and possible customers. There are very different strategies a company can choose from to enter new markets, they may include; pricing strategy, joint venture, product development, direct investment or ownership, management contracts, licensing and franchising.

Pricing strategy involves creation of affordable prices of products to targeted customers in a new market can be used as an entry strategy for a local market. Organizations will use this strategy to reach the untapped market in the country. Joint Ventures can be used by firms to enter new markets in the region and foreign markets as well. Joint venture is where two or more investors share ownership and control over a business. This entry strategy helps where foreign governments restrict the rights of foreign companies to set up businesses (Palmer, 2008). This is quite important as it will enable the investors split and control over markets in which they are best known and accepted. Product development involves coming up with new products or new ways of packaging as well as

increased features that come along with the product. This attracts new market and the company is able to dominate the same if the customers are well taken care of.

Direct investment or ownership is an entry mode used mostly by companies deciding to go international. This gives a company ownership over its foreign operations. Palmer (2008) argues that company can either set up its own investment from scratch in a foreign country or it can acquire control of a company that is already trading. When there are entry barriers and the products are aimed at an essentially local market with a different culture to the domestic market, the acquisition of an established subsidiary may be the preferred course of action. Direct investment however may be made difficult by regulations restricting ownership of certain services by foreigners. Management contracting another entry mode may be used by companies instead of setting up its own organization in the foreign country or region. This type of arrangement is useful for an expanding organization where the required management and the technical skills are difficult to obtain locally (Palmer 2008).

Licensing another entry mode includes companies giving out grant patent rights, trademark rights to the foreign company. This is the most used strategy by small and medium sized companies. The advantage that comes along with licensing is that the firm does not have to bear the development costs and risks associated with the opening up a new market. However the firm may not have a control over operational strategies such as manufacturing, marketing among other operations. Franchising is similar to licensing but it tends to involve longer term commitment. In franchising, the franchisor sells some rights to use its brand name in return for a lump sum and share of their franchisee future

profits. The problem with franchising is the difficulty in monitoring and controlling a large number of franchisees in a country far from home (Peter and Donnelly, 2004).

2.4 Challenges Faced In Entering New Markets

A company attempting to establish operations locally or outside its home country faces a much higher risk and uncertainty as; Cultural differences may cause confusion and may be misunderstood or not even recognized because of the tendency of marketing managers to use their own cultural values and priorities as a frame for reference. Another important source of misunderstanding is in the perceptions of managers about the people with whom they are dealing with; feeling of superiority can lead to changed communication mannerisms. Cultural difference lies in body language, beliefs on material possession, family roles and relationships. For example in Bulgaria and Srilanka, shaking of one's head from side to side means yes, while in Spain, there is negative attitude towards life insurance, for example when a husband dies leaving the wife to benefit from the life insurance policy, the wife tends to feel that she is benefiting from the husband's death (Stanton, Etzel and Walker, 1997). Companies should not shy away from attempting to enter such markets, they should embrace the beliefs to make the business succeed there.

Political uncertainty is a challenge to market entry strategies by firms. Political uncertainty includes conditions such as unstable governments and new emerging countries which greatly hinder a firm seeking to establish its position in foreign markets. Exchange controls and ownership restrictions as explained by Peter and Donnelly (2004) that some countries establish limits on the amount of earned and

invested funds that can be withdrawn from it. In addition, many nations have a requirement that the majority ownership of a company operating there be held by nationals. These ownership regulations are important considerations in the decision to expand into a foreign market for example in India such restrictions were there in the past which limited foreign investments.

Economic conditions and import restrictions require marketers to perform in depth analysis of a country's stage of economic development before deciding to enter the market. Unstable economic conditions such as buying patterns of consumers, strength of the country's currency may lead a business to operate at a loss if not properly looked at prior startup(Peter & Donnelly, 2004).

2.5 Empirical Studies

According to Mutuamba (2012) entry strategies adopted by manufacturing multinational companies in Kenya as those that improve the performance and profitability of a company. The study found out that the companies enter to foreign business as a result of the firm's internal factors and the external environment such as political, legal and economic factors. He also found that cost was a very critical factor that affects the decisions of firms to enter a new market. In the same research it was concluded that wholly owned subsidiaries were used as the main entry strategy in most manufacturing multinationals companies in Kenya.

Geir and Benito (2005) explain that retail companies use measures of market attractiveness, distance and the firm experience to explain entry moves. Benjamin and

Vertinsky (1996) considered Japanese electronics companies and their entry moves to the US and Canada. However Japan was focused on a specific industry thus they were to critically analyze market concentration, advertisement activities, research and development activities which are rarely available in studies covering all industries. In addition from the same study, the importance of experience and knowledge in foreign operations. The accumulation of experience reduces the degree of foreignness that firms face when entering a new geographical market.

