MARKET PENETRATION CHALLENGES BY INSURANCE COMPANIES IN KENYA

BY

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UNITED STATES INTERNATIONAL UNIVERSITY AFRICA

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A Research Report Submitted to the Chandaria School of Business in Partial Fulfilment of the Requirement for the Degree of Masters in Business Administration (MBA)

UNITED STATES INTERNATIONAL UNIVERSITY AFRICA

SUMMER 2015
STUDENT'S DECLARATION

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

Signed: ___________________________  Date: _________________________________

Turayishimye Thierry Ayishashe 626478

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

Signed: ___________________________  Date: _________________________________

Prof. Kefah Njenga

Signed: ___________________________  Date: _________________________________

Dean, Chandaria School of Business
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ABSTRACT

The main objective of the study was to establish the market penetration challenges for insurance companies in Kenya. The study was guided by the following objectives: to find out the internal organizational challenges that affect market penetration by insurance companies, to establish the external challenges that affect market penetration by insurance companies and to establish if attitude and buying behavior of the target customers contribute to market challenges by insurance companies.

In order to achieve the above, the study adopted a descriptive research design to obtain the necessary data. Descriptive research design facilitated the collection of the primary data as a way of getting into the research objectives. The target population of this study was all 44 licensed insurance companies in Kenya, operating in three levels namely Global, Regional and Local. The sample size of the study was of 150 respondents. These included 30 agents, 100 customers and 20 employees from the four insurance companies. The collection of the primary data was done using structured questionnaires that were pilot tested in order to ensure that there was reliability as well as validity. The coding of the data was done with the use of Microsoft Excel as well as SPSS in order to generate the descriptive statistics for instance frequencies and percentages. The presentation of the results was in form of figures, tables as well as cross tabulations.

The study established that internal factors within an organization indeed play a key role in penetration of markets by insurance products. The study revealed that a majority of the respondents, 70 percent felt that internal factors do influence the market penetration of insurance products to a large extent, market approach, (70 percent large extent), fund managers experience, (70 percent), internal business processes, (75 percent), fund size, (81 percent), customer care practice (78 percent), client communication (78 percent), all influence affect market penetration by insurance companies.

The findings on the external organization factors that influence market penetration by insurance companies revealed that government policy, (83 percent) industry dynamics, (80 percent), market forces (77 percent), competition (85 percent), power of buyers and
suppliers (80 percent), and threat of new entrants 80 percent, all influence market penetration to a large extent.

The study also showed that the attitude and buying behavior of the target customers contribute to market challenges by insurance companies revealed that there are six attributes that are equally important with regards to the attitude and buyer behavior, that is: overall affordability, quality and brand name, friendly staff, physical and socio-cultural settings, safety and security.

The study concludes that indeed there exists certain internal challenges within insurance companies in Kenya that affect market penetration of the products to the consumers. More specific the product offering, market approach, and fund managers experience, internal business processes, fund size, customer care practice, client communication all influence market penetration. The study also concludes that there are also external organization factors that influence market penetration of insurance in Kenya. Some of the factors include government policy, industry dynamics, market forces, competition, power of buyers and suppliers, and threat of new entrants, all influence market penetration of insurance in Kenya. Consumer attitude and buying behavior also contribute to market penetration challenges faced by insurance companies.

The study recommends that management should control the internal organizational challenges which vary from organization to organization. This therefore means that each organization has an opportunity to acquire and thereby maintain a competitive advantage if they properly maximize on the internal organization capabilities. The study therefore also recommends that external factors and consumers attitude should be monitored in order to facilitate market penetration of the insurance products. Organizations should also maximize on their strengths and capabilities in order to enhance market penetration in Kenya.
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DEDICATION

I dedicate this work to my family for their sacrifice that enabled me to complete this project.

They were the source of inspiration.
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CHAPTER ONE

1.0 INTRODUCTION

1.1 Background of the Problem

The insurance industry is faced with a number of challenges, among them we have the problem of internationalization and globalization, and this has therefore increased competition (Solomon, 2014). In addition other factors such as ageing populations or the increasing opportunities in certain parts of the world, has further complicated insurance entrepreneurship. It follows therefore that insurance companies need to continuously innovate, especially in terms of: creating new products and services improving their competitiveness by use of advanced marketing strategies and techniques, efficient distribution channels, as well as heterogeneous alliances (Procházka, 2007).

In Africa the nature of competition in the Insurance industry has generated various levels of marketing strategies and applications. All players in the insurance industry are competing for the limited insured population. In practice therefore, this means that insurance companies need to understand vehemently how their customers relate to insurance services, for instance how they perceive threats and risks, as well as the need for financial and psychological safety and security, how customers compare and evaluate alternatives, and how such customers decide to (or not to) purchase insurance services (Stávková, Stejskal and Toufarova, 2009).

Insurance in Kenya is known to have been in existence for over sixty years now with the first insurance companies believed to have been owned by British insurers during the colonial times. The industry is governed by the Insurance Act and regulated by the Insurance Regulatory Authority. The Insurance Regulatory Authority (IRA) was created by the Insurance (Amendment) Act of 2006 and came into operation on 1st May 2007 (IRA, 2010).

The Authority was established with the mandate of regulating, supervising and developing the insurance industry. Before the establishment of IRA, these functions were performed by the Department of Insurance in the Ministry of Finance (IRA 2010). Currently there are 44 insurance companies and 2 locally incorporated reinsurance companies which are licensed to operate in the country (AKI, 2013). Of these, 20 are general insurers, 7 long term insurers...
and 15 are composite (both life and general) insurers. Additionally there are 201 licensed brokers, 21 medical insurance providers (MIPS), 3,076 insurance agents, 23 loss adjusters, 1 claims settling agent, 8 risk managers, 213 loss assessors/investigators and 8 risk managers (Republic of Kenya, 2012).

The insurance industry in Kenya has become competitive due to proliferation of marketing activities in various categories. Insurance companies are using consumer sales promotion to differentiate one’s offer from the other. More and more budget is allocated to these activities by the companies in the industry in order to lure customers to patronize their services. This is because consumers who patronize insurance services do not mind switching from one company (Rangsan and Titida, 2011). Insurance companies use various strategies to create a niche for themselves in the environment they choose to operate which include diversification, decentralization, centralization and mass distribution. Decentralization is a strategy in which insurance companies open various semi-autonomous branches and subsidiaries that operate to a large extend with independence from the head office. This is mainly aimed at giving comprehensive customer service to the customers at the branch or subsidiary level. Centralization is where the branches or subsidiaries are strictly dependent on the head office at almost all levels of operation. Diversification is employed by insurance firms in the way of owning other related businesses such as banks, investment firms and insurance brokerage firms. Diversification Strategy involves the directions of development, which take the organization away from its present markets and its present products at the same time (Johnson and Scholes 2002).

Insurance is distributed through a variety of marketing channels. Although there are insurers who market their products directly to buyers by mail, telemarketing or sales representatives who are company employees. Most of insurance products are sold via intermediaries. Intermediaries are individuals or business firms with some degree of independence from the insurer; they stand between the buyer and seller. The degree of independence of insurance intermediaries varies considerably depending upon the design of the distribution channel. Independent agents enjoy a notable degree of independence compared to exclusive agents who often are independent contractors rather than employees but represent only one
company. Agents have the freedom to represent several insurers. These are insurance professionals that serve as an intermediary between the insurance company and the insured. Under the law, an insurance agent’s liability to their customers is administrative. That is, they are only responsible for the timely payment of premiums and paperwork. They have no duty to conduct thorough examination of your business or to make sure you are properly covered; it is your obligation to make sure you have purchased the needed coverage. Insurance agents can either be captive or independent. Captive agents are those that work for only one insurance company while independent agents represent a variety of different insurers. An independent agent is able to offer various products from several insurance companies and thus offer some choices to their clients for comparison (Hunter, 2005).

Insurance agents commonly referred to as producers in the insurance industry sell one or more types of insurance such as property, life or health. Within the Kenyan market, insurance agents must be licensed by the Insurance Regulatory Authority. They must also hold at least a Certificate of Proficiency (COP) from the College of Insurance. Under the Kenyan market, the agent is contracted by the Insurance Company to sell insurance on their behalf and as such they are not directly liable for their negligence but their principal who is the insurance company. It is the responsibility of the insurance company to vet the agent and satisfy themselves that they have the relevant capabilities to represent them (Hall, 2000).

The nature of competition in the insurance industry in Kenya has generated various levels of marketing strategies and applications in order to enhance market penetration. All players in the insurance industry are competing for the limited insured population that is estimated at less than 4% of the Kenyan population (IRA, 2012). This means that the insurance penetration levels in Kenya are very low hence the intense competition from the few players in a bid to capture the few insured customers. In such an intense industry some insurance firms have been forced to seek regional expansion without even saturating the Kenya market (G.O.K, 2012).

In such scenario, it is very essential to study the various challenges facing insurance companies with regards to market penetration in Kenya. Hence it would be of interest to a
marketer to learn about consumer preferences with respect to insurance products; what schemes do consumers prefer for what kind of services, which media they prefer to learn about the schemes, whether they prefer incentive immediately or at later date. These are the questions which consumers consider while choosing a brand. Similarly marketing managers in the industry also consider such marketing strategies while designing their schemes (Rangsan & Titida, 2011).

1.2 Statement of the Problem
In Kenya there has been little success as far as market penetration by insurance is concerned. The penetration rate in Kenya is merely 4 percent of the total population (IRA, 2013). The 44 licensed insurance companies compete for a limited market characterized by low penetration (UAP, 2013). Kenyans' uptake of insurance cover, both at corporate and personal level, remains predominantly in the motor, fire industrial and personal accident (mainly group medical cover) classes (UAP, 2013). This illustrates a poor attitude towards personal insurance cover in general.

