MARKET ENTRY STRATEGIES AND PERFORMANCE OF MULTINATIONAL FASHION RETAILERS IN NAIROBI

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A RESEARCH PROJECT SUBMITTED IN PARTIAL FULFILLMENT OF THE REQUIREMENT FOR THE AWARD OF THE DEGREE OF MASTER OF BUSINESS ADMINISTRATION, FACULTY OF BUSINESS AND MANAGEMENT SCIENCES, UNIVERSITY OF NAIROBI

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DECLARATION

I declare that the work contained in this proposal is my original work and has not been presented for a degree in any other university or institution.

Signature ……………………………… Date: 10/11/2021……………………....

Faith Kemunto Nyabuto

D61/5473/2017

SUPERVISOR

This proposal has been submitted for review with my approval as University Supervisor.

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DEDICATION

I dedicate this project to my family for their unwavering support throughout my education.

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ABBREVIATIONS

FDI	Foreign Direct Investment
JV	Joint Venture
KNBS	Kenya National Bureau of Statistics
LDCs	Less Developed Countries
MNCs	Multinational Corporations
MSEs	Micro and Small Enterprises
PLC	Product Life Cycle
RBV	Resource-based View
ROI	Return on Investment
SMEs	Small and Medium Enterprises
SPSS	Statistical Package for Social Sciences

ABSTRACT

Global competitive pressure is driving the growth of international business and the establishment of multinational corporations (MNCs) across geographies. Considering that internationalization consumes substantial management time, resources, and expertise, firms strive to select strategies that assure superior performance and competitive advantage in their new markets. Over the last few years, Kenya has experienced an influx of multinational fashion retailers seeking alternative markets for their products. These multinationals are motivated by the expanding middle class, growing consumerism, and supportive infrastructure. The objective of the study was to determine the relationship between market entry strategies and the performance of multinational fashion retailers in Nairobi. The study population was made up of 13 multinational fashion retail companies. The researcher collected data from the entire population. The research was carried out using a descriptive cross-sectional survey. Semi-structured questionnaires with closed-ended and open-ended questions were used to obtain primary data. Descriptive statistics were used to analyze the data. The study's findings revealed that multinational fashion retailers in Nairobi pursued a variety of strategies to enter into the Kenyan market. Majority of the firms began by directly exporting their products before venturing fully. Once they had established sufficient demand for their products, they pursued strategies such as franchising, joint ventures with local firms, and FDI. The descriptive statistics indicated a high extent of agreement by multinational fashion retailers that exporting, franchising, joint venture and FDI market entry strategies yielded various financial and non-financial performance benefits. The study concluded that pursuit of exporting, franchising, joint venture, and FDI market entry strategies yields financial and non-financial value to firms. As such, multinational fashion retailers benefit from exploring entry into new markets using any of the four strategies in response to growing dynamism in their markets of origin. The study recommends that policymakers enact policies that support foreign firms to invest in the country while also protecting existing players from unfair competition. It also recommends that when multinational fashion retailers consider entering new markets, they should adopt a low-risk entry strategy such as exporting to assess the viability of a foreign market before venturing using other strategies.

CHAPTER ONE

INTRODUCTION

1.1 Background to the Study

The increasingly dynamic business environment characterized by uncertain market conditions, faster technological change, shorter product life cycles, and intense competition pushes firms to pursue alternative markets in less concentrated regions of the international market space (Ghauri, Strange & Cooke, 2021). For such firms to select appropriate foreign markets and utilize resources, capabilities, and core competencies optimally, they must apply effective entry strategies. Considering that internationalization consumes substantial management time, resources, and expertise, such firms must pursue promising strategies that balance the accompanying risks and rewards (Argus & Samson, 2021). Moreover, decisions on entry into foreign markets have a significant bearing on firm performance. Firms will endeavor to select strategies that assure long-term growth and superior financial returns (Onamusi, 2020).

The product life cycle (PLC) theory and resource-based view (RBV) are the underpinnings of this research. The product life cycle theory of international business proposed by Vernon (1966) holds that market introduction, growth, maturity, and decline are typical phases of product transition. The theory explains that the attendant factors of production originate with the product's inventor in the early stages. After the product is adopted and the consumers appreciate its utility, production shifts gradually from the originator, thus driving the organization to enter international markets. The resource-based view (RBV) advanced by Wernerfelt (1984) proposes that an organization's unique resources and capabilities determine its competitive advantage in an international market. The theory assumes that organizations deliberate to understand and utilize their internal capabilities and resources to attain sustainable competitive advantage.

The last few years have seen a surge in multinational fashion retailer establishments in Nairobi. Companies such as Spain-based Mango and Turkey-based LC Waikiki have set up shops in major shopping malls in Nairobi to try to cash in on the strategic locations, a growing middle class, and an expanding expatriate community (Cytonn Investments, 2021). Rising urbanization levels and increasing disposable income have fueled Kenya's shopping mall space supply, which has also proven attractive to foreign retailers seeking a market for their products. At present, there are more than ten multinational fashion retailers in Nairobi with varying degrees of scale and visibility. To achieve high performance and return on investment in their new market, these companies have pursued different market entry strategies to distinguish themselves and appeal to their target customers. Given the crucial nature of internationalization of such multinational companies in the context of their more considerable organizational success, it is vital to understand the influence of their chosen entry strategies on performance.

1.1.1 Market Entry Strategies

Market entry strategy is defined as the institutional processes that firms employ to market their products in international markets in the context of the international market's demographic characteristics, physical, socio-economic, political, and legal environments (Drogendijk & Martin, 2015). Rodriguez et al. (2005) define market entry strategy as a company's business strategy that directs their preferred market, entry timing, and method of entry, which eventually has a bearing on its short- and long-term performance. Market entry strategies vary by cost, risk, and degree of control, including exporting, franchising, joint ventures (JVs), and foreign direct investment (FDI). More recently, retailers have used flash-retailing as a scheme of market testing that involves engaging new markets in the short term with optimally low levels of financial commitment (Picot-Coupey, Burt & Cliquet, 2014).

Market entry strategies such as exporting and franchising are linked with less agency over operations but have better possibilities for higher returns on investment. In contrast, joint ventures and foreign direct investment (FDI) promise more control but with the caveat of a higher risk for lower returns on investment (Cheptegei & Yabs, 2016). Joint ventures are defined as arrangements in which a firm seeking to expand into a new market is obligated to apportion control and ownership of the enterprise to a partner in the host market. Franchising, on the other hand, does not involve the sharing of ownership. Instead, it is an association between a party in a host country and another international player. The host receives a patent, brand name, and other proprietary assets such as management systems from the former in exchange for a fee (Muli, 2019). The exporting strategy entails the production of goods in one country and sales in another country. It presents lower risk and resource commitment like franchising and does not require shared ownership (Dinu, 2018).

The foreign direct investment (FDI) strategy involves a parent company holding facilities directly in the target foreign market (Hintošová, 2021). The arrangement may involve either the acquisition of existing businesses or greenfield establishments. In an acquisition, a company takes possession of a second and typically smaller enterprise that may be assimilated into the parent company's organizational structure. Alternatively, the parent company can choose to operate the smaller enterprise as a subsidiary. On the other hand, a greenfield establishment involves setting up new facilities in the host market and establishing a completely new entity (Root, 1994).

1.1.2 Firm Performance

Firm performance assesses the measure to which an enterprise's goals and objectives are met (Dess & Robinson, 1984). Given the wide interpretation of what performance is in different contexts, several techniques are used to evaluate firm performance, including traditional financial-based measures such as profit and turnover and more recent non-financial metrics such as employee satisfaction and customer satisfaction (Selvam, Gayathri, Vasanth, Lingaraja and Marxiaoli, 2016). Different scholars have suggested different ways of defining and measuring firm performance. According to Rajnoha, Lesníková, and Korauš (2016), traditional, financial-based performance measurement approaches such as profit and return on investment (ROI) concentrate on the element of outcome focus. However, studies such as those by Ahmed, Lim, and Zairi (1999) found that the narrow focus by financial indicators on outcomes in the context of increased business complexity necessitates an evaluation of other measures such as people, leadership, and systems that led to the production of financial results.

Given that, several scholars have in recent years developed more comprehensive models to measure firm performance. Augmenting financial measures with non-financial, less tangible indicators results in a holistic approach that provides a more inclusive view enabling managers to track financial results while at the same time building their capabilities for future growth (Kaplan & Norton, 1996). In the works of Selvam et al. (2016), the evaluation of a firm's success also considers several other dimensions: profitability, growth, market value, customer satisfaction, corporate governance and social responsibility. The study also notes that the diverse demands of different stakeholders of firms may necessitate their independent management.

