**COMPETITIVE STRATEGIES AND PERFORMANCE OF LIFE ASSURANCE COMPANIES IN KENYA**

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# DECLARATION

This research project is my original work and has not been presented for a degree in any

other University

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This research project has been submitted with my approval as University Supervisor:

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## DEDICATION

This project is dedicated to my dad Timothy Kamau, who is the pillar of my academic journey, my mum Yvonne Mwende, sister Valentine Mueni, Grandmother Mary Muthoni Ngari, Tetu Mwenda and James Warugu, for always supporting and pushing me to do my best.

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## OPERATIONAL DEFINITION OF TERMS

| | |
|---|---|
| Competitive Strategies | Business strategies in which a firm engages in, in order to gain competitive advantage and therefore improve the performance of the firm |
| Cost Leadership | A strategy used by businesses to create a low cost of operation, within their industry. The use of this strategy is to gain a competitive advantage by reducing operation costs below that of competitors in the same industry. |
| Customer Relationship Management | Strategy that a company uses to manage analyzes customer interactions and data throughout the customer life cycle. Its goal is to improve business relationships with customers, assist customer retention and drive sales growth. The use of CRM enables the company to gain a competitive advantage. |
| Differentiation | An integrated set of actions designed to produce or deliver goods and services that are unique and distinguish the company's brand from competitors' brand. It is the key to building a sustainable competitive advantage. |

Market Focus                        A strategy that aims at developing, marketing and selling products or services to a niche market, such as, a particular type of consumer, a specific product line or a targeted geographical area. The goal is to become the leader in the determined niche by serving the designated group better than any other company in the industry.

Performance                      A set of financial and non financial indicators which offer information on the degree of achievement of objectives and results in an organization.

# ABBREVIATIONS

**AKI-** Association of Kenya insurers

**BSC-** Balance Score Card

**CLS-** Cost leadership strategy

**CRM-** Customer Relationship Management

**DS-** Differentiation strategy

**EQ**-Equity

**IRA-** Insurance Regulatory Authority

**ICT** - Information Communication Technology

**MFS**- Market focus strategy

**OL** - Organizational learning

**PLAC-** Performance of life assurance companies

**PAT-** Profit after Tax

**RBV** - Resource Based View

**SPSS-** Statistical Package for Social Sciences

**SWOT**- Strength Weakness Opportunity Threats

**U.S-** United States

**UK-** United Kingdom

# ABSTRACT

Life assurance is a plan that ensures families and other beneficiaries are financially secure especially after death of the bread winner. The life assurance sector in Kenya has been striving to improve its performance in order to improve the overall livelihood of Kenyans. Despite these efforts, not much has been achieved with the country posting poor results compared to the developed and developing countries. The growth of life assurance in Kenya has declined significantly from 29.4% in 2014, to 8.6% in 2015 due to lack of good strategies. This study therefore seeks to investigate the effects of competitive strategies on the performance of life assurance companies in Kenya. The specific objectives of this study are evaluating the effect of cost leadership, differentiation, market focus and customer relationship management on performance of life assurance companies in Kenya. The study adapted a descriptive research design. The target population was the 26 life assurance companies in Kenya consisting of 780 managers and unit of analysis was top, middle and line managers of all the 26 life assurance companies. Through systematic random sampling, a sample of 150 managers was selected. Primary data was collected using structured questionnaires with both open-ended and closed-ended questions. Reliability was tested through cronbach's alpha and research questionnaires were carefully checked to ensure they measured the content they were supposed to measure. The analysis of quantitative data was carried out using descriptive statistics which included frequencies, measures of central tendencies (mean) and measures of dispersion (standard deviation , correlation and regression model. The analysis was guided by use of statistical package for social sciences (SPSS version 23). Frequency tables, graphs and pie charts were used for visual display and data presentation. The results revealed that most of the life assurance companies in Kenya, have implemented various competitive strategies aimed at improving their performance. The results further revealed that there was a strong positive relationship between cost leadership and performance in life assurance companies in Kenya since a correlation coefficient of 0.866 with p–value (0.000) at 1% significance level was obtained. The study obtained that there was a positive relationship between differentiation and performance of life assurance companies in Kenya, since results obtained a correlation coefficient of 0.910 with p -value (0.000) at 1% significant level. The study further revealed that there was a significant positive relationship between market focus and performance of life assurance companies in Kenya, since results obtained a correlation coefficient of 0.920 with p-value (0.000)  at 1% significant level. The study also revealed that there was a positive relationship between CRM and performance of life assurance companies in Kenya, since results obtained a correlation coefficient of 0.924 with p-value (0.000)  at 1% significant level. This study will help in the formulation and improvement of existing strategies to enhance the performance of life assurance companies in Kenya. The study recommends that life assurance companies should sustain and continually improve on competitive strategies. They should also consider improving on the CRM and market focus.

# CHAPTER ONE

## INTRODUCTION

This chapter presents the background of the study, statement of the problem, objectives of the study, research questions, significance and scope of the study.

### 1.1 Background of the Study

Consistent high performance is one of the most important objectives in any company and is therefore one of the most important area, firms concentrates on. It is only through performance, firms are able to grow and progress. To ensure high performance, survival and success, firms need to develop capability to manage threats, exploit emerging opportunities and gain sustainable competitive advantage (Bennete, 2013). This involves creating competitive strategies that describes how a firm pursues competitive advantage across its chosen market scope (Porter, 1980). Competitive advantage can be attained if the current strategy is value-creating, and not currently being implemented by present or possible future competitors. Strategy is a set of action of a firm to achieve its goals and objectives (Thompson & Strickland, 2010).

Strategy represents a managerial commitment to pursue a particular set of actions in growing the business, attracting and pleasing customers, competing successfully, conducting operations and improving the company's financial performance. It enables the organization to maintain a sustainable competitive advantage; this is a competitive advantage that lasts longer period. An organization maintains a sustainable competitive advantage due to the incapability of the competitors to duplicate the firm's strategy, or finds the strategies costly to initiate, (Barney, 2010).

A company exists in turbulent and rapidly changing environments characterized by uncertainty and inability to predict the future, therefore management's major focus is on adjusting the organization according to the changing needs of the environment. Competitive strategies set the long term plan of a particular company in order to gain competitive advantage over its competitors in the industry, (Kotler, 2011). They aim at creating defensive position in an industry, generating superior profits, maintaining a high market share and gaining customer loyalty which all lead to high performance in the organization. The drive to superior performance in a company is sustainable competitive advantage brought about by the competitive strategies used by the firm.

Porter (1980) described competitive strategies aiming to search for a strong position in the industry the organization is in. The competitive strategies are; cost leadership; a firm sets out to become a low cost producer in its industry. It includes the pursuit of economies of scale, low manufacturing cost, preferential access to raw materials and other factors, (Daniella,2014). Cost leadership focuses on gaining competitive advantage by having the lowest cost in the industry, (Porter, 1996), this leads to high performance. Differentiation strategy focuses on creating its products or services in a unique way in order to compete successfully. These unique products or services are created to satisfy customer needs, customers that are not price sensitive. Differentiation drives profitability when the added price of the product or service outweighs the added expense to acquire the product or service. Differentiation also leads to customer loyalty and acquiring of high market share which improves performance of the company.  Focus strategy is aims at focusing on a few target markets, segments or niches. These are distinct groups with special needs. It tailors its products or services to the needs of those specific segments. A

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firm also needs to see its resources as key to its superior performance. It should therefore possess a unique bundle of resources (both tangible and intangible), these resources enable it to gain and sustain competitive advantage, (Wright, 2011).

Customer Relationship Management strategy is a business strategy that aims at understanding customers, retaining them through better customer experience, attracting new customers, win new clients and contracts and decrease customer management costs. The goal is to ensure customer satisfaction and delight at every level of interface with the company, (Pahuja & Verma, 2012). CRM enables marketers to maintain their presence in the dynamic environment and is highly important for service industries like insurance industries. CRM provides the company a way to analyze the buying behavior of their customers; It helps build a personal relationship with customers leading to customer loyalty, better profitability, competitive advantage, high market share and maintaining a positive image, all these leads to high performance in the organization, (Anand, 2014) CRM is therefore a vital element for a company when it comes to performance.

Therefore, for a firm to succeed and maintain its high performance, it needs to modify its resources and capabilities to suit the dynamic environment and create competitive practices that will enable it to maintain a sustainable competitive advantage.

### 1.1.1 Competitive Strategies

Performance comprises of the actual output or results of an organization as measured against its intended outputs or goals and objectives. According to Richard et al (2010), organizational performance encompasses three specific areas of firm outcomes, which are: financial performance, (profitability), product market performance, (market share), shareholder return, (total shareholder return, economic value added) and customer

satisfaction (customer loyalty).Strategy is the direction and scope of an organization over a long period of time, ideally which seeks to match its resources to its changing environment and in particular its market, customers, or clients, so as to meet stakeholder's expectations (Grant, 2012).

Competition is the main determinant of a firm success or failure. It determines the performance of the firm. Competitive strategy is deliberately choosing a different set of activities to deliver a unique mix of value (Porter, 1994). Competitive strategy is all about adding value through a mix of activities different from those used by competitors. Porter further added that it is a combination of the goals for which the firm is striving and the means by which it is seeking to get there. By adopting competitive practices, a firm beats its rivals by meeting customers' needs and preferences and therefore gaining a sustainable competitive advantage.

### 1.1.2 Performance

Performance is a complex and dynamic concept which has been conceptualized in two ways namely the drivers of performance and the results of performance (Fetcher, 2010). Organizational performance is concerned with the overall productivity in an organization in terms of profitability, market share, customer loyalty and Return on Investments. Competition in the global economy has intensified the importance of identifying the drivers of sustainable performance. The search for such drivers is no longer restricted to tangible factors which are resources, but has expanded to include intangibles, which are competitive strategies. Performance may be measured by both quantitative and qualitative methods. Smith (2014) stated that non-financial measures are better performance indicators in the service industry than financial measures. This is because

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non-financial measures are better measures of value and motivation which complement short-run financial figures as indicators of long-term goals.

Performance is regarded as an output which is aligned to objectives or simply profitability and is explained in terms of expected behavioral output and also results. Ngechu, (2013) asserted that the only worthy performance measure is financial performance because of its value to shareholders, executives and the market. This measure is an indicator of organizational success and sustainability because it is the reason for the existence of firms. The financial success of an organization is a measure of a firm's performance because it depicts the ability of an organization to operate above all its costs. Coens, (2014) claimed that a firm's performance should not be measured by financial performance but also operational and market indicators.

### 1.1.3 Life Assurance

Life assurance is a contract between a policy holder and an insurer, where the insurer promises to pay a designated beneficiary a sum of money, in exchange for a premium upon the death of the insured person (Vaughan, 2013). The person responsible for making payments to a policy is the policy holder, and the insured is the person whose death will trigger payment. The beneficiaries receive policy proceeds upon the insured person's death. The premium charged for life assurance policies increases with the insured's age, because the older people get the greater their risk of illness or death, (Steuer, 2014). AKI reports states that the core benefit of life insurance is that the financial interests of an individual's family remain protected from circumstances such as loss of income, due to critical illness or death of the policy holder.

There are various types of life assurance policies. Term assurance is a type of policy, offers protection for a limited period and provides only life over with no investment benefits. Full sum assured is paid by the insurer if the policy holder passes away within the insurance period. No benefits are payable if they are still alive at the time of the maturity of the policy. Endowment policy combines both protection and investments. The insurance company pays out the full sum assured if the policy holder passes away within the insurance period. Upon maturity of the policy, the maturity benefits are paid out including   the bonuses earned in the course of the policy to the policy holder, (Randolph, 2015). Whole life policy, offers life-long protection and premiums are paid on monthly installments, as a single premium or ceases at a given age. Unit linked policy is whereby part of the premium is used to purchase life protection and the rest is used to purchase units in an investment fund managed by the insurance company. Last expense policy, is meant to cater for funeral expenses of a policy holder or their family members in the event of their demise.

## 1.1.4 History and Life Assurance in Kenya

Insurance business in Kenya dates back to the colonial period when Kenya was colonized by the British. Colonialism had both positive and negative impacts and insurance business was on the positive side. One of the earliest life assurance companies in Kenya was Pan Africa insurance in 1946 which is Sanlam Kenya today. By 1963 the time for Kenyan independence, the insurance institutions had been upgraded to full insurance companies. (AKI) Association of Kenyan Insurers was established in 1987 as a consulting and advisory board of for the insurance industry. The legal and institution framework of insurance business derives from the Insurance Regulatory Authority (IRA)

which was created by an amendment to the insurance Act in 2006 and came in operation on 1<sup>st</sup> May 2007.

Currently, there are 51 operating insurance companies in Kenya, 25 underwriting non-life insurance business only, 14 underwriting life assurance business only, while 12 are composite, which is both life and non-life. In total, there are 26 life assurance companies in Kenya, (AKI, 2015).

