EFFECTS OF STRATEGIC PLANS ON MARKET PENETRATION BY MULTINATIONAL INSURANCE COMPANIES IN KENYA

[1*] **Nyarinda Change** [2*]**Dr. Kepha Ombui** [3*]**Dr. Mike A. Iravo**

[1*]College of Human Resource and Development, Jomo Kenyatta University of Agriculture and Technology

P. O. Box 62000,00200 Nairobi, Kenya.

[2*] College of Human Resource and Development, Jomo Kenyatta University of Agriculture and Technology

3*College of Human Resource and Development, Jomo Kenyatta University of Agriculture and Technology

Corresponding Author email: nchange77@gmail.com.

CITATION: Change, N., Ombui, K., Iravo, A,. M,. (2016). Effects of Strategic Plans on Market Penetration By Multinational Insurance Companies In Kenya. I*nternational Journal of Strategic Management*. Vol 5 (5). PP. 89 – 108.

ABSTRACT

Kenya like many other countries in sub-Saharan Africa has witnessed low insurance uptake explained by low income levels and lack of relevant products. The study aimed to assess the effects of strategic plans on market penetration by multinational insurance companies in Kenya. The data was analyzed and presented in form of tables. The study was guided by four objectives: product breadth, financial strength, product brand and risk appetite and targeted six multinational insurance companies operating in Kenya. The study was guided by three theories namely; theory of change, Porters theory of competitive advantage and the Resource based theory. The study adopted a descriptive research design and targeted multinational insurance companies operating in Kenya. The population intended was the top level management, middle level management and low level management with an intended sample of 106. The study also utilized secondary data. Data was analyzed using SPSS 20 and made use of descriptive and inferential statistics and presented the results in the form of tables. From the data analyzed, the study concluded from the co-efficient of determination that variations in the market penetration by multinational insurance companies were explained by Product Breadth, Financial Strength, Product Brand, and Risk Appetite. The study recommended Insurance companies in Kenya should develop more focused

marketing and sales strategies. The net income ratio being a significant indicator of effective profit generation, insurance companies ought to monitor its changes and progress while at the same time the market share being an indicator of performance, insurance companies need to be aware of their current market share, why they stand as they are and what strategies they can adopt to ensure they increase in their market share. The sales pattern or trend with which sales of policy are growing can also be used by insurance companies to check on their performance and also how best the trend can be kept on an upward scale. The speed at which claims are settled as proven to be a corner stone in determining whether companies will retain and get new customer or lose them. Insurance companies should ensure that their underwriting is done promptly and accurately to ensure that consumers get their claims settled on time and in a professional manner.

Keywords*: Financial strength, Product breadth, Product brand, Risk appetite, Market penetration*

INTRODUCTION

The world's insurance industry is dominated by wealthy developed countries. In fact, the Group of Seven (G7) alone accounts for almost 65% of the world's insurance premiums even though it covers just over 10% of the world's population. In those seven countries, an average of US$3,910 was spent on insurance premiums per capita in 2014, according to the reinsurer Swiss Re. In comparison, people in emerging markets spent an average of US$120. The insurance market in Africa is still underdeveloped as most Africans cannot afford insurance premiums yet. Access to insurance products only starts to increase quickly in the upper middle income brackets.

Historically, the evolution of multinational corporations date back to the 15th century. At that time, the organization of the production unit was wholly private ownership of the means of production. Using technology and simple division of labour, merchants could manufacture basic commodities, (Louis, 2004). (Abdullah, 2008) in the early 2000's multinational corporations took the form of alliances with the parent country's military or political powers in extending their activities to foreign areas. Contrary to the simplicity of production of the 15th century, modern complex structure of the world economy is the result of centuries of technological evolution and advancement.

According to (Clicker, 2000) the dominant player in the modern world investment set up is the multinational corporations (MNC). According to (Root,2004), a MNC is a parent company that engages in foreign production through its affiliates located in several countries, exercises direct control over the policies of its affiliates, and implements business strategies in production, marketing, finance and staffing that transcend national boundaries. These are giant businesses which have expanded and crossed national frontiers, operate globally and whose organizational framework is complex. (Robbok & Simmonds, 2009) asserted that, the rise of the multinational corporations has confronted the nation state with challenges of the operations of the local jurisdiction. The nation state has had to grapple with national interests and how to protect them from being compromised by the multinational corporations whose focus is control and transfer of goods and money as they cross national borders.

The KPMG Report 2013 observes that with most Africans still just struggling to meet their basic food and other day-to-day needs, insurance is still a long way off for the majority of Africans. Apart from a lack of means, other reasons for low insurance penetration in Africa are: People do

not trust financial service providers; given how poor Africans are and how challenging the business environments are, there is not enough incentive for multinational companies to enter African markets and develop 0assess people's creditworthiness; The legal and judicial systems are poor; There is a lack of human capital and expertise; Shallow financial markets make it difficult to raise enough money to capitalize insurance/re-insurance companies; and Communities often make use of informal forms of insurance rather than using the services of formal insurers (KPMG Report,2013).

The insurance penetration ratio, which is the gross value of insurance premiums as a percentage of GDP, is often used as a measure of how deep a country's insurance market is. According to the reinsurer Swiss Re's global insurance report 2012, total premiums in Africa amounted to US$71.9 billion in 2012, which translates into a penetration rate of 3.65%. This is well below the global average, which is 6.5%, though it is above the average for emerging markets of 2.65%.

