CHALLENGES FACING KENYA'S SOAP MANUFACTURING FIRMS EXPORTING TO EAST AFRICA COMMUNITY

BY

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DECLARATION

This research project is my original work and has not been submitted for examination in any other University.

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

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DEDICATION

With warmest regards, I dedicate this project to my family for their continued support, love and encouragement which has brought me this far. Without your prayers and support I would not have made it. I thank the Almighty God for the far that he has brought me.

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ABSTRACT

The objective of the study was to investigate the challenges affecting Kenya's soaps manufacturing firms exporting to East Africa Community. The study adopted descriptive research design. The target companies were three leading soap manufacturing firms in Kenya and they included; Bidco Oil Refineries, Unilever Kenya and Ecolab East Africa (K). The study targeted 9 managers and 5 officials from the Ministry of EAC. Since the target population for this study was small and variable, the study adopted a census study approach. The study collected both primary and secondary data. The primary data was collected using a questionnaire which collected data from the management of the soap manufacturing firms while the interview schedule collected data from the officials from Ministry of East Africa Community. The study generated both qualitative and quantitative data. The quantitative data was analyzed using descriptive while the qualitative data generated from the open ended questions was reported in narrative form along with quantitative presentation. The quantitative data was analyzed using descriptive statistics. Data will be presented using tables, charts and graphs. The study found out that unfavourable legal and regulatory policies, stringent and bureaucratic documentation at border crossing, lack of harmonized requirements for operation licensing and customs, constraints with customs union and cumbersome clearance process in the border, intensive competition of soap products within the EAC market affected the soap exports from Kenyan firms. However, the companies adopted marketing strategies such as regionalization, centralization and subsidiary approach strategies which were effective. The study concludes that experienced challenges while trading their products in the EAC markets. The study concludes that Kenya soap manufacturing firms experience challenges while trading in the EAC market; they vary from legal and regulatory policies, market challenges, and logistical challenges. The study recommends that the member countries should invest in improvement of the physical infrastructure to ensure reduced logistical challenges. There is also need for harmonization of the requirements for operation licensing and customs to reduce bureaucracies and ensure effective movement of goods in the region.

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LIST OF ABBREVIATION AND ACRONYMS

CET	Common External Tariff
EAC	East African Community
EACSO	East African Common Services Organization
IET	International Entrepreneurship Theory
PTC	Permanent Tripartite Commission
RECs	Regional Economic Commissions/Communities
RTA	Regional Trade Agreements

CHAPTER ONE

INTRODUCTION

1.1Background of the Study

Every country in the world is touched by the globalization trend. In order to survive in the 21st century, companies in every industry are taking steps to expand internationally through trade and investment. And those companies that do not recognize this trend will likely become a fatality of globalization. With the proliferation of trade agreements, which are resulting in the emergence of competing trade blocs, businesses are striving to gain secure access to foreign markets, and in turn, are achieving a higher degree of economic security and competitiveness (Manzella, 2008).

Over the past decade, African countries have implemented transformation programmes so as to strengthen their economies and promote trade, key among them, promoting of regional economic integration with the aim of increasing cooperation. The principles of free movement of people, labour, right of establishment and residence are enshrined in the Treaties of the RECs with the aim of attaining their implementation in sequenced phases (Weggoro, 2010).

A key element of Africa's economic strategy is the promotion of regional economic integration with the aim of increasing cooperation is intended to create a larger regional market for trade and investment (Jawoodeen, 2008). Regional cooperation or integration provides an important framework through which obstacles to trade liberalization, markets and the movement of people are alleviated. Africa embraces the pillars of regional integration in the Charter of the African Union and seeks their implementation through the Regional Economic Commissions/Communities (RECs) (Weggoro, 2010).

Organized Economic co-operation among them dates back over a century ago with the construction of the Kenya/Uganda Railway (1897-1901), reinforced by the establishment of a common customs collection in 1900, the East African Currency Board in 1905. A Customs Union that was created in 1919 later to be run by the Joint Economic Council established in 1940 and by the East African High Commission in the years 1948-1961. The Commission was replaced by the East African Common Services Organization (EACSO) in 1961 and was responsible for the customs union until 1967 when East African Community was formed (EAC secretariat, 2002). In 1967, the three partner states signed the Treaty of East African Economic Cooperation that established the East African Community (EAC). The remit of EAC covered legal and legislative affairs, economic matters and management of joint organizations.

In the case of East Africa integration initiatives are said to have started as early as the end of the 19th Century. Kenya, Uganda and Tanzania enjoyed close historical, commercial, industrial and cultural ties way before establishment of EAC. The present attempt that began in 1984 can be said to be the fourth. The other three periods covered the years 1894-1947, 1948-1966, and 1967–1977 (Kasaija, 2004).

Kenya has undertaken comprehensive trade reforms within the context of EAC and COMESA. In 2005, Kenya, as part of the East African Community, adopted the Customs Union within which non-tariff barriers between the Partner States were eliminated, customs duties were eliminated except for some exports from Kenya to Uganda and

Tanzania, and a three band common external tariff in respect of all goods imported into the Community from foreign countries was established. These reforms are expected to increase the market for Kenyan products. Kenya is the dominant economy in Eastern Africa. GDP reached USD 40 billion in 2012, a 10 percent increase over USD 35.8 billion in 2011. The economy has made a fairly steady recovery since the global financial crisis of 2008; however, to achieve its goals of becoming a globally competitive middle-income country by 2030, Kenya will need substantial foreign direct investment (FDI) in order to achieve double digit economic growth (World Bank, 2013).

1.1.1 Exports Trade

The term export means shipping the goods and services out of the port of a country. The seller of such goods and services is referred to as an "exporter" who is based in the country of export whereas the overseas based buyer is referred to as an "importer". In International Trade, "exports" refers to selling goods and services produced in the home country to other markets (Joshi, 2005).

An export of a good occurs when there is a change of ownership from a resident to a non-resident; this does not necessarily imply that the good in question physically crosses the frontier. However, in specific cases national accounts impute changes of ownership even though in legal terms no change of ownership takes place (e.g. cross border financial leasing, cross border deliveries between affiliates of the same enterprise, goods crossing the border for significant processing to order or repair). Also smuggled goods must be included in the export measurement. Export of services consists of all services rendered by residents to non-residents. In national accounts any direct purchases by non-residents in the economic territory of a country are recorded as exports of services; therefore all expenditure by foreign tourists in the economic territory of a country is considered as part of the exports of services of that country (Lequiller & Blades, 2006).

In Kenya, a National Export Strategy has been developed as recommended by the ERSWEC 2003 – 2007. It proposes strategies to improve export performance through increased national competitiveness. Its specific objectives include deepening existing export markets, opening up new markets, diversifying the export mix away from a limited number of traditional exports, enhancing market access for Kenyan exports, strengthening the institutional export support networks through trade facilitation and enhancing the competitiveness of Kenyan exports through value addition, improved quality and reduced cost of production. The NES will initially focus on 10 priority sectors from agriculture, manufacturing and the services sector for the period 2003 – 2005 (GoK, 2005).

The African region is currently the principal market for Kenya's exports, its share having increased from an average of 29 per cent in 1992, to 46.1 per cent in 2010. The main export destinations for Kenyan products within this market are the Common Market For Eastern and Southern Africa (COMESA) and the East African Community (EAC.), with Uganda and Tanzania as Kenya’s leading export destinations. Kenya’s exports to the region are dominated by manufactured and semi-manufactured products, including refined petroleum products, metal scrap, wood manufactures, beer, cigarettes, oils, perfumes, polishing and cleaning preparations, medicinal and pharmaceutical products, disinfectants, insecticides, paper and paperboard, articles of plastic, consumer products and fabrics. However, Kenya also exports agricultural products to the region such as raw green maize among other products (World Bank, 2013).