## 1.2 Statement of the Problem

Although life assurance has registered a constant growth from the year 2000 to 2010, the growth in the segment has declined significantly from 29.4% in 2014, to 8.6% in 2015 (AKI, 2015). AKI reports further shows that insurance penetration has declined from 2.93% of gross domestic product (GDP) in 2014, to 2.79% in 2015, compared to other developed countries, where penetration was 7.2% in 2015 in the U.S. Life assurance demand by the average Kenyan citizen is still low. Effective competitive strategies are vital for any organization that concentrates on its performance. Studies that have been done in this area include, strategies applied by health insurance companies to improve profitability (Boniface, 2011), strategies that influence the uptake of life assurance in Kenya (Kiumbi, 2011), effects of strategies adopted by insurance companies to attract business through agents (Stephen, 2013). There is therefore a need and a gap to carry out a research on the life assurance sector that will focus on the competitive practices and performance of life assurance companies With life assurance growth and penetration dropping, for any life assurance company to survive, it is important that it develops good competitive strategies that are crucial to achieve the organizations goals and objectives. Life assurance companies in Kenya are operating in an ever changing environment, in

which new players continue to enter the market. Based on the above premise, this study seeks to investigate the effects of competitive strategies performance of life assurance companies in Kenya.

## 1.3 Objectives of the Study

### 1.3.1 General Objective

To determine the effect of competitive strategies on performance of life assurance companies in Kenya.

### 1.3.2 Specific Objectives

1. To establish the effect of cost leadership strategy on performance of life assurance companies in Kenya

2. To assess the effect of differentiation strategy on performance of life assurance companies in Kenya.

3. To find out the effect of market focus strategy on performance of life assurance companies in Kenya.

4. To establish the effect of customer relationship management strategy on performance of life assurance companies in Kenya

## 1.4 Research Questions

1. What is the effect of cost leadership strategy on performance of life assurance companies in Kenya?

2. How does differentiation strategy affect performance of life assurance companies in Kenya?

3. What is the effect of market focus strategy on performance of life assurance companies in Kenya?

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4. Does customer relationship management strategy affect performance of life assurance companies in Kenya?

## 1.5 Significance of the Study

This study will be of help to several parties; The Management of life assurance companies in Kenya; This study will benefit the management of life assurance companies in Kenya in that it will enable a proper evaluation of the present strategies, and identify their strengths and weaknesses, this will enable management in decisions of maintaining the strategies, and creating more that will improve the performance of the companies. It will provide opportunity to these life assurance providers to invest on more research and development. It will also provide them with appropriate strategies to improve on performance of the organizations. This study will benefit other researchers in that, the findings of this study will be used as reference in their research on related issues. It will also serve as a guideline to other researchers on issues related with strategies in life assurance companies. Potential Investors, Policy holders and the Public; this study will enable potential investors, policy holders and the public at large to understand and appreciate the challenges and opportunities in the life assurance industry. It will also clarify some of the issues misunderstood by people.

## 1.6 Limitation of the Study

Respondents were reluctant to fill in questionnaires since they considered information on their company performance sensitive. This would have led to inaccurate data and hence wrong conclusions from the study. To minimize the effect the researcher assured the respondents of confidentiality in handling the data they gave and assured them that the results were to be used for academic purpose only.

**1.7 Scope of the Study**

The study mainly focused on the staff of the 26 life assurance companies in Kenya which includes; top managers, middle level managers and lower level managers and it was be carried out in the life assurance companies' head offices. Descriptive research methodology was adapted in the study. The study focused on financial and non-financial performance data from 2012 to 2016.

**CHAPTER TWO**

**LITERATURE REVIEW**

## 2.1 Introduction

This chapter reviews the existing literature of past studies related to the study as presented by other researchers. The purpose of literature review is to critically review the research related to the topic of research, establish a theoretical framework, and define the area of study. The literature provides a guideline to this study and offers a critical analysis of the previous studies.

## 2.2 Theoretical Review of Literature

Theoretical review of literature consists of theories and models that are related to the research topic. The theories and models give the research direction. The theories are; the resource based view theory of the firm institutional theory and organizational learning.

### 2.2.1 Resource Based View of the Firm

For a firm to develop and implement strategies such as, cost leadership and customer relationship management, the resource-based view of the firm is an important strategy route. Resource based view of the firm is a theory that sees resources as key to superior firm performance. A firm with the right resources is able to create and implement appropriate strategies that will enable the firm gain and maintain a sustainable competitive advantage.

Firms differ in fundamental ways because each firm possesses a unique bundle of resources (both tangible and intangible). Tangible resources are physical resources such as, land, building, machinery, equipment and capital. Intangible resources are those economic resources firm posses that have no physical presence, like, brand reputations,

trademarks and intellectual property. These resources enable the firm to gain and sustain competitive advantage. Performance results from the deployment of resource-capability combinations to produce advantage (Brush, 2015).

The theory states that a firm is able to perform better when it combines its unique resources to drive all the areas of the organization. Resource based view states that, a firm's sustainable competitive advantage hence performance, depends on its ability to manage the institutional context of its resource decisions. It states that organizations should look inside the company to find the sources of competitive advantage instead of looking at competitive environment for it. The RBV of the firm links the internal capabilities of the organization to strategy formulation to achieve competitive advantage. The theory views the firm as an interconnectivity of resources and capabilities. The RBV of the firm has stressed the importance of strategic choice whose tasks include identifying, developing and deploying core resources to maximize profits. If a resource exhibits value, rarity, inimitability, organization (VRIO) attributes, it enables the firm gain competitive advantage, (David, 2011).

With resource based view, managers are concerned with how to manage resources so that they can achieve superior performance over their rivals, (Csaszar, 2012). Resource-Based View theory postulates that a firm achieves sustainable competitive advantage and thus enhanced economy only when it is able to obtain preferential access to and exploit the potential of, competitive advantage-generating resource, (Killen, 2012).

RBV theory of the firm is therefore relevant to this study in that, firms that have the right bundle of resources are able to develop and implement strategies that lead to sustainable

competitive advantage, in our case the strategies are cost leadership and Customer Relationship Management.

## 2.2.2 Institutional Theory

The roots of institutional theory can be traced from the studies of economics, politics and sociology. Institutional theory focuses on the environmental factors experienced by an organization such as external or societal norms, rules, and requirements that organizations must conform to, in order to receive legitimacy and support. The theory depends heavily on the social constructs to help define the structure and processes of an organization (Scott, 2014). It postulates that society as whole plays a vital role in determining the legitimacy of an organization and has much more power in the operations of an organization. It asserts that the institutional environment can strongly influence the development of formal structures in an organization, often more profoundly than market pressures (Meyer, 2012).

This theory focuses on the environmental factors experienced by an organization such as, external or societal norms, rules and requirements that an organization must conform to in order to receive legitimacy and support from the society. Institutional theory depends on the social constructs to help define the structure and process of an organization (Forgaty, 2014).

The most basic principle and distinct characteristic to the institutional theory is conformity. Conformity is the meter stick that is used to determine the legitimacy of an organization. The concept of conformity establishes rational myths in which it is necessary that an organization would incorporate certain social norms, rules and requirements into its mission and goals. For example in Kenya, societal expectations and

norms dictate that the requirements needed to achieve an MBA degree are teaching accounting, finance, marketing, strategic management, project management and economics. If these were not taught, the program would be viewed as illegitimate (Argyris, 2010).

Institutional theory bridges the gap between societal views and organization's actions. It can be rewarding to the organization because society as a whole plays a vital role in determining the legitimacy of an organization directly and have much more power in its operations. Institutional theory is relevant to this study in competitive strategy formulation specifically in cost market focus strategy (Burns, 2010). With the organization conforming to societal norms, it must tailor its products and services to the needs and preferences of the society surrounding it, and other niche markets. This will enable the organization to a sustainable competitive advantage and improve performance in the long run.

### 2.2.3 Organizational Learning

A learning organization can be defined as an organization where people continually expand their capacity to create the results they truly desire and where new and expansive patterns of thinking are nurtured and people are continually learning to see the whole together. It is typically an adaptive organization which senses changes in its environment (both internal and external) and adapts accordingly. It actively creates, captures, transfers and mobilizes knowledge to enable it to adapt to a changing environment (Wilkins, 2011). The key distinction in such an organization therefore is the interaction that takes place among its members which fosters transfer of knowledge. The rationale behind this concept is that in situations of rapid change, only those that are flexible, adaptive and

productive will excel. This therefore means that learning can be defined as acquiring new or modifying existing knowledge, behavior, skills, values or preferences. Human learning may occur as part of education, personal development, school or training (Ringim, Razalli&Hasnan, 2012).

Organizations exist in turbulent, dynamic and rapidly changing environments characterized by uncertainty and inability to predict the future. The elements in a firm's environment especially the external are out of its control and therefore for survival it has to adjust itself to the changes in this environment. These elements include the political, economic, social, technological, ecological and legal factors. As a result, its people may lack the tools and guiding ideas to make sense of the situations they face. Essentially, the organization develops competitive strategies for achieving organizational objectives and gaining sustainable competitive advantage (Darell, 2014).

The competitive strategies specifically differentiation strategy is usually designed with room for adjustment due to changes in the environment and according to customer needs and preferences. In light of this, continued updating of firms competencies through learning to support this adjusted strategy is important if an organization is to achieve competitive advantage through continuously creating goods and services that are in line with customer preferences and distinguish the organization brand form other brand in the industry (Marcia, 2011).

### 2.2.4 Balance Score Card

BSC is a tool which monitors organizational strategies by using a combination of financial and non financial measures. It is designed to interpret strategy in to objectives across four perspectives, namely, financial, customer, internal business process and learning and growth. It was initiated by David Norton and Dr. Kaplan of the Harvard

business School (Bennete, 2013).  The BSC concept measures whether the companies are aligned with its larger-scale objectives in terms of vision and strategy. It enables organizations to clarify their vision and strategy to its employees and translates them into operational goals. It has the ability to identify the key areas which can make a huge impact in an organization (Fletcher, 2010).

BSC is relevant to this study in that, it evaluates the performance of the organization in a comprehensive manner. It helps align the performance of an organization with its strategies, hence enabling the organization to acquire sustainable competitive advantage therefore improving performance in the long run (Seth, 2013).

## 2.3 Empirical Review

This section consists of all the variables of the studies. The variables include, cost leadership, differentiation, market focus, customer relationship management and performance.

### 2.3.1 Cost Leadership and Performance

Porter's generic competitive strategies state that in cost leadership, a firm sets out to become a low cost producer in its industry. It includes the pursuit of economies of scale, low manufacturing cost, preferential access to raw materials and other factors, (Daniella,2014). Cost leadership focuses on gaining competitive advantage by having the lowest cost in the industry, (Porter, 1996). The organization work force must also be committed to the low-cost strategy.

The intention of firms that utilize cost leadership is to target a large group of customers. Cost leadership refers to an integrated set of measures that are taken to produce goods and services with characteristics that are acceptable to customers at the lowest cost,

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relative to competitors. Firms usually sell standardized goods or services to the most typical customers of the industry, (Bauer, 2011).  Attempts to reduce costs spreads through the whole business process, in products, from manufacturing to the final stage of selling .Any processes that do not contribute towards minimization of cost base are usually outsourced to other organizations with the view of maintaining a low cost base, (Helms, 2012). Low costs enable the firm to offer relatively standardized products or services, which will help the firm gain sustainable competitive advantage, increase profitability and increase its market share (Porter, 1980).

Decision makers in a cost leadership firm, must be compelled to closely scrutinize the cost efficiency of the processes of the firm. Maintaining a low cost base should become the primary determinant of cost leadership. Seth, (2013), states that for low cost leadership to be effective, a firm should have a large market share. New entrants may not benefit from cost leadership since mass production, mass distribution and economies of scale may not make an impact on the new entrants. Cost leadership becomes a defense mechanism against competitors in a highly competitive industry (Parker, 2014). Eventually, cost leadership generates sustainable competitive advantage in a firm therefore high performance.

To succeed at operating at lowest costs while still achieving profitability and high returns, can be achieved in three main ways (Scholes, 2010).The first approach is achieving low direct and indirect operating costs. This can be achieved by offering high volumes of standardized products and limiting customization and standardization of services. Production cost is kept low by fewer and standard components and limiting the number of models produced, to ensure larger production runs, (Allen, 2012).  Overheads are kept

low by paying low wages, locating premises in low rent areas, and establishing a cost conscious culture in the organization. Costs like research and development and advertising are also minimized.

The second approach is achieving a high asset turn over. This involves production of high volumes of output. This approach aims at spreading fixed costs over a large number of units of the product or service, resulting in a lower unit cost. In this case, the firm aims at taking advantage of economies of scale, and experiencing curve effects, (Baker, 2014). Higher levels of output require and results in high market share, therefore creating a barrier to entry to potential investors who may be unable to achieve the scale necessary to match the firm's low cost and prices.

