

**THE INTERNET AS A SOURCE OF COMPETITIVE ADVANTAGE
FOR INSURANCE FIRMS IN KENYA**

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**A Management Research Project Submitted in Partial Fulfilment of the
Requirements for the award of the Degree of Master of Business and
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DECLARATION

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

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

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I thank God for the gift of life and for providing me with an opportunity to undertake this degree programme and for his constant guidance throughout the entire programme.

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DEDICATION

I dedicate this project to God, my husband, parents, sister and brother.

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ABSTRACT

This study focused on the internet as a Source of Competitive Advantage in Insurance Firms in Kenya. The objectives of the study were to establish the internet based products and services used by insurance firms in Kenya and to establish the extent to which the internet is been used as a source of competitive advantage.

A survey design was used for data collection. The data was collected using questionnaires. They were administered using the "drop and pick later" method. The data was analyzed using frequencies; means, standard deviations and factor analysis. The data was presented through the use of tables accompanied by explanations.

Analysis revealed that majority of the insurance companies use Electronic mail the most compared to all products and services. Results of the respondent insurance companies indicated that there were other activities that they engaged the internet other than the products and services listed. This implies that the companies use electronic email to distribute information and services, thus using the internet for their day to day running. The companies hardly used the internet for inter-connecting an existing customer.

The second objective was to establish if insurance companies use internet based products and services confer competitive advantage. To this end Principle Component Analysis was used. The products and services that were used by insurance firms were blogs, content management, corporate intranet, Information gateways, intelligent messaging, video conferencing, internet relay chat, Meta search engines and the World Wide Web for B2B/B2C. Other products and services used to a high extent were Telecommunication Network, Videophone, VoIP services, Electronic mail and mobile internet phones.

The limitations found during the study were that the respondents found the terms in the study to be too complex and lack of enough material on the internet products from insurance firms. The recommendation is that better results would be achieved in the future if a case study is conducted with a smaller number of insurance firms. In depth studies can be carried out in the future to find out why the insurance firms prefer to use some internet based products over others.

In conclusion, it is seen that the internet based products and services in the questionnaire were used to a small extent by the insurance companies. It was however seen that the insurance companies used the internet for other activities such as communication and implementing of decisions.

CHAPTER ONE: INTRODUCTION

1.1 Background

1.1.1 Concept of Competitive Advantage

Competitive advantage refers to the strategy used to achieve and, hopefully, to sustain an edge over one's competitors (Porter, 1987). Porter sees competitive advantage as the objective of strategy, arguing that superior performance will automatically result from competitive advantage. Competitive advantage can be derived from numerous sources and that strategy manipulates the sources of advantage under the firm's control in order to generate competitive advantage. Additionally, competitive advantage can also emanate from emergent strategy or factors beyond the firm's control.

These forces and factors, be they environmental, organizational or personal, could potentially determine competitive advantage. These factors and forces, using the firm as the unit of analysis, can be internal, working primarily within the firm's boundary, or external, effecting primarily outside the firm's boundary. Also, these parameters could be either serendipitous, arising and disappearing without the conscious control of the firm (e.g. luck) or deliberate, subject to purposeful strategic manoeuvres in competition, cooperation or creative and innovative managerial actions in managing the organizational structure, process, culture, technology and people (Stewart, 1997).

When a firm has achieved a competitive advantage and successfully raises the barriers preventing imitation by competitors it thereby "resists erosion by competitor behaviour" and achieves sustainable competitive advantage (Porter, 1987). Preventing imitation, however, does not last forever. Thus the firm's ability to delay this eventuality is essential in order to derive the maximum benefit from any competitive advantage. Achieving sustained and profitable growth is extremely difficult without having at least one strong and differentiated core business on which to build. Building this strong and differentiated core would require access to some form of competitive advantage. The sources of competitive advantage are as numerous as there are activities in the firm.

1.1.2 Role of Information Technology in Building Competitive Advantage

The internet is a global, computer-mediated information resource and communication infrastructure; it is a network of computer networks connected using an open, media independent, standard technical protocol known as Transmission Control Protocol/Internet Protocol (TCP/IP), offering a variety of different communication services such as File Transfer Protocol (FTP), Electronic Mail (E-Mail), Newsgroups, Internet Relay Chat (IRC) and Videoconferencing (Brabston and McNamara, 1998).

The internet can give a business competitive advantage if it allows the business to carry out a relevant business activity it did before but quicker and/or cheaper (Porter, 2001). Such activity includes information retrieval or research, or communication with customers globally through e-mail; or allow the business to carry out a relevant business activity it previously was unable to do e.g. allowing customers to query company data at any time of day or night from anywhere in the world without requiring the intervention of company staff; or by facilitating the business activity to instigate an innovative mode of operation, like music downloads that do away with the need for compact discs.

A value configuration describes how value is created in a company for its customers. It shows how the most important business processes function can be used to create value for customers and represents the way a particular organization conducts business. For a long time the value configuration most used for organizations was the value chain developed by Porter (1985). Insights emerged, however, that many organizations have no inbound or outbound logistics of importance, they do not produce goods in a sequential way, and they do not make money only at the end of their value creation. Therefore, two alternative value configurations have been identified, labelled value shop and value network respectively.

Stabell and Fjeldstan (1998) note that the value shop is a value configuration creating value by applying knowledge to customer problems e.g. law firm lawyers apply legal knowledge to clients' problems. Even where the main value configuration of an organization is the value chain, there are examples of value shop activities within the

firm. A value chain performs a fixed set of activities that enables it to produce a standard product in large numbers. Value networks links clients or customers who are or wish to be interdependent. Examples of value networks are telephone companies, retail banks and insurance companies.

The Internet can support added value through providing a broad range of unique offerings. The broad range of benefits that can be attributed to The internet include opportunities for improved product quality and enhanced customer service. Business performance measures such as improved cost control and profitability (Porter, 1985) will be enhanced. Internet based technologies such as Intranets can be used to provide information for planning and decision making by improving organizational communication and flexibility; supplier relations benefit since Internet-based initiatives, such as Electronic Data Interchange (EDI) can be implemented to reduce search costs and can enable marketing activities through internet based e-commerce.

Internet based technologies that can be used to deliver competitive advantage include the World Wide Web. The World Wide Web consists of all the resources and users on the internet that use the Hypertext Transfer Protocol (HTTP). It is an interconnected collection of information sources within The internet that allow users to view images, film clips, hear sound recordings, and find valuable and interesting information about a wide variety of subjects. Electronic Commerce (e-commerce), the buying and selling of goods and services on The internet, especially the WWW, is another example. Variants include Business-to-Customer (B2C) (the transfer of goods and services to individual consumers) and Business-to-Business (B2B) technologies (the procurement, logistics and administrative processes that occur between firms) (Gereffi, 2001). In practice, the term e-commerce and a newer term, e-business, are often used interchangeably. For online retail selling, the term e-tailing is sometimes used.

1.1.3 Insurance Industry in Kenya

There are currently a total of 43 insurance firms in Kenya (First Reinsurance Brokers, 2006). The bulk of insurance companies are local; the only multinational company

represented is American International Group (AIG), which conducts general business. The market is dominated by a few key players. The top three companies control about one third of the total business. The top ten companies control 61 % of the market.

Macroeconomic trends, such as regional integration, mergers and consumerism have influenced the insurance sector (Kerama, 2006) and have transformed economic models with an emphasis on earnings. Insurers are under continuous pressure to increase market share and share of disposable income; market forces such as the need to grow market share, provide services, expand distribution capabilities and improve operational efficiency have continuously pressured many insurance organizations locally to look for synergetic acquisitions and shed unprofitable or non-core business.

One way in which insurance firms can fight back against the unfavourable economic current is through the use of Internet technology. This technology can help reduce the insurance transaction cycle time by allowing customers to access insurance products online (e.g. check claim status); bypass or eliminate elements of the value chain by extending the virtual supply chain and reduce costs of distribution, documentation and transactions. This in turn would increase customer satisfaction and retention which will help improve shareholder value and increase profitability. Those firms in the industry that optimize on these and other opportunities proffered by the internet will be able to develop a competitive edge in the sector.

1.2 Statement of the Research Problem

Business is being revolutionised every day as a result of the influence of the internet. Organisations have become leaner, meaner, more profitable and more competitive. New businesses have sprung up on the internet without a physical presence (i.e. virtual stores). Some existing organisations have moved from a bricks-and-mortar format to a click-and-mortar format, whilst others have adopted a more conservative approach and have both a physical and a virtual presence. For example, there are virtual banks, such as Security First Network Bank in America (Bradley and Stewart, 2003). This enables their customers to access their service or products at their convenience creating a competitive advantage.

He observes that the great value of infrastructural technologies (these are those technologies that provide the greatest value and productivity gains only when broadly shared by many firms, such as the internet), comes when they become standardized. This makes them accessible to a wide range of users, who can then easily transact through these media, thus creating value. When all firms own systems that can be easily integrated internally within their organization and externally with their suppliers' and customers' systems, there is great benefit. The need to standardize, in effect, turns the technology into a shared infrastructure, just like the rail system or the electrical grid.

As seen earlier, insurance firms can adopt these and other value added means of using the internet to reduce their costs, carry business activity quickly and/or cheaply, conduct business activity they were previously unable to do or instigate an innovative mode of operation. These could be online claims, underwriting, policy renewals, marketing and so on. Undoubtedly, these would provide sources of competitive advantage which would enable these firms to operate at lower costs and enhance their market position. For insurance firms in Kenya, such innovation provides a means of increasing profitability and market share.

Bearing in mind the aforesaid, it is thus the purpose of this study to determine how insurance firms in Kenya are using the internet to generate competitive advantage. There are various studies done touching on the issue of the use of the internet and e-commerce. Mbuvi (2000) conducted a survey of potential for adoption of E-Commerce by Tour operators in Nairobi. Nyambura (2000) did a survey of challenges facing internet growth in Kenya. Mbayah (2001) studied strategy Practises within Commercial Internet Service providers in Kenya. Muganda (2001) study was an investigation of the business value of E-Commerce while Musembi (2001) studied on the factors that have influenced the adoption of E- Commerce in the retailing industry. Muthuri (2001) studied export marketing in the internet while Abwao (2002) studied on Information Technologies applications in Business Management within Kenyan Companies. Further, Wanjoga (2002) researched on consumer attitude towards online advertising; Kitur (2006) conducted a survey of the strategic role of ICT among insurance companies in Kenya. Kiyeng (2003;) studies the impact and challenges of Business E- Commerce in Kenya

while Nginja's (2006) study was a critical analysis of internet diffusion in Kenya. Finally, Wanyande (2006) studied on the application of Ansoff's growth strategies by internet service providers in Kenya. None of these studies however focuses on the internet as a source of competitive advantage for insurance firms in Kenya; this is the gap that this study seeks to fill.

