COMPETITIVE STRATEGIES ADOPTED BY INSURANCE COMPANIES IN KENYA

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DECLARATION

I certify that this research project is my original work and has not been presented for a degree in any other university

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The research project has been submitted for examination with my approval as the university supervisor

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DEDICATION

This research project is dedicated to my wonderful parents Mr. and Mrs. Muriira whose love and support have seen me through my academic journey

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ABBREVIATIONS AND ACRONYMS

AKI	ASSOCIATION OK KENYA INSURERS
IRA	INSURANCE REGULATORY AUTHORITY
SPSS	STATISTICAL PACKAGE FOR SOCIAL SCIENCES

ABSTRACT

With the increasing level and pace of innovation and competition, market leaders have to create a competitive advantage that enables them to drive and retain superior financial performance within the industry they operate in. The insurance industry in Kenya has been in existence for decades. However to this day, the industry struggles with poor permeation levels of insurance products. This study focused on competitive strategies adopted by insurance companies to remain successful in an industry with low penetration. The objective of the study was to determine the different competitive strategies that insurance firms have adopted to remain profitable and successful. The study adopted a census survey design with the population being all the registered insurance companies. Data was collected through questionnaires and analyzed. The results indicated that majority of the firms used focus or niche and market penetration strategies to create and sustain competitive advantage. They also indicated that all players depend on their quality of service and brand loyalty as their main sources of competitive advantage. Recommendations were made that the firms should look into their managerial policies and practices to ensure they stand out among other key players in the industry. Further studies can be carried out to determine how firms can adopt and use the strategies that are not widely used in the industry to their advantage. The study can also be extended to other industries to see if the same strategies are used across other industries.

CHAPTER ONE

INTRODUCTION

1.1. Background of the Study

Creating a sustainable competitive advantage may be the most important goal of any organization and may be the most important single attribute on which each firm must place its most focus. This entails developing successful competitive strategies that focus on assessing unique strengths, identifying growth opportunities, collecting competitive intelligence, and responding to competitive threats. It will effectively support a company's top-line growth objectives by helping a company develop a differentiated and sustainable competitive position. The demands and needs of the environment are also constantly evolving and management is more concerned with adjusting the company according to the needs and demands of the environment. The strongest competitive force or forces determine the profitability of an industry and so are of the greatest importance in strategy formulation, different forces take on prominence in shaping competition in each industry. Sustainable competitive advantage is born out of core competencies that yield long-term benefit to the company. Competitive strategy comprises of all those moves and approaches that a firm has and is taking to attract buyers, withstand competitive pressure and improve its market position (Thompson & Strickland, 2002).

The fundamental basis of above average profitability of a firm in the long run is sustainable competitive advantage brought about by the competitive strategies adopted by the firm. Porter (1985) defined competitive strategies as the search for a favorable competitive position in an industry, the fundamental arena in which competition occurs.

It aims to establish a profitable and sustainable position against the forces that determine industry competition. He asserts that there are three approaches to competitive strategy. One is striving to be the overall low cost producer; another is seeking to differentiate one's product offerings from that of one's rivals, while a third involves focus on a narrow portion of the market. A firm also needs to focus on determining its core capabilities that can become a source of competitive advantage and how resources can be developed, deployed and protected by the firm in order to make this advantage sustainable (Teece, Pisano &Shuen, 1997). Dynamic capabilities highlight how firms adapt to the ever changing environmental dynamics by modifying their resources and capabilities that have a direct effect on the firm's performance and competitive advantage. Further, a company's ability to succeed in the market place hinges to a considerable extent on the competitive power of its resources, the set of competencies, capabilities and competitive assets at its command (Thompson, 2008).

During the last few years, the insurance industry has undergone a series of changes through financial reforms, advancement of communication and information technologies, globalization of financial services and economic development. Those changes have had a considerable effect on efficiency, productivity change, market structure and performance in the insurance industry. Low insurance penetration is one of the challenges hindering the development of the insurance industry in terms of market share, product diversification among other measures. In Kenya, insurance growth was 2.84% in year 2009 compared to 2.63% in previous year while South Africa whose growth was 12.9% with a population of 44 million (AKI 2009). According to National financial access survey (2009) only 6.8% of Kenya population has purchased insurance cover with an overwhelming 91% never having embraced insurance cover. In regard to the above concept insurance firms have to formulate competitive strategies for each to have credible market share. The level of market penetration in Kenya demonstrates that there are numerous market opportunities for insurance firms and thus ways to permeate the market must be identified in order to increase growth and profitability for firms through increased uptake of insurance as well as improve the lives of people by cushioning them from the impact of various risks in today's ever changing environment.

1.1.1. Concept of Competitive Strategy

Competition is at the core of the success or failure of firms and it determines the appropriateness of firm's activities that can contribute to its performance. Porter (1985) defined competitive strategies as the search for a favorable competitive position in an industry, the fundamental arena in which competition occurs. It aims to establish a profitable and sustainable position against the forces that determine industry competition. According to Thompson et al. (2008) the main objective of competitive strategy is to knock the socks off rivals companies by doing a better job of satisfying buyer needs and preferences. By adopting a winning strategy a firm is able to gain competitive advantage which grows fundamentally out of value a firm is able to create for its customers that exceed the firms cost of creating it.

Strategy is the direction and scope of an organization over the long term, which achieves advantage for the organization through its configuration of resources within a challenging environment; to meet the needs of markets while at the same time fulfill stakeholder expectations. According to Porter (1980), a company's strategy consists of the competitive moves and business approaches that are employed to grow the business and achieve the targeted levels of organizational performance. It is the creation of a unique and valuable position, involving a different set of activities. It also involves creating “fit” among a company’s activities and its external and internal situation. Industries respond to customers demand by becoming innovative in approaching the changed environment, they adopt strategies to improve customer services (Aosa 1992).

In the choice of competitive strategy Porter (1985) argues that two key factors have to be considered. The first is the attractiveness of industries for long term profitability and the factors that determine it and the second is the determinant of relative competitive position within an industry. Porter (1985) continues to argue that neither question is sufficient by itself to guide the choice of competitive strategy. Both industry attractiveness and competitive position can be shaped by a firm and this is what makes the choice of competitive strategy both challenging and exciting. While industry attractiveness is partly a reflection of factors over which a firm has little influence, competitive strategy has considerable power to make an industry more or less attractive. According to Johnson, Scholes & Whittington (2008) competitive strategy is the basis on which a business unit might achieve a competitive advantage in its market. At the same time a firm can clearly improve or erode its position within an industry through its choice of strategy. Competitive strategy then not only responds to environment but also attempts to shape that environment in a firm’s favor.

1.1.2. Insurance industry in Kenya

The main players in the Kenyan insurance industry are insurance companies, reinsurance companies, intermediaries such as insurance brokers and insurance agents, risk managers or loss adjusters and other service providers (Insurance Regulatory Authority, 2010). The statute regulating the industry is the insurance Act; Laws of Kenya, Chapter 487. The office of the commissioner of insurance was established under its provisions to strengthen the government regulation under the Ministry of Finance.

Insurance business can broadly be classified into general and life or long term. Despite this classification, the different classes of insurance businesses can be viewed as lines of business along the profit centre concept. According to the Kenya Insurance Survey (2004), the following lines of business drive the General insurance industry business in Kenya: Motor- Commercial, motor-private, fire-domestic, aviation, Fire- Industrial and Engineering, theft, workmen's compensation, Motor- Private and Personal Accident, engineering liability, marine, and miscellaneous. The life insurance industry is mainly driven by the following lines of business: Ordinary Life and Superannuation, which includes Group Life Insurance and Deposit Administration i.e. industrial life and bond investment (Kenya Insurance survey, 2004).

Low insurance penetration is one of the major challenges facing the insurance industry development in terms of market share, product diversification among other measures. Competition for market share by many players has led to price wars with some insurers charging unsustainable premiums. This has compromised service delivery as the insurers are not able to fund infrastructure for efficient delivery of services and claims settlement.