STATEMENT OF THE PROBLEM

A review of the insurance industry in Kenya portrays a slow surge in growth. The 49 licensed insurance companies compete for a limited market characterized by low penetration. 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. This illustrates a poor attitude towards personal insurance cover in general (Mbogo, 2010). This has reignited the debate on need for consolidation with analysts arguing that the crowded field has paved way for unprofitable rate wars with the smaller players emerging key losers.

Low insurance penetration is one of the challenges facing the insurance industry development in terms of market share, product diversification among other measures. In Kenya, insurance growth was 2.84% in year 2009 compared to 2.63% in previous year while South Africa's growth was 12.9% with a population of 44 million (AKI 2009). According to National financial access survey (2009) only 6.8% of Kenya population has purchased insurance cover with an overwhelming 91% never having embraced insurance cover either in life or property.

A study done by Afi (2014) indicate that the insurance industry has become complex and at the same time the dynamic mutation witnessed with regards to regulatory changes and increasing competition have rendered strategic planning unavoidable. The Kenya Insurance Outlook report 2013 on the other hand, indicate that there are emerging markets in the insurance industry thus a well formulated and accounted for strategy is needed for any success to be witnessed among industry players. The study is informed by the recent activities in the insurance market that has seen firms being forced to seek regional expansion without even saturating the Kenya market. This is for reasons that all players in the insurance industry are competing for the limited insured population that is estimated at less than 4% (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. This study therefore sought to establish the effects of strategic planning and market penetration is by multinational insurance companies in Kenya.

RESEARCH OBJECTIVES

i. To determine the effect of product breadth on market penetration by multinational insurance companies in Kenya.

ii. To establish the role of financial strength on market penetration by multinational insurance companies in Kenya.

iii. To evaluate the effect of product brand on market penetration by multinational insurance companies in Kenya.

iv. To determine the role of risk appetite on the market penetration of multinational insurance companies in Kenya.

LITERATURE REVIEW

Theoretical Framework

Theory of Change

The theory of change as articulated by Burke (2010) are the incentives and strategies that are put in motion resulting in the final achievement of set goals and objectives. The focal point in this theory is change which is brought about through ideas or inventions that result in the change itself. There are outcomes that are anticipated or expected in the process of change thus strategic planning, and they are credited to the strategic interventions that were initially put in place before the actual change occurred. The theory of change goes on further to ascertain the assumptions that an organization uses to explain the change process which is considered to be strategic in planning. The assumptions help in the determination of immediate and long term outcomes which can be evaluated for their effectiveness and performance (Winter & Nelson, 2009). Competition is considered to have its own implications on any given industry and our case being the insurance industry.

Porters Theory of Competitive Advantage

The term “sustainable competitive advantage” emerged when Porter (2008) discusses the basic types of competitive strategies that a firm can possess (low cost or differentiation) in order to achieve a long run sustainable competitive advantage. Porter’s approach suggests that differentiation and cost leadership seek competitive advantage in a broad range of market or industry. By contrast differentiation focus and cost focus strategies are adopted in a narrow market industry. Porter and Kramer (2006) discussed the need for firms to be willing to learn how to create new advantages that will keep them steps ahead of competition. They argued that collective learning of the core competences would help the firm stay ahead of the game. Management’s ability to consolidate technology and production skills into competencies help the business adapt quickly to changing opportunities. Identification, nurturing and full exploitation of these core competencies would offer competitive advantage. Furthermore they are difficult to imitate precisely because they have to be built over a long period.

Resource-based theory

The resource-based view stipulates that in strategic management the fundamental sources and drivers to firms’ competitive advantage and superior performance are mainly associated with the attributes of their resources and capabilities which are valuable and costly-to-copy (Mills, Platts & Bourne, 2003; Peteraf & Bergen, 2003). Building on the assumptions that strategic resources are heterogeneously distributed across firms and that these differences are stable overtime, Hoopes, Madsen and Walker (2003) examines the link between firm resources. Four empirical indicators of the potential of firm resources to generate sustained competitive advantage can be value, rareness, inimitability, and non-substitutability. InHoopes, Madsen and Walker (2003)

firm resources include all assets, capabilities, organizational processes, firm attributes, information, knowledge, etc. controlled by a firm that enable the firm to conceive and implement strategies that improve its efficiency and effectiveness.