The European Union is Kenya's second most important market and previously dominated Kenya's export trade up to 1993, its share varying between 40 and 50 per cent of the total exports by Kenya. In 1994, however, the community's share fell to 34 per cent and continued to decline thereafter (GoK, 2005). By 2010, the share of Kenya’s exports to the EU stood at 24.1 per cent. Within the EU, the United Kingdom has been Kenya’s leading export market, followed by the Netherlands and Germany (World Bank, 2013). The range of Kenya's export products in the EU is fairly narrow and dominated by primary products, which serve to expose the export sector to the vagaries of external shocks and deny the country the benefits of high values and stable prices that result from exports of manufactures. The main export products to the European Union markets include horticulture(including flowers, of which Kenya’s products account for 36 per cent of all EU flower imports) and tea, where our main markets are Pakistan, the UK, Egypt, the Netherlands and the USA. Exports to the EU are also dominated by fish and fish preparations, tobacco and soda ash (GoK, 2005).

According to recent statistics by World Trade Organization (2014), Exports in Kenya decreased to 47866.02 Million KES in May of 2014 from 48995.41 Million KES in April of 2014. Exports in Kenya averaged 24483.67 Million KES from 1998 until 2014, reaching an all time high of 48995.41 Million KES in April of 2014 and a record low of 9007 Million KES in January of 1999.

1.1.2 Trading within EAC

Analysis of trade shares show that the region's total trade volume has increased significantly as a proportion of total trade over the years 1985-2003. Exports from Kenya to Uganda and Tanzania are disproportionately high, accounting for 24.7 per cent of its total exports in 2010 (EAC, 2011). Uganda and Tanzania have relatively small but growing regional trade shares. Overall, trade in the region has increased as demonstrated by the data; however, the new EAC has not yielded a noticeable rise in intra-regional trade shares.

The EAC is a major destination for Kenya's exports. For instance, in 2010 the EAC accounted for 53 percent of Kenya's total exports to the rest of Africa and 24 percent of its total exports to the world. In the same year, Uganda was Kenya's leading export destination, absorbing 12.7 percent of total exports, while Tanzania and Rwanda came in fourth (8 percent) and 10th (2 percent), respectively. Overall, Kenya's trade value in the region has grown significantly, from $1.2 billion in 2008 to $1.52 billion in 2010, representing a 26.7 percent increase. Kenya accounts for about 45 percent of the total intra-EAC trade (World Bank, 2012).

McIntyre (2005) analyzes the potential trade impact of the EAC customs union and the extent to which the common external tariff (CET) will liberalize their trade regimes. The paper provides simulations to determine the impact of the CET on Kenya. McIntyre uses a static partial equilibrium model using a simulation known as SMART. McIntyre finds that trade creation is the dominant effect of the EAC CET. Preliminary evidence shows that the EAC customs union will have positive trade benefits for Kenya since the EAC

CET will allow for increased flows of cheaper extra-regional imports that will likely lower consumer prices with positive welfare effects.

Overall, the simulation results show an increase in trade of $193.5 million with trade creation at $193.9 million and trade diversion at $0.3 million. While these results are larger than those found by Busse and Shams (2003); the figures are still small relative to the trade that these countries carry out with the rest of the world. This suggests that while the increase in the volume of intra regional trade is desired, the dynamic effects of regional integration such as improved infrastructure, governance and promotion of investment are of more importance.

1.1.3 Soap Manufacturing Firms in Kenya

The Kenyan Manufacturing sector contributes to 10% of the Gross Domestic Product (GDP), 13% of formal employment and 12.5% of exports. As at March 2008 there were approximately 2,300 manufacturing firms registered under the sector with a majority of 80% being owned by Kenyans. Most manufacturing firms are family-owned and operated. In addition, the bulk of Kenya's manufactured goods (95 per cent) are basic products such as food, beverages, building materials, plastic house ware and basic chemicals. Only 5 per cent of manufactured items, such as pharmaceuticals, are in skill-intensive activities (http://www.kam.co.ke/).

Manufacturing is an important sector in Kenya and it makes a substantial contribution to the country's economic development. It has the potential to generate foreign exchange earnings through exports and diversify the country's economy. This sector has grown over time both in terms of its contribution to the country's gross domestic product and employment (Gituro & Bolo, 2007). According to the Economic Recovery Strategy for Employment and Wealth Creation Report (2007), the manufacturing sector in Kenya is a major source of growth, still with high potential for growth and investment. The role of the manufacturing sector in Vision 2030 is to create employment and wealth.

Kenya is a favourite destination for investors willing to put their money in manufacturing. While the country is not endowed with the mineral wealth most of its neighbours flaunt, it more than makes up for it, thanks to the following: one of the best workforces in Africa, a productive agricultural sector and hence a dependable source of raw materials for agro-based manufacturing, a fairly versatile financial services sector, bankable telecommunications and proximity to port facilities. Kenya also has location advantages as the gateway and a natural launch pad to the markets of the mostly Landlocked East and Central African countries like Uganda, Southern Sudan, Rwanda, Burundi, parts of northern Tanzania and Eastern Democratic Republic of the Congo (DRC).

Some of the known Soap manufacturing companies in Kenya include Diamond Chemicals, Bidco Oil Refineries, Unilever Kenya, Elephant Soap Industries, Premier Oil Mills, Jet Chemicals (Kenya) Ltd, Sudi Chemical Industries, Super Duper Cosmetics Ltd, Ecolab East Africa (K) Ltd among others. For instance, Bidco Oil Refineries Ltd is East Africa's leading FMCG enterprise– manufacturing over 30 different kinds of consumer goods. Its wide range of soap products include hygiene and beauty range of products such as Power Boy Detergent, Power boy Pro-Active Liquid Detergent, Gentle soap, White star, Nuru, Pure & Natural Active Man and Pure & Natural Woman among others. BIDCO's products are marketed in sixteen African countries in the COMESA and SADC markets and currently they enjoy 15% market share on Detergents and 30% on Soaps (http://www.bidco-oil.com).

Unilever Kenya Ltd. manufactures and markets food, home, and personal care products. The company was founded in 1949 and is headquartered in Nairobi, Kenya. Unilever Kenya Ltd. operates as a subsidiary of The Unilever Group. The company's products include washing powder, laundry bars, body lotions, baby care jelly, face creams, beauty soaps. Some of the major soap brands that Unilever Company associates itself with include Omo, Geisha, Sunlight, Lux toilet soap, Lifebuoy toilet soap, Lady gay, Fair & Lovely among others (http://www.unilever-esa.com/).

1.2. Research Problem

Evidence also shows that the proliferation and multiplicity of memberships has enhanced the complexity of regional trade arrangements that present member countries with the challenge of trade effects from multiple memberships. For instance, tariffs notified under other trading blocs differ and are often lower than those notified under the EAC, which allows importers the possibility of benefiting by importing under the other trading blocs rates rather than the EAC (Lyakurwa et al., 2007).

Although EAC integration offers Kenya many opportunities, two key challenges remain: non-tariff barriers – rules and regulations that unduly restrict trade, continue to neutralize the impact from successful tariff reductions; and poor export growth and limited diversification, Kenya's imports continue to outgrow Kenya's exports, despite Kenya's promising service sector (World Bank, 2012). These challenges are set against a regional backdrop of physical infrastructure constraints that hinder competitiveness. It should not be forgotten that one of the reasons cited for the collapse of the first Community were among them: inequalities in the sharing of the costs and benefits of integration; ideological differences; lack of mechanisms to address differences within the arrangements (Weggoro, 2010).

There is therefore need to investigate and address the challenges of Kenya's exports in the EAC. It is against this background therefore that the study sought to fill this gap. The study sought to answer the question; what are challenges facing Kenya's soaps manufacturing firms exporting to East Africa Community?

1.3 Research Objective

The objective of the study was to investigate the challenges facing Kenya's soaps manufacturing firms exporting to East Africa Community.