Attempts by the government to push the insurers to merge by increasing the minimum capital requirements have not borne fruit. This is an indication that Kenyan insurers were content fighting for the small customer base as investment incomes consistently mask the losses racked up in the underwriting side of business. The battle for premiums in search for growth in the crowded market is egging some executives to warn of losses given that the bulk of the players are using pricing as an arsenal for market share growth but it remains to be seen how profitable those growth strategies are at an underwriting or overall level (Mbogo, 2010)

1.2. The Research Problem

According to Porter (1980), competitive strategies provide a unique niche to the organization that assures the success and hence profitability in its operations. This concept is universal and does not exclude many organizations. It is through these strategies that a firm is able to focus scarce resources towards beneficial activities of the firm. Also, the same platform enables the mastering of the competitor in an effort to surpassing them. Firms respond to competition in different ways. Some may opt to move into product improvement, some into divestiture and diversification, while others enter into new markets and others merge or buy out competitors. Porter (1980) postulates that, the essence of strategy formulation is coping with competition.

The licensed insurance companies compete for a limited market characterized by low penetration. Kenyans' uptake of insurance cover, both at corporate and personal level, remains predominantly in the motor, fire industrial and personal accident (mainly group medical cover) classes. This illustrates a poor attitude towards personal insurance cover in general (Mbogo, 2010). In 2012, 47 insurance firms shared a net profit of Sh7.7 billion, which is less than the Sh10.5 billion Barclays Bank profit after tax posted in the year 2012(Barclays Bank, 2012). This has reignited the debate on need for consolidation with analysts arguing that the crowded field has paved way for unprofitable rate wars with the smaller players emerging key losers.

Research carried out internationally include; Chileshe (2009) did a study on the viability of electronic commerce in the insurance industry in Zambia, Ejide & Tsowa, (2010) also did another study on ethical issues: a problem in Nigerian insurance companies; Kedar (2010) did a study on the insurance market in Nepal; Farhadi (2009) did a study on improving profitability model in insurance industry, considering inflation: the case study of automobile insurance in Iran. Locally, studies that have been done include: Koima (2003) did a study on the challenges in the regulation of the insurance industry in Kenya, Kamanda, (2006) also did another study on Insurance firms with the objective of determining the factors that influence its regional growth strategy, Ouma (2007) did a study on the relationship between value chain and competitive advantage in the insurance industry in Kenya; Kitua (2009) investigated on the internet as a source of competitive advantage for insurance firms in Kenya; Kiragu, (2014) Assessment of challenges facing insurance companies in building competitive advantage in Kenya.

This study seeks to fill the research gap by investigating and determining; what is the state of competition for insurance companies in Kenya? And what are the competitive strategies adopted by insurance companies in Kenya?

1.3. Research Objective

The objective of this study is to establish the competitive strategies adopted by Insurance companies in Kenya.

1.4. Value of the Study

The study is useful to other researchers and scholars in theory building and also value addition to the existing knowledge by contributing to already existing theories and provide a new platform for those who will require carrying out a study on this area.

This research seeks to bridge the current gap that exists in the body of knowledge. It has helped highlight the various competitive strategies adopted within the insurance industry and the competitive advantages gained from these strategies. The study has recorded competitive strategies as are currently in place and hence the study can be used as a foundation for more indebt study of the industry.

Furthermore, the research is a useful source of reference for scholars and researchers who might be interested in carrying out further research based on the findings of the current study. The research seeks to act as a stimulus for further research in this area of study. Scholars in other disciplines of business management will use the literature from this research in theory building in their areas of specialty.

The study can educate managers on survival strategies in the face of an ever-changing environment, which is not always in their favor and will also help managers in identifying what in the external and internal environment affects their organizations and the possible responses to be adopted to enable maintain their competitive edge.

CHAPTER TWO
LITERATURE REVIEW

2.1. Introduction

This chapter presents a review of literature previously carried out on competitive strategies; it covers the theoretical foundation, the types of competitive strategies, challenges in applying the competitive strategies and the models of competitive strategies

2.2. Theoretical Foundation

This study is anchored on two theories; the generic strategies theory by Michael porter and the dynamic capabilities theory

2.2.1 Porters Theory of Competitive Advantage

Generic strategies were first presented in two books by Professor Michael Porter. Porter (1980, 1985) suggested that some of the most basic choices faced by companies are essentially the scope of the markets that the company would serve and how the company would compete in the selected markets. Competitive strategies focus on ways in which a company can achieve the most advantageous position that it possibly can in its industry.

Competitive advantage grows out of value a firm is able to create for its buyers that exceeds the firm's cost of creating it. Value is what buyers are willing to pay, and superior value stems from offering lower prices than competitors for equivalent benefits or providing unique benefits that more than offset a higher price. The generic competitive strategies form a business tool which helps strategists understand how the position of a company within its industry can be directly related to the strategy it employs. The strategy employed can be analyzed to understand where a company's competitive advantage lies, with a view to maintaining it. In developing and maintaining their competitive advantage, companies have the option to adopt one of the three generic strategies namely cost leadership, differentiation or focus.

A firm's relative position within an industry is given by its choice of competitive advantage and its choice of competitive scope. Competitive scope distinguishes between firms targeting broad industry segments and firms focusing on a narrow segment. Generic strategies are useful because they characterize strategic positions at the simplest and broadest level. Porter (1980) maintains that achieving competitive advantage requires a firm to make a choice about the type and scope of its competitive advantage.

2.2.2 Dynamic Capabilities Theory

The theory was originated by David Teece, to explain how companies fulfill two seemingly contradictory imperatives. The dynamic capability perspective extends the resource-based view argument by addressing how valuable, rare, difficult to imitate and imperfectly substitutable resources can be created and how the current stock of valuable resources can be refreshed in changing environments. Dynamic capabilities refer to the firm’s ability to integrate, build and reconfigure internal and external competencies to address rapidly changing environments (Teece, Pisano, & Shuen, 1997).

The demands and needs of the environment are constantly evolving and management is more concerned with adjusting the company according to the needs and demands of the environment. Sustainable competitive advantage is born out of core competencies that yield long-term benefit to the company. Teece et al, (1997) argue that the dynamic capabilities theory extends this to cater for the need for firms to remain flexible to the changing needs of the competitive environment by having capabilities that are dynamic. The term 'dynamic' therefore is used to refer to the capacity to renew competences so as to achieve congruence with the changing business environment. On the other hand, the term 'capabilities' emphasizes the key role of strategic management in appropriately adapting, integrating, and reconfiguring internal and external organizational skills, resources, and functional competences to match the requirements of a changing environment.

Dynamic capabilities will assist in highlighting the need for companies to focus on investing in internal resources such as systems, assets, processes, knowledge, and technology that position it ahead of the competition resulting in lower production costs or superior level of quality in their products.

2.3. Types of Competitive Strategies

Without a well-defined strategy, organizations will be driven by current operational issues rather than by a planned future vision (Porter, 1980).Achieving competitive advantage and increased market share in a competitive environment is rather complex in several aspects as businesses would need to operate with distinguished principles and characteristics in order to continually adapt to change. Porter (1985) asserts there are three basic business strategies that include differentiation, cost leadership and focus and that a company performs best by choosing one strategy on which to concentrate.

Ansoff (1957) on the other hand suggests that a business' attempts to grow depend on whether it markets new or existing products in new or existing markets. Ansoff's matrix suggests four alternative marketing strategies which hinge on whether products are new or existing. They include market penetration, product development, market development and diversification.

Cost leadership is a business strategy that allows a company to become the lowest cost producer within an industry. The use of this strategy is primarily to gain advantage over competitors by reducing operation costs below that of others in the same industry. Sources of cost advantage are varied and depend on the structure of the industry. They may include the pursuit of economies of scale, proprietary technology, preferential access to raw materials and other factors.

Differentiation strategy is an approach under which a firm aims to develop and market unique products for different customer segments especially where a firm has clear competitive advantages. A differentiation strategy is appropriate where the target customer segment is not price-sensitive, the market is competitive or saturated, customers have very specific needs which are possibly under-served, and the firm has unique resources and capabilities which enable it to satisfy these needs in ways that are difficult to copy. Differentiation drives profitability when the added price of the product outweighs the added expense to acquire the product or service but is ineffective when its uniqueness is easily replicated by its competitors.