Santamaria and Shuang (2008) studied the entry mode of Starbucks Coffee Company in United States used to reach out to other states. Starbucks has internationalized to 43 countries in the world with more than 15,700 stores. The researchers found that Starbucks choice of entry mode is a very critical decision which is influenced by both internal and external factors. They concluded that Starbucks were more affected with the external factors when choosing a market entry mode, thus the most preferred way to enter a market for Starbucks was acquisition or direct investment.

Munch (2009) studied how multinational enterprises (MNEs) in the fast moving consumer goods (FMCG) industry enter emerging markets. The researcher concentrated on specific markets namely; Russia, India and China. The attempt was to have an understanding of the way MNEs enter emerging markets. They found that the entry was in the support of the OLI framework the ownership, location and internationalization theory. Munch used one company in the three selected countries as an example of FMCG, which was Carlsberg. The findings were that the strategy used when entering emerging markets depends on the relevant factors in that specific market. The adaptation and design of a

unique strategy that fits that market becomes more important to consider than following a pre-described or even previously tested mode of entry.

Uiboupinand Sörg (2005) analyzed the applicability of the eclectic theory to explain entry of foreign banks into the Central and Eastern European (CEE) markets. The researchers used a descriptive survey for data collection and analysis. The findings were that the dominating entry motive has been search for new opportunities which can be interpreted as the market seeking strategy and location specific advantages in the eclectic theory. Rothlauf and Dung Le (2008) give a case of Google the online search engine. Google entered a multiple partnership with universe online in Latin America, Web.de Germany, and Daum.net in Korea and Yam.com in China. These partnerships were built around licensing and marketing agreements. Under licensing contract, Google sells its search engine services to prominent portals that incorporate Google's search technology into their websites. Marketing agreements allow Google to provide portals with its paid search listings products from its huge base of advertisers thus spreading the business. From the above case it is therefore conclusive to establish that Google entered new markets through licensing, and marketing agreement where it fully established itself.

CHAPTER THREE

RESEARCH METHODOLOGY

3.1 Introduction

This chapter outlines research methods and parameters that were used in the study. They include research design, target population, data collection methods and data analysis.

3.2 Research Design

Research Design is the plan, structure of investigation conceived so as to obtain answers to the research questions as validly, objectively, accurately and as economically as possible. This study adopted a descriptive survey design. Descriptive survey design was applicable to the study because included fact finding enquiries from all companies in the insurance industry in Kenya.

3.3 Target Population

Burns and Grove (2003) describe a target population as all the elements that meet the criteria for inclusion in a study. Insurance Regulatory Authority reports that there are forty nine registered and duly licensed insurance companies in Kenya. The population of the study was a census that is all the 49 duly licensed and operational insurance companies.

3.4 Data Collection Instrument and Methods

Primary data was collected by use of questionnaires. The questionnaires were administered on the 49 insurance companies with one respondent picked from each company. The respondents were forty nine (49) senior managers from the marketing or business development department as they were deemed to be in possession of the required information for this study. Questionnaires were utilized they are easy to understand by the respondent and is a fast means of getting the required information. A likert scaled questionnaire was utilized as it is easy to convert responses into quantitative format for ease of data analysis using compute based software. The questionnaires were administered by use of mail survey using the drop and pick method.

3.5 Data Analysis

Burns and grove (2003) define data analysis as a mechanism for reducing and organizing data to produce findings that require interpretation by the researcher. After data was obtained through questionnaires, it was be prepared in readiness for analysis using statistical package for social sciences (SPSS) computer software. The statistics generated frequencies, descriptive statistics. Microsoft excel was used to complement SPSS especially in production of diagrams and tables.

CHAPTER FOUR

DATA ANALYSIS, FINDINGS AND DISCUSSION

4.1 Introduction

This chapter comprises of results and findings derived from data analysis. Data was gathered by use of questionnaires and then coded for production of statistical output which is in form of frequencies and descriptive statistics. The results are presented based on the objectives of the study.

4.2 Response Rate

The target population for the study was 49 insurance companies and the respondents were business development managers for each targeted insurance company. Forty nine questionnaires were distributed and they were self-administered, out of which, 34 were duly completed and returned. This represents a response rate of 69% which is considered adequate for this study based on recommendations from Kothari (2004) and Creswell (2009) who asserted that 50% response rate was adequate for a descriptive study. The results are presented on Table 4.1

4.3 Sample Demographics

This section presents primary information regarding the respondents.