1.3 Research Objectives

The objectives of the study will be:

- i. To establish the internet based products, services and markets used by insurance firms in Kenya.
- ii. To determine the extent to which the internet is used as a source of competitive advantage.

1.4 Importance of the Study

This study will point ways into how the internet is being used to generate value by insurance firms locally. More importantly, it will give recommendations on how these firms can enhance the use of the internet further to optimize on its capabilities to generate value. This information will be helpful to management of these firms in their effort to rationalize their businesses for increased productivity and maximum shareholder value.

The information contained in the study's findings will help customers of the insurance companies in knowing which firms offer internet based insurance services and in finding useful products and services information material from the internet. They can base their choice of insure on the level of advancement in this area.

Finally, the study will form a useful point of reference in the area of business and academic research. Future scholars will obtain guidelines from the study which will assist them in further research.

CHAPTER TWO: LITERATURE REVIEW

2.1 The Competitive Advantage of Firms

Businesses succeed when they possess some advantage relative to their competitors. Gaining this competitive advantage is the objective of strategy (Asch and Salaman, 2002). Corporations which gain competitive advantage in their industries usually adopt specific strategies including innovation, improved processes, higher quality, lower cost and marketing in order to achieve this goal.

Porter (1985) offers three generic strategies of cost, differentiation and focus that may be used to gain competitive advantage. Companies may use any one or combination of these strategies to gain a competitive advantage. Businesses that are able to create a competitive advantage by using one or more of these strategies will experience above-average profitability within their industry. Businesses that use both cost and differentiation strategies to achieve competitive advantage usually realize the highest levels of profitability within their industry.

However, even if businesses are able to gain competitive advantage and achieve higher levels of profitability, rivals are usually quick to copy their strategies or even improve on their initiatives, and thus result in a loss of competitive advantage (Johnson and Scholes, 1993). Kanter (1990) proposes that, to be successful, companies must remain focused on their core competencies and invest in their development and de-emphasize activities that do not add value. She further suggests that defining the firm's core competencies and "organising to support and augment them" will ensure continuous success in changing conditions.

According to Andrews (1987), firms have invested in becoming lean and flexible in order to respond rapidly to environment and market changes, benchmarking continuously to achieve best practice and outsourcing aggressively to achieve efficiencies. The Japanese are famous for deriving competitive advantage through operational effectiveness. These investments in achieving operational efficiency have resulted in operational improvements and competitive advantage but have failed to secure sustainable advantage.

Strategy and operational effectiveness are both essential for superior performance, which is the ultimate goal of any enterprise. In fact, the more benchmarking companies do, the more they look alike, and the more rivals outsource activities, the more generic those activities become. As rivals imitate one another's improvements in quality, cycle times or supplier partnerships, their strategies converge and they become "a series of races down identical paths that no one can win" resulting in mutually destructive competition (Porter, 1996).

In a differentiation strategy, a firm selects one or more attributes that many buyers in an industry perceive as important and uniquely positions itself to meet the customers' needs. For its uniqueness it is rewarded by being able to charge a premium price. A firm must truly be unique at something, or be perceived as unique, if it is to expect a premium price. According to Barney (1991), preferred access to resources or customers can award a business an advantage that is independent of its size. The advantage persists because competitors are held back by an investment asymmetry: they would suffer a penalty if they tried to imitate the leader.

Strategic fit is about combining different activities in the firm in order to achieve competitive advantage, achieved through the way activities of a firm fit and reinforce one another (Volberda, 1996). The claim sorting process in an insurance company is a fine example of managing activities to achieve strategic fit. The process must be well organized to sort out the express claims (those for which payment will be made instantly) from the target claims, which are those that require further investigation to ascertain validity before payment. These activities should complement one another in ways that create real economic value. Since discrete firm activities often affect one another, seeing the firm as a whole is more valuable than relying only on core competencies, key success factors or critical resources.

According to Ghemawat (1986), economies of scope define the conditions under which synergy works. To achieve economies of scope, a company must be able to share resources across markets, while making sure that the cost of those resources remains largely fixed. Only then can economies be affected by spreading assets over a greater

number of markets. Time compression is a source of potential advantage gained by performing activities faster. According to Kanter (1990), companies are increasingly competing on time, from first – mover advantage via innovation to faster cycle times for product development, to just in time deliveries and rapid response to market trends.

Ensuring sustainability of competitive advantage requires a significant investment from the firm in order to raise barriers to imitation. Albeit no advantage is indefinitely sustainable and no barriers to imitation are insurmountable, several options exist for firms to prolong competitive advantage. Arguably, the most effective barriers to imitation are achieved when competitors do not comprehend the competencies on which the advantage is based. This refers to situations where it is difficult for rivals to understand how a firm has created the advantage it enjoys (Dess and Miller, 1993).

Fit is fundamental to the sustainability of advantage. It is harder for a rival to match an array of interlocked activities than it is to copy a single activity. Rivals that try to copy a firm with an array of interlocked activities (fit) will have to reconfigure many activities in order to compete effectively, thus creating a formidable barrier to imitation (Porter, 1996).

Physically unique resources are as per definition near impossible to imitate. Pearce and Robinson (2000) suggest examples of physically unique resources such as strategically located real estate positions, patents, copyrights and mineral rights. They concede, however, that only in rare cases can resources be considered to be physically unique.

Path-dependency as a source of competitive advantage results from the difficulty through which other firms must go in order to create the same competitive advantage that the firm possesses (Barney, 1991). for example, Dell's system of selling direct via The internet and their unmatched customer service provides a path-dependent organisational capability, since it would take any competitor years to develop the expertise, the infrastructure, reputation and capabilities necessary to compete with Dell.

Economic deterrence, according to Pearce and Robinson (2000), is another source of inimitability. This occurs where the firm raises the barriers to imitation of its competitive

advantage by making huge investments in capacity to provide products and services in markets that are scale-sensitive. The size of the investment deters rivals from imitating the competence (i.e. resource or skill) required to compete. According to Zook and Allen (2001), the key to unlocking sources of growth is investment in and building unique strength (competitive advantage) in the core business. Continuous investment in this unique strength in the core business will result in sustainable competitive advantage in the core business.

2.2 The Internet as a Tool for Attaining Competitive Advantage

Boyd and Spekman (2001) observe that while B2B online marketplaces may offer cost savings in the form of low procurement costs, that is not the only reason why such marketplaces are important. A substantial proportion of any procurement savings will ultimately be passed on to the end-consumer. The more important effect of B2B online marketplaces will be on the competitive advantage of firms. The B2B market space will make different kinds of sophisticated collaboration between companies possible, the last phase in the evolution of online marketplaces.

Such collaboration is the result of a desire to achieve sustainable competitive advantage in a highly competitive marketplace. For competitive advantage to be sustainable, marketplaces have to operate at lower costs, command a premium price or indulge in a mixture of both. The ways to do so would be by either doing the same things as a firm's competitors but doing them better or by doing things in ways that delivers unique values to customers (Porter, 2001). The former is called operational effectiveness while the latter is known as strategic positioning.

The internet is a powerful tool for enhancing operational effectiveness but sustained competitive advantage is only possible when a marketplace can sustain higher levels of operational effectiveness than its competitors (Boyle and Alwitt, 1999). However the openness of the internet and advances in software and applications development tools means that companies can develop, design and copy best practices very quickly. This implies that it is very hard for a firm to stay ahead of its rivals and such best practice

competition can lead to convergence where many marketplaces can end up doing the same things.

As a result, operational advantages are increasingly harder to sustain. In such a situation, strategic positioning becomes increasingly important as a means of sustaining competitive advantages (Porter, 1985). Strategy goes beyond developing best practices. It involves developing activities in a value chain that would enable the marketplace to offer unique value in the delivery of services to their customers. Integrating the internet into a firm's supply chain and its value chain can open up opportunities for collaboration, thereby increasing the competitive advantage of firms and marketplaces.

The value chain is a model that describes a series of value-adding activities connecting a company's supply side comprising of raw materials, inbound logistics and production processes with its demand side comprised of outbound logistics, marketing and sales (Rayport and Sviokla, 1995). Firms must pay attention to how their companies create value in both the physical and the virtual world and online marketplaces provide opportunities to create value by improving supply chain effectiveness and efficiency through new technologies.

By comparison, Johnson and Scholes (1993) observe that the Resource-Based View (RBV) of the firm discusses the nature of resources possessed by organizations and details the qualities that such resources must maintain in order to be converted into sustainable competitive advantages over time. Advocates of this theory propose that an organizational resource must be valuable, rare, imperfectly tradable and inimitable, in order to provide the firm with a sustainable competitive advantage. In addition, the organization must possess the ability to effectively and efficiently exploit the full potential of its resources, in order to develop and maintain any potential competitive advantages.

However, there are also theoretical positions that note the limitations associated with the employment of any one firm resource (including information systems and the internet) in the development of a sustainable competitive advantage. While information systems can

provide firms with short-term competitive advantages, such advantages tend to be unsustainable due to rapid technological changes and competitive adaptation to increased customer expectations. Indeed, recent extensions of RBV theory note that sustainable competitive advantages are not achieved through the strategic utilization of any one resource, but through the bundling and revitalizing of multiple, distinctive firm resources and competencies in order to create valued outputs capable of becoming sustainable competitive advantages (Teece et al., 1997).

Brabston and McNamara (1998) also note that given the benefits and advantages of electronic marketplaces, not utilizing the potential of B2B e-commerce might differentiate winners from losers. While the value-chain portfolio might be one way of exploring the possibilities of B2B e-commerce, firms can look to their own capabilities before deciding on using B2B e-commerce as a strategy to gain competitive advantage. Two potential considerations for a firm exploring the possibility of integrating B2B e-commerce in their array of strategic tools are the costs and the potential effort.

The internet as a medium can be said to have two broad applications: communication and transaction. Cost reduction associated to these two functions constitutes the main added-value for that technology. Empirical descriptive research on the application of the internet to procurement shows contradictory results. In a survey on the plastic industry, Boyle and Alwitt (1999) show that The internet is hardly used for the formalization of the purchase (a transaction linked phase), its main application being to serve as a source of information.

Basically, the internet's added-value resides in its ability to contribute to cost reduction associated to communication and transaction (Boyd and Spekman, 2001). The internet allows the access to a great amount of information with lower costs of time and money than those derived from the use of other tools, both inside and outside the organization. Inside the firm, the development of the Intranet can greatly facilitate the transmission of information among its members.

