STRATEGIES ADOPTED BY KENYAN INSURANCE COMPANIES IN MEETING STUDENT MARKET AT THE UNIVERSITIES IN KENYA; A CASE OF UNITED STATES INTERNATIONAL UNIVERSITY

BY

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STUDENT’S DECLARATION

I, the undersigned, declare that this is my original work and has not been submitted to any other institution, or university other than the United States International University-Africa in Nairobi for academic credit.

Signed: ___________________________ Date: ___________________________
Mugisha Aury Franck (627524)

This research project report has been presented for examination with my approval as the appointed supervisor.

Signed: ___________________________ Date: ___________________________
Dr. James Karimi PhD.

Signed: ___________________________ Date: ___________________________
Dean, Chandaria School of Business
ABSTRACT

The purpose of this study was to investigate the strategies adopted by Kenyan insurance companies in meeting student market at the universities in Kenya. United States International University was used as a case study in this research. The study sought to determine the influence of cost leadership strategy, differentiation strategy and Focus strategy on the student market in Kenyan universities. The study adopted a descriptive case study. The study population consisted of 200 students and staff of the Jubilee insurance company. Data collection was done through a pre-tested research questionnaire with 50 out of 60 respondents returning their filled out questionnaire, representing a response rate of eighty three percent (83%). The study used descriptive and inferential statistics. Analysis was carried out using Statistical Package for Social Sciences. The study established positive and significant relationships between cost leadership strategy, differentiation strategy, focus strategy and the student market. The study concluded that; cost leadership strategy is essential for insurance companies to meet student’s needs, differentiation focus strategy is essential for insurance companies to meet student’s needs and the insurance companies policies are not students centered. The study recommends that; insurance companies uses cost leadership strategies in order to capture university students who noted that the current policies is unaffordable to them, differentiation focus strategies will help the insurance companies to specifically focus on the university student market and the insurance companies should come up with policies that will ensure that there university student are able to afford their policies in order to be fully incorporated.
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DEDICATION
To the almighty God for the gift of life, to my mother for her moral support, to my father for his encouragement and to my sister for the continuous prayers.
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CHAPTER ONE

1.0 INTRODUCTION

1.1 Background of the Study

Zhou (2008) has been emphasizing the element of diversification in firms operation so as to minimize the level of risk occurrence by investors. This is due to the fact that diversification compos the central aspect in day to day operation, thus Zviet al., (2009) notes that, the risk involved must be defined clearly and the linked investment opportunities designed. Moreover, the tolerance level associated with investors as well as the investment horizon ought to be well defined. Hong (2008) adds that diversification has been one of the key areas which have received minimal interest by the strategic managers in firm despite being in a position to offer firms with reduction strategies in cost, risk, and asset depreciation. In addition Bergh (1997) notes that strategic advantages in future business expansion, and development of long term asset strategies also composes importance in firm’s diversification.

Most firms focus is on increasing the volume of sales and enhancing their market share influence while nurturing a loyal customer. Therefore, Thompson and Strickland (1993) recognizes that there is a diversity in the degree in firms’ effort towards diversification in geographical market at international, regional, and local level depending on profit potential from one area to another. Strategic diversification can therefore take many forms in attempt to reach out to new market with new products.

In this respect in diversification, the element of liberation of markets in the 1980s led to governments forming regional bodies to strengthen their market base. This saw the emergence of European Union in Europe, Asian tigers in Asia, East Africa Community in the Africa state among others, and privatization of markets in the global world to allow trade.

In Asia, The Chinese Rural Population and Sustainable Development 2010 report notes that Chinese population composed of 1.28 billion populations, only 72.8 percentage lives in rural areas. This ration has been decreasing over years.
Most of the Chinese population living in the rural regions do possess law income levels, experience poor health, and possess limited education level and moreover, only 81 percentage of the total population living in rural area are over 65 years.

Therefore, the rapid growth of China’s economy has been deemed elastic as the earnings of the rural population also increasing proportionately. This has led to citizens spending more on entertainment and health services. However, the poorly developed medical conditions as well as underdeveloped services in healthcare as well as high charges for the service do surround those living in rural areas thus calling for Chinese government involvement. This has led to the government developing life insurance which caters for those living in rural areas. On the contrary, the core insurance products or strategies designed to suite urban dwellers do not suite the rural population thus required adjustment of the policies. The micro product development in insurance will be a suitable package for a low income population. This has led to China being rated as one of the life insurance market leader in the world.

According to BTI 2010 report, the insurance industry in this period evolved to a new set of environment beyond state borders thus improving their competitiveness in the market despite the sector experiencing underdevelopment. A lot of insurance firms therefore, in the developing economies are small in capacity translating to increase in the level of risk which are unhinged (BIT, 2010). In Africa Rwanda insurance firms based in EAC, has been experiencing unhinged risk which are equivalently high due to their small size and scope of operation. This leads insurance actors as well as the market establishing a high competition for the shrinking and small market in Rwanda. This has led to higher competition and as Porter (1980) points, the insurance companies in this African region evolves with the conditions available so as to survive. Therefore, strategies are required to be enacted to ensure insurance firms are in a position to thrive in the global competitive environment.

The unique context presented in the African state setting such as Rwanda sometimes presents semi democratic kid of governance, ethnically polarized environment, financial resource scarcity, high inflation, fast growing population, structural governance constrains, market liberalization and strong government involvement in the financial sector , gives the insurance a reason to develop strong unique strategies which will stabilize the insurance company to be in more competitive position (BTI, 2010).
Porter (1985) affirms that competitive strategy within a firm empowers the firm to opt to develop either defensive or offensive strategies in the market thus resulting to production of high returns on the invested product. In this aspect, a firm usually acquires a competitive edge or advantage. This can be seen where the firm has an upper hand in operation over its competitors who deal in the same product.

Rwandan insurance has been growing at 2.3 percentages despite the low income population being under ventured into by the insurance firms with less than 10 percentage involvement. This African state has experienced enactment and implementation of new policies and laws engineered to empowering the firms towards possessing competitiveness in the uncertain market. These laws according to BNR 2010 report were enacted and implemented in 2009 March, in which pension reform policy was adopted. This law empowered the BNR to be regulator for pension and insurance sector thus taking a significant control of the growing industry. The need for any industry to have an image of how the future business environment looks like is critical for policy and decision making. The Kenyan insurance companies identified a gap in the market whereby most student at the university level lack personal cover and therefore decided to come up with policies which are favorable and affordable to students. The outlook is expected to guide various stakeholders of the insurance industry in strategic planning, forecasting and decision making.

Organizations operate within an external environment which is dynamic and they have no control over it. The external environment is characterized by turbulence associated with globalization, deregulation of markets, changing customer and investor demands and increased competition. There is therefore a growing need for organizations to move beyond solving existing problems to continuously improving in the face of changing conditions (Drucker, 1993). The challenges posed by the changing environment cannot be resolved in a haphazard manner. There is need for organizations to adopt a strategic approach to dealing with the changes, if they are to survive. One of the strategic approaches to handling market challenges is the Ansoff Matrix tool that presents four growth strategies addressing market penetration, market development, product development and diversification. This Matrix coupled with the Market mix 4 P’s of product, price place and promotion provides a strong foundation for firms to survive in a turbulent environment.
According to Pearce and Robison (2011) strategy is an organizations game plan for winning. Johnson and Scholes (2005) states that strategy is concerned with the long term direction of an organization, which achieves advantage for the organization through its configuration of resources within a challenging environment. A company strategy is a management game plan for growing the business, staking out a market position, attracting and pleasing customers, competing successfully, conducting operations, and achieving targeted objectives. An organization will achieve competitive advantage if an attractive number of buyers prefer its products or services over offerings of competitors and when the basis for this preference is durable. A winning strategy must fit the organization external and internal situations build a sustainable competitive advantage and improve the company performance, Thompson et al., (2007). Porter (1998) observes that without strategy, the organization is like a ship without a rudder going round in circles. Business organizations are facing an unprecedented pace of change and competition. They have to constantly adjust to the environment in order to remain in existence. If organizations are to survive in a turbulent environment, they have to continuously create new sources of competitive advantage (Porter, 1985).

Despite the fact that insurance has been practiced for a long period of time world all over, it is still a fact that insurance uptake is still very low, not only in Kenya but the world over. The Insurance industry faced difficult economic environment in 2011. Overall gross premium declined by 0.8% in real terms. Statistics show that Global life insurance premiums shrank by 2.7% in 2011. Advanced markets contracted by 2.3%, with the sharpest decline observed in Western Europe (9.8%). The US market recorded moderate growth of 2.9%. Global non-life insurance premiums rose by 1.9% in 2011 (AKI report 2011). Insurance penetration is a global problem with developed markets like UK at about 11% and USA at about 8.6% (Swiss Re, Economic Research and Consulting). A plan of action designed to achieve a special strategy is all about gaining.

The main players in the Kenyan insurance industry are insurance companies, reinsurance companies, intermediaries such as insurance brokers and insurance agents, risk managers or loss adjusters and other service providers (Insurance Regulatory Authority, 2008). The statute regulating the industry is the insurance Act; Laws of Kenya, Chapter 487. The
office of the commissioner of insurance was established under its provisions to strengthen the government regulation under the Ministry of Finance.

There is also self-regulation of insurance by the Association of Kenya Insurers (AKI) established in 1987 as a consultative and advisory body to insurance companies and registered under the Society Act Cap 108 of Kenyan law (www.akinsure.com,). The professional body of the industry is the Insurance Institute of Kenya (IIK), which deals mainly with training and professional education. Recently established was Insurance Regulatory Authority (IRA) mandated to supervise and regulate the insurance industry players. According to the (AKI) Insurance Industry report, there are 47 insurance.

Insurance business can broadly be classified into general and life/long term. Despite this classification, the different classes of insurance businesses can be viewed as lines of business along the profit center concept. According to the Kenya Insurance Survey KPMG, (2004), the following lines of business drive the General insurance industry business in Kenya: Motor-Commercial, motor-private, fire-domestic, aviation, Fire-Industrial and Engineering, theft, workmen’s compensation, Motor- Private and Personal Accident engineering, liability, marine, and miscellaneous. The life insurance industry is mainly driven by the following lines of business: Ordinary Life and Superannuation, which includes Group Life Insurance and Deposit Administration i.e. industrial life and bond investment. The Survey revealed that the General insurance business is facing two major challenges. The first challenge is to come up with a solution for companies whose viability is threatened by their inability to meet policy holder claims. The second major challenge is how to generate growth for an industry that has significant potential for growing as a percentage of GDP but has been stagnant. In contrast to the General insurance business, the life insurance business enjoyed a real cumulative average growth rate of 8.6 per cent between years 2000 and 2004. One serious challenge facing the life insurance is the increasing difficulty of managing the HIV/AIDS epidemic.