Conceptual Framework

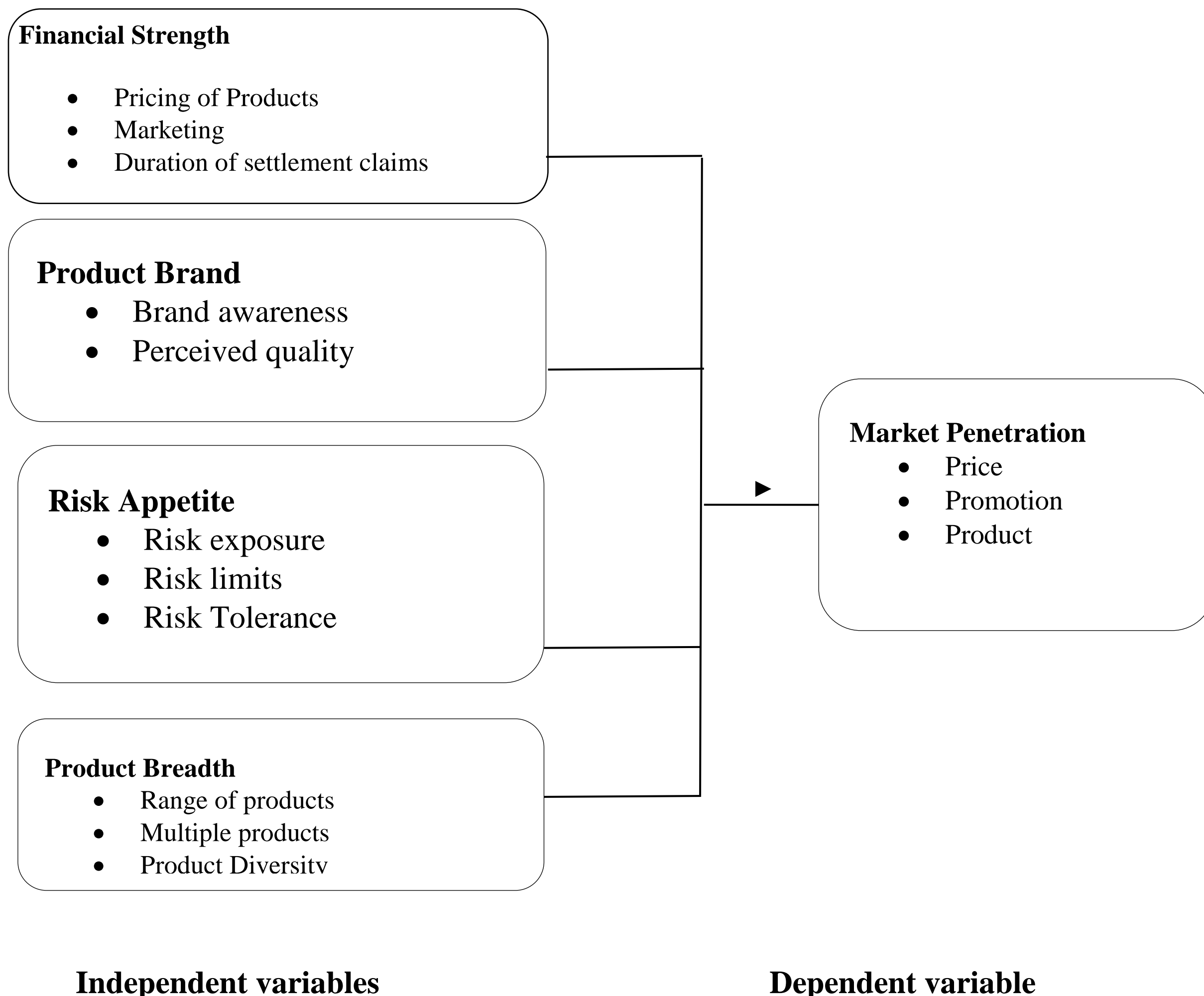

Figure 1: Conceptual Framework

Empirical Review

An Analysis and Assessment of Customer Satisfaction with Product breadth in Insurance Industry in Ghana a study by Duodu,(2011), sought to assess and analyse customer satisfaction with product breadth in the insurance industry of Ghana. Specifically, it examined the determinants of satisfaction and the effects of customer satisfaction on behavioral intentions of consumers in Ghana's insurance industry (GII), as well as the influence of background data on the relationship between satisfaction and behaviour intention. The study was a cross-sectional survey that used self-administered structured questionnaire to the target population of customers of insurance companies in Ghana. Out of the one thousand and one hundred questionnaire administered, one thousand and fifty-one usable questionnaires were obtained constituting 87.6% for analysis. Structural Equation Modelling (SEM) approach was used to analyse and test relationships among variables. The study found that Reliability and Responsiveness are Functional quality dimensions found to have significant impact on customer satisfaction in GII. Again, Technical quality, Price, and image quality were found to be factors that do not significantly affect customer satisfaction determination in GII. Since the study found, as in

previous studies, that satisfaction is a strong predictor of behaviour intentions in this study, it is recommended that insurance service providers should endeavor to satisfy and delight their customers as a means of influencing behaviour intentions.

A study carried by Odera, 2012 on the effects of Operational Factors on Organizational Performance in Kenyan Insurance Industry sought to establish the extent to which operational factors affect the performance of insurance firms. The study adopted a descriptive census survey design. The study location was in Nairobi and the population consisted of 40 registered insurance companies as at August 2010. A study by Samson, (2008) on the impact of competitive marketing on performance of multinational and indigenous food and beverage manufacturing companies in Nigeria. The research study was developed around the theories of connectionist, personality, innovation diffusion, and cost structure and business performance. These variables were used to evolve a detailed analysis of issues relating to product quality, organizational structures and management theories. Theoretical models were reflected and used in developing five different hypotheses that were investigated through the survey of forty multinational and one-hundred and twenty indigenous foods and beverage manufacturing companies which were respectively randomly selected. The conclusion from the research findings showed that indigenous companies were unable to compete favorably because of their limited financial resources. It was recommended that indigenous companies should adopt competitive marketing, functional structure and strategy, with five marketing divisions and competitive use of elements of marketing mix to realize higher results.

Strategic risk management practices by AAR insurance Kenya limited a study by (Njoroge, 2013). This study focuses on an area that has not been expressly addressed by other studies namely; strategic risk management in the context of insurance provision. This study was designed to fill this gap using a case study of AAR insurance Kenya Limited.