4.3.1 Experience in Insurance Sector

The respondents were requested to indicate the number of years they had worked in the insurance sector. Results show that over 85% of the study participants had worked in the sector for a period of over 6 years. The results are indicative of an adequate work experience in the sector and well placed to answer the questions satisfactorily. The results are on Table 4.1.

Table 4.1: Experience in Insurance Sector

Years	Frequency	Percent
Less than 3 years	2	5.9%
4 to 5 years	3	8.8%
6 to 10 years	11	32.4%
More than 10 years	18	52.9%
Total	34	100.0%

4.3.2 Level in Management

Majority (91.2%) of the study participants were within the middle management cadre in the marketing and business development departments. The results are shown in Table 4.2. Prior to the data collection, the plan was to collect data from the senior management officials in the business development and marketing department. However, due to ease in accessibility of officials in the middle management, they responded to the research questions that address the study. Middle management officials in the mentioned

department are usually involved in implementing the strategies developed by senior managers.

Table 4.2: Level in Company Management

Level	Frequency	Percent
Senior management	3	8.80%
Middle management	31	91.20%
Total	34	100%

4.4 Market Entry Strategies

The analysis of data is presented on a mean scale of 1 to 5, the mean score of 1 and 2 represent the level of disagreement, while a mean score of 3 indicate neutral responses and a mean score of 4 and 5 represent agreed responses. A standard deviation of less than one indicates that responses were closer to the mean while a standard deviation greater than one means that the responses varied. The study sought to establish the market entry strategies adopted by insurance companies in Kenya and the results on the views on market entry strategies are presented on Table 4.3.

Table 4.3: Views on Market Entry Strategies

Statement	N(number of firms)	Minimum	Maximum	Mean	Std. Deviation
Our organization enter new markets by considering decisions such as where to enter, when to enter and how to enter various markets	34	1	5	4.29	0.76
Market entry is a critical decision as the choice may affect future operations of the company	34	1	5	4.03	1.167
A wrong choice on market entry may increase costs and may force the company to leave the market	34	1	5	4.32	0.878
Our market entry decisions have been so far successful, profitable and has fostered our company's growth	34	2	5	4	1.015
Change of entry modes, from one to another, will lead to losses in time and money	34	2	5	4.15	1.048

The respondents agreed that their organizations entered new markets by considering decisions such as where to enter, when to enter and how to enter various markets which is presented by a mean of 4.29. A mean of 4.03 showed that market entry as a critical decision as the choice may affect future operations of companies, however responses on this statement were varied as the standard deviation was 1.167. A wrong choice on market entry may increase costs and may force a company to leave the market as indicated by a mean of 4.32 and a mean of 4 represented that respondents agreed that the market entry decisions used in their companies were so far successful, profitable and

had fostered company growth. The standard deviation presented by this statement was 1.015 which indicates there were variations in responses agreements. Change of entry modes, from one to another can lead to losses in time and money as indicated by a mean of 4.15 and a standard deviation of 1.048. The responses in these result had variations in agreement by respondents to the statements this section provided. These results further indicate that management of insurance companies valued the way market entry strategies were structured, and that market entry is a very critical decision which is influenced by both external and internal factors. The findings of these results with studies done by Santamaria and Shuang (2008).

4.5 Market Entry Strategies

This section provided analysis of results on the various market entry strategies that tested the market entry of insurance companies in Kenya.

4.5.1 Franchising Strategy

Table 4.4 displays results on the views of the study participants on franchising as a market entry strategies for insurance firms.

Table 4.4: View of Franchising and Market Entry

Statement	N(number of firms)	Minimum	Maximum	Mean	Std. Deviation
Our company uses franchising to enter new markets	34	1	4	2.03	0.717
We control service and product standards whenever we franchise	34	1	4	2.06	0.649
When we franchise we only use branding and we have limited control on the franchisee	34	1	4	1.82	0.797
We only use franchising when expanding to markets beyond Kenya	34	1	4	1.79	0.641
Franchising can compromise the quality and image of a company	34	1	5	3.76	1.075
In franchising we consider factors like political, economic and social factors	34	1	5	3.76	0.923

The respondents disagreed that their companies use franchising to enter new markets as presented by a mean of 2.03. The respondents further disagreed that during franchising insurance companies control service and product standards as indicated by a mean of 2.06. The respondents did not agree with statement that, when the companies franchised they only used branding and had limited control on the franchisee as indicated by a mean of 1.82. Respondents also disagreed that when expanding to markets beyond Kenya, insurance companies use franchising as an entry mode as represented by a mean of 1.79. The respondents agreed that franchising could compromise the quality and image of a company which is presented by a mean of 3.6. A mean of 3.76 showed that companies considering franchising as a market entry method consider environmental factors like

political, economic and social factors before adopting the strategy. The mean score of the responses indicates that most of the respondents disagreed with the statements while the responses did not vary as the standard deviation was closer to the mean. These results indicate that insurance companies rarely used franchising to enter new markets due to fear of losing control of the product standards. These results support those of Mutuamba (2012) and Munch (2009).