1.4 Value of the Study

The study was expected to provide a quick analysis of the impact of the EAC on the partner states to provide information on key issues of the specific trading challenges that state members experience and to provoke debate on the issues that would be identified. The policy makers in the EAC such as the officials from the EAC secretariat (Arusha), Kenya Ministry of Foreign Affairs (EAC Desk) and Ministry of East Africa Community would also benefit from this study in making policies in regard to trading within the EAC

The study would also benefit the manufacturing companies exporting soaps within the EAC. The study would assist them in making appropriate decisions and employing appropriate strategies while trading in the EAC. It would also assist Kenya Association of Manufactures in making appropriate policies for manufacturing firms trading in the EAC.

The academia and researchers would also find the research useful in enhancing their knowledge in the field under study and understanding of the research area better. It is expected to act as a basis for further research.

CHAPTER TWO

LITERATURE REVIEW

2.1 Introduction

This chapter first represents the theoretical review of the study which discuses the theories that guide and inform the study. The chapter further presents the empirical review of what other researchers have done in similar studies.

2.2 Theoretical Review

This section discusses the theories that are attributed by other researchers, authors and scholars and are critical in guiding the study. This study was guided by Uppsala Internationalization Process Model, the network theory and international entrepreneurship theory.

2.2.1 The Uppsala Internationalization Process Model (U-model)

The theoretical framework for this theory was first developed by Johansson and Wiedersheim-Paul (1975) in their study of four Swedish firms, in which they observed that when firms internationalize, they move along in a series of incremental steps which they termed as “establishment chain” or “step by step”. In 1977, Johansson and Vahlne refined and established the model. The theory focuses on four aspects that firms should face while going abroad: market knowledge and commitment, and commitment decisions and current activities which are divided into stage and change aspects that interact with each other in what seems to be a cycle.

State aspects are the resources committed to the foreign market: market knowledge and commitment decisions that would affect the firm's opportunities and risks (Johanson & Vahlne 1977, p. 27). Market commitment stands for those resources that will be committed as well as the degree of involvement. Market knowledge helps the managerial team to make decisions. There are two main types of knowledge: objective knowledge, which can be transferred from one market to another and experiential knowledge, which is gained by experience, learning by doing or acting. Change aspects are the results of the state aspects. Once the firm knows about the market they can decide the way the firm will commit to that market, and will therefore be able to plan and execute the current activities needed to complete the cycle by committing to the market.

The basic assumption of the Uppsala Model is that market knowledge and market commitment affects both the commitment decisions and the way current decisions are performed—and this, in turn, changes market knowledge and commitment. The amount of knowledge of foreign markets and operations is influenced by the amount of commitments of resources in foreign markets, and vice versa (Johanson & Vahlne, 1977). Incremental growth also suggests that companies begin internationalization process in markets that have less psychic distance. Psychic distance is defined as factors such as differences in language, culture, political systems, etc., which disturb the flow of information between the firm and the market (Johanson & Wiedersheim-Paul 1975, p. 308).

2.2.2 Network Theory

According to Emerson (1981) a network is a set of two or more connected business relationships, in which each exchange relation is between business firms that are conceptualized as collective actors. Network theorists see firm's internationalization as a natural development from network relationships with foreign individuals and firms (Johansson & Mattson, 1988). Networking is seen as a source of market information and knowledge, which are often acquire in longer terms when there are no relationships with the host country. Therefore, networks are a bridging mechanism that allow for rapid internationalization (Mitgwe, 2006). The emphasis of the network approach is in bringing the involved parties closer by using the information that the firm acquires by establishing close relationships with customers, suppliers, the industry, distributors, regulatory and public agencies as well as other market actors. Relationships are based on mutual trust, knowledge and commitment towards each other.

Firms establish and develop position in the market in relation to other actors in a foreign network (Johanson & Mattsson, 1988). Firms, while going abroad are engaged in a domestic network with the main goal to develop business relationship in a foreign country. Firm's position in the local network determines its process of internationalization since that position determines their ability to mobilize their resources within the network. All firms in the market are related in a way to other actors, whether they are local or international. As actions take place on the firms interacting in the network, their activities should be coordinated in order to get a better profit from those relations. In such a way a firm can have better understanding with a supplier, or with other companies. Coordination in the market comes from the interaction of the firms involved in the network, where price is only one of the many factors influencing decision (Lindblom, 1959).

The ties resulted from the firm's network, are hard to imitate. These ties have consequences in three dimensions: a) the information is available to the parties involved in the relationship; b) timing, and c) referrals (Burt, 1997). Firms learn from the ties made in the network, information about what is going on in the market is open to the network itself. Thus, there is information that is not available for everyone. Ties also influence on timing when some information reaches a particular firm. And referrals firms get interested on other firms, in the right time and place. Ties may be strong or weak. Granovetter (1973, p.1361) defines the strength of ties as a combination of time, emotional intensity, intimacy and the reciprocal services of the ties. They are weak when they are low, the relationships are distant. When there is a tight interaction the ties are strong, parties involved enjoy autonomy and easily adapt to each other. No tie is static. As time passes by firms can make the ties become stronger or weaker depending the relation between them.

By using trust and increasing commitment in established foreign networks, the firm gains penetration. After having some penetration, firms can gain international integration by using the network and getting involved with other firms in various countries. When the firm follows these activities, relationships are formed, gaining access to the market and its resources. Resources in the network are controlled by the firms itself, as well as other actors involved. A firm requires resources that are controlled by other firms, which can be obtained depending on their position in the network (Johanson & Mattsson, 1988).

2.2.3 International Entrepreneurship Theory (IET)

According to Zahra and George (2002), the term "international entrepreneurship" first appeared in a short article by Morrow in 1988. Morrow (1988) suggested that advancements in technology, declining cultural barriers and increasing cultural awareness has opened once-remote foreign markets to all kinds of companies; small firms, new ventures as well as established companies. "Soon after that, McDougall's (1989) empirical study comparing domestic and international new ventures paved the way for academic study in international entrepreneurship" (McDougall & Oviatt, 2005, p. 537).

International entrepreneurship is the study of cross-border entrepreneurial behavior focuses on how actors discover, enact, analyze and exploit opportunities in the creation of new goods or services. McDougall and Oviatt's (2000, p. 903) introduced their definition of international entrepreneurship as a "combination of innovative, proactive and risk seeking behavior that crosses national borders and is intended to create value in organizations". This definition has been one of the most widely accepted. Afterwards, they embraced a deeper concept of entrepreneurship, defining it as the discovery, enactment, evaluation, and exploitation of opportunities across national borders to create future goods and services (McDougall & Oviatt, 2005). Discovery refers to finding innovative opportunities. Enactment means to proactively put opportunities into use acquiring a competitive advantage. Evaluation is required to interpret the actions taken developing experience and knowledge.

According to Mtigwe (2006), “International entrepreneurship theory argues that individual and firm entrepreneurial behaviour is the basis of foreign market entry” (p. 16). A modification of McDougall and Oviatt’s (1994) definition of entrepreneurship is given by Stevenson and Jarillo (1990, p. 23), for them entrepreneurship is “a courageous managerial value creation process through which an individual engages innovative, proactive, calculated risk-taking behavior designed to prosecute foreign business opportunities presented by multinational market successes and imperfections for financial and non-financial rewards”.

International Entrepreneurship has been receiving a lot of interest from researchers and academics. According to IET, the key to internationalization nowadays is the entrepreneur. He is the one that possesses the skills and enough information to measure the opportunities in the market with ability to create and make stable relationships with other firms, suppliers, customers, government and media. He can be the one that has experiential and objective knowledge. Since he is a risk seeker, he is also able to commit the resources in an efficient way to achieve competitive advantage. In the international entrepreneurship theory, the entrepreneur needs to be opportunity seeking and internationally experienced in order to exploit the opportunities he might see in the market and be able to commit to it through entrepreneurial activities that would be translated as entrepreneurial services.