According to the respondents reputation is considered the most significant risk facing their company. Reputational risk is seen to be the result of poor claims payments practices, the collapse or insolvency of industry players, low profitability, inadequate customer handling processes and poor quality customer service, low contract certainty and a lack of proper complaints monitoring and handling processes. Based on the findings, external risk can arise at various stages, e.g., registration of clients, underwriting, reinsurance and the claims process. The severity of risk can range from a slight exaggeration to deliberately causing loss of insured assets. The study recommends that the Board should continue taking ownership and driving the risk agenda across the business. While senior management with support from the CRO/Head of audit is involved in managing risks, the oversight by the board cannot be delegated. It was also recommended that the organization should focus on new emerging risk types such as reputation, operational risks and IT security while not losing focus on the traditional risks such as credit and market risks. AAR should also define Risk Management framework and program which enables effective reporting and consolidation of data.

Market penetration challenges by insurance companies in Kenya a study by Ayishashe, (2013).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. The study concludes that indeed there exist 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 manager's experience, internal business processes, firm size, customer care practice and 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.

RESEARCH METHODOLOGY

The study employed a descriptive study design. The population of study consisted of all the multinational insurance companies in Kenya. The study targeted six multinational insurance companies operating in Kenya; AIG Kenya, Prudential Life Assurance, Barclays Group - barely new, Liberty group - that acquired Heritage and CFC Life, Sunham - that acquired Mercantile, and Leap frog and Allianz Group. Top management (top level management, mid-level management and entry level management) were the study's key target. The study adopted a stratified random sampling technique to come up with the required sample since the population of the insurance companies is homogeneous. To get the size of each stratum, proportional allocation was used. Using the Fishers formula below recommended by Mugenda & Mugenda (2003) the sample size for this study was determined as follows: Where the target population required is less than 10,000 the required sample size will be smaller and will be calculated using the following formula:

$Nf = n/\{1+(n/N)\}$

Where:

Nf = the desired sample size (When population is less than 10,000)

n = the desired sample size (when population is more than 10,000)

N = the estimate of population size

$\mathbf{106 = 384 / 1 + (384/146)}$

The sample size is estimated to be 73% of the population

The main data collection instrument was a questionnaire consisting of structured closed and open-ended questions in the collection of primary data. The quantitative data collected was analyzed by calculating response rate with descriptive statistics such as mean, median, and standard deviation. Inferential data analysis was carried out by the use of factor analysis and correlation analysis to determine the strength and the direction of the relationship between the dependent variable and the independent variables. Regression models were fitted. To measure the effect of strategic plans the study adopted the linear regression model and Pearson correlation. The Pearson correlation tested the strength of the relationship while the regression analysis established the form of relationship between the independent and dependent variable.

The regression took the following form:

$$Y = \beta_0 + \beta_1 \chi_1 + \beta_2 \chi_2 + \beta_3 \chi_3 + \beta_4 \chi_4 + \epsilon$$

Where: Y =Market Penetration, χ_1 = Breadth of product, χ_2 = risk appetite, χ_3= Brand, χ_4 = Financial Strength, β_0 = the constant , β_{1-n} = the regression coefficient or change included in Y by each χ, and ϵ = error term

RESULTS

Response rate

A total of 106 questionnaires were distributed. The study targeted six multinational insurance companies operating in Kenya; AIG Kenya, Prudential Life Assurance, Barclays Group - barely new, Liberty group - that acquired Heritage and CFC Life, Sunham - that acquired Mercantile, and Leap frog and Allianz Group. Out of the 106 distributed questionnaires 97 questionnaires were duly filled and returned. The table 4.1 shows the response rate.

Table 1: Response Rate

Issued questionnaires	Returned Questionnaires	Response Rate
106	**97**	**91.5%**

This represents a response rate of 91.5% which is considered adequate for this study based on recommendations from Kothari (2004) and Creswell (2009) who asserted that 50% response rate was adequate for a descriptive study.

Results of the Pilot Study

Kothari (2008) indicated 0.7 as an acceptable reliability coefficient. Table 4.2 illustrates the results of the reliability analysis.

Table 2 Reliability Analysis

Variable	Cronbach's alpha	No of items
Product Breadth	.81	9
Financial Strength	.853	4
Product Brand	.802	11
Risk Appetite	.765	10

The Alpha coefficients were all greater than 0.7 indicating an acceptable reliability of the instruments. The instrument therefore was appropriate for the study.

Validity of Results

Validity of qualitative research is determining whether the research truly measures that which it was intended to measure or how truthful the results are (Patton, 2002). Content validity of this study was determined by first discussing the items in the instrument with the supervisor, one other lecturer and a research expert- they indicated against items (with a rating scale of 1-4) in

the questionnaire whether it measured what it was meant to measure or not in relation to the research objectives.

Demographics

Experience in the Insurance Sector

The respondents were requested to indicate the number of years they had worked in the Insurance sector. Results show that over 72.17% of the study participants had worked in the sector for a period of over 6 years. The results are indicative of an adequate work experience in the sector and well placed to answer the questions satisfactorily.

Table 3: Experience of the Respondents in the Insurance Sector

Characteristic	Frequency	Percent
1-5 Years	27	27.83
6-15 Years	14	14.43
16-30 Years	36	37.11
31-60 Years	20	20.63
Total	**97**	**100**

Level of Management

The study sought to find out the level of management of the respondents. The results are shown in Table 4.

