

**MARKET ENTRY STRATEGIES ADOPTED BY EASTMAN KODAK
LIMITED IN KENYA**

BY

ESTHER WAIRIMU KIMANI

**A RESEARCH PROJECT SUBMITTED IN PARTIAL FULFILLMENT
OF THE REQUIREMENTS FOR THE AWARD OF THE DEGREE OF
MASTER OF BUSINESS ADMINISTRATION, SCHOOL OF BUSINESS,
UNIVERSITY OF NAIROBI**

OCTOBER, 2014

DECLARATION

This research project is my original work and has not previously, in part or in its entirety, been presented to any other university towards the award of any degree.

Signed Date.....

ESTHER WAIRIMU KIMANI

This research project has been submitted for examination with my approval as a university supervisor

Signed..... Date.....

MR. ELIUD MUDUDA

LECTURER

SCHOOL OF BUSINESS

UNIVERSITY OF NAIROBI

ACKNOWLEDGEMENTS

I would like to acknowledge various people who made this research project possible. First and foremost is God Almighty for giving me the strength and good health to be able to carry out and complete this project. I am also grateful to my parents Mr. and Mrs. Kimani for their support and encouragement. My brothers and friends also played a big role and I am grateful for the moral support. Finally is my supervisor Mr. Mududa who guided me throughout the whole process. May the Almighty bless you

DEDICATION

I would like to dedicate this research project to my loving parents Mr. and Mrs. Kimani who have been a great source of inspiration and role models. I will be forever grateful for your support and loving kindness

ABSTRACT

Photography has been a trend since time immemorial. This has been practiced by many people in various countries. In Kenya there are two main firms in the photography industry. These are imaging solutions Ltd which distributes Kodak products and Vanguard which distributes Fuji products. In regards to market presence and market share, Kodak holds the largest share followed by other distributors. The study sought to find out the market entry strategies that were used by East Man Kodak to enter the Kenyan market. The respondents interviewed included the departmental managers in the company. The data collected was qualitative in nature and hence was analyzed using content analysis. It was found that East Man Kodak gained access into the Kenyan market using strategies such as signing up dealers and also opening up its own outlets within different towns in Kenya. Following the study findings it was possible to conclude that East Man Kodak used various strategies to tap into the Kenyan market and gain a competitive edge. It was also possible to conclude that the biggest challenge facing the firm is the dynamic nature of technology that has greatly reduced their profits and not due to the entry strategies they used to enter the Kenyan market. As a recommendation it was established that due to the dynamic nature of technology within the photographic industry, it is important for the firms to make quick strategic decisions in order to maintain a competitive edge in the market.

TABLE OF CONTENTS

DECLARATION.....	ii
ACKNOWLEDGEMENTS	iii
DEDICATION.....	iv
ABSTRACT.....	v
CHAPTER ONE	1
INTRODUCTION.....	1
1.1 Background of the Study.....	1
1.1.1 Concept of International Business	2
1.1.2 Market Entry Strategies	3
1.1.3 The Photographic Industry in Kenya.....	4
1.1.4 Eastman Kodak Limited	5
1.2 Research Problem.....	6
1.3 Research Objective.....	7
1.4 Value of the Study.....	7
CHAPTER TWO	8
LITERATURE REVIEW	8
2.1 Introduction	8
2.2 Theoretical Foundations of the Study	8
2.3 Foreign Market Selection	9
2.4 Foreign Market Entry Strategies	10
2.4.1 Exporting Strategy	11
2.4.2 Licensing Strategy	11
2.4.3 Franchising Strategy	12
2.4.4 Mergers and Acquisitions.....	13
2.4.5 Strategic Alliances	14

2.4.6 Joint Ventures	14
2.5 Summary	15
CHAPTER THREE	16
RESEARCH METHODOLOGY	16
3.1 Introduction	16
3.2 Research Design.....	16
3.3 Data Collection.....	16
3.4 Data analysis	16
CHAPTER FOUR.....	18
DATA ANALYSIS, RESULTS AND DISCUSSION.....	18
4.1 Introduction	18
4.2 Background information	18
4.3 Market Entry Strategies.....	19
4.3.1 Factors That Motivated the Use of Entry Strategies.....	20
4.3.2 Challenges Faced By the Company	21
CHAPTER FIVE	24
SUMMARY, CONCLUSIONS AND RECOMMENDATIONS	24
5.1 Introduction	24
5.2 Summary of Findings	24
5.3 Conclusions	25
5.4 Limitations of the Study	26
5.5 Recommendations for Further Research	26
REFERENCES.....	28
APPENDICES	i
Appendix 1: Cover Letter.....	i
Appendix 2: Interview Guide.....	ii

CHAPTER ONE

INTRODUCTION

1.1 Background of the Study

The diffusion of international companies in developed countries in developed market economies has significantly declined as indicated by the low profit margins (Bradley, 1995). This has facilitated the need for multinational companies to grow and expand their operations beyond geographical borders and tap the unexploited as well as emerging markets. According to Brassington & Pettitt (2000), the movement to budding economies appears realistic as the rising populations are estimated to be on average 80% of the population worldwide. This brings more opportunities to the multinational corporations in increasing their wealth (Gronroos, 1999)

Emerging markets are defined as nations with social or business activity in the process of swift growth and industrialization. These markets have high potential as well as high-risk and generally characterized by a history of recession or stagnant economy, domestic unrest and turbulent politics led by low growth in many market sectors. Bradley (1995) notes that consumers are not restricted to basic needs provided by sectors such as housing, textiles or food. Karagozulu & Lindell (1998) indicates that emerging markets comprise of economies that are gradually being integrated into the global economy. Despite such characteristics, these markets show some of the highest economic growth indicators (Filippov & Iljashenka, 2000).