In spite of these developments, not much has been done in topic of market penetration of insurance firms in the Kenyan market. Most researchers have focused on consumer behaviour in other industries (Barasa Wabuke and Muliaro 2012). A study by Nginga (2013), on the factors that influence the consumer buyer behavior of Kenyans to buy insurance products revealed that Kenyans are influenced by both psychological and sociological factors, when making a choice on the insurance products. According to Obuya (2013), while examining the influence of sales promotion on consumer buying behavior for insurance products in Kenya, revealed that insurance customers are influenced by perceived quality, and brand awareness. This study therefore sought to bridge the gap in literature by examining market penetration challenges with specific interest in the insurance industry in Kenya. The study identified some of the factors that might lead to challenges in market penetration.

1.3 General Objective
The study sought to establish the market penetration challenges for insurance companies in Kenya.
1.4 Specific Objectives
The specific objectives of the study were:
1.4.1 To find out the internal organizational challenges that affect market penetration by insurance companies
1.4.2 To establish the external challenges that affect market penetration by insurance companies
1.4.3 To establish if attitude and buyer behavior of the target customers contribute to market challenges by insurance companies

1.5 Significance of the Study
The research findings and recommendations will be of benefit to;

1.5.1 Insurance Companies
The study will provide information to Insurance Companies in Kenya especially when it comes to selling their insurance products; this automatically taps into their strategic goals. Insurance companies will have a clearer understanding on the market penetration challenges and how to overcome them from the recommendations and the findings. The study will also assist the management team of insurance companies to plan and coordinate marketing activities that will help consumers be at a better position and informed on the benefits of insurance products.

1.5.2 Consumers
This study is beneficial to the consumers in that they will have more knowledge about insurance products and the importance of insurance, they will also learn about the different insurance terminologies and the different insurance companies in Kenya. Consumers will be at a better position in making decisions on what insurance product to go for and how they can benefit from the products.

1.5.3 Researchers and Academicians
This study is also helpful to other researches and academic institutions to learn about Kenya’s insurance industry. This study will also be the centre piece idea to other students
willing to pursue a research on a similar field. This is so because the final draft of the completed research will provide further areas of research.

1.6 Scope of the Study
The study was limited to research on challenges of market penetration by insurance companies in Kenya. This study was carried out in four insurance companies, these are: Britam, UAP, Jubilee, and Phoenix, who have had challenges in penetrating the Kenyan insurance market but are currently enjoying success in the regional markets. The study was conducted in September 2013 to December 2013, and will be limited to the activities of this year.

The research encountered a few limitations, such as lack of cooperation from the respondents. This was mitigated by obtaining clearance from the relevant university offices to ensure authenticity of the research. A letter of introduction was used to assure respondents that the information given will be used for research purposes only and that the information given will be treated with confidentiality. The respondents were also assured of anonymity as the questionnaire had the option of whether to indicate the respondents name or not.

The other limitation encountered during the research was not getting all the questionnaires issued to the respondents. This was mitigated by numbering the questionnaires issued so as to keep track on how many have been returned and how many have not been returned and for easy analysis of the results and findings using SPSS.

1.7 Definition of Terms
1.7.1 Market Penetration
Is the act of making entry into a certain market through product or service (Jones, 2012).

1.7.2 Attitude
This can be defined as customers view on product or service (Hungler and Wheelen, 2007).
1.7.3 Investors
These are individuals who engage in the buying of a product or other valuable item of while expecting a good future return (Brown, 2008).

1.7.4 Mutual Funds
These are investment groups set up by professional investors and headed by an investment manager (Kaplan et al., 2009).

1.7.5 Internal Factors
These are organizational specific factors that contribute or facilitate the market penetration (Lynch, 2010).

1.7.6 External Factors
These are outside forces that contribute or facilitate market penetration (Lynch, 2010).

1.8 Chapter Summary
This chapter has looked at the background of the study, problem statement, the purpose, scope, and importance of the study. The chapter also states the three specific objectives that formed the basis of the study. Chapter two presents a literature review on the internal and external factors that influence market penetration. Chapter three discusses the research methodology that was used in the execution of the study, Chapter four gives the findings of the study while chapter five provides a summary, discussion, conclusions and recommendations that arise from the findings.
CHAPTER TWO

2.0 LITERATURE REVIEW

2.1 Introduction

This chapter presents the various views and perspectives of different scholars which are based on the research objectives. The first section discusses the internal factors affecting market penetration by insurance companies, the second section discusses the external factors that affect market penetration while the last section unearths empirical strategies that affect the attitude and buyer behavior of the target customers and how insurance companies can enhance market penetration.

2.2 Internal Organizational Challenges to Market Penetration of Insurance

2.2.1 Product Offering

Product offering goes a long way in ensuring that product developments as well as marketing efforts reliably go about with meeting the local demand especially for insurance products. This therefore means that indeed good product offerings as well as effective marketing is likely to bring about successful savings mobilization program, which go a long way in ensuring that there is growth in the institution. The first step when it comes to determining how best to meet client demand for insurance products is to establish what clients and potential clients want. It follows therefore that the moment such information is acquired, insurance managers need to evaluate the existing products so as to be able to see if the benefits offered by the product meet the customers needs. Organizations can therefore make use of available sources of information so as to evaluate products and services being offered. Sources of information include: staff observations, competitor activities client complaints, market research as well as national financial market behavior. If indeed the existing products are not likely to meet the demand for insurance products then it follows that new products have to be developed so as to fill the void (Cortor and Chen, 2006).

2.2.2 Pricing

Pricing is considered to be one of the four P's of the marketing mix which can be used by organizations to enhance market penetration (Brassington, 2011). It can therefore be considered to be the manual or automatic process which applies prices to purchase and sales
orders, on the basis of factors such as a fixed amount, quantity break, promotion or sales campaign, specific vendor quote, price prevailing on entry, shipment or invoice date, combination of multiple orders or lines, and many others. Organizations need to choose a good price in order to achieve the financial goals of the company; fit the realities of the marketplace and support a product's positioning and be consistent with the other variables in the marketing mix. Price is seen to be influenced by the type of distribution channel used, the type of promotions used, and the quality of the product. Price will usually need to be relatively high if cost incurred are high, distribution is exclusive, and the product is supported by extensive advertising and promotional campaigns. In this regard therefore that allow price can be a viable substitute for product quality, effective promotions, or an energetic selling effort by retailers (Jobber, 2010).

According to Dickman (2009), an insurance consumer to be one who is very much conscious about how much they pay for their goods and services, as well as how much to charge for a product or service is usually a typical starting point question for discussions about pricing. It means therefore that companies make use of pricing as part of their positioning, employing one of three strategic approaches premium pricing, value for money pricing and undercut pricing (Dickman, 2009).

According to Hutt and Speh, (2008), industrial good costings includes much more than the sellers’ price. They therefore argue that there exists three dimensions of looking into price which include availability of complete information on the amounts to be paid for market offerings. Secondly, they also considered the additional costs that come with the purchase of a new item such as repairs, maintenance, transportation which they felt managers must consider in making a pricing decision. Finally they viewed price from the dimension of risk associated with the acquisition of a new product. They thought of the functional aspect of the product and the technicalities that go with it.

Organizations therefore have to ensure that while choosing a pricing objective and a related strategy they are required to carefully consider the business and financial goals. In this regard therefore the state of the market including its past and future, the prices of the products and
prices of the competition and possibly their business goals. Organizations therefore need to select objectives and strategies that will position their products and business for success. In this regard, it is important to choose an objective and strategies that are appropriate for their business at the current time does not prevent you from changing objectives or employing different strategies in future as your business grows or changes (Giddens, 2005).

**2.2.3 Market Approaches**

There are several promotional strategies that can be used to create customer motivation to buy insurance products; these include personal selling, advertising through printed media and electronics, financial planning seminars, sales promotion as well as every year highlighted event.

Advertising, sales promotion and public relations are mass communication tools available to insurance firms. In this regard therefore mass communication is considered to have the same message for everyone in an audience. In this regard therefore tools available for mass communication trade off the advantage of personal selling as well the opportunity to tailor a message to each prospect, for the advantage of reaching many people at a lower cost per person (Jone, 2007). Dunn, *et al*, (1987) considers advertising from its functional perspective, and as such they define it as a paid, non-personal communication through various media by business firms, non-profit organization, and individuals who hope to inform or persuade members of a particular audience.

Consumers who patronize insurance services are likely not to switch from one company to another as a result of sales promotion offer. In this regard therefore it would be of interest to a marketer to be able to learn about consumer preferences with respect to sales promotion offers; what schemes do consumers prefer for what kind of services, which media they prefer to learn about the schemes, whether they prefer incentive immediately or at later date. These are the questions which consumers consider while choosing a brand. Similarly marketing managers in the industry also consider such marketing strategies while designing their sales promotion scheme (Rangsan and Titida, 2011).
According to Rangsan and Titida (2011), promotions that increase value are likely to manipulate the quantity/price equation in order to increase the perceived value of a product offering. Such discounts would include: coupons, payment terms, multi-parks or quantity increase. Value-adding promotions manipulate the price and core product untouched, and offer the customer something extra. Examples of these are product trial or samples, valued packaging, free gifts, loyalty schemes or clubs information (such as a brochure or in-store magazine) or a competition. In high competition in the insurance industry, sales promotion is the one important tool that many insurance providers will use to compete and stimulate sales.

2.2.4 Customer Service

There are many ways in which insurance companies can enhance their customer experiences (Stone, 2009). These services are often considered an added benefit in buying the products of a company (Burns, 2011). According to Hunter (2012) customers have the tendency to feel more positive about a particular brand of insurance to which they had previous good experience dealing before, during and after the sale has been consummated.

According to Burns (2011), customer service is free and should therefore not be part of any add-on on services offered by a company on their products or services. Customer service need therefore, fulfill the deepest needs of customers. As such, customer service is meant to enhance the main offer of an insurance and is in itself not the main offer. It is a pleasant bonus that business companies offer their customers to reinforce the message that the business company cares about their expectations, needs and wishes (Burns, 2011).