1.2 Statement of the Problem

In order to keep up with the competition and changing consumer needs and wants in the competitive business environment, insurance companies need to use effective marketing strategies in managing service quality among customers. Changing consumer needs and
business environment has necessitated insurance companies to adopt marketing strategies to survive hence attracting and retaining customers: Product, price, place, promotion.

People, process and physical evidence strategies have remained key pillars of any successful insurance company. Adoption of effective marketing strategies promotes quality service delivery in the industry hence social economic developments in Kenya.

Globally, the insurance industry has enjoyed strong business conditions over the last few years but worsening economic outlook will likely pose considerable challenges in the years ahead. These challenges will be especially pronounced in the property and casualty segment, where growing pricing pressure as the market softens will drive a need for cost-cutting and greater efficiency. Despite the fact that insurance industry is deemed mature, it is challenging for the industry to be the major driving force in the economy through profitability they realize owing to the increasing competition from international players and firms which produce either the same or substitute products and services. As much as profitable has been focused on as the major achievement reflected by insurance firms, the element can be strenuous to realize through use of traditional insurance strategies in the contemporary competitive environment. It is therefore important for the insurance management to review the industry’s strategies by redesigning all organization levels, starting from strategy focusing on people, clients, to strategies focusing on its products, processes involved as well as the infrastructure required to realize appropriate innovation strategy (Carrie, 2008).

Despite the fact that the insurance industry faces these challenges over the short and long term due to a softening market, pricing pressure, and increased global competition – there is tremendous opportunity for carriers that pursue growth strategies in addition to cost efficiencies, according to Deloitte’s “Global Insurance Industry Outlook – Mid-Year Update 2008”.

In Kenya, the insurance industry faces a number of challenges, among them; overcapacity and price wars, poor corporate governance, inadequate legislative and regulatory framework, financially weak insurance organizations, negative public perception and lack of awareness of insurance, high cost of insurance, corruption and fraud among the stakeholders and overdependence on traditional products and distribution channels (Insurance Regulatory Authority, 2008).
Insurers can drive growth by taking a holistic approach geared toward enterprise-wide improvements, including refocusing on their distribution networks, developing and delivering products geared toward the burgeoning retirement market, and understanding and realigning their business through analytics but can’t hit off without augmenting them with inclusion of the student market niche.

Insurance companies hence need to review their operating and marketing strategies, and be willing to drive fundamental changes in the way they work. Insurers that innovate have the opportunity to move ahead of their competitors by better meeting evolving customer needs. Insurance firms need to manage relationships with an expanded array of distribution partners to ensure they deliver a high quality, consistent experience to customers. They have to become more efficient and operate in an increasingly integrated fashion or else risk being thrown out of business.

Insurance products in Kenya are viewed as complex and if it is was not for the Kenyan law to oblige motor vehicle and work injury benefit, many would have opted out (IRA, 2013). Insurance products are not common goods or services that one can buy on the shelves; they are products that need an expert to dissect them for a customer in order for the customer to understand it. The question that would be important to answer would be; why is the uptake of insurance products in Kenya so low among University Students? The rising student market has been attracted mostly to fast changing industries like electronics and left the slow growing industries like insurance as a second to third choice but never first choice.

Kenyan Insurance Companies have managed to touch on almost all market life and non-life products; however still struggles to understand the market of the youth. There are seldom studies that have been done in line with this particular market. The university student market is has been a market that was forgotten by many industries due to the myth of the fact that students do not have any financial strength, however the group that spends more money between students and working class, is the students. The challenge in this case also is that not many industries sees university students as the market that will yield more revenues later on, because they are the leaders of tomorrow. Unemployment could be reduced from the grass root by addressing the future needs of the university students
(Association for development of education, 2014). There is a gap between what university students regards as valuable and what insurance companies see as valuable.

In the report of the ADEA written in 2014, shows that the youth between the age of 15 and 34 years old constitute 35% of the Kenyan population; which in turn contribute to 67% of the unemployment rate in Kenya. In other words, if the 35% of Kenyan population is given an opportunity to be creative enough and create jobs, Kenya would have taken care the 67% of unemployment in Kenya.

Insurance being a tool to prevent any unfortunate or inevitable disaster, shows that it contribute greatly to opportunity to minimize risk and save a hard earned shilling for tomorrow and, which in turns reduces the unemployment rate (IRA,2013). The challenge of most insurance companies is that due to similarity of products, there is a tendency of selling or advertising almost the same way across the board. However, the students market is an entire different market segment that thinks and behaves differently from other market segment (Briton, 2015). This study would therefore establish whether, cost focus strategy, differentiation, and overall cost strategy are used by Kenyan insurance Companies competing for student demand.

1.3 Purpose of the Study

The researcher sought to establish the strategies adopted by Kenyan Insurance Companies in meeting student market at the university level in Kenya.

1.4 Research Questions

This study was guided by three research questions.

1.4.1. To determine whether cost leadership strategy influence the student market.

1.4.2. To analyze whether differentiation strategy influence the student market in Kenyan universities

1.4.3. To find out whether focus strategy influence the student market in Kenyan university.
1.5 Significance of the Study

1.5.1 The general public

The study was aiming to shed light on the various myths that the youth have on insurance and thus encourage more young people to take up insurance cover. It will also focus on the various benefits and opportunities for the youth, thus creating awareness among the youth.

1.5.2 The insurance industry players

The insurance companies were challenged to set up new strategies, which they can use to tap into the youth market more easily in Kenya. It will also be an opportunity for insurance regulators to review their various rules in order to make it more flexible for insurance companies to create products that are more appealing to the youth market.

The study enabled Insurance firms to get an insight on the need of a specific population segment (youths in higher learning institutions) and to tap on the identified need thus solving challenges experienced in marketing insurance products and embark on the strategies to solving the challenges in the field to cover both the short-term and long-term vision. This, at the end benefited everybody in this country.

The findings of the study also assisted managers on service delivery as they supervise their areas. This will result to setting a realistic target to their staff towards satisfying the customers need. As a result public confidence on insurance products and efficiency in service delivery is realized.

1.5.3 Future research

Future scholars would use the research as a point of reference to build on what can be done to improve the involvement of the youth, in this case university students, in the insurance scene. As the world keeps on changing, it would be paramount for more research to be conducted on the same matter and advice on how insurance companies can adapt to different changes.
The country’s economy would grow due to the fact that the youthful energetic generation will be in a position to take risk and live a healthy life with involvement of realistic insurance cover in their life. This will lead to a healthy workforce in the country who works towards improving the economy in future.

1.6 Scope of the Study

The study’s geographical coverage was in the selected location of United States International University and Jubilee insurance firm. The study will be on Jubilee insurance strategies and United States International University students on the reception and reaction towards strategies used by the insurance company. The population will be composed of the students in Administrative, Human Resource, Information Technology, Finance, and international relations field of study in United States international University. The respondents will comprise of those with insurance policies from Jubilee as well Jubilee insurance staff.

1.7 Definition of Terms

1.7.1 Premium

An amount collected by insurance companies on monthly, quarterly or yearly (Dubrin, 2011; Khan and Jain, 2007)

1.7.2 Life product

Also termed as long term product, is the protection against loss of income should the insured person pass away (IMF, 2006)

1.7.3 Non life product

Also termed as short term product, is the protection against financial loss following destruction of an insured property. (IMF, 2006)

1.7.4 Strategies:

According to Porter (1996) strategies is a set of different activities that are valuable which can put an organization ahead of others.
1.7.5 Student market:

This is a market segment composed by young educated but untapped population (Mugenda and Mugenda, 2003)

1.8 Chapter Summary

This chapter introduced the research topic and also introduced the research objectives that were addressed. It started by explaining what insurance is and its relationship with the economy of a country. It went further to explain the various insurance in the field and how the student market is affected by lack of having an insurance cover. The next chapter covers the literature review relating to the research objectives. Chapter three covers the research methodologies employed in this study. Chapter presents the study’s results and findings and finally chapter five presents the summary of the findings, discussions, conclusions and recommendations as per the findings.
CHAPTER TWO

2.0 LITERATURE REVIEW

2.1 Introduction

This chapter discuss information that were gathered from other studies which relates to this study. The experimenter focused on selected strategies that have been adopted by the insurance companies in meeting the student market at the marketing level. The factors that will be discussed are to determine whether cost leadership strategy influence the student market, to establish whether cost focus strategy influence the student market, to analyze whether differentiation focus influence the student market.

2.2 Cost Leadership Strategy and the Student Market

This strategy also involves the firm winning market share by appealing to cost-conscious or price-sensitive customers. This is achieved by having the lowest prices in the target market segment, or at least the lowest price to value ratio (price compared to what customers receive). To succeed at offering the lowest price while still achieving profitability and a high return on investment, the firm must be able to operate at a lower cost than its rivals. There are three main ways to achieve this.

The first approach is achieving a high asset utilization. In service industries, for example a restaurant that turns tables around very quickly, or an airline that turns around flights very fast. These approaches mean fixed costs are spread over a larger number of units of the product or service, resulting in a lower unit cost, i.e. the firm hopes to take advantage of economies of scale and experience curve effects. For industrial firms, mass production becomes both a strategy and an end in itself. Higher levels of output both require and result in high market share, and create an entry barrier to potential competitors, who may be unable to achieve the scale necessary to match the firm’s low costs and prices.

The second dimension is achieving low direct and indirect operating costs. This is achieved by offering high volumes of standardized products, offering basic no-frills products and limiting customization and personalization of service. Production costs are kept low by using fewer components, using standard components, and limiting the
number of models produced to ensure larger production runs. Overheads are kept low by paying low wages, locating premises in low rent areas, establishing a cost-conscious culture, maintaining this strategy requires a continuous search for cost reductions in all aspects of the business. This will include outsourcing, controlling production costs, increasing asset capacity utilization, and minimizing other costs including distribution, R&D and advertising. The associated distribution strategy is to obtain the most extensive distribution possible. Promotional strategy often involves trying to make a virtue out of low cost product features.

The third dimension is control over the value chain encompassing all functional groups (finance, supply/procurement, marketing, inventory, information technology etc.) to ensure low costs. For supply/procurement chain this could be achieved by bulk buying to enjoy quantity discounts, squeezing suppliers on price, instituting competitive bidding for contracts, working with vendors to keep inventories low using methods such as Just-in-Time purchasing or Vendor-Managed Inventory.

Wal-Mart is famous for squeezing its suppliers to ensure low prices for its goods. Other procurement advantages could come from preferential access to raw materials, or backward integration. Keep in mind that if you are in control of all functional groups this is suitable for cost leadership; if you are only in control of one functional group this is differentiation. For example Dell Computer initially achieved market share by keeping inventories low and only building computers to order via applying Differentiation strategies in supply/procurement chain.