1.1.3 Multinational Fashion Retailers in Nairobi

Retailing and wholesaling as a trade was reported as the third-highest contributor to Kenya's GDP after agriculture and transportation and the third-highest contributor to employment in the private sector (Kenya National Bureau of Statistics [KNBS], 2019). In 2019, retail and wholesale trade employed 267,700 people and accounted for 7.6% of the country's GDP. Within the retail industry, the fashion sector has shown massive growth over the past few years and is estimated to generate over 300,000 jobs (Hivos East Africa, 2016). The Nielsen Company (2018) reported that shifts in consumer trends had driven retail uptake in Kenya, with up to 30% of its populace now purchasing from formal retail outlets. This rate comes second in ranking in Sub-Saharan Africa, behind South Africa’s 60%.

In response to positive market signals such as growing demand and a quickly formalizing retail, a growing number of multinational fashion brands are setting up shop in major shopping malls, particularly in Kenya's capital, Nairobi (Cytonn Investments, 2021). According to El-Adly (2007), shopping malls which constitute both shopping and recreational facilities, play an influential role in consumer lifestyle. The rise in the number of shopping malls in Nairobi, which are often frequented by middle-class households, expatriates, and tourists, provides these fashion retailers with the opportunity to capitalize on the burgeoning consumer segment and a growing desire for high-end products. Notable multinational retailers with physical outlets located in Nairobi include South Africa's Woolworths and MRP Fashion (formerly Mr. Price), Spanish clothing lines Mango, Zara, and Tendam, Turkish clothing line LC Waikiki and Hong Kong’s Giordano.

1.2 Research Problem

Today’s increasingly dynamic business environment has made it crucial for companies to seek alternative markets for their products. Firms that choose the right entry strategy will likely enjoy smooth operations and superior performance in that particular foreign market (Kurtz, Hanelt & Firk, 2021). Conversely, firms that do not select the right strategies or implement the right strategy sub-optimally end up achieving sub-optimal returns, and ultimately, their survival advantages are compromised (Shaver, 1998). Therefore, firms approach market entry cautiously, carefully balancing their risks across markets to realize high returns on their investments (Ahmed et al., 2002).

Global competitive pressure is driving the growth of international business and the establishment of multinational corporations (MNCs) across geographies. Over the last few years, Kenya has experienced an influx of multinational fashion retailers seeking alternative markets for their products. These multinationals' choice of location is motivated by the expanding middle class, growing consumerism, and supportive infrastructure. Still, while the proliferation of these companies is expected to continue in the foreseeable future, competitive pressures continually force them to innovate their products and delivery processes to keep pace with evolving consumer needs.

Several international studies have been conducted on market entry strategy and firm performance. Holtbrügge and Berning (2018) evaluated 556 Chinese multinational enterprises operating in the German market against their market entry strategies. They found that choice of activity, mode of establishment, and span of presence significantly affected performance. Additionally, they discovered that home government support amplified the advantages of different market entry strategies. Similarly, Nisar, Boateng, and Wu (2018) studied the implications of foreign market entry strategy on results of 146 foreign small and medium enterprises (SMEs) in Norway. The study's findings concluded firm-specific attributes: sector and size of operation, incontrovertibly influence performance. However, prior international experience had little influence on performance. Maosa (2017) studied seven foreign-owned Rwanda-based commercial banks and established that mergers and acquisitions and greenfield operations substantially affect performance.

Studies undertaken locally include Muli (2019), who researched the different market entry strategies and the overall achievement of 15 foreign-owned fast food companies in Nairobi County. The results revealed that licensing influences firm performance significantly, whereas strategic alliance, foreign direct investment, joint venture, and franchising influence performance moderately. Earlier research by Cheptegei and Yabs (2016) on entry strategies used by Coca Cola in Kenya showed that the multinational utilized FDI, joint ventures, franchising, and exporting to expand its customer base and improve profits. The study also established that the company's management successfully overcame barriers that detracted from the efficacy of its chosen market entry strategies.

From these studies, it was evident that the choice of market entry strategy has recently attracted considerable research attention. However, studies that interrogated the performance ramifications of various market entry strategies limited their focus on financial performance measures, creating a gap in understanding the implications of other non-financial measures that cater to different stakeholders' needs. There was also limited literature focusing on fashion retail in Kenya despite the sector being the third highest contributor to GDP and formal employment after agriculture and transportation. Therefore, this study sought to generate new knowledge and bridge this gap by researching the relationship between market entry strategies and the performance of multinational fashion retailers in Nairobi. The research considered both financial indicators and non-financial measures of performance. The following research question guided the study, what is the relationship between market entry strategies and the performance of multinational fashion retailers in Nairobi?

1.3 Research Objective

This study aimed to establish the relationship between market entry strategies and the performance of multinational fashion retailers in Nairobi.

1.4 Value of the Study

This research makes valuable contributions to theory, practice, and policy. From a theoretical viewpoint, the study's findings will contribute to the product life cycle (PLC) theory by providing insight into the progression of firms from a location in their original markets to alternative international markets at different levels of their product cycles. The study will also back the resource-based view (RBV) by exploring market entry strategies as a key resource for firms seeking a competitive edge and high performance in overseas markets. The study would also provide perspective into multinational fashion retailers' strategies for entering new markets and how performance motivations influence their decisions. In addition to providing a reference point for future research, the study will highlight areas for further interrogation to expand existing knowledge.

The findings of the study are helpful to fashion retailers and other multinationals contemplating entering the Kenyan market. It will equip them with an understanding of ideal strategies that would yield competitive advantage and contribute to high returns on their portfolio. It will also provide some insight into the institutional context of Kenya and how they may adapt their operational strategies to make the most out of the market, given their choice of market entry strategy.

For policymakers, the study's findings and recommendations will provide a source of knowledge on which to base policies guiding foreign investment. It will also enlighten them on the performance of foreign investors in the country. In effect, it would inform how they draft policies to alleviate bottlenecks that impede further investment and constrict investment.

CHAPTER TWO

LITERATURE REVIEW

2.1 Introduction

This section analyzes available literature on market entry strategy, the adoption of various strategies by multinational fashion retailers in Nairobi, and the implications of the choice of market entry strategies on firm performance. The chapter reviews both empirical and theoretical frameworks on market entry theory to guide the study.

2.2 Theoretical Framework

The theoretical framework introduces and elaborates on the theories that justify the existence of the research problem. This study pivoted primarily on two theories: product life cycle (PLC) theory and resource-based view (RBV).

2.2.1 Product Life Cycle (PLC) Theory

Vernon (1966) proposed the product life cycle (PLC) theory, which states that a product's life cycle is typically divided into four stages, namely: introduction, growth, maturity, and decline. The theory also suggests that a product’s location of production depends on its stage in the cycle. A product is generally manufactured in the innovating country as it gradually progresses from the introduction stage. Over time, international demand for the product grows, the product is adopted its international markets and production steadily moves away from the point of origin. At that point, it becomes competitive for producers in foreign nations to produce the product within their markets instead of importing them from the original country. In some instances, the product is imported by its original country of invention. The firm that produced the original product may also be incentivized by growing foreign demand to set up its production facilities overseas such that consumers can access products in their home markets (Hill, 2008).

Vernon (1966) postulated that firms typically begin with exporting before transitioning initially to market-seeking FDI and, after that, cost-oriented FDI. He hypothesized that the first production facilities would be established in developed countries where the initial production and demand sit. As demand expands, standardized mass production is introduced to exploit the economies of scale, and concern shifts from product adaptation to the cost of production. When products are standardized, less developed countries (LDCs) provide lower labor costs, hence higher competitive advantages.

As a result, firms will expand their production into LDC markets where production is more competitive (Vernon, 1979). This theory applied to this study, suggesting that the entry of multinational fashion retailers into foreign markets is related to the stage of their product's life cycle. Critics of the theory disagree with its generalized approach to considering new product emergence as a one-time occurrence, considering that products go through constant innovation in reality. As such, firms can pursue different internationalization decisions simultaneously or go back and forth between different market entry strategies (Fujdiak et al., 2019).