This feature of The internet with respect to other media, namely, its ability to provide a great amount of information, makes the complexity in, say, the purchase process, foster its use as a source of information. Specifically, when thorough and/or complex decisions must be made and firms must engage in meaningful dialogue and give-and-take, the internet will need to provide rich communication and greater frequency since complex interaction requires subtle interchange and/or richness of information content to overcome ambiguity.

In the process of purchase, the internet offers benefits such as the reduction of costs derived from lower inventory levels, lower product acquisition prices or paperwork savings or organizational effects, such as the decrease of the conflict and the reduced size of the buying centres. Min and Galle (1999) proved that the largest firms show a greater trend towards the use of The internet in the purchase and that the concern for the lack of security in The internet means no obstacle for the use of the technology.

B2B electronic transactions have influenced the entire procurement process and supply chain management, including the flow and quality of information, negotiations, purchasing, invoicing, shipping and payment, among others. The nature of The Internet makes it easier for buyers and sellers to search, meet, compare prices and negotiate and thereby help in reducing transaction costs. It enables a large number of buyers and suppliers to come together thus expanding the choices available to both buyers and sellers (Boyd and Spekman, 2001).

The Internet is a cost effective means of distributing insurance. As seen earlier, a considerable amount of effort is needed to ensure that the site contributes to the overall marketing strategy from advertising to product distribution. One of the major benefits of The Internet as a distribution channel in, say, the car insurance industry is the ease and speed with which a standard quote can be dealt with. Furthermore, quotes can be obtained around the clock, potentially enabling increased business during hours when call centres would be closed.

There are numerous reports that the online automation of routine customer service functions has generated significant cost savings. For example, Sun Microsystems reportedly saved a minimum of \$4 million in answering standard customer enquiries since it reorganised its customer service facility around The Internet (Clark, 1997). The Internet also allows organisations to offer supplementary information about their products to the customers, thus adding value to the services provided. For example, Microsoft corporate Web site allows visitors to access voluminous support material, download free supplementary programmes and interact with other Microsoft customers (Richardson, 2001). Such activities enhance the whole experience for customers and go a long way in establishing brand loyalty and differentiation.

Finally, The Internet makes easier execution of global marketing strategies possible, as a presence on the Web means being international by definition. The Internet has become established as a fully-fledged global marketing and communications channel, and can deliver many aspects of any organisation's global marketing strategies ranging from branding, database building and customer acquisition to providing customer service, forming relationships, building loyalty and installing advocacy in existing customers. With its aforementioned predicted growth and its increasing global user base, the general consensus from the literature is that "The Internet is just too influential for growth-orientated merchants to ignore" (Brabston and Mcnamara, 1998).

However, despite offering huge potentials for organisations, The Internet brings with it potential obstacles. Longstanding difficulties of international marketing, predominantly the fundamental cultural and language differences between nations are still present online. In addition, the nature of the net allows one to easily defame and organise protests against organisations. This offers an unprecedented opportunity for individuals to severely damage a firm's global reputation, especially when the power and reach of The Internet is taken into account.

This side of the net is often overlooked, receiving scant attention in early published material. However, with the increasing prominence of such online corporate activism, illustrated by the recent crop of "anti-corporate" Web sites (Simms, 2000), there has been

the recognition within contemporary literature that The Internet has wider implications for the global marketing strategies of firms than first reported.

2.3 Value Configuration Models and Internet-based Competitive Advantage

Porter (1985) introduced a generic value chain model comprising a sequence of activities found to be common to a wide range of firms. The primary value chain activities were: inbound logistics, involving the receiving, warehousing and distribution of raw materials; operations, entailing the process of transforming inputs into finished products and services; outbound logistics such as the warehousing and distribution of finished goods; marketing and sales including the identification of customer needs; and the generation of sales and service entailing customer support after products are sold.

According to Stabell and Fjeldstad (1998), the value shop is a company that creates value by solving unique problems for customers and clients. Knowledge is the most important resource and reputation is critical to firm success. A value shop is characterized by five primary activities: problem finding and acquisition, problem solving, choice, execution, and control and evaluation. Problem finding and acquisition involves working with the customer to determine the exact nature of the problem or need. It involves deciding on the overall plan of approaching the problem. Problem solving is the actual generation of ideas and action plans.

Choice represents the decision of choosing between alternatives. While the least important primary activity of the value shop in terms of time and effort, it is also the most important in terms of customer value. Execution represents communicating, organizing, and implementing the decision, or performing the treatment. Control and evaluation activities involve monitoring and measurement of how well the solution solved the original problem or met the original need (Boyd and Spekman, 2001).

According to Fjeldstad and Haanæs (2001), this may feed back into the first activity, problem finding and acquisition, for two reasons. First, if the proposed solution is inadequate or did not work, it feeds back into learning why it was inadequate and begins the problem-solving phase anew. Second, if the problem solution was successful, the firm

might enlarge the scope of the problem-solving process to solve a bigger problem related to or dependent upon the first problem being solved.

A value network is a company that creates value by connecting clients and customers that are, or want to be, dependent on each other (Stabell and Fjeldstand, 1998). These companies distribute information, money, products and services. While activities in both value chains and value shops are done sequentially, activities in value networks occur in parallel. The number and combination of customers and access points in the network are important value drivers in the value network. More customers and more connections create higher value to customers.

Managing a value network can be compared to managing a club (Gottschalk, 2006). The mediating firm admits members that complement each other, and in some cases exclude those that do not. The firm establishes monitors and terminates direct or indirect relationships among members. Supplier-customer relationships may exist between the members of the club, but to the mediating firm they are all customers.

As earlier cited, examples of value networks include telecommunication companies, financial institutions such as banks and insurance companies, and stockbrokers (Afuah and Tucci, 2003). Value networks perform three activities, that is development of customer network through marketing and recruiting of new customers, to enable increased value for both existing and new customers, development of new services and improvement in existing services and development of infrastructure so that customer services can be provided more efficiently and effectively.

Gottschalk (2006) observes that the current IS/IT situation in a value network will mainly be described through the infrastructure that will typically consist of information technology. In addition, many of the new services may be IS that will be used by customers in their communication and business transactions with other customers. The knowledge component will mainly be found in the services of a value network, as IS are made available to customers to exchange relevant information.

Knowledge-intensive service firms are typical value shops. Sheehan (2002) defines knowledge-intensive service firms as entities that sell problem-solving services, where the solution chosen by the expert is based on real-time feedback from the client. Clients retain knowledge intensive service firms to reduce their uncertainty. Clients hire knowledge-intensive service firms precisely because the client believes the firm knows something that the client does not and believes it is necessary to solve their problems.

While expertise plays a role in all firms, its role is distinctive in knowledge-intensive service firms. Expert, often professional, knowledge is at the core of the service provided by the type of firm. Knowledge-intensive service firms not only sell a problem-solving service, but equally a problem-finding, problem-defining, solution-execution, and monitoring service. Problem finding is often a key for acquiring new clients. Once the client is acquired and their problem is defined, not all problems will be solved by the firm (Huang, Ku, Chu, and Hsueh, 2002).

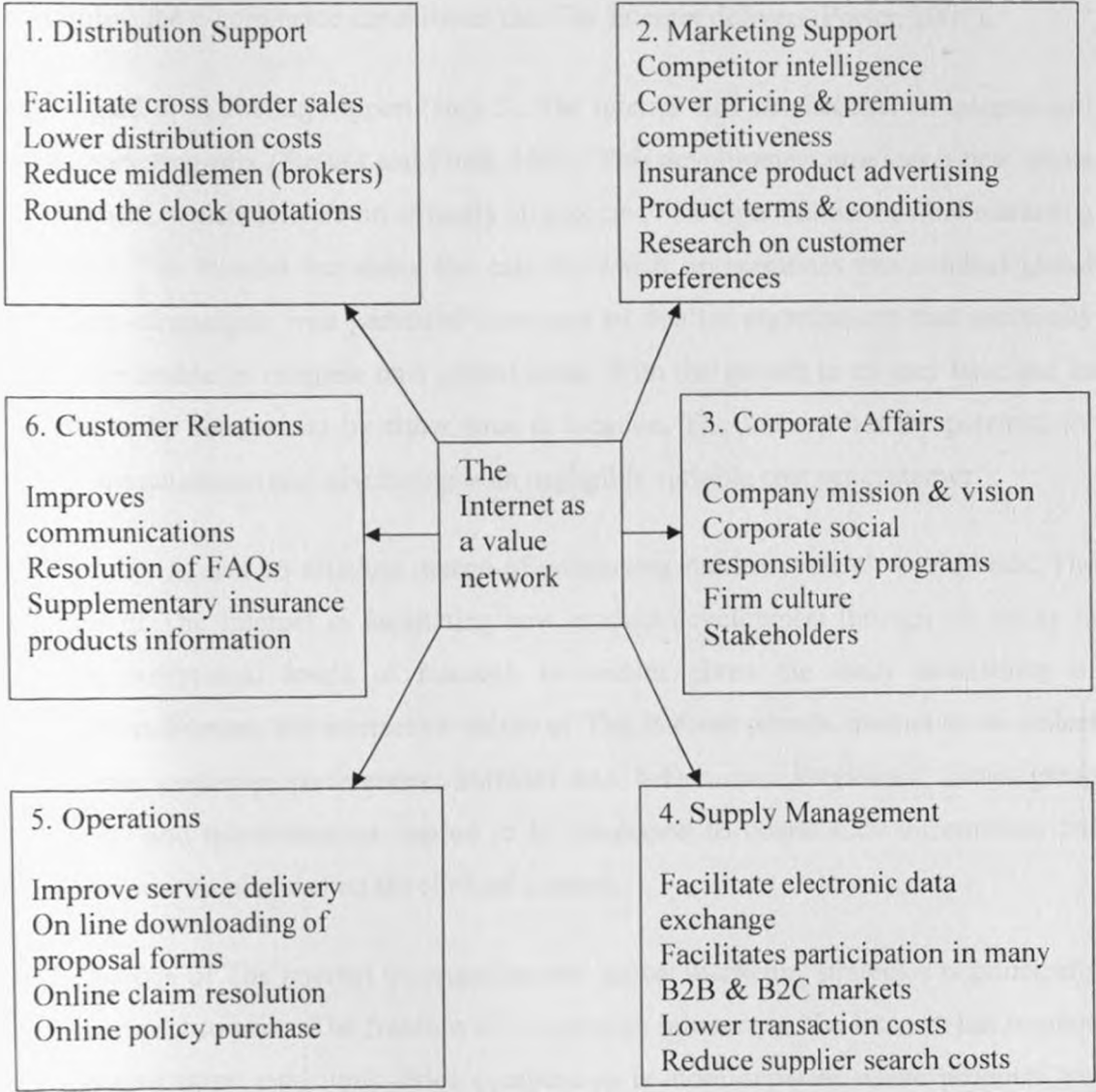
Figure 1 represents The Internet's value-added cycle in key business functions, to be interpreted in accordance with the value configuration models cited earlier. In Step 1, The Internet influences distribution dynamics by acting both as a value shop and a value network. Edwards and Waelde (1997) comment that The Internet's relatively low entry barriers, including the irrelevance of company size, enhance its attractiveness as a distribution channel. However, familiarity with reputation and brand names are seen to be increasingly important online. Trust is a critical factor in stimulating purchases over the internet, especially at its early stage of commercial development. As a result, global brand development for online activity is seen as essential on the internet.