The photographic industry is known to be one of the most lucrative ventures especially in the local market. This has been facilitated by the fact that it requires heavy capital investment and a skillful art which has been a great hindrance of new industrial entrants, therefore making it a reserve of the few who went ahead and dictated the prices. However, there has been stiff

competition that has fuelled market entry strategies among some notable brands for example Eastman Kodak to look for new markets in order to grow and expand (Mutwiri, 2007).

1.1.1 Concept of International Business

International business and trade involves far more than just the exchange of money and products, it also includes the spread of knowledge and the exchange of ideas. These aspects of international business are often neglected by the critics. Over thousands of years, international business has contributed to the progress of the world through travel, trade, migration, spread of cultural influences and the dissemination of knowledge and understanding including science and technology (Bhagwatim, 2002).

International business is one of the primary sources of intercultural interactions that create opportunities for knowledge generation. Broda (2005) emphasizes that the idea of international companies having the potential to generate and diffuse knowledge within the country where operations are taking place. Along similar lines, Becker (2003) proposed the concept that one of the biggest obstacles to development in the poorest countries of the world is the lack of a dynamic learning environment caused in part by the lack of international business activities in these regions.

Bardouille, (2005) notes that numerous companies both small and large corporations make strategic plans to take their business internationally because they want to compete in the global market. With the internet being a source of international networking and technology advancing rapidly to support a global economy, companies find opportunities to do business overseas a feasible and achievable goal. Hence expanding a company internationally is not a new practice to many multinational corporations.

1.1.2 Market Entry Strategies

Entering new markets, despite the huge potential that it provides involve major risks. Foreign market entry mode is an institutional arrangement that allows the entry of a firm's products, services; know how, management and other resources into a foreign market. A firm can set up an entry to a foreign market in two ways. It can export its products to a foreign market or it can transfer its resources such as technology, capital know how, brand name to a foreign market in which those resources can be sold directly to customers or combined with resources from the host country to manufacture new products for that market (Ghauri & Holstius, 1996).

The drive towards a new market entry is frequently the prospect of profit on immediate sales, for example in response to an unintended order. Most of the firms start to think about an entry strategy approach; how they need to create a niche in the market that can be sustained over in the long run hence an entry strategy is very important for each product in each foreign market. Every situation is different, thus requires a unique approach (Albaum et al., 1994).

The choice of market entry strategy depends on the risk a firm is ready to face and the degree of control that the firm wishes to take before penetrating the market niche. The decision to enter a certain market may change over time in a rather predictable manner. A company that has experience on the behavior of a market is likely to take greater risks. This is because the company is more aware of the challenges involved in entering a new market. The stage's approach, also known as the development approach describes internationalization as an incremental and learning process in which risk avoiding companies can achieve in different stages (Bond & Tykkylainen, 1996). In the first stage a company starts by exporting few products to gauge the market acceptance. It then increases its exports in the next stage if the

market is found favorable and in the final stage the company's exporting activities increase to their maximum level and it qualifies to be a multinational company (Anderson et al., 1992).

Most companies start their internationalization according to Root's pragmatic entry selection approach. This approach focuses on an entry mode that works but may not be the most suitable entry mode. Other market entry strategies are only assessed if the chosen entry strategy is not suitable or does not lead to a successful penetration into the foreign market. Root's strategic entry selection approach is likely to find the most suitable entry mode. It demands systematic comparisons of alternative modes (Bartley & Minor, 1994).

1.1.3 The Photographic Industry in Kenya

Photography in Kenya has been a common trend since time immemorial. During the colonial era, many pictures were taken by the colonial masters to depict Kenya's history. The Kenya National archive has a collection of these historical images that have brought inspiration to a lot of Kenyan photographers (Safaricom, 2012). Studio photography in Kenya increasingly dominated with the onset of the fashion industry in the early 70's and the beginning of commercial advertising for big local brands in Kenya such as Kenya Breweries Limited and Raymonds. Men's and women's magazines were published as the Kenyan people became more cosmopolitan and the need for commercial photography arose. The use and availability of photographic equipment in Kenya has improved tremendously over the years due to the increased demand for photography (Darker at Kodak Fortune, 1999).

In Kenya there are two main firms in the photography industry. These are imaging solutions Ltd which distributes Kodak products and Vanguard which distributes Fuji products. In regards to market presence and market share, Kodak holds about 80%, Fuji 15% while other free lance importers share the remaining 5%. The major products in photography are

cameras, films, printing papers, chemicals and photo processing machines. Due to the dynamic nature of technology within the photographic industry, it is important for the firms to make quick strategic decisions in order to maintain a competitive edge in the market (Safaricom, 2012).

1.1.4 Eastman Kodak Limited

On February 2, 2000, exactly 100 years from the day George Eastman introduced the Brownie camera, a group of Kodak researchers and inventors agreed that the true power of imaging had not been tapped and Eastman's dreams of making pictures a form of communication using pencils was unraveled. Today Eastman Kodak is a multinational company that supplies almost all consumables as well as the technology involved in processing. Spanning over five decades now, the local market has been dominated by four major competitors namely Eastman Kodak, Fuji, Agfa and Konica in that order (Mark & Lesly, 1993).

A multinational corporation whose name and film products are familiar to photographers around the world, Eastman Kodak Company is a diversified manufacturer of equipment, supplies and systems in consumer and professional imaging solutions. These include films, photographic papers, one-time-use analogue cameras, digital cameras, printers and scanners, photo processing services, photofinishing equipment and photo processing chemicals. The company's health imaging unit specializes in products and services for radiography, cardiology, dental, mammography, oncology and ultra sound imaging. Other Kodak products include motion picture films, audiovisual equipment, microfilm products, optics and optical systems (Astor, 1992).