In a differentiation strategy a firm seeks to be unique in its industry along some dimensions that are widely valued by buyers. It selects one or more attributes that many buyers in an industry perceive as important, and uniquely positions itself to meet those needs.

Focus or niche strategy involves segmenting markets and appealing to only one or a few groups of customers or industry buyers. It is a marketing strategy in which a company concentrates its resources on entering or expanding in a narrow market or industry segment. Focus strategy identifies the market segments where the company can compete effectively. The strategy matches market characteristics with the company's competitive advantages to select markets where a focus of the company's resources is likely to lead to desired sales volumes, revenues and profits. The premise is that the needs of the group can be better serviced by focusing entirely on it and this enables the firm enjoy customer loyalty.

Market penetration is a strategy that a company uses to penetrate a market in which current or similar products already exist. This can be achieved through price adjustments, increased promotion, increased distribution channels or improvements in the products being offered. It involves additional marketing or more assertive sales efforts to penetrate more deeply into an existing customer base. Increased market share is a common marketing objective of companies using this strategy.

Market development is a business strategy whereby a business attempts to find new groups of buyers as potential customers for its existing products and services. Market development strategy entails expanding the potential market through new users or new uses. These potential customer groups may already be served by competitors or may not be currently marketed by anyone for the product. Market development is a process the goal of which is to increase sales by expanding into untapped markets.

Product development is a strategy that involves designing, creating and marketing new products or services to benefit customers. Product development involves either improving an existing product or its presentation, or developing a new product to target a particular market segment or segments. Consistent product development is a necessity for companies striving to keep up with changes and trends in the marketplace to ensure their future profitability and success. A competitive product development strategy should include a company-wide commitment to creating items that fulfill particular consumer needs or characteristics.

Diversification is a corporate strategy to enter into a new market or industry which the business is not currently in, whilst also creating a new product for that new market. Diversification strategies involve widening an organization’s scope across different products and market sectors. It is associated with higher risks as it requires an organization to take on new experience and knowledge outside its existing markets and products. The strategies of diversification can include internal development of new products or markets, acquisition of a firm, alliance with a complementary company, licensing of new technologies, and distributing or importing a products line manufactured by another firm.

2.4. Challenges in Implementing Competitive Strategies

In the current turbulent economic times, firms in Kenya operate under increasing competitive and ever-changing environment. This puts them under pressure to continually review their strategic plans or formulate new ones to suit the existing trends. Further, without proper strategy implementation, even the most superior strategy is useless. According to Aosa (1992), once strategies have been developed, they need to be implemented; they are of no value unless they are effectively translated into action. This is necessary if such organizations are to remain competitive and relevant to current market trends.

Organizational structure poses a great deal of challenges in strategy implementation. According to chandler (1962) Structure follows strategy. Organizations follow a pattern of development from one kind of structural arrangement to another as they expand. According to Chandler, these structural changes occur because the old structure, having been pushed too far, has caused inefficiencies that have become too detrimental to bear. Noble (1999) sees a proper strategy-structure alignment as a necessary precursor to the successful implementation of new business strategies. He points out that changes in the competitive environment require adjustments to the organizational structure. If a firm lags in making this realignment, it may exhibit poor performance and be at a serious competitive disadvantage. Organizations should be structured in such a way that it can respond to pressure from the environment and pursue any appropriate opportunities which are spotted. Structure according to Thompson (1997) is the means by which the organization seeks to achieve its strategic objectives and implement strategic changes.

Another challenge to implementation of strategy is management and leadership. In a competitively chaotic environment, one essential contribution of a strategic leader is to provide and share a clear vision, direction, and purpose for the organization (Thompson, 1997). The right managers must also be in the right position for effective implementation of a new strategy. Without these, it becomes an uphill task turning strategy into action.
Motivating and rewarding good performance for individuals and units are key success factors in effective strategy implementation. Organizational rewards are powerful incentives for improving employees and work group performance (Cummings & Worley, 2005). Effective strategy implementation depends on competent personnel and effective internal organizational systems (Thompson et al, 2007).Without a smart, capable result oriented management team, the implementation process ends up being hampered by missed deadlines, misdirected or wasteful efforts.

Lack of clear goals and objectives can negatively influence strategy implementation. Goal setting involves managers and subordinates jointly establishing and clarifying employee goals. Participation in goal setting is seen as legitimate, resulting in the desired commitment to the implementation of strategy (Cummings & Worley, 2005). The process of specifying and clarifying goals can be difficult if the business strategy is unclear, hence under such conditions, attempting to gain consensus on the measurement and importance of goals can lead to frustration and resistance to change (Grundy, 1998).

The strategy – culture relationship is a critical issue in strategy implementation. As implementing new strategies is concerned with making adjustments in the organizational resources, culture may be a major help or hindrance to its success. Implementation of new strategy will be concerned with adjustments in the structure, employees, systems and style of doing things in order to accommodate the perceived needs of the strategy (Pearce & Robinson, 2007).

Culture involves the learning and transmitting of knowledge, beliefs and patterns of behavior over time and this means organizational culture is fairly stable and does not change fast. It sets the tone for the company and establishes rules on how people should behave. Changing a firm's culture to fit new strategy is usually more effective than changing a strategy to fit existing culture (David, 1997).

Strategy implementation challenges are also found in sources external to the organization. The challenges will emanate due to the changes in the macro-environment context, namely Economic, Political, legal, social, technological and environmental. In the rapidly changing social environment of the highly interdependent world, businesses feel great pressure to respond to the expectations of society more effectively. Therefore, any changes in social values, behaviors and altitudes regarding childbearing, marriage, lifestyle, work, ethics, sex roles, racial equality, and social responsibilities among others will have effects on firms' development (Pearce and Robinson, 2003).

2.5. Models of Competitive Strategies

A strategy model constitutes a strategic plan, or model designed to improve a process. Organizations use strategy models to improve operations and meet their goals. The development of such a model requires identifying the key goals of an organization, identifying the key components or steps of the process and creating ways of maximizing the process for optimal output and the achievement of the stated goals. This study focuses on Michael porter five forces model and the Ansoff growth matrix.

2.5.1 Michael Porter Generic Strategies Model

Competitive advantage is the ability of an organization to add more value for its customers than its rivals and therefore attain a position of relative advantage. By adopting winning competitive strategies, a firm is able to gain an edge over its rivals within the industry it is operating in. porter argues that competitive strategy means taking offensive or defensive actions to create a defendable position in an industry, to cope with the competitive forces and thereby yield a superior return for the firm. He identified three generic strategies that can be adopted by a firm to achieve competitive advantage that include; cost leadership, differentiation and the focus strategy. They are referred to as generic strategies because they are not specific to a firm or an industry.

In cost leadership, a firm sets out to become the low cost producer in its industry. The sources of cost advantage are varied and depend on the structure of the industry. They may include the pursuit of economies of scale, proprietary technology, preferential access to raw materials and other factors. A low cost producer must find and exploit all sources of cost advantage. If a firm can achieve and sustain overall cost leadership, then it will be an above average performer in its industry, provided it can command prices at or near the industry average. Low costs allow firms to sell relatively standardized products that offer features acceptable to many customers at the lowest competitive price and such low prices will gain competitive advantage thus increasing market share. Whether a cost leadership strategy is sustainable depends on the ability of another competitor to match or develop a cost base than is lower than the cost leader.

Differentiation strategy is related with the development of a product or service that offers unique attributes that are valued by customers and that are perceived to be better and offer more value than those of other competitors. The value added by the uniqueness of the product may allow the firm to charge a premium for it. This price is expected to cover all extra costs incurred in adding the unique features. In a differentiation strategy a firm seeks to be unique in its industry along some dimensions that are widely valued by buyers. It selects one or more attributes that many buyers in an industry perceive as important, and uniquely positions itself to meet those needs. Differentiation recognizes that customers are too numerous and widely scattered, with heterogeneous needs and adequate spending power, for them all to prefer the same product or service will move products from competing based primarily on price to competing on non-price factors, or promotional variables. If customers value a firm's offer, they will be less sensitive to aspects of competing offers; whereby price may not be one of these aspects.