Today, customers believe in easy, flexible and accessible service all round the clock. It is imperative for customer service strategists to understand the customer needs and demands across multiple business segments in order to tailor service offering to segment potential. They must create and communicate a clearly defined customer experience vision throughout the organization to serve well defined segments. The core service levels that meet customer expectations and industry standards need to be clearly outlined. The customer service strategists must strive to maximize customer retention through superior relationship management and customer service processes. They must optimize the utilization of resources
against customer demand and proactively focus on the customer in new product and service development. The organization must be aligned around customer service in regard to service delivery. The strategist must significantly improve competitive advantage through best in-class deliverable customer service. In the non-manufacturing sector, the most difficult issues is in understanding what the organization’s core processes and enabling functions are and how they work together to deliver what the customer needs, wants and expects (Walker, 2002).

2.2.5 Client Communication and Transparency

Insurance firms should be able to quickly identify customers’ activities through a management information system that accurately reports and monitors such activities. They therefore need to follow up with the clients to communicate to them any message that is relevant to the customer in a timely manner. Follow-up procedures may involve visiting the client, scheduling weekly staff meetings to discuss customer issues and decide on the correct action as well as the suitable communication channel to use for their clientele (Ledgerwood, 2009).

The market penetration strategy involves increasing the sales of present products and services in the present market. Market development strategy involves initiating sales of existing products and services in new markets. Product development strategy involves providing new products to existing markets. Diversification strategy entails developing new products or services for new markets. Consolidation strategies involve paring either the services it offers or the market it serves. Consolidation strategies include divestment, pruning, retrenchment and harvesting (Jones and Bartlett, 2010).

2.3 External Challenges to Market Penetration

2.3.1 Government Policy and Regulation Pressure

According to Porter (1988), government are considered to be limiting factor especially with regards to entry of firms into a particular jurisdiction. In some cases governments can even foreclose firms’ entry into industries with the use of certain controls such controls as licensing requirements and limits on access to raw materials. Governments can also influence
major political decisions especially with in cases where it is part of corporate strategy as long as this is done openly and with integrity. In this regard therefore any insurance company that does not take account of the history and momentum of politics ignores an essential element of the environment (Lynch, 2000).

Oliver (2009) further argues that regulatory pressures are likely to constrain heterogeneity especially through the prescription of uniform resource standards, competencies as well as ways of deploying resources across given industries and by defining what resources are socially acceptable or permissible as inputs. These pressures according to Oliver limit diversity by constraining the range of firms’ permitted resource options and by imposing common societal expectations across competing firms about how inputs should be combined and deployed in production. Political processes and legislation influence the environmental regulations which industries must comply. These changes can benefit or damage an industry (Dess, Lumpkin and Eisner, 2006).

Thompson, Strickland and Gamble (2005), further argues that government regulatory actions are likely to force significant changes in industry practices as well as strategic approaches. In this regard therefore deregulation continues to be a pro-competitive force in the airline, banking, natural gas, telecommunications as well as electric utility industries. In this regard therefore governments are likely to drive competitive changes by opening their domestic markets to foreign participation or closing them to protect domestic companies.

The industry is governed by the Insurance Act and regulated by the Insurance Regulatory Authority. The Insurance Regulatory Authority (IRA) was created by the Insurance (Amendment) Act of 2006 and came into operation on 1st May 2007. (IRA 2010). The Authority was established with the mandate of regulating, supervising and developing the insurance industry. Before the establishment of IRA, these functions were performed by the Department of Insurance in the Ministry of Finance (IRA 2010). As per AKI Insurance Industry Report for the year (2009).
2.3.2 Market Conditions
Lynch (2000) is of the opinion that market growth rate is very essential because markets that are growing rapidly offer more opportunities for sales than lower growth markets. Rapid growth is less likely to involve stealing share from competition and more likely to come from new buyers entering the market.

Porter (1998) further argues the recognition and accuracy in reading market signals is of major significance especially with regards to the development of competitive strategy and reading signals from behavior is an essential supplement to competitor analysis. A prerequisite to interpreting signals accurately is to develop a baseline competitor analysis; an understanding of competitors’ future goals, assumptions about the market and themselves, current strategies and capabilities. It is not uncommon for competitors to comment on industry conditions, including forecasts of demand and prices, forecasts of future capacity and the significance of external changes. Such commentary is laden with signals because it may expose the commenting firm’s assumptions about the industry on which it is presumably building its own strategy.

The insurance industry is typically characterized by much uncertainty over potential market size, how much time and money will be needed to surmount technological problems and what distribution channels and buyer segments to emphasize. When firms are successful in introducing new ways of marketing their products, they spark a burst of buyer interest, widen industry demand, increase product differentiation and lower unit costs-all of which can alternative the competitive position of a firm (Thompson et al, 2005)

2.3.3 First Mover Advantage
Early movers are likely to preempt resources especially with regards to the various types including: superior positions in geographical space, technological space, or customer perceptual space. Pioneers have the ability to expand and defend their position through blocking product space with a broadening product line. Preemption of superior human resources is also possible if the organization can retain existing employees (Lieberman and Montgomery, 1998).
In this regard therefore to initiate a strategic move first can have a high payoff in terms of strengthening a company’s market position and competitiveness when: pioneering helps build a firm’s image and reputation with buyers; early commitments to new technologies, new-style components and distribution channels can produce an absolute cost advantage over rivals; first-time consumers remain strongly loyal to pioneering firms in making repeat purchases and moving first constitutes a preemptive strike, making imitation extra hard or unlikely (Thompson et al, 2005).

Additionally, being a fast follower or even a wait-and-see late-mover does not always carry an essential or lasting competitive penalty. It follows therefore that there are times when a first mover’s skills, know-how and actions are copied or even surpassed, allowing late-movers to catch or overtake the first-mover in a relatively short period. There are also times when there are actually advantages of being an adept follower rather than a first-mover. Late-mover advantages are when: pioneering leadership is more costly than imitating followership and only negligible experience or learning-curve benefits accrue to the leader (follower has lower costs than leader); the products of an innovator are somewhat primitive and do not live up to buyer expectations thus allowing a clever follower to win disenchanted buyers away from the leader with better-performing next-generation products; and technology is advancing rapidly giving fast-followers the opening to leapfrog a first mover’s products with more attractive and full-featured second and third generation products (Thompson et al, 2005).

2.3.4 Bargaining Power of Customer

The insurance industry is a high buyer concentration industry, where many people use bank service, such as deposit money, mortgage, loan, investment and currency exchange. It follows therefore that buyer information availability is high. The internet for instance is currently changing people’s life, this means customer can easily obtain information through the internet and compare the price and services easily. Similarly the availability of existing substitute products is high. Many substitute product or service are present in recent year as they are mainly provided by other financial institutions (Powers, 2010).
2.3.5 Bargaining Power of Suppliers

A service industry does not raw materials but it requires labor, components, and other supplies. This requirement leads to buyer-supplier relationships between the industry and the firms that provide the raw materials (Kelly, 2010). Suppliers, if powerful, can therefore exert an influence on the industry, such as selling raw materials at a high price to capture some of the industry's profits. In a service sector there is no direct supplier of raw material. However the supply of supporting facilities like cheque books, furniture, stationeries, among others can give the same analogy. Insurance capital supplier is low in Kenya, this is because customers will compare with other financial product to see whether to use insurance products or not. Computer equipment supplier is also low (Powers, 2010).

2.3.6 Threats of new Entrants

The possibility that new firms are likely to enter the industry greatly affects competition. In theory, any firm should have the ability to enter as well as exit a market, and if free entry and exit exists, then profits always needs to be nominal (Kelly, 2010). In reality, however, industries have characteristics that protect the high profit levels of firms in the market and as such inhibit additional rivals from entering the market. However, when most countries and cities join World Trade Organizations as well as the Internet effect, the barrier of insurance firms disappears. Many financial even non-financial organizations can therefore easily enter the insurance industry. They can use for instance more little money to build a website; similarly, they can as well integrate with other organizations. The switching cost of such behavior therefore becomes smaller than before and therefore the advantage is larger than before also.

2.4 Attitudes and Consumer Buying Behavior on Market Penetration

2.4.1 Consumer Attitudes and Market Penetration

In everyday activities consumers are considered to be very key with regards to a number of purchase decisions. According to various studies the consumer decision-making process are likely to be a number of stages, that include need recognition, search for information, evaluation of alternative options that could meet the consumer’s expressed need, purchase
and post-purchase evaluation (Rousseau, 2007). The decision-making process as a whole, as well as each stage in the process, is therefore greatly influenced by a number of external influences such as the family, culture and reference group as well as internal influences, for example perception, motivation and personality (Hawkins and Mothersbaugh, 2010).

According to a study by Hawkins and Mothersbaugh (2010) perception begins with consumers’ exposure and attention to marketing stimuli and then ends with their interpretation of the stimuli. Etzel, Walker and Stanton on the other hand add that consumers’ perception is not only determined by the characteristics of the stimuli, but as well the characteristics of the consumer him or herself. It is therefore important for that marketers obtain a thorough understanding of their target markets as well as how consumers will perceive various marketing-related stimuli. For example, Etzel et al. (2007) argues that the four elements of the marketing mix, namely product, place, distribution and promotion, are likely to influence consumers’ perceptions of the business, and therefore their selection. Manning and Reece (2007) also argues that customers will perceive the product’s value on the basis of its benefits which, in turn, is greatly influenced by the product’s performance, features, quality, warranties, packaging as well as labelling.

Innovation and technology in the insurance sector continues to be necessitated by the need to be competitive in a global environment. According to Oyeyinka and Lal (2004), the growth it is evident that new technologies has been and is indeed critical for the development of all sectors of the economy in terms of providing employment, enhancing productivity, as well as the efficiency of resource use and improving information flow, use of timely, accurate and complete decision making at policy making level and planning. In the end, adoption of technology by business enterprises contributes positively towards enhancing competitiveness within a competitive environment (Republic of Kenya, 2004).

