

**PROJECT TITLE: THE APPLICATION OF GLOBAL MARKETING
CONCEPTS – A CASE OF EXPORT PROCESSING ZONES IN KENYA.**

BY

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REQUIREMENTS FOR THE DEGREE OF MASTER OF BUSINESS
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DECLARATION

This is my original work and has been presented for a degree in any other university or any other award.

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SIGN 

I confirm that the work reported in this project, was carried out by the candidate under my supervision.

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DEAN SCHOOL OF HUMANITIES AND SOCIAL SCIENCES

SIGN -----

ACKNOWLEDGEMENT

This is dedicated to my dad, whose tireless efforts to support me and continual goodwill has enabled me to reach this far.

Special thanks go to my Supervisor, Mr. J. J. ... who assisted me greatly in completing the work. My ... family members Edward, William and all others who encouraged me to the very end. I would like to thank all my respected classmates for their support and help both financially and morally.

Finally I would like to thank the management team at Konep EPZ who gave me the chance to work and study concurrently.

Thank you all and may God bless you.

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Thank you all and may God bless you

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LIST OF ABBREVIATIONS

AGOA – African Growth and Opportunities Act

AC/EU African Caribbean Pacific – European Union

EPZ- Export processing Zones Authority

EPC – Export Promotion Council

COMESA – Common Market for Eastern and Southern African Countries

GATT – General Agreement on Tariffs and Trade

ICIPE – Internationals Centre of insect Physiology and Ecology

ICT – Information Communication Technology

KARI – Kenya Agricultural Research Institute

KCPC – Kenya Cleaner Production Center

MUD – Manufacturing Under Bond

TQM – Total Quality Management

UNIDO – United Nation Industrial Development Organization.

VAT – Value added Tax

ABSTRACT

Countries in East Asia Central America and the Caribbean basin have successfully used Export Processing Zones as an instrument for economic development. Attempts to do the same in Africa have not been successful. It has been argued that economic theory should lead us to reject Export Processing Zones as a development option. Some blame Africa's lack of adequate infrastructure and services to support the business community. Others blame the ignorance of investors or the lack of indigenous entrepreneurs.

Peter L. Waston (2000) visited successful Export Processing and Free Trade zones in Mauritius, Tangiers, Panama and the Dominican Republic to interview investors in the zones, developers of the zones and Government officials in order to determine what were the underlying conditions that resulted in their success.

He concluded that, while all of the issues cited above are important, attitudes and culture have also played an important role, i.e., the issue is as much socio-political one as an economic one. There are obstacles to establishing successful Export Processing Zones on the African Continent, but they can be overcome through a better understanding of the essential pre-requisites, their interactions with the rest of the economy and the steps required to establish them. Nevertheless, Africa, with its small markets and (in most cases) limited natural resource base, has no choice but to integrate its economies into the global economies.

Export processing zones can be a useful tool for those countries that wish to develop through greater integration with the global economy. This project is a summary of a research carried out in the Kenyan EPZ with a view to ascertain the marketing concepts applied and how effective they are in addressing needs in the EPZs in Kenya.

CHAPTER ONE

INTRODUCTION

1.1 STUDY BACKGROUND

The impact of organization on local industries has been of major concern internationally.

It has opened doors for multinational enterprises to compete with local industries (Michie 1997). Countries in the developing world characterized by inferior marketing practices have, therefore, to counter-attack this by improving their practices to meet international standards and expand their practices to meet international standards and expand their customer base by looking for export markets.

Kenya government in particular having seen the need for this, started the Kenya Export Processing Zones Program (EPZ)¹ in 1990 to provide an attractive invest opportunity for export-oriented business ventures within designated areas or zones. It is managed by Export processing Zones Authority (EPZA). The programme objectives which also form the criteria for project approval are the increase in productive capital investment; generation of jobs/employment; transfer of technology; development of forward and backward linkages and diversification of export products and markets.

The scheme in an effort to attract more investors offers a range of attractive incentives such as tax holidays, to ensure lower cost operation, faster set-up, smoother operation and higher profitability through the establishment of an effective one-stop-shop service at the Export Processing Zones Authority to facilitate all stages of the investment process.

For promotion and development of the export markets, The export promotion Council was in addition established in 1992 with the core objective of assisting producers and

exporters of goods and services to overcome bottlenecks and enhance performance level of export sector formulation of markets strategy and identification of export opportunities as well as promoting an export culture and national consensus national growth through exports. The EPC works very closely with the relevant public and private sector bodies and co-ordinates and harmonizes export and promotion activities among all stakeholders. This mandate is fulfilled through export development, trade information, product development and adaptation trade policy and facilitation and development of exporting skills.