The third approach is control over the supply chain to ensure low costs. This can be achieved by bulk buying to enjoy quantity discounts, squeezing supplier on price, instituting competitive bidding for contracts and working with vendors to keep investors low using inventory methods such as Just In Time. An example is Wal-Mart which is famous for squeezing its suppliers to low prices for its good, making it the world's largest company, (Buzzell, 2010). Dell computer initially achieved market share by keeping inventories low and only building computers to order. Therefore, firms can offer cost leadership by, Using efficient and low cost distribution channels, utilizing economies of scale through mass production and mobilization of employees, having an easy access to low cost source of capital, and developing cost effective products and services, (Seth, 2013).

It is assumed that cost leadership strategy is only viable for big firms with the ability to enjoy economies of scale and large production volumes. However, small businesses can

also use cost leadership if they utilize the advantages of low costs. For example a business in a low rent location can attract price sensitive customers (Malburg, 2010).

David, (2014), states that, another objective of cost leadership is efficiency, the degree to which per unit of output is low. It can be categorized into cost efficiency, and asset parsimony. Cost efficiency measure the degree to which costs per unit are low. Asset parsimony, it is the reduction or minimization of assets used in making a product or service. It is the degree to which assets per unit of output are low. They both capture the firm's cost leadership orientation. This helps the firm improve its performance. Cost leadership also has some disadvantages. Lack of customer loyalty is one of them, as price sensitive customers will always switch the moment a lower price product or service is introduced into the market, (Green, 2013). As cost leadership objective is to reduce costs, this might result to low quality products or services which might ruin the firm's reputation. Also, low prices will result in creating a negative attitude towards the quality of the product in the mindset of customer, (Miller, 2014).

### 2.3.2 Differentiation and Performance

Differentiation can be defined as positioning a brand in such a way as to distinguish it from other competitors and establish a unique image, (Lemak & Choi, 2013) .Differentiation strategy is appropriate where the target customer segment is not price sensitive, the market is competitive or saturated, customers have very specific needs which are under-served, and the firm has unique resources and capabilities which enable it to satisfy these needs in ways that are difficult to copy (Porter, 1985). It is also creating something that is perceived industry-wide as being unique. Several examples of  various ways of differentiation are; creating unusual features in products or services, responsive

customer service, product innovations, creating perceived prestige or status, incorporation of various taste and preferences of customers, engineering new designs and performance in products or services, and technological leadership, (Porter, 1980).

A firm must develop products or services that have unique attributes that are valued by customers, and are perceived to be better than what the firm's competitor's offer. The value added to the products or services, enables the firm to charge a higher price than other firms which enables them to have high returns on investments and profitability. Jacome, (2011), states that, incorporation of modern technology should be explored for better operations. The bases of differentiation may be sorted into three categories.

In the first category, a firm can concentrate on the relationship between itself and its customers. For instance product customization, this is modifying products according to customer needs, consumer marketing which is, cresting and selling products or services to individual buyers as opposed to trying to appeal to businesses and product reputation, (Silva &Yasmin, 2014). The second category of differentiation implementation is that a firm can focus directly on product or service features which is distinguishing characteristics in a product or service that helps it boost its appeal to potential buyers, product complexity, which is creating products with different variations and in built solutions to problem and lastly, timing of product introduction or location, (Helter, 2010) The third category of differentiation implementation is, focusing on the linkage between or within firm, which include product mix, distribution channels and service support. Barney & Hesterley (2010), argue that differentiation is ultimately an expression of the creativity of individuals and groups within a firm, this builds up a competitive advantage of the firm. To maintain differentiation, it is important for a firm to have a strong and

aggressive research and development team, strong marketing skills, and highly creative personnel. Marques & Lisboa (2011), states that, the rarity of a differentiation strategy depends on the creativity of firms to come up with new ways to differentiate their products or services. Creative firms will always strive to be one step ahead of their competitors. Firms should use bases for differentiation that are costly to duplicate. This will earn the firm a sustainable competitive advantage.

Therefore, differentiation is all about maintaining a strong image identification to clients, innovation in marketing techniques, methods and technology, new product development and strict quality control procedures through TQM, (Bauer, 2014). Differentiation should be based on studying and identifying recent gaps that are not filled by the products and services. The desired features are then incorporated into the products and services, and therefore will attract customers. Differentiation always results to high costs. The firm can recover the costs by either keeping the differentiation cost below the premium price, or set a higher premium for the differentiated products or services, (Allen & Helms, 2012). Differentiation brings about several benefits to the firm. It generates superior profits due to the higher prices, that firms charge because of offering value added products or services, Differentiation also brings about brand loyalty by the firm's customers, due to the unique products or services, that are modified to satisfy needs and preferences of certain segments of customers. Differentiation creates barriers to entry of new entrants in the industry, and it mitigates buyer power since, buyers lack comparable substitutes and therefore are insensitive to prices, (Porter, 1980). All these benefits create high performance in the firm.

Differentiation also has its downsides. The biggest problem with differentiation is imitation. A firm that succeeds in implementing a differentiation strategy must worry about competitors imitating its business methods and taking away its customers. In addition, implementing a differentiation strategy is costly. It may take years before a firm achieves a strong image that sets it apart. During that time, it faces the risks of the changing consumer tastes or preferences. In such a case, the firm may not have sufficient customer demand to offset its higher costs which my lead to losses, (Porter, 1985).

### 2.3.3 Focus Strategy and Performance

The focus strategy aims at serving a particular or few target markets. It is also called segmentation strategy or niche strategy, (Johnson & Scholes, 2011). These are distinct groups with specialized needs. By focusing marketing efforts on one or two narrow market segments and tailoring marketing mix to those specialized markets, a firm can better meet the needs of that target market (Porter, 1980). It is most suitable for relatively small firms but can be used by any company. Focus strategy targets market segments that are less vulnerable to substitutes or where competition is weakest to earn above average return on investment. Firms employ this strategy where there is least amount of competition (Wheelen, 2012).

These niches come up from several factors which include; Buyer preferences, geographical locations, and product or service requirements. The success of focus strategy depends on the potential of the niches to grow, (Porter, 1980). This strategy rests on the choice of a narrow competitive scope within an industry. The firm tailors its strategy to serving a selected segment or group of segments, to the exclusion of others. The focus strategy can be divided in three categories; the first category is cost focus,

whereby the firm seeks a cost advantage in its target segment. It exploits differences in cost behavior in some segment. It is based on competing in a small segment of the market with low costs and prices, (Thompson, Strickland & Gamble, 2010). The second segment is differentiation focus, whereby the firm seeks differentiation in its segment. It is based on offering unique features that appeal to a variety of customers. It exploits the special needs of buyers in certain segments. Firms produce products and provide services suitable to the needs and tastes of a narrow customer population, (Daft, 2011).

This strategy provides the firm, a possibility to charge a premium price for superior quality (differentiation focus) or be offering a low price product to a small and specialized group of buyers (cost focus), (Porter, 1980).Market focus concentrates on narrow range of products and services offering, serving specific market segments, creating special products or services for specific target markets serving only specific types of customers, (Helms, 2012).

 For example, in the insurance industry, an example is Katz insurance, an insurance firm in the U.S has motor insurance that deals with only high risk divers. The insurance firm specializes in covering those with a high history of offenses or claims are new to driving or have bad credit, by creating programs that would benefit the individuals. The firm offers these programs with cheap car insurance, for high risk drivers that serves as an incentive to draw consumers away from their competition that do not have such programs and that are charging more for similar services. Ferrari and Rolls-Royce are classic examples of niche players in the automobile industry. They have a niche premium of premium products at a premium price .This strategy is most effective when consumers

have distinct preferences and when the niche has not been pursued by rival firms, (Ricardo & Wade, 2013).

Focus strategy has several benefits, when it comes to differentiation focus, very high prices can be charged, and indeed these firms often price their products or services far above what is charged by firms. This enables the firm to enjoy high profit margins. Focus strategy also enables firm to often develop tremendous expertise about the goods and services that they offer. This creates a barrier to new entrants to the industry, who may find it difficult to compete with firms following the focus strategy, (Hahn & Powers, 2011).

In terms of disadvantages when it comes to the focus strategy, the limited demand available within a niche can cause problems. First, a firm can find its growth ambitions difficult, because, one its target market is being served, expansion to other markets might be the only way to expand and this often requires developing a new set of skills. Also, the niche could also disappear or taken over by larger competitors. Finally, damaging attacks may come out only from larger firms but also from smaller ones, that adopt an even narrower focus. Focus strategy helps in solving consumer problems and preferences of today however, the frequently changing market preferences in the modern society, makes it difficult to maintain stability and constancy needed for long-term strategy (Kiumbi, 2011).

### 2.3.4 Customer Relationship Management Strategy and Performance

Customer Relationship Management (CRM) is business strategy that is used to improve the performance of an organization. Buttle, (2011) highlighted a positive relationship between customer relationship management and organizational performance. This is

because CRM is a comprehensive strategy for acquiring, retaining and partnering with selected customers to improve quality for the company and the customer (Sunder, 2015). It integrates internal processes, functions and external network for creating and supplying of the values for target customers. It is based on high quality data concerning the customers with the support of information technologies.

The overall goals are to find, attract and win new clients, nurture and retain those the firm already has, entice former clients back into the fold and reduce the cost of marketing and client service. Coltman (2011) contented that CRM is a core process in enhancing competitiveness and performance. They further assert that CRM policies in the service sector must concentrate on customer satisfaction, customer retention and customer quality. Gibson, (2013) also suggested that CRM improves performance through its various processes because it enables organizations to evaluate their efficiency in serving customers. Nowadays, every enterprise that wants to survive on the market and grow eventually, has to solve the problem of satisfying the individual needs of customers and sustaining the long term beneficial relationship with the service industries therefore have a duty to identify customer needs in order to plan how to satisfy the (Banerjee, 2012). Customer relationships are one of the most expensive assets a service firm can have because satisfied customers are more likely to return to the firm and also to recommend others (Atkinson, 2013).

 Firms that maintain long run performance are the ones that are able to build customer loyalty and retention. CRM brings benefits in terms of improved performance. This result from acquiring new customers as well as sustaining customers for competitive advantage.CRM also improves performance through reduction of the costs incurred in

acquiring customers and also the profitability that result from customer loyalty (Gruen, 2011). CRM strategy is a customer centered rather than product centered interaction with customers which adds value to the services offered in the firm to enhance the desired results, Thomas, (2014), stated that CRM improves the organization's performance through engaging customers in long term relationships in order to improve profits in the firm. CRM react to the fact that, the main source of all gains and profits are the customers, not the products or services offered. CRM is an interactive process with goal to reach the optimal balance between the business investment and satisfying customers' needs.

CRM Strategy if applied will attract new customers in the firm, especially in the life insurance industry, which is facing a lot of competition which requires that they differentiate their customers, (Richards & Jones, 2015). Firms other need to assess users satisfaction levels towards their service so that they could use the feedback to make positive adjustments to their products and services. Picton, (2010), stated that dissatisfied customers are usually disloyal to the organization and talk about their bad experience to other customers. In this study CRM is viewed as a customer strategy for retaining customer loyalty and improving performance in the service industry especially in life assurance.

CRM strategy is all about identification of customer needs, holding promotional activities attracting customers, working on mechanisms to satisfy customer needs, and investing in It supporting tools and techniques to monitor customer behavior, (Richards, 2015). Therefore adopting CRM brings the knowledge that the long term relationship with customers is the most important asset of each firm because it provides better profitability,

competitive advantage, customer loyalty, market share and maintaining a positive image of the firm, therefore high performance.

## 2.4 Summary of Literature and Research Gaps

It is important for the firm to understand all the competitive practices, their applications, advantages and disadvantages. This is so that the firm can be able to properly apply them, in order to improve performance. Various studies that have been done in this area include, strategies applied by health insurance companies to improve profitability (Boniface, 2011), strategies that influence the uptake of life assurance in Kenya (Kiumbi, 2011), effects of strategies adopted by insurance companies to attract business through agents (Stephen, 2013). There is therefore a need and a gap to carry out a research on the life assurance sector that will focus on the competitive practices and performance of life assurance companies.

## 2.5 Conceptual Framework

The conceptual framework represents diagrammatically and explains the relationship among variables in the situation being examined. The framework assists in testing the relationship among variables and therefore improving the understanding of the situation

**Independent Variables**                                    **Dependent Variable**

**Cost Leadership**
- Low direct and indirect operating costs
- Economies of scale
- Easy access to low cost source of capital
- Outsourcing functions and joint ventures

**Differentiation**
- Strong brand Identification
- Responsive and unique customer service
- New Product Development and product innovation
- Procedures Through T.Q.M

**Performance**
- Profitability
- Customer loyalty
- Market share
- Return on Investments

**Market Focus**
- Specific Market Segments
- Specialized products/services for distinct groups
- Serving Only Specific Types of Customers

**Customer Relationship Management**
- Identification of Customer Needs
- Mechanisms to Satisfy Customer Needs
- Investing in IT Supporting Techniques

**Figure 2.1: Competitive Strategies on Performance**
**Source: Researcher (2017)**

### 2.5.1 Cost Leadership

Cost leadership is a strategy used by firms, and its main aim is to become a low cost producer in its industry. From the conceptual framework, it involves activities like; low direct and indirect operating costs, economies of scale, easy access to low cost source of capital and outsourcing functions and joint ventures. It affects performance in terms of profitability, market share and return on investments.