Focus or niche strategy involves segmenting markets and appealing to only one or a few groups of customers or industry buyers. It is hoped that by focusing the marketing efforts on one or two narrow market segments and tailoring the marketing mix to these specialized markets, it is possible to better meet the needs of that target market. At the same time it aims to achieve either a cost advantage or differentiation. The generic strategy of focus rests on the choice of a narrow competitive scope within an industry. The firm selects a segment or group of segments in the industry and tailors its strategy to serving them to the exclusion of others. The premise is that the needs of the group can be better serviced by focusing entirely on it and this enables the firm enjoy customer loyalty.

2.5.2 Ansoff Growth Matrix

The Ansoff Growth matrix is a tool that helps businesses decide their product and market growth strategy. In this tool, Ansoff (1957) suggests that a business' attempts to grow depend on whether it markets new or existing products in new or existing markets. Ansoff's matrix suggests four alternative marketing strategies which hinge on whether products are new or existing. The output from the tool is a series of suggested growth strategies that set the direction for the business strategy. These strategies included; market penetration, market development, product development and diversification.

Market penetration involves increasing market share within existing market segments; this can be achieved by selling more products or services to established customers or by finding new customers within the existing markets. This strategy according to Ansoff (1957) seeks to achieve several objectives: Firstly, to maintain or increase the market share of current products. This can be achieved by a combination of competitive pricing strategies, advertising, sales promotion and perhaps more resources dedicated to personal selling. Secondly, it secures dominance of growth markets. This happens through restructure of a mature market by driving out competitors. Finally, market penetration increases usage and consumption by existing customers. Business owners can win business from competitors through competitive pricing, discounting, vouchers or other offers (Pearce & Robinson 2005).

Product development involves developing new products for existing markets. It involves thinking about how new products can meet customer needs more closely and outperform the products of competitors. This strategy may require the development of new competencies and requires the business to develop modified products which can appeal to existing markets (Ansoff, 1957). Also, as Ansoff (1980) puts it, this strategy may be appropriate if the firm's strengths are related to its specific customers rather than to the specific products itself. Needless to say, the company adopts this strategy if they have untapped resources and competencies.

Market development entails finding new markets for existing products. Market research and further segmentation of markets helps to identify new groups of customers. To emphasize on this, an established product in the marketplace can be targeted to a different customer segment, as a strategy to earn more revenue for the firm. There are many possible ways of approaching this strategy, including seeking new geographical markets; for example exporting the product to a new country.

Moreover, adopting new product dimensions or packaging coupled with new distribution channels will go hand in hand with this agenda. Also, the business can opt to choose different pricing policies to attract different customers or create new market segments (Ansoff, 1957).

Diversification strategy involves moving new products into new markets at the same time. The best way for a business to diversify is to develop new products that take advantage of the core competencies of the organization. This is where according to Ansoff (1957) we market completely new products to new customers. Often, this is aimed at reducing risks by venturing into new dimensions. Ansoff (1957) however cautions for a business to adopt a diversification strategy it must have a clear idea about what it expects to gain from the strategy and an honest assessment of the risks. Categorically, Ansoff (1957) splits this strategy in to related and unrelated diversification. He further he describes related diversification to mean that we remain in a market or industry with which we are familiar. Unrelated diversification on the other hand is where we have neither previous industry nor market experience.

CHAPTER THREE
RESEARCH METHODOLOGY

3.1. Introduction

In this chapter, the researcher described the procedure that was followed in conducting the research. It described the whole research process which includes research design, population of the study, as well as the instruments that were used in data collection and analysis.

3.2. Research Design

A research design constitutes the collection, measurement and analysis of data (Schindler, 2008). The study considered using descriptive research design. A descriptive study is undertaken in order to ascertain and be able to describe the characteristics of the variables of interest in a situation. The goal of descriptive study hence is to offer the researcher a profile or to describe relevant aspects of the phenomena of interest from an individual, organizational, industry oriented or other perspective, Kombo & Tromp, (2006).

In present study, the researcher obtained and described the views of the respondents with regard to competitive strategies adopted by insurance companies in Kenya. The focus of this study was on variables relating to the effect of existing competitiveness and their strategic responses to the forces. In descriptive research the research variable is examined, as it exists without investigator interference (Yin, 2008).

3.3. Population of the Study

Kothari (2005) defines population as a universal set of the study of all members of real or hypothetical set of people events or objects to which the researcher used to generalize the result. Mugenda and Mugenda (2003), defines target population as that population the study studies, and whose findings are used to generalize to the entire population. The purpose of the target population is to show the number of the larger group that the researcher intended to manipulate so as to get the required information.

The population for this study comprised the registered insurance companies in Kenya. According to the insurance regulatory authority there are 51 registered insurance companies as at June 2014. It is from these registered companies that the respondents were drawn. The researcher utilized a census survey where all the companies had one respondent.

3.4. Data Collection

This study used primary data as the source of information. The researcher collected this data through the use of questionnaires. The questionnaires were used because they helped to collect a large amount of data in a large area within a short time thus saving time on the study (Orodho & Kombo, 2002). The targeted respondents were corporate strategy managers, business development managers and marketing managers.

The researcher first got an authorization letter from the University of Nairobi. With the document, the researcher then booked appointments with the relevant employees of each of the companies that were to be followed by visits on the respective appointment dates. The questionnaires were then self-administered to the relevant respondent.

3.5. Data Analysis

According to Kothari (2005), data analysis procedure includes the process of packaging the collected information putting in order and structuring its main components in a way that the findings can be easily and effectively communicated. After the fieldwork, before analysis, all questionnaires were adequately checked for completeness, reliability and verification. Editing, coding and tabulation will be carried out according to the research questions.

Analysis will then be done using SPSS packages to determine the frequency distribution and presented in pie charts and graphs. Variables defining a particular force were grouped into clusters and then measured to establish the most prevalent competitive strategy adopted in the industry. Finally the researcher will be able to establish which competitive strategies have been adopted widely in the industry and the competitive advantages gained once the data interpretation is complete.

CHAPTER FOUR
DATA ANALYSIS, FINDINGS AND DISCUSSION

4.1 Introduction

This chapter presents the findings of the study that was carried out using cross section design. The study employed the use of a questionnaire that was divided into two main sections. The questionnaires were distributed to 47 respondents out of which 30 questionnaires were returned representing a response rate of 64%. The questionnaires returned were checked for completeness and consistency before being keyed in as input for the analysis. The input was organized and analyzed using SPSS software version 17. The output formed the basis of discussion for the subsequent sections in this chapter.

4.2 Demographic Information

Section A addressed demographic issues including years the organization has been in existence, number of business lines the business is involved in, and the number of employees in the organization and ownership structure of the firm.

The number of years that an organization has been in existence is indicative of the level of interaction with the particular business and therefore the level of experience that the organization may have. The responses were as represented in table 4.1

Table 4.1: Distribution of number of year's organization has been in existence

Years in Business	**Frequency**	**Percent**
Below 25yrs.	16	53.3
26 – 50yrs.	10	33.3
76 – 100yrs.	3	10.0
Total	**29**	**96.7**
Missing system	1	3.3
Total	**30**	**100.0**

Source: Author (2014)

The results in Table 4.1 indicate that the majority of the organizations have been in the business for considerably long with about 53% having been in the business for up to 25 years. About 33% of the businesses had been in existence for between 25 and 50 years while 10 % of the organizations had been in existence for over 50 years. The distribution was indicative of organizations that have had a long experience in the business and they are therefore able to understand the environment that they work in.

The number of businesses that a company is involved in may be indicative of a growing enterprise. Businesses that had larger numbers of business lines were considered large organizations than those that were handling between 1 and 5 lines. The responses were as represented in table 4.2 below

Table 4.2: Distribution depicting the number of business lines the company is involved in

Business Lines	**Frequency**	**Percent**
Less than 5	18	60.0
Between 5-10	9	30.0
total	**27**	**90.0**
Missing system	3	10.00
total	**30**	**100.0**

Source: Author (2014)

The results in Table 4.2 indicate a mixture of small and large organizations. 30% of the organizations were considered large because they handled more than five lines of business while the remaining 70% were considered small as they handled less than five lines.