2.3 Trade Benefits of Integration in the EAC

Several benefits and challenges are expected in such expansion but as Lyakurwa (1996) observed that benefits of integration are merely attained as nominal intra-regional trade flows are realized. Key among these, enlargement is postulated to have positive implications for development policy. Some scholars are of the view that regional integration will increase intra-regional trade, which will in turn spur economic growth and development through economies of scale (Kasekende & Ng'eno, 2000; Mistry 2000). Since an RTA in principle combines markets, there will several types of benefits including; increased competition, the exploitation of economies of scale due to market enlargement, increased variety of products and reductions in internal inefficiencies of firms which would increase productivity (Schiff & Winters, 2003). Schiff & Winters, however warn that theoretical arguments on the ability of an RTA to raise returns and investment in developing countries are more persuasive for North-South RTAs than South-South ones. There is also the risk that regional liberalization might create a monopoly of firms that could resist further market opening.

Buigut (2006) and Masson and Pattillo (2005) suppose that merchandise exports within the pre-enlargement EAC before the expansion in relation to the total exports of the three countries, are relatively high in comparison with other African regional initiatives. But these figure has rose significantly with the expansion of the EAC to include Burundi and Rwanda. This has also been supported by Lapadre (2004) who argues the higher the number of countries in the region, the larger its intra-regional trade share will be. According to him, a region with a high number of member countries would show a larger intra-regional trade than a region of the same total trade size, but with a smaller number of members.

Analysis of trade shares show that the region's total trade volume has increased significantly as a proportion of total trade over the years 1985-2003. Exports from Kenya to Uganda and Tanzania are disproportionately high, accounting for 24.7 per cent of its total exports in 2010 (EAC, 2011). Uganda and Tanzania have relatively small but growing regional trade shares. Overall, trade in the region has increased as demonstrated by the data; however, the new EAC has not yielded a noticeable rise in intra-regional trade shares.

Economically, regional cooperation offers an avenue to overcoming problems of economies of scale. While accentuating benefits of economies of scale and geographic expansion, Krugman (1991) argues that economic integration could open up opportunities and create conditions to attract adequate levels of investment for the development of modern manufacturing cores and transfer of technologies. This, he asserts, is achieved through elimination of impediments to trade and investment, facilitating trade/investment through harmonization of regulatory regimes and; co-ordinating compatible macro-economic and monetary policies, including fiscal, monetary and investment policies. Horn et al (1999) support him on reducing these barriers but add that regional integration could also offer gains of improved internal efficiencies and productivity in the domestic markets as firms struggle to at least maintain their market shares, lest they face eminent closure.

2.4 Factors that May Influence Exports

The increasing internationalization and globalization of business has forced many firms to reconsider what contributes to their competitive advantage. Hamel and Prahalad (1996) have found that firms who achieve success in their international business are those that perceive the changes in the international environment and are able to develop strategies that enable them to respond accordingly. The firms that will survive base their success to a great extent on an early identification and analysis of changes in markets and industries in their international market environment.

2.4.1 Product Uniqueness

The product's attributes are argued to affect the positional (marketplace) competitive advantage of a firm, thereby influencing marketing performance. Product characteristics that have been argued to influence marketing performance include culture specificity, strength of patent, and uniqueness (Zarin and Vazife , 2009).

A unique product provides a firm with a differentiation advantage that other firms in a competitive market may find difficult to challenge or overcome resulting in higher performance than a standardized product (O'Cass, 2002). This differentiation advantage may result from better quality and reliability, or more durability, or they may be backed by better service, or have superior design or better performance (Terpstra and Sarathy, 2000). Furthermore, when a culture-specific product is exported to a foreign market, the cultural base on which the product is developed may not match the cultural base in the foreign market .To be viable, the product must be adapted to the cultural idiosyncrasies of the export market (Navarro et al., 2009)

2.4.2 Legal and Regulatory Policies

Legal and regulatory policies of host country governments are concerned, frequently when a developing country is involved, the host country government may exercise influence over the choice of suppliers and over marketing (Julian & Lages, 2003). Or it may impose exchange controls, which can have an important impact on reinvestment, financing and repatriation decisions. As a result, laws or pressure from the host government can play a significant role in the marketing performance of the venture by increasing or reducing firm capacity and effectiveness (Cavusgil & Zou, 1994).

2.4.3 Availability of Distribution Channels

Access to suitable distribution channels is concerned; inaccessibility to distribution channels has been widely cited as the reason behind the failure of many foreign market ventures (Yan, 1998). Furthermore, success in export markets is often equated with the export venture's ability to initiate and sustain strong and mutually beneficial relationships with their foreign partners. This is because market knowledge is likely to reside with the local partner or distributor. When an unstable political and economic environment is perceived to influence the export market, many export market ventures rely heavily on their local partners or distributors to help reduce the risk (Osland, 1994). Also, to take advantage of local resources, the export market venture must rely on its local partners or distributors to negotiate with local governments to provide access to local elite and manage local labour (Theodosiou, and Leonnidou, 2003). Companies provide ongoing support to their foreign distributors in the form of sales force training, technical assistance, marketing know-how, promotional support etc. In the Cavusgil and Zou

(1994) study the most critical determinant of such support turned out to be management's commitment to the venture.

2.4.4 Competition Intensity

The intensity of competition in the export market could force firms to seek a high degree of product and promotion adaptation to gain a competitive advantage over rivals, because adaptation of product and promotion can broaden the local market base and be geared to specific local preferences thereby enhancing marketing performance (Sousa, 2008).

In the export market the intensity of competition could force firms to seek a high degree of product and promotion adaptation to gain a competitive advantage over rivals because adaptation of product and promotion can broaden the local market base and be geared to specific local preferences thereby enhancing marketing performance (Douglas and Craig, 1989). Additionally, in a competitive export market, a high degree of product adaptation also is needed due to intense competitive pressure, because product adaptation can help gain a competitive superiority over rivals. However, a product that has to be adapted to the domestic market because it is unique, new to the company, culture-specific or because the export market is competitive may have limited acceptance in the export market (Shamsuddoha, 2004).

2.4.5 Foreign Marketing Competencies

Competence in international operations enables firms to select better export markets, formulate suitable marketing strategy, and effectively implement the chosen strategy (O’Cass & Julian, 2003). When managers are committed to the venture, they carefully plan the entry and allocate sufficient managerial and financial resources to the venture. With formal planning and resource commitment, uncertainty is reduced enabling marketing strategy to be implemented effectively leading to better performance (Cavusgil & Zou, 1994).

In relation to the firm's international experience, the more internationally competent a firm is the more likely it is that standardization alone will not lead to optimal results. A competent firm, because of its international experience knows the differences in environmental conditions and is more likely to select the most attractive market for the venture and adapt the marketing strategy to accommodate the specific needs of the market. An inexperienced firm seeks the closest match between its current offerings and foreign market conditions so that minimal adaptation is required (Ogunmokun, 2004). When a product can meet universal needs, a standardized strategy is facilitated, however, if a product only meets unique needs, greater adaptation of product and promotion will be required to meet customers' product use conditions (Cavusgil et al., 1993) and to educate customers in using and maintaining the product

Additionally, when a product can meet universal needs, standardization of product and promotion is facilitated. However, if a product meets only unique needs, greater adaptation of product and promotion will be needed to meet export customers' product use conditions (O'Cass and Julian, 2003) and to educate customers in using and maintaining the product. Similarly, when a culture-specific product is exported to a foreign market, the cultural base on which the product is developed may not match the cultural base in the foreign market (Style and Ambler, 2000)

2.4.6 Export Marketing Strategy

In response to external forces and in recognition of internal forces firms develop and implement an export marketing mix strategy. Export marketing strategy is the means by which a firm responds to market forces to meet its objectives, via all aspects of the marketing mix, including, product, price, promotion and distribution, and in international marketing, the key determining factor affecting marketing strategy includes the decision to standardize or adapt to the conditions of foreign markets (Baunsgaard and Keen, 2006).