### 2.5.2 Differentiation

Differentiation is a set of actions designed to produce ore deliver goods or services that are unique and distinguish the company's brand from other brands in the industry. From the conceptual framework, it involves activities like; strong brand identification, responsive and unique customer service, new product innovation and development, and procedure like TQM. Differentiation affects performance in terms of customer loyalty, market share, profitability and return on investments.

### 2.5.3 Market Focus

Market focus is a strategy that aims at producing, selling and marketing goods or services to a niche market. From the conceptual framework, it involves; focusing on specific markets, developing specialized products or services for specific groups and serving only specific types of customers. It affects performance in terms of profitability, market share, customer loyalty and return on investments.

### 2.5.4 Customer Relationship Management

This is a strategy that a company uses to manage analyzes customer interactions and data throughout the customer life cycle. From our conceptual framework, it involves activities

like; identification of customer needs, mechanism to satisfy customer needs and investing in IT supporting techniques.

### 2.5.5 Performance

Performance is a set of financial and non-financial indicators which offer information on the degree of achievement of objectives and results in an organization. From the conceptual framework, it is in terms of profitability, market share, customer loyalty and return on investments. The competitive strategies affect performance in the above aspects.

# CHAPTER THREE

## RESEARCH METHODOLOGY

### 3.1 Introduction

This chapter describes the research design used, the population, Sample size, sampling techniques, data collection techniques, instrument validity and data analysis methods that will be used in the study.

### 3.2 Research Design

Descriptive research design was used in the study; this is because it seeks to establish factors associated with certain occurrences, outcomes, conditions or types of behavior. It describes the current conditions, terms or relationships concerning a problem, (Maxwell, 2012). Descriptive research design is used when the collected data is analyzed in order to describe the current conditions, terms or relationships concerning a problem.

### 3.3 The Target Population

The target population of this study was all the life assurance companies in Kenya, which is 26 companies in total. The unit of analysis was comprised of life top managers, middle managers and line managers from the 26 life assurance companies in Kenya. The list of the life assurance companies is attached.

**Table: 3.1 Target Population**

| Category | Population | Percentage |
|---|---|---|
| Senior Managers | 130 | 17 |
| Middle Managers | 260 | 33 |
| Line Managers | 390 | 50 |
| Total | 780 | 100 |

**Source: Researcher (2017)**

### 3.4 Sampling Design and Sample Size

This study used systematic random sampling to obtain a sample of 5 life assurance companies out of the 26 companies in Kenya. In systematic random sampling, every $k^{th}$ element in the total list is chosen systematically for inclusion in the sample. In this case, in a total of 26 life assurance companies, every fifth element was selected for the sample (Collis, 2013). Thereafter, all the managers from the selected 5 life assurance companies were studied. Systematic random sampling was the most appropriate for this study because, of the assurance that the population was evenly sampled.

**Table 3.2: Sample Size**

| Category | Sample Size | percentage |
|---|---|---|
| Senior Managers | 25 | 17 |
| Middle Managers | 50 | 33 |
| Line Managers | 75 | 50 |
| Total | 150 | 100 |

**Source: Researcher (2017)**

### 3.5 Data Collection Procedures

Primary data was collected using questionnaires as the main tool for data collection which was dropped and picked later from the respondents. The questionnaires had both open and closed-ended questions to collect information on market share and customer loyalty. Questionnaire was preferred for this study because it was efficient, cheap and easy to administer (Berger. 2013). Secondary data was collected using a checklist to collect information on profitability and return on investments of the life assurance companies for the last five years.

### 3.6 Pilot Study

Piloting allows for pre-testing of the research instruments, in this case, questionnaires. Piloting helps the researcher identify questions that are not clear or problems with the

questionnaire that might lead to biased answers (Mugenda and Mugenda, 2012). 15 managers were selected from a life insurance company that was not included in the selected sample, and a pre-test with the questionnaires was done.

### 3.6.1 Data Reliability

Reliability refers to the consistency of measurement instruments (Bonnet, 2010). The instrument in this study is the research questionnaire. This study used Cronbach's alpha to test reliability, a threshold of 0.7 will be used. This was done through Statistical Package for Social Sciences (SPSS) data analysis software.

### 3.6.2 Data Validity

Validity is the degree to which an instrument measures what it is supposed to measure. Content validity which was employed in this study is the extent to which a measuring instrument provides adequate coverage of the topic under study. The research instrument in this study was the questionnaire; it was checked to ensure that it measured the content it was supposed to measure, and to ensure that the content is meaningful and accurate.

### 3.7 Data Analysis Procedure and Presentation

Data collected through questionnaires was sorted, edited and cleaned. Coding is whereby researchers assign respondents' answers to pertinent responses categories, in tabulation form, (Creswell, 2013). For quantitative data, descriptive statistics was used. Descriptive statistics included frequencies, measures of central tendencies (mean) and measures of dispersion (standard deviation, correlation and regression Analysis was done through Statistical Package for Social Sciences (SPSS). Data was presented in form of tables, graphs and pie charts.

The study model generated through multiple regression analysis was:

$$Y = \beta 0 + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \beta_4 X_4 + \varepsilon$$

Where:

Y= Performance

β0= Constant

$\beta_1, \beta_2, \beta_3, \beta_4$ = Coefficients of Variables

X1= Cost Leadership strategy determined by composite of 5 point likert scale

X2= Differentiation strategy determined by composite of 5 point likert scale

X3= Market Focus strategy determined by composite of 5 point likert scale

X4= Customer Relationship Management strategy determined by composite of 5 point likert scale

$\varepsilon$ = Represents the error term

## 3.8 Ethical Considerations

Due to sensitivity of some information that was collected, principles of confidentiality and privacy to any information given by the participant were highly adhered to. The rights or free will of the participants was not interfered with including that of ceasing to participation in the research at any time.

# CHAPTER FOUR
# RESEARCH FINDINGS

## 4.1 Introduction

This chapter presents the results and findings of the study. The purpose of this study was to establish the effect of competitive strategies on performance of life assurance companies in Kenya. After administering the instruments, data was collected, coded, edited, organized and cleaned for analysis. It specifically discusses cost leadership, differentiation, market focus, customer relationship management strategies and the effect of these competitive strategies on performance of life assurance companies in Kenya.

## 4.2 Response Rate

The unit of analysis for this study was the top, middle and line managers of life assurance companies in Kenya and 150 managers were selected. The total number of questionnaires issued was 150 but only 105 of the respondents returned the questionnaires; therefore the overall response rate was 70%. This is because, in the insurance industry, managers have to go to the field to supervise their sales agents, and in some cases, they do sales, this made it difficult to find all the managers present in the office hence the 70% response rate. The results are presented in figure 4.2
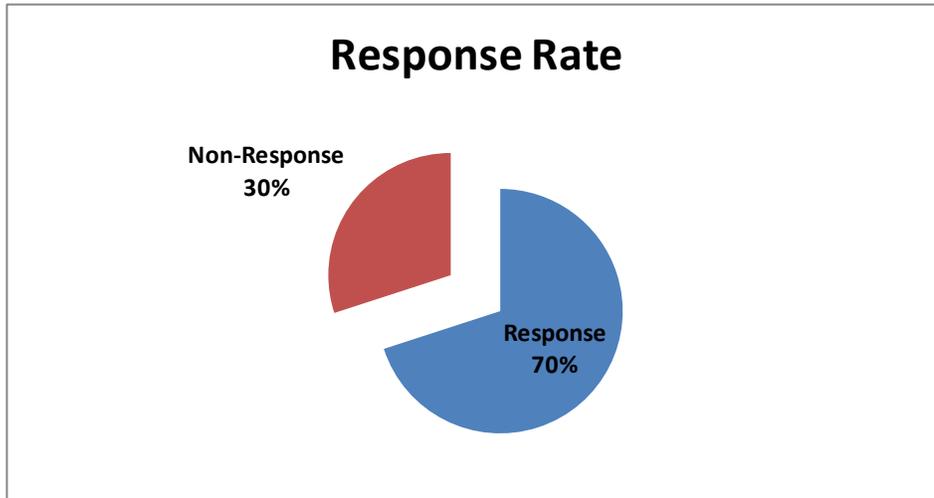
Figure 4.2: Response Rate

**Source: Author (2017)**

**4.3 Reliability**

**Table 4:3 Summary of the Reliability Test Results**

| Section | No. of items | Cronbach's Alpha | Comments |
|---|---|---|---|
| Cost Leadership | 6 | 0.866 | Reliable |
| Differentiation | 6 | 0.873 | Reliable |
| Market Focus | 6 | 0.866 | Reliable |
| Customer Relationship Mgt | 6 | 0.901 | Reliable |
| Performance | 6 | 0.945 | Reliable |

Reliability test checks for consistency of measurement instruments. This study used Cronbach's alpha to test reliability, a threshold of 0.7 was used. This study found a reliability of above 0.850 for all variables indicating that the instrument was reliable.

**4.4 Gender of the Respondents**

The study sought to establish how the sample was spread out across gender. This was meant to determine whether life assurance companies have employed across gender. The results are presented in figure 4.3
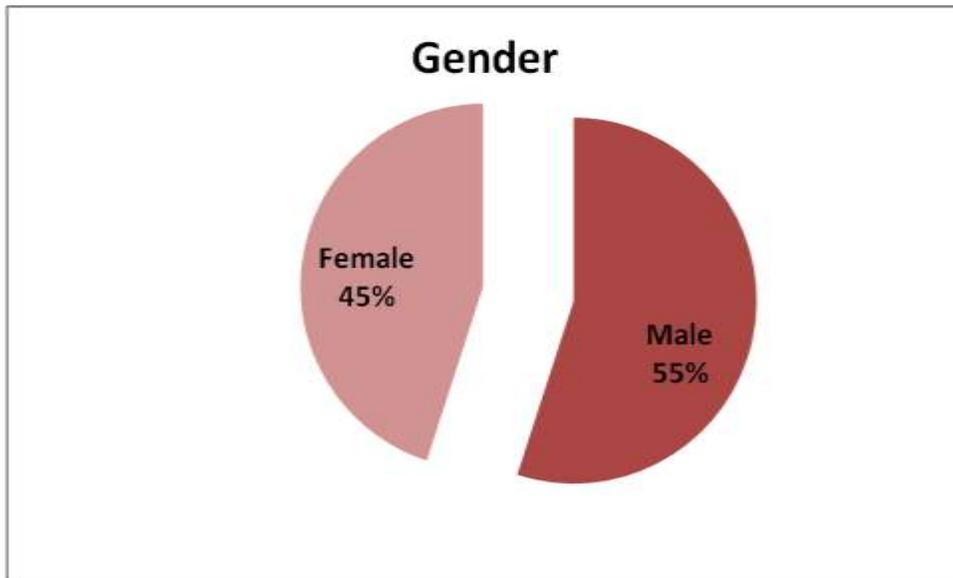


Figure 4.3: Gender of Respondents

**Source: Author (2017)**

Results above indicate that, a majority of 55 % was male and 45 % was female. This implies that more men were engaged in the life assurance sector, compared to women. Life assurance companies should therefore launch programmes geared towards encouraging more women to seek employment in the life assurance sector.

**4.5 Respondents Age Brackets**

The respondents were asked to indicate their age bracket. This was important as older people are expected to have more experience in the life assurance sector. Their responses are presented in figure 4.4.
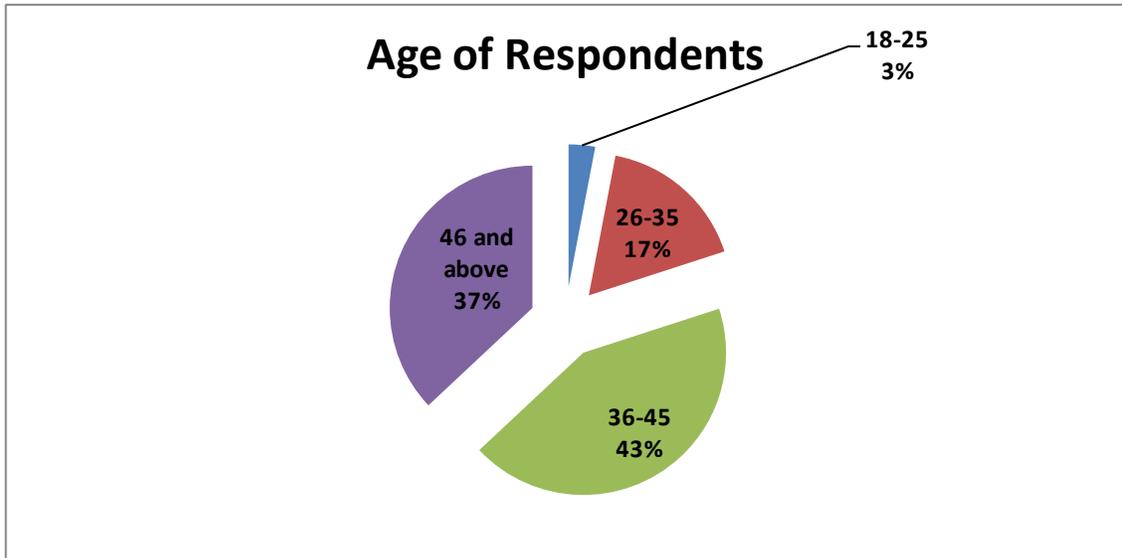
Figure 1.4: Respondents' Age Bracket

**Source: Author (2017)**

Results in figure 4.4 indicated that, majority of the respondents were age 36-45 being 43%, those of 46 years and above having 37%. Those of 18-25 had the lowest number of respondents with 3%. This implies that, in life assurance companies, older employees are considered more for the management positions because it is assumed that they have more experience in the industry.