The number of employees in a given organization is indicative of the size of that particular organization. Larger organization may be handling greater numbers of clientele than the smaller organizations. The responses to the question of size were as represented in Table 4.3

Table 4.3: Distribution depicting the number of employees in the organization

Number of Employees	**Frequency**	**Percent**
Less than 200	21	70.0
Between 200 and 400	7	23.3
Over 400	2	6.7
total	**30**	**100.0**

Source: Author (2014)

The results in the Table 4.3 above are indicative of smaller organizations rather than larger ones. 70% of the organizations had less than 200 employees while 23% had between 200 and 400 employees. Large organizations constituted about 6.7% that had more than 400 employees in their operations.

Organizations were also evaluated in terms of their ownership structure. The ownership structure may indicate the stakeholders involved in the business. The businesses were to be categorized as individual, limited liability and regional. The responses were as represented in Table 4.4

Table 4.4: distribution depicting the description of the firm

Description of firm	**Frequency**	**Percent**
Limited liability Company	22	73.3
Individually owned Company	3	10.0
Regional based company	4	13.3
Total	**29**	**96.7**
Missing system	1	3.3
Total	**30**	**100.0**

Source: Author (2014)

The results in Table 4.4 indicate that most of the businesses at 76% were limited liability companies an indication of multiple stakeholders being involved in the business. Approximately 10% were individually owned while 14% were regional based companies.

4.3 Level of Competition

Section B addressed the level of completion and the issues of competitive strategies as employed in the insurance industry. The respondents were asked to respond to various questions addressing the level of competition and how they would rate it within the industry and various issues relating to the different competitive strategies employed with a view of establishing which strategies were being significantly employed in the industry and among them which ones were more popular amongst the players in the industry.

4.3.1 Rating of Competition in the Industry

Respondents were asked to rate the level of competition in the industry and the outcome was as represented in Table 4.5

Table 4.5: Rating of the level of competition in the insurance industry in Kenya

Level of Competition	Frequency	Percent
Very High	20	66.7
High	10	33.3
Low	0	0
Very Low	0	0
Total	**30**	**100.0**

Source: Author (2014)

The results in Table 4.5 indicate that approximately 67% of the respondents thought that there is very high competition in the insurance industry. 33% thought of the competition in the industry as being relatively high. The results show that the industry experiences stiff competition among the existing players

4.3.2 Impact of Threats to the Firms

The respondents were asked to indicate the impact of external threats to their operations. The responses were as represented in Table 4.6.

Table 4.6: Descriptive Statistics depicting impact of threats to the business

Impact of Threats	**N**	**Mean**	**Std. Deviation**
Impact of Existing rivalry to organization	30	3.57	.935
Impact of Threat of substitute products to organization	29	3.31	1.039
Impact of Bargaining power of buyers to organization	30	3.23	1.040
Impact of Threat of new market entrants to organization	30	3.00	1.017
Impact of Bargaining power of suppliers to organization	29	2.69	1.105

Source: Author (2014)

The results from the Table 4.6 above indicate that the existing rivalry between organizations and the threat of substitute products in the industry were ranked as having the greatest impact to organizations at a mean score of 3.57 and 3.31 respectively. However the bargaining power of the suppliers and the threat of new entrants into the market had the least impact to the organizations within the industry with a mean score of 2.69 and 3.00 respectively.

4.3.3 Consideration of Competitors to the Firms

The respondents were also to indicate the level to which they considered other firms within the industry as competition to their business. The responses were as represented in Table 4.7

Table 4.7: Descriptive Statistics explaining the level to which firms considered competition from other firms

Competition faced	N	Mean	Std. Deviation
Firms that have existed locally for more than five years	30	3.37	1.098
Regional based firms	30	3.37	.850
Firms owned in Partnership	29	2.76	1.023
Firms that have entered the market recently	30	2.40	1.070
Individually owned firms	29	2.28	.841

Source: Author (2014)

The results in Table 4.7 above indicate that firms that have existed locally for more than five years and regional based firms posed the greatest competition to organizations in the industry with a mean score 3.37 each. However firms that have recently entered the market with a mean of 2.40 and individually owned firms with a mean of 2.28 were not considered as big threats in terms of competition.

4.4. Competitive Strategies Employed

In considering the competitive strategies employed the respondents were asked to respond to the various issues under consideration when implementing the given strategies with a view of evaluating which issues were being heavily employed. The issues touch on differentiation, cost leadership, focus and niche, diversification, product development, market development and market penetration as competitive strategies. Means and standard deviations were used to evaluate the extent of appreciation in a given issue and the consistency of responses for each of the issues addressed.

4.4.1 Differentiation as a Competitive Strategy

The evaluation of responses with respect to differentiation strategy yielded the results presented in Table 4.8

Table 4.8: Descriptive Statistics depicting average responses on issues concerning differentiation strategy

Differentiation Strategies	N	Mean	Std. Deviation
Our Products are designed to suit the customers' needs	29	4.59	.682
our products are available to the customer at the right time	28	4.39	.567
Our products are of very high quality	29	4.28	.797
Our organization ensures that our products are reasonably priced.	28	4.25	.752
Our organization has invested in training and technology in a bid to improve service quality	30	4.23	.858
We always seek to improve on specific attributes of our products	29	4.10	.673
Our organization uses Marketing and promotional campaigns to enlighten the customer about our products	30	3.97	.765
In our organization we offer products that are unique as compared to other players in the industry	30	3.73	.868
Our organization invests in research and development in order to come up with innovative products	30	3.67	.802
Our clients are involved in establishing and improving our products	30	3.67	.959
Distribution channels with a premium price	27	3.22	.801

Source: Author (2014)

The results in Table 4.8 indicate that insurance companies in adopting the differentiation strategy, they design products to suit customer needs, they ensure that products are available to the customers at the right time and provide products of very high quality. This is shown by their high mean scores of 4.59, 4.39 and 4.28 respectively. However the issue of distribution channels with a premium price, client involvement in product improvement and investment in research and development were least adopted within the industry in respect to differentiation at a rate of 3.22 and 3.67 respectively.

4.4.2 Cost leadership as a Competitive Strategy

The evaluation of responses with respect to cost leadership as a strategy yielded the results represented in Table 4.9

Table 4.9: Descriptive Statistics depicting average responses on issues concerning cost leadership strategy

Cost Leadership strategies	N	Mean	Std. Deviation
Our organization has invested in advanced Technology that has reduced costs of operation	30	3.70	.837
Most of the policies adopted by our organization are geared towards minimizing operation costs	30	3.60	.932
Our clientele is large thereby minimizing the costs of operation per client	30	3.53	.900
Our organization has a large branch network	30	3.47	.860
We are located closer to the customer thereby reducing transport costs	29	3.03	1.117

Source: Author (2014)

The results in Table 4.9 indicate that insurance firms invest in advanced technologies (3.70) and adopt policies that are geared towards reducing daily operations costs (3.60). The results however indicated that the companies may not be close to the customer to warrant a reduction in transport costs and most of the organizations did not have a large branch network as shown by their mean scores of 3.03 and 3.47 respectively.

4.4.3 Focus and Niche as a Competitive Strategy

The evaluation of responses with respect to focus and niche yielded the results presented in Table 4.10.