Cost leadership strategies are only viable for large firms with the opportunity to enjoy economies of scale and large production volumes and big market share. Small businesses can be cost focus not cost leaders if they enjoy any advantages conducive to low costs. For example, a local restaurant in a low rent location can attract price-sensitive customers if it offers a limited menu, rapid table turnover and employs staff on minimum wage. Innovation of products or processes may also enable a startup or small company to offer a cheaper product or service where incumbents’ costs and prices have become too high. An example is the success of low-cost budget airlines who despite having fewer planes than the major airlines, were able to achieve market share growth by offering cheap, no-frills services at prices much cheaper than those of the larger incumbents. At the beginning for low-cost budget airlines choose acting in cost focus strategies but later when the market
grow, big airlines started to offer same low-cost attributes, cost focus became cost leadership Porters, (1985).

A cost leadership strategy may have the disadvantage of lower customer loyalty, as price-sensitive customers will switch once a lower-priced substitute is available. A reputation as a cost leader may also result in a reputation for low quality, which may make it difficult for a firm to rebrand itself or its products if it chooses to shift to a differentiation strategy in future. In the insurance industry these strategies are used as well since the preferences and tastes of consumers/students are diverse therefore the price of the service will determine whether it will be consumed or not due to the purchasing power parity Mulburg(2000).

Sustainability brings the challenge of achieving a competitive advantage in such a way that it can be preserved overtime. In general, a company needs to choose generic strategies and should not get stuck in the middle. Generic strategies are strategies expected of every firm any time and they are applicable to all firms without exception. A company that gets stuck in the middle needs to decide a low cost strategy in a broad or narrow market or offer a differential or unique product or service in a broader or narrow market. According to Porter (1985), cost advantages and differentiation combined seeks to achieve three generic strategies which are cost leadership, differentiation and focus.

To understand this better one needs to know how each of this strategies work while comparing them with other strategies. Among Porter’s generic strategies, cost leadership was emphasized on as a strategies that will see an organization gain competitive advantage out having the lowest cost compared to its competitor (Porter, 1996). In order for an organization to achieve a low cost competitive advantage, it has to take into consideration lowering any cost related to production including the labor cost. According to Malburg (2000), an organization will have to forgo any activities that would be deemed expensive to the organization. Furthermore, according to Hyatt (2001), in order for an organization to enjoy or have the ability to exercise that cost leadership; the organization will have to have the largest market share.

2.2.1 Competitive Advantage and Cost leadership approach

Cole (2004) states that cost leadership strategy compose one of the various strategies essential in competitive advantage environment. Producers in a given field of operation
normally run under a price oriented or commoditized market where every actor essentially get involved in production of the same products. As Cole (2004) notes, such situation requires that the ultimate winners to be the most cost efficient operator and producer in the field. Therefore, foregoing will reflect that business firms operating in specific price sensitive field will historically depend on strategies which concentrate on higher volumes and lower costs. In addition, businesses will mostly succeed by operating in lower cost products than their competitor’s and thus continue to focus on cost reduction measures even where the firm is making profits.

A study conducted in Romania on competitive advantage strategies by Zekiri and Nedelea(2011), affirms low cost production have to be part of strategy utilized by firms intending to gain on cost leadership strategies. Therefore, a company may take advantage of cost leadership strategy through proprietary technology, economies of scale, and cheap raw material. Zereki and Nedelea (2011) still elaborates that steps taken towards managing cost by firms is for the organizations to be in a position to have lower cost as compared to its competitors thus pointing out on the work efficiency importance. Cost leadership is therefore a very attractive strategy for firms where low costs provides the company with better opportunities to generate profits as well as to be extremely resistance in cases where the firm get involved in price wars with its competitors. Therefore, a student market provides a better focus for insurance company to focus in due to its large consistent market with affordable prices to the market niche. This will enable the students to get integrate in the very competitive insurance market at affordable cost.

### 2.3 Focus Strategy and the Student Market

The third generic strategy is focus strategy. In the focus strategies, the attention of the firm will be on one particular segment of the market. In this case the attention would be a certain customer group, a certain product, a certain region, or a certain service (Porter, 1987).

This dimension is not a separate strategy for big companies due to small market conditions. Big companies which chose applying differentiation strategies may also choose to apply in conjunction with focus strategies. On the other hand, this is definitely an appropriate strategy for small companies especially for those wanting to avoid competition with big ones.
In adopting a narrow focus, the company ideally focuses on a few target markets (also called a segmentation strategy or niche strategy). These should be distinct groups with specialised needs. The choice of offering low prices or differentiated products/services should depend on the needs of the selected segment and the resources and capabilities of the firm.

It is hoped that by focusing your marketing efforts on one or two narrow market segments and tailoring your marketing mix to these specialized markets, you can better meet the needs of that target market. The firm typically looks to gain a competitive advantage through product innovation and/or brand marketing rather than efficiency. A focused strategy should target market segments that are less vulnerable to substitutes or where a competition is weakest to earn above-average return on investment (Hill and Jones, 1999).

Companies that use Focus strategies concentrate on particular niche markets and, by understanding the dynamics of that market and the unique needs of customers within it, develop uniquely low-cost or well-specified products for the market. Because they serve customers in their market uniquely well, they tend to build strong brand loyalty amongst their customers. This makes their particular market segment less attractive to competitors.

As with broad market strategies, it is still essential to decide whether you will pursue Cost Leadership or Differentiation once you have selected a Focus strategy as your main approach: Focus is not normally enough on its own. But whether you use Cost Focus or Differentiation Focus, the key to making a success of a generic Focus strategy is to ensure that you are adding something extra as a result of serving only that market niche. It's simply not enough to focus on only one market segment because your organization is too small to serve a broader market (if you do, you risk competing against better-resourced broad market companies' offerings (Hill and Jones, 1999).

The something extra that you add can contribute to reducing costs (perhaps through your knowledge of specialist suppliers) or to increasing differentiation (though your deep understanding of customers' needs) (Hill and Jones, 1999).

These generic strategies are not necessarily compatible with one another. If a firm attempts to achieve an advantage on all fronts, in this attempt, it may achieve no advantage at all. For example, if a firm differentiates itself by supplying very high quality products, it risks undermining that quality if it seeks to become a cost leader as well. Even
if the quality did not suffer, the firm would risk projecting a confusing image. For this reason, Porter argued that to be successful over the long-term, a firm must select only one of these three generic strategies.

Otherwise, with more than one single generic strategy the firm will be “stuck in the middle” and will not achieve a competitive advantage. Porter argued that firms that are able to succeed at multiple strategies often do so by creating separate business units for each strategy. By separating into different units having different policies and even different cultures, a corporation is less likely to become stuck in the middle (Porter 1980).

However, there exists a viewpoint that a single generic strategy is not always best because within the same product, customers often seek multi-dimensional satisfactions such as a combination of quality, style, convenience, and price. There have been cases in which high quality producers faithfully followed a single strategy and then suffered greatly when another firm entered the market with a lower-quality product that better met the overall needs of the customers. Niche/focus strategy is also a strategy for sustainable competitive advantage. Here the organization focuses on a particular segment (Niche) and becomes well known for providing quality or low cost products or services to the segment. By doing so the firm gains competitive advantage and continuously strives to sustain it by being the cost leader or high quality provider. With both of these strategies the organization can also focus by offering particular segments a differentiated product or service. The key is that the product or service is focused on a particular segment (Hill and Jones, 1999).

Treacy and Wiersema (1995) also proposed an alternative approach to generic strategy and called them value disciplines. They believe that strategies must centre on delivering superior customers value through one of the three value disciplines: operational excellence, customer intimacy, or product leadership (Pearce and Robinson, 2007). Companies that specialize in one of these disciplines, while simultaneously meeting industry standards in the other two, gain a sustainable lead in their market. This lead is derived from the firm’s focus on one discipline aligning all aspects of operations with it. After transforming their organizations to focus on one discipline, companies can concentrate on smaller adjustments to produce incremental value.

### 2.3.1 Focus Strategy and Competitive Advantage
An institution may initiate focus strategy through differentiation or taking a cost focus strategy (Cole, 2004). A firm which adopts differentiation strategy focus into its operations should possess diverse options required in differentiation strategy where the firm ought to compete in a single market. In addition, where the firms focus on the price strategy, the concentration should then be narrowed towards a particular market branch (Zekeri and Nedelea, 2011). In the same aspect, Zekeri and Nedella (2011) notes that, the competitive tactics presented by institutions which initiates differentiation strategy depends on the competitor’s capacity to provide or issue a enhanced product within the market. This firms in certain occasion may take lead due to have a monopoly by lacking a competitor in same product thus empowering them to be in a position to control the customers.

Ge and Ding (2005) analysis on market orientation firm performance, and competitive strategies utilized by the Chinese firms reflects that quality improvement strategies is perceived to concentrate on improving and enhancing a service or products quality. However, Jaworski aand Kohii (1996) criticizes this move by indicating that too much focus on competitors and customers could result to inertia hence dampens groundbreaking innovations and creativity (Jaworski and Kobil, 1996). Proponents such as Han et al.(1998) states that concentrating on market changes results to emergence of innovative solution and new ideas thus market orientation is among the core factors that differentiates between unsuccessful and successful innovations. Moreover, it is noted that concentration on product quality should evolve from process driven focus to a customer driven focus.

An empirical analysis performed by Kwasi and Acquaah(2008) on firm performance, competitive strategy, and manufacturing strategy in Ghana, points out that the sector should shift to competitive and customer focused strategy by enacting measures which enhances quality, develop customer-suppliers relationship, and enhance delivery and distribution of products. Kiragu (2014) focus on Kenya insurance states that both cost and differentiation focus strategies have been minimally initiated in a shallow market segment.

Cost aligned strategy initiates companies which intends to adopt a lower cost opportunity in a few or just one market segment. On the contrary, differentiation aligned strategy initiates firms that intend to differentiate within few target or just one market segments.
According to Kimani and Juma (2011) recommendation on “sustainable competitive advantage in the insurance industry in Kenya,” players in the sector ought to constantly review their strategies in alignment to their objective that focuses on leading the competitors in the market. This according to Ilovi (2011) as cited by Kimani and Juma (2015) could only be realized through firms adopting a focus strategy, cost reduction strategies, as well as getting involved in resource investment.

