# EFFECTS OF MARKETING PRACTICES ON THE PERFORMANCE OF PHOENIX OF EAST AFRICA ASSURANCE COMPANY LTD

**EPHRAIM ONYANGO RAKULA**

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## DECLARATION

This research project is my original work and has not been presented for examination in this or any other university.

Signed…………………………… Date…………………….

**EPHRAIM ONYANGO RAKULA**
**D61/77021/2015**

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

Signed……………………… Date……………………..

**CAREN ANGIMA**
**LECTURER,**
**DBA SCHOOL OF BUSINESS,**
**UNIVERSITY OF NAIROBI**

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# DEDICATION

To my beloved parents, wife and Children

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# ABBREVIATIONS AND ACRONYMS

| | |
|---|---|
| **AKI:** | Association of Kenya Insurers |
| **CAGR:** | Compound Annual Growth Rate |
| **FY :** | Financial Year |
| **IRA:** | Insurance Regulatory Authority |
| **SIB:** | Standard Investment Bank |
| **SMEs:** | Small and Medium Enterprises |

## ABSTRACT

The market share value is the sure way to know the efficiency, strength, performance and competitive position of the firm and all these depend on the of an insurance company's marketing and investment strategy. This research was done to investigate the effects of marketing practises at Phoenix of East Africa Assurance Co. Ltd. The study adopted a case study research design with the following objectives; to find the marketing practices adopted by Phoenix of East Africa Assurance Co. Ltd; and to establish the link between the marketing practices and organizational performance at Phoenix of East Africa Assurance Co. Ltd. The study utilized both primary and secondary data with an interview guide as the main research instrument. Five top level managers at Phoenix East Africa Assurance Co. Ltd were interviewed. Qualitative data was obtained from the interview guide and was analyzed using Content analysis. The study revealed that Phoenix of East Africa Assurance Co. Ltd is able to get new customers and Retaining them by giving required services, They do product Innovation by offering new products and maintenance, market, and task-oriented approaches as the main categories of marketing practices. On the other hand, the study found that Phoenix of East Africa Assurance Co. Ltd has established and maintained long term relationship with its customers by constant and regular communication with them, setting up new distribution channels, internationalizing, and prompt and timely services as the main strategies to ensure it acquires and retains loyal customers. Moreover, the study found that Phoenix of East Africa Assurance Co. Ltd has applied telemarketing, customer relationship marketing (CRM) systems; Lead tracking, online marketing services tools as some of the main marketing strategies. In a bid to advance the development of new insurance products, the study found that Phoenix of East Africa Assurance Co. Ltd has adopted the generation of sales by launching new products, up-selling and providing complementary products with additional services as the key marketing practices. The study concluded that the marketing practices embraced by Phoenix East Africa Assurance have positively influenced its organizational performance over the recent years. The study recommends that other insurance firms embrace dynamic marketing approaches in their operations. The findings of this study further underpins the need for firms within and beyond the insurance industry to put in place critical success factors in the adoption and implementation of current marketing tools like lead tracking to enhance their marketing efficiency. The study only looked at Phoenix of E.A. Assurance Co. Ltd due to the limitation of time and resources whereas a study of this nature should include a survey of sizeable number of firms. The study established that Phoenix of E.A. Assurance Co. Ltd has good marketing practices in place but the same have not been used properly resulting to poor performance. The study recommends further research to focus on some reasons other than marketing to further test how they have affected the performance of the firm. Future studies should focus on the identification of the marketing practices in use by other insurance firms in the industry and on the possibility of setting benchmarks.

# CHAPTER ONE

# INTRODUCTION

## 1.1 Background of the Study

Marketing entails ways by which a person or group can freely obtain products of value needed by exchanging with others (Kotler & Keller, 2008). The insurance company's marketing and investment strategy is important in determining the company's performance, efficiency and strength of its competitive position in the market and the growth (Bunyiza, 2010). Internal and external factors determine insurer's performance. Insurer's specific characteristics form the internal factors whereas external factors are industry features and macroeconomic variables. Insurer's performance today is about marketing and it is a must for any firm within the financial industry to have sound marketing programme. The realization of firms marketing objectives is subject to the financial institutions blending the element of the marketing mix in such a way that it can be used to realize the institution's marketing objectives by having marketing strategy. The challenge however, the crave for development and marketing in the financial industry (Kasturi, 2012).

This study will be based on two theories: the task oriented theory of strategic marketing, and 'market segmentation strategy. The knowledge-based view of the firm (KBV) advanced by (Tomczak, Reinecke & Mühlmeier, 2004) looks at firms as a body of knowledge. The KBV illustrates that information and facts are vital to the performance and attainment of company's objectives therefore becoming competitive with her rivals. Market segmentation by Hunt and Morgan (2001) is a marketing concept widely acceptable in business. Segmentation entails defining the existing market and potential customers into subsets that exhibit shared characteristics of demand, targeting the specific group and developing specific products or services mixes meeting the needs for each targeted market group to with the view to be competitive. However, to be successful on segmentation theory, one needs to have a proper understanding of the competitive environment and processes. Competition theory requires that segments must be thoroughly researched and workable.

The Kenyan market has experienced stagnant premium growth recently, however there has been no major insured catastrophes in the last five years and this has contributed to decrease in premium rates charged and price competition in key markets. Phoenix of East Africa Assurance Co Ltd has felt the challenges in the market and today has only 0.46 per cent of market share which is too low.(IRA report,2015). It has been forecasted that reserve margins are reducing and the industry needs to focus on establishing marketing practices to enhance their competitiveness in the market. Kenya's insurance industry has improved for the better following continuous innovations in comprehensive covers and in response to global forces. The challenges of competition and pressure on rates has led to development of new products by insurers and to remain relevant in market, they have no option but to have strategies aimed at enhancing market penetration (Muriuki, 2013).

### 1.1.1 Marketing Practices

According to Kotler and Keller (2008) marketing is a management function with the main objective of ensuring a product or service reaches the consumer and to satisfy their demands as assessed having considered the customer purchasing power but with a view to achieve the objectives set by a company. There has to be a two-way communication flow between the vendor and the purchaser within a dynamic system which is a reaction to the continuously changing market forces. It's the attitude of mind which entails defining the demands of potential and actual customers by stating their objectives and continuously servicing and satisfying their needs and demands at a profit (Wendy, 2010).