Table 4: Level of Management

Characteristics	Frequency	Percent
Top Level management	12	12.37
Middle Level Management	50	51.54
Low Level Management	35	36.09
Total	**97**	**100**

Table 4 presents that 51.54% of the respondents were middle level managers, 36.09% of the respondents were low level management and 12.37% of the respondents were top level management.

Product Breadth

The analysis of data is presented on a mean scale of 1 to 5; the mean score of 1 and 2 represent low, while a mean score of 3 indicate medium responses and a mean score of 4 and 5 represent high responses. A standard deviation of less than one indicates that responses were closer to the mean while a standard deviation greater than one means that the responses varied. The study sought to establish effect of product breadth on market penetration by multinational insurance companies in Kenya. The findings are presented in Table 4.5.

Table 5: Product breadth

Statement	N	Mean	Standard Deviation
Conditions of product being offered is good	97	4.29	1.06
The products and services of the company are matched with the potential of the market	97	3.74	0.994
Comparison of the prices of products by other firms	97	4	1.044
Easy availability of the product/service	97	4.32	0.878
Well promoted insurance products	97	3.84	0.989
Diversify the insurance products for all status of clients	97	3.65	1.3
Increased innovativeness	97	3.71	1.428
Well promoted insurance products	97	3.79	1.452

Conditions of product being offered were good as respondent's agreement was high with a mean of 4.29 and a standard deviation of 1.06. The respondents were not sure the products and services of the company are matched with the potential of the market with a mean of 3.74 and a standard deviation of 0.994.With a mean of 4 and a standard deviation of 1.044 the respondents were of the opinion that indeed the prices of products were comparable with those of other firms. The respondents were of the opinion that the products and services are available with a mean of 4.32 and a standard deviation of 0.878. The respondents agreed the insurance products are well promoted with a mean of 3.84 and a standard deviation of 0.989. The respondents were not very sure whether there is diversification of insurance products for all status of clients with a mean of 3.65 and a standard deviation of 1.3. The respondents agreed that increased innovativeness affected the breadth of product with a mean of 3.79 and standard deviation of 1.452. According to (Mills and Morris 2006), insurance must continually invent new products and services in light of changes brought by the Internet and also make existing products more suitable for both physical and online delivery.

Risk Appetite

The study sought to find out the effect of risk appetite on the market penetration by multinational insurance companies in Kenya. The responses were presented with a question on risk management practices and the findings are presented in table 6.

Table 6: Existence of Risk Management Practices

Characteristic	Frequency	Percent
Yes	61	62.89
No	36	37.11
Total	97	100.0

Table 6 presents that 62.89% agreed their organization had risk management practices while 37.11% of the respondents did not have risk management practices. The analysis of data is presented on a mean scale of 1 to 5; the mean score of 1 and 2 represent low extent, while a mean score of 3 indicate moderate extent responses and a mean score of 4 and 5 represent great extent. A standard deviation of less than one indicates that responses were closer to the mean

while a standard deviation greater than one means that the responses varied. The study sought to find out to what extent risk management practices affected the market penetration of multinational insurance companies.

Table 7: Risk Management Practices

Statement	N	Mean	Standard Deviation
Governance Regulations	97	4.03	0.797
Risk consultant	97	3.97	0.937
Your organization is able to allocate appropriate resources in support of risk management policy and practice	97	3.68	1.199
Well promoted insurance products	97	3.88	1.122
Your organization encourages and provides resources to staff to undertake relevant training to improve their skills in risk management.	97	4.06	1.127
Your organization carries out a comprehensive and systematic identification of its risks relating to each of its declared aims and objectives.	97	4	1.231
Your organization uses qualitative analysis methods (e.g high, moderate, low) in its risks analysis	97	3.82	1.029
The risks your organization faces are assessed in terms of occurrence likelihood.	97	3.91	0.753
Your organization understands the limits to risk it may take in the achievement of its objectives	97	4.06	0.736

The respondents agreed to a large extent the Governance Regulations affect the adoption of risk management practices with a mean of 4.03 and a standard deviation of 0.797. The risk consultant affected the adoption of risk management practices with a mean of 3.97 and standard deviation of 0.937. The respondents were neutral about the organizations ability to allocate appropriate resources in support of risk management policy and practice with a mean of 3.68 and standard deviation of 1.199. The respondents agreed the organization encouraged and provided resources to staff to undertake relevant training to improve their skills in risk management with a mean of 3.88 and standard deviation of 1.122. Most insurance companies sampled out a comprehensive and systematic identification of its risks relating to each of its declared aims and objectives with a mean of 4.06 and standard deviation of 1.12. The respondents agreed the organization uses qualitative analysis methods (e.g high, moderate, low) in its risks analysis with a mean of 4 and standard deviation of 1.231. With a mean of 3.82 the respondents were of the opinion the risks the organization faces are assessed in terms of occurrence likelihood.

There is need for more innovation from the part of insurers that will facilitate coverage of more areas and this can be enhanced through introduction of alternative distribution channels. The findings agree with (Makove, 2011) who states insurance service providers should develop a simple and sound insurance policy framework to grow and develop the business. The firms should carry documentation of existing risk management schemes and insurance practices adopted by insurers including collection of adequate data on risk prevalence of areas and or clientele demographics. Insurance firms can also develop risk measurement models for insurance

products during underwriting, considering the unique needs of the low-income market, namely; customer needs, product design, delivery systems and even business models.