4.5.2 Joint Venture Strategy

Table 4.5 below displays results on responses from the questions on joint venture as market entry strategies for insurance firms.

Table 4.5: Joint Venture and Markey Entry

Statement	N(number of firms)	Minimum	Maximum	Mean	Std. Deviation
Joint ventures are expensive market entry method	34	1	5	3.74	1.109
Joint ventures have a short life span and may not be good for a company with long term objectives	34	1	5	3.68	0.806
Joint ventures have short lived objectives and should they not work well, they may tarnish the name of the mother company	34	1	5	4.03	0.87
Joint ventures are quite lucrative and is a quick way for a company to make profits	34	1	5	3.56	1.05
Joint ventures are not very good for insurance business	34	1	5	4.18	1.058

Respondents' views on joint ventures as an expensive method of entry by firms varied, this was supported by a mean of 3.74 and the variation of 1.109. Respondents agreed that joint ventures have a short life span and may not be good for a company with long term objectives as given by a mean of 3.68. Results also showed that joint ventures have short lived objectives and should they not work well, they may tarnish the name of the mother company, as presented by a mean of 4.03. Joint ventures are quite lucrative and provide a quick way for a company to make profits as provided by a mean of 3.56, however the answers were varied among respondents as shown by a standard deviation of 1.05. Respondents' views on joint ventures as not very good method of entry for insurance companies varied, this was supported by a mean of 4.18 and the variation of indicated 1.058. These results indicate that joint ventures are not a suitable method of entry as they are an expensive means of market entry and are only best for short lived objectives of the firm. From the results it is also evident that joint ventures are not the most adopted means of market entry by most insurance firms in Kenya. These findings do not agree with those of Palmer (2008) who supports joint ventures as the most suitable market entry method for any company that intends to go into a foreign market.

4.5.3 Pricing Strategy

Table 4.5 displays results on the views of the study participants on pricing as a market entry strategies for insurance firms.

Table 4.6:Pricing and Market Entry

Statement	N(number of firms)	Minimum	Maximum	Mean	Std. Deviation
Cost leadership is a good competition strategy	34	1	5	3.74	0.994
Our company normally use pricing as an entry mode in new markets	34	1	5	4.03	0.797
Pricing strategy is not very practical in the insurance sector because premiums are regulated by the IRA	34	1	5	3.97	0.937
The only way to achieve good pricing strategy in the insurance sector is to provide policy free riders and add-ons	34	1	5	3.85	0.989
Insurance business is expensive and risky and hence pricing strategy can lead to losses if not well thought of	34	1	5	3.68	1.199

Respondents supported that cost leadership is a good competition strategy as represented by a mean of 3.74. Results show that insurance companies enter new markets using pricing as indicated by a mean of 4.03. Pricing strategy is not very practical in the insurance sector because premiums are regulated by the IRAs as supported by a mean of 3.97. Respondents agreed that the only way to achieve good pricing strategy in the insurance sector is to provide policy free riders and add-ons as presented by a mean of 3.85. Insurance businesses are expensive and risky, hence pricing strategy can lead to losses if not well thought of as presented by a mean of 3.68. However, the responses varied as the standard deviation presented was 1.199. These results show that pricing can be a great way of creating a competitive advantage over the other companies in the same

industry. However, pricing as an entry mode of strategy is not suitable for insurance firms as products pricing are regulated by the IRA. In summary pricing strategy is not used as a mode of entry by insurance companies in Kenya. These findings support those of Palmer (2008).

4.5.4 Management Contracting Strategy

Respondent's views on management contracting as a method of market entry strategy are displayed in Table 4.7.