2.2.2 Resource-based View (RBV)

The resource-based view (RBV) focuses on the entity's resources and capabilities to explain competitive advantages that lead to improved organizational performance (Newbert, 2007). The RBV theory assumes that access to resources and capabilities between firms is disparate; that is, no two firms are endowed with either or both in equal measure. It further assumes that the combination of resources and capabilities must at the very least be scarce and valuable too if they are to represent any competitive advantage. Scarcity implies that neither established nor potential competition can contrive and implement identical strategies or that only one business, or scarcely any, can exploit certain combinations to exclude others (Arend & Levesque, 2010). RBV approach presumes that resources and capabilities can enhance the effectiveness of market entry strategies only if their core purpose is to profit from opportunities or neutralize existing and potential threats.

In this study, the RBV theory explored how multinational retailers can use foreign markets to explore their unique resources and capabilities, such as their chosen entry strategy, high access to advanced technology, strong financial base, and high skilled labor (Brouthers & Hennart, 2007). Detractors of the RBV approach criticize its implicit assumption that "virtually anything associated with the firm can be a resource" (Priem & Butler, 2001, p.32). The problem with this assumption, at least according to the study, is that, whereas prescriptions for treating certain classes of resources may be operationally valid, others may prove practically difficult to measure and manipulate. Furthermore, the all-inclusive definition of resources renders it difficult to determine a suitable level of analysis since anything crucial for a firm strategically would be considered a resource (Kraaijenbrink, Spender & Groen, 2010).

2.3 Market Entry Strategies and Firm Performance

Various scholarly works have explored market entry strategies and the performance of companies that have ventured into foreign markets. This section reviews the literature on exporting, franchising, joint venture (JV), and foreign direct investment (FDI) strategies and firm performance.

2.3.1 Exporting strategy

The common and easiest method of entry for multinational companies into overseas markets is through exporting. Tomiura (2007) describes exporting as the sale of goods and services in foreign markets from the home country. Exporting is preferred because it enables firms to bypass the costs associated with basing operations in new markets. Even so, firms must have alternative channels of marketing their products, often through contracts with local companies or distributors. When exporting, multinational firms adapt labeling, packaging, and pricing to the foreign market. They then promote their products through advertising, trade shows, or a local distributor or sales team. Moore and Burt (2007) found that luxury fashion retailers often adopt a multi-step strategy to enter foreign markets: they test the market at lower financial risk through export or wholesaling and adjust to other methods once they learn the markets.

A firm's performance resulting from its exporting strategy can be assessed through export intensity, defined as export revenue as a percentage of total company revenue (Hall & Lee, 2008). Studies have shown that export intensity positively affects firm performance, confirming that firms learn and gain efficiencies from exporting. Abor (2011) contends that competition in international markets exposes firms to new technologies and, in so doing, increases their operational efficiency. This argument is supported by the works of Grossman and Helpman (1991). They espoused the concept of "learning by exporting," whereby a firm's access to foreign knowledge and technology boosts its productivity. According to Fabling and Sanderson (2013), exporters have generally reported higher capital growth and job creation than non-exporters, resulting from self-selection by high-performance firms into exporting and the effects of learning from foreign markets. Exporting also contributes to expanding market share by extending the market over which firms earn their margins and overall profitability. The exporters' ability to recover fixed costs over a large volume of sales further supports firm productivity, providing room for innovation (Ganotakis & Love, 2012).

2.3.2 Franchising Strategy

Franchising is a contractual entry strategy where a firm referred to as a franchisor markets its products through semi-autonomous businesses known as franchisees, allowing them to use the franchisor's business format. A franchise arrangement entails a legal relationship that binds both parties to franchise laws (Dinu, 2018). The franchisee manages all operations but within the boundaries of a business model that the franchiser dictates (Doole & Lowe, 2001). Franchising involves a degree of control over business operations by a franchisor, payment of a fee upfront by the franchisee to buy rights to establish an outlet under the franchise, and the contract typically runs over an extended period (Mendelsohn, 2005). In addition to granting the franchisee rights to the franchisor's brand name, business procedures, and marketing strategy, the franchisor also trains the franchisee in all aspects of the system before establishing the business to run the business effectively (Mendelsohn, 2005).

The impact of franchising on performance has mainly been assessed from a profitability standpoint in the past. Franchise firms often run a blend of firm-owned and franchised businesses to maximize benefits that may accrue to both operating models. Franchises are significantly more profitable than non-franchise firms due to the brand equity gained from the franchise, which is typically globally recognized (Hsu & Jang, 2009). Franchised firms also deliver higher intangible value in patents, goodwill, and further brand recognition than non-franchises (Moon & Sharma, 2014). Franchise performance is influenced by factors relating to both the franchisor and franchisee. Franchise arrangements and the training provided by the franchisor give a sense of ownership, motivating them to invest their time to grow the business and meet the global franchise's performance goals. On the franchisee's part, their managerial capabilities and social capital lead to a competitive advantage for the franchisor and eventual franchise network performance (Bourkheili, 2015).

2.3.3 Joint Venture Strategy

Joint ventures (JVs) involve the coming together of a foreign and local company to achieve a common goal, but the difference being that the firms create a new entity in the process (Gaitán, 2021). In joint ventures, the partnering firms pool their assets and know-how and share ownership, benefits, and risks from their new venture (Al-Maery, 2018). Foreign firms pursue joint ventures to access new technology and managerial practices, spread costs and risks of going global, and achieve economies of scale and size advantages (Ndung'u, 2014). This form of agreement guarantees foreign firms elevated agency over operations and access to knowledge of local markets. It allows firms to adopt investment positions in unfamiliar locations without complete responsibility for foreign investment (Cheptegei & Yabs, 2016). The strategy also enables rapid market penetration and more immediate returns on the initial investment (Jin & Wang, 2021).

Musah, Badu-Acquah, and Yusif (2019) showed that joint venture entry strategy has implications on the company's future performance as measured by growth. Joint ventures are fundamentally formed to enhance marketing efforts and build sales and market share of partner firms. A study by Tien et al. (2021) found that pursuance of joint cost leadership strategy by JVs helped increase sales. Several other benefits accrue to firms that use the joint venture entry strategy. These include access to partner distribution channels and political connections, factors that eventually bear on firm performance (Foley, 1999). Furthermore, according to Ali et al. (2021), complementarity in resources between joint venture parties delivers crucial advantages, including reduced transaction costs and added physical and intellectual resources. This conclusion supports earlier findings by McWilliams and Gray (1995) that joint ventures improve parent-firm performance by leveraging each JV partner's strengths and complementary resources.

2.3.4 Foreign Direct Investment (FDI) Strategy

The ultimate form of foreign market entry is Foreign Direct Investment (FDI), which involves a parent company having unreserved control of facilities in the target market (Hintošová, 2021). This strategy provides a foreign firm's highest production control but entails huge resource outlay (Root, 1994). An FDI arrangement may involve either the acquisition of existing businesses or greenfield establishment in a foreign market. Investment through an acquisition consists of the parent company buying a part of a local company in exchange for equity ownership (Root, 1994). On the other hand, a greenfield venture is a variant of FDI. The parent firm initiates a new enterprise in a foreign market by erecting operating facilities from scratch (Nguyen, Luu & Do, 2021). The parent company also creates new long-term employment opportunities in the host country by employing local labor.

Existing research on foreign direct investment strategy and performance shows that the strategy generally yields high business performance. Hofer and Baba (2018) suggest that direct entry into international markets exceeds the export strategy in terms of financial performance. In contrast, for non-financial performance, both strategies seem to be equally viable. While foreign direct investment is costly and unwieldy, it yields better performance gains than other market entry strategies (Kumar & Waheed, 2007).

Performance can also be evaluated through the lens of foreign market entry motive. Aside from market expansion, multinational companies also pursue tax savings (Rajnoha, Dobrovič & Rózsa, 2018) by localizing member firms in different countries with different taxation rates. Such strategies often give long-term performance advantages to parent firms employing them. Effectively, countries with low tax burdens demonstrate high foreign capital, increasing multinationals, and growth in FDI (Breinek, 2005).

2.4 Empirical Studies and Knowledge Gaps

Literature on market entry strategies and firm performance reveals a general conclusion that market entry strategies are crucial in determining a company's performance in overseas markets. However, several gaps are evident in the reviewed literature. Firstly, most studies examining market entry strategies and firm performance limit their analysis to financial performance measures. At the global level, the survey by Fabling and Sanderson (2013) investigated productivity gaps between exporting and non-exporting companies in New Zealand. The study limited its scope to the exporting strategy and measured performance by efficiency in capital allocation. Similarly, research by Hsu and Jang (2009) explored differences in profitability between US-based franchising and non-franchising firms. The findings only covered the franchising strategy and did not consider non-financial measures of performance.