Product Brand

The study sought to find out the effect of product brand on the market penetration by multinational insurance companies in Kenya. The respondents were given a limited choice of yes or no. The responses, frequencies and percentages were used to summarize the findings as presented in table 8. The respondents represented by 62.4% were of the opinion they practiced branding of products in the company and 71% agreed there existed a blue print manual for each brand. The respondents represented by 30.8% agreed that Brands have an accompanying logo while 68.2% disagreed. The respondents represented by 94.8% agreed their Brands are involved in the sponsorship of events while 5.2% disagreed but 43.3% responded yes when presented with the question on whether there would be any cost incurred by a customer who switches from their brand to that of a competitor. 67% of the respondents agreed they made deliberate efforts in promotional messages towards creating positive feelings for their brands while 33% responded no, but 97.9% of the respondents agreed that perceived quality is very significant to their brands.

Table 8: Product Brand

Statement	Yes		No	
	F	%	F	%
Practice branding of products in the company	60	62.4	37	37.6
Existence of a blue print manual for each brand.	69	71	28	29
Brands have an accompanying logo	30	30.8	67	68.2
Brands are involved in the sponsorship of events				
Do you think there would be any cost incurred by a customer who switches from your brand to that of a competitor efforts	92	94.8	7	5.2
Does your brand have any relationship with specific events or phenomenon e.g. sports	42	43.3	55	56.7
Do you make deliberate efforts in promotional messages towards creating positive feelings for your brands	65	67	32	33
Is perceived quality of any significance to your brands	95	97.9	2	2.1

According to Gupta (2007), a strong brand strategy can increase the awareness of a company and its offerings in such a way that it establishes strong feelings and reactions and a favorable view towards the company as a whole. To create this sort of brand awareness in the market, it takes skillful Brand Strategy know-how. The function of branding is one of the most important aspects of any business be it a large or a small business organization. An effective brand strategy enables marketers to sell more and win the market share. Companies around the world have continued to invest heavily in brand management.

Table 9: The Brand Perception

Characteristic	Frequency	Percent
Positive	65	67.01
Negative	11	11.34
Neutral	21	21.65
Total	97	100.00

As presented in table 4.9, 67.01% of the respondents were positive on how they perceived the brand and the choice to take up insurance, 21.65% of the respondents were neutral while 11.34% of the respondents were negative on the issue of brand. The table 10 below presents that 66.7% of the respondents are satisfied when the brands are functional, 31% when they are self-expressive and 2.3% when they satisfy them psychologically.

Table 10: Consumer Satisfaction with Brands

	Frequency	**Percent**
Functional	64	66.7
Psychological	3	2.3
Self-expressive	30	31.0
Total	**97**	**100.0**

Table 11 below presents that most respondents as represented by 50.4% of the respondents felt they preferred trustworthy and reliable brands, 29% of the respondents felt the brands should be friendly while 20.6% of the respondents felt the brands should be respectful.

Table 11: Feelings of Customers towards Brands

	Frequency	Percent
Respectful	20	20.6
Friendly	28	29.0
Trustworthy/Reliability	49	50.4
Total	97	100.0

The study by (Dowd, 2007) recommends that insurance companies should push and market policies that provide for brands that cater for customer needs because that's what the customers prefer. The insurance companies should also lower the cost of premiums, have efficient claims settlement, improve on agents integrity, improve on customer service, have product variety, have country wide presence to improve the penetration of insurance in Kenya.

Financial Strength

The study sought to find out the effect of financial strength on the market penetration by multinational insurance companies in Kenya. The findings are presented in the tables below: The study sought to find out whether the income ratio is effective in generating profits. The responses are presented in table 4.12 where 98.3% of the respondents were of the opinion yes while the rest responded no. The findings concur with (Kumba, 2011) who asserted other ratios include acid test ratios, which is liquid assets divided by current assets and the current ratio. All the above ratios can determine whether it is safe to place a cover with the insurance company, Kumba

(2011), and whether the insurer is in a sound financial position to settle claims; factors which are of great importance to the investors, employees and policy holders.

Table 12: Income Ration is Effective in Generating Profits

	Frequency	Percent
YES	95	98.3
NO	2	1.7
Total	97	100.0

Table 13 presents that Majority of the respondents represented by 77.8% of the respondents agreed that market share affects penetration while 22.2% of the respondents disagreed.

Table 13: Effect of Market share on performance

	Frequency	Percent
YES	76	77.8
NO	21	22.2
Total	97	100.0

Table 14 presents that Majority of the respondents were of the opinion that the trend in sales growth were stagnant as represented by 66.7%, 23% of the respondents agreed the growth rates were decreasing while only 10.3% of the respondents agreed they were increasing. The findings can be explained by the penetration rate in Kenya which is merely 4% of the total population (IRA, 2013). The 44 licensed insurance companies compete for a limited market characterized by low penetration, declining sales rate and limited markets (UAP, 2013).