Table 10: Descriptive Statistics depicting average responses on issues concerning focus and niche strategy

Focus and Niche strategies	N	Mean	Std. Deviation
We have products that are tailored to specific customer needs	29	4.10	.618
We have expanded the existing product line by introducing new products to serve different market segments	30	3.87	.973
Our organization has expanded the existing product line by introducing additional new products	30	3.83	.950
Our organization focuses on very specific segments of the industry	30	3.63	.999
Our organization sells some of our products through complementary firms acquired recently	28	2.68	.905

Source: Author (2014)

The results in Table 4.10 indicate that the insurance firms to a great extent tailored their products to customers' needs and that the existing product lines were expanded by introducing new products to serve different market segments as shown by the mean scores of 4.10 and 3.87 for each respectively. They however focused the least on selling their products through complementary firms (2.68) and focusing on very specific segments of the industry (3.63)

4.4.4 Product Development as a Competitive Strategy

The evaluation of responses with respect to diversification yielded the results presented in Table 4.11

Table 4.11: Descriptive Statistics depicting average responses on issues concerning product development strategy

Product Development Strategies	N	Mean	Std. Deviation
Our organization comes up with new products meant to meet new customer needs	30	3.90	.885
Our products now have Additional features that meet the extra customer demands	30	3.70	.915
We offer Additional complimentary services to all our clientele	30	3.33	.844
We have Rebranded/repackaged our products recently	30	3.07	1.258

Source: Author (2014)

In respect to product development as a strategy, the results in Table 4.11 indicate that organizations mainly focused on coming up with new products to meet the emerging needs of new customers in the market and that additional features were being added to the existing products to meet extra customer demands. There was however indication that no rebranding or repackaging of products had taken place in the recent past among the different organizations in the industry.

4.4.5 Market Development as a Competitive Strategy

The evaluation of responses with respect to market development yielded the results presented in Table 4.12

Table 4.12: Descriptive Statistics depicting average responses on issues concerning market development strategy

Market Development Strategies	N	Mean	Std. Deviation
Our products are modified to suit the needs of the new markets	29	4.00	.707
Our organization always seeks to enter and invest in new markets	30	3.97	.718
We have increased the points at which customers can access our products	30	3.80	.925
We have moved our operations to new geographical locations	30	3.07	1.258
Our organization charges different Prices for different segments	30	2.93	1.230

Source: Author (2014)

The results in Table 4.12 indicate that with respect to market development as a competitive strategy, firms focused on modifying products to suit the needs of the new markets and seeking to create avenues for accessing or investing in new markets with a mean if 4.00 and 3.97 respectively. The different markets were however enjoying similar rates in terms of pricing industry wide at a mean of 2.93.

4.4.6 Market Penetration as a competitive strategy

Responses concerning market Penetration were evaluated and yielded the results presented in Table 4.13

Table 4.13: Descriptive Statistics depicting average responses on issues concerning market penetration strategy

Market Penetration strategies	N	Mean	Std. Deviation
We engage in aggressive marketing campaigns	30	4.00	.830
Our distribution strategies are superior to those of our competitors	30	3.73	.868
Our prices are Competitive compared to our competitors	29	3.69	.806
Our organization engages in community activities in a bid to attract new customers	30	3.60	1.070
We offer discounts and other promotional offers to our clients	30	3.47	.860
Our organization has experienced Increase in the number of branch networks	30	3.37	1.273

Source: Author (2014)

The results in Table 4.13 indicate that the firms engaged in aggressive marketing campaigns and there was great focus on getting the product to the customer faster and better than the competitors. However there was an indication that the number of branch networks did not increase among the different organizations within the industry.

4.5 Competitive Advantage

Competitive advantage was evaluated based on the responses given and the outcomes were as indicated in Table 4.14

Table 4.14: Descriptive Statistics depicting average responses on issues concerning competitive advantage

Competitive Advantage	N	Mean	Std. Deviation
Our organization prides itself in loyal customers over the years	29	4.17	.711
We pride ourselves in a stronger brand name	29	4.07	.753
Our organizations has seen our profits grow over the years	29	4.03	.865
We have very strong technological capability that makes our organization better than the rest	29	3.93	.530
Our operations regularly result in huge returns on investment	29	3.69	.850
We are stronger financially than our competitors	29	3.41	.780
We have a wider and better network of customer access points	29	3.34	1.045
Our product portfolio is superior to that of our competitors	29	3.28	.922
We command a Larger market share as compared to our competitors	29	2.90	1.047

Source: Author (2014)

The results in Table 4.14 above indicate that insurance firms mainly depend on loyalty of customers and a stronger brand to remain competitive within the industry at a rate of 4.17 and 4.07 respectively. The size of the market share they command and the product portfolio that they have was however not a key consideration as a competitive advantage gaining a mean of 2.90 and 3.28 respectively.

4.6 Significance of the Strategies to the Industry

To evaluate the significance of these strategies to the insurance firms the means were subjected to a one sample t test where the value 4 was used as the expected value. The results were as presented in Table 4.15

Table 4.15: One-Sample T Test results

Competitive Strategy	N	Mean	Std. Error Mean	t	Sig. (2-tailed)
Differentiation	24	3.9848	.08664	-.175	.863
Cost leadership	29	3.4552	.11269	-4.835	.000
Focus and niche	27	3.6667	.09726	-3.427	.002
Product development	30	3.5000	.13772	-3.631	.001
Market development	29	3.5172	.12218	-3.951	.000
Market penetration	29	3.6379	.10300	-3.515	.002

Source: Author (2014)

The results in Table 4.15 indicate that differentiation was not significantly employed in the insurance firms (mean= 3.98, sig=.863). The most significant strategy employed by insurance firms was focus and niche (mean= 3.66, sig=.002) followed by market penetration (mean=3.63, sig=0.002) and market development (mean=3.51, sig=.000). The least employed strategy was cost leadership (mean=3.45, sig.000) followed by product development (mean=3.5, sig=.001).

4.7 Relationship between Competitive Strategies and Competitive Advantage

A correlation analysis was carried out to establish whether there is a significant relationship between the competitive strategies and competitive advantage. The results were as presented in Table 4.16

Table 4.16: Correlation analysis depicting relationship between competitive strategies and competitive advantage

Competitive strategy	Pearson Correlation	Sig. (2-tailed)
Differentiation	.640	0.001
Cost leadership	.638	0.000
Focus and niche	.643	0.000
Product development	.703	0.000
Market development	.673	0.000
Market penetration	.742	0.000

Source: Author (2014)

The results in Table 4.16 indicated a strong positive correlation between each of the competitive strategies and competitive advantage. The relationship with market penetration was the strongest while cost leadership had the weakest relationship.

4.8 Major Challenges in the industry

The researcher sought to find out which were the major challenges the firms within the insurance industry faced in the implementation of their strategies and their daily operations. The data was collected by was requesting respondents to highlight the major challenges

The data findings indicated that the main challenge was price undercutting by the different firms where most prices are deliberately set below that which has been given by the regulator with an aim of attracting customers. This has led to major price wars that have left small firms struggling to survive within the market.

Another challenge has been the inability to reach customers especially within the rural areas. Many of the firms in industry do not have a wide branch network and they have not built their distribution channels and therefore their reach is limited to only the major towns. This has made it difficult to get the products closer to the customers and in some cases forcing the customers to travel long distances to access the products and services.

4.9. Discussion

The literature review explored the different types of competitive strategies that firms can adopt and the models for this competitive strategy with a focus on the porter's generic strategies and the Ansoff's growth matrix.

Porter argues that competitive strategy means taking offensive or defensive actions to create a defendable position in an industry, to cope with the competitive forces and thereby yield a superior return for the firm. He highlights three generic strategies that are cost leadership, differentiation and the focus strategies. Various aspects of these strategies have been utilized within the insurance as shown by the research findings. The cost leadership strategy is the least popular in the industry while differentiation and focus strategies are more utilized

Dynamic capabilities refer to the firm's ability to integrate, build and reconfigure internal and external competencies to address rapidly changing environments (Teece, Pisano, & Shuen, 1997). Firms within this industry focus their resources and capabilities on ensuring customer needs have been met and their products have been tailored to those needs. By utilizing these capabilities they have been able to ensure there is customer loyalty and have built their brand name which is the major sources of competitive advantage especially since the level of competition is very high in the industry.