Comparably, most local researchers have focused on financial performance measures while exploring market entry strategies employed by multinationals in different sectors. Cheptegei and Yabs (2016) examined market entry strategies used by Coca Cola Kenya and found that FDI, joint ventures, franchising, and exporting expanded the firm's performance. The study was limited to one company and focused on profitability and customer base as measures of performance. Al-Maery (2018) took an industry view and studied the link between Kenyan retail firms' market entry strategies and performance. The research targeted general merchandise retailers and concentrated on market share and profitability to assess performance.

From the foregoing, it was evident that there was limited research on market entry strategies that consider both financial indicators and non-financial measures of performance. Furthermore, given the contextual dependence of the environments in which most global studies were conducted, the generalization of such findings into the Kenyan context would be inaccurate without further research. At the local level, reviewed studies had examined other industries than fashion retailing. Therefore, this study aimed to bridge the aforementioned gaps by investigating the relationship between market entry strategies and the performance of multinational fashion retailers in Nairobi, considering both financial indicators and non-financial measures of performance.

CHAPTER THREE

RESEARCH METHODOLOGY

3.1 Introduction

This chapter discusses the research methods that were employed to execute the study. The selected research design, as well as methods used to collect data and analyze it are described in detail.

3.2 Research Design

According to Kothari (2004), research design is a method adopted by researchers that brings together distinct elements of information logically and rationally to provide a sound solution to the related research problem. He further contends that the success of research design requires clearly defined data collection tools and analysis to meet a study's objectives. It is a formalized approach to problem-solving, thinking, and acquiring knowledge (Salkind, 2010).

The study adopted a descriptive cross-sectional survey. A descriptive approach entails collecting data describing certain phenomena and then organizing, illustrating, and explaining the data collection process (Glass & Hopkins, 1984). The cross-sectional design is appropriate when investigating a situation at a given point in time and analyzing the correlation between different variables, thus providing a comprehensive understanding of the phenomena. A similar study that used this approach was conducted by Muli (2019) to interrogate the overall corporate attainment of multinational fast-food chains in Nairobi County, Kenya, against their chosen market entry strategies.

3.3 Population of the Study

Gall & Borg (1989) depict a target population to comprise the real and hypothetical set of people, objects, or events to which a researcher intends to generalize the study results. The population of this study comprised 13 multinational fashion retailers based in Nairobi. Two criteria were used to determine the elements of the population: retailers originating from foreign countries and having company-owned and branded physical stores in at least one shopping mall in Nairobi. Based on these criteria, the list was developed from two sources. First, media press releases of foreign retailers entering the Kenyan market were reviewed. Second, the directories of major shopping malls in Nairobi were employed, considering many multinational fashion retailers prefer these malls for their first stores. In this study, the researcher sought to collect data from the entire population.

3.4 Data Collection

The study used primary data which were collected through a structured questionnaire which contained closed- and open-ended questions. Judd, Smith, and Kidder (1991) stated that the questionnaire technique is advantageous since it is a low-cost data gathering method and frees the researcher of bias. Questionnaires also make it possible to link research questions with the survey results directly, easily coding data and analyzing it for interpretation (Judd et al., 1991). A structured questionnaire was preferred because it yielded more structured responses, which enabled tangible recommendations. The questionnaire employed a five-point Likert scale that was easy to understand and complete for participants, in effect, increasing the rate and quality of responses (Page-Bucci, 2003).

The researcher used in-person hard copy and electronic versions of questionnaires. Payne and Payne (2004) propose electronic questionnaires as a useful way of reaching dispersed groups of people or situations where face-to-face administration is impossible or not preferred. Both in-person and electronic questionnaires were targeted to top managers at the firms. The researcher issued one questionnaire per firm to a top manager in the questionnaires administered in person, while web-based questionnaires were issued through email addresses. The hard copy and electronic questionnaires included a cover letter that stated the study's goals and guaranteed respondents of discretion.

3.5 Data Analysis

Savenye and Robison (2005) describe data analysis as a systematic application of logic and techniques to evaluate data and analyze it for patterns in observations. The study's data analysis began with checking the returned questionnaires for completeness as well as accuracy. They questionnaires were then classified and tabulated before carrying out further analysis. Responses that exhibited common patterns and themes were clustered into clear categories. The data were analysed using descriptive statistics. Frequencies, percentages, and standard deviation and mean were applied using the Statistical Package for Social Sciences (SPSS) software once the data was aggregated into tables.

CHAPTER FOUR

DATA ANALYSIS, FINDINGS, AND DISCUSSION

4.1 Introduction

This chapter presents the results of analysis of data and discusses the study findings. The study sought to examine the relationship between market entry strategies and performance among multinational fashion retailers in Nairobi.

4.2 Response Rate

The researcher issued thirteen (13) questionnaires to Nairobi-based multinational fashion retailers. Eleven (11) questionnaires were returned, representing an 84.6% response rate (Table 4.1). This response rate was considered to be suitable for analysis, according to Field (2013), who advised a minimum response rate of 75% as a rule of thumb. Furthermore, it aligns with Mugenda & Mugenda (2003), who described a 50% rate as fair. Similar investigations by Arasa and Gideon (2015) and Nthenge (2019) yielded responses of 80% and 70%, respectively.

Table 4.1: Response Rate

Responses	**Frequency**	**Percentage (%)**
Administered questionnaires	13	100
Unreturned	2	13.6
Usable questionnaires	11	84.6

Source: Primary Data (2021)

4.3 Respondent Characteristics

To gather demographic background information, the study took into account the respondents' personal attributes. The level of education and duration of current service were among the parameters analysed. The study's target respondents were country managers, marketing and sales directors, or other such managers holding decision-making authority.

4.3.1 Length of Service in Current Position

The study sought information from respondents regarding the length of time they had spent in their current positions. Results are presented in Table 4.2.

Table 4.2: Respondent Length of Service

Years	Frequency	Percentage (%)
Up to 5 years	4	36.3
6 – 10 years	6	54.5
11 – 15 years	1	9.2
Total	**11**	**100%**

Source: Primary Data (2021)

The results indicate that majority of the respondents, approximately 64%, had been in their current positions for at least six years, and 36% had spent up to five years in their current roles. This implies that the respondents possessed adequate experience and knowledge about the fashion retailing industry and could be relied upon to provide informed responses for the study.

4.3.2 Highest Level of Education Attained

The study set out to determine the respondents' highest level of education as an indicator of skills levels and productivity. The results are contained in Table 4.3 below.

Table 4.3: Highest Level of Education Attained

Level of Education	Frequency	Percentage (%)
Secondary level	1	9.1
College level	4	36.4
University level	5	45.5
Postgraduate	1	9.1
Total	**11**	**100**

Source: Primary Data (2021)

The results show that the respondents had a high level of competency, with about 55% having a university-level qualification and 36% having a college-level certificate. This indicates that respondents possessed relevant knowledge to perform their duties effectively.

4.4 Respondent Firm Characteristics

The company-specific characteristics that were studied included the country of origin; global reach assessed by the number of countries located; firm age determined by the number of years of business Kenya; local reach measured as the number of physical outlets owned; firm size by number of staff the firm employs on a permanent basis; and finally, ownership structure assessed as whether locally-owned, foreign-owned or jointly-owned.

4.4.1 Country of Origin

The results on respondent firms' countries of origin are presented in Table 4.4, below.

Table 4.4: Firm Country of Origin

Country of Origin	Frequency	Percentage (%)
South Africa	4	36.4
Italy	2	18.2
Spain	2	18.2
Germany	1	9.1
Hong Kong	1	9.1

Turkey	1	9.1
Total	**11**	**100%**

Source: Primary Data (2021)

The results reveal that respondent firms originate from various countries that are dispersed regionally and globally. The highest proportion (36%) originated from South Africa. Other firms were founded in Italy (18%), Spain (18%), Hong Kong (9%), and Turkey (9%). This implies a high level of interest and consequent entry into Kenya's fashion retail sector by regional and global firms.

4.4.2 Countries in Operation

The study aimed to understand the number of countries the companies were in operation. Table 4.5 presents the study results.

Table 4.5: Countries in Operation

Countries in Operation	Frequency	Percentage (%)
Less than five countries	4	36.4
5 - 10 countries	5	45.4
More than five countries	2	18.2
Total	**11**	**100 (%)**

Source: Primary Data (2021)

Table 4.5 shows that approximately 36% of the respondents indicated that their companies operate in less than five countries, 45% in five to 10 countries, and 18% in more than five countries. The results imply that most of the firms (up to 64%) operate in five or more countries, and therefore, have a broad global reach and extensive knowledge of different markets.