Globally today, the markets are very competitive and a firm must market itself to remain relevant within the environment. According to Aremu and Lawal (2012 for survival of firms they must strategically analyse its environment available competitors and trends on buying habits of customers. Marketing requires that a research is done where customers needs are assessed, comparing the same with the competitors' products and ensuring that it will satisfy their needs after which awareness is done by communicating through advertising, carrying out promotion activities, sales distribution and customer servicing. By having good marketing practices, satisfaction is attained since timely and quality products and services is attained at fair prices and a wider distribution accessed backed up with effective promotion strategy. Marketing practices strengthens the firm's market share and has an impact on competition and industry's growth. (Omwoyela, 2013).

Insurance is a service and needs to be marketed like any other product. Firms must therefore engage in marketing activities referred as market mix so that it can best meet the needs of its targeted market. The following are the sub-mixes of the 7P's of marketing i.e. First, Product can be tangible or intangible. A product is an item offered for sale. It can be in physical or virtual form (Cravens & Piercy, 2008). Second is Price represents value for money for the product. Third is place. A product should be available from where the target customer finds it easy to shop, which is place. It can be in a shop or offices which must be neat and presentable. Fourth and fifth is Promotion and processes which refers to the way the firm communicates the offer. It can be through advertising, sales promotion, personal selling, social media among others. Sixth is the people. A firm needs the right people to run the organization that is the staff must handle the processes of the firm like delivery of goods and services. Lastly the last is physical evidence.

Marketing is about positioning strategy having considered different mixes and considering market segmentation and targeting. (Corey, 1991). It is importantly to note however that every activity has the aim of creating impact on customer value as a strategy and ensuring effective intergration.

### 1.1.2 Organizational Performance

Positive progress from a firm can be seen from the results achieved from the actions of individuals and units of the firm. This should be properly distinguished from it's effectiveness. Different factors affect the individual performance through formal and informal means. An Organization that is effective engages in legitimate activities within it's objectives, has no or if any little strain or faults within the firm and has proper resources in place crucial to the functions of the firm and the organization and accomplishment of stated goals (Cameron, 1986). It is therefore important to state that Business performance and organisational effectiveness can only be determined using operational and financial outcomes. Generally as per (Carton & Hofer, 2009) 82% results on financial performance with 52% accounting measures of profitability being the most common choice.

Organizational performance can be measured using financial and non-financial measures. One can use a number or unit to measure performance of a firm. This is gauged with a set objective or goal (target) in measuring Performance. Financial measures include; profitability, market value, and growth Profitability includes: ROA(Return on Assets), ROI(Return on investment,) ROE (Return on equity,) EVA (economic value added,) EBTIDA (earnings before interest, tax, depreciation and amortization) margin among others.(Cravens & Piercy, 2008).

Non-financial performance measures borrow a lot from the concept of balanced score card to evaluate employee's performance. These are defined concepts with clear timelines with set incentives. These measures have direct and indirect effect which can be helpful or dangerous since they either increase or reduce the risk exposures. Some of the measures used can be staff turnover, absentee rates and number of accidents reported by the staff falling under their insurances and on the other hand on product and service quality, one looks at value, superior performance and how the same compares with competitors' products. These will give an indication of future financial performance. (Kaplan & Norton, 1996)

### 1.1.3 The Insurance Industry in Kenya

The Insurance industry has 50 players in total, 28 in general, 9 in life insurance and 14 composite companies. The entire markets premiums grew by 16.4% by the first quarter of 2015. (AKI report, 2015). The 2015 quarter one premiums stood at 50.41 billion Kenya shillings growing from 43.29 billion Kenya shillings. The life insurance premium income reported was 15.98 billion Kenya shillings while general business premiums were 34.43 billion Kenya shillings. Out of this figure, Phoenix of East Africa Assurance Co. Ltd share is only at 0.46 percent of the total market share. The performance of a number of firms under this industry is faced by challenges key one being undercutting on rates by the big firms which makes it hard for smaller firms to compete fairly. This problem is being reviewed by the regulator. Uptake of insurance is low in the country and awareness campaigns are being done and there has been some improvement. The number of general covers in Kenyan market is higher than the life business. The reinsurance companies reported 2.94 billion Kenya shillings in premiums. These had dropped by 8.3% from 3.20 billion Kenya shillings reported in quarter one of 2014 (IRA, 2015).

The general business incurred claims was 12.39 billion Kenya shillings during the period increased by 27.3% compared to 2014 quarter one which was at KES 9.73 billion. The Total policyholder benefit under life business was KES. 13.06 billion during the same quarter. The change in claims experience was related to the industry business expansion by volume. Underwriting expenses included business acquisition costs (commissions) and expenses of management. The commissions paid by insurers during the same quarter was KES 2.49 billion in 2015 compared to KES 2.13 billion reported in 2014. Management expenses rose by 10.8% to stand at KES 7.87 billion (2014 Q1: KES 7.10 billion). The insurance industry asset base was KES 452.84 billion in the first quarter of 2015. This was an increase of 17.6% from KES 385.22 billion held as at the end of March 2014. The liabilities amounted to KES 334.98 during the period under consideration.

### 1.1.4 Phoenix of East Africa Assurance Co. Ltd

Since 1912, Phoenix East Africa Assurance offers General Insurance services locally and has opened branches in Tanzania, Uganda and Rwanda. After being in the insurance business for over 100 years, Phoenix has the expertise and good reputation in all classes of insurance product. Currently the Phoenix Assurance Group is operating in a number of countries in Africa with a serious and good distribution network on branches, Agency and Brokers. The prevailing downward pressure on premium rates due to the soft reinsurance market and the severe competition among the players on almost all classes of business, have impacted the growth of premium contribution. The underwriting results decreased slightly by 5% due to the downward trend in rates observed on the motor insurance business. The overall underwriting results for 2014 was positive for all classes of business.