The degree of adaptation versus standardization is a function of firm and environmental characteristics (Islam, 2000). Therefore, export marketing strategy can be seen as the degree of adaptation or standardization of the marketing mix required in the foreign market, thus, directly influencing marketing performance. However, as Douglas and Wind (1987) and Cavusgil and Zou (1994) suggest, the more internationally experienced a firm is, the more likely it is that standardization alone will not lead to optimal results. A competent firm, because of its international experience knows the differences in environmental conditions and is more likely to select the most attractive market for the venture and adapt the marketing strategy to accommodate the specific needs of the market (Bayoumi. Laxton, and Pesenti, 2004)

CHAPTER THREE

RESEARCH METHODOLOGY

3.1 Introduction

This chapter discusses the methodology that was adopted by the researcher in carrying out the study. The chapter presents the population studied, the methods used to sample it, the instruments used for data collection and procedures that were used in data analysis.

3.2 Research Design

The study adopted descriptive research design. Robson (2002) points out that descriptive study portrays an accurate profile of persons, events or situation. Furthermore, Chandran (2004) states descriptive study describes the existing conditions and attitudes through observation and interpretation techniques. These writer claim the descriptive research design is one of the best methods for conducting research in human contexts because of portraying accurate current facts through data collection for testing hypothesis or answering questions to conclude the study (Robinson 2002, Chandran 2004). Therefore, the descriptive survey was deemed the best design to fulfill the objectives of this study.

3.3 Study Population

A population is defined as a complete set of individuals, case or objects with some common observable characteristic (Mugenda & Mugenda 2003). The target population was the manufacturing firms in Kenya who manufacture and export soaps within the EAC as well as the Officials in the Ministry East Africa community. The target companies were Bidco Oil Refineries, Unilever Kenya and Ecolab East Africa (K). The study will target 9 managers (3 from each company) and 5 officials from the Ministry of EAC.

3.4 Sample and Sampling Technique

Sampling is a procedure, process or technique of choosing a sub-group from a population to participate in the study. It is the process of selecting a number of individuals for a study in such a way that the individuals selected represent the large group from which they were selected (Mugenda and Mugenda, 1999). The study adopted a census study approach.

According to Cooper & Schindler (2007) a census is feasible when the population is small and necessary when the elements are quite different from each other. When the population is small and variable, any sample we draw may not be representative of the population from which it is drawn. Therefore since the target population for this study is small and variable, it will be appropriate for researcher to choose census method to be used because the population is small and the institutions are easily assessable, the sample size will be 9 managers (3 from each company) and 5 officials from the Ministry of EAC.

3.6 Data Collection

The study collected both primary and secondary data. The primary data was collected using a questionnaire and an interview schedule. The questionnaire collected data from the management of the selected manufacturing firms; it had both closed and open-ended questions. The closed ended questions enabled the researcher to collect quantitative data while open-ended questions enabled the researcher to collect qualitative data. On the other hand, the interview schedule was used to collect data from the officials from Ministry of East Africa Community.

Questionnaires were considered for the study since they provide a high degree of data standardization, they are relatively quick to collect information from people in a non-threatening way and they are cheap to administer. According to Kombo and Tromp (2006), a self-administered questionnaire is the only way to elicit self report on people's opinion, attitudes, beliefs and values. Mugenda and Mugenda (1999) acknowledge that questionnaires give a detailed answer to complex problems.

3.6 Data Analysis

The whole process which starts immediately after data collection and ends at the point of interpretation and processing data is data analysis (Cooper & Schindler, 2003). Therefore, editing, coding, classifying and tabulating were the processing steps used to process the collected data for a better and efficient analysis. The data collected by the questionnaire was edited, coded, entered into Statistical Package for Social Sciences (SPSS) which also aided in the data analysis. This study generated qualitative and quantitative data. The quantitative data was analyzed using descriptive and inferential statistics. The qualitative data was generated from the open ended questions and was categorized in themes in accordance with research objectives and reported in narrative form along with quantitative presentation.

Both descriptive and inferential statistics was adopted for the study. The quantitative data was analyzed by using descriptive statistics which included frequency distribution tables and measures of central tendency (the mean), measures of variability (standard deviation) and measures of relative frequencies. The inferential statistics included a regression model which established the relationship between variables. Data was presented using tables, charts and graphs.

CHAPTER FOUR

DATA ANALYSIS, RESULTS AND DISCUSSIONS

4.1 Introduction

This chapter presents the results and findings as analyzed from the data collected. The main objective of this study was to investigate the challenges affecting Kenya's soaps exports within East Africa Community. The responses were analyzed using descriptive statistics and results were presented in tables, pie charts and bar graphs. The study targeted 9 managers from Bidco Oil Refineries, Unilever Kenya and Ecolab East Africa and 5 officials from the Ministry of EAC whereby a total of 7 questionnaires and 4 interview guides were completely and successfully filled. This response rate was considered appropriate to derive the inferences regarding the objectives of the research.

4.2 General Information

The researcher found it important to establish the general information of the companies that took part in the study since it forms the basis under which the study can rightfully access the relevant information. The general information presented issues such as duration the company has been in operations and the duration the company had exported Soap in the East Africa Community market.

4.2.1 Name of the Company

Table 4.1 Name of the Company

Name	Frequency	Percent
Bidco Oil Refineries	3	37.5
Unilever Kenya	3	37.5
Ecolab East Africa	2	25.0
Total	**8**	**100.0**

The study targeted nine managers from Bidco Oil Refineries, Unilever Kenya and Ecolab East Africa. Table 4.1 shows that 37.5% of the respondents were from Bidco Oil Refineries and Unilever Kenya Company respectively. Twenty five percent of the respondents were from Ecolab East Africa Company.

4.2.2. Duration of Operations in Kenya

The respondents were asked to indicate the duration their specific companies had operated in the Kenyan market. The findings are presented in 4.2 below.

Table 4.2 Duration of Operation

Duration	Frequency	Percent
0 – 5years	0	0
5 – 10years	0	0
11 – 20 years	2	25.0
Over 20years	6	75.0
Total	**8**	**100.0**

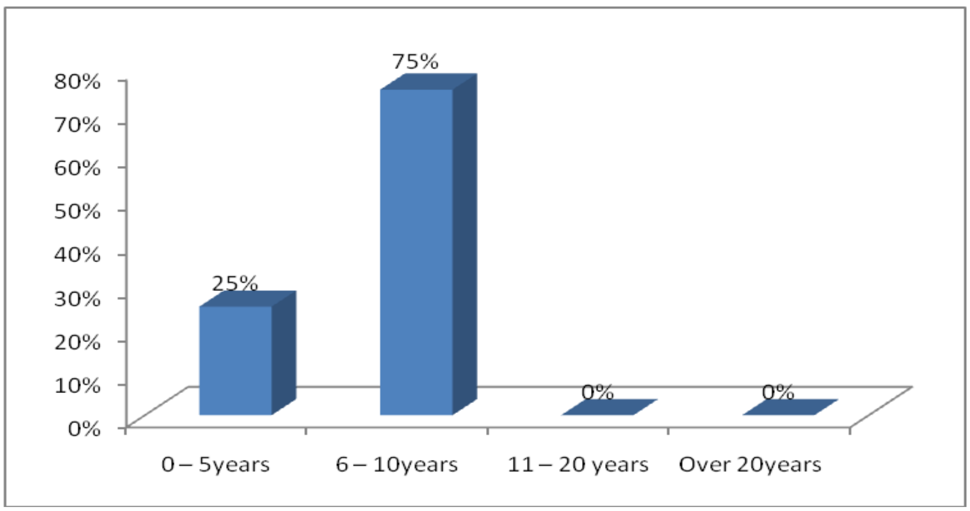
Results in table 4.2 shows that majority of the respondents (755) indicated that their companies had operated in the Kenyan market for over 20 years. On the other hand, 25%

of the respondents indicated that their company had operated in the Kenyan market for 11-20 years. These shows that all the three companies had operated in Kenya for a long period, thus they understood the soap market better.