Table 14: Trend in Sales Growth

	Frequency	Percent
Increasing	10	10.3
Decreasing	22	23
Stagnant	65	66.7
Total	97	100.0

The findings on the speed of settling claims are presented in table 4.15.Majority of the respondents represented by 73.1% of the respondents agreed that speed of settling claims affects penetration while 26.9% of the respondents disagreed. The findings agree with (Babbel &Klock, 2004) who asserted that Poor fundamentals not only indicate a poor investment opportunity, but also hinder growth. Nothing is worse than insurance customers discovering that their insurance company might not have the financial stability to pay out if it is faced with a large proportion of claims.

Table 15: Speed of Settling Claims

	Frequency	Percent
YES	71	73.1
NO	26	26.9
Total	97	100.0

Market Penetration

The means and standard deviations are based on the data captured through a six point likert type scale running from 0 to 5, representing "strongly disagree and improved to agree" respectively as a result of embracing strategic planning in enhancing market penetration. Majority of the respondents agreed the Emerging issues and trends in the market have been well identified with a mean of 4.838 and standard deviation of 0.866 but disagreed on whether the strategic plan of the company has provided mitigation measures to deal with competition with a mean of 2.451 and standard deviation of 1.362. The respondents however were neutral on whether the Solutions provided in the strategic plan of the company to improve distribution channel with a mean of 3.548 and standard deviation of 1.059, but disagreed on the rating of the organization market penetration as good with a mean of 2.861 and standard deviation of 1.046. The respondents were neutral on the statement the external market analysis is done by the company to mitigate on competition with a mean of 3.161 and standard deviation of 1.003.

Table 16: Market Penetration

Characteristics	N	Mean	Standard Deviation
Emerging issues and trends in the market have been well identified	97	4.838	0.866
The strategic plan of the company has provided mitigation measures to deal with competition	97	2.451	1.362
Solutions provided in the strategic plan of the company to Improve distribution channel	97	3.548	1.059
The rating of your company's market penetration is good	97	2.861	1.046
External market analysis is done by the company to mitigate on competition	97	3.161	1.003

Co-efficient of Correlation

The study sought to find out the relationship between the independent and dependent variables and utilized the Pearson's Correlation co-efficient. The findings are presented in table 17.

Table 17: Co-efficient of correlation

		PRODUCT BREADTH	FINANCIAL STREGNTH	PRODUC T BRAND	RISK APPETI TE
MARKET PENETRATION	Pearson Correlation	.458**	.671**	.558**	.426**
	Sig. (2-tailed)	.002	.001	.036	.000
	N	97	97	97	97

There was a positive significant relationship between market penetration as measured by the P-value between market penetration and the product breadth, financial strength, and product brand and risk appetite. The P-value is a measure of the level of significance and the level of significance was at 5%. All the independent values as identified have a significant positive relationship on market penetration. The Pearson's co-efficient correlation is significant as indicated by the P-value at 95% level of confidence.

Table 18: Co-efficient of Determination

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.814[a]	.663	.651	.1159

a. Predictors: (Constant), Product Breadth, Financial Strength, Product Brand, Risk Appetite

The co-efficient of determination was 66.3%. 66.3% of variations in the market penetration by multinational insurance companies were explained by Product Breadth, Financial Strength, Product Brand, and Risk Appetite. The model for the study can be defined as:

$$Y = 6.405 + 0.345X_1 + 0.202X_2 + 0.234X_3 + 0.772X_4$$

Stand. Error	1.033	0.114	0.166	0.100	0.171
T-Statistic	6.202	3.024	1.217	2.345	4.524
P-Value	0.000	0.003	0.228	0.022	0.000

X_1= Product Breadth
X_2 = Financial Strength
X_3= Product Brand
X_4= Risk Appetite

Table 19: The Model Specification

Model	Unstandardized Coefficients		T	Sig.
	B	Std. Error		
(Constant)	6.405	1.033	6.202	.000
PRODUCT BREADTH	.345	.114	3.024	.003
FINANCIAL STREGNTH	.202	.166	1.217	.028
PRODUCT BRAND	.234	.100	2.345	.022
RISK APPETITE	.772	.171	4.524	.000

Independent Variables

In testing the significance of product breadth in the relationship, it depicts p-value of 0.003, making it much statistically significant. It has a regression coefficient of 0.345, a strong positive relationship. A unit change in product breadth results to 34.5% changes in market penetration by multinationals. In testing the significance of financial strength in the relationship, it depicts p-value of 0.028, making it statistically significant. It has a regression coefficient of 0.202, a strong positive relationship. A unit change on the financial strength results to 20.2% changes in market penetration by multinationals.

A p-value of 0.022 explains that the regression coefficient corresponding to product brand is statistically significant in explaining the market penetration by multinationals. A regression coefficient of 0.234 implies that a unit change in product brand increases the market penetration by multinationals by 23.4%. A p-value of 0.000 explains that the regression coefficient corresponding to risk appetite is statistically significant in explaining the market penetration by multinationals. A regression coefficient of 0.772 implies that unit change in risk appetite results to 77.2% change in market penetration by multinationals.

Content Analysis

Content analysis was used to analyse the qualitative data collected from the open ended questions. The respondents were of the opinion that Customer orientation should be focused to promote external focus, identification of new opportunities so as to identify new trends in the markets and competitors hence one is able to get early warning of competitor moves. This enables counter measures thus minimizing investment risks by detecting threats and trends early, better customer interaction, inherit intensified customer market view better market selection and positioning. It enables the company to understand where their offer fits and discover untapped or under insured potential market, more efficient and cost-effective information.