The local market faces challenges on rates. Competition between insurance companies has increase which has resulted to various firms charging premium rates which are below technical rates on certain lines of business. The reinsurance market has remained soft as capacity remains plentiful in the recent years. Consequently, the firm has failed to establish a reputation to sustain growth.

## 1.2 Research Problem

Performance pressures and competitive forces have exposed the insurance industry in today's economy (Goergen, 2001). New business concepts, different needs and client sophistication and serious competition within the market have changed ways of doing business. The new developments and the volatile dynamic market are the challenges that businesses organizations face today worldwide. As stated by Hunt and Morgan (2001), competitive advantage in resources in the market place results to superior financial performance.

Despite the fact that Phoenix of East Africa Assurance Co. Ltd has been in Kenya for many years, over a century it has not been able to position itself in the dynamic and volatile insurance market. Consequently, the firm's market share has been shrinking over the last five years with its shares at less than 0.5%. The firm's juniors have surpassed her on performance and it is among the poorly performing firms. The Kenyan firm's compete on rates resulting to some insurers charging rates which are technical below rated minimum requirement as regulated. Because of these factors, there is need to investigate how marketing practices employed have influenced the performance of the firm, hence the current study.

Various studies have been done on marketing and organizational performance. Shameem & Gupta, (2012) carried out a study on marketing strategies in life insurance services in Pakistan and found that the insurance firms are faced with challenges on operation costs, regulatory problems, and poor infrastructure. These pressures are coupled with negative perception and poor uptake of insurance covers. Ansari & Saaty, (2011) conducted a survey on the factors critical factors and marketing strategies used by Insurance Companies in Saudi Arabia and revealed that the main problem is lack of awareness on insurance products and their benefits by the public at large. Bawa & Chattha, (2013) undertook a multiple case study on the financial performance of life insurers in Indian insurance industry and found out that liquidity and size of firm has impact on profitability of life insurers but negatively related with capital. Profitability does not show any relationship with solvency and insurance leverage.

Locally, Muriuki (2013) did an assessment of the challenges affecting Kenyan insurers on marketing and found that that choice of communication channel, lack of reliability, fraudulent claims and high premium insurance brand affected by marketing of insurance services by the insurance agencies, an unattractive building, poor landscaping and poor interior furnishing of insurance agency offices, inaccessibility of the insurance policies greatly affected marketing of insurance services. Onimbo, (2014) conducted a survey on the Strategies adopted by Takaful insurance of Africa to penetrate the insurance market in Kenya and found that surplus and Mosque assurance are the methods used to penetrate the Kenyan Market. Kadzo, (2012) established that to maintain quality service to customers, manage the business environment and changing consumer needs, insurance firms need to be flexible on marketing strategies therefore able to survive hence attracting and retaining customers. To achieve quality service delivery and sustain social economic developments in Kenya, adoption of effective marketing strategies is important. Ong'ong'a, (2014) established that the firms marketing strategy is all about the 4ps; product, place, price and promotion and the extended marketing mix for services; people, process and physical ambiance. All these lead to gain or growth on market share of insurance companies in Kenya.

Despite the fact that literature on the organizational performance of insurance firms abound, most of them have been descriptive surveys. The current study diverges from past studies methodologically by adopting a case study research design which enable the researcher to state and describe the relationships on the two variables and also to test the theory for a special setting. No known study has been done linking marketing practices used to organizational performance at Phoenix of East Africa assurance Co Ltd hence the research question, what is the effect of marketing practices on the performance of Phoenix of East Africa assurance Co. Ltd.

## 1.3 The objectives of the research

The objectives of this study were to:

i. To determine the marketing practices adopted by Phoenix of East Africa Assurance Co. Ltd; and
ii. To establish the relationship between the marketing practices and organizational performance at Phoenix of East Africa Assurance Co. Ltd.

## 1.4 Value of the Study

This study will provide vital insight to the management of Phoenix of East Africa Assurance ltd in the process of planning formulating their marketing and operations strategy. The study will help also establish a framework that outlines the relationship between successful marketing of insurance products and services and organizational performance which is the revenue domain of insurance firms. Insurance firms may heavily borrow from this study while re-engineering relationship marketing as a major market penetration strategy.

At macro level, the study will provide backstopping to policy makers with regards to enhancing firm and national competitiveness as a result of marketing economies of scale. The IRA will find the outcome of the study useful in creating impetuous to upcoming insurance firms in Kenya by putting in place policies facilitating marketing activities among insurance firms.

On a theoretical level, the findings of this study may match the available literature on market performance. Equally the findings may be different from initial finding and assumptions made. Most importantly, the study will contribute to the literature on marketing and how marketing strategies can improve the competitiveness and performance of insurance firms in Kenya.

# CHAPTER TWO

# LITERATURE REVIEW

## 2.1 Introduction

The chapter looks at the various marketing practises in relation to firm performance and provides a review of literature on the same. It gives an overview of the theoretical foundation, marketing and organizational performance measurement in insurance corporations, and empirical studies and research gaps.

## 2.2 Theoretical Foundation

The theoretical frame work of the study has two theories; the main theory being Task oriented Theory then Market Segmentation Theory. Both appreciate the fact that for a firm to be successful there has to be sound marketing practices put in place to be competitive.

### 2.2.1 Task oriented Theory

The comprehensive task-oriented theory which was initiated by Tomczak, Reinecke, & Mühlmeier, (2004) proves that growth and profit results from proper strategic marketing perspective. Market potential is the total capacity of a given market of a product or service and is normally used on task-oriented approach. It gives the total sales within a specific market area. Market potential can be distinguished as either customer or product potential. Firstly, the number of users of a product confirms it's importance, and the purchasing ability by the respective users shows products have a higher customer potential; and, secondly, the more variable the needs to be satisfied by a product the higher the significance of the needs hence higher the product potential (Tomczak et al., 2004).