2.4.2 Consumer Behaviour and Market Penetration
Consumer behavior can be defined as the decision-making process and physical activity involved in acquiring, evaluating, using and disposing of goods and services (Armstrong, 2010). This definition clearly brings out that it is not just the buying of goods/services that
receives attention in consumer behavior but, the process starts much before the goods have been acquired or bought. A process of buying starts in the minds of the consumer, which leads to the finding of alternatives between products that can be acquired with their relative advantages and disadvantages. This leads to internal and external research. Then follows a process of decision-making for purchase and using the goods, and then the post purchase behavior which is also very important, because it gives a clue to the marketers whether his product has been a success or not. Consumer behavior is a complex, dynamic, multidimensional process, and all marketing decisions are based on assumptions about consumer behavior.

Impacts of information exploring in consumer’s reaction to price discounts could characterize as perceived explored profits (Ailawadi, *et al.*, 2001). There are exploring resources when products buying help consumers to satisfy their main needs about diversity information or innovation (Baumgartner & *et al.*, 1996). In the modern day and age technology is considered to be a very key element when it comes to competition that has created changes in how products and services are presented (Gilaninia, Alipour and Mousavian, 2012). According to Schulz (2006) technology is considered to be the driving force behind the success of marketing activities as well as innovation in the insurance industry.

Hacket (2009) is of the argument that while technology is considered to an important theme as those of us in developed economies fight for any performance-enhancing advantage, he therefore suggests that innovation alone does not begin to explain the complexity of the elements drive survival. Despite this sentiment, technology is considered to be a high strategic priority especially for most companies and is typically regarded to be a strong contributor to a firm’s success (Mckinsey Global survey, 2009). This is mainly as a result of the purpose of marketing given that customer satisfaction in return for profit and satisfying customer needs and meet the needs of his efficiency is identify needs, desires, tastes, attitude, expectations and desires of customers in buying. Marketers having access to such information can identify the factors affecting the behavior of consumers and their products and realize the effect amount of each of these factors on their behavior.
Customers are considered to people who need assistance from you and are not an interruption to the marketers job but are the reason why marketers have a job. They can therefore be classified into external and internal customers. Good customer service is therefore considered to involve taking that extra step to help without being asked. It is all about attitude and skills. Attitudes that assist in good customer service include enjoying helping people, handling people well, caring for your customers, giving fair and equal treatment to all and being understanding to people with special needs. Skills for good customer service include knowing about your organization, learning the technical parts of your job, communicating well, being consistent and organized, and finally knowing your place in the team and being a team player.

The quality of service rendered is considered to be affected by reliability, confidence, responsiveness, efficiency, consistency, organization as well as acceptance of and adherence to policies and procedures. It follows therefore that good customer service can be planned by recording procedures, reporting procedures, observing as well as reporting customer needs, being proactive in improving service, marketing your organization and setting processes and procedures of dealing with difficult cases. Organizations therefore are regarded to purpose to train their employees on effective communication, creation of positive impression, development and maintenance of customer service standards as well as planning on good customer service. Managing customer interactions is therefore considered as central to the creation of a superior customer experience. The key parameters of the customer service strategy are mapped against the organization process and serve as inputs to deploy the appropriate technology solution and translate strategy into action (Nairn, 2012).

Chatron (2010), argues that the business today has become very competitive market and thus, it is difficult to make a sale. An therefore organization must distinctively separate its business from that of competitors and lead each of its prospective customers to think that they would be a complete idiot to do business with anyone else regardless of the price. Vacation and travel incentives are one of the most powerful methods of attracting business, retaining profitable clientele, increasing profits, enhancing product awareness and employee productivity. Organizations have made use of travel incentive because it creates a lasting
memory for the participants. Cash bonuses are necessary but travel is a higher perceived reward. When people spend their money, it’s gone, but the recognition that comes from travel lives on (Chatron, 2010).

Sales incentives schemes need to be systematically designed and executed in order to ensure that there is appropriate planning as well as the creation of the needed infrastructure and additional investment that are very necessary when it comes to support the results arising from the sales incentives program. Sales incentive programs can be very effective in delivering positive results from the stand point of bottom line measures. However, a business process view is considered to be extremely important; a sales incentive program must take into consideration the impact on other organizational factors to ensure smooth operation without negative side effects (Gopalakrisha, 2007).

2.5 Chapter Summary

This chapter provides valuable information regarding the factors, which affect market penetration for insurance products in Kenya. The first section discusses the internal factors that affecting market penetration by insurance companies, the second section discusses the external factors that affect market penetration while the last section unearths empirical strategies that can be used to enhance market penetration. The next chapter presents the research methodology.
CHAPTER THREE

3.0 RESEARCH METHODOLOGY

3.1 Introduction
This chapter presents the methodology components of the study, that is, research design, target population and sample selection, research instruments and data analysis. Consequently, the study was conducted in an objective, systematic manner of gathering information so at to attain the main goal.

3.2 Research Design
The research design used for the study was descriptive design. Descriptive design involved observation and measurement of the characteristics of the various entities under study as they were and then described them in a scientific manner the observations made (Mugenda and Mugenda, 2003). The researcher then drew conclusions based on the results of the study to answer the questions of the study. The method is an efficient way to obtain information needed to describe opinions and views of insurance companies’ functional and divisional managers on the market penetration challenges in Kenya. The method has an advantage in that it helped obtain data from each of the companies which then provided greater accuracy and reliability.

3.3 Population and Sampling Design

3.3.1 Population
Population is considered to be the total collection of elements on which we want to make inferences (Saunders, Lewis and Thornhill, 2009). Tull and Hawkins (2008) further defines a population as the group the researcher wants to generalize or learn about whereas the population is the larger set of observations while the smaller set is referred to as the sample. The target population of this study was four insurance companies Britam, UAP, Jubilee, and Phoenix.
Table 3.1: Population Distribution

<table>
<thead>
<tr>
<th>Segments</th>
<th>Population</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Agents</td>
<td>300</td>
<td>20%</td>
</tr>
<tr>
<td>Customers</td>
<td>1000</td>
<td>67%</td>
</tr>
<tr>
<td>Employees</td>
<td>200</td>
<td>13%</td>
</tr>
<tr>
<td>Total</td>
<td>1500</td>
<td>100%</td>
</tr>
</tbody>
</table>

3.3.2 Sampling Design

3.3.2.1 Sampling Frame

Cooper and Schindler (2008), define a sample frame as a list of elements from which the sample is actually drawn and is closely related to the population. A sampling frame could be a list of geographical areas, institutions, individuals, or other units added (Churchill and Brown, 2007; Saunders, Lewis and Thornhill, 2007). The sampling frame was derived from the IRA list of registered operational insurance firms in Kenya, while the list of customers was obtained from the insurance company databases.

3.3.2.2 Sampling Technique

Sampling technique is considered to be the method of selecting elements from the population that represent the population (Collins and Hussey, 2006). A sample is a group from the population that is representative of the population (Coopers and Schindler, 2008). Multistage sampling was used. First the respondents were stratified into the various categories namely: customers, agents and employees. Simple random sampling was then used to select the various respondents to take part in the study. The choice for this is based on the fact that the entire population is sufficiently small with only 44 licensed insurance companies.

3.3.2.3 Sample Size

Thietart et al (2001) defines a sample size as the set of elements from which data is collected. The sample size enables the researcher to have adequate time and resources in piloting and designing the means of collecting data. Cooper and Schindler (2008) state that how large a
sample should be is a function of the variation in the population parameters under study and the estimating precision needed by the researcher. The sample size ensures that the information is detailed and comprehensive. A sample size of 150 as calculated below was selected to participate in the study. The sample size represents a subset of sampling units from the population from which the actual study is carried out (Garson, 2012). This is the number of data sources that are selected from a total population (Gallardo et al, 2012).

Gallardo et al, (2012) provides a mathematical formula for calculating sample sizes as follows; 
\[ n = \frac{(a^2) \times (pq)}{(b^2)} \]
Where; 
- \(a\) is the z score 
- \(b\) is the margin of error 
- \(p\) and \(q\) are the estimate proportions. Assuming a 95% level of confidence with a z score of 1.96, margin of error of 8% and (50%:50%) proportions, 
Hence; the required sample size 
\[ n = \frac{(1.96 \times 1.96) \times (0.5 \times 0.5)}{(0.05)} = 150 \]
Random sampling was employed to pick proportionate number of respondents from each stratum as illustrated in Table 3.2.

<table>
<thead>
<tr>
<th>Segments</th>
<th>Sample Size</th>
<th>Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Agents</td>
<td>30</td>
<td>20%</td>
</tr>
<tr>
<td>Customers</td>
<td>100</td>
<td>67%</td>
</tr>
<tr>
<td>Employees</td>
<td>20</td>
<td>13%</td>
</tr>
<tr>
<td>Total</td>
<td>150</td>
<td>100%</td>
</tr>
</tbody>
</table>

3.4 Data Collection Methods
Primary data was used for this study to achieve the stipulated objectives. Primary data refers to data collected specifically for research project being undertaken (Cooper and Schindler,
2013). The tool used for this study was a questionnaire which facilitated information collection and documentation as interviews are conducted on the selected respondents. The advantages of using questionnaires are that they help identify and describe the variability in different phenomena, if worded properly, questionnaires normally require less skill and sensitivity to undertake, they can be administered over the phone or sent via email and finally, they provide documented evidence of the research findings hence the choice to use them. The questionnaire was divided into two parts. The first part sought information on the company background that relates to ownership and strategy. This enabled the researcher know the nature and type of the insurance company, while the second and subsequent sections was on the three research objectives. In order to maximize the response of the respondents, the researcher made personal visits to the respondents’ place of work where he did request the respondents to participate by responding to the questionnaires. Where the respondents were unable to complete the questionnaires on the spot, the researcher left them for a period of one week for the respondents to fill them at their convenience.