Table 4.7: Management Contracting and Market Entry

Statement	N(number of firms)	Minimum	Maximum	Mean	Std. Deviation
Management contracting is a key market entry strategy for our company	34	1	5	3.88	1.122
Management contracting is a cost effective way of spreading the company business	34	1	5	4.06	1.127
The most common management contracting methods for our company is agency and brokerage distribution methods	34	1	5	4	1.231
Management contracting has lower risks to the company because the brokers and the agents are controlled by IRA	34	1	5	3.82	1.029
Brokers and agents can sometimes pose a risk to the company through misrepresentation of facts	34	1	5	3.91	0.753

Management contracting as a market entry mode is the most used strategy by insurance companies in Kenya as it is supported by a mean of 3.88. Respondents agreed that management contracting is a cost effective way of spreading the company business as presented by a mean of 4.06. Results also indicate that the most common management contracting method for insurance companies is agency and brokerage distribution methods as indicated by a mean of 4. Respondents agreed that management contracting has lower risks to the insurance companies because the brokers and agents are controlled by IRAs given by a mean of 3.82. Further results show that brokers and agents can sometimes pose a risk to the company through misrepresentation of facts as presented by a mean of 3.91. Respondents' answers varied for most of the questions asked on management contracting, as reflected by the standard deviation. These results indicate that management contracting as a market entry mode is the most used strategy by insurance companies as it is a cost effective method and helps in expanding businesses. These findings support those of Rothlauf and Dung Le (2008).

4.5.5 Views on Product Differentiation as a Market Entry Strategy

The results presented on Table 4.8 are on views of respondents on product differentiation as a market entry strategy used by insurance firms.

Table 4.8: Product Differentiation and Market Entry

Statement	N(number of firms)	Minimum	Maximum	Mean	Std. Deviation
Our company uses product differentiation as a market entry mode	34	1	5	4.06	0.736
Product innovation is great in our company.	34	1	5	4.32	0.878
Product differentiation is a cost effective mode of entry	34	1	5	4	1.044
New product development is a time consuming method of entry	34	2	5	4.12	0.88
Product development requires an analysis of the market/consumer needs	34	1	5	4.12	0.808

Product differentiation is normally used a market entry mode by insurance companies and product innovation in the same companies is usually great. This finding is supported by a mean of 4.06 and 4.32 respectively. Respondents agreed that product differentiation is a cost effective mode of entry, however answers on this question varied among respondents as indicated by a mean of 4 and a variation of 1.044. New product development is considered to be a time consuming method entry as indicated by a mean of 4.12. Product development requires prior analysis of market needs before implementation, as supported by a mean of 4.12. It is important to note that product innovation comes before product development. There has to be an idea which is the innovation before developing that innovation (product development). These results indicate that there is great product innovation and development in insurance companies. Product development and innovation methods are effective ways of market entry for most insurance companies irrespective of them being entry methods that are time consuming.

4.5.6 Challenges of Market Entry Strategies

Table 4.9 below presents results on the analysis of views of challenges of market entry strategies that insurance companies in Kenya are likely to face.

Table 4.9: Challenges in Market Entry

Statement	N(number of firms)	Minimum	Maximum	Mean	Std. Deviation
Cultural misunderstanding in terms of language barrier and beliefs is one of the challenges that face market entry decisions	34	1	5	3.79	1.452
Government instability and political upheavals hinder our firm in seeking to establish its position in the foreign markets	34	1	5	3.71	1.426
Choice of market entry may limit ownership and exchange control	34	1	5	3.68	1.451
Unstable economic conditions such as buying patterns of consumers leads to a loss	34	1	5	3.65	1.3
Country's currency may generate a loss for a firm with operations in foreign markets	34	1	5	4.29	1.06

Cultural misunderstanding in terms of language barrier and beliefs are challenges that face market entry decisions as represented by a mean of 3.79. However, this question received varied responses among respondents as indicated by a standard deviation of 1.452. Results also show that government instability, political upheavals hinder insurance

firms seeking to establish its position in the foreign markets as indicated by a mean of 3.71. Unstable market entry may limit ownership of the firm and exchange control as indicated by a mean of 3.68. Respondents also agreed that unstable buying patterns and country's currency may generate losses for insurance firms as indicated by a mean of 3.65 and 4.29 respectively. The standard deviation indicated that all answers received on challenges facing market entry decisions were varied. These results show that as much as market entry decisions are good ventures for the firms' expansion they also go through some challenges when having the same implemented. The external factors that affect the entry mode of insurance companies which from the results are majorly political and economic factors supports studies by Santamaria and Shuang (2008).

4.6 Relationship between Market Entry and Market Entry Strategies

The study sought to find whether there was any significant relationship between the independent variables; franchising, joint ventures, pricing, management contracts and product differentiation with the dependent variable; market entry used by insurance firms. The results of this relationship are presented in Appendix iv of the study. The analysis was to show the association of the identified strategies in market entry for insurance. In statistics significance testing the p-value indicates the level of relation of the independent variable to the dependent variable. If the significance number found is less than the critical value also known as the probability value (p) which is statistically set at 0.05, then the conclusion would be that the model is significant in explaining the relationship; else the model would be regarded as non-significant.