Establishing the ability to purchase online also means creating an entirely new distribution infrastructure (Malhotra, 2002). It has been argued that The Internet's ability to connect end users with producers directly will eventually eliminate wholesalers and distributors, and reconfigure the supply chain of many consumer goods and services. Since its discovery as a new communication medium The Internet has become a part of the strategy of firms. It has been largely used in management: it works as an advertising medium for firms to include in their campaigns, as a distribution channel and as a source

of information. Internet application to the development of diverse firm strategies is a practice that has come to be called e-commerce.

From a predominantly physical marketplace, the marketplace for products has grown to include an electronic marketplace. E-commerce and its enabling force, The Internet, have a crucial role to play in this growth. Despite the existence of different varieties of e-commerce, the two that are most important are business-to-consumer (B2C) and business-to-business (B2B) e-commerce. While B2C refers to the transfer of goods and services to the individual consumer, B2B e-commerce refers to the procurement, logistics and administrative processes that occur between firms (Gereffi, 2001).

Figure 1: A Conceptual Model of the Use of the Internet to Generate Competitive Advantage in Key Business Functions



Source: Researcher 2009

Producers, buyers and suppliers benefit in different ways. For producers, the benefits of B2B online marketplaces include lower administrative and transaction costs, reduction of inventories, and increased production flexibility due to just-in-time delivery. For buyers, The Internet has reduced search costs, introduces transparent and competitive pricing, and

facilitated more cooperation with suppliers. For suppliers, The Internet has expanded markets. However, the advantages of such marketplaces are not related only to low transaction or procurement costs. For firms, whether to develop an e-commerce component is not an option anymore, since any firm that wants to remain competitive must utilize the e-commerce capabilities that The Internet delivers (Porter, 2001).

With regard to marketing support (step 2), The Internet has also become an integral part of the marketing mix (Strauss and Frost, 1999). This development provides a new media environment, which delivers on virtually all aspects of an organisation's global marketing strategies. The Internet facilitates the ease by which organisations can conduct global marketing campaigns, with particular relevance to smaller organisations that previously have been unable to compete on a global scale. With the growth in its user base and its inability to be constrained by either time or location, The Internet has the potential for mass communication and advertising with negligible variable cost per customer.

The Internet is also an efficient means of conducting market research world-wide. The potential of The Internet in facilitating new product development through its ability to conduct exceptional levels of research is evident given the ready availability of information. Further, the interactive nature of The Internet permits businesses to collect data about customer preferences, attitudes and behaviours. Previously, focus group interviews and questionnaires needed to be conducted to obtain such information, but these can now be obtained on the click of a mouse.

The influence of The Internet on organisations' global marketing strategies is principally seen in respect to price. The freedom of information inherent in The Internet has resulted in numerous price reductions. Price competition is more apparent where products and services are hard to differentiate. This is due to the relative efficiency of price searching and the irrelevance online of other factors of competition such as location. In addition, prior to The Internet, Richardson (2001) advocates that national boundaries played an important role in the marketing strategies of many global firms. He further states that firms previously exploited the differences in consumers' price sensitivities across

national borders by charging different prices for the same product in different national markets.

In Step 3, corporate affairs refer to the firm's management of its external relations with society and other firms. These entail detailing its social responsibility programs, keeping stakeholders informed about the firm's strategy, products and so on. Internet web pages are highly-involving advertising forms since individuals can have access to them voluntarily. A web site's ability to provide information is almost unlimited, especially if they are interactive and allow access to different sites. In fact, the dynamic character that Hoffman et al. (1995) grant to web-page communication derives from their interactivity, since individuals can choose the contents they want to consult. However, in spite of their interactivity, the communication process through web pages is impersonal and asynchronous.

Utilizing the right combination of B2B marketplaces in the value chain can help firms to gain significant value and be a source of competitive advantage. The benefits of such a combination can accrue to suppliers (Step 4). Rohm et al. (2004) note that depending on their position in the value chain, firms can benefit by using a variety of marketplaces. Suppliers can find different niches in the value chain to participate in thereby improving profitability. The value chain thereby provides a useful way for suppliers to utilize a portfolio approach as a means of participating in different B2B marketplaces. Such a portfolio approach, when integrated into the competitive strategy of firms, will contribute to the competitive advantage of firms.

Internet technologies such as Extensible Mark-up Language (XML) are being widely adopted, obviating the need to reconfigure proprietary ordering systems and to create new procurement and logistical protocols when changing suppliers (Porter, 2001). In spite of this standardization, customer requirements, terminologies and part requirements can vary and this might imply that firms may have to join different marketplaces. However, given the potential benefits, firms have certain options in joining different marketplaces.

These options depend on the information technology capabilities of the firm and the power that the marketplace wields in the supply chain. In making the important decision of participating in electronic marketplaces, firms have the option to either join an existing marketplace or build e-commerce capabilities of their own. In developing e-commerce capabilities, the challenge that firms face is to acquire the systems and technical proficiency required for on-line interaction. Moreover, the power that firms wield in supply chains can also play an important role in determining their decision to either build or join existing marketplaces.

Once a company has considered the dual factors of IT capabilities and supply chain power, there exist several options. In certain industries, organizations have the IT capabilities to develop an electronic marketplace of their own. However, the firms that have the required IT capabilities but not the supply chain power may benefit by joining an existing marketplace. Firms that have the supply chain power in the offline environment but not the required necessary IT skills may not be in a position to launch their own marketplaces (Rohm et al., 2004).

In such cases, these firms could build some sort of a portal that would cost less to build but would enable the firms to build an online presence and capitalize on the firm's brand name. Finally, firms that have little or no power in the supply chain and also lack the necessary IT capabilities need to establish an online presence to stay competitive. These firms need not be at a competitive disadvantage and can use intermediaries to gain online visibility, build online capabilities, gain experience and orient the company towards integrating IT and Internet capabilities in their competitive strategy.

Step 5 considers The Internet's value added activities in insurance operations. Through providing certain services through The Internet, insurance firms can improve service delivery and quality. This in turn results in cost savings through staff savings. Here, The Internet facilitates the substitution of the organization's paid labor for the unpaid labor of the customer. The effect of The Internet on service quality is an interesting issue.

Under Step 6, that is customer relations, Hoffman et al. (2000) argues that The Internet opens up a new communications channel with customers, allowing companies to develop or cement relationships with them. Web sites can incorporate customer service facilities into their activities, providing customer's world-wide with a focal point for their queries, thus increasing customer interaction. Activities such as frequently asked questions (FAQs) and email contact with organisations can improve an organisation's customer service facility.

There are numerous reports that the online automation of routine customer service functions has generated significant cost savings. For example, Sun Microsystems reportedly saved a minimum of \$4 million in answering standard customer enquiries since it reorganised its customer service facility around The Internet. The Internet also allows organisations to offer supplementary information about their products to the customers, thus adding value to Internet site visits. For example, Microsoft corporate web site allows visitors to access voluminous support material, download free supplementary programmes and interact with other Microsoft customers (Richardson, 2001). Such activities enhance the whole experience for customers and go a long way in establishing brand loyalty and differentiation.

However, now The Internet creates open communication links through emails, bulletin boards and corporate Web sites, facilitating collaboration with a range of customers from various national, regional or cross-cultural backgrounds. Furthermore, Nicovich and Cornwell (1998) state that the developments of internal communications with the establishment of intranets enable employees within organisations to communicate freely and co-ordinate strategies and to learn, share and solve problems internationally.

2.4 Internet-Based Products and Services used by Business Firms for Achieving Competitive Advantage

As a source of current information, The Internet offers an array of capabilities for communicating and retrieving information (Laudon, Trauer and Laudon, 1996). These media confer high levels of operating effectiveness, which, if consistently exploited

delivers competitive advantage to those firms that use it. The benefits conferred are those that relate to rapid information retrieval. The World Wide Web, which offers access to multimedia data has enhanced this activity even further through facilities such as search engines, meta-search engines and information gateways. A search engine is an information retrieval system designed to help find information stored on a computer system.

The search engine allows one to ask for content meeting specific criteria and retrieves a list of items that match those criteria. This list is often sorted with respect to some measure of relevance of the results. Search engines use regularly updated indexes to operate quickly and efficiently. Search engines include Web search engines, which search for information on the public Web, enterprise search engines, which search on intranets, personal search engines and mobile search engines. Examples of search engines are Yahoo! and Google (Black, Lockett, Winklhofer and Ennew, 2001).

A meta-search engine is a search engine that sends user requests to several other search engines and/or databases and returns the results from each one (Laudon, Trauer and Laudon, 1996). Meta search enables users to enter search criteria once and access several search engines simultaneously. Since it is hard to catalogue the entire web, the idea is that by searching multiple search engines you are able to search more of the web in less time and do it with only one click. The ease of use and high probability of finding the desired page(s) make metasearch engines popular. Examples of meta-search engines are Dogpile and Metacrawler. Given the importance of information as a tool that provides a competitive edge, insurance firms that are able to quickly gather and assimilate relevant information gain business opportunities faster than those that don't.

Information gateways are free online services providing access to the very best Web resources for education and research. These gateways provide consolidated access to various educational and informational resources. Owing to the vast quantity of information on The Internet, it is often difficult to refine the quality and relevance of searches even with the best of search engines. Information gateways provide systematic quality control processes for online information, making it easy to explore and discover

Information gateways include Intute, which is a service created by a group of UK universities and partners (Chen, Gillenson and Sherrel, 2001).

Gillenson and Sherrel (2001) observe that given their specialized nature, information gateways greatly lower search costs and offer increased relevance. For firms, gateways are important sources of specialized market information relating to customer preferences and trends. They also will inform the market research function and the product development process. Complex product design needs can be augmented by an archive of information on previous attempts, helping firms lower development costs and avoid potential pitfalls encountered in the past.