3.5 Research Procedures

In order to test the validity of the questionnaire, a pilot test was done adhering to the fundamentals attested by Cooper and Schindler (2008), who state its importance as being a tool that can be utilized so as to detect weaknesses in the research design. A time period of three days was sufficient for the pilot test. Based on the feedback obtained from the pilot test, the questionnaire was refined. The final version of the questionnaire was distributed to respondents in the sample size leaving out the respondents who took part in the pilot test. Since all the respondents are located within Nairobi area, three days were sufficient to distribute the questionnaires through drop and pick methods to the sample population of key employees working in the product development and innovation and marketing departments of the four insurance companies in Nairobi.

To ensure higher response rate, follow up calls were made, a cover letter addressing the respondents by name and title was attached so as to elaborate the academic purpose of the research, the respondents also were given the option of anonymity in their response and they were also assured of confidentiality. The researcher carried out the data collection at the
office premises of the target population. A time frame of one week was given to the respondents to fill out the questionnaires in order to avoid putting the respondents under undue pressure to fill out the questionnaire despite their busy work schedule.

3.6 Data Analysis Methods
The study involved both qualitative and quantitative methods of data collection. Quantitative analysis was done through editing and coding of filled questionnaires, data entry then cleaning of the data and finally analysis through the use of Statistical Package for Social Sciences (SPSS). Microsoft Excel was also be used to record and analyze data. The data analysis techniques used were descriptive and inferential techniques. Descriptive statistics was used to display characteristics of the location, spread and shape of an array of data. The main possible descriptive statistics to be used for the study include measures of central tendency and measures of dispersion. Inferential statistics. Inferential statistics used included linear regression and the T test (Cooper and Schindler, 2013). Data was presented using both tables and figures.

3.7 Chapter Summary
The chapter described the research methodology that was used to carry out the study. First it has defined the population, sampling technique, and size. This was followed by a description of the method that was used to conduct the research and the justification of the use of the chosen method. There is further discussion on the data collection methods and the instruments used stated. At the end, the chapter looked at the data analysis methods which was used by the researcher to analyze the collected data, and make conclusive remarks on the study. The following chapter presents the findings of the study.
CHAPTER FOUR

4.0 RESULTS AND FINDINGS

4.1 Introduction

This chapter presents the results and findings of the study on the research questions with regards to the data collected from the respondents. The first section presents the background information with regards to the respondents. The second section covers the internal challenges that affect market penetration. The third section looks at the external challenges facing market penetration and the final section was on the attitude and buying behavior of the target customers contribute to market penetration by insurance companies. A total of 150 questionnaires were issued, however only 100 were returned indicating 67% response rate.

Table 4.1: Response Rate

<table>
<thead>
<tr>
<th>Response Rate</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Questionnaires Issued</td>
<td>150</td>
</tr>
<tr>
<td>Questionnaires Returned</td>
<td>100</td>
</tr>
</tbody>
</table>

4.2 Background Information

This section presents the background information with regards to the respondents’ age gender, level of education, occupation, as well as monthly income. These aspects were put into consideration because of the meaningful contribution they offer to the study as the variables help in the provision of the logic behind the responses given by the respective respondents.

4.2.1 Gender of the Respondents

Table 4.2 provides a summary of the respondents who were engaged in the survey on the basis of their gender. The results of the study show that indeed 30 percent of the total respondents were of the male gender, while the remaining 70 percent were of the female gender. This shows that the study was not gender biased.
Table 4.2: Gender of the Respondents

<table>
<thead>
<tr>
<th>Gender of the Respondents</th>
<th>Distribution</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Frequency</td>
</tr>
<tr>
<td>Male</td>
<td>30</td>
</tr>
<tr>
<td>Female</td>
<td>70</td>
</tr>
<tr>
<td>Total</td>
<td>100</td>
</tr>
</tbody>
</table>

4.2.2 Age of Respondents

Table 4.3 provides the results of the respondents with regards to their age. The study findings show that 40 percent of the respondents were between 20-25 years, 34 percent of the respondents between 26-30 years, 16 percent of the respondents between 31-35 years and the remaining 10 percent of the respondents above 36 years.

Table 4.3: Age of the Respondents

<table>
<thead>
<tr>
<th>Age of the Respondents</th>
<th>Distribution</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Frequency</td>
</tr>
<tr>
<td>20-25 years</td>
<td>40</td>
</tr>
<tr>
<td>26-30 years</td>
<td>34</td>
</tr>
<tr>
<td>31-35 years</td>
<td>16</td>
</tr>
<tr>
<td>Above 36 years</td>
<td>10</td>
</tr>
<tr>
<td>Total</td>
<td>100</td>
</tr>
</tbody>
</table>

4.2.3 Occupation of Customers

Figure 4.1 provides the results of the respondents with regards to their occupation. As seen in the figure 11 percent of the respondents were in the teaching profession, 39 percent were in business, 9 percent were doctors, 11 percent lawyers and the remaining 30 percent were farmers.
4.2.4 Years in Employment

Table 4.4 provides the results of the study findings with regards to the years in employment. The study findings show that indeed the majority of the respondents (74 percent) had worked for a period less than six years. Specifically 44 percent of the respondents were in employment less than 3 years. Consequently 30 percent of the respondents were in employment between 3-5 years, 12 percent of the respondents between 6-10 and 14 percent, more than 10 years respectively.

Table 4.4: Years in Employment

<table>
<thead>
<tr>
<th>Years in Employment</th>
<th>DISTRIBUTION</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Frequency</td>
</tr>
<tr>
<td>Less than 3 years</td>
<td>44</td>
</tr>
<tr>
<td>3-5 years</td>
<td>30</td>
</tr>
<tr>
<td>6-10 years</td>
<td>12</td>
</tr>
<tr>
<td>More than 10 years</td>
<td>14</td>
</tr>
<tr>
<td>Total</td>
<td>100</td>
</tr>
</tbody>
</table>
4.3 Internal Challenges to Market Penetration

The first objective of this study was to determine the internal challenges that influence penetration of insurance in Kenya. Among the factors considered in this section include: product offering, market approach, the experience of fund managers, internal business processes, fund size, customer care practice and client communication.

4.3.1 Product Offerings

Figure 4.2 presents a summary of the findings with regards to how respondents rate the influence of product offerings. As seen in the figure majority of the respondents (50 percent) to a larger extent believe that product offering influences market penetration, 20 percent believe to a very large extent while 10 percent each believe that it influence slightly, and not at all respectively. This findings reveal that indeed product offering has a role to play on the penetration of insurance.

![Figure 4.2: Product Offering](image)

4.3.2 Market Approach

Figure 4.3 presents a summary of the findings with regards to how respondents regard the influence of market approach on market penetration. As shown a substantial majority of the respondents to a very large extent believe that the market approach influences market penetration. This is similar to 30 percent of the respondents to a large extent. The remaining 30 percent believe it influences slightly, fairly and not at all, respectively. These findings
therefore show clearly that the market approach taken by a insurance firms is likely to influence how well it performs in the market.

**Figure 4.3: Market Approach**

### 4.3.3 Fund Manager’s Experience

Figure 4.4 presents a summary of the findings with regards to the influence of fund manager’s experience on market penetration. As shown a substantial majority of the respondents to a very large extent believe that the fund manager’s experience influences the market penetration. This is similar to 30 percent of the respondents to a large extent. The remaining 30 percent believe it influences slightly, fairly and not at all, respectively. These findings therefore show clearly that fund manager’s experience is key to the penetration of insurance.

**Figure 4.4: Fund Manager’s Experience**

### 4.3.4 Internal Business Processes

Figure 4.5 is a summary of the findings with regards to how respondents regard the influence of internal business processes on market penetration. As shown, 45 percent of the
respondents regard the influence of internal business process on market penetration to large extent, 34 to a very large extent, 6 percent fairly 7 percent slightly while 8 percent not at all. This shows that indeed internal business processes are key to market penetration.

Figure 4.5: Internal Business Processes

4.3.5 Fund Size

Figure 4.6 presents findings regarding how respondents view the influence of fund size on the penetration of insurance. As seen in the figure 52 percent of the respondents regard fund size to influence market penetration to a very large extent the same as 29 percent who regard this to a large extent. 5 percent consider it as fair while 10 percent slightly as the remaining 4 percent not at all.

Figure 4.6: Fund Size
4.3.6 Customer Care Practice

Figure 4.7 presents a summary of the findings with regards to how respondents regard the influence of customer care practice on insurance market penetration in Kenya. As seen in the figure 48 percent of the respondents are of the opinion that customer care practice influences the market penetration to a very large extent, similarly 30 percent to a large extent and 7 percent fairly. 10 percent believe it influence slightly while the remaining 5 percent believe customer care practice do not at all influence market penetration. This shows that customer care practices are likely to enhance customer satisfaction, attraction and retention and thus to a wide spectrum enhance market penetration.

![Customer Care Practice Graph](image)

Figure 4.7: Customer Care Practice

4.3.7 Client Communication

Figure 4.8 presents a summary of the findings with regards to how respondents perceive the influence of client communication on market penetration. As seen in the figure majority of the respondents (40 percent) opine that to a large extent client communication influences market penetration this is also the case for 38 percent of the respondents who to a very large extent feel the same. 10 percent of the respondents feel that it fairly does so as 4 percent believe it slightly influence market penetration. On the other hand 8 percent believe that client communication does not influence market penetration at all. This shows that if clients are well communicated to, in good time accurately and efficiently, they are likely to maintain loyalty to particular brands and this therefore enhance market penetration.
4.4 External Challenges affecting Market Penetration

The second objective of this study was to determine the external challenges that affect market penetration in Kenya. This subsection will present findings on how various external organization factors influence market penetration in Kenya. Among the factors considered in this section include: government policy, industry dynamics, market forces competition power of customers power of suppliers and threat of entrants.