The task-oriented approach defines companies as a body of knowledge and is based upon the knowledge-based view (KBV) (Tomczak et al., 2004) which defines companies as a body of knowledge (Spender, 1989: 189). The KBV illustrates that knowledge is key in very vital to the attainment of improved results. Proper alignment of firm’s tasks based on knowledge capability and facilitates achievement of specific market potential (VonKrogh & Roos, 1992). To attain effectively the market potential, a firm must have the following task-oriented approaches in place and work towards beating their competitors by tapping into customer potential and ensuring retention, exploiting customer needs by finding out what they may need that you can provide, product competence and maintenance which is the ability to provide quality and standardized products and services that give satisfaction to the customers.

### 2.2.2 Market Segmentation Theory

Advanced by Hunt (2001), market segmentation is the accepted marketing concepts aimed at achieving superior financial performance by enabling and having competitive advantage over the other players in the market by ensuring that firms should; subdivide portions of demand into specific target groups and employ specific marketing “mixes” for each targeted market section. The strategy works well where segmentation theory has been considered and there is proper understanding of the competitive environment and surrounding circumstance. Hunt and Morgan (2001) resource advantage theory (R-A theory) a competition theory providing theory foundation for normative marketing strategies like market segmentation and relationship marketing.

Many markets today are diverse following the dynamic market of different consumers specific and special requirements where goods and services are required into smaller homogeneous segments affordable by the consumers. A product being offered in the market is designed to meet the needs, wants, taste and preferences having factored the price, promotion, and distribution channels. To be competitive in the present market and attain better financial performance, many firms are employing the strategy of targeting specific segments within the markets. Market segmentation strategy effects become relevant when it impacts positively its financial performance. The designing and implementing the market segmentation process is complex and costly however it results to superior financial performance which is good for the firm. The substantial resources that is strategy costs used are taken care of when the same becomes successful and is only determined when working out the costs incurred against the firms performance.

### 2.3 Marketing Practices

The emergence of superior information on strategy implementation has come about because of strategic factor marketing. However, firms must work hard to achieve the sustained competitive advantage and must not just sit back as it is an open market with other serious competitors (Barney, 1991). Some of the major marketing approaches are discussed below.

#### 2.3.1 Acquisition and Retention of Customers

Creating awareness of a product or service may lead to meeting customers who may will become users of the product, having new distribution channels, internationalizing and expanding field sales (Tomczak et al., 2004). The following are some customer acquisition strategies used by marketers; one, wooing customers away from rivals by convincing them to use your product and, two, addressing non-users or non-consumers to start using the same and become users (Tomczak & Karg, 1999).

Retention of customers has the following two fundamental approaches one, it refers to ensuring continuous repeat sales by preventing customers from changing over to competitors, and winning them back (Alsadi & Ismail, 2010). This can be achieved by being proactive and ensuring measures are in place and there is customer satisfaction

(Dittrich, 2002). On the other hand, reactive measure refers to ability to deal with complaints promptly whenever they arise. Secondly, penetration refers to enhancing the flexibility in paying price premiums, increasing awareness and educating the users of the products and services and fostering co-operative purchases, that is, subsequent sales and cross selling (Tomczak et al., 2004).

### 2.3.2 Product Innovation and Maintenance

Innovation entails integration of services and developing product potential. It involves measures taken identifying problems and their solutions; and then successfully commercializing. These actions have results which are two fold in characteristics that is: one, the originality of product to the market; and two, the perception and degree of difference it brings to the company respectively. Product innovations may take various forms and must be continues. They come in different forms like pure imitations, seriously new offers among others (Bradley, 2003).

Product maintenance refers to activities relating to a product after the first release to the market and involves reactions and experiences resulting from the customer that are positive or negative. The feedback received from the customers will assist in the improvements and upgrade cycle. (Tomczak, Reinecke, & Kaetzke, 2000; Tomczak et al., 2004). Generation of product life cycle takes two approaches for sustainable values: one, preservation or marginal adaptations and revitalizing where new 'life' is breathed into existing values; and, two, expansion of product by variation that is increasing sales by launching similar products, up selling that is providing to customers more sophisticated and expensive versions of the basic product at favorable prices, bundling which is generating sales by combining the new product with complementary products and additional services. Finally, multiplication and scaling are concepts where repetition is systematically applied to new markets (Tomczak & Kaetzke, 2000).

### 2.3.3 Market Orientation

The firm's entire work force must work towards the intention of achieving its objectives to become market-oriented. Following the various changing customer needs and desires, the firm must ensure customer is satisfied; work on product innovation and implement strategies that make the organization competitive over others (Cravens & Piercy, 2008). An employee is the face of the firm as it interacts with the other stakeholders within the environment. The combined effort of all employees' behaviors are crucial for strategy implementation, it helps an organization to adjust to changes within that environment (Dobni & Luffman, 2003).

Market orientation focuses on customer as focal point in any business perspective since they provide source of income for the company. It represents superior skills in understanding and satisfying customers. Its prevails purely on one: beliefs that customer's interest comes first, two, the organization's ability to provide superior and quality services and products to its customers and competitors (Kohli & Jaworski, 1990); and, three, the use of available resources for the creation of superior customer value (Shapiro, 1988). A firm that is committed to superior and quality customer service and has proper systems in place to maintain the set standards is said to have market-oriented culture (Slater & Oslon, 2001). Essentially, good skills and capability in understanding and satisfying customers needs is required in attaining better performance for a firm (Day, 1990).

### 2.3.4 Task-Oriented Approaches

These are the basic knowledge-based view of the firm (KBV) (Tomczak et al., 2004) which refers to firms as a body of knowledge (Spender, 1989). In essence, the approach considers the new ways of competing by firms to tap into the market and beat their rivals effectively through; one, acquiring new customers by tapping into their potential by providing what the customer needs and ensuring the same is available. secondly, customer retention which is the ability to service and ensure he makes repeat sales and not buying from your competitors., thirdly, product potential which is the ability to exploit the product and make it relevant and of better value for use and, fourthly, maintenance the ability to listen and improve on the product following feedback and reactions from customers who use the same. There is need for integration of existing competences and tasks so as to ensure an optimal deployment of firm resources for accomplishing the four core stated tasks, (Dobni & Luffman, 2003).