2.4 Differentiation Strategy and the Student Market

Differentiation strategy was among the most popular generic strategies that was created by Porter (Reilly, 2002). Organizations usually use this strategies to offer a unique product or service to its customers (Hyatt, 2001). As long as the product or service is different or unique, it will call for a high customer loyalty (Porter, 1985). Pearce and Robinson (2007) contend that strategies dependent on differentiation are designed to appeal to customers with a special sensitivity for a particular product attribute. By stressing the attribute above other product qualities, the firm attempts to build customer loyalty. As a result, such loyalty translates into a firm’s ability to charge a premium price for its products.

Differentiation involves making your products or services different from and more attractive than those of your competitors. How you do this depends on the exact nature of your industry and of the products and services themselves, but will typically involve features, functionality, durability, support, and also brand image that your customers value.

Pearce and Robinson (2007) indicates that to make a success of a Differentiation strategy, organizations need: Good research, development and innovation, the ability to deliver high-quality products or services, Effective sales and marketing, so that the market understands the benefits offered by the differentiated offerings.

Large organizations pursuing a differentiation strategy need to stay agile with their new product development processes. Otherwise, they risk attack on several fronts by competitors pursuing Focus Differentiation strategies in different market segments.

Advantages of the strategy
One positive of a successful differentiation strategy is that the company may charge a premium for its product or service. The company does so with confidence because of a highly developed and strong corporate identity. The company can readily pass along higher supplier costs to its customers because of the lack of substitute or alternative products on the market. Having a loyal customer following helps stabilize the company's revenue and lessens the impact of market downturns because of customer loyalty in good times and bad (Barney and Hesterley 2006).

Disadvantages of the strategy

Imitation is the sincerest form of flattery. A company that succeeds in implementing a differentiation strategy must worry about competitors' copying its business methods and stealing away its customers. In addition, implementing a differentiation strategy is costly. It may take years before a company achieves a strong brand image that sets it apart. During that time, the company faces the risk of changing consumer tastes or preferences. In such a case, the company may not have sufficient customer demand to offset its higher costs, which may lead to a loss. (Barney and Hesterley 2006)

Achieving a Balance

A differentiation strategy may not be ideal for every company. It is difficult to maintain differentiation for an indefinite amount of time because of competition. Many companies attempt to find the right balance by competing on such things as price, service and quality, or on any combination of attributes that it believes are important to its customers to gain a competitive advantage. For example, a company that differentiates itself based on price may sacrifice quality to attract customers who are price sensitive. During market downturns, the company may enjoy higher sales than one that competes based on differentiation quality (Porters 1985).

Differentiation involves differentiating the services or products offered by a specific organization by developing a product that is viewed institutional wise as being innovative. The element of differentiation is reflected through brand name, design, technology, dealer network, customer service, and features. Therefore, differentiation is based in three aspects. First is the implementation phase in differentiation. This will involves firms directly getting involved in services or products attributes such as product
complexity, product features, location, or timing of orientation of a product. The second phase involves a company concentrating on the link between its customers and itself through product reputation, consumer marketing, and product customization. The last phase may involve implementation of differentiation by concentration on the linkage between firms or within firms, which composes linkages within firm’s functions, other firms, distribution channels, service support, and product mix. Therefore as Porter (1980) notes, a firm ought to differentiate itself in diverse dimensions thus there may exist other means of differentiation in a firm than the outlined dimension? Barney and Hesterley (2006) elaborates that, “product differentiation is ultimately an expression of the creativity individuals and groups within the firms.”

Barney and Hesterley (2006) elaborates further that product differentiation is only narrowed by the existing opportunities or potential emerging opportunities in a specific firm and through the ability and willingness of the institutions to innovatively explore means of exploiting the available opportunities.

2.4.1 Advantages of Differentiation in a Firm

As per Porters elaboration, differentiation in a firm can create superior profitability due to differentiations ability to provide insulation of firm against firms competitors. This is enhanced by customers’ brand loyalty thus leading to lower price sensitivity. Moreover, firms embracing differentiation experience increase in their margin an element which assists them to avoid the necessity for low cost undertaking in its operation. The initiative in a firm leads to client’s loyalty as well as lowers the risks presented by competitors to overcome barriers and as a result the firms achieves higher margin enabling it to maintain its suppliers. Apart from minimizing the five threats of rivalry, entry, substitutes, buyers and suppliers, differentiation nurtures firm’s values through empowering organizations to charge a first-rated prices which is much greater as compared to the extra charges incurred in differentiation.

As for general cost leadership in a firm, a thriving differentiation will need the strategy taken to be costly to imitate and rare to find. Differentiation elements such as costly and rare, form a foundation for sustainable competitive opportunity. This aspect is supported by Barney and Hesterley (2006) who acknowledges that “the rarity of a differentiation strategy depends on the ability of individual firms to be creative in finding new ways to
differentiate their products.” Therefore, firms which are more creative are usually in a position to differentiate themselves from their rivals. This is because competitors always attempt to mimic those institutions last move, but the more innovative firms will have already taken an advanced products thus always being ahead of its competitors. Insurance firms should therefore, initiate unique elements such as reputation, timing, location, support, service, and distribution channels in their functions to edge out rivals from catching up with their operations. Barney and Hesterley (2006) further notes that product mix associated with other institutions, product complexity, consumer marketing, and product customization may be expensive to mimic in relation to the existing circumstances.

2.4.2 Differentiation Strategy Implementation Guideline

Organizing on how to execute differentiation strategy in a firm requires specific consideration on institutional structures, compensation policies, management control, as well as implementing strategies involved in cost leadership. In this aspect, institutional design and implementation devices ought not to fit but as well to reinforce the available strategy. Porter (1980) analysis indicates that product engineering, strong market capacity, powerful skills in basic research, creative flair, technological leadership, unique skills combination retrieved from other firms, strong channels cooperation, are basic skills needed to implement differentiation strategy.

The insurance firms should also incorporate common instructional elements such as stable coordination among its function in product development, marketing, incentives, and subjective measurement, as well as amenities so as to attract scientist, creative personnel, or highly skilled manpower (Porter, 1988). Barney and Hesterley (2006) admits that an supportive institutional structure for differentiation strategy can be characterized by cross functional and cross divisional development teams, advanced matrix structures as well as independent creative sources. Therefore, large scope decision making management guidelines, experimentation policy, and freedom management within guidelines presents a unique management control guideline that sustains differentiation efforts. Moreover, insurance firms should ensure implementation of compensation policy that entrenches differentiation are implemented through rewarding risk venturing rather than punishing failures, multidimensional performance, and creativity.
In contrast to the general view accorded to cost leadership strategy, differentiation may result to a stumbling block to large market share. This is because differentiation usually needs an exclusive approach that is not coherent to high market share.

2.5 Different Strategies in Insurance and the University Student Market

2.5.1 Michael Porter’s Five Force

Michael Porter is one of the first researcher who sought to understand what give an organization a competitive edge over another. It is in 1980, that Michael Porter published Competitive strategy, which contributed a lot in the development of organizational structure of many industries (Dobbs, 2014).

He defined five key factors that affects or determines the competitive edge of an organization. “The five forces are the threats posed by competitive rivalry, powerful buyers, powerful suppliers, potential new entrants, and substitute products” (Dobbs, 2014).

2.5.1.1. Competitive Rivalry

In the 21 century it is almost impossible to find an industry that does not have many players competing against each other. All of them fight for the attention of a customer buying from them instead of buying from their competitor. This rivalry between organizations did not reduce overtime instead kept on growing as customers became more aware of the variety at their hands (Dobbs, 2014).

Competitive rivalry can be defined as the intensity of rivalry which help determine the level at which the value created by an industry will disappear through head-to-head competition. The most important contribution of Porter’s five forces, in this particular subject would be that an industry attractiveness could be seen in its own rivalry (Karagiannopoulos, Georgopoulos, Nikolopoulos, 2005). One of the example of true competitive rivalry is the competition between Apple and Samsung. They always battle on all fronts and at times have to go to court to settle their dispute (Guardian, 2012). It has turn to be amusing when a story was licked that Samsung paid a fine to Apple, after it had
won a court case against Samsung, that it paid Apple the fine due in 5 cent coins (Guardian, 2012). Other industries as well usually experience the same kind of competition or even at times worst.

2.5.1.2. The Threat of Entry

The battle between organization is already had a fierce but it gets more complicated when a new player joins the market. At times organization that were enemies before, would join forces to kick out the new comers due to the fact that it causes a threat for both old players, which will in turn means they will have to share the market cake further (Dobbs, 2014).

The threat of entry can be clarified as, at the same time a potential and existing competitors influence average industry profitability. The key concept in looking at the threat of new entrants are specifically entry barriers.

They can be in diverse forms and are focused towards preventing an influx of firms into an industry whenever gains or profits, adjusted for the cost of capital, rise above zero.

On the other hand, entry barriers exist in the case where it is difficult or not economically feasible for an outsider to replicate the incumbents’ position. The most common or preferred forms of entry barriers, apart from intrinsic physical or legal obstacles, are usually the scale and the investment required to enter an industry as an efficient competitor” (Karagiannopoulos et al, 2005). Once in a while, the government will step in to protect both the new player and the old one to make sure there is a fair competition among them (Bruce, 2006).

2.5.1.3. The Threat of Substitutes

In some case when a new player gets to realize it cannot compete at the same level as the other, it prefers to offer an alternative product that looks similar to what other organization are offering. Various factors are therefore taken into consideration; one of them being the threat that substitute products pose to an industry’s profitability depending on the relative price-to-performance ratios of the various types of products or services to which customers would turn to satisfy the same basic need. The other factor to consider is that threat of substitution can also be affected by switching costs – which is, the costs in
areas such as retraining, retooling and redesigning that are incurred when a customer switches to another type of product or service. The substitution process usually follows an S-shape curve. It starts with a few people who are risk takers who try out the substitute, then later on other people pick up steam which means other customers follow suit, and finally levels off when nearly all the economical substitution possibilities have been exhausted” (Karagiannopoulos et al, 2005). In the eyes of a potential customer substitute products are opportunities but in the eyes of other organization it is a huge threat. For instance Coca Cola and Pepsi have been competitors for the longest time but product like water paused a big threat to them, because customer would change from buying their products and choose to buy water (Business insider, 2011).

2.5.1.4. The Buying Power

It is not always organization that dictates the price of a commodity; but at times the customers themselves contribute a lot in the price change of certain products. It is well defined as follow; Buyer power is among the two horizontal forces that influence the acceptance of the value created by an industry. The most critical determinants of buyer power are the size and the concentration of customers. Other factors are the level at which the buyers are informed and the concentration or differentiation of the competitors.

It is most of the time useful to distinguish potential buyer power from the buyer’s willingness or incentive to use that power, willingness that derives mainly from the “risk of failure” associated with a product’s use (Karagiannopoulos et al, 2005). The more a customer has enough knowledge on certain products will make him or her choose carefully and spend their money where they see high value for himself or herself. Therefore, organization will try to hold the attention of their potential customers by giving them discounts and offers.