1.2 Research Problem

A market entry strategy is an action by a firm to tap into a new market that is currently underserved or unexploited with the aim of making profits. Filippov & Iljashenka (2000) notes that it is important to take into consideration the risks involved and to do a cost benefit analysis before making any major decision to penetrate a new market. This is because the decision can change over time depending on the current state of the environment. Over the years, the photographic industry has been a profitable venture both globally and locally. The changes in technology among other factors have led to great competition both internationally and locally and the photography industry has not been spared (Koch, 2001). This has forced Eastman Kodak to reconstruct itself and adapt new entry strategies in order to survive and grow in both the short and long term so as to retain and gain a competitive edge against their competitors (Rainey, 2008).

A number of local studies have been done on entry strategies in auditing firms and multinational Corporations. A study conducted by Ng'endo (2012) investigated on the entry strategies adopted by auditing firms in Kenya. The study found that different firms use different entry modes and this involves the marketing strategies used. Ndwiga (2012) carried out a study to determine the foreign market entry strategies used by British multinational firms in Kenya. The study revealed that the Kenyan market was sufficient for market entry and growth, the inflation rate was adequate at the time of market entry. It also revealed that the income distribution in Kenya was adequate to sustain market entry and the political and legal environment was stable and conducive for entry and they could adequately deal with competition.

In his study, Mutwiri (2007) found that stiff competition had been experienced in the photography industry forcing more competitors to exit the market including Konica and

Agfa. This forced Eastman Kodak to device not only survival strategies but also long term and growth oriented strategies to retain existing market share and also penetrate new markets. From the above studies done, it is evident that no study has focused on the entry strategies adopted by Eastman Kodak limited in Kenya and hence this study sought to answer the research question, What are the entry strategies adopted by Eastman Kodak limited in Kenya?

1.3 Research Objective

The main objective of the study was to determine the strategies adopted by Eastman Kodak limited to enter the Kenyan market

1.4 Value of the Study

The results of this study will provide an insight of the market entry strategies used to tap into foreign markets. This will benefit other firms in the photography industry and will help them to expand on their market share. It will also help them to choose entry strategies that are practical within the industry.

The policy makers can use the findings of this study to identify the main market entry strategies used by firms in the photography industry. This will be done through setting policies that encourage local and multinational companies to invest in new and emerging markets so as to increase their profits and also market share.

This study will also add to the bank of knowledge to students of international business on the market entry strategies adopted by firms in the photography industry. They can also use this study as a basis for further research in their academic work.

CHAPTER TWO

LITERATURE REVIEW

2.1 Introduction

This chapter will review literature done by other researchers focusing on the major entry strategies used by multinational firms to gain access to new markets. Various theories that are relevant to the entry strategies will also be discussed as a way of laying a foundation for the entry strategies. The review will also look at the various factors that international firms consider before entering a foreign market.

2.2 Theoretical Foundations of the Study

Internationalization of a firm is reflected in its process of international market expansion and investment over time which can be measured in its international sales and outward Foreign Direct Investment. According to Bartlett and Ghoshal (1998), the Resource-based theory appears to be a key reason for internationalization. They argue that having worldwide operations not only gives a company access to new market and specialized resources, but it also opens up new sources of information and knowledge and broadens the options of strategic moves the company might make in competing with its domestic and international competitors.

Traditional theories of Foreign Direct Investment predict that a firm will invest in a foreign market in order to increase their economic gains by exploiting the firm's specific capabilities. These include knowledge of the market and products and also to strengthen the firm's strategic position by accessing scarce resources like raw material and cheap labor (Hitt et al., 2006) Internationalization is seen to embrace not only international trade or foreign production but also transport, services, banking, technology or know-how and knowledge transfer (Sharma & Blomstermo, 2003)

Market seeking; one of the Foreign Direct Investment theory suggests that involvement in foreign markets is strongly linked to the absolute size of the host market and the potential for market growth. Such market seeking foreign direct investment is usually seen as a response to the cost of serving a foreign market at a distance. Resource seeking; this is another Foreign direct investment theory and it involves transnational corporations seeking access to raw materials abroad. This is done in order to obtain security of supply of raw materials.

Efficiency seeking is when a firm is involved in foreign direct investment to reduce input costs for example obtain cheap labor in the foreign country and is mainly associated with manufacturing industry. Strategic asset or capability seeking describes the attempts to secure the input of key elements in the production processes such as technology, professional, managerial and financial skills, knowledge and market expertise (Dunning, 1998)

2.3 Foreign Market Selection

Companies go global for many reasons, some reactive and some pro-active. Restrictive trade barriers for example tariffs and quotas are some of the reactive reasons that makes exports to foreign markets too expensive. This forces companies to switch from exporting to overseas manufacturing (Ghoshal, 1987). Selection of an entry strategy depends on the risks a firm is willing to take and also the desired degree of control by the company (Farhang, 1990).

International expansion positively influences new ventures' survival, profitability and growth. By entering international markets, new ventures acquire knowledge that can be used to build additional value creating skills (Knight & Cavusgi, 1996). Expanding globally allows firms to increase their profitability and rate of profit growth in ways not available to purely domestic enterprises. A firm can decide on what mode of entry strategy to use based on its experience or on other firms experiences. It can also analyze the new markets needs and

purchasing power and habits of potential customers and the competence of marketing organizations to carry out foreign based activities (Albaum & Strandskov, 1994)

2.4 Foreign Market Entry Strategies

Careful selection of foreign markets is important the success of the firm. A good market is one whose circumstances or environment fits the resources of the firm. Firms entering new foreign markets must grow quickly to reach a size at which their operations are cost competitive with incumbent firms if they are to survive in the market (Hermann & Datta, 2002). The firm growth has attracted considerable interest both theoretically and empirically, but the literature suffers from two major limitations (Gilbert et al., 2006). First there is inadequate understanding of international growth. Research on domestic firms cannot be fully generalized to foreign firms (Luo, 2003), this is because most domestic investors are financially constrained as compared to their foreign counterparts (Johanson & Vahlne, 1977). Moreover, the growth dynamics of domestic firms differ from those of foreign firms (Mata & Portugal, 2002)

Foreign market entry strategies for manufacturing and service companies are generally categorized into exporting, contractual and investment entry modes (Bradley, 1995). Exporting is a low resource commitment entry mode but after the company has gained access and knowledge of the new market it may decide to shift into a high resource commitment mode. Contractual entry modes are long term relationships among the firms involved in different countries and involve transfer of technology or human skills. They are used when a firm wants to avoid starting up new operations in the new market and involve minimal risks especially in the service firms (Gronroos, 1999). They include licensing, franchising and other contracts like management or manufacturing contracts among others.