## 2.4 Marketing Practices and Organizational Performance

According to Alsadi and Ismail (2010), there must be a positive relationship between marketing and organizational performance indicators. Relationship is created in marketing through exchange of products and services that are beneficial to customer and has ability to satisfy their needs. Relationship marketing can be long term where the aspects of focusing on value enhancement are addressed and when; there are different service alternatives for customers to choose from; and when there is an ongoing and periodic desire for the service. It is time-consuming but the most effective strategies for marketing extension programs. It is a process and not a one-time event where clients must understand that you are committed long-term and that they can depend on you to provide the services required. In order to build a good relationship, like any other relationship in life, there needs to be constant touch with the customers. There has to be a Relationship, Interactive communication, Partnership and Strategic Alliances. Having all these together leads to value creation and generates the energy that holds these institutions together. The physics that governs the interrelationships of a firms stakeholders i.e., customers, investors and employees enables good energy and institution systems which can be called 'the forces of loyalty'. Good interrelations with the stakeholders as stated yields loyalty, value, and improved results therefore good cash flow for the firm (Christopher et al., 2002).

Marketing practices and activities are geared towards establishing new and better attractive business opportunities where the firm can invest it's resources and exploit other potential chances with the view of making better returns and hence profitability. It starts with assessment of current situation analysis followed by the reviewing and possible evolution of the market and the environment and establishing objectives with the goal of exploiting opportunities (Lambin & Armalio, 1991).

According to Wendy (2010), high performing firms are those that report better returns and profitability thereby rewarding their stakeholders handsomely, effectively work on its strengths, weaknesses and future opportunities and therefore outperform peers in revenue growth. Barney (1991) argues that a competitive advantage is an advantage gained over competitors by offering customers greater value, either through lower prices or by providing additional benefits and services that justify similar or even higher prices. The competitiveness of a firm arises from a firm's agility and responsiveness to the environment. This is only feasible when a firm is able to formulate strategies that can deal with industry forces.

## 2.5 Performance Measurement in Insurance Corporations

Organization activities whether individuals or group give results which is used to measure performance of the firm. Individual behavior and personal traits are some of the external factors that can either influence or control production of individuals by formal or informal means. A firm needs a guideline and procedure to be strictly adhered to by setting up a structure that has controlling systems like operating manuals with standard procedures to be followed within a given budget. A firm that has good management style, better communication and good work culture reports better results on performance of individuals. Four key functions are very important for the success of an insurance company namely: Identification of potential businesses within the markets and assessment of risks by looking at the exposure and control measures to minimize the losses; Penetration and exploitation of new markets by creating awareness and reaching potential customers and lastly having Control over investment and managing operating costs (Kasturi, 2012).

Performance of insurance firms can be either as profit or investment in financial terms under the following; Gross or net premium earned from underwriting activities; annual turnover, Return on Investment(ROI), Return on Equity(ROE), Return on Capital Employed(ROCE) etc. The difference between the revenues and expenses is the income which is used to measure profits in monetary terms. An organization incurs daily office operational expenses at different levels, branches and divisional offices. These expenses are all included in the firm`s expenses budget as they help to motivate the branch managers to cover their expenses relevant to business at respective higher levels (Omwoyela, 2013).

Performance can also be measured using Investment where you look at return on assets employed in the business other than cash and return on the investment operations of the surplus of cash at various levels on operations. It may not be easy to allocate and quantify Investment performance of the branches as they use common assets. The other services provided at branch level like communication costs, transportation and other expenses incurred at the branch offices vary based on different factors and are charged against the branches (Spirig, 2011).

Other than the financial measures stated, the following are used in assessing the non financial measures;, increase and reduction in insurances issued, the percentage change of the company's market share in total over a given period, branches and divisions network which has impact on production, Speedy and timely service delivery to customers, regular and timely reminders to the customers, changes and growth in products and product lines, prompt claim settlement by a firm, empowering and training of employees, improvement on research and development, market intelligence and surveys, number of policies awareness campaigns, incentives to agents and brokers who are aggressive and giving big support, etc. (Lambin and Armalio, 1991).

Growth which we can use to measure the performance of firm can be determined from published data of various companies which provides means to compare the market share of various insurance companies operating in the area. A basic comparison is done on the company's market share in total per class and comparing with competitor's performance per branches or division. One can identify the branches and divisions and units exerting poor performance. Necessary measures therefore need to be effected to bring the desired results to the branches and divisions to improve their performance (Spirig, 2011).

Customer's satisfaction can only be assessed in an insurance contract when a claim is reported to the firm within the insurance period and is normally not easy. Insurance is a service unlike others where you pay a price and the service engages at the time of a loss, that is they are promised satisfaction and assurance over a period of time, when they are faced by the risk insured against. There may occur a claim or not over the period usually within twelve months. However, customer satisfaction is achieved when a customer is happy with the services promised at time of taking policy. The following products may be offered by different insurers i.e home owners loans at flexible and affordable installments payments among others as a means to make the customers satisfied. Generally, settlement of claims at maturity on the endowment and life insurance policies are often delayed, causing frustration to the beneficiaries. The delays have resulted to a negative image of the insurance profession among customers and has made insurance to be perceived wrongly. It is therefore important that respective managers must ensure that they plan well and all payments including maturity amount reach the beneficiaries at the earliest (Kasturi, 2012).

### 2.6 Empirical Studies and Research Gaps

Muriuki, (2013) conducted a descriptive survey on the challenges affecting marketing of insurance services by insurance firms in Nairobi, Kenya. The study concluded that complex procedures in claims management, failure to adopt information technology strategy, mistrust in insurance relationships between insurance and the customers, lack of innovativeness in insurance product development, cost of insurance services and pricing of the insurance policies challenged marketing of insurance services in insurance industry. The study recommends that management in insurance agencies need to employ skillful, knowledgeable and qualified marketing workforces who could effectively market the agency insurance services.