4.4.1 Government Policy

Figure 4.9 is a summary of the findings with regards to how respondents regard the influence of government policy on market penetration. As seen in the figure 51 percent of the respondents to a very large extent believe that government policy influences market penetration, 32 percent to a large extent, 5 percent fairly, 4 percent slightly and 8 percent not at all. This is an indication that indeed government policies have a role to play as far as the penetration of insurance products in Kenya is concerned. Policies that create a conducive operating environment are likely to enhance market penetration while those that create barriers are likely to stagnate growth and development of insurance and thus hinder performance.
4.4.2 Industry Dynamics

Figure 4.10 presents a summary of findings with regards to how respondents regard the influence of industry dynamics on market penetration. As seen in the figure 39 percent of the respondents to a very large extent believe that industry dynamics influences market penetration, 41 percent to a large extent, 10 percent fairly, 4 percent slightly and 6 percent not at all. This shows that indeed industry dynamics shape the direction in which industry players operate in. As a result if industry dynamics favor a particular insurance, then this is likely to enhance performance.

4.4.3 Market Forces

Figure 4.11 presents a summary of findings with regards to how respondents regard the influence of market forces on market penetration. As seen in the figure 44 percent of the respondents to a very large extent believe that market forces influences market penetration, 33 percent to a large extent, 5 percent fairly, 7 percent slightly and 11 percent not at all. This
shows that indeed market forces are key to market penetration and therefore cannot be ignored.

4.4.4 Competition

Figure 4.12 presents a summary of findings with regards to how respondents regard the influence of market penetration. As seen in the figure 54 percent of the respondents to a very large extent believe that competition influences market penetration, 31 percent to a large extent, 5 percent fairly, 5 percent slightly and 5 percent not at all. This shows that indeed competition is very crucial to market penetration and therefore cannot be ignored. Stiff competition in the industry is likely to bring about reduced sales as more firms grapple to maintain a huge market share. This therefore means that competing firms have to develop strategies to outdo competitors in order to enhance their performance.
4.4.5 Power of Customers

Figure 4.13 presents a summary of findings with regards to how respondents regard the influence of market penetration. As seen in the figure 39 percent of the respondents to a very large extent believe that the power of customers influences market penetration, 41 percent to a large extent, 5 percent fairly, 8 percent slightly and 7 percent not at all. It shows that customers too, have a voice in the market penetration. This is especially the case if the buying power of such customers is high then they are likely to command some strength which cannot be ignored by the firm.

Figure 4.13: Power of Customers

4.4.6 Power of Suppliers

Figure 4.14 presents a summary of findings with regards to how respondents regard the influence of the power of suppliers on market penetration. As seen in the figure 37 percent of the respondents to a very large extent believe that the power of suppliers influences market penetration, 43 percent to a large extent, 5 percent fairly, 5 percent slightly and 10 percent not at all. This shows that indeed the role of suppliers cannot be ignored, if the firm intents to perform well.
4.4.7 Threat of Entrants

Figure 4.15 presents a summary of findings with regards to how respondents regard the influence of the threat of entrants on the market penetration. As seen in the figure 35 percent of the respondents to a very large extent believe that the threat of entrants influences market penetration, 45 percent to a large extent, 4 percent fairly, 10 percent slightly and 6 percent not at all. New entrants are likely to shift the attention of the firm to potential competition and therefore the need to change tact in order to maintain the current market share. This therefore may limit the potential of a firm to concentrate on enhancing growth but rather on maintaining the current market share, which thereby affects its performance.

Figure 4.15: Threat of Entrants
4.5 Ways to enhance Market Penetration

The study further sought to establish the various strategies used by insurance companies engaged in the study. This is presented in figure 4.16.

![Figure 4.16: Strategy Used](image)

The figure 4.16 reveals that majority of the respondents believe that their firms, pursues differentiation (unique products and services) strategy, while the minority of the respondents believe that low cost leadership is the strategy pursued by the Company. The figure 4.16 specially shows that 61.7 percent of the respondents believe that their firm uses a differentiation strategy; on the other hand 20.8 percent of the respondents believe that the organization pursues market focus strategy, while the remaining 17.5 percent of the respondents are of the opinion that the Company pursues Low cost leadership strategy.

4.5.1 Suitable Strategy for the Kenyan Insurance Industry

Figure 4.17 shows the respondents view with regards to the suitability of the three strategies in the Kenyan market.
Figure 4.17 Suitable Strategies for Insurance Market in Kenya

The results of the study show that the respondents view differentiation strategy as being the most suitable for the Kenyan insurance industry. The figure clearly indicates that 58.0 percent of the respondents viewed differentiation as the most suitable strategy for the Kenyan market while 25.2 percent of the respondents viewed low cost leadership as being the suitable strategy. On the other hand 16.8 percent of the respondents viewed focus strategy as the best suitable for the insurance industry in Kenya.

4.6 Attitude and Consumers Buying Behavior

The study finally sought to establish attitude and buying behavior of the target customers contribute to market penetration by insurance companies, this is presented in table 4.5. In this way, there are six attributes that are equally important with regards to the attitude and buyer behavior, that is: overall affordability, quality and brand name, friendly staff, physical and socio-cultural settings, safety and security. All the statements had a mean of more than 3.5, indicating that majority of the respondents were in agreement with the statements. Additionally the standard deviation for all the statements was less than 2.0.
Table 4.5: Attitude and Consumer Buying Behavior

<table>
<thead>
<tr>
<th>Service Quality of insurance</th>
<th>Strongly Agree</th>
<th>Agree</th>
<th>Neutral</th>
<th>Disagree</th>
<th>Strongly Disagree</th>
<th>Mean</th>
<th>Standard Deviation</th>
<th>F</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Unreliable insurance services</td>
<td>61%</td>
<td>11%</td>
<td>20%</td>
<td>8%</td>
<td>0</td>
<td>4.30</td>
<td>1.331</td>
<td>45.3</td>
<td>0.047</td>
</tr>
<tr>
<td>High cost of insurance</td>
<td>72%</td>
<td>15%</td>
<td>3%</td>
<td>5%</td>
<td>5%</td>
<td>3.72</td>
<td>1.075</td>
<td>56.89</td>
<td>0.000</td>
</tr>
<tr>
<td>Brand Awareness</td>
<td>69%</td>
<td>24%</td>
<td>7%</td>
<td>0</td>
<td>0</td>
<td>3.73</td>
<td>1.023</td>
<td>13.34</td>
<td>0.005</td>
</tr>
<tr>
<td>Friendly staff</td>
<td>74%</td>
<td>23%</td>
<td>3%</td>
<td>0</td>
<td>0</td>
<td>3.57</td>
<td>1.017</td>
<td>42.98</td>
<td>0.000</td>
</tr>
<tr>
<td>One Stop Shop for a variety of insurance products</td>
<td>67%</td>
<td>24%</td>
<td>1%</td>
<td>2%</td>
<td>7%</td>
<td>4.18</td>
<td>1.345</td>
<td>69.07</td>
<td>0.000</td>
</tr>
<tr>
<td>Accessibility of insurance staff</td>
<td>55%</td>
<td>40%</td>
<td>5%</td>
<td>0</td>
<td>0</td>
<td>4.21</td>
<td>1.356</td>
<td>70.06</td>
<td>0.105</td>
</tr>
<tr>
<td>Brand Preferences of certain insurance firms</td>
<td>55%</td>
<td>32%</td>
<td>10%</td>
<td>3%</td>
<td>0</td>
<td>4.07</td>
<td>1.289</td>
<td>54.12</td>
<td>0.000</td>
</tr>
</tbody>
</table>

**4.6.2 Customer Perception and Market Penetration**

Figure 4.18 presents a summary of findings with regards to how respondents regards to customer perception and market penetration. As shown 55 percent of the respondents strongly agree, 33 agree, 6 percent strongly disagree, 4 percent disagree, while 2 percent are uncertain that customer perception affects market penetration of insurance products in Kenya.
4.6.3 Customer Attitudes towards insurance products and Market Penetration

Figure 4.19 presents a summary of findings with regards to how customer attitudes towards insurance products affect market penetration. As shown, 57 percent of the respondents strongly agree, 27 percent agree, 6 percent strongly disagree, 6 percent disagree, while 4 percent are uncertain that indeed customer attitudes towards insurance products affect market penetration.
4.6.4 Regression Results

As seen in table 4.6. 52.8 percent of market penetration is explained by the internal, external factors as well as buyer attitude and buyer behavior. The remaining percentage is explained by other factors not in the model. The ANOVA results in table 4.6 (b) reveal that the model was significant while the coefficients in table 4.6 (c), show a positive significant relationship between the internal, external factors as well as buyer attitude and buyer behavior, with market penetration for insurance products in Kenya.

Table 4.6: Regression results

(a)

<table>
<thead>
<tr>
<th>Model Summary</th>
</tr>
</thead>
<tbody>
<tr>
<td>Model</td>
</tr>
<tr>
<td>------</td>
</tr>
<tr>
<td>1</td>
</tr>
</tbody>
</table>

a. Predictors: (Constant), Internal Factors, External Factors, Attitude and Buyer Behavior

(b)

<table>
<thead>
<tr>
<th>ANOVA²</th>
</tr>
</thead>
<tbody>
<tr>
<td>Model</td>
</tr>
<tr>
<td>-------</td>
</tr>
<tr>
<td>Regression</td>
</tr>
<tr>
<td>Residual</td>
</tr>
<tr>
<td>Total</td>
</tr>
</tbody>
</table>

a. Dependent Variable: Market Penetration
b. Predictors: (Constant), Internal Factors, External Factors, Attitude and Buyer Behavior

(c)

<table>
<thead>
<tr>
<th>Coefficients³</th>
</tr>
</thead>
<tbody>
<tr>
<td>Model</td>
</tr>
<tr>
<td>-------</td>
</tr>
<tr>
<td></td>
</tr>
<tr>
<td>(Constant)</td>
</tr>
<tr>
<td>Internal factors</td>
</tr>
<tr>
<td>External Factors</td>
</tr>
<tr>
<td>Attitude and Buyer Behaviour</td>
</tr>
</tbody>
</table>

³The coefficients are unstandardized, with a standardized coefficient of .082 for Attitude and Buyer Behaviour.
a. Dependent Variable: Market Penetration

4.7 Chapter Summary
In this chapter, results and findings based on the specific objectives have been presented in form of tables and figures. Chapter five provides a detailed discussion of the results and findings, the conclusions as well as recommendations.
CHAPTER FIVE

5.0 DISCUSSION, CONCLUSIONS AND RECOMMENDATIONS

5.1 Introduction
This chapter consists of four sections, namely summary, discussion, conclusions, and recommendations. The first section provides a summary of the important elements of the study which includes the study objectives, methodology and the findings. The second section discusses the major findings of the study with regards to the specific objectives. The third section discusses the conclusions based on the specific objectives, while using the findings and results which are obtained in the fourth chapter.