2.4.1 Exporting Strategy

Exporting is the most common strategy used by firms that begin to enter new markets. The firm produces the products in the home country and then exports them to a foreign market. Cavusgil et al (2009) observes that this trade mode is the first natural step for foreign expansion in international business. Exporting is a relatively low risk entry strategy because it involves little investment (Hitt, 2009).

Terpstra & Sarathy (1997) classify exporting into direct and indirect export with different degrees of involvement. In indirect exporting the firm does not need to undertake the export operations such as documentation and freighting within its organization, instead they rely on domestic based intermediaries. The main advantage of indirect exporting is that a firm can access a foreign market without much complexity (Doole & Lowe, 2001). Direct exporting is where a firm performs the export task by itself rather than delegating it to others. The company has complete control of its export in the new market (Johansson, 1997)

2.4.2 Licensing Strategy

Licensing entails the sale of a patent, manufacturing know-how, technical advice and assistance or the use of a trade mark or trade name on a contractual basis (Hollensen, 1998). It focuses on avoiding the risk of a product or market development by using an already existing firm (Brassington & Pettitt, 2000). Under licensing agreement, the multinational firm grants rights on its intangible property to a foreign company for a specified period of time. The licensor is normally paid a royalty on each unit produced and sold.

Licensing is a preferred strategy when the target country is culturally distant from the home country or when there is little or no prior experience of the host country. For a multinational firm, the advantage of licensing is that the company's products will be manufactured and

made available for sale in the foreign country where the product is licensed. Another advantage is that it provides a platform for foreign operations and opens the door to low risk manufacturing relationships.

The disadvantage of licensing is that there is limited form of participation in the length of agreement, specific product, process or trademark. Another disadvantage is that potential returns from marketing and manufacturing may be lost. In some cases the licensees become competitors. This can be overcome by having cross technology transfer which requires planning, fact finding and interpretation (Hollensen, 1998).

2.4.3 Franchising Strategy

Franchising is a form of licensing where a company can market its goods and services by having semi-independent business owners referred to as the franchisee. They pay fees and royalties to a parent company, the franchisor, in return for the right to use its trade mark, sell its products or services. This includes the franchisor providing marketing programs and also giving brand management advice (Doole & Lowe, 2001). Franchising includes two basic types of systems which allow franchisee's to benefit from the parent company's identity. First there is the trade name franchising which involves being associated with a brand name. The dealer uses the trade name and trade mark of the company. The second type is the business format franchising which is a market entry mode that involves a relationship between the entrant (the franchisor) and a host country entity, in which the former transfers, under a contract, a business package of format which it has developed and owns to the latter (Hollensen, 1998).

Franchising involves a greater element of control. The contractual agreement provides the franchisor with a great degree of control over the franchisee's operations thus enabling the

brand image to be upheld and protected internationally. The main advantage of franchising is that it presents a quick way for a company to enter a foreign market while providing a relatively cheaper mode of entry (Keegan & Schlegelmich, 2000).

2.4.4 Mergers and Acquisitions

A merger is a combination of two firms where only one company survives and the merged firm goes out of existence while acquisition is taking over a local firm's assets by a foreign firm (Karim & Michelle, 20000). According to Thompson et al (2008) combining the operations of firm via merger or Acquisition is an attractive strategic option for achieving operating economies, strengthening the resulting company's competence and competitiveness, and opening up avenues of new market opportunity. Many merger and Acquisitions are driven by strategies to achieve cost efficient operations out of the combined companies, to expand a firm's geographic coverage, to extend the firm's business into new product categories, to gain access to new technologies or other resources and competitive advantage, and to try to invent a new industry (Karim and Michelle, 2000).

Lambin (2007), due to changes in the operating environment, several licensed institutions mainly commercial banks, have had to combine their operations in mutually agreed terms (merge), or one institution takes over another's operations (acquisitions). Some of the reasons put forward for mergers and acquisition are; to meet the increased levels of share capital; expand distribution net work and market share; and to benefit from best global practices among others. Some of the institutions are but not limited to; CFC Bank Limited and Stanbic Bank Limited, East African Building Society and Akiba Bank Ltd, First American Bank Ltd Commercial bank of Africa Ltd.

2.4.5 Strategic Alliances

It is a comparative arrangement established between two or more companies where they seek to add their competencies by combining their resources with commitment to reach an agreed goal (Keegan & Schlegelmilch, 2001). The partners tend to be of comparable resource base and strength and the alliance tends to be contractual rather than an equity arrangement.

The use of strategic alliances as an international market entry mode has increased as firms increasingly recognize the necessity for foreign help (Cateora & Graham, 2002). The main set back of strategic alliance is that the parties involved must be able to work together successfully despite their cultural differences. The different management style may ignite conflicts which could lead to disagreements among the involved partners.

2.4.6 Joint Ventures

According to Lambin (2007), under this arrangement a partnership between host and home country firms is formed resulting in creation of firms in a new or existing market. This type of agreement gives the international firm better control over operations and also access to local market knowledge. The international firm is less exposed to the risk expropriating thanks to partnership with the local firm. Joint ventures are very popular in international management. This is because the presence of local firm facilitates the integration of the international firm in a foreign environment (Bradley, 1995).