A Blog is a website where entries are written in chronological order and commonly read in reverse chronological order (Lunt, 1996b). "Blog" can also be used as a verb meaning to maintain or add content to a Blog. Blogs provide commentary or news on a particular subject such as business and some function as more personal online diaries. A typical Blog combines text, images, and links to other Blogs, web pages and other media related to its topic. The ability for readers to leave comments in an interactive format is an important part of many Blogs. Its interactive format is particularly useful for firms gathering market intelligence. Bloggers will tend to express their hopes and fears regarding products and services, information which firms can gather and use in developing marketing communications and support. Firms that optimize on-line products will enjoy increased custom and higher sales.

The Internet also has facilities for the formation of topic-centred discussion groups, chat boards and so on. Such offer firms the benefit of interacting with potential customers and providing product and service information to expedite the purchase process (Brabston and McNamara, 1998). Discussion groups or newsgroups, allow users to post messages, and keep up to date on, issues of interest. Firms can subscribe online to electronic journals, journals and newsletters, which are automatically forwarded to the recipients at regular intervals obviating the need for constant reminders. A newsgroup is a repository of messages within the Usenet system, for messages posted from many users at different times. Usenet (USER NETWORK) is a global, decentralized, distributed Internet

trusted information. Information gateways include Intute, which is a service created by a network of UK universities and partners (Chen, Gillenson and Sherrel, 2001).

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discussion system. Users read and post e-mail-like messages (called "articles" or "posts") to one or more of a number of categories, called newsgroups.

The file transfer protocol (FTP) and the Telnet facility allow users to utilize information at remote locations. FTP is used to transfer data from one computer to another through a network. TELNET (TELEcommunication NETwork) is a network protocol used on The Internet or local area network (LAN) connections. A Telnet server enables users to log on to a host computer and perform tasks as if they are working on the remote computer itself. These two Internet services have the potential of offering increased reach for online marketing of insurance products. Potential customers can download complex and detailed product material for further analysis. Insurance firms that allow such activity better interact with their customers and heighten the possibility of sensitive purchases, such as life covers. Customers are also able to make informed decisions.

Electronic mail (E-mail) is an electronic means for communication in which: usually text is transmitted; operations include sending, storing, processing, and receiving information; users are allowed to communicate under specified conditions; and messages are held in storage until called for by the addressee Boyle and Alwitt, 1999). Electronic mail (e-mail), described as the most widely used Internet facility, has greatly enhanced communication globally. It also serves as a tool for supporting networking among professionals in different geographical locations. Email allows firms to augment their direct marketing efforts by sending product catalogues and brochures directly of customers.

Internet growth has laid the groundwork for instant messaging and multiple e-mail accounts (Evans, 2004). Internet Relays Chat (IRC) or instant messaging enables buyers and sellers to know each others status immediately and help improve quality of the service interaction. IRC is a form of real-time Internet chat or synchronous conferencing. It is mainly designed for group (many-to-many) communication in discussion forums called channels, but also allows one-to-one communication and data transfers via private message. An option for those seeking real-time discussion capabilities, IRC consists of various separate networks (or "nets") of servers that allow users to connect to each other

via an IRC network. For business purposes, IRC allows immediate query resolution and can be a tool for stimulating purchase or initiating customer/staff visit that may lead to a sale.

A groupware server is software designed to enable users to collaborate, regardless of location, via The Internet or a corporate Intranet and to work together in a virtual atmosphere (Lunt, 1996b). E-mail/groupware servers are a strong part of the network backbone and as more firms implement them, business people have become more accustomed to and reliant on calendars/scheduling, task delegation and workflow functionality. Until recently, service providers provided Web and e-mail hosting and access to The Internet but now allow users to have their e-mail read to them over the phone via text to speech technology. Additionally, users can receive faxes to e-mail. These features, while not conferring sustainable competitive advantage, do offer opportunities for operational effectiveness. These include multitasking and higher productivity and the elimination of manual intervention.

Other users listen on those topics and can choose to act on messages or not. The message is essentially a request for interaction from some or all of the recipients. That request for interaction can be something like a request to chat or answer a poll. This can be especially useful for market and product intelligence as well as promoting product sales. The notions of instant gratification and presence management force workers to set up away messages or automatic forwarding of messages and phone calls to mobile devices, if they are going to be out of the office.

The business world will be impacted by the growth and development of two new Internet based fourth generation [4G] technologies, namely, Wireless LAN (WLAN or wireless fidelity-WiFi) and Worldwide Interoperability for Microwave Access (WiMAX) (Martikainen, 2006). WLAN or WiFi is a cost-efficient wireless data-access technology optimized for indoor office environments. WLAN has been demonstrated to work well in high-speed Internet access over the last mile, but this requires the use of directed antennas. A closely related technology, wireless metropolitan area access (WMAN) is a

technology that has been designed for outdoor coverage. This technology lowers costs and increases office efficiency.

WiMAX aims to provide wireless data in a similar fashion to WiFi but on a larger scale and speed, hence making national wireless networks possible. It is a standards-based technology enabling the delivery of last mile wireless broadband access as an alternative to cable and Digital Subscriber Lines (DSL). Through the use of Internet-based Voice over Internet Protocol (VoIP), WiMAX and WiFi can deliver superior quality voice with long range. With WiMAX's roots in The Internet, reasoning goes, mobile phone networks based on this technology will be able to deliver the multimedia goods to mobile-phone customers better than traditional cellular networks. Internet to mobile phone networks will increase the scope of marketing to heights not scaled before (Vaughn-Nichols, 2003).

VoIP is a term used in IP telephony for a set of facilities for managing the delivery of voice using the IP. In general, it means sending voice information in digital form. A major advantage of VoIP and Internet telephony is that it avoids the tolls charged by ordinary telephone service making it cheaper for business communications. Voice quality is also better (Douskalis, 1999). For businesses, WiMAX and WiFi offer several benefits including cost effective communications access and the ability to work from home and remote locations without being "cut-off" from the workplace. Short Message Service (SMS) is a telecommunications protocol that allows the sending of "short" (160 characters or less) text messages. It is available on most digital mobile phones and some personal digital assistants with onboard wireless telecommunications.

Given the existence of SMS gateways that connect mobile-phone SMS services with the WWW and desktop computers, the mobile phone also becomes a veritable work-enabling tool. Add to this, the use of Internet based videoconferencing and the conduct of business becomes as revolutionized as ever. Evidently, firms, especially global ones that adopt these new Internet based technologies to add business value stand to gain comparative advantage over those that do not.

Though The Internet is a complex collection of information sources and utilities, it also has potential costs associated with it. These include reduced efficiency in the information-gathering process as a result of the time and costs incurred in inappropriately extended searches. In addition, because The Internet is an ungoverned network, there are problems with the variable quality of the information offered (Brabston and McNamara, 1998).

The Internet also permits more innovative ways of marketing to consumers in computer mediated environments. Strauss and Frost (1999) state that C/Net, a web computer news service, is able to change advertisements on its site dependent on the registered users reported purchase behaviour. The ability of such actions is facilitated by the emergence of web communities consisting of similar people with like interests, and the increasing sophistication of technological developments that facilitate the ability of an organisation to customise its interaction between its customers.

Funk (2004) observes that mobile Internet phones have become a new marketing tool for retailers and manufacturers, due to the lower cost of sending mail to mobile phone users. These phones are used to send discount coupons, conduct surveys and offer free samples to registered users via mobile mail. New technologies like in-store bar code readers, short-range infrared and Java offer additional ways for retailers to develop stronger relationships with young people who like sophisticated mobile phones. Certain retailers use in-store scanners to read the bar codes displayed on the phone's screen in order to identify customers and thus integrate its mobile and Point of Sale (POS) databases. It is also possible to use the phone as a point card for loyalty programs in place of magnetic or paper point cards.

All firms face three strategic challenges: demand risk; innovation risk; and inefficiency risk (Child, 1987). Advertising is one of the main approaches firms employ to manage demand risk by raising awareness of their products. An Internet advertising strategy is concerned with the creation, placement and distribution of electronic messages targeting those consumers whom the advertiser wants to influence.

Videoconference (also known as a video teleconference) is a set of interactive telecommunication technologies which allow two or more locations to interact via two-way video and audio transmissions simultaneously (Lunt, 1996b). It differs from videophone—a communication device like a telephone which transmits a visual image as well as sound—in that it is designed to serve a conference rather than individuals. These technologies bring people at different sites together for meetings which can be as simple as a conversation between two people in a private office or involve several sites, with more than one person in large rooms at different sites. They can be used to share documents, computer-displayed information and whiteboards.

CHAPTER THREE: RESEARCH METHODOLOGY

3.1 Research Design

The study used a descriptive survey design. Kotler and Armstrong (2001) observe is best suited for gathering descriptive information; where the researcher wants to know about people's attitudes or preferences concerning one or more variables through direct query.

3.2 Population of Study

The population was composed of all Insurance firms registered with the Registrar of Companies as at March 2009. This is a total of 43 companies (Appendix 3).

Standard Assurance has recently been placed under receivership and will not be included in the target population. Thus, the effective target population is 42 firms. Since the population is small a census study will be conducted

3.3 Data Collection

Data was collected by means of a questionnaire, which was composed of open-ended questions and closed-ended questions and matrix-type questions (Appendix 2). These were administered to the respondents using hard copies delivered by hand. For those delivered by hand, the researcher was to pick the questionnaires later.

The questionnaire was divided into Part 1, which attempted to capture general information about the respondent organization. Part 2 addresses the research objectives, namely: to establish the Internet based products, services and markets commonly used by insurance firms in Kenya ; to determine the extent to which these technologies were used as a source of competitive advantage.

Respondents were senior managers whose functional role included company strategy affairs.

3.4 Data Analysis

Data analysis was executed using SPSS software. Descriptive statistics consisting of the arithmetic mean, standard deviation, frequencies and percentages was used to present the findings.

According to Mugenda and Mugenda (1999) descriptive statistics enable meaningful description of a distribution of scores or measurements using a few indices. High mean values will be indicators of a high level of usage of the respective Internet products and services while low means values give a correspondingly low usage levels of the given Internet facilities.

The same applied to the second objective which measured extent to which the technologies were used to confer competitive advantage. Standard deviations inform the analyst about the distribution of scores around the mean of the distributions in both cases. The standard deviation values were indicators of the level of similarity or differences in the adoption of Internet technologies across the industry. Frequency distribution shows a record of the number of times a score or record appears.

Principal Component Analysis (PCA) was performed. Davidson (1996) notes that the aim of PCA is data reduction that extracts and groups together the main Internet product and services that deliver the highest levels of competitive advantage and also explains the manner through which competitive advantage is conferred (e.g. cost savings, transaction efficiencies etc). Parametric correlations using the Pearson's Coefficient was done to establish the relationship between the extent of use of Internet products and services and the competitive advantage conferred. The correlations were done before and after the Principal Component Analysis.