Table 4.10, in appendix iv shows that all the variables (franchising, joint venture, pricing management contracting and product differentiation) that were used to determine market entry were statistically significant with positive correlation. These are presented by a probability value of 0.003, 0.000, 0.002 and 0.000 respectively which were less than the probability conventional value of 0.05. The lower the p value the higher the significance the variable of the study is. The results therein indicate that the variables used in determining market entry of firms were sufficient enough and they fully explained the choice of market entry used by insurance firms in Kenya.

CHAPTER FIVE

SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

5.1 Introduction

This chapter consists of summary of findings, conclusions, study recommendations and areas that can be considered for further research.

5.2 Summary

The aim of the study was to identify market entry strategies used by insurance companies in Kenya and the challenges that they face when entering new markets. Results show that 85% of the study participants had worked in the sector for a period of over 6 years which indicates that insurance sector provides of a good working environment as evidenced from the number of years people have worked in the companies. Further, the results on the market entry decision are very critical in decision making. These results mean that the management of insurance companies' value the way market entry strategies are structured as the same may affect future operations of the company.

Franchising results indicate that insurance companies rarely use franchising to enter new markets. This is evidenced by the agreement level of respondents on that franchising is not suitable mode of entry in new markets due to fear of losing control of the product standards and some rights over the company. Results indicate that joint ventures are expensive means of market entry and are only best fit for short lived objectives of the

firm, thus joint ventures are not suitable for insurance companies and the least adopted means of market entry by insurance firms in Kenya.

Results on pricing shows that, it is a less adopted market entry strategy used by insurance firms in Kenya. This is because from the responses, the prices of products of insurance companies are regulated by the IRA. Pricing is not a good choice of market entry mode as its negative correlation indicates that a unit change in pricing will cause a negative change in market entry of insurance companies.

Management contracts is used as an entry strategy by insurance firms as the results indicate .It is the most used strategy especially to those companies whose expansion is within the country.Results further indicate that product development as a method of entry is time consuming, however, product innovation in insurance companies is immense thus a high use in it as an entry method.

Results show that as much as market entry decisions are good ventures for the firms' expansion it also goes through some challenges when having the same implemented. Challenges identified from the results that tend to affect entry decisions of insurance firms were; cultural misunderstanding, government instability and political upheavals, limited ownership and differences in a countries' currency.

5.3 Conclusions

From the results management contracting is among the used strategy in insurance firms in Kenya.Management contracting offers independence to the contracted firm. The

contracted company makes its own decisions on organizational issues such as staffing and sourcing of clients for the insurance products. Management contractors act as agents of the insurance companies. However the firm under management contract may not have any equity share in the enterprise it manages; they only receive pay according to the revenues received. From the results conclusions can be made that management contracting is also used by insurance companies to enter foreign markets. This can be done where the company does international marketing contracts with firms in foreign countries to manufacture or assemble the products while retaining the responsibility of marketing the product. This is a common practice in international business.

Product differentiation as indicated from the results is a used entry strategy by insurance firms. Innovation strategy is an essential tool for product development which is a good entry strategy for companies because great new products attract new market. However, product innovation and development is a good entry strategy if the same is allocated to a specific department whose objective will be to come up with innovations on products and their development.

A number of factors were identified in the study as to pose a great challenge during implementation. For instance in foreign market entry challenges such as cultural misunderstandings, country's currencies, which affect profits and limited ownership control are adverse. Results further indicate that the choice of entry may be affected by unstable economic conditions and political instability which hinder insurance firms in establishing its desired position in the market.

5.4 Recommendations

The study provides recommendations to insurance companies and other institutions that will benefit from the study. Market entry strategies are decisions made mostly by corporate level managers either business development managers or marketing managers. The decisions on mode of entry should be carefully analyzed and planned to ensure companies do not end up making losses from the choice of market entry. Challenges that affect the mode of entry as identified in the study should also put into consideration and managers ought to source for ways to mitigate the same.

Companies considering franchising and joint ventures as an entry mode are recommended to have enough resources for greater financial investment so as to attract prospects for support and management. Franchising is not a highly recommended strategy especially if the companies do not have a strong brand that is brand recognition in the product or service it sales. Joint ventures strategies on the other hand are more advisable for companies in the same industry and are most appropriate for companies who desire to establish their presence in a foreign market.