## 4.6 Level of Education

The respondents were asked to indicate their level of education. This was Important since education would affect their level of understanding of different aspect in the life assurance sector. The responses are presented in figure 4.5
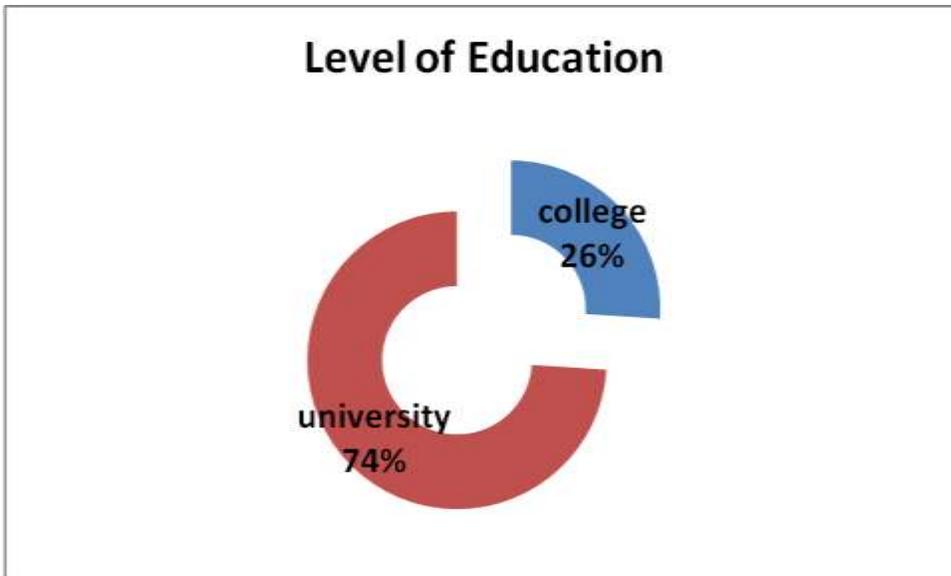
Figure 4.5: Level of Education

**Source: Author (2017)**

The results from the figure indicate that majority of 74% were on the university level and those on the college level were 26%. This indicates that higher level of education employees mostly occupy the managerial positions in the life assurance sector.

**4.7 Job Level**

The respondents were asked to indicate the job level they were at in their company. This was important because higher level managers are usually included in major decision making processes. Their responses are presented in Table 4.4

**Table 4.4: Job Level**

| Job level | | |
| --- | --- | --- |
| | Frequency | Percent |
| Top management | 21 | 20.0 |
| Middle Management | 28 | 27 |
| Line Management | 56 | 53 |
| Total | 105 | 100.0 |

**Source: Author (2017)**

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It is seen that majority were line managers 53%, middle managers were 27% and top managers were 20%. This shows that maximum supervision is needed at the line management level, resulting to the majority number of line managers in life assurance companies.

**4.8 Years Worked for Company**

This study sought to find out the years the respondents have worked for in their company. This was important since people who had worked for a longer period of time would have relevant information especially with regards to their experience of working for the life assurance Company. Results are presented in table 4.5

**Table 1.5: Years Worked for the Company**

| Years worked for the company | | |
|---|---|---|
| | Frequency | Percent |
| Less than 2 years | 4 | 4.0 |
| 2-5 Years | 51 | 49 |
| 6 years and Above | 50 | 47 |
| Total | 105 | 100.0 |

 **Source: Author (2017)**

From the table 4.5 above, it is seen that a majority of 47% worked for 6 years and above, 49% worked for 2-5 years and 4% worked for less than 2 years in their company. This implies that life assurance companies prefer older employees with more experience when it comes to management positions.

**4.9 Cost Leadership Strategy**

Cost leadership is a strategy used by businesses to create a low cost of operation, within their industry. The use of this strategy is to gain a competitive advantage by reducing operation costs below that of competitors in the same industry to improve performance. The respondents were asked about cost leadership elements in the company and the implementation of these components.

**4.9.1 Use of Efficient Low Cost Distribution Channel**

The respondents were asked whether their company uses efficient low cost distribution channel. Results are presented in figure 4.6
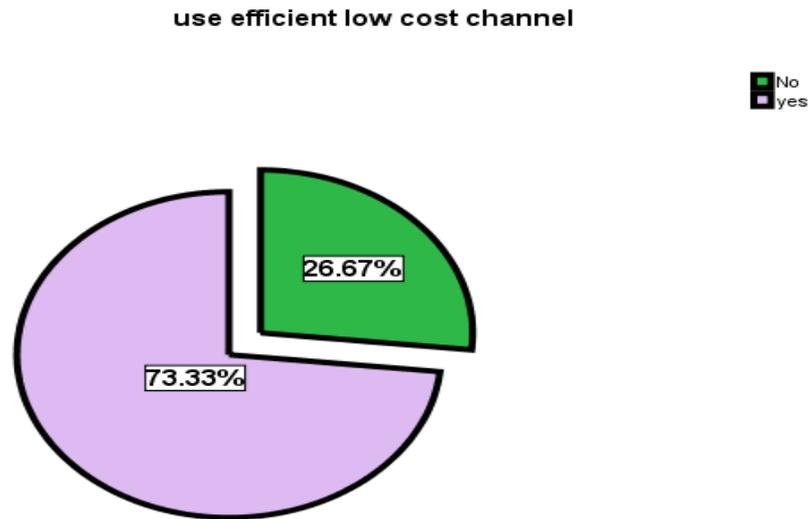


Figure 4.6: Efficient Low Cost Distribution Channel

 **Source: Author (2017)**

Results in figure 4.6 showed that, 73% which was the majority indicated yes and 27% indicated no.  This generally implies that, most life assurance companies stick to low cost of distribution channel to minimize costs. These low cost distribution channels are for instance using their agents to hand deliver policy documents to clients to cut costs. Also, they provide their agents with the company vehicles to travel to clients instead of giving them money.

**4.9.2 Advanced Technology**

Respondents were asked to indicate whether the company uses advanced technology to cut personnel costs.

Use of advanced Technology

No 40%

Yes 60%
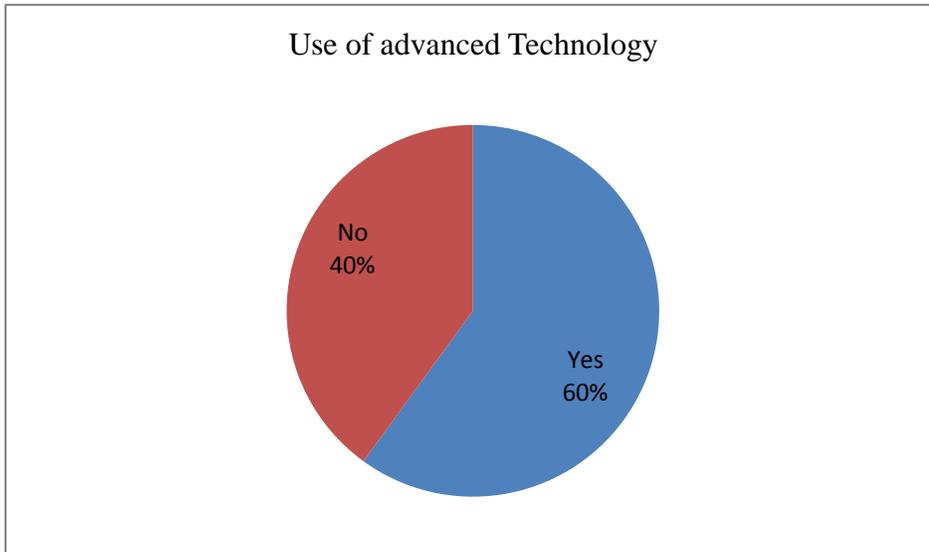
Figure 4.7: Advanced Technology

**Source: Author (2017)**

A majority of 60% agreed that their companies use advanced technology to cut on personnel cost. Only 40% of the respondents disagreed that their companies use advanced technology to cut on costs. This implies that most of the life assurance companies in Kenya adapt to new technology as it keeps on changing, so as to remain relevant in the market and save costs.

### 4.9.3 Cost Leadership Components and their Implementation in the Company

This study sought to find out whether there is cost leadership in the company and if cost leadership components are implemented. Descriptive statistics of percentages, mean and standard deviation were used to analyze the data. The results are presented in table 4.6

Table 4.6: Cost Leadership Components and Their Implementation

| | | 5 | 4 | 3 | 2 | 1 | Mean | SD |
|---|---|---|---|---|---|---|---|---|
| 1 | There is access to low sources of capital in my company | 48% | 31% | 7% | 5% | 9% | 4.0 | 1.30 |
| 2 | The company outsource functions and enters into joint ventures | 47% | 30% | 17% | 4% | 2% | 4.2 | 0.98 |
| 3 | Training and institutional learning is carried out to ensure highly trained and experienced personnel | 48% | 26% | 18% | 5% | 3% | 4.1 | 1.05 |
| 4 | The company give employees multiple job responsibilities to reduce personnel costs | 20% | 42% | 25% | 9% | 4% | 3.6% | 1.02 |
| 5 | The company minimizes number of advertisements | 21% | 46% | 24% | 8% | 1% | 3.8 | 0.90 |
| 6 | The company only does research on the most important areas | 43% | 39% | 11% | 4% | 3% | 4.2 | 0.97 |

**Source: Author (2017)**

From table 4.6, it is seen that generally 79% of the respondents agreed that there is access to low sources of capital their company. Only 12% disagreed that there is no access to low sources of capital. A high majority of 77% strongly agreed that their company outsources functions and enters into joint ventures to control cost and only 6% disagreed.74% of the respondents agreed that training and institutional learning is carried out to ensure highly trained and experienced personnel and only 8% disagreed. A majority of 62% agreed that the company gives employees multiple job responsibilities to reduce personnel costs and only 13% disagreed. 67% agreed that the company minimizes number of advertisements and only 9% disagreed. A majority of 82% agreed that the company only does research on the most important areas to cut costs and only 5%

disagreed. Therefore majority of the respondents indicated that their company has and implements cost leadership strategy components. This implies that majority of life assurance companies in Kenya are aware and implement cost leadership.

The results are consistent with Wheelen, (2012) who asserts that cost leadership elements provide the foundation for better performance in organizations.

## 4.10 Differentiation Strategy

Differentiation is an integrated set of actions designed to produce or deliver goods and services that are unique and distinguish the company's brand from competitors' brand. It is the key to improving performance. The respondents were asked about components of differentiation in their company and the implementation of these components.

### 4.10.1 Unique Customer Service

Respondents were asked to indicate whether there is unique customer service in their company. The results are presented in figure 4.8
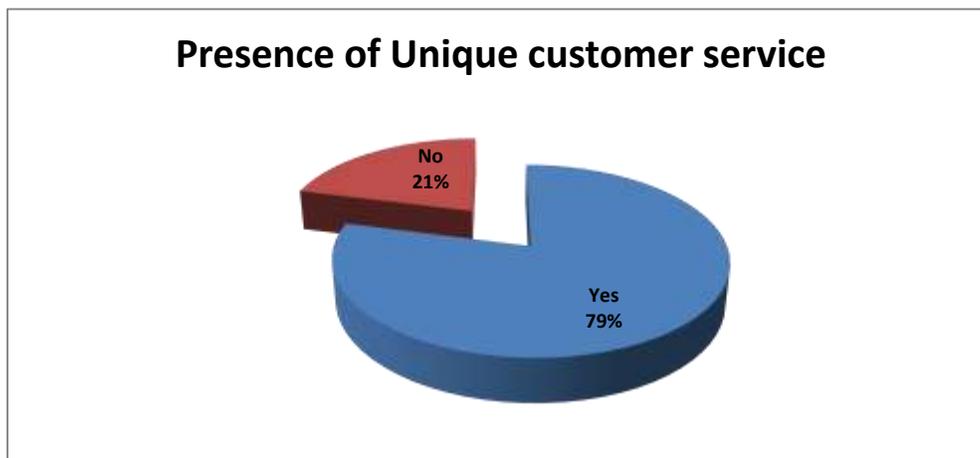


Figure 4.8: Unique Customer Service

**Source: Author (2017)**

It is seen that, majority of 79% indicated yes, and only 21% indicated no. This implies that, generally most life assurance companies in Kenya offer services that are not offered in other companies, which will attract and keep customers loyal to the company. Some of these services are after sale services, where the agents go back to their clients after purchase of a policy, to tackle any concerns that the clients could be having. This keeps customers loyal to the company.