CHAPTER FOUR: DATA ANALYSIS AND FINDINGS

4.1 INTRODUCTION

The data was collected using questionnaires of which 42 questionnaires were dispatched. Of the total 42 questionnaires distributed, 34 questionnaires were received back. 4 of the questionnaires were rejected for being incomplete on material items. Consequently, the study was based on 30 questionnaires.

Given the results of the response rate the researcher based the study on the 30 respondent senior managers whose survey was accepted.

4.2 Company profile

4.2.1 Ownership

The company ownership sort to establish who the respondents were. The respondents were drawn from the privately owned insurance companies which were 93. Only 75 % of the respondent insurance companies plan to expand regionally though the companies do not have branches locally.

4.2.2 Company strategy formulation

Company strategy formulation for majority of the insurance Companies is done locally at 76.7%. Table 4.1 shows only 5 companies formulate their strategy both locally and abroad. The study results will be a fair indicator of the companies that have formed their strategies locally hence a favourable outcome of the results that are local to the Kenya.

Table 4.1 Strategy formulation

Strategy formulation	Frequency	Percent
Local	23	76.7
Abroad	2	6.7

Both local & Abroad	5	16.7
Total	30	100.0

Source: Research data 2009

4.2.3 Company size

70 % of the companies have between 20 and 250 employees as shown on Table 4.2. The results of the study will be reliable as the views of the respondents are representative.

Table 4.2: Company Size

Number of employees in the company	Frequency	Percent
Below 10	1	3.3
10-50	2	6.7
20-250	21	70.0
Above 250	6	20.0
Total	30	100.0

Source: Research data 2009

4.3 Extent to which the insurance firms use the Internet –based product and services

The first objective was to establish the extent to which companies used internet based products and services to achieve competitive advantage. It is seen in Table 4.3 that the mean ranges from 1.27 and 4.47. Majority of the activities lie in the 2 mark which according to the scale is a small extent. This implies that most companies do not use the listed Internet based products as a source of competitive advantage.

The product mostly used is the electronic mail and this could be due to its widespread use by many organisations as the main mode of communication other than the post office

which is slow and unreliable. Majority of the respondent companies show that they also used the corporate intranet which is mainly for internal communication. This would result to decisions being made faster and the staffs are more informed about the insurance products that they are selling because the information is readily availed on the intranet.

Telecommunication and video phone are rarely used and this could be due to their minimal widespread in various organisations in the country. We can conclude that the insurance companies do not use the internet as a tool for attaining competitive advantage .That also means that they are not using the internet to enhance operational effectiveness.

Table 4.3: Use of Internet based products and services

Extent of use of Internet-based products and services	Mean	Std. Deviation
Blogs	1.73	1.112
Content management	2.53	1.502
Corporate intranet	3.57	1.633
Electronic mail	4.47	1.042
Groupware servers	3.03	1.586
Information gateways	2.40	1.303
Intelligent messaging	2.27	1.337
Procurement protocols	2.03	1.450
video conferencing	1.77	1.223
Internet relay chat	2.07	1.143
Meta search engines	1.77	1.165
Mobile internet phones	2.37	1.402
Newsgroups	1.53	.860
Sms gateways connecting mobile phone sms	2.10	1.447
Telecommunication Network	1.43	1.006
World Wide Web for B2B/B2C	1.87	1.279
Videophone	1.27	1.015
VoIP services	2.77	1.524
Wireless Local Area Networks	2.90	1.689

Source: Research data 2009

4.4 The manner in which internet based products and services are used by insurance firms

The respondent companies use the internet for a host of other activities such as communication and implementation of decisions. This is represented by a mean range from 1.80 to 3.23. According to the matrix used, this is represented by a fairly high extent with an average mean of 3. This implies that though the companies do not use the products and services listed for purposes for competitive advantage over other insurance companies, they still use the internet for other activities.

From the Table 4.4 it is seen that insurance companies do use the internet for problem solving and communication within the company, while they do not use the internet for interconnecting the existing customers. This could be as a result of the poor infrastructure that exists in the country when it comes to linking customers from various locations. This therefore leads to insurance firms not using the internet to sell their products to them.

The insurance companies are not able to enjoy the benefits associated with using the internet as a tool for gaining competitive advantage such as lower transaction costs, enhanced customer service, reduction in the amount of paper work involved, carrying out business activities more quickly and the time saving aspect.

Table 4.4: Use of the Internet by Insurance companies

Insurance companies use the internet for :	Mean	Std. Deviation
Problem finding and acquisition	2.70	1.442
Problem solving	3.07	1.311
Choosing between alternatives	2.90	1.398
Communicating, organising & implementing decisions.	2.80	1.424
Control and evaluation	2.80	1.472
Connecting existing customers	1.80	1.243
After sales activities & support	2.50	1.614
Distribution of information & services	3.23	1.357
Distribution of products & services	2.93	1.484
Developing customer networks through marketing and recruiting new ones	2.50	1.383
Increased value for new & existing customers	2.87	1.432
Developing new services & improving existing ones	2.93	1.530
Infrastructure development	2.83	1.341

Source: Research data 2009

4.5 The main internet product and services that delivered the highest level of competitively advantage

The second objective was to establish if insurance firms use internet based products and services to confer competitive advantage. In order to establish the result on this, data collected was subjected to Principal Component Analysis. Analysis is performed by examining the pattern of correlations between observed measures. Measures that are highly correlated (either positively or negatively) are likely to be influenced by the same factors while those that are uncorrelated are likely to be influenced by different factors.

The purpose of PCA is to derive a relatively small number of components that can account for the variability found in a relatively large number of measures. This procedure, called data reduction, is typically performed when a researcher does not want to include all of the original measures in analyses but still wants to work with the information that they contain. The process and result of the analysis are discussed from 4.5.1 to 4.5.6.

4.5.1 Correlation Matrix

The respondents indicated the extent to which each of the 19 Internet products and services confer a competitive advantage to insurance firms in Kenya. Since there might have been some group of factors that were similar to each other, factor analysis was used to identify and group such factors together in a correlation matrix. The correlation matrix gives correlations between all pairs of data sets.

In correlation matrix of variables, the existence of clusters of large correlation coefficient between subsets of the variables suggests that the variables could be measuring aspects of the same underlying dimension or factors. Table 4.5 shows the correlation matrix of Internet products and services that confer a competitive advantage to insurance firms in Kenya

Table 4.5: Correlation Matrix

	F2	F3	F4	F5	F6	F7	F8	F9	F10	F11	F12	F13	F14	F15	F16	F17	F18	F19
1.000	.424	.417	.326	.254	.034	-.009	.277	.059	.223	.090	.262	.061	.119	.119	.284	.231	.378	.297
.424	1.000	.586	.014	.348	.196	.216	.431	.090	.270	.274	.293	.278	.190	.046	.441	.097	.543	.264
.417	.586	1.000	.481	.318	.383	.390	.512	.259	.548	.347	.459	.398	.338	.414	.576	.351	.658	.381
.326	.014	.481	1.000	.449	-.015	.142	.458	.046	.142	.122	.323	.078	.162	.178	.196	.072	.377	.173
.254	.348	.318	.449	1.000	.211	.320	.522	.151	.159	-.012	.322	.236	-.046	-.055	.190	.043	.281	-.026
.034	.196	.383	-.015	.211	1.000	.564	.347	.484	.459	.112	.539	.350	.325	.170	.377	.298	.264	.162
-.009	.216	.390	.142	.320	.564	1.000	.434	.479	.098	.192	.334	.697	-.005	.149	.266	.277	.403	.425
.277	.431	.512	.458	.522	.347	.434	1.000	.130	.274	.123	.488	.195	.317	-.066	.361	.004	.496	.195
.059	.090	.259	.046	.151	.484	.479	.130	1.000	.120	.293	.700	.504	.293	.484	.240	.365	.356	.356
.223	.270	.548	.142	.159	.459	.098	.274	.120	1.000	.406	.374	.367	.528	.322	.796	.547	.345	.014
.090	.274	.347	.122	-.012	.112	.192	.123	.293	.406	1.000	.164	.505	.339	.425	.442	.542	.301	.061
.262	.293	.459	.323	.322	.539	.334	.488	.700	.374	.164	1.000	.397	.662	.243	.492	.238	.648	.304
.061	.278	.398	.078	.236	.350	.697	.195	.504	.367	.505	.397	1.000	.190	.347	.574	.565	.418	.250
.119	.190	.338	.162	-.046	.325	-.005	.317	.293	.528	.339	.662	.190	1.000	.450	.517	.203	.391	.203
.119	.046	.414	.178	-.055	.170	.149	-.066	.484	.322	.425	.243	.347	.450	1.000	.335	.547	.238	.321
.284	.441	.576	.196	.190	.377	.266	.361	.240	.796	.442	.492	.574	.517	.335	1.000	.524	.567	.150
.231	.097	.351	.072	.043	.298	.277	.004	.365	.547	.542	.238	.565	.203	.547	.524	1.000	.415	.164
.378	.543	.658	.377	.281	.264	.403	.496	.356	.345	.301	.648	.418	.391	.238	.567	.415	1.000	.344
.297	.264	.381	.173	-.026	.162	.425	.195	.359	.014	.065	.304	.250	.201	.320	.156	.168	.344	1.000

4.5.2 COMMUNALITIES

Communality is the proportion of variance that each item has in common with other items. The proportion of variance that is unique to each item is then the respective item's total variance minus the communality. Table 4.6 shows the communalities. The extraction method used was principle component analysis.

Table 4.6: Communalities

Extent of competitive advantage of Internet-based products and services-	Initial	Extraction
Blogs	1.000	.602
Content management	1.000	.821
Corporate intranet	1.000	.740
Electronic mail	1.000	.895
Groupware servers	1.000	.724
Information gateways	1.000	.717
Intelligent messaging	1.000	.880
procurement protocols	1.000	.737
video conferencing	1.000	.788
Internet relay chat	1.000	.836
Meta search engines	1.000	.603
Mobile internet phones	1.000	.878
Newsgroups	1.000	.808
Sms gateways connecting mobile phone sms	1.000	.851
Telecommunication Network	1.000	.758
World Wide Web for B2B/B2C	1.000	.810
Videophone	1.000	.755
VoIP services	1.000	.674
Wireless Local Area Networks	1.000	.762
Extraction Method: Principal Component Analysis.		

Source: Research data 2009

4.5.3 TOTAL VARIANCE

Table 4.7 represents the total original variance of all factors. Principle component analysis was used to extract factors which totalled to 19. Eigen values indicate the relative importance of each factor accounting for a particular set and hence those with a small Eigen values were left out. According to Table 4.7, only 6 factors were considered significant for analysis.