4.2.3 Duration of Export of Soap in the EAC Member Countries

The respondents were asked to indicate the duration their companies had exported soap products in the East Africa Community member states market. The findings are presented in figure 4.1 below.

Figure 4.1 Duration of Export of Soap in the EAC Member Countries



Majority of the respondents (75%) reported that their companies had exported soap products in the EAC market for a duration of 6-10 years. Twenty five percent on the other hand indicated that their companyt had traded their soap products in the EAC maket for a duration of 5 years and below.

4.3 Challenges in Trading within EAC

In this section the study sought to establish the challenges affecting Kenya's soaps exports within East Africa Community. The study sought to determine whether aspects such as legal and regulatory policies, distribution channels, and competition among other factors affect Kenya's soaps exports within East Africa Community. The findings are presented below.

4.3.1 Legal and Regulatory Policies of Member Countries

The study sought to establish whether the legal and regulatory policies of member country governments affect Kenya's soaps exports within East Africa Community markets. The results are presented in table 4.3 below.

Table 4.3 Legal and Regulatory Policies of Member Countries

Response	**Frequency**	**Percent**
Yes	8	100.0
No	0	0
Total	**8**	**100.0**

All the respondents 8 (100%) overwhelmingly agreed that the legal and regulatory policies of EAC member countries were not favourable in enhancing smooth trading of soaps.

The respondents stated that some of the legal and regulatory challenges they experienced when trading in soaps in EAC market included documentation for crews and vehicles at border crossing, lack of harmonized requirements for operation licensing and customs, immigration regulations, constraints facing the Customs Union and cumbersome clearance process in every border and transport corridor.

4.3.2 Challenges Affecting Kenya's Soaps Exports in EAC Market

The respondents were asked to indicate their extent of agreement on the challenges facing Kenya's soaps exports in EAC market. The findings were interpreted in mean and standard deviation and presented in table 4.4 below.

Table 4.4 Challenges affecting Kenya's soaps exports in EAC Market

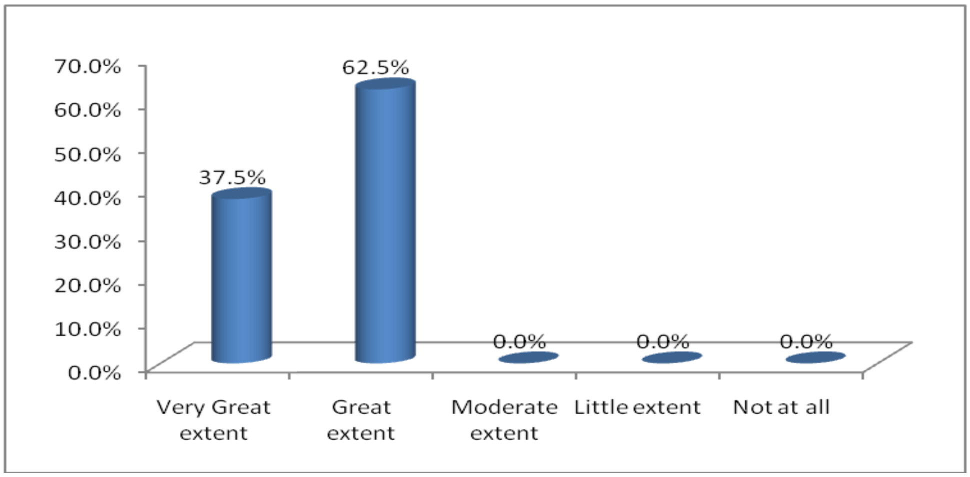
Challenges	Mean	Std. Deviation
The legal and regulatory policies in place are not favourable	4.22	0.759
Host country government may exercise influence over the choice of suppliers	2.08	0.848
Host countries impose exchange controls that affects trading of soaps in EAC	4.07	0.836
We lack effective distribution channels in host countries to market our products	3.02	0.829
There is intensive competition of soap products within the EAC	3.90	0.781

The study shows that majority of the respondents agreed that the legal and regulatory policies in place were not favourable and that the host countries imposed exchange controls that affects trading of soaps in EAC; this is shown by mean scores of 4.22 and 4.07 respectively. The respondents further agreed that there was intensive competition of soap products within the EAC market; this is shown by a mean score of 3.90. However, the respondents were neutral on whether the soap companies lacked effective distribution channels in host countries to market our products (3.02); while the respondents further disagreed that the member countries government exercised influence over the choice of suppliers; this is shown by a mean score of 3.90 on the likert scale.

4.3.3 Legal and Regulatory Policies and Trading of Soaps Within EAC

The study sought to establish the extent to which legal and regulatory policies affect trading of soaps within the EAC. The respondents are presented in figure 4.2 below.

Figure 4.2 Legal and Regulatory Policies and Trading of Soaps Within EAC



On Overall, 62.5% of the respondents agreed that the legal and regulatory policies affect trading of soaps within the EAC to a great extent. On the other hand, 37.5% of the respondents agreed to a very great extent that the legal and regulatory policies affect trading of soaps within the EAC.

4.3.4 Competition Intensity and Trading of Soaps Within the EAC

In this section, the study sought to establish the extent to which competition intensity affects Kenya manufacturing firms trading in soaps in the EAC markets. The findings are presented in figure 4.3 below.

Figure 4.3 Competition Intensity and Trading of Soaps Within the EAC

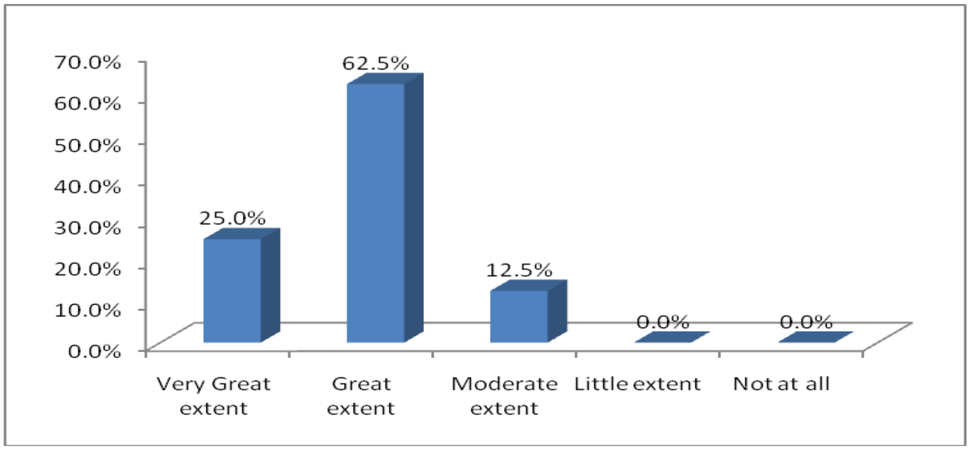


Figure 4.3 above shows that 62.5% of the respondents agreed to a great extent while 25% agreed to a very great extent that competition intensity of soap products affected Kenya soaps exports within the EAC. However, 12.5% were moderate on whether the competition intensity of soap products affected Kenya soaps exports within the EAC market.

4.3.5 Soap Products and Trading in the EAC

The respondents were asked to indicate their extent of agreement on the extent to which the soap products affected or influenced trading in the EAC market.