This is clear indication of the government's commitment towards exports. The government is revitalizing, expanding and diversifying this sector. As liberalization takes root, this sector in the recent past have seen to be responding positively to the global challenges as the real output in the manufacturing sector recorded a modest expansion of 0.8% in 2001 as compared with decline of 1.4 % in 2000.

Since these sectors are gaining credibility world over, Kenya is no exception. For example, China recently announced the creation of 17 new EPZs in 2001 with very high degree of automation. It is in this regard that this project aims to highlight the marketing practices in this sector and the gaps that are still to be filled to ensure they are managed efficiently and effectively to benchmark countries like Mauritius, Panama, Terngiers and Dominican Republic.

- 1- In this paper, the term "Export Processing Zone" or "EPZ" to refer to the whole range of Export Free Zones, Industrial Development Zones and Trade Zones that exist

STATEMENT OF THE PROBLEM

Many countries in Korea, Taiwan, Jamaica and Panama have heavily depends on the Export Processing Zone as engines for economic development among other factors. However, the success of this sector in these countries has been heavily dependent on proper policy tools and a proper perspective of their returns, and cost incurred in setting them up.

Kenya as a country still has a lot to learn in this sector, since it only gained strength after signing of AGOA act in 2000 by Clinton Administration. It has put huge amounts of capital in building these zones, allowing tax holidays for investors.

Despite these factors, still these firms are not expanding to the expectations in terms of job creation, which stood at only 200,000 as at December 2002. Growth here has only been 23% per annually instead of projected over 50% so where does the problem lie?

Since these sectors mainly serve foreign markets, marketing is a very vital component of their activities that has a direct impact on their performance. The modern concept of marketing is focused on the customers. It is with this in mind that this research hopes to find out the marketing concepts these firms have to adopt in order to successfully conduct business in the Export Processing Zones.

1.2 CONCEPTUAL FRAMEWORK.

In this part the merits and demerits of EPZ are looked at under justification of their creation highlighted. The debate on the merits of EPZs has been going on for at least two decades. If any consensus may be derived from the literature, it would seem to be that EPZs are a second best solution compared with generalized country-wide reforms, but that, where country-wide reforms are difficult to implement, they can be a useful weapon in the development arsenal. (Dosati Madani 1999) in his paper on the role and impact of export processing zones presented to World Bank, provides an exhaustive treatment of the arguments for and against EPZs. She argues that both the neo-classical and new growth schools fail to capture the linkages and externalities of EPZs and opts for a cost-benefit approach expanded along the lines of a social accounting frame work, reviewing the arguments for and against EPZs and looking at the evidence from a number of countries. She concludes, "EPZs did not fulfill the role of "engines of industrialization and growth " as some proponents had anticipated. They have been an engine - among others - in the economy, where they have been taken as to their ultimate achievements and costs". She finds that, " under propitious circumstances and good management, EPZs generally achieve the two basic goals of creating employment and foreign exchange earnings".

Caution however, is that earnings based on *gross* foreign exchange earnings are likely to be exaggerated, since net foreign exchange earnings as a percentage of gross vary widely between countries, ranging from a high of 63% in south Korea and Taiwan in the mid -

1980s to a low of 12% in Jamaica. It is worth noting that the more developed the local economy, the higher the net foreign exchange earnings since backward linkages are greater. In addition, sound macroeconomic policies and exchange rate regimes contribute to the success of EPZs.

It should be noted that there would be fiscal revenue losses from incentives to entrepreneurs. However, it should also be noted that giving a fiscal concession to an entrepreneur only creates a revenue loss if the entrepreneur would locate in the country without incentive. It may well be argued that the revenue loss is likely to be minimal since, in today's competitive incentive environment, the lack of incentives would probably mean that the country would not attract investors.

Finally, EPZs have contributed to the development of human capital, both through skill acquisition and productivity gains by workers and through the development of managerial and supervisory skills. EPZs typically employ a large proportion of female workers so it can be argued that they play an important role in women's economic empowerment by getting women into the formal work force at reasonable wages rates.

(Jenkins, Esquivel and Larrain, August 1998) in development discussion paper No. 646, Harvard Institute for International development on investigation of EPZs in Latin America, concluded that "EPZs are a second-best policy, whose welfare implications are often ambiguous". They note, however, that the limitations of theoretical treatments of EPZs ignoring distributional issues and dynamic elements such as transfer of technology

and skills – render them inconclusive, turning to empirical investigations to shed light on the benefits of EPZs. Their empirical investigations confirm that the generation of employment is frequently the main benefit from EPZs.