4.4.3 Years of Operation in Kenya

Table 4.6 presents the study's results on the years of operation in Kenya by the firms.

Table 4.6: Years of Operation in Kenya

Years	Frequency	Percentage (%)
Up to 5 years	6	54.6
6-10 years	2	18.2
11-15 years	3	27.2
Total	**11**	**100%**

Source: Primary Data (2021)

The results in Table 4.6 indicated that about 73% and 27% of fashion retailers had operated in Kenya for up to ten years, and between 11 and 15 years respectively. The results imply that the fashion retailing industry in Kenya gained interest in recent years, given that the majority of the firms studied are relatively young in their operations.

4.4.4 Number of Outlets in Kenya

The study examined the number of stores operated by the firms across Kenya. Table 4.7 presents the study results.

Table 4.7: Number of outlets in Kenya

Number	Frequency	Percentage (%)
Less than five outlets	7	63.6
5-10 outlets	2	18.2
More than ten outlets	2	18.2
Total	**11**	**100%**

Source: Primary Data (2021)

The results showed that 64% of multinational fashion companies operate less than five outlets in Kenya. This denotes a relatively narrow geographical reach locally by the firms.

4.4.5 Ownership Status

The study sought to know the ownership status of the companies. Table 4.8 presents the study results.

Table 4.8: Ownership Status

Ownership Status	Frequency	Percentage (%)
Fully Kenyan owned	6	63.6
Fully foreign-owned	3	18.2
Joint & foreign-owned	2	18.2
Total	**11**	**100%**

Source: Primary Data (2021)

According to Table 4.8, about 64 percent of enterprises are wholly Kenyan-owned, 18 percent are fully foreign-owned, and 15 percent are jointly owned by Kenyans and foreigners. This denotes that most multinational fashion retailer firms are set up with local shareholding or a combination of local and foreign shareholding.

4.4.6 Number of Employees

The study examined firm size measured by the number of permanent staff employed. Table 4.9 presents the study results.

Table 4.9: Number of Employees

Number	Frequency	Percentage (%)
Up to 10 employees	5	45.5
11 - 20 employees	1	9.1
21 - 30 employees	2	18.2
31 - 40 employees	1	9.1

41- 50 employees	2	18.2
Total	**11**	**100%**

Source: Primary Data (2021)

Table 4.9 shows that all the firms employ at most fifty people, with a large proportion (45.5%) having a maximum of 10 employees. This implies that most multinational fashion retailers in Kenya are classified under micro and small enterprises (MSEs) according to the Government of Kenya, which defines MSEs as firms that employ less than fifty people (GOK, 2013).

4.4.7 Market Entry Strategy Employed

The study sought to know the entry strategies the firms used in their expansion into Kenya. Table 4.10 summarizes the results.

Table 4.10: Market Entry Strategy Employed

Market Entry Strategy	Frequency	Percentage (%)
Exporting	2	18.2
Franchising	5	45.4
Joint venture	2	18.2
FDI	2	18.2
Total	**11**	**100%**

Source: Primary Data (2021)

Table 4.10 indicates that a large proportion of the multinational fashion retailers, 45.4%, used the franchising entry strategy to enter the Kenyan market. This implies that compared to other strategies, franchising is preferred by both regional and global firms. Additionally, most firms indicated that they used the exporting strategy before fully venturing into the market using franchising, joint venture and FDI strategies. Only 18% still employed the exporting strategy as their only strategy.

4.5 Market Entry Strategies

The study examined a set of attributes of market entry strategies engaged by the firms. The respondents provided a view of their agreement with specific attributes of exporting, franchising, joint venture, and foreign direct investment strategies. Different statements were presented on scale to assess the study respondents' level of agreement with the attributes. As indicated below, descriptive statistics for the research variables were then calculated using frequencies, mean and standard deviation.

4.5.1 Exporting strategy

The study examined attributes of exporting as a market entry strategy. The results are shown below in Table 4.11.

Table 4.11: Exporting Strategy

Exporting Attributes	N	Mean	Standard deviation (SD)

By exporting, we bypassed the costs of basing operations in a market	11	4.01	1.002
We adapted our labeling, packaging, and pricing to the foreign market	11	3.99	0.997
Marketing of our firm's products is done through advertising	11	3.89	1.001
We informed potential buyers about our products through trade shows	11	3.97	0.889
We use a local distributor or sales team for marketing our products in the foreign market	11	4.02	1.124

Source: Primary Data (2021)

The majority of respondents stated that exporting allowed them to bypass costs of basing operations in the Kenyan market (Mean, 4.01 and SD, 1.002) as seen in table 4.11. Further, most respondents agreed, to a large extent, that they adapted product labeling, packaging, and pricing for the Kenyan market (Mean, 3.99 and SD 0.997). Results indicated that most respondents agreed that marketing of their products is done through advertising (Mean 3.89 and SD 1.001). Additionally, the results affirmed to a large extent that potential buyers were informed about the firm's products through trade shows (Mean, 3.97 and SD 0.889). Finally, results showed that respondents asserted to a large extent that they used local distributors or sales teams for marketing their products in the foreign market (Mean, 4.02 and SD 1.124).

4.5.2 Franchising Strategy

The study examined attributes of franchising as a market entry strategy. The results are presented in Table 4.12.

Table 4.12: Franchising Strategy

Franchising Attributes	N	Mean	Standard deviation (SD)
The franchisor allows independent local firms to use its brand name and business format	11	4.01	0.564
The local firm is responsible for its operations but operates according to the franchisor's business model	11	4.02	0.956
The local firm paid the franchisor a fee before beginning operations under the franchise	11	4.01	0.564
The local firm received training from the franchisor before establishing the business	11	3.98	1.232

The franchise arrangement gives the franchisor the right to dictate the local firm's activities and operations	11	3.99	0.997

Source: Primary Data (2021)

Table 4.12 shows that majority of the retailers agreed to a large extent that the franchisor allows independent local firms to use its brand name and business format (Mean, 4.01 and SD, 0.564). The results indicated affirmation by many retail firms that the local firm is responsible for their operations but operates according to the franchisor's business model (Mean, 4.02 and SD, 0.956). Results also indicated that most retailers agreed to a large extent that the local firm paid the franchisor a fee before beginning operations under the franchise (Mean, 4.01 and SD, 0.564). Further, the majority of the retailers agreed to a large extent that the local firm received training from the franchisor before establishing the business (Mean, 3.98 and SD, 1.232). It was also established that many retailers agreed to a large extent that the franchise arrangement gives the franchisor the right to dictate the local firm's activities and operations (Mean, 3.99 and SD, 0.997).

4.5.3 Joint Venture Strategy

The study examined attributes of joint ventures. The results are shown in Table 4.13.

Table 4.13: Joint Venture Strategy

Joint Venture Attributes	N	Mean	Standard deviation (SD)

Ownership and control of the business is shared with a partner company	11	4.04	1.054
The joint venture agreement allows access to local market knowledge	11	4.02	1.032
Through the joint venture, we can access new technology and managerial practices	11	4.01	1.965
The joint venture arrangement enables sharing of risks and costs of going global	11	3.97	0.994
The joint venture has enabled us to achieve economies of scale and size advantages	11	3.92	0.664

Source: Primary Data (2021)

Table 4.13 depicts that a high proportion of the retailers agreed to a large extent that in a joint venture arrangement, ownership and control of the business are shared with a partner company (Mean, 4.04 and SD, 1.054). Results demonstrated that most retailers affirmed that the joint venture agreement allows access to local market knowledge (Mean, 4.02 and SD, 1.032). Also, the majority of the retailers agreed that joint ventures enable access to new technology and managerial practices (Mean, 4.01 and SD, 1.965). Furthermore, it was also agreed by most retailers that the joint venture arrangement enables sharing of risks and costs of going global (Mean, 3.97 and SD, 0.994). Lastly, the results established that most respondents agreed that the joint venture enabled economies of scale and size advantages (Mean, 3.92 and SD, 0.664).

4.5.4 FDI Strategy

The research examined attributes of foreign direct investment. The results are shown in Table 4.14.