**4.10.2 Development of New Products and Services**

Respondents were asked to indicate whether there is development of new products and services in their company, from time to time. The results are presented in figure 4.9.
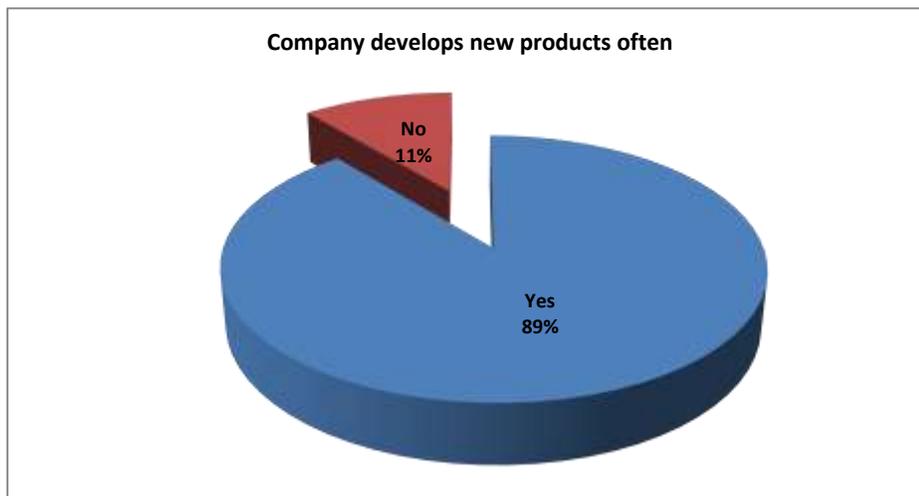


Figure 4.9: Development of New Products and Services

**Source: Author (2017)**

From figure 4.9 above, it is seen that, majority of 89% indicated yes while 11% indicated no. This implies that most life assurance companies in Kenya develop new products and services from time to time, to remain relevant in the market.

**4.10.3 Differentiation Components and their Implementation in the Company**

This study sought to find out whether there is differentiation in the company and if differentiation components are implemented. Descriptive statistics of percentages, mean and standard deviation were used to analyze the data. The results were presented in table 4.7

**Table 4.7: Differentiation Components and Their Implementation**

|  |  | 5 | 4 | 3 | 2 | 1 | Mean | SD |
|---|---|---|---|---|---|---|---|---|
| 1 | A strong image identification is always maintained in the company | 30% | 38% | 18% | 10% | 4% | 3.9 | 1.10 |
| 2 | The company invests in innovation in marketing techniques, methods and technology | 48% | 36% | 10% | 4% | 2% | 4.2 | 0.93 |
| 3 | There is strict quality control procedures through TQM in the company | 35% | 52% | 7% | 4% | 2% | 4.2 | 0.85 |
| 4 | There's after sale services, attending to clients queries and concerns | 35% | 49% | 15% | 0% | 1% | 4.2 | 0.75 |
| 5 | There is reduced time to process clients documents i.e. policy documents | 21% | 59% | 9% | 6% | 5% | 3.9 | 0.96 |
| 6 | There is bonuses and discounts in the life assurance products | 17% | 64% | 8% | 6% | 5% | 3.8 | 0.96 |

**Source: Author (2017)**

From table 4.7, it is seen that a majority of 78% agree that strong image identification is always maintained in the company and only 14% disagree. 84 % agree that the company invests in innovation in marketing techniques, methods and technology, while 6% disagree on the same. Majority of 87% agree that, there is a strict quality control procedure through TQM in the company and 6% disagree. Majority of 84% agree that, there is after sale services, attending to clients queries and concerns while 1% of the respondents disagree. 82% agree that, there is reduced time to process clients documents i.e. Policy documents and 11% disagree on the same. Majority of 81% agree that there is

bonus discounts in life assurance products while 11% of the respondents disagree. This therefore implies that most life assurance companies have and implements differentiation strategy components.

The results are in agreement with Brush (2015), in his research on the effects of timing on strategy and Performance, who found out that firms are increasingly implementing more differentiation components so as to improve performance.

## 4.11 Market Focus Strategy

Market focus is a strategy that aims at developing, marketing and selling products or services to a niche market, such as, a particular type of consumer, a specific product line or a targeted geographical area. The goal is to become the leader in the determined niche by serving the designated group better than any other company in the industry therefore, improving performance. The respondents were asked about components of market focus in their company and the implementation of these components.

## 4.11.1 Specific Market Segments

Respondents were asked to indicate whether their company serves a specific market segment. The results are presented in figure 4.10.



**Company serve specific market segments**

No 46%

Yes 54%
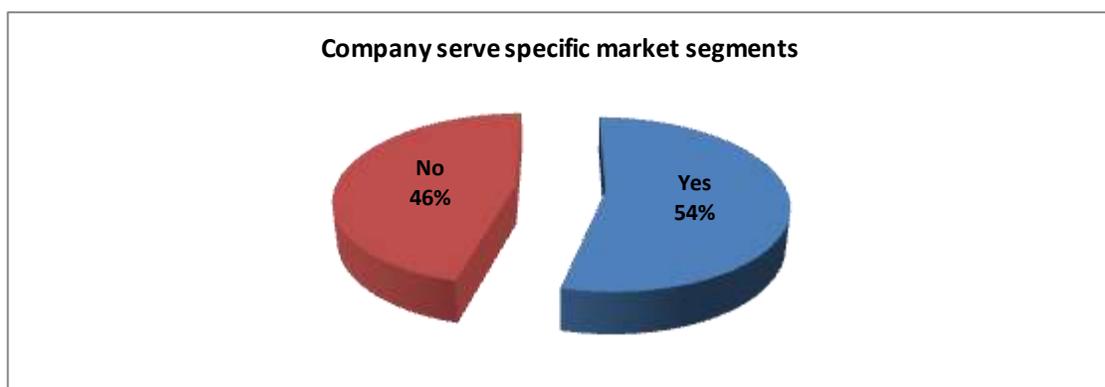
Figure 4.10: Specific Market Segment

**Source: Author (2017)**

From figure 4.10, it is seen that, 54% of the respondents indicated that their company serves specific market segment, while 46% indicated their company does not serve as specific market segment. This therefore implies that quite a number of life assurance companies serve specific markets and a number of them still generally do not have specific markets they concentrate on. This could be because it takes resources and time to create products and services for a specific market which is a risk that is not known if it will pay back.

### 4.11.2 Fulfilling Needs of A Certain Group

Respondents were asked to indicate whether their company fulfills the needs of a certain group in the market. The results are presented in figure 4.11
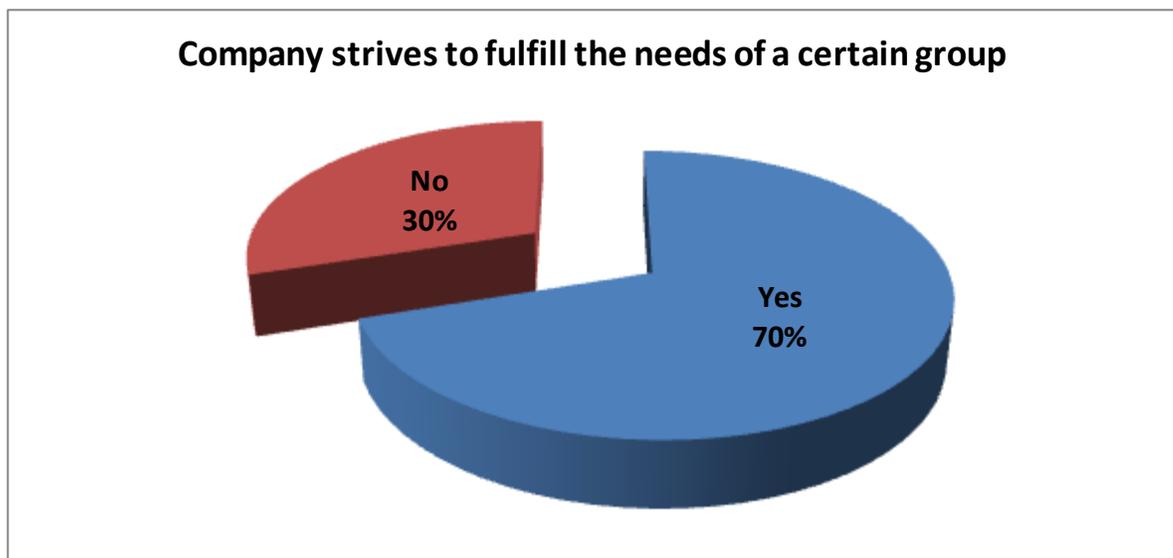


Figure 4.11: Fulfilling Needs of a Certain Group

**Source: Author (2017)**

From table 4.11, it is seen that, majority of 70% indicated yes, while only 30% indicated no. This implies that most life assurance companies in Kenya strive to fulfill the needs of a certain group, in order to satisfy their clients and attract more clients. Some of these groups are the military, life assurance companies create products to suit the, for instance

personal accident covers and last expense covers. Another group is the teachers employed by the Teachers Service Commission, Life assurance companies in Kenya create savings, investments and retirement packages for them.

### 4.11.3 Market Focus Components and their Implementation in the Company

This study sought to find out whether there is market focus in the company and if market focus components are implemented. Descriptive statistics of percentages, mean and standard deviation were used to analyze the data. The results were presented in table 4.8

Table 4.8: Market Focus Components and Their Implementation

|   |   | 5 | 4 | 3 | 2 | 1 | Mean | SD |
|---|---|---|---|---|---|---|---|---|
| 1 | The company has special products and services for specific target markets | 42% | 31% | 7% | 12% | 8% | 3.9 | 1.29 |
| 2 | The company serves specific types of customers | 44% | 32% | 12% | 10% | 2% | 4.1 | 1.06 |
| 3 | The company changes its products and services with the change in customer preferences | 14% | 64% | 15% | 1% | 6% | 3.8 | 0.90 |
| 4 | The company seizes the opportunity of new segments emerging in the market | 31% | 49% | 11% | 7% | 2% | 4.0 | 0.94 |
| 5 | The company marketing and promotional activities to only few market segments | 30% | 40% | 20% | 7% | 3% | 3.9 | 1.01 |
| 6 | The company strives to offer low priced or unique products to specific market segments | 50% | 38% | 8% | 2% | 2% | 4.3 | 0.91 |

**Source: Author (2017)**

As seen from table 4.8, a majority of 73% agreed that, the company has special products and services for specific target markets, and only 20% disagreed. It is also seen that, 76% agreed that, the company serves specific types of customers and only 12% disagreed. A majority of 78% agreed that the company changes its products and services with the change in customer preferences and 7% disagreed on the same. 80% agreed that the company seizes the opportunity of new segments emerging in the market and 9%

disagreed. A majority of 70% agreed that the company carries out marketing and promotional activities to only few market segments while only 10% disagreed. A majority of 88% agreed that the company strives to offer low priced or unique products to specific market segments and only 4% disagreed. This implies that most life assurance companies in Kenya have implemented market focus components.

The results were contrary to Chang (2012), in his study on aligning manufacturing strategy with business strategy in high-tech industry. He found out that a significant number of firms do not focus on specific markets, but instead focus on the general market at large and create products and services that re uniform and can fit the general customer.

## 4.12 Customer Relationship Management

CRM is a Strategy that a company uses to manage analyzes customer interactions and data throughout the customer life cycle. Its goal is to improve business relationships with customers, assist customer retention and drive sales growth, therefore improving performance. The respondents were asked about components of CRM in their company and the implementation of these components.