Table 4.5 Soap Products and Trading in the EAC

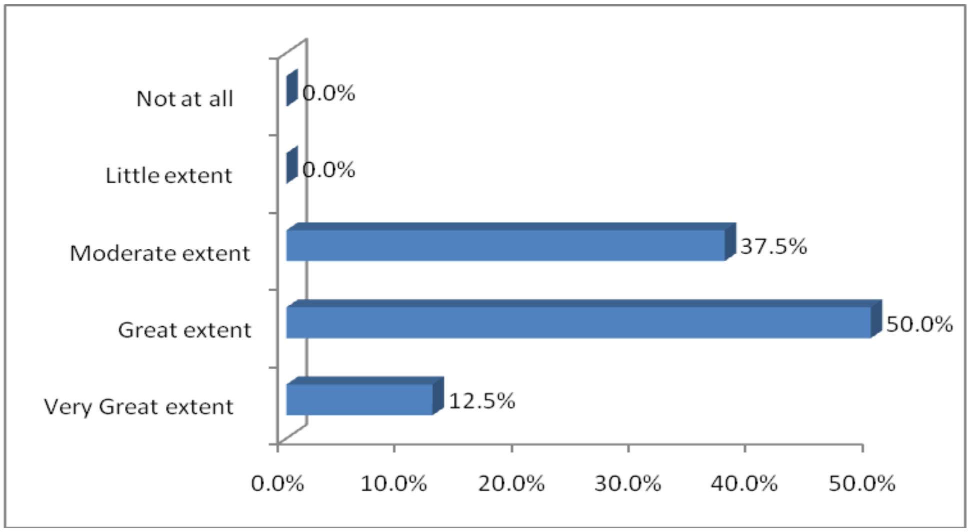
Statements	Mean	Std. Deviation
The product's attributes are unique in the EAC market	4.25	0.880
Our products characteristics affects their sales in the EAC market	1.17	0.828
Our product pricing is within other substitute products in the EAC market	4.08	0.892
Our products have a superior design	4.01	0.859
Our products are affected by cultural dynamics of various EAC countries	1.91	0.833
Our products meets universal standards	4.32	0.887

The findings shows that majority of the respondents agreed that their products met universal standards; their product's attributes were unique in the EAC market; their products pricing was within other substitute products in the EAC market; and that their products had a superior design; this is shown by mean scores of 4.32, 4.25, 4.08 and 4.01 respectively. However, the respondents disagreed that their soap products characteristics affected their sales in the EAC market and that their products were affected by cultural dynamics of various EAC countries; this is shown by mean scores of 1.17 and 1.91 respectively.

4.3.6 Extent Product Attributes affect Soap Exports within the EAC Market

The respondents were asked to indicate the extent to which the soap products attributes affect soap exports in the EAC Market. The results are presented in figure 4.4 below.

Figure 4.4 Extent Product Attributes affect Soap Exports within the EAC Market



On overall 50% of the respondents agreed to a great extent while 12.5% agreed to a very great extent that the product attributes affected the company's trading within the EAC market. However, 37.5% of the respondents agreed that the product attributes affected the company's trading within the EAC market to a moderate extent.

4.3.7 Marketing Strategy for Marketing Soap Products within EAC

The study inquired from the respondents whether the company had a specific marketing strategy for marketing the soap products within EAC markets. The findings are presented in table 4.6 below.

Table 4.6 Marketing Strategy for Marketing Soap Products within EAC

Response	**Frequency**	**Percent**
Yes	8	100.0
No	0	0
Total	**8**	**100.0**

All the respondents 8 (100%) overwhelmingly agreed that their companies had specific marketing strategy for marketing the soap products within EAC markets.

4.3.8 Effectiveness of the Marketing Strategy

The respondents further stated that the marketing strategies they used were effective. The marketing strategies used included regionalization where standard products and promotion approaches were developed on a regional basis. They also used centralization where the company used a single headquarters for all marketing and distribution requirements. Some companies also reported that they used subsidiary approach where they established subsidiaries by region or nation that serve as partially independent entities for producing, distributing and marketing products to their geographic area.

4.3.9 Other Challenges Experienced when Trading Soaps within the EAC Markets

The respondents further stated that some of the other challenges that affect the Kenya soap companies while trading in the EAC markets include: cumbersome customs procedures, dilapidated infrastructure, poor logistic and slow the pace of economic development. Others include budgetary constraints on the part of the companies; limited supply capacities; mismatch between regional and Partner state development planning; and inadequate national level capacities to domesticate regional policies; weak legal, regulatory and dispute settlement mechanisms and requisite powers for EAC to enforce community obligations and decision.

4.4 Discussion

The study found out that the legal and regulatory policies of EAC member countries were not favourable in enhancing smooth trading of soaps. Some of the legal and regulatory challenges they experienced when trading in soaps in EAC market included documentation for crews and vehicles at border crossing, lack of harmonized requirements for operation licensing and customs, immigration regulations, constraints with customs union and cumbersome clearance process in every border and transport corridor. The findings also revealed that the legal and regulatory policies in place were not favourable and that the host countries imposed exchange controls that affect trading of soaps in EAC. This is in line with Julian and Lages (2003) who revealed that the host country government may exercise influence over the choice of suppliers and over marketing. Or it may impose exchange controls, laws, which can play a significant role in the marketing performance of the venture by increasing or reducing firm capacity and effectiveness (Cavusgil & Zou, 1994).

The study also revealed that there was also intensive competition of soap products within the EAC market which affected the soap exports. Majority the respondents agreed that competition intensity of soap products affected Kenya's soap products within the EAC to a great extent. According to Sousa (2008), the intensity of competition in the export market could force firms to seek a high degree of product and promotion adaptation to gain a competitive advantage over rivals, because adaptation of product and promotion can broaden the local market base and be geared to specific local preferences thereby enhancing marketing performance.

The respondents also agreed to a great extent that the product attributes affected the company's trading within the EAC market. However, the respondents disagreed that their soap products characteristics affected their sales in the EAC market and that their products were affected by cultural dynamics of various EAC countries. They were however neutral on whether soap companies lacked effective distribution channels in host countries to market our products and on whether product attributes affected the company's soap products within the EAC market. According to O'Cass and Julian (2003) if a product meets only unique needs, greater adaptation of product and promotion will be needed to meet export customers' product use conditions; there is also need to educate customers in using and maintaining the product. Similarly, Style and Ambler (2000) asserts that when a culture-specific product is exported to a foreign market, the cultural base on which the product is developed may not match the cultural base in the foreign market.

The study also found out that all the soap companies had specific marketing strategy for marketing the soap products within EAC markets. The marketing strategies used included regionalization, centralization and subsidiary approach and the respondents revealed that the marketing strategies used were effective. This is in line with O'Cass and Julian (2003) who revealed that competence in international operations enables firms to select better export markets, formulate suitable marketing strategy, and effectively implement the chosen strategy.

CHAPTER FIVE

SUMMARY, CONCLUSIONS, AND RECOMMENDATIONS

5.1 Introduction

This chapter is a synthesis of the entire report and contains summary of findings, conclusions arrived at, policy recommendations and recommendations for further research.

5.2 Summary

The findings shos that majority of the companies had exported soap products in the EAC market for a long duration of 6-10 years. This means that majority of these companies had been trading within the EAC coutries since the inauguration of the EAC in 2001 thus they understood the market well.

All the respondents overwhelmingly agreed that the legal and regulatory policies of EAC member countries were not favourable in enhancing smooth trading of soaps. The respondents stated that some of the legal and regulatory challenges they experienced when trading in soaps in EAC market included documentation for crews and vehicles at border crossing, lack of harmonized requirements for operation licensing and customs, immigration regulations, constraints with customs union and cumbersome clearance process in every border and transport corridor.