The recommendation of pricing as an entry strategy is mainly to other companies in a different industry, whose products prices are not strictly regulated by the governing body. For instance, penetration pricing is the best strategy for companies to establish their presence and dominate a new market. Penetration pricing is the pricing technique of setting low prices than the intended prices during entry price, with the objective of attracting new customers. This strategy works on the expectation that customers will switch to the products of the new company because of the lower price. It is important to

note that penetration pricing is most commonly associated with a marketing objective of increasing expansion through increase in market share or sales volume, rather than making profits to make profit in the short term

5.5 Limitations of the Study

Prior to the data collection, senior managers were the target respondents as they are best thought to have possession of the information on market entry strategies used by insurance firms in Kenya. However, due to the unavailability of many in the companies the middle level managers in the business and marketing department constituted the respondents. Middle level managers may not have provided the required information as they are not fully involved in the entire strategy formulation process, thus the responses given may not reflect the true picture.

5.6 Recommendation for Further Research

The research lays foundations on market entry strategies used by insurance companies in Kenya, therefore areas for further study may include an analysis of foreign market entry using management contracting or product development strategies by those insurance companies who have established markets outside Kenya. The analysis of the entry mode used would compare with those identified in this study. A replica of the study may be done on other companies in a different industry to establish whether the entry modes vary according to industry type.

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APPENDICES

Appendix I: Introduction Letter

Date.....

Dear Sir,

RE: VOLUNTARY PARTICIPATION IN DATA COLLECTION

My name is Angela Mueni a postgraduate student from the University of Nairobi, School of Business. I am conducting a study entitled "*Market entry strategies by insurance companies in Kenya*". The aim of this survey is to obtain your feedback and views on the various entry strategies used by insurance companies. The data collected is for research purposes only and it takes the form of a survey which should take no more than 15 minutes of your time. All responses received are anonymous and information collected will not be distributed to any other party.

Thank you for taking time to complete this survey.

Yours Sincerely

Angela Mueni

Appendix II: Questionnaire

PART I: GENERAL INFORMATION

1) How many years have you worked in the insurance sector

Less than 3 years [] 4 to 5 years []

6 to 10 years [] More than 10 years []

2) What is your level in the company

Senior Management [] Middle Management [] Officer []

PART II: MARKET ENTRY STRATEGIES

Please indicate on the scale provided below by ticking the extent to which you agree with the following statements. Strongly Agree=5, Agree=4, Neither Agree nor Disagree=3, Disagree=2, Strongly Disagree=1

MARKET ENTRY

No	Statement	1	2	3	4	5
		Strongly Disagree	Disagree	Neither Agree Nor Disagree	Agree	Strongly Agree
1	Our organization enter new markets by considering decisions such as where to enter, when to enter and how to enter various markets					
2	Market entry is a critical					

	decision as the choice may affect future operations of the company					
3	A wrong choice on market entry may increase costs and may force the company to leave the market					
4	Our market entry decisions have been so far successful, profitable and has fostered our company's growth					
5	Change of entry modes, from one to another, will lead to losses in time and money					

FRANCHISING

No	Statement	1	2	3	4	5
		Strongly Disagree	Disagree	Neither Agree Nor Disagree	Agree	Strongly Agree
1	Our company uses franchising to enter new markets					
2	We normally control service and product standards whenever we franchise					
3	When we franchise we only use branding and we have limited control on the franchisee					
4	We only use franchising when expanding to markets beyond Kenya					
5	Franchising can compromise the quality and image of a company					
6	In franchising we consider environmental factors like political, economic and social factors					

JOINT VENTURES

No	Statement	1	2	3	4	5
		Strongly Disagree	Disagree	Neither Agree Nor Disagree	Agree	Strongly Agree
1	Joint ventures are expensive market entry method					
2	Joint ventures have a short life span and may not be good for a company with long term objectives					
3	Joint ventures have short lived objectives and should they not work well, they may tarnish the name of the mother company					
4	Joint ventures are quite lucrative and is a quick way for a company to make profits					
5	Joint ventures are not very good for insurance business					

PRICING

No	Statement	1	2	3	4	5
		Strongly Disagree	Disagree	Neither Agree Nor Disagree	Agree	Strongly Agree
1	Cost leadership is a good competition strategy					
2	Our company normally use pricing as an entry mode in new markets					
3	Pricing strategy is not very practical in the insurance sector because premiums are regulated by the IRA					

4	The only way to achieve good pricing strategy in the insurance sector is to provide policy free riders and add-ons					
5	Insurance business is expensive and risky and hence pricing strategy can lead to losses if not well thought of					

MANAGEMENT CONTRACTING

No	Statement	1	2	3	4	5
		Strongly Disagree	Disagree	Neither Agree Nor Disagree	Agree	Strongly Agree
1	Management contracting is a key market entry strategy for our company					
2	Management contracting is a cost effective way of spreading the company business					
3	The most common management contracting methods for our company is agency and brokerage distribution methods					
4	Management contracting has lower risks to the company because the brokers and the agents are controlled by IRA					
5	Brokers and agents can sometimes pose a risk to the company through misrepresentation of facts					