In the developing nations with relatively high levels of unemployment, EPZs might represent an efficient mechanism for reducing the economic and social burden of large pools of unemployed in EPZs can have significant net positive effects on the host economy since wages paid to people employed in the EPZ firms tend to be much higher than their opportunity cost. This reinforces the notion that the EPZs are likely to be more successful when strong backward linkages can be developed: creating a demand for intermediate goods and services can enhance the viability of local industrial and service sectors and improve the host nation's labour and managerial skills

It is therefore evidenced from the above discussions that even though the government although cannot depend on the EPZ alone to revive its economy, it plays a pivotal role in terms of creating employment and foreign exchange earnings, promotion of human capital through skill acquisition and productivity gains and women's economic empowerment.

1.3 PURPOSE OF THE STUDY

The purpose of the study is to investigate the extent to which marketing concepts are practiced at the Kenyan export processing zones, which the government is currently relying on as one of the key sectors to create employment and revive the economy.

1.4 OBJECTIVES OF THE STUDY

1. To highlight the marketing practices and concepts necessary for firms to conduct trade in the global market.
2. To analyze the response by firms to the effects of globalization in terms of adopting modern concepts of global trade
3. To come up with recommendations based on these gaps having a clear comparison with other countries all over the world that are doing better in the EPZs (benchmarking).

1.5 IMPORTANCE OF THE STUDY

The findings of this study will be useful,

1. To investors who may want to take advantage of the incentive scheme provided by the government in these zones.
2. Businesses that have been victims of the harsh effects of liberalization and would want to counter attack this by venturing into export markets.
3. Firms in this zone that may have been engaged in the export business but are still not reaping the optimal benefits due to some gaps in their global practices especially those related to marketing.
4. The government as a policy maker and all the other stakeholders in this sector who may be interested in such information.

5. To researchers who would like to do further studies on a similar field for the purpose of improving the performance in this sector.

1.6 RESEARCH QUESTIONS

1. What are the essential concepts and practices that firms under the EPZ must adopt in order to do global trade?
2. To what extent are these concepts applied in the Kenyan Export – Processing Zones?

1.8 LIMITATIONS

Some of these firms selected for the study did not respond to the questionnaires sent to them. Some of the employees of these zones were also not willing to disclose some information.

CHAPTER TWO

2.0 LITERATURE REVIEW

The world is rapidly shrinking with the advent of faster communication, transportation and financial flows. Many companies that have conducted global marketing for decades like Nestle, Shell, Bayer and Toshiba are now facing global competition. Domestic companies that never thought about foreign competition suddenly find these competitors in their backyards as newspapers report Japanese victories over US producers in consumer electronics, motorcycles, copying machines e.t.c and the loss of the textile and shoe markets to thirds world imports. Although some business may want to eliminate foreign competition through protective legislation, the best way to compete is to continuously improve products at home and expand into foreign markets.

The government of Kenya has taken these challenges objectively and to combat the effects of globalization and liberalization has taken several steps to promote exports. In the last five years, the government has taken several policy initiatives to boost exports. This include the signing of several trade agreements towards gaining export opportunities such as:

- ◆ African Growth and Opportunities Act (AGOA)
- ◆ African Caribbean and Pacific –European Union (ACP/EU) a partnership agreement geared towards preferential access of ACP experts to European markets
- ◆ Common market for Eastern and Southern African Countries (COMESA)
- ◆ East Africa Community

Information Communication Technology Policy to ensure availability of efficient, reliable and affordable ICT services since the bulk of the international trade is through e-commerce.

It is noticeable that with the enactment of AGOA in May 2000, Kenya has benefited immensely. Textile export has risen from \$ 45 million in 2000 to \$ 70 million in 2001 to \$ 107 million between December 2001 and May 2002. Product export has risen from \$ 4 million in 2000 to \$ 10 million in 2001 and \$ 20 million in 2002. Investment in Apparel sector has risen from \$ 14.9 million in 2000 to \$ 60.6 million by October 2002. 22 Textures factories have been set up and more are in the pipeline. Well over 200,000 new jobs have been created directly or indirectly through opening of new garment factories, reviving of collapsed textile mills, reviving of closed ginneries and growing of cotton.