Onimbo (2014) carried out a study on the strategies adopted by Takaful insurance of Africa to penetrate the insurance market in Kenya. The study adopted a case study research design and data was collected from respondents using an interview guide and data was analyzed using content analysis. From the findings it is clear that surplus and Mosque assurance are the leading strategies used by the firm to penetrate the Kenyan Market. The study recommends that the organization need to allocate a budget for advertising through both print and electronic media in order to attract the Non-Muslims clients who are interested in purchasing Takaful insurance and also to remove the myth that Takaful insurance only belongs to Muslim community only.

Kadzo (2012) undertook a study on the Marketing functions and arrangements used by insurance firms in Kenya to ensure there is quality and timely service to customers. The research targeted mostly the staff at the marketing departments among the 41 operational insurance firms locally. The study established that most firms use marketing practices but are faced by the internal and external challenges in the business environment like high costs, inadequate training of staff on customer care relations. Further the policies formulated by Association of Kenya Insurers and the government regulations with regards to the operations and shareholding pose a major challenge to the growth of insurance companies in Kenya.

Shameem and Gupta (2012) carried out a study on marketing strategies in life insurance services in Pakistan and found out that; the insurance scenario faces multiple challenges such as increased costs of operation, regulatory pressures, and inflexible technology infrastructure. These pressures are compounded by low to moderate premium growth & the increasing burdens of regulatory compliance. Ansari and Saaty (2011) conducted a survey on the factors critical in marketing strategies of Insurance Companies in Saudi Arabia and revealed that; the public at large is unaware about various types of insurances products and the benefits. Although previous research indicates that increasing numbers of insurance companies are implementing strategic marketing approaches, there has been little work exploring the adoption of marketing as a key strategy to enhance the core competence of insurance firms in Kenya. Again the literature on the organizational performance of insurance firms abound studies linking marketing to the organizational performance of insurance firms in Kenya remains scant. This research attempts to address this gap.

# CHAPTER THREE

# RESEARCH METHODOLOGY

## 3.1 Introduction

Scandura and Williams (2013) refers to research methodology as a systematic way to solve a problem. This chapter looks at the research design, process of data collection and data analysis of available data for use in the study.

## 3.2 Research Design

The study adopted an in-depth investigation research design. This approach is important to where there is a need to obtain an in-depth investigation and appreciation of an issue, event or phenomenon of interest, in its natural real-life context (Lewis and Thorns, 2008).

## 3.3 Data Collection

The investigation used both basic or primary and secondary information. Direct interviews carried out through face to face interviews provided the primary data. An interview guide containing a set of questions was prepared. Five top level managers at Phoenix East Africa assurance were interviewed. The rationale for taking the top level marketing managers was informed by the fact that they are tasked with the implementation of the marketing plan at the firm. The procedure involved personal interviews of Managing Director, Finance and Marketing Manager to help determine the various marketing practices the firm has adopted and how they have impacted on its performance. The firm’s financial reports provided the Secondary data.

### 3.4 Data Analysis

The qualitative data obtained from the interview guide was analyzed using content analysis. The analysis gives objective evaluation and gives statements on how information and data are related based on findings. The technique involves a systematic qualitative description of the composition of the objects or materials of the study (Snijders & Bosker, 1999). This mode of analysis was adopted in this study to enable the researcher describe, interpret and at the same time criticize the subject matter of the research since it may be difficult to do so numerically.

# CHAPTER FOUR

# DATA ANALYSIS, FINDINGS AND DISCUSSION

## 4.1 Introduction

This chapter presents the findings of the study in establishing the perceived effects of marketing practices on the performance of Phoenix of East Africa Assurance company ltd had the following key objectives: to state the marketing practices adopted by Phoenix of East Africa Assurance Co. Ltd; and to establish the link or connection between the marketing practices and organizational performance at Phoenix of East Africa Assurance Co. Ltd. This chapter also explains the findings in comparison with relevant literature as established by other authors in the same field of study.

## 4.2 Response Rate

The study targeted five top level managers at Phoenix of East Africa assurance Co. Ltd. four out of five were interviewed contributing to a response rate of 80%. The representative response rate was sufficient, Mugenda and Mugenda (2003) requirement of minimum of 50% is adequate for analysis and reporting; a 60% response rate is good whereas 70% and over is excellent.

## 4.3 Marketing Practices adopted by Phoenix of East Africa Assurance Co. Ltd

The study had the objective of determining the marketing practices adopted by Phoenix of East Africa Assurance Co. Ltd. The study was therefore to establish the various marketing practices that Phoenix of East Africa Assurance Co. Ltd has implemented to enhance its performance over the years. The various marketing practices employed are as discussed below;

### 4.3.1 Customer Acquisition and Retention

An inquiry was made into the extent to which Phoenix of East Africa Assurance Co. Ltd has established and maintained a long term relationship with customers. The interviewees unanimously agreed that Phoenix of East Africa Assurance Co. Ltd establishes and maintains long term relationship with its customers by setting up new distribution channels, internalizing and expanding field sales. According to the interviewees, the firm generates its sales by focusing on increasing customer satisfaction while taking proactive measures like addressing customer's complaints.

### 4.3.2 Product Innovation and Maintenance

The study sought to inquire the range of technologies that Phoenix of East Africa Assurance Co. Ltd has applied towards communicating its products and services. Most of the respondents cited; telemarketing, Customer relationship marketing (CRM) systems, Lead tracking, online marketing services tools, Electronic Data Interchange (EDI) as some of the main marketing technologies that Phoenix of East Africa Assurance Co. Ltd has employed to enhance its performance over the recent past.

The study sought to investigate the approaches adopted by Phoenix of East Africa Assurance Co. Ltd in advancing the development of new insurance products. According to the findings of the study, most of the interviewees cited the sales increase by launching similar products with enhanced covers, up selling (i.e., increasing added value by selling more sophisticated and expensive versions of the basic product version at normal price, generating sales by having a new product with complementary products together with additional services, and/or scaling as the main approaches used in developing of new insurance products.

### 4.3.3 Market Orientation

Cognizant of the need for agility in a dynamic market, an inquiry was made into the approaches that Phoenix of East Africa Assurance has applied to monitor the rapidly changing customer needs and desires. According to most of the interviewees, the establishment of a customer interactive platform and a feedback system with a seamless flow of real-time data and information between customers and the management are some of the key techniques that Phoenix of East Africa Assurance Co. Ltd has adopted to monitor the rapidly changing customer needs.