Joint ventures have five common objectives; market entry, risk/rewards sharing, technology sharing and joint product development, and conforming to government regulations. There are also other benefits of joint ventures such as political connections and distribution channels access that may depend on relationships (Foley, 1999). Joint ventures are favorable when the partners' strategic goals converge while other competitive goals diverge, the partners' size,

market power, and resources are small compared to the industry leaders and when partners are able to learn from one another while limiting access to their own proprietary skills (Kotabe & Helsen, 2001).

2.5 Summary

The selection of market entry strategy plays an integral role in the penetration and success of firm's foreign operations. Proper strategy depends on the internal and external factors that may affect the performance of the firm. Internal factors that the firm should consider include; availability of recourses, skills and creativity among employees and team work sprit among employees. In external environment, the firm should be guided by Michael porters five forces model to identify the threats that may face the firm in the new market and the political environment. The management of the firm should also consider the level of technology adopted by its competitors.

CHAPTER THREE

RESEARCH METHODOLOGY

3.1 Introduction

This chapter consists of the research methodology that was used in this study. This includes the research design, data collection method and research instruments. The chapter also looks at the data analysis techniques used in analyzing the data collected.

3.2 Research Design

The research was a case study of Eastman Kodak. Kothari (1990) describes a case study as a form of qualitative analysis that involves a careful and complete observation of a social unit. A case study is seen as a powerful research methodology that combines individual and at times group interview with record analysis and observation (Cooper & Schindler, 20006). This approach was suitable for determining the entry strategies taken by the organization under the study.

3.3 Data Collection

The information collected was related to the various market strategies adopted by Eastman Kodak to achieve market growth in Kenya. Primary data was collected from departmental managers at Eastman Kodak headquarters in Nairobi through an interview guide. The researcher interviewed a total of five managers, a manager from every department. These included the managing director, operations and finance manager, sales and marketing manager, accounts manager and the IT manager.

3.4 Data analysis

Content analysis was used to analyze the data. According to Kothari (1990), content analysis involves analyzing the contents of documentary materials such as books, magazines,

newspapers and the contents of all other verbal materials which can either be spoken or printed. It is a technique for making inferences by systematically and objectively identifying specified characteristics of messages and using the same to relate to trends. Content analysis examines the intensity with which certain words have been used (Kombo & Tromp, 2006).

CHAPTER FOUR

DATA ANALYSIS, RESULTS AND DISCUSSION

4.1 Introduction

This chapter presents the data analysis and interpretation of the study. The primary data was collected using an interview guide and the analysis done through content analysis in order to establish the market entry strategies adopted by Eastman Kodak limited in Kenya. The findings were analyzed sequentially according to the interview guide.

4.2 Background information

The study sought to establish the information on the respondents employed in the study with regards to the departments, their designation, how long they have been working for the company and the decisions they are involved in making. These bio data was to show the appropriateness of the respondents in answering the study questions. The study revealed that the interviewees worked in different departments within the company. It also revealed that they held managerial positions, hence were involved in the strategic decisions within the company. This clearly shows that they were in a position to give accurate information about the company.

The respondents were requested to state the period that they have worked in the company. The study found out that most of them have been in the company for more than ten years and hence could be able to give credible information about the performance of the company. They were also requested to name the major services offered by the company in Kenya. The study found out that the company mainly deals with the distribution of photography products namely cameras, photo processing chemicals, printing papers, batteries and printing machines. They also service the photographic equipments including the large printing machines.

4.3 Market Entry Strategies

In regards to the company profile, the respondents were asked how long the company has been in existence within the Kenyan market. The study established that Eastman Kodak has been in Kenya since 1924 which was ninety years ago. In order to determine the entry strategies used by the company, the interviewees were asked to give the strategies that the company used to establish its presence in the Kenyan market. One of the respondents stated that “Kodak established its own retail outlets called Lite Labs but they also had a fully commercial lab in their own premises here in Kenya which served other countries in Africa”. Another response that supported this finding was “Kodak created reserve networks within the market in order to create awareness of their products and establish its presence within”.

The study also found out that the company used other strategies to enter the Kenyan market. One of the respondents stated that the company signed up dealers to the Kodak express and Profoto center programs and also offered them foreign trips incentives. This was done in order to attract more dealers and train them on the Kodak products and services. Another response that supported this was that they created loyalty programs where the dealers who had many points in terms of the products bought were rewarded with various incentives like the foreign trips and also additional gifts like promotional shirts and merchandise.

The respondents also stated that Kodak used the price penetration strategy to enter the Kenyan market whereby they introduced their products to the market at a lower price compared to their competitors. This allowed them to gain a bigger market share and also create awareness of their goods and services. Another respondent also said that they introduced new and innovative products into the market. This allowed them to be unique and distinguished them from other similar products from their competitors. The study also found out that the company used its brand name as a form of franchising. They allowed dealers to

use their name and logo in order to create awareness of the company's products. This helped them to penetrate the local market easily.

The interviewees were asked to state why the company had chosen to use the strategies to enter the Kenyan market. One of the respondents said that they established retail outlets and signed up dealers because it was easier to build trust with the potential dealers and the labs would act as reference points in the future. This was supported by another respondent who stated that they used the various strategies so as to maintain and have loyal business partners who would maintain the company's brand name and products. Other respondents also said that the strategies were used as a means of creating, gaining and maintaining the market share. It was also established that they used the strategies to create awareness of the brand and company products.

4.3.1 Factors That Motivated the Use of Entry Strategies

The respondents were asked to state the factors that motivated the company management to use the strategies that they had mentioned. One respondent noted that the company got a lot of support and back up from the main company East Man Kodak and that motivated them to enter the Kenyan market. The same respondent also noted that they had done an in depth research on the Kenyan market and understood the competition hence the use of the strategies to increase their chances of market penetration. This was supported by another respondent who stated that the company decided to use the strategies in order to compete with other photographic companies that were also gaining access to the Kenyan market. The strategies allowed them to gain a competitive edge and market share.