Table 4.14: FDI Strategy

FDI Attributes	N	Mean	Standard deviation (SD)
Our firm has direct ownership of its operations in the foreign country	11	4.21	1.051
Establishing our operation in a foreign country involved a huge resource outlay	11	4.09	1.076
To enter the foreign country, we bought part of a local firm in exchange for equity ownership	11	3.98	0.991
Our firm initiated a new venture by constructing operational facilities from scratch	11	3.95	0.972
We create new long-term employment opportunities in the foreign country by hiring local labour	11	3.94	0.876

Source: Primary Data (2021)

Table 4.14 indicates that most retailers agreed that to a large extent, with foreign direct investment, a firm has direct ownership of its operations in the foreign country (Mean, 4.21 and SD, 1.051). Further, the results showed that most retailers agreed that establishing operations in the foreign country involved a huge resource outlay (Mean, 4.09 and SD, 1.076). The results also indicated that respondents affirmed to a large extent that entry into the foreign country involved buying part of a local firm in exchange for equity ownership (Mean, 3.98 and SD, 0.991). Furthermore, a large portion of the respondents also concurred that their firm initiated a new venture by constructing operational facilities from scratch (Mean, 3.95 and SD, 0.972). The results also showed that respondents confirmed that they created new permanent job opportunities in the foreign country by hiring local labour (Mean, 3.94 and SD, 0.876).

4.6 Market Entry Strategies and Firm Performance

The study assessed multinational fashion retailers' performance against their exporting, franchising, joint venture, and FDI entry strategies. Statements on a scale of 1-5 were used to evaluate the respondents' level of agreement with statements indicating financial and non-financial benefits of exporting, franchising, joint venture, and FDI market entry strategies. Descriptive statistics were analyzed through the use of frequencies, mean and standard deviation, as shown below.

4.6.1 Exporting Strategy and Firm Performance

The study used descriptive measures of mean and standard deviation to evaluate the exporting strategy and the performance of firms. Table 4.15 shows the results.

Table 4.15: Exporting Strategy and Firm Performance

Description	N	Mean	Standard deviation (SD)
Exporting strategy enhances firm productivity and innovation	11	4.02	1.211
Exporting strategy leads to knowledge transfer and operational efficiency	11	3.95	0.432
Exporting strategy increases international sales for fashion retailers	11	4.09	0.123
Exporting strategy increases market share for fashion retailers	11	3.98	0.991
Exporting strategy increases profitability for fashion retailers	11	4.11	0.453
Exporting strategy enhances job creation for fashion retailers	11	3.92	0.651
Average Scores		**4.01**	**0.52**

Source: Primary Data (2021)

Table 4.15 shows the average mean score for the exporting strategy against company performance was 4.01, with a standard deviation of 0.63. The respondents' individual responses to performance indicators of the exporting strategy are varied with the highest score on exporting strategy increasing profitability (Mean, 3.98 and SD 1.453) and the lowest score on enhancing job creation (Mean, 3.92 and SD 0.651). The results suggest that the multinational fashion retailers, to large extent, agree that exporting enhances the profitability of their firms.

4.6.2 Franchising Strategy and Firm Performance

The study described franchising strategy and the performance of multinational fashion retailers. The results were as presented below in Table 4.16.

Table 4.16: Franchising Strategy and Firm Performance

Description	N	Mean	Standard deviation (SD)
Franchising strategy delivers high intangible value in the form of patents, goodwill, and further brand recognition	11	4.46	0.113
Franchising strategy enhances organizational capacity through training	11	4.21	1.007
Franchising strategy increases international sales for fashion retailers	11	3.97	0.981
Franchising strategy increases market share for fashion retail chains	11	3.94	0.876
Franchising strategy increases profitability for fashion retailers	11	4.01	1.213
Franchising strategy enhances	11	4.19	1.001

job creation for fashion retailers		
Average Scores	**4.13**	**0.70**

Source: Primary Data (2021)

The average mean score for franchising strategy against firm performance was 4.13, as shown in Table 4.16. High intangible value in the form of patents, goodwill, and further brand recognition for retailers employing the franchising strategy had the highest mean score (Mean, 4.46 and SD 0.113). The lowest score was on franchising strategy increasing market share for fashion retail chains (Mean, 3.94 and SD 0.876). This suggests that the high intangible benefits arising from a franchising arrangement were considered a valuable performance indicator by multinational fashion retailers.

4.6.3 Joint Venture Strategy and Firm Performance

The study assessed joint venture strategy and the performance of multinational fashion retailers. The results were as presented in Table 4.17.

Table 4.17: Joint Venture Strategy and Firm Performance

Description	N	Mean	Standard deviation (SD)
Joint ventures improve firm productivity from partner resource complementarity	11	4.09	0.564
Joint ventures increase absolute growth for partner firms	11	4.04	1.112

Joint cost leadership strategy in joint venture agreements increases international sales	11	3.98	0.123
Joint venture strategy increases market share for fashion retailers	11	3.96	1.002
Joint venture strategy increases profitability for fashion retailers	11	4.03	0.664
Joint venture strategy enhances job creation for fashion retailers	11	4.01	1.002
Average Scores		**4.02**	**0.61**

Source: Primary Data (2021)

The results in Table 4.17 reveal an average mean score of 4.02 for the joint venture strategy against firm performance. Improved firm productivity from partner resource complementarity in a joint venture arrangement had the highest score (Mean, 4.09 and SD 0.564). Increased market share for joint venture fashion retailers scored the lowest (Mean, 3.96 and SD 1.002). This implies that multinational fashion retailers agreed, to a large extent, that productivity gains in a joint venture arrangement were realized where partner firms had complementary resources.

4.6.4 Foreign Direct Investment (FDI) Strategy and Firm Performance

The study described statistically FDI strategy and the performance of multinational fashion retailers. The results were as presented in Table 4.18.

Table 4.18: FDI Strategy and Firm Performance

Description	N	Mean	Standard deviation (SD)
FDI strategy enhances tax savings from localization of member firms	11	4.16	0.113
FDI strategy enhances international brand recognition and value	11	4.12	0.876
FDI strategy increases international sales for fashion retailers	11	3.91	0.971
FDI strategy increases market share for fashion retail chains	11	3.93	1.006
FDI strategy enhances profitability for fashion retailers	11	4.08	0.104
FDI strategy enhances job creation for fashion retailers	11	4.07	0.132
Average Scores		**4.04**	**0.33**

Source: Primary Data (2021)

The results in Table 4.18 show that an average mean score of 4.04 for the FDI strategy against company. The benefit of enhanced tax savings from localization of member firms that employ a FDI strategy had the highest score (Mean, 4.16 and SD 0.113). Increased market share scored the lowest (Mean, 3.93 and SD 1.006). This suggests that multinational fashion retailers agreed, to a large extent, that FDI strategy accords tax benefits to multinational retailers when they set up facilities in a foreign country, whether through acquiring an existing company or setting up facilities from scratch.

4.6.5 Summary of Market Entry Strategies and Firm Performance

Table 4.19 summarizes the mean scores for market entry strategies and the performance of multinational fashion retailers in Nairobi.

Table 4.19: Summary of Descriptive Statistics for Market Entry Strategies and Firm Performance

Market Entry Strategy	Mean	Standard deviation (SD)
Exporting Strategy	4.01	0.52
Franchising Strategy	4.13	0.70
Joint venture Strategy	4.02	0.61
FDI Strategy	4.04	0.33

Source: Primary Data (2021)

The franchising strategy composite score was the highest (Mean score 4.13) followed by FDI strategy (Mean 4.04), joint venture strategy (Mean score 4.02) and exporting strategy (Mean score 4.01). These overall mean scores range between $4.0 \leq 4.5$ for all the market entry strategies implying that on average, respondent firms showed a high degree of agreement on statements of performance benefits of these strategies. It is revealed that the mean standard deviations for these results is less than 1.00, implying that the multinational fashion retailers did not differ largely in their rating on the performance implications of market entry strategies.

4.7 Discussion of Findings

The results of the study indicated that multinational fashion retailers pursued multiple strategies to enter the Kenyan market. Majority of the retailers started by exporting their products directly before venturing fully into Kenya. Once they had established sufficient demand for their products, they pursued additional strategies such as franchising, joint ventures with local firms, and FDI. This observation is in harmony with earlier research that suggested that luxury fashion retailers often adopt a multi-step strategy to enter foreign markets by initially testing the market at lower financial risk through export or wholesaling and afterward adjusting to other methods once they learn the markets (Moore & Burt, 2007)

The study established a high extent of agreement by multinational fashion retailers that exporting, franchising, joint venture and FDI strategies yielded various financial as well as non-financial benefits. It was found that exporting yields high profitability for multinational fashion retailers. Profitability is a financial measure of performance. This observation is consistent with previous studies that suggested that exporting yields high financial benefits. Fabling and Sanderson (2013) found that exporting firms reported high performance benefits such as capital growth and job creation. Similarly, Ganotakis and Love (2012) observed that the ability of exporters to recover fixed costs over a large volume of sales supports firm productivity.