PRODUCT DIFFERENTIATION

No	Statement	1	2	3	4	5
		Strongly Disagree	Disagree	Neither Agree Nor Disagree	Agree	Strongly Agree
1	Our company uses product differentiation as a market entry mode					
2	Product innovation is great in our company.					
3	Product differentiation is a cost effective mode of entry					
4	New product development is a time consuming method of entry					
5	Product development requires an analysis of the market/consumer needs					

CHALLENGES

No	Statement	1	2	3	4	5
		Strongly Disagree	Disagree	Neither Agree Nor Disagree	Agree	Strongly Agree
1	Cultural misunderstanding in terms of language barrier and beliefs is one of the challenges that face market entry decisions					
2	Government instability and political upheavals hinder our firm in seeking to establish its position in the foreign markets					
3	Choice of market entry may limit ownership and exchange control					

4	Unstable economic conditions such as buying patterns of consumers leads to a loss					
5	Country's currency may generate a loss for a firm with operations in foreign markets					

Appendix III: Insurance Companies in Kenya

<ol style="list-style-type: none">1) AAR Insurance Kenya Limited2) APA insurance company3) Africa Merchant Assurance Ltd4) AIG Kenya Insurance Company Limited5) Apollo Insurance Co.6) British-American Insurance Company (Kenya) Limited7) Cannon Assurance Limited8) CFC Life Assurance Limited9) CIC General Insurance Limited10) CIC Life Assurance Limited11) Continental Reinsurance Limited12) Corporate Insurance Company Limited13) Directline Assurance Company Limited14) East Africa Reinsurance Company Limited15) Fidelity Shield Insurance Company Limited16) First Assurance Company Limited17) G A Insurance Limited,18) Gateway Insurance Company Limited19) Geminia Insurance Company Limited20) Heritage Insurance company21) ICEA LION General Insurance Company Limited22) Intra Africa Assurance Company Limited23) Invesco Assurance Company Limited24) Kenindia Assurance Company Limited25) Kenya Orient Insurance Limited	<ol style="list-style-type: none">26) Kenya Reinsurance Corporation Limited27) Madison Insurance Company Kenya Limited28) Mayfair Insurance Company Limited29) Mercantile Insurance Company Limited30) Metropolitan Life Insurance Kenya Limited31) Occidental Insurance Company Limited32) Old Mutual Life Assurance Company Limited33) Pacis Insurance Company Limited34) Pan Africa Life Assurance Limited35) Phoenix of East Africa Life Assurance Ltd36) Phoenix of East Africa Assurance Company Limited37) Pioneer Assurance Company Limited38) Real Insurance Company Ltd39) Resolution Insurance Company Limited40) Shield Assurance Company Limited41) Takaful Insurance of Africa Limited42) Tausi Assurance Company Ltd43) The Heritage Insurance Company Limited44) The Jubilee Insurance Company of Kenya Limited45) UAP Insurance Company Ltd46) UAP Life Assurance Limited47) The Monarch Insurance Company Limited48) Trident Insurance Company Limited49) Xplico Insurance Company
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Source: Insurance Regulatory Authority ,2013. www.ira.go.ke

Appendix IV: Pearson's Bivariate Correlation

Table 4.10: Relationship Between Market Entry and Market Entry Strategies

Variable	Coefficient Name	Market Entry	Franchising	Joint Venture	Pricing	Management Contracts	Product Differentiation	Challenges
Market Entry	Pearson Correlation	1						
	Sig. (2-tailed)							
Franchising	Pearson Correlation	0.495	1					
	Sig. (2-tailed)	0.003						
Joint Venture	Pearson Correlation	0.679	0.604	1				
	Sig. (2-tailed)	0.000	0.000					
Pricing	Pearson Correlation	0.513	0.334	0.637	1			
	Sig. (2-tailed)	0.002	0.054	0.000				
Management Contracts	Pearson Correlation	0.666	0.067	0.474	0.734	1		
	Sig. (2-tailed)	0.000	0.707	0.005	0.000			
Product Differentiation	Pearson Correlation	0.811	0.309	0.64	0.651	0.777	1	
	Sig. (2-tailed)	0.000	0.075	0.000	0.000	0.000		
Challenges	Pearson Correlation	0.562	0.344	0.491	0.536	0.406	0.536	1
	Sig. (2-tailed)	0.001	0.046	0.003	0.001	0.017	0.001	