Ansoff on the hand argues that for a firm to grow it should adopt one or a mix of four growth strategies. He put forward four growth strategies that include market penetration, product development, market penetration and diversification. The different players within the insurance industry have adopted various aspects of each of these growth strategies to gain an edge on their major competitors. From the research findings market penetration is the most popular strategy while product development is the least popular

Kiragu, (2014) in his study found out that majority of the respondents indicated that distribution channel affected service delivery levels and that the insurance industry should adopt internet marketing and distribution and recruit more agents respectively to improve its competiveness through the distribution channels. This is consistent with the research findings of this study where the researcher found that insurance firms place very little resources and capabilities on developing their distribution channels for their products. Investment in technology has also not been significantly employed in the industry to aid in distribution

The insurance industry is facing stiff competition especially among the firms that have been in existence for over five years and the competition is driven by the existing rivalry. The products in insurance firms are not very varied in terms of their features and benefits and there is therefore a need for the existing firms to adopt the strategies that will make them superior to their competitors. This may involve the adoption of one or more competitive strategies that give the firm competitive advantage. The insurance industry has mainly focused on differentiation, focus and niche strategy and market penetration to gain competitive advantage

CHAPTER FIVE
SUMMARY, CONCLUSION AND RECOMMENDATIONS

5.1 Introduction

This chapter presents the summary of findings, conclusions and recommendations. It starts by providing a summary of the findings then the conclusions and recommendations.

5.2 Summary

The objective of the study was to establish the various competitive strategies, adopted by Insurance companies in Kenya. The study results indicated that insurance companies in Kenya employed the focus and niche, differentiation and market development strategies more significantly. The least employed strategy in the insurance industry was cost leadership strategy. Product and market penetration was not significantly employed as a strategy in the insurance industry. The study findings also indicated that there was a strong positive correlation between each of the competitive strategies and competitive advantage.

In employing the strategies the study found out that more emphasis was laid on the quality of the product than on the pricing of the products. This may be attributed to the fact that there is stiff competition in the industry and that price undercutting is rampant. The only way to remain competitive according to the findings was through provision of high quality products and services that ensured loyal customers and a stronger brand which in turn led to increased profits. Technological advancement though necessary did not have significant impact but was identified as a driver to reduction of costs.

Due to the fact that quality of the products was more important for the survival of the firms the findings indicated that insurance companies invested very little in branch network expansion which created challenges especially in regards to reaching out to the rural markets. The findings however indicated that there were aggressive marketing campaigns within the industry meant to ensure that the firms increase their market share or maintain the share that they already have. The findings also indicated that most of the products were tailor made to the needs of the customers and there were numerous products that were coming up in the industry to cater for emerging needs and new customer segments.

5.3 Conclusion

The study concluded that the competition within the insurance industry is very stiff with a majority of the respondents rating the level of competition to be very high. This led to the need for the organization to adopt competitive strategies that will enable them to remain very competitive in the industry.

The study concluded that due to the nature of the product offering and the industry in general, the focus and niche strategy seemed to be employed most with most of the products being tailor made to customer needs. Due to the fierce competition the market development was also employed a lot in a bid to open up new markets for the firms and the industry at large. Being a service industry, technology was not considered as a competitive advantage but was a major driver in reduction of costs. The large number of players in the industry and the coming up of new and better products every day meant that price could not be used as a competitive advantage but there was the challenge of price undercutting that was rampant in the industry. The price undercutting led to customer hoping from one organization to the other and this made it impossible to determine the actual market share of the firms. The firms relied more on the loyal customers and a strong brand name as their competitive advantage. The study also concluded that whichever competitive strategy that an organization employed had a strong relationship to the competitive advantage that organization would have.

The insurance industry in general should look into ways of addressing the problem of price undercutting which was pointed out as one of the major challenges as it meant that the profits were actually being eroded. The price undercutting also means that the firms have to strive to reduce costs and this may affect the quality of the product offering or the services that accompany it thereof. The firms should also look into ways of accessing the rural markets or bringing services closer to the people in a bid to increase the demand side of the business. This would also increase on the product offering taking into account that the needs of this markets may be different from the current conventional markets being served by the firms.

5.4 Recommendations

The study seeks to make recommendations that will contribute to the body of knowledge. Managerial practice and managerial policy.

5.4.1 Contribution to Body of Knowledge

The study adds more knowledge to existing theories by providing more literature on the market competition and enhances more information theoretically concerning the competitive strategies adopted by the insurance companies in Kenya. This will enable future researchers to build on the existing research and carry out further research on the same industry or across another industry.

This study will further increase the knowledge base because it will facilitate the capability to adopt and shift the knowledge gained from theory into practice through implementation of the competitive strategies not only in the insurance industry but also across other industries

5.4.2 Contribution to Managerial Practice

The researcher recommends that management within these insurance firms should delve more in identifying how the strategies that are least adopted into the industry such as cost leadership and product development can be used to gain an edge over their competitors. This is through identifying which aspects of the strategy can be exploited to gain competitive advantage over their competitors.

This study would also recommend that the firms within this industry should invest more in technology due to the major developments occurring globally. This will ensure an easier and wider reach of existing and new customers such that they are able to have access to the products online. Firms can also utilize the social media to create awareness about their products because it has been widely accepted around the globe as a huge marketing platform.

5.4.3 Contribution to Managerial Policy

The insurance industry has experienced consistent price undercutting among the different players within the industry. This study recommends the adoption of stricter policies by the regulators such as IRA and AKI that will completely stop these practices and provide a level playing field especially for the small organizations in the industry

The study also recommends that organizations within this industry should develop strategic plans that aim at reaching more customers and creating new markets through establishing more branch networks, partnerships and geographical expansion into other regions. This will address the issue of the small market share that the industry players are currently fighting for.

5.5 Limitations of the Study

In the course of the study, some challenges were encountered that limited the research in one way or another. The biggest challenge was in data collection where the respondents were hesitant to fill in the questionnaires provided to them. In some cases, there where lengthy process to be followed before the respondents would agree to fill the questionnaires.

Another challenge was confidentiality. The respondents were not willing to divulge the strategies adopted by the organization and those approached were not willing despite assurances that the questionnaires were for academic purposes only

5.6 Suggestions for Further Research

This research focused on the competitive strategies adopted by insurance companies in Kenya, it did not focus on the key drivers that lead to the adoption of specific strategies in the industry. Further studies can be done on the key specific drivers that lead to the adoption of particular competitive strategies within this industry.

This study would also suggest that further studies be carried out to identify the role and impact of the current industry regulations on performance of insurance companies. This will look at the existing regulations and how they impact the insurance companies in terms of performance

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APPENDICES

Appendix 1: Letter of Introduction

University of Nairobi

School of Business

Dear Respondent,

I am a postgraduate student at the school of business, university of Nairobi currently carrying out a research on the competitive strategies adopted by insurance companies in Kenya. This is in partial fulfillment of requirement for the award of Master of Business Administration (Strategic Management)

You have been selected as one of the respondents in this study. I therefore request you to kindly facilitate the collection of the required data by answering the questions herein. This interview is purely for academic purposes and the data collected will be treated with utmost confidentiality.

Your assistance and cooperation will be highly appreciated. Thank you in advance.

Yours faithfully,

…………………………….	………………………………..
Linda Kanana Muriira	Prof.Martin Ogutu
Student	Research Supervisor
0722425356	

Appendix 2: Questionnaire

PART ONE: GENERAL BACKGROUND

1. Name of the company

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2. How many years has the company been in existence

----

3. How many business lines is the company involved in

----

4. How many employees does your organization have?
   a) Less than 200 [ ]
   b) Between 200 and 400 [ ]
   c) Over 400 [ ]
5. Which job position do you hold in the company
   a) Corporate Strategy Managers [ ]
   b) Business Development manager [ ]
   c) Marketing Manager [ ]
6. Which of the following best describes the firm?

   a] Partnership [ ]

   b] Limited liability company [ ]

   c] Individual owned firm [ ]

   d] Regional based firm [ ]

PART TWO: STATE OF COMPETITION AND COMPETITIVE STRATEGIES ADOPTED

7. How would you rate the level of competition in the insurance industry in Kenya?

   Very high ☐ High ☐

   Fair ☐ Low ☐

   Very low ☐

8. What is the impact of the following to your organization? kindly respond by ticking the appropriate response where (1=very low; 2=low; 3=fair; 4=high; 5=very high)

	1	**2**	**3**	**4**	**5**
Threat of new market entrants					
Existing rivalry					
Threat of substitute products					
Bargaining power of buyers					
Bargaining power of suppliers					

9. Use the scale provided to indicate the extent to which you consider following categories of players as competition to your organization? kindly respond by ticking the appropriate response where (1=very low; 2=low; 3=fair; 4=high; 5=very high)