Table 4.7: Total Variance

Component	Initial Eigenvalues			Extraction Sums of Squared Loadings			Rotation Sums of Squared Loadings		
	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %
1	6.748	35.513	35.513	6.748	35.513	35.513	3.160	16.631	16.63
2	2.271	11.952	47.466	2.271	11.952	47.466	2.644	13.915	30.54
3	1.795	9.449	56.915	1.795	9.449	56.915	2.603	13.700	44.24
4	1.365	7.182	64.097	1.365	7.182	64.097	2.554	13.441	57.68
5	1.357	7.141	71.238	1.357	7.141	71.238	2.066	10.874	68.56
6	1.105	5.814	77.052	1.105	5.814	77.052	1.613	8.490	77.05
7	0.796	4.188	81.240						
8	0.762	4.010	85.250						
9	0.598	3.146	88.396						
10	0.488	2.567	90.963						
11	0.460	2.423	93.386						
12	0.340	1.791	95.177						
13	0.284	1.497	96.674						
14	0.226	1.189	97.863						
15	0.160	0.843	98.706						
16	0.124	0.652	99.358						
17	0.065	0.343	99.700						
18	0.042	0.222	99.923						
19	0.015	0.077	100.000						

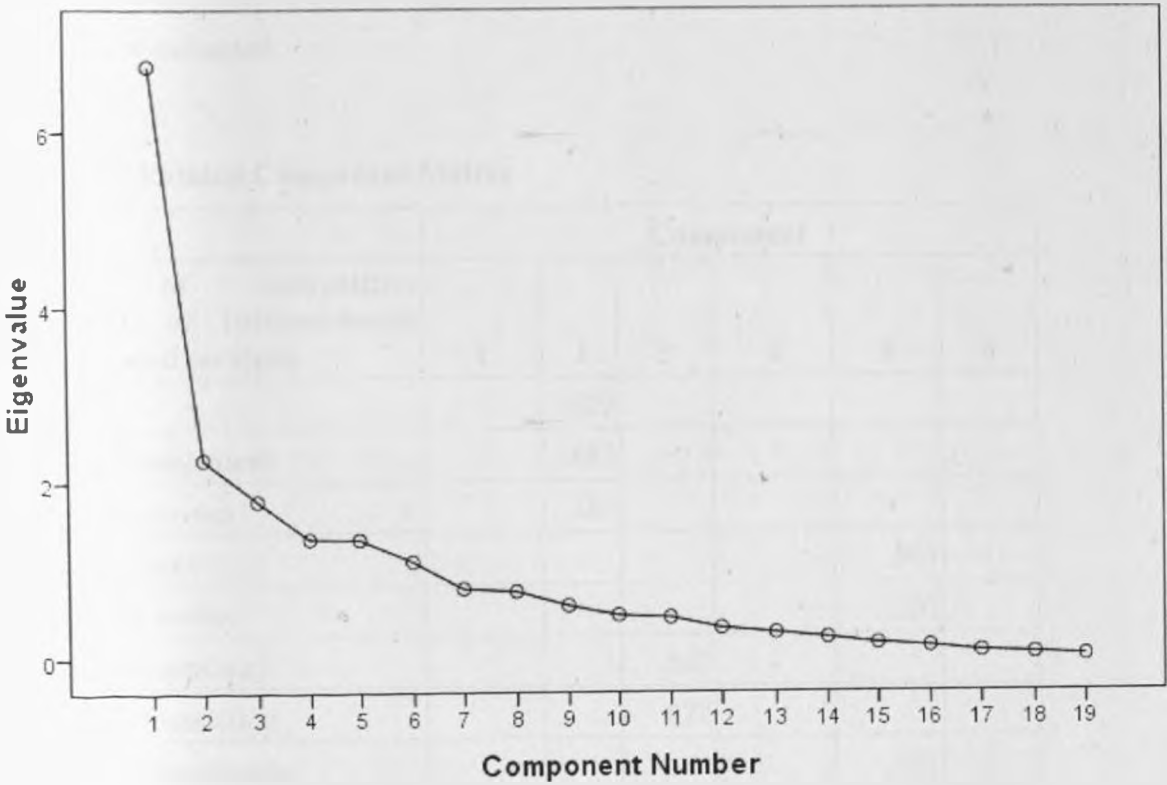
Extraction Method: Principal Component Analysis.

Source: Research data 2009

4.5.4 SCREE PLOT

The plot confirms the selection of only 6 factors, which are the factors with an Eigen value greater than 1.0. The point of inflexion on the curve indicates the number of factors extracted: from Figure 2 and only 6 factors are significant enough for consideration.

Figure 2: Scree plot



4.5.5 ROTATED COMPONENT MATRIX

Table 4.8 contains the rotated factor loadings, which are the correlations between the variable and the factor. These correlations are values that range from -1 to +1. Absolute values were suppressed to less than (0.50) in order to make the output easier to read by removing the clutter of low correlations that are probably not meaningful. The components are classified according to their weighted mean thus resulting to the 6 set of factors were extracted.

Table 4.8: Rotated Component Matrix

Extent of competitive advantage of Internet-based products and services-	Component					
	1	2	3	4	5	6
Blogs		.629				
Content management		.883				
Corporate intranet		.589				
Electronic mail					.907	
Groupware servers					.703	
Information gateways			.662			
Intelligent messaging			.872			
procurement protocols					.551	
video conferencing			.566			
internet relay chat	.592					
Meta search engines	.758					
mobile internet phones				.745		
Newsgroups			.641			
sms gateways connecting mobile phone sms				.871		
Telecommunication Network	.652					
World Wide Web for B2B/B2C	.584					
Videophone	.837					
VoIP services		.556				

Wireless Local Area Networks						.763
Extraction Method: Principal Component Analysis.						
Rotation Method: Varimax with Kaiser Normalization.						

Source : Research Data 2009.

4.5.6 Factor Isolation

Factor isolation involves isolating each of the variable factors and grouping them by these 4 extracted factors based on their factor loadings on each set. Table 4.9 shows the factors grouped with a minimum correlation of 0.5.

Table 4.9: Factor isolation

Factor group	Variables
Factor 1	<ul style="list-style-type: none"> • Meta search engines • Internet relay chat • Videophone • Telecommunication Network • World Wide Web for B2B/B2C
Factor 2	<ul style="list-style-type: none"> • Blogs • Corporate intranet • Content management • VOIP services
Factor 3	<ul style="list-style-type: none"> • Intelligent messaging • News groups • Information gateways • Video conferencing
Factor 4	<ul style="list-style-type: none"> • Mobile internet phones • Sms gateways connecting mobile phone sms
Factor 5	<ul style="list-style-type: none"> • Groupware servers • Electronic mail • Procurement protocols
Factor 6	<ul style="list-style-type: none"> • Wireless Local area networks

It is clear that most of the 19 factors listed in the questionnaire were grouped together by their correlation with each other, and brought down to a total of 6 main group Factors.

Group 1 factors can be termed as the technical aspect of the products that the insurance firms consider to confer competitive advantage. They include Internet replay chat, Meta search, telecommunication network, World Wide Web for B2B/B2C and the use of the videophone. This can imply that insurance firms consider the technical factors the most important when it comes to competitive advantage. They believe that the technology has to be in place for competitive advantage to be realised.

Groups 2 and 3 can form the external communication aspect and they include blogs, content management and corporate intranet as well as voice over internet (VOIP). Other factors that form communication aspect include the information gateways, intelligent messaging and newsgroups. Insurance firms firmly believe that after the technology has been set, then communication has to be put in place for competitive advantage.

Groups 4 and 5 can be termed as the internal firms' communication and the factors in this group are the use of Electronic mail, groupware servers, procurement protocol and the use of mobile internet phones. Internal communication within the firm is not considered as highly important as the communication and technological factors by the respondents and this may be due to the fact that the core business of the insurance firms is to sell products to clients therefore concentrating more on external communication than internal communication.

CHAPTER FIVE: SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

5.1 Introduction

This chapter presents the summary of the findings, conclusions and limitations as well as suggestions of further research.

5.2 Summary

5.2.1 Company Profile

It was found that majority of the insurance companies were privately owned and therefore not listed in the stock exchange. There were 15 respondent companies that did not have overseas branches though they planned to expand regionally. Majority of the insurance companies have their strategies formulated locally at 76.7% resulting to favorable results local to the country. Majority of the responding companies had between 20 and 250 employees. Only one company had below 10 employees while 6 companies had above 250 employees.

5.2.2 Establish the Internet based products and services used by insurance companies in Kenya.

Findings show that a small extent of the insurance companies use Internet based products and services with an average mean of 2. Electronic mail had the highest mean at 4.47 which was a very high extent. This implies that the insurance companies use Electronic mail the most compared to all products and services.

Results of the respondent insurance companies indicated that there were other activities that they engaged the internet other than the products and services listed. Majority of the insurance firms used the Internet for distribution of information and services with a mean of 3.23. This implies that the companies use electronic email to distribute information and services, thus using the Internet for their day to day running within the firm and not

necessarily with customers. The companies hardly used the internet for inter-connecting an existing customer which was indicated by a mean of 1.80 possibly due to lack of the technical infrastructure or limited knowledge of the customers on the use of internet products.

5.2.2 To determine the extent to which the internet is used as a source of competitive advantage

The second objective was to establish if insurance firms use internet based products and services confer competitive advantage. To this end Principle Component Analysis was used. The products and services that were used by insurance firms were blogs, content management, corporate intranet, Information gateways, intelligent messaging, video conferencing, internet relay chat, Meta search engines and the World Wide Web for B2B/B2C. Other products and services used to were Telecommunication Network, Videophone, VoIP services, Electronic mail and mobile internet phones.

5.3 Conclusion

The main findings of this study show that the Internet based products and services in the questionnaire were used to a small extent by the insurance firms. It was however seen that the insurance firms used the internet for other activities such as communication and implementing of decisions. The findings show that the out of the 19 possible internet based products and services, only 6 group factors were considered for the analysis. The factors were termed as technical aspects, external communication aspects and internal aspects.

The technical aspects were included Internet replay chat, Meta search, telecommunication network, World Wide Web for B2B/B2C and the use of the videophone. The external communication aspect comprised of blogs, content management and corporate intranet as well as voice over internet (VOIP). Other factors that form communication aspect include the information gateways, intelligent messaging and newsgroups. Finally the internal communication aspect comprised of Electronic mail, groupware servers, procurement protocol and the use of mobile internet phones.

From the analysis it can be concluded that insurance firms do use the internet especially so for communication and to a very low extent interlinking of customers. This could be as a result of customers not being technologically savvy and therefore the insurance companies cannot link them. Also the internet infrastructure is yet to be rolled out throughout the country therefore enabling companies to interconnect customers.