The study found that high intangible benefits arising from a franchising arrangement were considered a valuable non-financial performance indicator by multinational fashion retailers. The results agree with earlier research that concluded that franchises were significantly more profitable than non-franchise firms due to the intangible value and brand equity gained from the franchise (Moon & Sharma, 2014; Hsu & Jang, 2009).

The study established that multinational fashion retailers considered productivity gains in a joint venture arrangement to be achieved where partner firms had complementary resources. Productivity gains are a non-financial indicator of performance. The results are consistent with earlier findings by McWilliams and Gray (1995) that joint ventures improve the performance of partner firms by leveraging their strengths and complementary resources.

Finally, the study results showed that multinational retailers perceive that FDI strategy accords tax benefits to their firms when they set up facilities in a foreign country, whether through acquiring an existing operation or setting up facilities from scratch. The results of this study correspond with earlier studies which revealed performance benefits of local taxation for firms that employ the FDI strategy. Rajnoha et al. (2018) concluded that FDI strategy yields long-term performance advantages such as tax advantages to parent firms employing it. Similarly, Breinek (2005) established that countries with low tax burdens demonstrate high foreign capital, increasing multinationals, and growth in FDI.

CHAPTER FIVE

SUMMARY, CONCLUSION, AND RECOMMENDATIONS

5.1 Introduction

This chapter summarizes the findings in relation to the objectives of the study. It also outlines the conclusions made, the study's limitations and finally recommendations for areas of future research.

5.2 Summary

The study's objective was to establish the relationship between market entry strategies and the performance of multinational fashion retailers in Nairobi. A descriptive survey design was applied to address the research problem and meet the study objectives. Primary data were gathered from 11 questionnaires that were returned. The majority of the respondents possessed adequate knowledge and experience in the fashion retailing industry, having worked in their current positions for at least six years. Data were analyzed using descriptive statistics.

The study results established that multinational fashion retailers in Kenya pursued multiple entry strategies. Majority of the retailers started by exporting their products directly before venturing fully into Kenya. Once they had established sufficient demand for their products, they pursued additional strategies such as franchising, joint ventures with local firms, and FDI. A large proportion of the firms used franchising compared to other strategies, thus franchising emerged as a preferred strategy by both regional and global multinational retailers.

The descriptive statistics indicated a high level of agreement by multinational fashion retailers that exporting, franchising, joint venture and FDI market entry strategies yielded various financial as well as non-financial benefits. It was found that exporting yields high profitability for multinational fashion retailers. Additionally, intangible benefits such as patents, goodwill, and further brand recognition arising from a franchising arrangement were considered valuable. Productivity gains in a joint venture arrangement were realized from complementary resources contributed by partner firms in a joint venture arrangment. Regarding the FDI strategy, the firms perceived that localization in the foreign country accords them tax benefits, whether the establishment was through acquisition of an existing operation or setting up facilities from scratch.

5.3 Conclusions

The study concluded that multinational fashion retailers pursue multiple strategies to enter the Kenyan market, often starting their internationalization process by directly exporting their products before venturing into the foreign market. Once the firms establish sufficient demand for their products in the foreign market, they pursue additional strategies such as franchising, joint venture arrangements with local firms, or foreign direct investment.

The study's findings concluded that multinational fashion retailers perceived that pursuit of exporting, franchising, joint venture, and FDI market entry strategies yielded several financial benefits such as increased profitability and market share; and non-financial performance advantages such as gains in productivity and enhanced brand value. As such, multinational fashion retailers realize value when they enter new markets using any of the four strategies in response to growing competition and dynamism in their markets of origin.

Based on research results, it was concluded that exporting strategy exporting yields high profitability for multinational fashion retailers. Exporting is a low-cost strategy of market entry that enables firms to bypass the cost outlay of establishing operations in new markets. The exporters' ability to recover fixed costs over a large sales volume further supports firm productivity, providing room for innovation.

It was also concluded that high intangible benefits arising from a franchising arrangement were considered valuable by multinational fashion retailers. In a franchising arrangement, the franchisee manages all operations within the boundaries of a business model that the franchiser dictates. The franchise contract typically runs over an extended length of time, delivering high intangible value in the form of patents, goodwill, and further brand recognition.

The study further concluded that multinational fashion retailers considered productivity gains in a joint venture arrangement to be achieved where partner firms had complementary resources. In joint ventures, the partnering firms pool their assets and know-how and share ownership, benefits, and risks from their new experience. This sharing of resources enables the firms to perform better jointly.

Finally, it was concluded that FDI strategy accords tax benefits to multinational fashion retailers their firms when they establish operations in a foreign country, whether through acquiring an existing firm or setting up facilities from scratch. While FDI requires huge resource outlay, it accords parent firms the highest control of facilities in the foreign market, yielding high-performance gains.

5.4 Recommendations

Growing competition continues to push firms to explore alternative, less concentrated markets for their products globally. Given that, foreign markets continually experience growing interest by multinational firms from diverse geographical locations. As a result, domestic markets host many local and foreign players competing for customers and market dominance. This study recommends that policymakers enact policies that encourage and support foreign firms to invest in the country while also protecting existing players from unfair competition. Setting a level playing field for existing local and international players and new entrants creates a conducive environment for all businesses to thrive and earn superior returns.

The study also recommends that when multinational fashion retailers consider entry into new markets, they should first adopt a low-risk entry strategy such as exporting to assess the viability of the foreign market. Once they establish sufficient local demand, they can venture into the market fully, adopting franchising, joint venture, or FDI strategies. Multinational fashion retailers and other multinationals should then continue to adapt to the needs of local consumers and differentiate their products accordingly to earn customer loyalty and achieve sustainable competitive advantage.

In the context of the product life cycle (PLC) theory, the study recommends that firms endeavor to pursue market entry strategies that provide the highest cost advantages depending on the stage of their product life cycle and understanding of targeted international markets. Following the resource-based view (RBV), the study recommends that firms pursue appropriate entry strategies that will serve as a key resource through which they can achieve competitive advantage in overseas markets.

5.5 Limitations of the study

The accuracy of the results of the study is dependent on the honesty of respondents in providing answers to the questionnaire. Some respondents felt that information of a strategic and financial nature was sensitive and they were hesitant to give responses. The researcher explained that the study was purely academic in nature and that insights they provided would be held in confidence. Given the geographical dispersion of targeted respondents, the data collection process was time-consuming. The researcher followed up with respondents frequently to ensure timely response.

The variables included in the study are not comprehensive. There are other market entry strategies that multinational firms employ, and additional factors may provide further insight into the relationship between market entry strategies and company success. Additionally, the narrow focus on multinational fashion retailers in Nairobi, a subset of the retail sector, denotes that the results are limited to fashion retail firms and therefore may not be applicable to other national and industry contexts. This restricts the generalization of the findings of this research.

5.6 Recommendation for Further Studies

Since the research was based on firms in the fashion retail sector, there is a need for future researchers to explore further the entry strategies employed by other multinationals in Kenya. Similar studies in different regions of Kenya outside Nairobi should also be conducted. This will enable interrogation of elements unique to certain firms in varied contexts represented by various industries and geographical regions.

The relationship between market entry strategies and the performance of multinational fashion retailers in Nairobi was assessed using descriptive statistics. A statistical regression model may be used in future researches with a larger sample size to establish the statistical significance of the relationship between the variables. An open-ended interview method to supplement a structured questionnaire may also gather more nuanced responses from senior management teams. Finally, undertaking the study over a longer time horizon using a longitudinal framework would give additional insight into the performance of firms over several years. It would also provide a better assessment of how companies evolve in foreign markets, as well as implications of the market entry strategies they employed.

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APPENDICES

Appendix I: Introduction Letter

UNIVERSITY OF NAIROBI
COLLEGE OF HUMANITIES AND SOCIAL SCIENCES
SCHOOL OF BUSINESS

Telephone: 020-8095398
Telegrams: "Varsity", Nairobi
Telex: 22095 Varsities
Our Ref: **D61/5473/2017**

Tel: 020 8095398
Nairobi, Kenya
24/02/2021

<u>TO WHOM IT MAY CONCERN</u>

The bearer of this letter, **Faith K. Nyabuto** of Registration Number **D61/5473/17 is** a Master of Business Administration (MBA) student of the University of Nairobi.