East African business community has responded positively to the preferential market arrangement and over 100 business leaders endorsed a land mark document called vision 20 in line with Kenyan vision of industrialization by 2020. These are done by Kenyan government to increase volume of trade since world over EPZ are gaining credibility. Benchmark is countries like Philippines, which has experience growth despite decline economic activity. From the year 2000, Kenya has been experiencing negative economic growth but this sub-sector alone had grown by 23% annually soaring investments to over Kshs. 6 Billion.

It therefore, remain a key sector in terms of industrialization, economic growth and poverty reduction. Investors survey after Investors survey in Africa countries highlights

the obstacles to foreign direct investment caused by poor quality services. Customs invariably feature near the top of the list, usually closely followed by tax administration. Other services with which difficulties and frequently associated are acquisition of land, building and occupancy permits, getting visa for expatriate staff and setting up a company.

The job of a businessman is to run their business. The more time to spend trying to understand arcane bureaucratic procedures and following up on civil servant to get permit and approval, the less time they have to devote to the task in which they have a comparative advantage, i.e. producing goods and services and creating jobs.

In addition to the time factor, money frequently has to change hands to speed up things or to get the services provided at all. Bribes to petty bureaucrats and payments to "fixers" all add to the cost of doing business and reduce competitiveness. The problem is not limited to lower level civil servants, high level government officials are all too frequently guilty of extracting monies for "party funds" as a price of doing business.

In an effort to avoid this, the government tried to set up a one-stop shop. It is however noticeable that firms of these zones are not expanding to the expectations of the country since growth is expected to be like that of Mauritius which experience 50% growth in the first year of establishment and 20% of the second year, despite the following incentives put in place;

- ◆ Generous incentive packages for export led manufacturers such as EPZ, MUBs, and Tax remission for export office schemes (EPZ Act Cap 517, Laws of Kenya).
- ◆ Zero rating of raw materials, machinery and equipment
- ◆ Special incentives for sub-sectors of cotton, textile, and motor vehicle that includes VAT waiver on imported Ginnery and textile manufacturing equipment.

This may probably be due to lack of knowledge on the requirements in terms of global marketing concept, investment requirement procedures and lack of knowledge on the infrastructural available.

The Kenya textile, motor vehicle, pharmaceutical industries have also in the resent past been paid due to effect of liberalization. These sectors can therefore exploit this opportunity due to ready market now available for their products. They can also enjoy the associating tax incentives on raw materials on machinery, with the adoption of global marketing concepts.

In Kenya in the early 1980s, the running of the economy was purely in the hands of the government. It regulated prices of different products, set up prices and made sure they were followed to the latter.

Prices of most commodities were usually set during the budget speech. An economic monopoly therefore existed between the government and the investors. Firms believed that the potential markets surrounding them were satisfied with their products. They did

not aggressively uphold the marketing concept, hence, hardly carried out any aggressive market research to come up with new products, they never saw so much need of awareness creation by carrying out aggressive sales promotions, trade promotion and sales force promotion, advertising e.t.c. The world however, has changed. The customer of today is not the same as the customer of yesterday. He has become more conscious of product features, price and the quality than that of yesterday and the trend is still exponentially rising

With the signing of the General Agreement on Tariffs and trade in 1947 (GATT), trade barriers were removed between 1950s and 1980s. The wind of change started to be felt in Kenya in the 1980s in terms of effects of globalization. In the late 1980s and early 1990s, economic liberalization took place. In Kenya and other developing world countries, this took the form of structural adjustment programmes, and the Kenyan economy was opened to external forces. Consequently, many multinational enterprises brought their products with the superior marketing strategies in the in the country. Local industries therefore faced very stiff competition, which led to many completely closing down while complete turn – around for some companies was inevitable.

Re – engineering became a common practice in the industries. Economic liberation (World bank /IMF 1994) would promote competition, enhance efficiency and innovation, new capital investment and foster growth.

The role of government in such a case is to protect local industries so that they do not die out. It therefore, had to look into new ways of protecting local firms by way of enlarging market base, introducing legislation to prevent dumping and look for new markets. The

Kenyan government in order to counter – attack this took several initiatives which included signing several treaties aimed at seeking new markets to supplement domestic markets, which include AGOA, ACP/EU, COMESA, EAC and more recently NEPAD.

Since the steps meant now going global, industries producing goods for such markets had to adjust to meet their needs. The trend of the developed world markets have now laid emphasis on environmental conservation to ensure efficient utilization of resources, quality assurance by ensuring goods satisfy customer needs and corporate social responsibility and accountability. Firms in these zones, by virtue of the markets they serve have to adopt excellent manufacturing and marketing concepts in order to enhance efficiency and compare with similar firms in the developed world.