Another factor that motivated the company to use the strategies was that they wanted their presence to be felt in the region, this was noted by one of the respondents who said that the

company being new in the market had to use different strategies to be noticed and recognized by people in the Kenyan market. This was supported by another interviewee who said that they needed to grow the business and therefore had to use unique strategies to gain a market share and establish their presence in the Kenyan market. It was also noted that the customers gave positive feedback on the methods used and hence it motivated the company to continue establishing its products.

One of the respondents also stated that the entry strategies made it easier for them to distribute their products and helped to develop a photographic culture in the region. This was evident by the rapid growth of the company and its outlets everywhere in the Kenyan market. It motivated the company to continue accessing other parts within the country and hence better profits. The company had also identified the needs of the people in the market and also the gaps created in the market and thus were motivated to use the strategies in order to meet the needs of the people. This motivated the company and enabled it to increase its presence in the market. Another respondent also noted that there was a need to train the dealers on the products and services in order for them to provide quality services to the end user. This was thus another reason that motivated the company to use the strategies and also to retain their loyalty to the company's products and services.

4.3.2 Challenges Faced By the Company

The respondents were asked to compare the company's performance currently to the previous ten years. They all noted that the sales of photographic products have drastically declined. One respondent actually gave a figure and noted that revenue has dropped by more than 70%. This they attributed to stiff competition from upcoming products and technology. Another interviewee stated "the firm which was a flagship brand ten years ago has now been overtaken by the digital era and hence the near collapse of the company".

The study also wanted to establish how technology has influenced the performance of the company. The interviewees noted that the shift from analogue to digital photography has impacted negatively on the company's performance. This is because the use of analogue films has discontinued as everyone is looking to use digital electronics. This led to the drop in sales and hence the profits as noted by one of the respondents. One interviewee stated "revenue on printing products which include printing papers and chemicals has declined by 20% since most customers do not have to print all the images that they take. They have resulted to sharing them on Face book and Instagram." This clearly shows that technology has played a major part in the decline of the company's performance. The interviewees also attributed the decline in the company's performance to the dynamic nature of technology rather than the market entry strategies used to enter the Kenyan market.

The interviewees were asked to give the major challenges faced by the company. The main challenge that was noted by all respondents is the changing technology. They stated that the shift from analogue to digital printing has greatly influenced the sales of printing papers, chemicals and cameras. This has also been contributed to by the entry of smart phones that have cameras that are able to capture clear and good quality photos hence eliminating the need for cameras. The other challenge noted was the diminishing need for printed photographs. Many people prefer to store their photographs in soft copy and hence do not see the need for printed copies. This has also led to the decline of sales in printing papers and chemicals.

Another major challenge noted was the competition in the market. One respondent noted that there is an influx of cheaper photography products coming from China and Japan. The respondent stated "open border trade has resulted to dealers importing products and not paying all levies hence resulting to cheaper products". This has led to competition and thus

reduced the market share of Kodak products in the market. Another challenge observed is the need for devices that can perform multiple tasks at a time. This has led to the decline of camera sales due to the introduction of digital devices like tablets that act as cameras, phone and storage devices.

The respondents were asked to state the strategies that the company has put in place in order to counter the challenges faced. The study found that the company has changed the business model to distribution rather than having Kodak labs and own offices in various countries including Kenya. They have also invested in the digital market heavily by using value addition strategies to penetrate the market. This includes hampering the cameras with all accessories including memory cards and cases to attract a bigger market. It was also noted that they have installed digital kiosks in various shopping malls where customers can conveniently print their photos at a lower cost.

They have also introduced cameras that range from professional use to basic photography in order to cater for a wider market. The study also found out that the company is trying to introduce cheaper and quality products in order to curb competition from cheaper imported products. They are also introducing new innovative products like digital frames and portable kiosks that have not been done by any other company in the market hence creating a niche market for their new products.

The respondents were requested to state the future of the company in the photography industry in Kenya. The study found that the company is concentrating on the diversification of their services and products to include digital capturing, digital displays, storage and digital sharing platforms that will help to keep the company at par with the dynamic technology. The study also established that the company is looking to partner with other company's providing cheaper products so that they can be able to meet the needs of all consumers at all levels.

CHAPTER FIVE

SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

5.1 Introduction

The following discussions, conclusions and recommendations were made from the analysis and data collected. The responses were based on the objective of the study where the researcher sought to determine the market entry strategies adopted by Eastman Kodak Limited in the Kenyan market.

5.2 Summary of Findings

The main objective of the study was to find out the strategies that Eastman Kodak limited used to enter the Kenyan market. From the responses it is evident that the company's initial market entry strategies enabled them to establish a market in the photography industry in Kenya by mainly signing up dealers and opening outlets that allowed them to gain a competitive advantage. The dealers that were signed were mainly used to penetrate the Kenyan market that enabled the company to set base in many places that were not accessible by the company on its own.

The study also established that the dealers were taken through training on the company's services and products and this helped them to maintain loyalty and the company's brand name and products. It was also established that the company was fully supported by the parent company and that motivated them to enter the Kenyan market and establish a clear cut market from the competitors. Eastman Kodak was also gaining a big market share since their products were different and innovative as compared to their competitors. This gave them an advantage and enabled the company to grow.

Several challenges face the company but the greatest challenge as the study found out was the dynamic nature of technology which is the main backbone of the company. The changes in technology have greatly influenced the growth of the photography industry and in particular Eastman Kodak. This has led to the decline in business and market share of the company. The study got to establish that the main cause of decline in the company's profits is not related to the entry strategies they used but due to the changes in technology.

Another major challenge as established by the study is competition from emerging products from the East. The cheaper products have caused their market share to go down by a big percent and this is also not related to the strategies used by the company. The study also found out that East Man Kodak has set up new strategies to allow them deal with the various challenges facing them. This includes having new and innovative products that are multipurpose and that will attract a bigger market.