5.2 Summary

The main objective of the study was to establish the market penetration challenges for insurance companies in Kenya. The study was guided by the following objectives: to find out the internal organizational challenges that affect market penetration by insurance companies, to establish the external challenges that affect market penetration by insurance companies and to establish if attitude and buying behavior of the target customers contribute to market penetration challenges experienced by insurance companies.

In order to achieve the above, the study adopted a descriptive research design. The research design was necessary in order to obtain the data. This also facilitated the collection of the primary data as a way of getting into the research objectives. The target population of this study was all 44 licensed insurance companies in Kenya, operating in three levels namely Global, Regional and Local. A sample size of 150 respondents was selected. These included 30 Agents, 100 customers and 20 employees from the four insurance companies.

The collection of the primary data was done using structured questionnaires that were pilot tested in order to ensure that there was reliability as well as validity. The coding of the data was done with the use of Microsoft Excel as well as SPSS in order to generate the descriptive statistics for instance frequencies and percentages. The presentation of the results was in form of figures and tables.
The study findings on the internal factors which pay a key role in penetration of markets by insurance products revealed that product offering with a majority of 70 percent rating it large extent, market approach, (70 percent large extent), fund managers experience, (70 percent), internal business processes, (75 percent), fund size, (81 percent), customer care practice (78 percent), client communication (78 percent), all influence affect market penetration by insurance companies.

The findings on the external organization factors that influence market penetration by insurance companies revealed that government policy, (83 percent) industry dynamics, (80 percent), market forces (77 percent), competition (85 percent), power of buyers and suppliers (80 percent), and threat of new entrants 80 percent, all influence market penetration to a large extent.

The findings on how attitude and buying behavior of the target customers contribute to market challenges by insurance companies revealed that there are six attributes that are equally important with regards to the attitude and buyer behavior, that is: overall affordability, quality and brand name, friendly staff, physical and socio-cultural settings, safety and security.

5.3 Discussion

5.3.1 Internal Organization Challenges to Market Penetration

The study findings on the internal factors which pay a key role in penetration of markets by insurance products revealed that product offering with a majority of 70 percent rating it large extent, market approach, (70 percent large extent), fund managers experience, (70 percent), internal business processes, (75 percent), fund size, (81 percent), customer care practice (78 percent), client communication (78 percent), all influence affect market penetration by insurance companies.

According to the findings on product offering, it is evident that it influences market penetration. This is in line with a study by Cheng et al. (2003), which established that a strategy of differentiating the market portfolio resulted in higher ex-post returns implying
that a higher commonality of stock investments of the fund portfolio lowers the fund returns. Hence investment returns are likely to be increased through investing in funds, which pursue distinct portfolio strategies. Further, while investigating the effects of the increased correlation, Elton et al, (2007) established that two-thirds of this increase is as a result of the common stock holdings. With regards to market approach, it is evident that mass communication tools trade off the advantage of personal selling and the opportunity to tailor a message to each prospect, for the advantage of reaching many people at a lower cost per person (Jone, 2007).

The findings on the experience of fund managers agrees with the argument by Jesselau (2011), who argued that an experienced fund manager is likely to attract more investors and thus enhance market penetration. Once an investor has chosen insurance products, they need not worry anymore, if investment made by the insurance is well managed by the expertise.

Similarly the findings on the fund size, affirms what most studies have established that indeed fund size is an influential factor that can explain the variations of fund returns. The studies conclude that variability is mainly attributable to fund size or investment style, while market timing and security selection ability typically hold for a smaller percentage (Brinson, Hood & Beebower 1986).

In the same regard, the findings on customer service confirms what Burns (2011), avows that customer service is meant to enhance the main offer of the insurance and is in itself not the main offer. It is a pleasant bonus that business companies offer their customers to reinforce the message that the business company cares about their expectations, needs and wishes (Burns, 2011).

The finding also indicated that client communication and transparency affect market penetration This finding is in line with what Ledgerwood (2009), meant when he argued that insurance managers should be able to quickly identify customers’ activities through a management information system that accurately reports and monitors such activities. They therefore need to follow up with the clients to communicate to them any message that is
relevant to the customer in a timely manner. Additionally he argued that follow-up procedures may involve visiting the client, scheduling weekly staff meetings to discuss customer issues and decide on the correct action as well as the suitable communication channel to use for their clientele (Ledgerwood, 2009).

5.3.2 External Challenges and Market Penetration
The findings on the external organization factors that influence market penetration by insurance companies revealed that government policy, (83 percent) industry dynamics, (80 percent), market forces (77 percent), competition (85 percent), power of buyers and suppliers (80 percent), and threat of new entrants 80 percent, all influence market penetration to a large extent.

This is also in line with Thompson, Strickland and Gamble (2005), who argued that government regulatory actions can often force significant changes in industry practices and strategic approaches. Governments can therefore drive competitive changes by opening their domestic markets to foreign participation or closing them to protect domestic companies. The findings on the influence of market conditions indeed show that the insurance industry is typically characterized by much uncertainty over potential market size, how much time and money will be needed to surmount technological problems and what distribution channels and buyer segments to emphasize. When firms are successful in introducing new ways of marketing their products, they spark a burst of buyer interest, widen industry demand, increase product differentiation and lower unit costs-all of which can alternative the competitive position of a firm (Thompson et al, 2005).

In similar regard, the findings on buyer power confirm that indeed the insurance industry is a high buyer concentration industry, where many people use bank service, such as deposit money, mortgage, loan, investment, insurance and currency exchange. It follows therefore that buyer information availability is high. Many substitute product or service are very much present in recent year as they are mainly provided by other financial institution (Powers, 2010).
Regarding the influence of the power of suppliers, the findings affirm that such power can exert an influence on the industry, such as selling raw materials at a high price to capture some of the industry's profits. In a service sector there is no direct supplier of raw material. However the supply of supporting facilities like cheque books, furniture, stationeries, among others can give the same analogy. Insurance capital supplier is low in Kenya; this is because customers will compare with other financial product to see whether to invest in the insurance or not (Powers, 2010).

The findings also revealed that threat of new entrants affects the market penetration of insurance in Kenya. Indeed Kelly (2010), also argued that the possibility that new firms are likely to enter the industry greatly affects competition. In theory, any firm should have the ability to enter as well as exit a market, and if free entry and exit exists, then profits always needs to be nominal (Kelly, 2010). In reality, however, industries have characteristics that protect the high profit levels of firms in the market and as such inhibit additional rivals from entering the market. However, when most countries and cities join World Trade Organizations as well as the Internet effect, the barrier of insurance disappears. Many financial even non-financial organizations can therefore easily enter the insurance industry. They can use for instance more little money to build a website; similarly, they can as well integrate with other organizations.

**5.3.3 Attitudes and Consumer Buying Behavior on Market Penetration**

The findings on how attitude and buying behavior of the target customers contribute to market challenges by insurance companies revealed that there are six attributes that are equally important with regards to the attitude and buyer behavior, that is: overall affordability, quality and brand name, friendly staff, physical and socio-cultural settings, safety and security. Indeed the decision-making process as a whole, as well as each stage in the process, is therefore greatly influenced by a number of external influences such as the family, culture and reference group as well as internal influences (for example perception, motivation and personality) (Hawkins & Mothersbaugh, 2010).
The findings agree with a study by Hawkins and Mothersbaugh (2010), which revealed that perception begins with consumers’ exposure and attention to marketing stimuli and then ends with their interpretation of the stimuli. Etzel, Walker and Stanton on the other hand add that consumers’ perception is not only determined by the characteristics of the stimuli, but as well the characteristics of the consumer him or herself. It is therefore important for that marketers obtain a thorough understanding of their target markets as well as how consumers will perceive various marketing-related stimuli. For example, Etzel et al. (2007) argues that the four elements of the marketing mix, namely product, place, distribution and promotion, are likely to influence consumers’ perceptions of the business, and therefore their selection.

Additionally the findings agree with Schulz (2006), who argues that indeed technology is the driving force behind the success of marketing activities as well as innovation in the insurance industry. Hacket (2009) says that while technology is an important theme as those of us in developed economies fight for any performance-enhancing advantage, he suggests that innovation alone does not begin to explain the complexity of the elements drive survival. Despite this sentiment, technology remains a high strategic priority for most companies and is typically seen as a strong contributor to a firm’s success (Mckinsey Global survey, 2009). This is because the purpose of marketing is customer satisfaction in return for profit and satisfying customer needs and meet the needs of his efficiency is identify needs, desires, tastes, attitude, expectations and desires of customers in buying. Marketers with access to such information can identify the factors affecting the behavior of consumers and their products and realize the effect amount of each of these factors on their behavior.

5.4 Conclusions

5.4.1 Internal Challenges to Market Penetration

In light of the above findings, this study concludes that indeed there exists, certain internal challenges to market penetration of insurance companies in Kenya. Specifically it can be concluded therefore that product offering, market approach, and fund managers experience, internal business processes, fund size, customer care practice, client communication all influence market penetration of insurance in Kenya.
5.4.2 External Challenges to Market Penetration
The study concludes that there are external organization factors that influence market penetration of insurance in Kenya. It can be concluded therefore that government policy, industry dynamics, market forces, competition, power of buyers and suppliers, and threat of new entrants, all influence market penetration of insurance in Kenya.