	1	**2**	**3**	**4**	**5**
Firms that have entered the market recently					
Firms that have existed locally for more than five years					
Regional based firms					
Individually owned firms					
Firms owned in Partnership					

10. Kindly indicate the extent to which you agree with the following statements concerning your organization operations within the insurance industry in which (1= strongly disagree, 2 = disagree, 3 = neither disagree nor agree, 4 = agree and 5= strongly agree

	1	**2**	**3**	**4**	**5**
In our organization we offer products that are unique as compared to other players in the industry					
Our products are of very high quality					
Distribution channels with a premium price					
our products are available to the customer at the right time					
Our organization uses Marketing and promotional campaigns to enlighten the customer about our products					
Our clients are involved in establishing and improving our products					
We always seek to improve on specific attributes of our products					
Our organization has invested in training and technology in a bid to improve service quality					
Our organization ensures that our products are reasonably priced.					
Our organization invests in research and development in order to come up with innovative products					
Our Products are designed to suit the customers' needs					
Our clientele is large thereby minimizing the costs of operation per client					
Our organization has invested in advanced Technology that has reduced costs of operation					
Most of the policies adopted by our organization are geared towards minimizing operation costs					
We are located closer to the customer thereby reducing transport costs					
Our organization has a large branch network					
We have products that are tailored to specific customer needs					
Our organization focuses on very specific segments of the industry					
Our organization has expanded the existing					

product line by introducing additional new products					
We have expanded the existing product line by introducing new products to serve different market segments					
Our organization sells some of our products through complementary firms acquired recently					
Our organization comes up with new products meant to meet new customer needs					
Our products now have Additional features that meet the extra customer demands					
We have Rebranded/repackaged our products recently					
We offer Additional complimentary services to all our clientele					
Our organization always seeks to enter and invest in new markets					
We have moved our operations to new geographical locations					
Our products are modified to suit the needs of the new markets					
We have increased the points at which customers can access our products					
Our organization charges different Prices for different segments					
Our organization has experienced Increase in the number of branch networks					
Our prices are Competitive compared to our competitors					
We offer discounts and other promotional offers to our clients					
Our organization engages in community activities in a bid to attract new customers					
We engage in aggressive marketing campaigns					
Our distribution strategies are superior to those of our competitors					

11. What major challenges does your firm encounter in adopting the various competitive strategies?

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12. Indicate other factors that make you remain competitive in this industry.

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13. Kindly indicate the extent to which you agree with the following statements concerning your organization operations within the insurance industry in which (1= strongly disagree, 2 = disagree, 3 = neither disagree nor agree, 4 = agree and 5= strongly agree

	1	**2**	**3**	**4**	**5**
We command a Larger market share as compared to our competitors					
Our organizations has seen our profits grow over the years					
Our organization prides itself in loyal customers over the years					
Our operations regularly result in huge returns on investment					
We have very strong technological capability that makes our organization better than the rest					
Our product portfolio is superior to that of our competitors					
We are stronger financially than our competitors					
We have a wider and better network of customer access points					
We pride ourselves in a stronger brand name					

THANK YOU

--END--

Appendix 3: Registered Insurance Companies in Kenya

No.	Company	Address
1.	AAR Insurance Kenya Ltd	P.O Box 41766 – 00100, Nairobi
2.	A P A Insurance Ltd	P.O Box 30065 – 00100, Nairobi
3.	Africa Merchant Assurance Company Ltd	P.O Box 61599 – 00200, Nairobi
4.	Apollo Life Assurance Ltd	P.O Box 30389 – 00100, Nairobi
5.	AIG Kenya Insurance Company Ltd	P.O. Box 49460 – 00100, Nairobi
6.	British-American Insurance Company Ltd	P.O Box 30375 – 00100, Nairobi
7.	Cannon Assurance Ltd	P. O. Box 30216-00100, Nairobi
8.	Capex Life Assurance Company Ltd	P. O. Box 12043 – 00400, Nairobi
9.	CFC Life Assurance Ltd	P.O. Box 30364 – 00100, Nairobi
10.	CIC General Insurance Ltd	P.O. Box 59485 – 00200, Nairobi
11.	CIC Life Assurance Ltd	P.O. Box 59485 – 00200, Nairobi
12.	Continental Reinsurance Ltd	P.O. Box 76326-00508, Nairobi
13.	Corporate Insurance Company Ltd	P.O. Box 34172 – 00100, Nairobi
14.	Direct line Assurance Company Ltd	P.O. Box 40863 – 00100, Nairobi
15.	East Africa Reinsurance Company Ltd	P.O. Box 20196 – 00200, Nairobi
16.	Fidelity Shield Insurance Company Ltd	P. O. Box 47435 – 00100, Nairobi
17.	First Assurance Company Ltd	P.O. Box 30064 – 00100, Nairobi
18.	G A Insurance Ltd,	P.O. Box 42166 – 00100, Nairobi
19.	Gateway Insurance Company Ltd	P.O. Box 60656 – 00200, Nairobi
20.	Geminia Insurance Company Ltd	P.O. Box 61316 – 00200, Nairobi
21.	ICEA LION General Insurance Company Ltd	P.O. Box 30190 – 00100, Nairobi
22.	ICEA LION Life Assurance Company Ltd	P.O. Box 46143 – 00100, Nairobi
23.	Intra Africa Assurance Company Ltd	P.O. Box 43241 – 00100, Nairobi
24.	Invesco Assurance Company Ltd	P.O. Box 52964-00200, Nairobi
25.	Kenindia Assurance Company Ltd	P.O. Box 44372 – 00100, Nairobi
26.	Kenya Orient Insurance Ltd	P.O. Box 34530-00100, Nairobi
27.	Kenya Reinsurance Corporation Ltd	P.O. Box 30271 – 00100, Nairobi
28.	Madison Insurance Company Kenya Ltd	P.O. Box 47382 - 00100, Nairobi
29.	Mayfair Insurance Company Ltd	P.O. Box 45161 – 00100, Nairobi

30.	Mercantile Insurance Company Ltd	P.O. Box 20680 – 00200, Nairobi
31.	Metropolitan Life Insurance Kenya Ltd	P.O. Box 46783 – 00100, Nairobi
32.	Occidental Insurance Company Ltd	P.O. Box 39459 – 00623, Nairobi
33.	Old Mutual Life Assurance Company Ltd	P.O. Box 30059 – 00100, Nairobi
34.	Pacis Insurance Company Ltd	P.O. Box 1870 – 00200, Nairobi
35.	Pan Africa Life Assurance Ltd	P.O. Box 44041 – 00100, Nairobi
36.	Phoenix East Africa Assurance Company Ltd	P.O. Box 30129 – 00100, Nairobi
37.	Pioneer Assurance Company Ltd	P.O. Box 20333 - 00200, Nairobi
38.	Real Insurance Company Ltd	P.O. Box 40001 - 00100, Nairobi
39	Resolution Insurance Company Ltd general	P.O Box 4469 – 00100, Nairobi
40.	Resolution Insurance Company Ltd	P.O Box 4469 – 00100, Nairobi
41.	Shield Assurance Company Ltd	P.O. Box 25093-00100, Nairobi
42.	Takaful Insurance of Africa Ltd	P.O Box 1811 – 00100, Nairobi
43.	Tausi Assurance Company Ltd	P.O. Box 28889-00200, Nairobi
44.	The Heritage Insurance Company Ltd	P.O. Box 30390 - 00100, Nairobi
45.	The Jubilee Insurance Company of Kenya Ltd	P.O. Box 30376-00100, Nairobi
46	The Kenyan Alliance Company Ltd	P.O Box 30170-00100 Nairobi
47.	The Monarch Insurance Company Ltd	P.O. Box 44003 – 00100, Nairobi
48.	Trident Insurance Company Ltd	P.O. Box 55651 – 00200, Nairobi
49.	UAP Insurance Company Ltd	P.O. Box43013 - 00100, Nairobi
50.	UAP Life Assurance Ltd	P.O. Box 23842 – 00100, Nairobi
51.	Xplico Insurance Company Ltd	P.O Box 38106 – 00623, Nairobi

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