2.5.1.5. The Supplying Power

Just as the customers, suppliers have also a certain power over organization. They can often force organization to review their prices downward, especially when that specific supplier has a certain monopoly on a given raw material (Dobbs, 2014). This ability to overpower organization is often seen as mirror to the buyer’s power; supplier power is the reflective image of buyer power. Therefore, the analysis of supplier power typically turn
its attention first on the relative size and concentration of suppliers relative to industry participants and second on the degree of differentiation in the inputs supplied. The ability to charge customers at different prices in line with differences in the value created for each one of those buyers usually indicates that the market is characterized by high supplier power and at the same time by low buyer power (Karagiannopoulos et al, 2005).

2.5.2. The Insurance Industry

The insurance industry is a much regulated industry by the Insurance Regulatory Authority (IRA). However, the low insurance penetration of Insurance in Kenya made the competition not to be as fierce as other industries (IRA, 2013). In the report of IRA in 2013, it says “Low consumer demand for insurance is considered a challenge of very high concern, in 2013 followed by political uncertainty, insecurity, terrorism and money laundering and insurance perception respectively. Industry competition and low consumer awareness of insurance are expected to continue posing considerable challenges too” (2013).

However, it does not mean that there are not competitions at all. Every insurance company will try and cut down its prices so as to be seen as the best option for any customer, which in turn can destabilize the whole industry in the long run (IRA, 2013). The big concern was express as follow in line with competition; “Competition is good in business when it is healthy. Predatory pricing hurts many insurance companies and may threaten their financial stability.

An Insurance company going- under impacts negatively on insurance perception and reduces consumers’ confidence in the sector. This is because the public will always ask the question, which firm is likely to go under next?” (IRA, 2013).

The strategies that Kenyan insurances have developed was well reported by IRA in the 2013 was focused on partnering with other industries, strengthens the ties with different intermediaries, reaching out to new market segments, and improving in staffing to use the current staff as drivers of the insurance products. The above strategies were formulated in 2013 in view of increasing customer awareness and improve insurance market penetration in Kenya (IRA, 2013).
2.6 Chapter summary

The chapter was based on what other authors have found out in regards to the research topic. The three research objectives have been addressed and there was a clear need of more research. There is still a gap between insurance companies and the university students, termed as youth in this context. As much as we have looked at different contributions by authors on enhancing industries competitiveness in a given market in the economic and the theoretical aspect of strategic management; some questions are still left unanswered. This brings the question on effectiveness of strategies adopted by organizations to enhance their competitiveness in the new market. Moreover questions emerge on where the insurance companies gone wrong in approaching the university student market? Does the demand match the supply or there is a disconnection between the two? The above questions calls for further analyses on that matter.
CHAPTER THREE

3.0 RESEARCH METHODOLOGY

3.1 Introduction

This chapter analyses the methodology which was utilized in the process of conducting the research. This section was segmented into research design, focused population, the required sample size, as well as sampling procedures involved in the study. The section also identify the research devices utilized, the instruments validity and reliability in the study, data collection procedures as well as data analysis technique involved in the process of carrying out the research.

3.2 Research Design

The study used descriptive case study as well as exploratory research design. Shaw (1999) notes that descriptive study method is usually utilized in the preliminary studies and exploratory research so as to avail data in accordance to current phenomena context presenting description on already existing phenomena linked to variables and other environmental conditions. Moreover, Judith (2003) emphasizes that descriptive data discovers and measure the linkage between cause and effect among variables. This relationship linked to questionnaire survey method provides status quo type of description as well as presents correlation analysis through offering variables comparison to each other while creating analysis which dissect the transformation occurring over a given period. This process therefore presents larger scope and precise data which enable the researcher to gather, criticize, analyze, and present findings in the process of data presentation to gain clarity (Mugenda, 2008)

Descriptive method of analysis was preferred in research findings as it offers fast and effective mechanism of collecting data from large population sample. This is further elaborated by Mugenda and Mugenda (1999) the descriptive research method is usually preferred by researchers whose analysis revolves around the original information gathered targeting a larger population.
The findings in this study will be essential to various circumstances as it will contribute to the already existing knowledge in business organizations, groups, socio-political sphere, as well other related institutions.

Moreover the findings of this study will provide a common ground for research purposes in political and social sciences. The study will attempt to access the strategic challenge of Kenyan insurances towards the university student market

3.3 Population and Sampling Design

3.3.1 Population

Mugenda and Mugenda (2003) define population as the whole set of objects, events, or individuals who share common observable traits. In the same aspect, Tull and Hawkins (2008) and Cooper and Schindler (2008) notes that population as a set of entire elements in which deduction can be carried by a researcher. Therefore, a population can be termed as the largest set or segment under observation in which the least segment is referred as a sample. The population under study in this research is Jubilee insurance staff and the United States International Students familiar with the insurance products. The effectiveness of the strategies used by the insurance on USIU students will be assessed using the health Clinique report record which will present student preference to various insurance products. The total target population composed of insurance firm staffs and the USIU students holding insurance product will be 200. The table presented below reflects population distribution involving the various levels of insurers’ staff work positions and the students’ population target.
Table 3:1 Population Distribution table

<table>
<thead>
<tr>
<th>Category</th>
<th>Population (N)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Top Managers-Middle managers</td>
<td>20</td>
</tr>
<tr>
<td>General field Supervisors- field unit leaders</td>
<td>60</td>
</tr>
<tr>
<td>Intern students at Insurance firm</td>
<td>30</td>
</tr>
<tr>
<td>Students holding insurance product</td>
<td>90</td>
</tr>
<tr>
<td>Total</td>
<td>200</td>
</tr>
</tbody>
</table>

Jubilee Insurance HR

3.3.2 Sampling Design

3.3.2.1 Sampling Frame

According to Densombe (1998) sampling frame must involve population list in which, therefore the analyst relies on to conduct selection fit for the study. This view is echoed by Cooper and Schindler (2001) who deems that sampling frame ought to be composed by a wholesome and reliable specific population members list.

The sampling frame used in this study is therefore composed by United States International University of Africa students with various experience on insurance products and Jubilee staff view on the strategies used to enter into new market or existing but untapped market. The inclusivity of students and staffs as well as use of other relevant record in the student institutions will provide an accurate and reliable data obtainable from the identified area of study.

3.3.2.2 Sampling Technique

Stratified sampling represented the best technique for this study. According to Cooper and Schindler (2008), this technique involves population division in sub sets also known as strata and finally coming up with a unique population sample from the diverse strata identified. Strategies sampling states that core population strata under focus should be reflected within the study sample. The insurance firms were stratified in various categories as per their positions of influence (management and field staffs) and students
were also stratified as per their experience on insurance products. The choice in the study was limited to random sampling technique. A combination of stratified and random sampling technique in the study on students and firms staffs on insurance products and strategies to be used will permit to generate effective and dependable findings on the general focused population.

### 3.3.2.3 Sample Size

Mugenda and Mugenda (2003) define sample size as total sampling units available and to be involved in the focus sample. As per Mugenda’s advice, every stratum under focus will be allocated a sample size of 30%. This is because a representative falling within 10% to 30 % represents a sample of the total population thus a dependable population should be composed of 10 per cent and not exceeding 30 per cent hence the sample size focuses on 60 respondents.

**Table 3.2 Sample Size Distribution**

<table>
<thead>
<tr>
<th>Level</th>
<th>Population (N)</th>
<th>Sample size</th>
</tr>
</thead>
<tbody>
<tr>
<td>Top Managers-Middle managers</td>
<td>20</td>
<td>6</td>
</tr>
<tr>
<td>General field Supervisors-field unit leaders</td>
<td>60</td>
<td>18</td>
</tr>
<tr>
<td>Intern students at Insurance firms</td>
<td>30</td>
<td>9</td>
</tr>
<tr>
<td>Students holding insurance product</td>
<td>90</td>
<td>27</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>200</td>
<td><strong>60</strong></td>
</tr>
</tbody>
</table>

### 3.4 Data Analyses Methods

This study used primary method of collecting data by using questionnaires to collect data from the USIU students taking internship in insurance organization and from the employee’s perception on university students market.

Questionnaires were used as a major tool for data collection in the study as it was one of the most efficient tools of collecting data available for the study. A likert scale type of measurement (1 strongly Agree, 2 Agree, 3 neutral, 3 disagree 4, strongly disagree) format is going to be utilized. Moreover, the questionnaires will include both unstructured
questions and structured research questions. A questionnaire is preferable in this study since it is easier to administer as well as convenient process of gathering data within a short duration. The questionnaire will be subdivided into four parts in which section one will possess general information, the second and the fourth sections will be composed of research objective based questions; how to determine whether cost focus strategy influence the student market, means of analyzing whether differentiation strategy has influence on the student market in Kenyan universities, and how to examine whether focus strategy influence the student market in Kenyan universities. The questionnaire therefore will be structure in a way that upheld confidential information through coding to prevent use of personal names and provision of details which may compromise privacy of the participants. Moreover, every question included in the device presented the required measurement standards that permit further research to be carried out.

The questionnaire as a research tool for this study was a reliable tool for the study and this was ensured through using piloting technique in assessing the instruments reliability. This included administration of the questionnaires to the participants on sample basis to avoid picking too many incomplete or unsubstantial feedbacks, therefore, if the questionnaire’s feed assessment is consistent over a given period within the same context sets out a reliable environment to collect data from.

3.5 Research Procedures

The research employed data collection procedure which will be achieved via pick and drop approach. The study was made successful through obtaining a letter of introduction from the United State International University of Africa to be presented at the insurance firm.

This enhanced fast collection of data from the focus group identified in the study and the participants to be initiated in the study will be informed prior to the questionnaire delivery through a letter. The questionnaires will be delivered to the participants in the structured sampled sections.
3.6 Data Analysis Methods

The information gathered using the questionnaire underwent editing and coding to be presentable in analysis process. The analysis process involved both qualitative as well as quantitative method in analyzing the data. The information gathered using primary sources was subjected to manual analysis through editing the data first to ensure completeness, consistency, and accuracy, then the data is segmented systematically. In this study quantitative analysis process may be used by making description while summarizing the data and also implementing descriptive statistics that will assist in developing a meaningful explanation on scores description. Moreover quantitative statistical data was systematically analyzed so as to emerge with efficient and effective conclusions and recommendations.

The study utilized frequency in the data analysis process in order to calibrate the information from the lowest percentage to the highest percentage. Measures of central tendency such calculation of mean was used in the information analysis process in which primary quality checks standards was conducted at the level of data collection and the secondary quality check level was conducted at the information entry level. Raw information was fed into computers for analysis purposes using a tool known as SPSS (statistical package for social sciences) version 22.