5.3 Conclusions

Following the study findings, it was possible to conclude that Eastman Kodak used various entry strategies to gain access to the Kenyan market and in order to increase its customer base and market share. The market entry strategies include signing dealers, establishing labs, giving incentives to maintain the clients and also establishing new and innovative products. It was also possible to conclude that the main challenges causing the decline in the company's profit margins are the changes in technology and also influx of cheaper goods from the East and competition from other companies in the photography industry.

Another challenge established from the study is the need by the clients to get devices that can perform multiple tasks at a time hence the cameras are being phased out and this has led to the decline in camera sales. Another possible conclusion that was drawn from the study is

that the company has put in place measures to curb the challenges and regain its market share by establishing a competitive edge among the competitors. Eastman Kodak has also established distribution channels that will enable them to reach more clients as compared to the previous methods of signing dealership with possible clients.

5.4 Limitations of the Study

The study findings accuracy was limited to the extent which the respondents were honest in responding to the questions. Given the sensitive nature of the data collected, there was a high possibility that the respondents did not reveal detailed information regarding the company despite the fact that the researcher assured the respondents that the information would be used for academic purposes only. In addition the respondents were also hard to access owing to the fact that they are all heads of departments and hence very busy to offer enough time to carry out a detailed interview.

In addition, the findings may not be generalized to all photographic firms since they all use different strategies and are faced by different challenges. From the current conclusions it is therefore difficult for the study to give concrete standpoint that all photographic industries use similar market entry strategies to gain access to the Kenyan market.

5.5 Recommendations for Further Research

From the above findings, the study further recommends that an in-depth study should be carried out to determine the major challenges faced by the company leading to the decline in their profit margins. This study specifically focused on the market entry strategies adopted by Eastman Kodak to gain access to the Kenyan market and hence a study should be conducted to establish the entry strategies used by their competitors in the photography industry in the Kenyan market

It may not be possible to generalize the findings of a case study hence the recommendation for more research to be done on the photography industry as a whole and the challenges they face and also the strategies they have put in place to address the challenges.

REFERENCES

- Albaum, G., Strandkov, J., Duerr, E., and Dowd, L. (1994). *International Marketing and Export Management*. Cambridge: Addison Wesley Publishing Company
- Anderson, T., Arvidsson, N., and Stevenson, R., (1992). *Reconsidering the Choice between Take-Over and Greenfield Investment*, Stockholm: IUI
- Astor, W. (1992). *Huge Pioneer-Kodak Project Marks Progress*, Rochester Business Journal, September 25, .Bounds, Wendy, George Fisher Pushes
- Balber, C. (2005). *Unfair Competition: Big Business Succeeds In Gutting California's Landmark Consumer Protection Law*, Multinational Monitor, 26, 18-21
- Bardouille, N.C. (2005). *Globalization and the WTO: Reconciling 'Development' in Global Trade talks*, *Journal of Eastern Caribbean Studies*, 30(1):108-20
- Bartley, D.L. & Minor, M.S. (1994). *Why Would a Company Want to Enter a Joint Venture in the Former Soviet Union or Eastern Europe*, *Journal of Product and Brand Management*, 3 (2), 28-36
- Bartlett, C. A., & Ghoshal, S. (2002). *Managing Across Borders: The Transnational Solution*. Boston: Harvard Business School
- Blomstermo, A., & Sharma, D. D. (2003). *Learning in the Internationalization Process of Firms*. Cheltenham [U.A.: Elgar.
- Becker, G.S. (2003). *When Globalization Suffers, the Poor take the Heat*, Business Week, April No.3829
- Bhagwati, J. (2002). *Coping with Anti globalization: a Trilogy of Discontents*, Foreign Affairs, 81:(1), 2-7
- Bradley F. (1995). *International Marketing Strategy*, 2nd Edition. Hertfordshire: Prentice Hall International

- Brassington, F. & Pettitt, S. (2000). *Principles of marketing 2nd Edition*. Harlow: Pearson Education Limited. Eriksson, L.T. & Wiedersheim
- Broda, C., Weinstein, D. (2005). Are we Underestimating the Gains from Globalization for the United States, *Current Issues in Economics and Finance*, 11(4):, 1-7
- Bond, D. & Tykkylainen, M. (1996). Northwestern Russia: A Case Study in Pocket Development, *European Business Review*, 96 : (5), 54-60
- Buckley, P.J. (1988). Foreign Investment: The Motives, in Brooke, Michael Z/Peter. J., Buckley, *Handbook of International Trade*. Macmillan: London, pp. 203-212
- Cateora, P. & Graham, J. (2002). *International Marketing*. NY, McGraw-Hill
- Cavusgil, S. T., & Knight, G. A. (2009). *Born Global Firms: A new International Enterprise*. New York, N.Y.] (222 East 46th Street), New York, NY 10017: Business Expert Press
- Cooper, D.R and Schindler, P.S (2006). “*Business Research Methods*”, 9th Edition. McGraw-Hill Publishing, Co. Ltd. New Delhi-India.
- Darker at Kodak,' Fortune, (1999). Weber, Jonathan, *Top High-Tech Firms Team Up on 'Multimedia'*, Los Angeles Times, October 7
- Doole, I. & Lowe, R. (2001). *International Marketing Strategy*. London, Thomson.
- Dunning, J.H., (1998). Location and the Multinational Enterprise. A Neglected Factor, *Journal of International Business Studies*, 29(1): 45-66
- Farhang, M. (1990). *Managing People in The New Economy* : Targeted HR practices that persuade people to unlock their knowledge power. New Delhi; Thousand Oaks, Calif ; Response books.