Conclusion

Looking at the variables collectively, it's evident the co-efficient of determination was 66.3%. This means that 66.3% of variations in the market penetration by multinational insurance companies were explained by Product Breadth, Financial Strength, Product Brand, and Risk Appetite. In testing the significance of breadth of product in the relationship, it depicts p-value of 0.003, making it much statistically significant. It has a regression coefficient of 0.345, a strong positive relationship. A unit change in product breadth results to 34.5% changes in market penetration by multinational Insurance Companies.

In testing the significance of financial strength in the relationship, it depicts p-value of 0.028, making it statistically significant. It has a regression coefficient of 0.202, a strong positive relationship. A unit change of financial strength results to 20.2% changes in market penetration by multinationals. A p-value of 0.022 explains that the regression coefficient corresponding to product brand is statistically significant in explaining the market penetration by multinationals. A regression coefficient of 0.234 implies that a unit in product brand increases the market penetration by multinationals by 23.4%. A p-value of 0.000 explains that the regression coefficient corresponding to risk appetite is statistically significant in explaining the market penetration by multinationals. A regression coefficient of 0.772 implies that unit change in risk appetite results to 77.2% change in market penetration by multinationals.

Recommendations

Product Breadth

Based on the research findings, the researcher made some recommendations that are aimed at strengthening the company's performance within the Insurance industry. Insurance companies in Kenya should develop more focused marketing and sales campaigns. This will enable marketers to plan marketing programs and campaigns—and closely monitor results—using skills they already have. Marketers will receive a complete, current view of their customers, and insight into customer attitudes and behavior through this approach and hence

build on the company competitive advantage. To build on competitive advantage through marketing strategies, insurance companies in Kenya should understand the similarities and differences among customers in specific geographic regions and demographic segments in order to serve their customer better —especially on varied population. Segmenting will enable these firms to create more precise campaigns, rather than sending general offers to the entire customer database.

Financial Strength

The net income ratio being a significant indicator of effective profit generation, insurance companies ought to monitor its changes and progress while at the same time the market share being an indicator of performance, insurance companies need to be aware of their current market share, why they stand as they are and what strategies they can adopt to ensure they increase in their market share. The trend at which the sales of policies are growing can also be used by insurance companies to check on their performance and also how best the trend can be kept on an upward scale. The speed at which claims are settled as proven to be a corner stone in determining whether companies will retain and get new customers or lose them. Insurance companies should ensure that their underwriting is done promptly and accurately to ensure that consumers get their claims settled on time and in a professional manner.

Product Brand

Satisfaction is a strong predictor of behavior intentions in this study, it is recommend that insurance service providers should endeavor to satisfy and delight their customers as a means of influencing behavior intentions. When customers are satisfied they are more likely to recommend the insurance service to their peers, less likely to switch and more likely to re-patronize services. Finally the researcher continues to recommend the following quick win strategies for both companies: - Optimizing the company customer relationship management strategy to improve the customer experience and increase retention; Leveraging the companies' marketing strategies, branding and customer self-care strategies to build customer loyalty and Strategic partnership in key areas such as technology, promotions and community social responsibility.

Risk Appetite

The researcher recommended that companies should strengthen their research portfolio. Improved research will enable firms to develop more effective customer retention strategies by identifying both their "at risk" and most valuable customers. In doing so these firms will increase customer retention, acquire profitable customers and create more effective cross-selling and up-selling strategies.

ACKNOWLEDGEMENTS

To my Sisters, Divinah and Evelyne who have been a source of encouragement and inspiration to me. Special thanks to the lecturers, many friends and class mates without whom this would not have been realized. Finally Special thanks to my supervisors Dr. Kepha Ombui and Dr. Mike Iravo for advice, insightful criticisms and patient encouragement.

REFERENCES

Afi (2014). *Strategic plans for insurance companies*. Retrieved August 11, 2014, from http://www.afi.es/

AKI (2010). *Potential Distribution channels for insurance business in Kenya.* The SBO Research, 5(1), p. 4.

Burke, W. (2010). Organization Change: Theory and Practice. Carlifornia: SAGE

Kabui, H.W. (2002). *Marketing Communication Strategies in the Insurance Industry: A case of firms in Kenya.* Nairobi: Kenyatta University, MBA Project, unpublished

Mbogo, S. (2010). *Insurance Companies Seek New Strategies to Attract Customers*. Business Daily, March 10.

Mose, V., & Kuloba, R. (2013). 2013 Kenya Insurance Industry Outlook. Nairobi: Insurance Regulatory Authority.

Muchire, S.K. (2003). *Assessment of Service quality in the Kenya"s Insurance Industry*. Nairobi: Kenyatta University, MBA Project, unpublished.

Mugenda, O & Mugenda, A (2003). Research methods quantitative and qualitative Approaches. Nairobi Press

Porter, M. E. (1980). Competitive strategy: Techniques for analyzing industries and competitors. New York: Free press

Porter, M. E. & Kramer, M. R. (2006). Strategy and Society: The link between competitive advantage and corporate social responsibility, Harvard Business Review, Dec 2006, pp.78-92.

Porter, M. E. (2008). The Five Competitive Forces That Shape Strategy, Harvard Business Review, pp. 79–93.

Robbock and Simmonds (2009) international business and multinational enterprise.

Smith, R. D. (2004). Strategic Planning for Public Relations. New Jersey: Taylor & Francis