According to the findings of the study the firm endeavor to completely understand its markets and customers and the coordinated application of inter-functional resources are the main methods that Phoenix of East Africa Assurance Co. Ltd applies to generate and disseminate superior information about the customers and competitors. Towards this end, an inquiry was made into how Phoenix of East Africa Assurance Co. Ltd creates superior customer value. Most of the respondents cited the modifying product but preserving its potential by improving and revitalizing them that is adding value into existing values. Secondly, expansion of product by variation that is generating sales by launching similar products, up-selling which is improving and selling sophisticated and expensive versions of the basic product at fair prices as the key plans that Phoenix of East Africa Assurance Co. Ltd has implemented to create superior customer value.

On the superior organizational skills that the firm possesses that have enhanced its performance in the market, most of the respondents concurred that firm was committed to creation of superior customer value and ensuring that the firm's corporate culture and employee behaviors that affect strategy implementation is continuously maintained.

### 4.3.4 Task oriented approaches

The investigations carried sought to investigate the approaches that Phoenix of East Africa Assurance Co. Ltd has applied to retain its customers. According to the findings of the study, most interviewees cited continuous repeat sales, customer retention and winning customers back as the major strategies that have been adopted to retain its royal customers. According to the respondents, customer retention is attained by allowing installment premium payments, ensuring repeat sales and intensity, and fostering co-operative purchases.

On the impact of marketing practices on the performance of firm, the respondents unanimously agreed that the market growth of the company over the recent past has been slow and this is attributed to the marketing practices the company has adopted over the recent past. According to the respondents, Phoenix of East Africa Assurance Co. Ltd has established a relationship with the customers hence, making a connection with them over time which is an improvement from the previous years. The interviewees further indicated that; in order to build solid customer the firm must constantly kept in touch with its customers and appreciate and recognise the loyal customers by giving gifts occasionally like umbrellas, vouchers etc. on the same note the firm should embark on organising for training and educating their policy holders by holding breakfast, lunch and dinner meetings. This will help retain and market the firm for other potential new businesses. Asked to give their opinion on whether the marketing strategies adopted by the firm that has led to attracting of new business opportunities, most of the interviewees stated that from the available details, most of the customers in the books have been with the firm longer confirming they were loyal, it was then clear that concerted efforts should be geared towards acquiring new business.

The respondents confirmed the marketing department in place has not been aggressive which has resulted to outcomes as being reported. The staff are equally said to be demotivated and incompetent which is among the reasons for the stagnant performance. The respondents were also concerned on the advancement of new insurance products the rating terms as offered by the company, it was observed that the firm was not flexible on rating of risks therefore not being accommodative on new businesses being offered therefore hindering growth of new business and this had an impact on performance. According to the respondents, it was found out that situational analysis and monitoring of the evolving market was mandatory as it enables a firm to detect opportunities in the environment. The respondents were referring to current practice as opposed to what has been happening in the past and this is due to the fact that most of them were new and therefore focused on bringing improvement to the firm.

### 4.4 Discussion of the Findings

Maintenance, Market Orientation, and Task-Oriented Approaches are the main categories of marketing practices that Phoenix of East Africa Assurance has adopted over recent past. The study revealed that Phoenix of East Africa Assurance Co. Ltd establishes and maintains long term relationship with its customers by setting up new distribution channels, internationalizing, and expanding field sales as the main strategies to ensure it acquires and retains royal customers. The findings corroborates Alsadi and Ismail (2010) who postulates that; preventing customers from changing over to competitors, and winning customers back is achieved by means of both proactive measures, such as increasing customer satisfaction and reactive measures, such as establishing a professional management of complaints.

On Product Innovation and Maintenance, the study revealed that telemarketing, Customer relationship marketing (CRM) systems, Lead tracking, online marketing services tools, Electronic Data Interchange (EDI) as some of the main marketing technologies that Phoenix of East Africa Assurance has employed to enhance its firm performance in the recent past. These have enabled the firm to be competitive in the market in the recent past and it's constant use will lead to improved performance. According to the findings of the study, the generation of sales by launching similar products, up-selling, and generating sales by offering complementary products with additional services are some of the key approaches that Phoenix of East Africa Assurance has adopted to advance the development of new insurance products. The findings concur with Bradley (2003) who argues that; product innovation is about developing product potential and requires the integration of service- and innovation-orientation. He further contends that product innovation encompasses all measures taken to, firstly, identify solutions to problems; and, secondly, to successfully commercialize them.

According to the findings, customer retention is attained by enhancing the willingness to pay part premiums, increasing purchasing frequency and intensity. The findings of the study thus support Tomczak et al. (2004) who distinguishes two customer retention strategies: firstly, wooing customers away from rivals; and, secondly, addressing non-users or non-consumers.

Looking at the impact of marketing practices on the performance of Phoenix of East Africa Assurance Co. Ltd, the study revealed that Phoenix of East Africa Assurance has made this feasible by establishing a relationship with the customers hence, making a connection with them over time. The study further demonstrated that; in order to build solid customer, the firm has constantly kept in touch with its customers. With regards to the impact of marketing practices adopted by Phoenix of East Africa Assurance Co. Ltd, it has been observed that for the firm to have future prospects and improve on performance there is need for adaptation of opportunities to its resources and knowhow which will offer the company potential for growth and profitability. These findings complement Narver and Slater, (2014) research that established substantial relationship between market orientation and business profitability in both commodity products businesses and non-commodity businesses.

# CHAPTER FIVE

# SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

## 5.1 Introduction

The purpose of the study was to establish the relationship of marketing practices on organizational performance at Phoenix of East Africa Assurance Co. Ltd. This chapter presents; the summary of the findings, conclusions and recommendations of the study.

## 5.2 Summary of the Findings

The outcome of the study revealed that the marketing practices embraced by Phoenix of East Africa Assurance Co. Ltd have influenced its organizational performance over the recent years. The outcome of the analysis indicated that Phoenix of East Africa Assurance Co. Ltd has adopted the following categories of marketing practices; Customer Acquisition and Retention, Product Innovation and Maintenance, Market Orientation and Task-Oriented Approaches.