- Filippov, A. & Iljashenka, J. (2000). *Foreign Market Entry Study of a Swedish Firm Entering the Russian Market*. Luleå University of Technology, Lulea
- Foley, J. (1999), *The Global Entrepreneur: taking your business international* Age, Dearborn
- Ghauri, P.N. & Holstius, K. (1996). The Role of Marketing in the Foreign Market Entry Process in the Baltic States. *European Journal of Marketing*, 30, 2, 75-88
- Grahn, M and Khoshnam, M.(199).*International Market Entry Strategy of Small and Medium Sized Firms: Case Study of Five Swedish SME's* Lulea, University of Technology
- Gronroos, C. (1999). Internationalization Strategies for Services. *Journal of Services Marketing*, 13, 4/5, 290-297
- Gilbert, B. A., McDougall, P. P., & Audretsch, D. B. 2006.New venture growth: A review and extension. *Journal of Management*, 32(6): 926–950
- Herrmann, P. and Datta, D.K. (2002), CEO successor characteristics and the choice of foreign market entry mode: an empirical study. *Journal of International Business Studies* 33, 551-570
- Hitt, A. (2009).*Strategic Management Competitiveness and Globalization*, Nelson Education Ltd
- Hollensen, S. (1998), *Global Marketing: A Market-Responsive Approach*. London, Prentice Hall.
- Jeannet, J. P. & Hennessey, D. (2004).*Global Marketing Strategies*. Boston, Houghton Mifflin

- Johanson, J. & J-E Vahlne (1977). The Internationalization Process of the Firm: A Model of Knowledge Development and Increasing Foreign Market Commitment, *Journal of International Business Studies*, Vol. 8 No. 1, pp. 23
- Johansson, J. (1997), *Global Marketing: Foreign Entry, Local Marketing, and Global Management*. Chicago, Irwin
- John, A., Quelch and James, E. Austin. (2009). *Should Multinationals Invest in Africa*. April 15
- Karim, S. Michelle, W. (2000), Path Dependent and Path breaking Change: Reconfiguring business sources following acquisitions in the US medical sector, *Strategic Management Journal*, 21:10-11
- Karagozoglu, N. & Lindell, M. (1998). Internationalization of Small & Medium-Sized Technology-Based Firms. *Journal of Small Business Management*. No. 215 January
- Keegan, W. & Schlegelmilch, B. (2001). *Global Marketing Management A European Perspective*. London, Prentice Hall
- Koch, J. (2001). Factors Influencing Market and Entry Mode Selection: Developing the MEMS Model. *Marketing Intelligence & Planning*. 19/5, 351-361
- Kombo, K.D., & Tromp, A.L.D. (2006). *Thesis writing: An Introduction*. Nairobi, Pauline's Publications.
- Kotabe, M. & Helsen, K. (2001). *Global marketing Management*. NY, John Wiley and Sons
- Kothari, C. R. (1990), *Research Methodology: Methods and Techniques*. New Delhi. New Age International Publishers.
- Lambin, J. J. (2007). *Foreign Market Entry Strategies*. Palgrave Macmillan

- Luo, Y. (2003), Market-seeking MNEs in an emerging market: how parent--subsidiary links shape overseas success. *Journal of International Business Studies* 34, 290-310
- Malhotra, N. K., Agarwal, J. & Ulgado, F. M. (2003), Internationalization and entry modes: A multi theoretical framework and research propositions. *Journal of International Marketing*, 11(4):1-31
- Mark, and Lesly, E. (1993).Getting the Picture: *Kodak Finally Heeds the Shareholders*, Business Week, 1, 24-26
- Mutwiri. M (2007). Strategic Marketing Response of Multinational in Kenya: A case study of Eastman Kodak Company, *unpublished MBA project*, University of Nairobi
- Ndwiga, C.(2012). Foreign market entry strategies used by British multinational corporations in Kenya, *Unpublished MBA Project*, University of Nairobi
- Ngendo, G.(2012). Entry strategies used by multinational auditing firms in Kenya, *Unpublished MBA Project*, University of Nairobi
- Rainey, A.E, (2008). Internationalization of Services: the Service Exporting Decision. *Journal of Services Marketing*, 12, (4), 294-311
- Safaricom (2012). History and evolution of photography. Available at <http://www.safaricom.co.ke/michaeljosephcentre/html/ev-photo.html>
- Terpstra, V. and Sarathy, R. (1997). *International Marketing*. Florida, The Dryden Press

APPENDICES

Appendix 1: Cover Letter

Department of Business Administration

University of Nairobi

P.O Box 30197

Nairobi.

Dear respondent,

I am a post graduate student at the University of Nairobi pursuing a course in Master's of Business Administration (MBA), specializing in International Business. In partial fulfillment of the course requirements I am doing a research project on the **“Entry strategies adopted by Eastman Kodak LTD in Kenya”**

I am conducting an interview based on my topic in your company. The interview is purely for academic research purposes and will be treated with utmost confidentiality. A copy of the research project will be availed to you upon request on completion.

Your cooperation is highly valued and appreciated.

Thank you,

Yours faithfully,

Esther W. Kimani

Appendix 2: Interview Guide

Section A: Background details

1. Department

.....

2. Designation

.....

3. How long have you worked at Kodak?

.....

4. What decisions are you involved in?

i. Strategic

ii. Middle

iii. Operational

5. What are the major services offered by Eastman Kodak Limited in Kenya?

.....
.....
.....

Section B: Company profile

6. How long has your company been operational in Kenya?

.....

.....

.....

7. What market entry strategies did Kodak use to establish its presence in the Kenyan market?

.....

.....

.....

i. Why did the company use the strategies named above?

.....

.....

.....

8. What factors motivated the company management to use the strategies mentioned above?

.....

.....

.....

9. What is the current performance of the company compared to the previous 10 years?

.....

.....

.....

10. In what ways has technology influenced performance of the company?

.....

.....

.....

11. Would you attribute the company's performance to changing technology or the entry strategies used?

.....

.....

.....

12. What are the major challenges faced by Kodak in Kenya?

.....

.....

.....S

13. What strategies have the company put in place to counter the challenges faced?

.....

.....

.....

14. What is the future of the company in the photographic industry in Kenya?

.....

.....

.....