Cooper and Schindler (2008) advices that a coding book should be prepared prior to feeding of gathered information or the study. This measure therefore empowered fast, efficient and effective keying in of data collected thus limiting the probability of the researcher increasing errors. Prior to processing the received feedbacks, the received completed questionnaires underwent editing to enhance consistence and completeness, then data coding will follow so as to segment the feedbacks into diverse categories. In this study inferential analysis and descriptive analysis was also utilized, in which descriptive analysis will be employed in data summary involving frequencies and percentages, while the inferential analysis will involve Pearson’s correlations format of analysis. Pearson correlation will be potential for measuring the form and strength between variables. Multiple regression was used to establish the relationship between dependent and independent variables.
The analysis was made successful using the SPSS software version 22. Moreover, table was used to present information gathered for comparison and analysis thus presenting quantitative reports via percentages, tabulations as well as central tendency measures.

3.7 Chapter Summary

This chapter will focus on elaborating procedures to be used in enhancing information gathering towards realizing the already identified research objective. The primary data which is required to realize the objective in the study will be achieved through using questionnaires distribution to key actors in insurance industry and student’s views on the most preferred insurance package. In addition, secondary data will as well apply in retrieving information from already existing authors who have focused on the topic.
CHAPTER FOUR

4.0 RESULTS AND ANALYSIS

4.1 Introduction

This chapter gave an outlook of the findings of the primary data collected from the consumers of insurance products using the questionnaires that were administered. The main objective of the researcher was to establish the strategies adopted by Kenyan Insurance Companies in meeting student market at the university level in Kenya. The objectives and variables discussed are to determine whether cost leadership strategy influence the student market, to establish whether cost focus strategy influence the student market, and lastly to analyze whether differentiation focus influence the student market.

4.2 Response rate

Out of 60 questionnaires that were administered to the respondents of the students consuming insurance products, 50 questionnaires were returned which represented 83%, this was an indication that it meets the threshold for subsequent analysis as indicated in Table 4.1. According to Sekaram (2013), this was adequate for further analysis.

Table 4.1 Response Rate

<table>
<thead>
<tr>
<th>Response rate</th>
<th>Sample size</th>
<th>Percentage (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Returned questionnaires</td>
<td>50</td>
<td>83</td>
</tr>
<tr>
<td>Un-returned questionnaires</td>
<td>10</td>
<td>17</td>
</tr>
<tr>
<td>Total</td>
<td>60</td>
<td>100</td>
</tr>
</tbody>
</table>

4.3 General Information

This section outlines the demographic information of the respondents which include gender of the respondents, the different age brackets of the respondents, Marital status of the respondents, type of insurance cover they have, sources of income and Elements that hinder them from taking insurance cover.
4.3.1 Gender of the respondents

The researcher sought to find out the gender of the respondents in the study. Figure 4.1 indicated that 50% of the respondents were male and the remaining 50% were female. Thus, there was gender balance of the respondents. This indicates that men and women have an equal chance of taking insurance products.

![Figure 4.1 Gender of Respondents](image)

4.3.2 Age of Respondents

The findings in figure 4.2 established that most of the respondents were below 25 years of age which is represented by 58%. It was followed by 25-30 years with a percentage of 24%. Above 35 years was represented by 12% and lastly 30-35 years was represented by 6%. This shows that the 25 years of age and below have taken insurance products compared to other age range which means that usually paid by their parents.

![Figure 4.2 Age of Respondents](image)
4.3.3 Marital Status

The researcher sought to find out the marital status of the respondents. The respondents were categorized in three groups, Married, Single and Widowed. Figure 4.3 indicated that majority of the respondents were single, with a percentage of 66%. Married were represented by 24% and finally widowed by 10% of the respondents that participated to the survey.

![Figure 4:3 Marital Status](image)

4.3.4 Type of Insurance Cover

In a bid to find out if the respondents have the insurance cover they were asked if they have insurance cover and the categories were, if they had medical cover insurance, motor or household insurance cover, life insurance, and pension insurance cover. Table 4.2 indicated that majority of the respondents 60% had taken an insurance cover.

Most of the respondents (32%) had taken a pension insurance cover, which is followed by motor insurance cover (28%), then 26% had life insurance cover and 12% of the respondents had a medical cover. The results indicate that Majority of the respondents were insuring for their retirement age and few insured their health compared to other products of insurance.
Table 4.2 Type of Insurance Cover

<table>
<thead>
<tr>
<th>Insurance Cover</th>
<th>Frequency</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Do you have Insurance cover</td>
<td>50</td>
<td>60</td>
</tr>
<tr>
<td>Medical cover</td>
<td>6</td>
<td>12</td>
</tr>
<tr>
<td>Motor or household</td>
<td>14</td>
<td>28</td>
</tr>
<tr>
<td>Life</td>
<td>13</td>
<td>26</td>
</tr>
<tr>
<td>Pension</td>
<td>16</td>
<td>32</td>
</tr>
</tbody>
</table>

4.3.5 Source of Income

The table 4.3 indicates that the major source of income are relatives and friends (53%), followed by mobile loans (25%) , Self financing is the third source of income is accounting for 16% and 6% of the respondents source of income was Loan from financial institution. The findings indicate that the major source of income for the students comes from their relatives or family members.

Table 4.3 Sources of Income

<table>
<thead>
<tr>
<th>Sources of Income</th>
<th>Frequency</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Self-financing</td>
<td>8</td>
<td>16</td>
</tr>
<tr>
<td>Family and friends</td>
<td>27</td>
<td>53</td>
</tr>
<tr>
<td>Loan from financial institution</td>
<td>3</td>
<td>6</td>
</tr>
<tr>
<td>Mobile loan</td>
<td>13</td>
<td>25</td>
</tr>
</tbody>
</table>

4.3.6 Elements that Hinder from Taking Insurance Products

Respondents were asked to rank the elements that hinder them from taking insurance products where 1 represented highest , 2 represented high , 3 represented moderate and 4 represented low. Table 4.4 indicates that the major hinderance from taking insurance products was insecurity fear (mean of 1.30 and standard deviation of 1.54) and therefore respondents did not trust insurance companies and their products . this was followed by inability to cope with the insurance system (mean of 2.20 and standard deviation of 1.23) as the respondents did not know and lacked information on the operation of insurance companies. The third hinderance was the complexity of insurance models (mean of 3.40 and standard deviation of 1.13) and thus lacked awareness about insurance products. The last hinderance was time wastage (mean of 3.71 and standard deviation of 1.17)
Table 4:4 Elements that Hinder from Taking Insurance Products

<table>
<thead>
<tr>
<th>Hinderances</th>
<th>Mean</th>
<th>Std. Dev.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Insecurity fear</td>
<td>1.30</td>
<td>1.54</td>
</tr>
<tr>
<td>Unable to cope with system</td>
<td>2.20</td>
<td>1.23</td>
</tr>
<tr>
<td>Too complex to learn</td>
<td>3.40</td>
<td>1.13</td>
</tr>
<tr>
<td>Time wasting</td>
<td>3.71</td>
<td>1.17</td>
</tr>
</tbody>
</table>

4.4 Descriptive Statistics for Study Variables

4.4.1 Cost Leadership Strategy and Student Market

The study sought to outline the effect of cost leadership strategy on the universities’ student market. Table 4.5 indicates that 45% of the respondents agreed that insurance firm record low cost of operation and high volumes of sales, 31% of the respondents agreed that Insurance firms gain cost advantage through proprietary technology, 29 % of the respondents agreed that Insurance firms has lowered the cost of operations by having skewed workforce and advanced technology, 32% of the respondents agreed that Insurance firm had gained cost advantage through economics of scale, 47% of the respondents agreed that the insurance firm operates in a price driven market and 58% of the respondents agreed that the insurance firm face a war prices as they compete against each other.

Table 4:5 Cost leadership Strategy

<table>
<thead>
<tr>
<th>Cost leadership Strategy</th>
<th>Strongly Agree (%)</th>
<th>Agree (%)</th>
<th>Neutral (%)</th>
<th>Disagree (%)</th>
<th>Strongly disagree (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>The insurance firm has low cost of operation and higher volumes of sales</td>
<td>29</td>
<td>16</td>
<td>32</td>
<td>13</td>
<td>11</td>
</tr>
<tr>
<td>The insurance firm gain cost advantage through proprietary technology</td>
<td>8</td>
<td>22</td>
<td>42</td>
<td>19</td>
<td>8</td>
</tr>
<tr>
<td>The insurance firm has lowered the cost of operations by having skewed</td>
<td>13</td>
<td>16</td>
<td>53</td>
<td>8</td>
<td>11</td>
</tr>
</tbody>
</table>
workforce and advanced technology
The insurance firm had gained cost advantage through economics of scale
The insurance firm operate in a price driven market
The insurance firm face a war of prices as they compete against each other

<table>
<thead>
<tr>
<th>Strongly Agree (%)</th>
<th>Agree (%)</th>
<th>Neutral (%)</th>
<th>Disagree (%)</th>
<th>Strongly disagree (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>The insurance company offers different products</td>
<td>20</td>
<td>13</td>
<td>41</td>
<td>19</td>
</tr>
<tr>
<td>The insurance company have a strategy for the university students market</td>
<td>17</td>
<td>20</td>
<td>40</td>
<td>18</td>
</tr>
<tr>
<td>The Insurance company uses the same strategies on all market</td>
<td>13</td>
<td>20</td>
<td>31</td>
<td>29</td>
</tr>
<tr>
<td>University students do not have</td>
<td>16</td>
<td>27</td>
<td>34</td>
<td>18</td>
</tr>
</tbody>
</table>
enough income to buy insurance

university student market is too risky

University student needs cannot be addressed by insurance

4.4.3 Focus Strategy and Student Market

The study sought to examine the focus strategy used by insurance companies to influence the student market in Kenyan universities. Table 4.7 indicates that 9% of the respondents agreed that the firm has a specific target for student market. 9% agreed that the firm has specialised services it offers to students 16% agreed that the firm is innovative in the product it offers to the students. 13% agreed that the firm offers better service packages to students than its competitors. 14% agreed that the firm greatest focus is on quality of products for the students.