### 4.12.1 Research and Development of Customer Needs

Respondents were asked whether the company invests in research and development of customer needs. The results were presented in figure 4.12
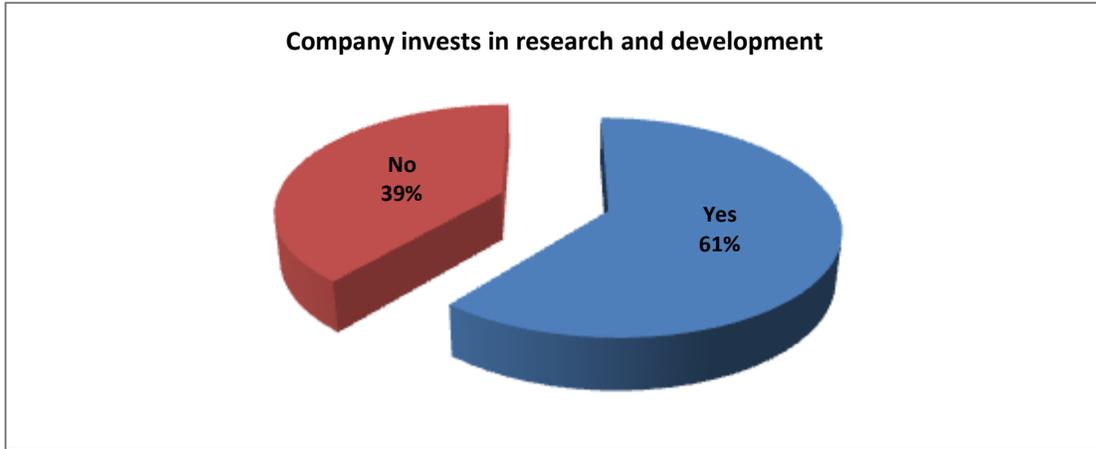
Figure 4.12: Research and Development of Customer Needs

**Source: Author (2017)**

As seen from figure 4.12, a majority of 61% indicated yes and only 39% indicated no. This implies that, a number of life assurance companies in Kenya strive to research on customer needs in order to adapt the ever changing customer preferences and to remain relevant in the markets. They conduct phone call queries with their clients and get feedback about their needs and they are being fulfilled. They also send their agents to check on their clients from time to time to answer queries and get their concerns.

### 4.12.2 CRM Components and Their Implementation in the Company

This study sought to find out whether there is CRM in the company and if CRM components are implemented. Descriptive statistics of percentages, mean and standard deviation were used to analyze the data. The results were presented in table 4.9

Table 4.9: CRM Components and Their Implementation

| | | 5 | 4 | 3 | 2 | 1 | Mean | SD |
|---|---|---|---|---|---|---|---|---|
| 1 | Mechanisms to satisfy customer needs are concentrated on in the company | 49% | 31% | 14% | 4% | 2% | 4.2 | 1.01 |
| 2 | The company invests in IT supporting tools and techniques to monitor customer behavior | 54% | 24% | 10% | 8% | 4% | 4.2 | 1.13 |
| 3 | The company has personal records and contacts of all its clients | 44% | 30% | 14% | 8% | 4% | 4.0 | 1.11 |
| 4 | The company frequently issues questionnaires via phone or mail to its clients, evaluating its quality of services | 39% | 39% | 11% | 7% | 4% | 4.0 | 1.06 |
| 5 | The company cross-sells its products to already existing customers from the customer records | 43% | 36% | 11% | 7% | 3% | 4.1 | 1.03 |
| 6 | The company uses customer information it has to create products that will satisfy customer needs | 33% | 43% | 18% | 2% | 4% | 4.0 | 0.97 |

 **Source: Author (2017)**

As seen from table 4.9, a majority of 80% agreed that, .mechanisms to satisfy customer needs are concentrated on in the company and only 6% disagreed. 88% agreed that, the company invests in IT supporting tools and techniques to monitor customer behaviour and 12% disagreed. A majority of 74% agreed that, the company has personal records and contacts of all its clients and only 12% disagreed. 78% agreed that, the company frequently issues questionnaire via phone or mail to its clients, evaluating its quality of services and only 11% disagreed. A majority of 82% agreed that the company cross-sells its products to already existing customers from its customer records and only 11% disagreed. 76% agreed that, the company uses customer information it has to create

products that will satisfy customer needs and only 6% disagreed. From the results above, this implies that most life assurance companies in Kenya implements CRM strategy components.

The results were in consistent with Chu (2012), in his study Strategic Planning Practices Adopted by Tour and Travel firms in Kenya.

He found out that CRM, contributed to improving performance, in terms of profitability. His result suggested that institutions had employed CRM strategy to ensure better performance

## 4.13 Performance

Performance is a set of financial and non-financial indicators which offer information on the degree of achievement of objectives and results in an organization. Non-financial elements of performance in this study are customer loyalty and market share. Financial elements of performance in this study are profitability and return on investments.

This study sought to establish the influence of competitive strategies on performance of life assurance companies in Kenya. To determine this, constructs of competitive strategies (cost leadership, differentiation, market focus and customer relationship management) were scored on a likert scale 1-5 with 5 representing the highest score implying strongly agree that competitive strategies are very influential on performance of life assurance companies in Kenya, and 1 representing the lowest score, meaning not influential in performance.

**Table 4.10: Performance**

|  | 5 | 4 | 3 | 2 | 1 | Mean | SD |
|---|---|---|---|---|---|---|---|
| Use of efficient low cost distribution channels | 22% | 35% | 30% | 7% | 6% | 3.6 | 1.4 |
| Strong image identification | 28% | 27% | 31% | 11% | 3% | 3.7 | 1.09 |
| Serving specific types of customers | 29% | 28% | 16% | 18% | 9% | 3.09 | 1.08 |
| Using customer information to create products that will satisfy customer needs | 24% | 33% | 18% | 17% | 8% | 3.5 | 1.24 |
| Bonuses and discounts | 8% | 17% | 37% | 30% | 8% | 2.9 | 1.04 |
| Change in products and services with the changes in customer preferences | 9% | 28% | 36% | 18% | 9% | 3.09 | 1.08 |

**Source: Author (2017)**

Table 4.10 indicates, a majority of 87% agreed that, use of efficient low cost distribution channels is influential on performance and only 6% disagreed. 86% agreed that, strong image identification is influential on performance and only 3% disagreed. A majority of 73% agreed that, serving specific types of customers is influential on performance and 9% disagreed. 75% agreed that, using customer information to create products that will satisfy customer needs is influential on performance and only 8% disagreed. 25% agreed that bonuses and discounts is influential on performance and 38% disagreed. 37% agreed that change in products and services with the changes in customer preferences are influential on performance and 27% disagreed. From the results above, this implies that most life assurance companies in Kenya agree that competitive strategies are influential on performance of life assurance companies.

The results are consistent with Baker, (2014) who found out that competitive strategies provide the foundation for better performance in organizations.

**4.14 Regression**

The multiple regression (R) indicates the regression between dependent variable and the independent variables jointly predicted by the model .The multiple coefficient of determination ($R^2$) determines the changes of variation in dependent variable as explained by dependent variables jointly. The table below shows the values of R and $R^2$

Table 4.11: Model Summary

**Model Summary**

| Model | R | R Square | Adjusted R Square | Std. Error of the Estimate |
|-------|------|----------|-------------------|----------------------------|
| 1 | .893[a] | .798 | .790 | .44059 |

a. Predictors: (Constant), x4, x1, x2, x3
**Source: Author (2017)**

In table 4.11 multiple coefficients of variation (R) was 0.893 which implies that the degree of association between performance of life insurance companies and Cost Leadership Strategy, Differentiation Strategy Market Focus Strategy, Customer Relationship Management is strong and positive. The ($R^2$) was 79.8% which implies that 79.8 % variations in performance of life assurance companies are explained by Cost Leadership Strategy, Differentiation Strategy Market Focus Strategy, and Customer Relationship Management in the model .while 20.2 % of variations in performance of life insurance companies is explained by random error or other factors.

**4.15 ANOVA**

Table 4.12: ANOVA

**ANOVA**

| Model | | Sum of Squares | df | Mean Square | F | Sig. |
|---|---|---|---|---|---|---|
| 1 | Regression | 76.840 | 4 | 19.210 | 98.962 | .000[a] |
| | Residual | 19.412 | 100 | .194 | | |
| | Total | 96.251 | 104 | | | |

a. Predictors: (Constant), x4, x1, x2, x3

b. Dependent Variable: y

**Source: Author (2017**

From the ANOVA statistics in the above table, the processed data, which are the population parameters, had a significance level of 0.00 which shows that the data is ideal for making a conclusion on the population's parameter. The F calculated at 5% Level of significance was 98.962 Since F calculated is greater than the F critical (value = 4.76),this shows that the overall model was significant i.e. there is a significant relationship between performance of life insurance companies and Cost Leadership Strategy, Differentiation Strategy Market Focus Strategy, Customer Relationship Management.

## 4.16 Coefficients

In determining the cause effect relationship between the dependent variable and the independent variables the regression coefficients were tested at the 5% level of significance using t –test. This is presented in table 4.13 below.

Table 4.13: Coefficients

| Model | | Unstandardized Coefficients | | Standardized Coefficients | | |
|---|---|---|---|---|---|---|
| | | B | Std. Error | Beta | T | Sig. |
| 1 | (Constant) | 1.074 | .246 | | 4.372 | .000 |
| | x1 | .156 | .177 | -.131 | .886 | .038 |
| | x2 | .530 | .199 | .402 | 2.663 | .009 |
| | x3 | .381 | .182 | .332 | 2.090 | .039 |
| | x4 | .350 | .148 | .308 | 2.365 | .020 |

a. Dependent Variable: y

## 4.17 Model Equation

The coefficient of regression table above was used in coming up with the model below:

$Y = 1.074+0.156x1+0.53x2+0.381x3+0.35x4+e$

Where Y is Performance of Life Assurance Companies, x1 is Cost Leadership Strategy, x2 is Differentiation strategy, x3 is Market focus strategy and x4 is Customer Relationship Management. From the model, taking all factors (Cost Leadership Strategy, Differentiation Strategy Market Focus Strategy, and Customer Relationship Management.) constant at zero, Performance of Life Assurance Companies in Kenya was 1.074.

According to the model, all the variables were significant as their significance value was less than 0.05, Cost Leadership Strategy, Differentiation Strategy Market Focus Strategy, and Customer Relationship Management all were positively correlated with Performance of Life Assurance Companies in Kenya.

**4.18 Correlation**

To determine the degree or strength of linear relationship among the variables, Pearson

correlation (r) was used. Linearity increases the predictive power of the model and the

validity of the estimated coefficients. The study sought to determine the correlation

between the variable in order to determine the strength of the relationship at 1%

significance level.

A correlation of r>+0.7 implies that the variable are strongly related negatively or

positively

Table 4.14: Correlation

**Correlations**

' +-m

|  |  | X1 | X2 | X3 | X4 | Y |
|---|---|---|---|---|---|---|
| X1 | Pearson Correlation | 1 |  |  |  |  |
|  | Sig. (2-tailed) |  |  |  |  |  |
| X2 | Pearson Correlation | .837$^{**}$ | 1 |  |  |  |
|  | Sig. (2-tailed) | .000 |  |  |  |  |
| X3+ m-n+ N | Pearson Correlation | .875$^{**}$ | .933$^{**}$ | 1 |  |  |
|  | Sig. (2-tailed) | .000 | .000 |  |  |  |
| X4 | Pearson Correlation | .871$^{**}$ | .939$^{**}$ | .937$^{**}$ | 1 |  |
|  | Sig. (2-tailed) | .000 | .000 | .000 |  |  |
| Y | Pearson Correlation | .866$^{**}$ | .910$^{**}$ | .920$^{**}$ | .924$^{**}$ | 1 |
|  | Sig. (2-tailed) | .000 | .000 | .000 | .000 |  |

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

**Source: Author (2017**

**4.18.1 Correlation between Cost Leadership Strategy and Performance of Life Assurance Companies**

Person correlation was used to determine the relationship between cost leadership strategy and performance of life insurance companies  The correlation coefficient was 0.866  with p –value (0.000) which was found to be significant at 1% significance level this implies that there exists a strong positive relationship between cost leadership strategy and performance of life insurance companies. An increase in of use cost leadership strategy will lead to an increase in performance of life assurance companies. The results agree with Stephen, (2013) in his study on the effects of strategies adopted by insurance companies to attract business through agents, who found out that performance, is improved if cost leadership is employed in an organization. His results suggested that organizations had employed cost leadership elements to ensure that performance was achieved.

**4.18.2 Correlation between Differentiation Strategy and Performance of Life Assurance Companies**

Pearson correlation was used to determine the relationship between differentiation strategy and performance of life assurance companies. The correlation coefficient was 0.910 with p -value (0.000) which was found to be significant  at 1 % significance level this implies a strong positive relationship between differentiation  strategy and performance of life assurance companies. An increase in use of differentiation strategy will lead to an increase in performance of life assurance companies.

The results were contrary to Bennete (2013), in his study on factors affecting the performance of hotels and restaurants in Kenya. He found out that there was no significant relationship between differentiation and performance; this can be explained by

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the fact that in his study, adoption of differentiation in most of the hotels and restaurants was low.

### 4.18.3 Correlation between Market Focus Strategy and Performance of Life Assurance Companies

Pearson correlation was used to determine the relationship between market focus strategy and performance of life assurance companies .the correlation coefficient was 0.920 with p-value (0.000) which was found to be significant at 1 % significance level this implies a strong positive relationship between market focus strategy and performance of life assurance companies. An increase in use of market focus strategy will lead to an increase in performance of life assurance companies.

The results were in consistent with, Boniface (2011), in his study on strategies applied by health insurance companies to improve profitability. He found out that market focus, contributed to improving performance, in terms of profitability. His result suggested that institutions had employed market focus strategy to ensure better performance.