The findings from majority of the respondents further revealed that the legal and regulatory policies in place were not favourable and that the host countries imposed exchange controls that affect trading of soaps in EAC. There was also intensive competition of soap products within the EAC market which affected the soap exports. However, the respondents disagreed that the member countries government exercised influence over the choice of suppliers while on the other hand, the respondents did not agree or disagree on whether the soap companies lacked effective distribution channels in host countries to market our products. On Overall, majority the respondents agreed that the legal and regulatory policies affect Kenya’s soap products within the EAC to a great extent.

Majority the respondents agreed that competition intensity of soap products affected Kenya’s soap products within the EAC to a great extent. They further agreed that their products met universal standards; their product's attributes were unique in the EAC market; their products pricing was within other substitute products in the EAC market; and that their products had a superior design. However, the respondents disagreed that their soap products characteristics affected their sales in the EAC market and that their products were affected by cultural dynamics of various EAC countries. The respondents also agreed to a great extent that the product attributes affected the company’s trading within the EAC market. However, a significant number of the respondents were moderate on whether product attributes affected the company’s soap products within the EAC market.

The study findings also established that all the soap companies had specific marketing strategy for marketing the soap products within EAC markets. The marketing strategies used included regionalization, centralization and subsidiary approach and the respondents revealed that the marketing strategies used were effective.

The other challenges that the study established that affect the Kenya soap companies while trading in the EAC markets include: dilapidated infrastructure, poor logistic and slow the pace of economic development; budgetary constraints on the part of the companies; limited supply capacities; mismatch between regional and partner state development planning; and inadequate national level capacities to domesticate regional policies among others.

5.3 Conclusions

The study concludes that though the Kenya's Soap companies had been trading in the EAC market since the inauguration of the EAC; they experienced challenges while trading their products in the EAC markets. These challenges varied from legal and regulatory policies, market challenges, and logistical challenges.

The study also concludes that the legal and regulatory policies of EAC member countries were not favourable in enhancing smooth trading of soaps. The legal and regulatory challenges included immigration regulations challenges which included stringet and bureaucratic documentation at border crossing, lack of harmonized requirements for operation licensing and customs, constraints with customs union and cumbersome clearance process in the border.

The study also concludes that the intensive competition of soap products within the EAC market also affected the soap exports from Kenyan companies. However, Kenya's soap products met universal standards; their product's attributes were unique; their pricing was within other substitute products in the market; and that their products had a superior design. This resulted has to companies adopting various marketing strategies which includes regionalization, centralization and subsidiary approach and which were effective.

The study also concludes that other challenges such as dilapidated infrastructure, poor logistic and slow the pace of economic development; budgetary constraints and limited supply capacities on the part of the companies affected the soap companies in trading in the EAC markets. Others included policy challenges which include mismatch between regional and partner state development planning; and inadequate national level capacities to domesticate regional policies.

5.4 Recommendations

The study recommends that there is need for improvement of the physical infrastructure in the region (roads, railways, and airways, communication) to ensure reduced logistical challenges and ensure effective movement of goods. Moreover, the EAC should come ways on how to harmonize domestic laws and regulation, tax systems so as to reduce this form of trade

Since export inspection and certification procedures involve many government bodies which include Customs, Kenya Bureau of Standards, among others. These bodies do not collaborate adequately. This causes duplication of functions and wastage of resources thereby hindering efficiency in trade. And the situation is not very different in the other

East African countries. The Single Window concept (preferably at the EAC level) would therefore be desirable.

5.5 Limitations of the Study

The researcher experienced some challenges that could have limited the achievement of the study objectives. One of the limitations was lack of cooperation from the companies in terms of availing the information in time, a few also never responded. Some of the soap manufacturing companies targeted were unwilling to give information. However, the researcher overcame this challenge by informing the management of the companies on the actual purpose of the study.

On other cases, the employees feared to give information about their organization since some were not allowed to give information while others would not want to be associated with any repercussions of giving such information because they may be victimized by Management. In order to ensure that such occurrences were not experienced, all identities of each respondent were concealed. This entailed using questionnaires that was not prompt the disclosure of lots of one's identity. The researcher also assured the respondents and the management of the companies at large that the information would be treated as confidential and used for academic purposes only.

5.6 Suggestions for further Research

This study sought to investigate the challenges facing Kenya's soaps manufacturing firms exporting to East Africa Community (EAC). The researcher suggests that a similar study be conducted but looking on other forms of exports for instance oils, horticulture and other manufactured goods for comparison of results.

The researcher also suggests that a similar study be conducted but focus on a different trading/regional bloc for instance, Southern African Development Community (SADC), Common Market for Eastern and Southern Africa (COMESA) also for comparison of results. This would help in addressing the challenges and enhancing effective business within the regions and also facilitate economic growth of the companies and countries involved at large.

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APPENDICES

Appendix I: Questionnaire

Section A: Background Information

1. Name of the Company…………………………………………………………………..

2. How long have you been in operations in Kenya?

   0 – 5years [ ]   5 – 10years   [ ]   11 – 20 years [ ] Over 20years   [ ]

3. How long have you exported Soap in the East Africa Community member countries?

   0 – 5 Years   [ ]   5 – 10   Years   [ ]   11 – 20 Years   [ ]

   Over 20 years   [ ]

Section B: Challenges in Trading within EAC

4. Do you think the Legal and regulatory policies of host country governments are favourable in enhancing smooth trading of soaps?

   Yes   (   )   No   (   )

5. Which legal and regulatory challenges do you experience when trading in soaps in EAC market?..

   …………………………………………………………………………………………

   …………………………………………………………………………………………..

6. To what extent do you agree with the following statements? Use a scale from 5 to 1 where 5 –strongly agree, 4 – agree, 3 – neutral, 2 – disagree and 1 – strongly disagree.

Statements	1	2	3	4	5
The legal and regulatory policies in place are not favourable					
Host country government may exercise influence over the choice of suppliers					
Host countries impose exchange controls that affects trading of soaps in EAC					
We lack effective distribution channels in host countries to market our products					
There is intensive competition of soap products within the EAC					

7. On Overall, to what extent does legal and regulatory policies affect trading of soaps within the EAC

   Very Great extent ( ) Great extent ( ) Moderate extent ( )

   Little extent ( ) Not at all ( )

8. To what extent do competition intensity of soap products affect your trading of soaps within the EAC

   Very Great extent ( ) Great extent ( ) Moderate extent ( )

   Little extent ( ) Not at all ( )

9. To what extent do you agree with the following statements on your soap products and trading in the EAC? Use a scale from 5 to 1 where 5 –strongly agree, 4 – agree, 3 – neutral, 2 – disagree and 1 – strongly disagree.

Statements	**1**	**2**	**3**	**4**	**5**
The product's attributes are unique in the EAC market					
Our products characteristics affects their sale in the EAC market					
Our product pricing is within other substitute products in the EAC market					
Our products have a superior design					
Our products are affected by cultural dynamics of various EAC countries					
Our products meets universal standards					

10. To what extent do you think your product attributes affect your company's trading within the EAC market?

    Very Great extent ( ) Great extent ( ) Moderate extent ( ) Little extent ( )

    Not at all ( )

11. Do you have a specific marketing strategy for marketing your soap products within EAC?

    Yes ( ) No ( )

12. If yes, how effective is the marketing strategy?...

    …………………………………………………………………………………………

    …………………………………………………………………………………………..

13. What other challenges do you experience hen trading soaps within the EAC community?...
....
....

THANK YOU

Appendix II: Interview Guide

1. How would you rate trading of Exports from Kenya within the EAC?

2. Have Kenya's economic integration with other members in the EAC opened up opportunities for manufacturing trading within EAC? If Yes Explain

3. What legal and regulatory policies has the government put in place to enhance smooth trading of exports within EAC?

4. Do you receive complains on the local companies on the challenges they experience when trading soaps within the EAC community?

b). How do you address these challenges?

5. What challenges are facing local manufacturing companies trading within EAC market?