Table 4:7  Focus strategy

<table>
<thead>
<tr>
<th>Focus strategy</th>
<th>Strongly Agree (%)</th>
<th>Agree (%)</th>
<th>Neutral (%)</th>
<th>Disagree (%)</th>
<th>Strongly disagree (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Our firm has a specific target for student market.</td>
<td>5</td>
<td>4</td>
<td>33</td>
<td>28</td>
<td>30</td>
</tr>
<tr>
<td>Our firm has specialised services it offers to students</td>
<td>0</td>
<td>9</td>
<td>56</td>
<td>23</td>
<td>12</td>
</tr>
<tr>
<td>Our firm is innovative in the product it offers to the students</td>
<td>9</td>
<td>7</td>
<td>37</td>
<td>14</td>
<td>33</td>
</tr>
<tr>
<td>Our firm offers better service packages to students than its competitors</td>
<td>5</td>
<td>8</td>
<td>34</td>
<td>28</td>
<td>25</td>
</tr>
<tr>
<td>The greatest focus is on quality of products for the students.</td>
<td>4</td>
<td>10</td>
<td>38</td>
<td>20</td>
<td>28</td>
</tr>
</tbody>
</table>

4.4.4 Student market.
Table 4.8 indicates that 50% of the respondents agreed that insurance strategies are geared towards earning more than paying. 9% agreed that insurance industry change rarely. 57% of the respondents agreed that demand for insurance comes from adult only. 52% of the respondents agreed that there is little knowledge on the university students and 52% agreed that there is no Strategy for the university students market.

Table 4:8 Student Market

<table>
<thead>
<tr>
<th>Student Market</th>
<th>Strongly Agree (%)</th>
<th>Agree (%)</th>
<th>Neutral (%)</th>
<th>Disagree (%)</th>
<th>Strongly disagree (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Insurance strategies are geared towards earning more than paying</td>
<td>21</td>
<td>29</td>
<td>34</td>
<td>13</td>
<td>3</td>
</tr>
<tr>
<td>Insurance industry change rarely</td>
<td>0</td>
<td>9</td>
<td>56</td>
<td>23</td>
<td>12</td>
</tr>
<tr>
<td>Demand for insurance comes from adult only</td>
<td>24</td>
<td>33</td>
<td>27</td>
<td>9</td>
<td>7</td>
</tr>
<tr>
<td>There is little knowledge on the university students</td>
<td>34</td>
<td>18</td>
<td>5</td>
<td>18</td>
<td>25</td>
</tr>
<tr>
<td>There is no Strategy for the university students market</td>
<td>22</td>
<td>30</td>
<td>10</td>
<td>20</td>
<td>18</td>
</tr>
</tbody>
</table>

4.5 Inferential Analysis of study Variables.

4.5.1 Reliability Analysis.

Table 4.9 outlines the reliability of the study variables using Cronbach's Alpha. The instrument was reliable since the constructs had a value greater than the threshold of 0.7.

Table 4:9 Reliability Analysis of study variables

<table>
<thead>
<tr>
<th>Variable</th>
<th>Cronbach's Alpha</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cost leadership strategy</td>
<td>0.702</td>
</tr>
<tr>
<td>Differentiation strategy</td>
<td>0.813</td>
</tr>
<tr>
<td>Focus strategy</td>
<td>0.712</td>
</tr>
</tbody>
</table>
4.5.2 Correlation Analysis

Pearson correlation was used to establish the Influence of the strategies adopted by Kenyan Insurance Companies in meeting student market at the university level in Kenya. Table 4.10 indicates that cost leadership strategy influenced insurance Student market positively and significantly ($r = 0.653; p < 0.01$). The influence of differentiaition Strategy on insurance Student market was positive and significant ($r = 0.701; p < 0.01$). The influence of focus strategy on insurance Student market was positive and significant ($r = 0.557; p < 0.01$).

Table 4:10 Correlation Analysis

<table>
<thead>
<tr>
<th>Variable</th>
<th>Cost leadership strategy</th>
<th>Differentiation strategy</th>
<th>Focus strategy</th>
</tr>
</thead>
<tbody>
<tr>
<td>Student Market</td>
<td>Pearson Correlation</td>
<td>.653**</td>
<td>.701**</td>
</tr>
<tr>
<td></td>
<td>Sig. (2-tailed)</td>
<td>0.000</td>
<td>0.000</td>
</tr>
<tr>
<td></td>
<td>N</td>
<td>50</td>
<td>50</td>
</tr>
</tbody>
</table>

** Correlation is significant at the 0.01 level (2-tailed).

4.5.3 Regression Analysis

Table 4.11 shows that the predictors (Cost leadership strategy, Differentiation strategy and Focus strategy) have a significant influence in meeting student market at the university level in Kenya ($R^2= .560 , Fvalue =64 , p<0.05$). This shows that Cost leadership strategy, Differentiation strategy and Focus strategy account for 56.0 % information in meeting student market at the university level in Kenya. Further it shows that the influence of cost leadership strategy in meeting student market at the university level in Kenya is positive and significant ($\beta=0.393, T=5.667 , p<0.05$). The influence of differentiation strategy in meeting student market at the university level in Kenya is positive and significant ($\beta=0.259, T=4.137 , p<0.05$). The influence of focus strategy in meeting student market at the university level in Kenya is positive and significant ($\beta=0.183, T=2.056 , p<0.05$).
<table>
<thead>
<tr>
<th>Variables</th>
<th>β</th>
<th>S E</th>
<th>t</th>
<th>P value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Constant</td>
<td>0.561</td>
<td>0.099</td>
<td>5.667</td>
<td>0.000</td>
</tr>
<tr>
<td>Cost leadership strategy</td>
<td>0.393</td>
<td>0.095</td>
<td>4.137</td>
<td>0.000</td>
</tr>
<tr>
<td>Differentiation strategy</td>
<td>0.256</td>
<td>0.105</td>
<td>2.438</td>
<td>0.019</td>
</tr>
<tr>
<td>Focus strategy</td>
<td>0.183</td>
<td>0.089</td>
<td>2.056</td>
<td>0.045</td>
</tr>
<tr>
<td>R</td>
<td>0.748</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>R^2</td>
<td>0.560</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Adj R^2</td>
<td>0.555</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Model F</td>
<td>64</td>
<td></td>
<td></td>
<td>0.00</td>
</tr>
</tbody>
</table>

### 4.6 Chapter Summary

In this chapter, the results and findings on the study on strategies adopted by Kenyan insurance companies in meeting student market at the universities in Kenya was presented. In this study, results and findings were presented in form of tables and figures as per the research questions. The next chapter covers the summary of the findings, discussions, conclusions and recommendations.
CHAPTER FIVE

5.0 SUMMARY, DISCUSSION, CONCLUSION, AND RECOMMENDATION

5.1 Introduction

This chapter is segmented into three perspective; discussion, conclusion and recommendation for the study. The first section discusses the findings of the study in relevance to other scholar’s findings. The conclusion will reflect the study outcome in line with the study objectives, and this will present a gap for further future analysis.

5.2 Summary of the Findings

The purpose of this study was to investigate the strategies adopted by Kenyan insurance companies in meeting student market at the universities in Kenya. United States International University was used as a case study in this research. The study was guided by the following specific objectives: to determine whether cost focus strategy influence the student market; to analyze whether differentiation strategy influence on the student market in Kenyan universities; and find out whether the focus strategy influence the student market in Kenyan universities.

The study adopted a descriptive research design. The study carried out a case study on the population of 200 students and staff. The sample frame for the study was the personnel list from the respective organization’s Human Resource Department. The researcher administered the questionnaire through self-administration. Data collection was done through a pre-tested research questionnaire with 50 out of 60 respondents returning their filled out questionnaire, representing a response rate of eighty one percent (83%). The study used descriptive and inferential statistics. Analysis was carried out using Statistical Package for Social Sciences.

The study findings established a positive significant relationship between cost leadership, differentiation and focus strategy on the student market at United States International University.
5.3 Discussion

5.3.1. Cost Leadership and Student Market

The study sought to determine how cost leadership strategy influence the student market, 45% of the respondents agreed that insurance firm record low cost of operation and high volumes of sales, 31% of the respondents agreed that Insurance firms gain cost advantage through proprietary technology, 29 % of the respondents agreed that Insurance firms has lowered the cost of operations by having skewed workforce and advanced technology, 32% of the respondents agreed that Insurance firm had gained cost advantage through economics of scale, 47% of the respondents agreed that the insurance firm operates in a price driven market and 58% of the respondents agreed that the insurance firm face a war of prices as they compete against each other.

The study’s findings is in agreement with Porter(1985) who analyzed cost leadership strategies and depicted that the strategy should focus on gaining competitive advantage by having the lowest cost in the insurance field. This is realized through low cost low cost manufacturing, and a workforce which is committed to the low-cost strategy. Also in agreement was Malburg, (2000) and Hyatt, (2001) who noted that the organization must take into consideration to discontinue any activities to other organizations with a cost advantage. For an appropriate cost leadership strategy, a firm must have a large market share

Majority of respondences still believed that the insurance company has not lowered its cost due to advanced technology. This implied that the insurance companies are slow in adoption of new technology that enhances efficiency in the day to day running of the organization. Focus looks at growing market share by concentrating its operations in a niche market or in markets either not attractive to, or overlooked by, larger competitors which arise from a number of factors such as geography, buyer characteristics, and product specifications or requirements. The study found out that cost leadership strategy had a strong positive and significant relationship with student market (r=0.653, p-value <0.05). Cost leadership strategy was found to be a predictor of student market (β=0.393, T-value=4.137, p-value<0.05).
Cole (2004) reflects that cost leadership strategy is composed by various strategies which are essential for firms in competitive advantage environment. This according to Cole (2004) is achieved when producers in a given field of operation run under a price oriented or commoditized market where every actor essentially get involved in production of the same products. As Cole (2004) notes, such situation requires that the ultimate winners to be the most cost efficient operator and producer in the field. The findings in the study supports Zekiri and Ndelea (2011) views that attributes that Insurance firm gained cost advantage through economies of scale.

This affirms the study’s findings that, a company may take advantage of cost leadership strategy through proprietary technology, economies of scale, and cheap raw material. Moreover, steps taken towards managing cost by firms is noted by Zekeri and Ndelea (2011) to be in a position to lower cost as compared to its competitors thus leading to work efficiency. Cost leadership is therefore a very attractive strategy for firms where low costs provides the company with better opportunities to generate profits as well as to be extremely resistance in cases where the firm get involved in price wars with its competitors.

Therefore, a student market provides a better focus for insurance company to focus in due to its large consistent market with affordable prices to the market niche. This will enable the students to get integrate in the very competitive insurance market at affordable cost. However, this strategy will not be very effective on its own and will therefore be effective when combined to be bring in necessary.