5.4.3 Attitudes and Consumer Buying Behavior on Market Penetration
The findings on how attitude and buying behavior of the target customers contribute to market challenges by insurance companies leads to a conclusion that there are six attributes that are equally important with regards to the attitude and buyer behavior, that is: overall affordability, quality and brand name, friendly staff, physical and socio-cultural settings, safety and security.

5.5 Recommendations
5.5.1 Recommendations for Improvement
5.5.1.1 Internal Challenges to Market Penetration
The researcher acknowledges that internal organizational challenges vary from organization to organization, this therefore means that each organization has an opportunity to acquire and thereby maintain a competitive advantage if they properly maximize on the internal organization capabilities. The study therefore recommends that organizations should maximize on their internal capabilities in order to enhance market penetration in Kenya.

5.5.1.2 External Challenges to Market Penetration
The external factors to the organization indeed play a vital role in the penetration of the Kenyan market. The study therefore recommends that the government regulations as well as other external factors should be aligned in a way that ensures that there is room for companies to explore means of enhancing market penetration.

5.5.1.3 Attitudes and Consumer Buying Behavior on Market Penetration
The study acknowledges that indeed in everyday activities consumers are always faced with a number of purchase decisions. This is because the consumer decision-making process
comprises a number of stages, namely need recognition, search for information, evaluation of alternative options that could meet the consumer’s expressed need, purchase and post-purchase evaluation. The study therefore recommends that general insurance companies should improve on their customer service in order to enhance market penetration.

5.5.2 Recommendations for Further Studies
Whereas no effort was spared in ensuring the objective of the study was achieved, the researcher faced some challenges that limited the extent to which the study be done. Time was a key limitation during data collection and analysis. There were cases of travelling constraints, as the researcher had been involved in work assignments outside Nairobi during the study period. Other main limitation was during data collection as in some cases the respondents were reluctant to fill in the questionnaires which limited the extent of information availed to researcher. The study focused on a very sensitive area of insurance and market penetration thus limiting the extent of information provided by respondents. Also, the study was cross-sectional collecting data at one point of time. A Longitudinal study would be useful in order to compare reputation risk over a long period of time.
REFERENCES


APPENDICES
APPENDIX 1: LETTER OF INTRODUCTION

To Whom It May Concern

Dear Sir/Madam,

My name is Turayishimye Thierry Ayishahe, I am graduate student at United States International University Africa. I am conducting a research to examine the Market Penetration Challenges By Insurance Companies in Kenya for my research project in partial fulfillment of the requirements of Masters in Business Administration concentration Strategic Management.

This letter is to request for your cooperation in providing the information for all sections of the questionnaire to enable me obtain the required information for this research. The information collected herein is meant for academic purposes and will be treated with utmost confidentiality. Your cooperation will be highly appreciated. Thank you for your time.

Yours Faithfully,

Turayishimye Thierry Ayishahe
APPENDIX 2: RESEARCH QUESTIONNAIRE

PART A: Background Information
Kindly, fill all the questions either by ticking (✓) in the boxes or writing in the spaces provided.
NAME (Optional) …………………………………………………………………………

1. Gender? Male ( ) Female ( )

2. Age? (years) 20-25 years □ 26-30 years □ 31-35 years □ 36 years and over □

3. Level of education?

4. Occupation?

5. For how long have you been employed or working?
   Less than 3 years □ 3-5 years □
   6-10 years □ More than 10 years □
PART B  INTERNAL CHALLENGES

Please indicate the extent to which the following internal factors affect market penetration for insurance companies in Kenya on a scale of 1-5 where 5=very large extent 4=large extent 3=fair 2=slightly 1=not at all

<table>
<thead>
<tr>
<th>Factor</th>
<th>Not at all</th>
<th>Slightly</th>
<th>Fair</th>
<th>Large Extent</th>
<th>Very large extent</th>
</tr>
</thead>
<tbody>
<tr>
<td>a. product offering</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
</tr>
<tr>
<td>b. Marketing Approaches</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
</tr>
<tr>
<td>c. Fund Manager Experiences</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
</tr>
<tr>
<td>d. Internal business processes</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
</tr>
<tr>
<td>e. Fund size</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
</tr>
<tr>
<td>f. Customer care practices</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
</tr>
<tr>
<td>g. Client communication and transperency</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
</tr>
</tbody>
</table>

Please state any other internal factor (not included above) which in your view affects market penetration for insurance companies in Kenya

___________________________________________________________________________

___________________________________________________________________________

PART C  EXTERNAL CHALLENGES

Please indicate the extent to which the following external factors affect market penetration for insurance companies in Kenya on a scale of 1-5 where 5=very large extent 4=large extent 3=fair 2=slightly 1=not at all

<table>
<thead>
<tr>
<th>Factor</th>
<th>Not at all</th>
<th>Slightly</th>
<th>Fair</th>
<th>Large Extent</th>
<th>Very large Extent</th>
</tr>
</thead>
<tbody>
<tr>
<td>a. Government Policies</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
</tr>
<tr>
<td>b. Industry dynamics</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
</tr>
<tr>
<td>c. Market Forces</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
</tr>
<tr>
<td>d. Competition</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
</tr>
<tr>
<td>e. Bargaining power of customers</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
</tr>
<tr>
<td>f. Bargaining power of Suppliers</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
</tr>
<tr>
<td>g. Threat of new entrants</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
</tr>
</tbody>
</table>

Please state any other external factor (not included above) which in your view affects market penetration for insurance companies in Kenya

___________________________________________________________________________

___________________________________________________________________________

PART D: Ways to enhance Market Penetration

6. Which of these strategies does your company pursue?
   a) Low cost leadership
   b) Differentiation (unique product and services)
   c) Focus (concentration on a market segment)

7. Rank the above three strategies (a,b,c) in the order of preference/usage by your insurance company

___________________________________________________________________________

___________________________________________________________________________

57
8. Which of the strategies do you think fits the insurance market in Kenya?

___________________________________________________________________________
___________________________________________________________________________
___________________________________________________________________________

9. Are the strategies used by insurance companies favorable in Kenya?

___________________________________________________________________________
___________________________________________________________________________
___________________________________________________________________________

10. Do you have a Strategic Plan?

___________________________________________________________________________
___________________________________________________________________________
___________________________________________________________________________
PART E: Attitude and Buyer Behavior

Kindly tick as appropriate in the spaces provided the extent to which you think the following factors influence your choice of insurance products, **1- Strongly Disagree 2-Dissagree 3-Uncertain 4-Agree 5- Strongly Agree**

<table>
<thead>
<tr>
<th>Factor</th>
<th>Strongly Agree</th>
<th>Agree</th>
<th>Neutral</th>
<th>Disagree</th>
<th>Strongly Disagree</th>
</tr>
</thead>
<tbody>
<tr>
<td>Service Quality of insurance</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Unreliable insurance services</td>
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<tr>
<td>High cost of insurance</td>
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<tr>
<td>Brand Awareness</td>
<td></td>
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</tr>
<tr>
<td>Friendly staff</td>
<td></td>
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<tr>
<td>One Stop Shop for a variety of insurance products</td>
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<tr>
<td>Accessibility of insurance staff</td>
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</tr>
<tr>
<td>Brand Preferences of certain insurance firms</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Thank you for your participation
QUESTIONNAIRES FOR CUSTOMERS

Section A: Background Information
Kindly, fill all the questions either by ticking (✓) in the boxes or writing in the spaces provided.

NAME (Optional) ……………………………………………………………

1. Gender? Male (✓) Female ( )
2. Age? (years) 20-25 years □ 26-30 years □ 31-35 years □ 36 years and over □
3. Level of education?
   ……………………………………………………………………………

4. Occupation?
   ……………………………………………………………………………

5. For how long have you been employed or working?
   Less than 3 years □ 3-5 years □
   6-10 years □ More than 10 years □

In your opinion do you think that the following factors make customers not to purchase insurance products?
**PART B INTERNAL CHALLENGES**

Please indicate the extent to which the following internal factors affect market penetration for insurance companies in Kenya on a scale of 1-5 where 5=very large extent 4=large extent 3=fair 2=slightly 1=not at all

<table>
<thead>
<tr>
<th>Factor</th>
<th>Not at all</th>
<th>Slightly</th>
<th>Fair</th>
<th>Large Extent</th>
<th>Very large extent</th>
</tr>
</thead>
<tbody>
<tr>
<td>a. Product offering</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>b. Marketing Approaches</td>
<td></td>
<td></td>
<td></td>
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<td>c. Fund Manager Experiences</td>
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<td>d. Internal business processes</td>
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<td>e. Fund size</td>
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<td>f. Customer care practices</td>
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<td>g. Client communication and transparency</td>
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Please state any other internal factor (not included above) which in your view affects market penetration for insurance companies in Kenya.

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**PART C EXTERNAL CHALLENGES**

Please indicate the extent to which the following external factors affect market penetration for insurance companies in Kenya on a scale of 1-5 where 5=very large extent 4=large extent 3=fair 2=slightly 1=not at all

<table>
<thead>
<tr>
<th>Factor</th>
<th>Not at all</th>
<th>Slightly</th>
<th>Fair</th>
<th>Large Extent</th>
<th>Very large Extent</th>
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<tbody>
<tr>
<td>a. Government Policies</td>
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<td>b. Industry dynamics</td>
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<td>c. Market Forces</td>
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<td>d. Competition</td>
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<td>e. Bargaining power of customers</td>
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<td>f. Bargaining power of Suppliers</td>
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<td>g. Threat of new entrants</td>
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</table>

Please state any other external factor (not included above) which in your view affects market penetration for insurance companies in Kenya.

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