5.4 Limitations of the study

The study was limited to a small sample size that included Insurance firms in Kenya. Although 42 firms were targeted, only 30 firms responded accurately.

The limitations experienced during the study were that the respondents found the terms used in the questionnaires to be too complex but if the words were to be changed, the meanings would have been distorted and the results sought after wrong.

Lack of enough literature material on the use of internet products and services by insurance firms was another limitation.

5.5 Recommendation for further research

The study has highlighted the extent to which insurance firms use the internet products and services and how these products confer competitive advantage for the company. However, better results can be achieved if a case study can be done with a small number of insurance firms.

More in-depth studies should be carried out to find out why insurance firms prefer to use some internet based products and services over others or to find out why the internet is used for communication and for planning and not as a tool for gaining competitive

advantage in an organization. The study would help in adapting internet as a tool of interacting with the customer rather than just a communication. This would lead to the internet creating a competitive advantage.

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APPENDIX 1

Complementary Letter to the Respondents



University of Nairobi
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P.O. Box 30197
Nairobi, Kenya

Towards World Class Excellence

Date: 12 November 2009
Telephone: +254 (020) 732160
Telex: 22095 Varsity

=====

Dear Sir/Madam,

To Whom It May Concern

The bearer of this letter: _____

Registration Number: _____ Telephone: _____

is a Master of Business Administration (MBA) student at the University of Nairobi.

The student is required to submit, as part of the coursework assessment, a research project report on a given management problem. We would like the students to do their projects on real problems affecting firms in Kenya today. We would therefore appreciate if you assist the student collect data in your organization to this end. The results of the report will be used solely for purpose of the research and in no way will your organization be implicated in the research findings. A copy of the report can be availed to the interviewed organization(s) on request.

Yours respectfully,

The Coordinator,

MBA Programme

APPENDIX 2: QUESTIONNAIRE

Part 1:

1. Please indicate whether your company is:

- Private owned; Part private/part public
- Public owned; Parastatal

2. Is your company listed on the Nairobi Stock Exchange?

- Yes; No

3. Does your company have overseas branches?

- Yes; No

4. Is your strategy formulated locally or abroad?

- Locally; Abroad

5. If you are a local company, do you have future plans to expand regionally or even globally?

- Yes; No

6. Indicate below the best representation of your company's size in terms of number of staff.

- Below 10; 10-50;
- 50-250; Above 250

Part 2:

7. Rank the below, each of the indicated Internet-based product and services, based on the extent to which your firm uses them.

**1 = No Extent at All; 2 = A Little Extent; 3 = Moderate Extent;
4= High Extent; 5 = A Very High Extent**

Internet-based Products & Services	Extent				
	1	2	3	4	5
Blogs (posting commentary or news on a particular insurance topic in interactive format)					
Content Management Systems (e.g. HTML used for setting up and organizing web based firm resources)					
Corporate Intranet (secured-for internal use only)					
Electronic Mail					
Groupware Servers (software that allow customer-firm collaboration via the Internet or Intranet)					
Information gateways (specialized access services to Web resources for education and research)					
Intelligent messaging (sorting, evaluating & responding to messages based on message characteristics)					
Internet based Procurement protocols e.g. Extensible Mark-up Language (XML)					
Internet based videoconferencing (simultaneous interaction via two-way video & audio)					
Internet Relay Chat (interactive real time online communication with customers)					
Meta search engines (sends information requests to many search engines and returns results from all)					
Mobile Internet phones to communicate product/service information					
Newsgroups (a globalized, decentralized, distributed Internet discussion system)					
SMS gateways connecting Mobile Phone SMS services to the Internet					
TELEcommunications NETwork (TELNET) protocol (allow customers to log on to a your firms computer and perform tasks e.g. view premium payments))					
The World Wide Web for B2B/B2C transactions					
Videophone (telephone that transmits video & audio)					
Voice over Internet Protocol (VoIP) Services					
Wireless Local Area Networks (cost-efficient wireless data-access technology optimized for indoor office environments)					

8. Indicate and rank below, **any other** Internet-based product and services that your firm uses and **the extent** to which they are used.

1 = No Extent at All; 2 = A Little Extent; 3 = Moderate Extent;
4= High Extent; 5 = A Very High Extent

Extent

Internet-based Services	Products &	1	2	3	4	5

9. Indicate below the extent to which each of the indicated Internet-based product and services, confer your firm an edge over the competition (competitive advantage).

**1 = No Extent at All; 2 = A Little Extent; 3 = Moderate Extent;
4= High Extent; 5 = A Very High Extent**

Internet-based Products & Services	Extent				
	1	2	3	4	5
Blogs (posting commentary or news on a particular insurance topic in interactive format)					
Content Management Systems (e.g. HTML used for setting up and organizing web based firm resources)					
Corporate Intranet (secured-for internal use only)					
Electronic Mail					
Groupware Servers (software that allow customer-firm collaboration via the Internet or Intranet)					
Information gateways (specialized access services to Web resources for education and research)					
Intelligent messaging (sorting, evaluating & responding to messages based on message characteristics)					
Internet based Procurement protocols e.g. Extensible Mark-up Language (XML)					
Internet based videoconferencing (simultaneous interaction via two-way video & audio)					
Internet Relay Chat (interactive real time online communication with customers)					
Meta search engines (sends information requests to many search engines and returns results from all)					
Mobile Internet phones to communicate product/service information					
Newsgroups (a globalized, decentralized, distributed Internet discussion system)					
SMS gateways connecting Mobile Phone SMS services to the Internet					
TELEcommunications NETwork (TELNET) protocol (allow customers to log on to a your firms computer and perform tasks e.g. view premium payments))					
The World Wide Web for B2B/B2C transactions					
Videophone (telephone that transmits video & audio)					
Voice over Internet Protocol (VoIP) Services					
Wireless Local Area Networks (cost-efficient wireless data-access technology optimized for indoor office environments)					

10. Indicate and rank below, the extent to which **any other** Internet-based product and services (in **Question 8**) deliver competitive advantage to your firm.

**1 = No Extent at All; 2 = A Little Extent; 3 = Moderate Extent;
4 = High Extent; 5 = A Very High Extent**

Extent

Internet-based Products & Services	1	2	3	4	5

11. Rank below the extent to which Internet-based product and services deliver competitive advantage, in the ways mentioned below, to your firm.

**1 = No Extent at All; 2 = A Little Extent; 3 = Moderate Extent;
4= High Extent; 5 = A Very High Extent**

Forms of Competitive Advantage	Extent				
	1	2	3	4	5
Adds value to marketing communications programs e.g. advertising over The Internet					
Allow creation of synergies with distinctive firm resources and competencies to deliver competitive advantage e.g. strong firm marketing ability enhanced through online marketing					
Automation of & rapid response to, routine activities e.g. online automation of frequently asked questions (FAQs)					
Conducting business activities better than the competition e.g. through improving internal & external communication					
Cost reduction associated with communication & transaction e.g. online automation of standard customer enquiries					
Cost savings from low procurement costs					
Empowers rapid adaptation to changing business opportunities					
Enables firm command premium prices over competitors					
Enables the delivery unique value products to customers					
Enhances customer satisfaction, supports brand loyalty & differentiation					
Enhancing Business-to-Business e-commerce collaborations					
Facilitates after sales support to customers					
Facilitates global marketing strategies of insurance products e.g. global branding & loyalty programs					
Improves purchase decision process by availing detailed information on complex insurance products/services					
Increases ease of transacting lowering transaction costs					
Integration of the Internet to firms supply interface enabling superior collaboration with suppliers					
Promotes effective distribution of insurance products e.g. quotes even outside normal business hours					
Supports market research activities e.g. data collection on customers insurance needs & response to various products					
Time compression-lowers time to market & response times e.g. through online downloading of product proposal forms & online response to inquires					

12. Indicate and rank below, any other forms of competitive advantage, which Internet based product and services, help your firm in delivering.

1 = No Extent at All; 2 = A Little Extent; 3 = Moderate Extent;
4 = High Extent; 5 = A Very High Extent

Extent

Other Forms of Competitive Advantage	1	2	3	4	5

13. Indicate on the below table whether your firm uses The Internet in the indicated manner.

**1=No Extent; 2=Moderate Extent; 3=Fairly High extent;
4=High Extent; 5=A Great Extent**

Activity	Extent				
	1	2	3	4	5
Value Shop Activities					
Problem finding and acquisition					
Problem solving					
Choice-choosing between alternatives					
Execution-communicating, organizing and implementing decisions					
Control and evaluation					
Value Network Activities					
Connecting existing customers with each other					
After sales service and support					
Distribute information & services					
Distribute products and services					
Developing customer networks through marketing & recruiting new customers					
Enable increased value for new & existing customers					
Development of new services & improvements in existing services					
Infrastructure development to facilitate efficient product/service delivery					

Thank you for your participation in filling this Questionnaire

APPENDIX 3

List of Insurance Companies in Kenya

1	AIG Kenya Insurance Limited	23	Kenya Alliance Insurance Co Ltd
2	Amaco Insurance Company Ltd	24	Kenya Orient Insurance Co Ltd
3	APA Insurance	25	Lion of Kenya Insurance Co Ltd
4	Apollo Insurance Company Ltd	26	Madison Insurance Company Ltd
5	Blue Shield Insurance Company Ltd	27	Mayfair Insurance
6	British American Insurance Company Ltd	28	Metropolitan Insurance Company
7	Cannon Assurance Company Ltd	29	Mercantile Life & General Assurance
8	CFC Life Limited	30	Old Mutual Life Assurance
9	Concord Insurance Company Ltd	31	Occidental Life & General Assurance
10	Co-operative Insurance Company of Kenya Ltd	32	PACIS Insurance Ltd
11	Corporate Insurance Company Ltd	33	Pan Africa Life Insurance Co Ltd
12	Directline Assurance Limited	34	Phoenix of E. A. Assurance Co Ltd
13	Fidelity Shield Insurance Company Ltd	35	Pioneer General Assurance Co Ltd
14	First Assurance Company Ltd	36	Real Insurance Company Ltd
15	Gateway Insurance Company Ltd	37	Standard Assurance Company Ltd (Under Receivership)
16	Geminia Insurance Company Ltd	38	Tausi Assurance Company Ltd
17	General Accident Insurance Company Ltd	39	The Monarch Insurance Co Ltd
18	Heritage Insurance Company Ltd	40	Trident Insurance Company Ltd
19	Insurance Company of E. A. Limited (ICEA)	41	UAP Provincial Ins Company Ltd
20	Intra Africa Assurance Company Ltd	42	East Africa Reinsurance Company
21	Jubilee Insurance Company Ltd	43	Kenya Reinsurance Corporation.
22	Kenindia Assurance Company Ltd		