5.3.2 Differentiation strategy and Student Market

The study sought to outline the effect of product differentiation strategy on the universities’ student market, the findings indicated that 33% of the respondents agreed that products offered by insurance company are different. 37% of the respondents agreed that the insurance company have a strategy for the university students market, 33% of the respondents agreed that the insurance company uses the same strategies on all market, 43% of the respondents agreed that University students do not have enough income to buy insurance, 22 % of the respondents agreed that university student market is too risky and 23% of the respondents agreed that Univeristy students cannot be addressed by insurance. The study found out that differentiation strategy had a strong positive and
significant relationship with student market \( (r=0.701, p\text{-value} <0.05) \). Differentiation strategy was found to be a predictor of student market \( (\beta=0.256, T\text{-value}=2.438, p\text{-value}<0.05) \).

The findings concur with Hyatt, (2001) who acknowledged that a company using differentiation strategy should focus its efforts on providing a unique product or service thus, the strategy provides high customer loyalty. Pearce and Robinson (2007) contend that strategies dependent on differentiation are designed to appeal to customers with a special sensitivity for a particular product attribute thus the firm attempts to build customer loyalty. As a result, such loyalty translates into a firm’s ability to charge a premium price for its products.

The study established a strong relationship between the differentiation focus influences on the student market in which there is no difference in products offered by insurance company. The positive correlation in the study therefore depicts that there is substantial correlation between the differentiation focus and influence on the student market. But this is not enough prove to bank on differentiation as the key focus towards reaching student market.

Differentiation is deemed by Barney and Hesterley (2006) to involve differentiated services or products offered by a specific organization through developing a product that is viewed institutional wise as being innovative. As per Porters elaboration, differentiation in a firm can create superior profitability due to differentiations ability to provide insulation of firm against firms competitors. This is enhanced by customers’ brand loyalty thus leading to lower price sensitivity.

Moreover, firms embracing differentiation experience increase in their margin an element which assists them to avoid the necessity for low cost undertaking in its operation. The initiative in a firm leads to client’s loyalty as well as lowers the risks presented by competitors to overcome barriers and as a result the firms achieves higher margin enabling it to maintain its suppliers. Apart from minimizing the five threats of rivalry, entry, substitutes, buyers and suppliers, differentiation nurtures firm’s values through empowering organizations to charge first-rated prices which are much greater as compared to the extra charges incurred in differentiation. Insurance firms should therefore, initiate unique elements such as reputation, timing, location, support, service,
and distribution channels in their functions to edge out rivals from catching up with their operations. Barney and Hesterley (2006) further note that product mix associated with other institutions, product complexity, consumer marketing, and product customization may be expensive to mimic in relation to the existing circumstances.

5.3.3 Focus strategy and Student Market

The study sought to examine the focus strategy used by insurance companies to influence the student market in Kenyan universities. The results indicated that 9% of the respondents agreed that the firm has a specific target for student market. 9% agreed that the firm has specialised services it offers to students 16% agreed that the firm is innovative in the product it offers to the students. 13% agreed that the firm offers better service packages to students than its competitors. 14% agreed that the firm greatest focus is on quality of products for the students.

The study found out that focus strategy had a strong positive and significant relationship with student market \( (r=0.557, p-value \ < 0.05) \). Focus strategy was found to be a predictor of student market \( (\beta=0.183, T-value=2.056, p-value<0.05) \). From the findings, majority of the respondents still believed that the insurance firm has inadequately focused on the student market, the firm lacked specialised and innovative services offered to students.

In addition, the study established that the firm lacked better service packages, innovative and quality products suitable for students. This contradicted Zekiri and Nedelea’s (2011) findings that the focus should be limited to a specific market target. The study findings differed with Ge and Ding (2005) study on Chinese entities analysis on market orientation firm performance, and competitive strategies utilized by the Chinese firms reflects that quality improvement strategies is perceived to concentrate on improving and enhancing a service or products quality.

Proponents such as Han et al. (1998) states that focusing on a specific target market and concentrating on the changes results to emergence of innovative solution, quality products and new ideas thus market orientation is among the core factors that differentiates between unsuccessful and successful innovations. Moreover, it is noted that concentration on product quality should evolve from process driven focus to a customer driven focus.
5.4 Conclusion

5.4.1. Cost Leadership and Student Market

The study inferred that insurance companies have low costs of operation and witnessed higher volumes of sales. It was further inferred that the companies had lowered their costs of operations by having skewed workforce and employing advanced technology. In addition, cost advantage was achieved through economies of scale. Cost leadership strategy was found crucial in the attaining competitive edge in the market for insurance firms. The study findings corresponded with Cole’s (2004) observation that that one of the reasons why a business succeeds is by keeping costs lower than competitors’ and continuing to look for cost reductions even when the business is profitable. The study concludes that cost leadership strategy is essential for insurance companies to meet student’s needs.

5.4.2 Differentiation Strategy and Student Market

Differentiation strategy is essential in attaining competitive advantage in the market for insurance firms. The study findings reveals that products offered by insurance companies are not different, Insurance companies uses the same strategies on all markets and do not have a strategy for the university students. This differs from Pearce and Robinson (2007) observation that strategies should be dependent on differentiation which are appealing to customers with a special sensitivity for a particular product attribute. From this study there is enough reason to conclude that insurance companies have not differentiated their products for university student market.

5.4.3 Focus strategy and Student Market

The study concluded that focus strategy was critical in the attainment of competitive advantage in the student market. It was further concluded that the firm lacked specific target market more specifically for the students, absence of specialised, innovative and special insurance packages for the student market. It was also established that the firm greatest focus on quality lacked in the student market.
5.5 Recommendations

5.5.1 Recommendations for the research

5.5.1.1 Cost Leadership and Student Market

From the findings of this study, it is evidently clear that insurance firms have focused on cost leadership to achieve competitive advantage. Therefore it is recommended that firms should be careful while using this strategy which is also achieved through cheap labor which is not sustainable. The study recommends that firms should continue undertaking analysis of the products they offer to the students and engage them in order to unearth their specific requirements in order to stay relevant and be able to offer insurance products at low costs and at the same time maintain its cost leadership.

5.5.1.2 Differentiation Strategy and Student Market

The study recommends that insurance company to differentiate insurance products for students, to adopt a differentiating strategy that will enable the firm achieve a competitive advantage on the university student market and offer better unique insurance products to students than its competitors. The student market should not be viewed as too risky to engage instead insurance company should strategize on ways to penetrate the market.

5.5.1.3 Focus strategy and Student Market

The study therefore recommends that insurance companies to focus on the student market by offering specialised innovative quality insurance products for the students. The insurance company should endorse better insurance packages that addresses students needs.

5.5.2 Areas of further Research.

This study investigated the strategies adopted by Kenyan insurance companies in meeting student market at the universities in Kenya. United States International University was used as a case study in this research. The study therefore recommends that further research be carried out on the same topic focusing on insurance companies in order to get
the perspective of the insurance companies. Secondly, further study be carried out on the impact of insurance policies on the performance of the economy.

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APPENDICIES

Appendix I: Cover Letter
APPENDIX II: QUESTIONNAIRE

This study is a requirement for the partial fulfilment of a degree of Masters in Business Administration (MBA) at the United States International University. The purpose of this study is to evaluate the strategies adopted by Kenyan insurance companies in meeting student market at the universities in Kenya. The findings of the study will provide the management and other stakeholders of with information that is useful on how to meet the target of the university students. This is an academic exercise and all data collected from the respondents will be treated with utmost confidentiality.

PART A: GENERAL INFORMATION

Kindly answer all the questions by either ticking in the boxes or filling in the space provided.

1. Age
   - Below 25 yrs
   - 25-30 yrs
   - 30-35 yrs
   - Above 35 yrs

2. Your gender. Please tick. Male ☐ Female ☐

3. Marital status. Married ☐ Single ☐ Widow ☐ Divorced ☐

4. Do you have an insurance cover? Yes ☐ No ☐
   b. If yes, what type of insurance cover do you have?
      - Medical ☐
      - Motor or Household ☐
      - Life ☐
      - Pension ☐

5. Do you have a source of income? YES ☐ NO ☐
   b. If yes, What are your sources of financing?
      - Self-financing ☐
      - loan form financial institutions ☐
      - Family and friends ☐
      - Mobile loan ☐
6. What elements can hinder you from taking insurance product?

   i. Insecurity fear
   ii. unable to cope with the system
   iii. too complex to learn
   iv. Time wasting

SECTION B ANALYZING WHETHER DIFFERENTIATION FOCUS
INFLUENCE THE STUDENT MARKET

INSURANCE STRATEGIES

1 = Strongly Disagree  2 = Disagree  3 = Neutral  4 = Agree  5 = Strongly Agree

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<tbody>
<tr>
<td>1. Insurance companies do not have a strategy for the university students market</td>
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<td>3</td>
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<td>5</td>
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<td>2. Insurance uses the same strategies for all market</td>
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<td>3. University students do not have enough income to buy insurance</td>
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<td>2</td>
<td>3</td>
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<td>5</td>
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<td>4. University student market is too risky</td>
<td>1</td>
<td>2</td>
<td>3</td>
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<td>5</td>
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<tr>
<td>5. University students needs cannot be addressed by insurance</td>
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SECTION C: ESTABLISHING WHETHER COST FOCUS STRATEGY
INFLUENCE THE STUDENT MARKET

B. Cost Leadership Strategy

1 = Strongly Disagree  2 = Disagree  3 = Neutral  4 = Agree  5 = Strongly Agree

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<tr>
<td>1. insurance firm has low costs of operation and higher volumes of sales</td>
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<td>2. insurance firms gains cost advantage through proprietary technology</td>
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3. Insurance firm has lowered the costs of operations by having skewed workforce and advanced technology.

4. Insurance firm has gained cost advantage through economies of scale.

5. Insurance firms in Nairobi town operate in a price-driven market.

6. Insurance firms in Nairobi town face a war of prices as they compete against each other.

SECTION D. ESTABLISHING WHETHER FOCUS STRATEGY INFLUENCE THE STUDENT MARKET IN KENYAN UNIVERSITY.

1. = Strongly Disagree 2 = Disagree 3 = Neutral 4 = Agree 5 = Strongly Agree

1. Our firm has a specific target for student market. 1 2 3 4 5

2. Our firm has specialised services it offers to students 1 2 3 4 5

3. Our firm is innovative in the product it offers to the students 1 2 3 4 5

4. Our firm offers better service packages to students than its competitors 1 2 3 4 5

5. The greatest focus is on quality of products for the students. 1 2 3 4 5
SECTION E: STUDENT MARKET

Insurance restrictions on student market

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<th>Description</th>
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<tbody>
<tr>
<td>1</td>
<td>Insurance strategies are geared towards earning more than paying</td>
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<td>2</td>
<td>Insurance industry change rarely</td>
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<td>3</td>
<td>Demand for insurance comes from adult only</td>
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<td>4</td>
<td>There is little knowledge on the university students</td>
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<td>5</td>
<td>There is no strategy for the university students market</td>
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What are the things that will make you buy an insurance product?

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