### 4.18.4 Correlation between Customer Relationship Management and Performance of Life Assurance Companies

Pearson correlation was used to determine the relationship between customer relationship management and Performance of Life Assurance Companies. The correlation coefficient was 0.924 with p-value (0.009) which was found to be significant at 1 % significance level this implies a strong positive relationship between customer relationship management and Performance of Life Assurance Companies. An increase in use of customer relationship strategies will lead to an increase in performance of life assurance companies.

The results agreed with Thomas (2014), in his study getting the most out of all your customers. He found out that, firms perform better with implementation of CRM strategy. His results suggested that institutions had employed CRM strategy elements to ensure better performance.

# CHAPTER FIVE
## SUMMARY, CONCLUSION AND RECOMMENDATIONS

### 5.1 Introduction

This chapter presents the summary of the findings, discussions, conclusions and recommendations emanating from the results of this study.

### 5.2 Summary of the Major Findings

The study evaluated the effect of competitive strategies on performance of life assurance companies in Kenya, with the main focus being cost leadership, differentiation, market focus and customer relationship management.

The study established that the life assurance companies have employed competitive strategies components with the majority of life assurance companies having highly employed cost leadership, differentiation, market focus and customer relationship management were fairly employed in the life assurance companies in Kenya. This implied that there was need for the life assurance companies to employ more market focus and CRM components to ensure consistent performance in the companies.

The study also established that there was need for the life assurance companies to improve on the elements of CRM to ensure more implementation of the strategy. This is because the study found out that there was a higher number of respondents that were neutral on the implementation of CRM elements as compared to the other three strategies. On association of cost leadership with performance, the study established that life assurance companies in Kenya had highly implemented these cost leadership elements which included, use of low cost distribution channels, advanced technology, access to low sources of capital and training and institutional learning. The study revealed that

there was a positive relationship between cost leadership and performance in life assurance companies in Kenya.

In relation to association of differentiation strategy and performance of life assurance companies in Kenya, the study established that differentiation strategy elements were highly implemented by the life assurance companies and they were effective in improving performance of the life assurance companies. The correlation further revealed that there was a strong relationship between differentiation strategy and performance of life assurance companies in Kenya.

With regard to association of market focus with performance of life assurance companies, the study established that the market focus elements were fairly implemented by the life assurance companies and were effective in improving performance. The study revealed that there was a positive relationship between market focus strategy and performance of life assurance companies in Kenya.

In relation to association of CRM strategy with performance of life assurance companies in Kenya, the study established that life assurance companies have fairly implemented these CRM elements. The correlation further revealed that was a positive relationship between CRM strategy and performance of life assurance companies in Kenya.

## 5.3 Conclusion

Based on the findings, the study made the following conclusions:

The study established that life assurance companies in Kenya had employed competitive strategies with the majority of companies having highly employed cost leadership and differentiation strategies, market focus and CRM were fairly adopted among the life assurance companies.

Competitive strategies positive relationship with performance of life assurance companies in Kenya. From the findings, it can be concluded that competitive strategies improve the performance of life assurance companies in Kenya, therefore life assurance companies should engage in continuous improvement of the strategies.

The results revealed that market focus strategy elements were fairly implemented in life assurance companies in Kenya. From this finding, it can be concluded that the life assurance companies need to focus on their market focus elements to ensure they are better implemented for better performance.

The study found out that CRM strategy elements were fairly implemented in life assurance companies in Kenya. From this finding, it can be concluded that life assurance need to focus on their CRM elements to ensure they are better implemented for better performance.

## 5.4 Recommendations

The following are the researcher's recommendation based in the findings of the study that life assurance companies and other stakeholders can use:

Life assurance companies should sustain and continually improve on competitive strategies by investing more on these strategies. This is because these strategies have a significant effect on performance in life assurance companies.

The life assurance companies should also consider improving on the CRM and market focus by, investing more in IT techniques that monitor and record customer behavior and preferences, interact more with customer, create more products and services to suit specific customer needs and explore more to find more market segments. Life assurance

companies should make sure that their employees and the management is aware of them and works toward continually improving them.

## 5.5 Suggestion for Further Studies

From the findings the following areas were suggested for further research.

- Strategies adopted by life assurance companies in Kenya to achieve competitive advantage.

- Competitive position strategies adopted by life assurance companies in Kenya.

- Growth strategies adopted by life assurance companies in Kenya

- The influence of organizational learning on performance in life assurance companies in Kenya

- A resource based view approach to performance in life assurance companies in Kenya.

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# APPENDIX I
## RESEARCH QUESTIONNAIRE

**PART ONE**

**General information**

Below is a questionnaire that you are required to carefully read and give appropriate answers by filling the blank spaces or by ticking, the information obtained from this questionnaire will be confidential.

1. Gender

   Male [ ]          Female [ ]

2. Age

   18-25 [ ]                    26-35 [ ]

   36-45 [ ]              46 and above [ ]

3. Level of education?

   College [ ]                University [ ]

4. Job level?

   Top management [ ]    Middle management [ ]   Line management    [ ]

5. Years worked for the company?

   Less than 2 years    [ ]    2-5 years     [ ]     6 years and above     [ ]

**PART TWO: COMPETITVE PRACTICES**

**SECTION A: COST LEADERSHIP**

1. Does your company use efficient and low cost distribution channels, for example, minimizing the number of agents?

    Yes [ ]                              No [ ]

2. Does your company invest in advanced technology to cut the cost of personnel?

    Yes [ ]                              No [ ]

3. On a scale of 5-1 where 5= strongly agree, 4=agree 3= neutral, 2=disagree and 1= strongly disagree, please indicate your level of agreement with each statement on cost leadership.

| Statement | 5 | 4 | 3 | 2 | 1 |
|---|---|---|---|---|---|
| There is access to low sources of capital in your company | | | | | |
| The company outsources functions and enters into joint ventures to control cost | | | | | |
| Training and institutional learning is carried out to ensure highly trained and experienced personnel | | | | | |
| The company give employees multiple job responsibilities to reduce personnel costs | | | | | |
| The company minimizes number of advertisements | | | | | |
| The company only does research on the most important areas | | | | | |

**SECTION B: DIFFERENTIATION**

1. Is there unique customer service in your company that distinguishes the company from the rest?

   Yes [ ]                         No [ ]

2. Does your company develop new products and services often?

   Yes [ ]                         No [ ]

3. On a scale of 5-1 where 5= strongly agree, 4=agree 3= neutral, 2=disagree and 1= strongly disagree, please indicate your level of agreement with each statement on differentiation.

| Statement | 5 | 4 | 3 | 2 | 1 |
|---|---|---|---|---|---|
| A strong image identification is always maintained in the company | | | | | |
| The company invests in innovation in marketing techniques, methods and technology | | | | | |
| There is strict quality control procedures through TQM in the company | | | | | |
| There is after sale services, attending to clients queries and concerns | | | | | |
| There is reduced time to process clients documents i.e. Policy documents | | | | | |
| There is bonuses and discounts in the life assurance products | | | | | |

## SECTION C: MARKET FOCUS

1. Does your company serve specific market segments?

   Yes     [ ]          No [ ]

2. Does the company strive to fulfill the needs of a certain group in the market so as to service them better?

   Yes     [ ]          No [ ]

3. On a scale of 5-1 where 5= strongly agree, 4=agree 3= neutral, 2=disagree and 1= strongly disagree, please indicate your level of agreement with each statement on market focus.

| Statement | 5 | 4 | 3 | 2 | 1 |
|---|---|---|---|---|---|
| The company has special products and services for specific target markets | | | | | |
| The company serves specific types of customers | | | | | |
| The company changes its products and services with the change in customer preferences | | | | | |
| The company seizes the opportunity of new segments emerging in the market | | | | | |
| The company marketing and promotional activities to only few market segments | | | | | |
| The company strives to offer low priced or unique products to specific market segments | | | | | |

## SECTION D: CUSTOMER RELATIONSHIP MANAGEMENT

1. Does your company invest in research and development aimed at identifying customer needs?

   Yes [ ]                          No [ ]

2. On a scale of 5-1 where 5= strongly agree, 4=agree 3= neutral, 2=disagree and 1= strongly disagree, please indicate your level of agreement with each statement on customer relationship management.

| Statement | 5 | 4 | 3 | 2 | 1 |
|---|---|---|---|---|---|
| Mechanisms to satisfy customer needs are concentrated on in the company | | | | | |
| The company invests in IT supporting tools and techniques to monitor customer behaviour | | | | | |
| The company has personal records and contacts of all its clients | | | | | |
| The company frequently issues questionnaire via phone or mail to its clients, evaluating its quality of services | | | | | |
| The company cross-sells its products to already existing customers from its customer records | | | | | |
| The company uses customer information it has to create products that will satisfy customer needs | | | | | |

**PART THREE: PERFORMANCE**

1. On a scale of 5-1 where: 5= extremely influential, 4= very influential, 3= moderately influential, 2= slightly influential 1= Not at all influential, please indicate the level of influence of the following competitive strategies elements on performance of the company.

| Statement | 5 | 4 | 3 | 2 | 1 |
|---|---|---|---|---|---|
| Efficient low cost distribution channels | | | | | |
| Strong image identification | | | | | |
| Specific types of customers | | | | | |
| Using customer information to create products that will satisfy customer needs | | | | | |
| Bonuses and discounts | | | | | |
| Change in products and services with the changes in customer preferences | | | | | |

**THANK YOU FOR YOUR CO-OPERATION**

## APPENDIX II

## A LIST OF INSURANCE COMPANIES

1. Apollo Life Assurance

2. Africa Merchant Assurance-Amaco

3. British American Insurance Co Ltd.

4. Cannon Assurance Company Ltd.

5. Capex Life Assurance Company

7. Corporate Insurance Company

8. CIC Life Assurance

9. First Assurance Company Ltd.

10. GA Insurance Company

11. Geminia Insurance Company

12. ICEA Lion Life Assurance company

13. Intra Africa Assurance Company

14. Invesco Assurance Company

15. Jubilee Insurance Company Limited

16. Kenya Orient Insurance Co Ltd.

17. Kenindia Assurance Company

18. Liberty Life Assurance Kenya Limited

19. Madison Insurance Company Ltd.

20. Mercantile Life & General Assurance

21. Metropolitan Insurance Company

22. Old Mutual Life Assurance Company

23. Takaful Insurance of Africa

24. Phoenix of East Africa Assurance Company

25. Sanlam Kenya

26. Pioneer Assurance Company

**APPENDIX 111**


**RESEARCH AUTHORIZATION**


KENYATTA UNIVERSITY
GRADUATE SCHOOL

E-mail: dean-graduate@ku.ac.ke

Website: www.ku.ac.ke

P.O. Box 43844, 00100
NAIROBI, KENYA
Tel. 8710901 Ext. 57530

Our Ref: **D53/OL/EMB/26583/2015**          DATE: 29th May, 2017

Director General,
National Commission for Science, Technology
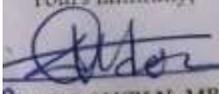and Innovation
P.O. Box 30623-00100
NAIROBI

Dear Sir/Madam,

RE: RESEARCH AUTHORIZATION FOR KAMAU MUTHONI RAHAB – REG. NO.
D53/OL/EMB/26583/2015

I write to introduce Ms. Kamau Muthoni Rahab who is a Postgraduate Student of this University. She is registered for M.B.A degree programme in the Department of Business Administration.

Ms. Rahab intends to conduct research for a M.B.A Project Proposal entitled, "Competitive strategies and performance of life assurance companies in Kenya".

Any assistance given will be highly appreciated.


Yours faithfully,


MRS. LUCY N. MBAABU
FOR: DEAN, GRADUATE SCHOOL


GK/Inn

# APPENDIX IV

# RESEARCH PERMIT

## NATIONAL COMMISSION FORSCIENCE, TECHNOLOGY ANDINNOVATION

Telephone:+254-20-2213471,
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Email: dg@nacosti.go.ke
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When replying please quote

9⁰Floor, Utalii House
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P.O. Box 30623-00100
NAIROBI-KENYA

Ref No. **NACOSTI/P/17/66465/17997**

Date: 7ᵗʰ July, 2017

Rahab Muthoni Kamau
Kenyatta University
P.O. Box 43844-00100
**NAIROBI.**

## RE: RESEARCH AUTHORIZATION

Following your application for authority to carry out research on *"Competitive practices on performance of life assurance companies in Kenya,"* I am pleased to inform you that you have been authorized to undertake research in **Nairobi County** for the period ending 6ᵗʰ July, 2018.

You are advised to report to **the Chief Executive Officers of selected Insurance Companies, the County Commissioner and the County Director of Education, Nairobi County** before embarking on the research project.

On completion of the research, you are expected to submit **two hard copies and one soft copy in pdf** of the research report/thesis to our office.

**GODFREY P. KALERWA MSc., MBA, MKIM**
**FOR: DIRECTOR-GENERAL/CEO**

Copy to:

The Chief Executive Officers
Selected Insurance Companies.

The County Commissioner
Nairobi County.

National Commission for Science, Technology and Innovation is ISO9001: 2008 Certified