With regards to customer acquisition and retention, the study revealed that Phoenix of East Africa Assurance Co. Ltd has established and maintained long term relationship with its customers by setting up new distribution channels, internationalizing, and expanding field sales as the main strategies to ensure it acquires and retains loyal customers. On Product Innovation and Maintenance, the study revealed that telemarketing, CRM systems; Lead tracking, online marketing services tools, EDI as some of the main marketing technologies that Phoenix of East Africa Assurance Co. Ltd has used to enhance its firm performance over the recent past.

According to the findings of the study, the generation of sales by launching similar products, up-selling and offering complementary products with additional services are some of the key approaches that Phoenix of East Africa Assurance Co. Ltd has adopted to advance the development of new insurance products. With regards to creating superior customer value, the study revealed that continuous repeat sales, customer retention and winning customers back are the major strategies that have been adopted by Phoenix of East Africa Assurance Co. Ltd to retain its royal customers.

According to the findings, customer retention is attained by building solid customer relationship, the firm has constantly kept in touch with its customers leading the firm towards attractive economic opportunities including, the adaptation of opportunities to its resources and knowhow which offer the company a potential for growth and profitability.

## 5.3 Conclusions

The study concludes that the marketing practices embraced by Phoenix of East Africa Assurance Co. Ltd have affected the organizational performance negatively over the recent years. The firm has not been aggressive to compete favorably with others by not putting in place the right marketing practices. The study further concludes that Phoenix of East Africa Assurance Co. Ltd has not used the methods discussed like Customer Acquisition and Retention, Product Innovation and Maintenance, Market

Orientation, and Task-Oriented Approaches properly as their main categories of marketing practices, resulting to no improvement on their performance.

On the other hand, the study concludes that Phoenix of East Africa Assurance has established and maintained long term relationship with its customers by setting up new distribution channels, internationalizing, and expanding field sales as the main strategies to ensure it acquires and retains loyal customers. Moreover, the study concludes that Phoenix of East Africa Assurance has applied telemarketing, CRM system; Lead tracking, online marketing services tools, EDI as some of the main marketing technologies.

The statistics confirm poor or slow growth on the firm over the recent past, however, in a bid to advance the development of new insurance products, the study concludes that Phoenix of East Africa Assurance Co. Ltd has adopted the generation of sales by launching similar products, up-selling and selling the introduced product with complementary products and/or additional services as the key marketing practices. In the same context, the study concludes that; the firm has constantly kept in touch with its customers leading the firm towards attractive economic opportunities including, the adaptation of opportunities to its resources and knowhow which offer the company a potential for growth and profitability as well as giving incentives to motivate staff.

### 5.4 Recommendations for policy and practise

The fact that dynamic marketing practices have negatively impacted on the organizational performance of Phoenix of East Africa Assurance underscores the need for the other insurance firms to embrace dynamic marketing approaches in their operations. The findings of this study further underpins the need for firms within and beyond the insurance industry to put in place critical success factors in the adoption and implementation of current marketing tools like lead tracking to enhance their marketing efficiency. Private and public policy makers should review the functions of a dynamic marketing management and have in place a system specifically tailored to the insurance sector with capabilities which can comprehensively report on accounts receivables and payable, budgeting, controls and procurement different from the basic general marketing application.

Due to the development of new models and temporal market dynamics and firm competitiveness and inter-firm rivalry. The study recommends that behavioural biases, feedback from performance benchmarking, stimuli from the external environment, individual position of the focal firm among others are the managerial process of contemplating repositioning within strategic groups particularly in a fast moving liberal insurance market like Kenya.

**5.5 Limitations of the Study**

The study was to establish the relationship between marketing practices and firm performance. This was a case study on one firm however further research should be done to include a survey of sizeable number of firms in this industry. However time and material resources did not make this feasible and for this reason the study was confined to Phoenix of East Africa Assurance Co. Ltd.

The research findings might not be generalized and applicable to other companies in Kenya owing to the fact that the study adopted a case study research design. In addition, the study relies on information received which is based on the interviewee’s response to our questions which we have no control over. Despite these challenges the validity of the findings emanating from this study were not compromised.

### 5.6 Suggestions for Further Research

From this research, findings have confirmed that the marketing practices used are not effective enough leading to stagnation of business growth. Further studies can be carried out in other competing firms to add to these findings and additional factors. In the same context, there is need for further research to focus on the critical success factors in the adoption of best practices in marketing. The degree to which various marketing practices affects firm performance may vary from one firm to the other and calls for further research efforts to identify marketing practices and on the possibility of setting benchmarks. There is need for further research into this aspect considering that strategic marketing and efficiency is a relatively new phenomenon in Kenya.

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## APPENDICES

## APPENDIX I: INTERVIEW GUIDE

1. How does the firm establish and maintain a long-term relationship with their customers?

2. How does Phoenix of East Africa Assurance Co. Ltd generate it's sales?

3. What range of technologies does Phoenix of East Africa Assurance Co. Ltd towards communicating their products?

4. How does Phoenix of East Africa Assurance Co. Ltd advance the development of new insurance products?

5. How does Phoenix of East Africa Assurance Co. Ltd monitor the rapidly changing customer needs and desires?

6. How does Phoenix of East Africa Assurance Co. Ltd generate, disseminate, and use superior information about the customers and competitors?

7. How does Phoenix of East Africa Assurance Co. Ltd create superior customer value?

8. What superior organizational skills are used by Phoenix of East Africa Assurance Co. Ltd in understanding and satisfying customer's needs?

9. What is the company doing to retain market share through customer retention competency?

10. What marketing practices have been adopted by Phoenix of East Africa Assurance's Co. Ltd towards its growth and performance.

11. In your opinion, have the marketing practices adopted by Phoenix of East Africa Assurance Co. Ltd led the firm towards attractive economic opportunities?

12. Do the marketing practices adopted by Phoenix of East Africa Assurance Co. Ltd enable the firm identify market opportunities and threats to foster future business interests for the firm?