She is required to submit as part of her coursework assessment a research project report. We would like the student to do her project on **Market entry strategies and performance of multinational fashion retailers in Nairobi .**We would, therefore, appreciate if you assist her by allowing her to collect data within your organization for the research.

The results of the report will be used solely for academic purposes and a copy of the same will be availed to the interviewed organization on request.

Thank you.

<u>FLORENCE RUTURI</u>
SENIOR ADMIN. ASSIST -SOB

UNIVERSITY OF NAIROBI
24 FEB 2021
P.O. Box 30197 – 00100, NAIROBI

Appendix II: Questionnaire

This questionnaire is intended to collect data from multinational fashion retailers in Nairobi on market entry strategies and firm performance. The responses you provide and research findings will be strictly confidential and analyzed for academic purposes only. Reference will not be made to any respondent(s) in the report of the study. Thank you.

Instructions: Please tick (√) or answer appropriately for each question provided.

SECTION A: RESPONDENT AND FIRM PROFILE

1. Please indicate the position you hold in the firm:

………………………………………..

2. How long have you been in this position?

Up to 5 years [ ]   6 - 10 years [ ]   11 - 15 years [ ]

16 - 20 years [ ]   Over 20 years [ ]

3. Please indicate your highest level of education.

High School Certificate [ ]   Diploma [ ]   Bachelor's Degree [ ]

Master's Degree [ ]   PhD/Doctorate [ ]

4. What is the country of origin of your firm?

………………………………………..

5. How many countries does your firm operate in?

Less than 5 countries [ ] 5 - 10 countries [ ] More than 10 countries [ ]

6. How many years has your firm been in operation in Kenya?

Up to 5 years [ ] 6 - 10 years [ ] 11 - 15 years [ ]

16 - 20 years [ ] Over 20 years [ ]

7. How many outlets does your firm operate in Kenya?

Less than 5 outlets [ ] 5 - 10 outlets [ ] More than 10 outlets [ ]

8. What is the ownership status of your firm?

Fully Kenyan owned [ ]

Fully foreign-owned [ ]

Joint Kenyan & foreign owned [ ]

9. How many employees are permanently employed in your firm?

Up to 10 employees [ ] 11 - 20 employees [ ] 21 - 30 employees [ ]

31 - 40 employees [ ] 41-50 employees [ ] Over 50 employees[ ]

10. What entry strategy did your firm employ in entering Kenya?

a) Exporting [ ]

b) Franchising [ ]

c) Joint venture [ ]

d) Foreign Direct Investment [ ]

SECTION B: MARKET ENTRY STRATEGIES

Instructions: Please answer the relevant questions applicable to the market entry strategy employed by your firm.

EXPORTING

11. Please indicate with a tick (√) the extent to which you agree with the following attributes on exporting exhibited by your firm:

Extent Factors	Not at all	To a small extent	To a moderate extent	To a large extent	To a very large extent
a. By exporting, we bypassed the costs of basing operations in a market.					
b. We adapted our labeling, packaging, and pricing to the foreign market.					
c. Marketing of our firm's products is done through advertising.					
d. We informed potential buyers about our products through trade shows.					
e. We use a local distributor or sales team for marketing our products in the foreign market.					

FRANCHISING

11. Please indicate with a tick (√) the extent to which you agree with the following attributes on franchising exhibited by your firm:

Extent Factors	Not at all	To a small extent	To a moderate extent	To a large extent	To a very large extent
a. The franchisor allows independent local firms to use its brand name and business format.					
b. The local firm is responsible for its operations but operates according to the franchisor's business model.					
c. The local firm paid the franchisor a fee before beginning operations under the franchise.					
d. The local firm received training from the franchisor prior to establishing the business.					
e. The franchise arrangement gives the franchisor the right to dictate the local firm's activities and operations.					

JOINT VENTURE

12. Please indicate with a tick (√) the extent to which you agree with the following attributes on joint ventures exhibited by your firm:

Extent Factors	Not at all	To a small extent	To a moderate extent	To a large extent	To a very large extent
a. Ownership and control of the business are shared with a partner company.					
b. The joint venture agreement allows access to local market knowledge.					
c. Through the joint venture, we can access new technology and managerial practices.					
d. The joint venture arrangement enables sharing of risks and costs of going global.					
e. The joint venture has enabled us to achieve economies of scale and size advantages.					

FOREIGN DIRECT INVESTMENT (FDI)

13. Please indicate with a tick (√) the extent to which you agree with the following attributes on foreign direct investment (FDI) exhibited by your firm:

Factors / Extent	Not at all	To a small extent	To a moderate extent	To a large extent	To a very large extent
a. Our firm has direct ownership of its operations in a foreign country.					
b. Establishing our operation in a foreign country involved a huge resource outlay.					
c. To enter the foreign country, we bought part of a local firm in exchange for equity ownership.					
d. Our firm initiated a new venture by constructing operational facilities from scratch.					
e. We create new long-term employment opportunities in foreign countries by hiring local labour.					

SECTION C: MARKET ENTRY STRATEGIES AND FIRM PERFORMANCE

Exporting Strategy and Firm Performance

14. Please indicate with a tick (√) the extent to which you agree with the following attributes on the influence of exporting strategy on performance exhibited by your firm:

Factors / Extent	Not at all	To a small extent	To a moderate extent	To a large extent	To a very large extent
a. Exporting strategy enhances firm productivity and innovation.					
b. Exporting strategy leads to knowledge transfer and operational efficiency.					
c. Exporting strategy increases international sales for fashion retailers.					
d. Exporting strategy increases market share for fashion retailers.					
e. Exporting strategy increases profitability for fashion retailers.					
f. Exporting strategy enhances job creation for fashion retailers.					

Franchising Strategy and Firm Performance

15. Please indicate with a tick (√) the extent to which you agree with the following statements on the influence of franchising strategy on performance exhibited by your firm:

Statement / Extent	Not at all	To a small extent	To a moderate extent	To a large extent	To a very large extent
a. Franchising strategy delivers high intangible value in the form of patents, goodwill, and further brand recognition.					
b. Franchising strategy enhances organizational capacity through training.					
c. Franchising strategy increases international sales for fashion retailers.					
d. Franchising strategy increases market share for fashion retail chains.					
e. Franchising strategy increases profitability for fashion retailers.					
f. Franchising strategy enhances job creation for fashion retailers.					

Joint Venture Strategy and Firm Performance

16. Please indicate with a tick (√) the extent to which you agree with the following statements on the influence of joint venture strategy on performance exhibited by your firm:

Extent Statement	Not at all	To a small extent	To a moderate extent	To a large extent	To a very large extent
a. Joint ventures improve firm productivity from partner resource complementarity.					
b. Joint ventures increase absolute growth for partner firms.					
c. Joint cost leadership strategy in joint venture agreements increases international sales.					
d. Joint venture strategy increases market share for fashion retailers.					
e. Joint venture strategy increases profitability for fashion retailers.					
f. Joint venture strategy enhances job creation for fashion retailers.					

Foreign Direct Investment (FDI) Strategy and Firm Performance

17. Please indicate with a tick (√) the extent to which you agree with the following statements on the influence of FDI strategy on performance exhibited by your firm:

Extent Statement	Not at all	To a small extent	To a moderate extent	To a large extent	To a very large extent
a. FDI strategy enhances tax savings from localization of member firms					
b. FDI strategy enhances international brand recognition and value					
c. FDI strategy increases international sales for fashion retailers					
d. FDI strategy increases market share for fashion retail chains					
e. FDI strategy enhances profitability for fashion retailers					
f. FDI strategy enhances job creation for fashion retailers					

THE END

THANK YOU FOR YOUR PARTICIPATION

Appendix III: Multinational Fashion Retailers in Nairobi

1. F&F Clothing
2. Giordano International Limited
3. Hugo Boss
4. LC WAIKIKI MAĞAZACILIK HİZMETLERİ TİC A.Ş
5. Mr. Price Group Limited
6. Oltre Fashions
7. Punto Fa, S.L., trading as Mango
8. Salvatore Di Francisca
9. Tendam, formerly The Cortefiel Group
10. The Foschini Group (TFG)
11. Truworths International Ltd
12. Woolworths Holdings Limited
13. Zara SA