Such concepts and practices must include but is not limited.

- **Customer Value**

The driving force behind world economic growth has changed from manufacturing volume to improving customer value. As a result, the key success factor for many firms is maximizing customer value. The customer's perception of value is quality rather than price. Successive companies are these taking into consideration customer's individual preferences, keeping up with market trends and supplying relevant information attractively anytime, anywhere, in a variety of media and providing customer services tailored to individual needs. In short, they are generally market – driven but specifically customer – driven. It is difficult to get customer loyalty without information and this is why companies are getting increasingly interconnected. This enables entrepreneurs to continually monitor and evaluate online information about their customers, suppliers, and

competitors from their web sites and discussion groups. The information thus gathered is used to shape the company's product development, marketing programmes, customer services and competitive strategies. These cannot go without the incorporation of the marketing mix tools. (McCarthy) defines marketing mix as a set of tools that a firm uses to pursue its marketing objectives in the target market. (Robert Lauterborn) relates the seller's 4 Ps to correspond to market's 4 Cs. These include place mix to address the customer convenience that is channels of communication, coverage, locations, inventory and transport. Price mix to address customer cost, that is list price, discounts, allowances, credit terms and payment period. Promotion mix to communicate with the customers, by using sales promotion, advertising, public relations and direct marketing. Product mix to provide customer solution, by providing product variety, quality, design features, and brand name, packaging e.t.c.

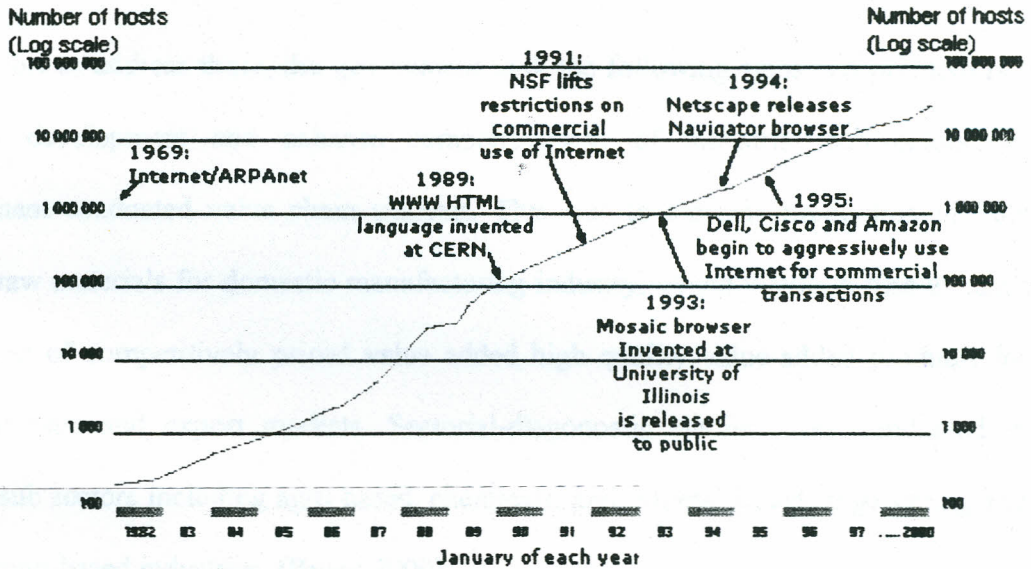
- **Use of electronic commerce to enhance efficiency**

E – commerce can be defined as a dynamic set of technologies, applications and business process that link enterprises, consumers and communities through the electronic exchange of goods, services, transactions and information.” E – commerce has evolved with the increasing popularity of Internet worldwide. E – commerce over the Internet is five years old as illustrated in figure 1 .

GROWTH IN INTERNET HOST COMPUTERS AND MAJOR

E-COMMERCE DEVELOPMENT

Source: Organization of Economic Co-operation and Development



Global Importance of E – Commerce

The global importance of E – commerce can be observed through analysis of the trend of access to the Internet by developed countries. Organization of Economic Co-operation and Development (OECD 1998) found that the US of whom 8.8 million have researched or purchased products online. Young Americans, it seems, increasingly see e-commerce as a part of their everyday lives and they are likely to take attitude into their adult and business-lives as they grow up these shows the importance of e –commerce in enhancing global trade.

- ◆ Environmental concerns to ensure efficient resource utilization, total quality management (TQM), and just in time (JIT) manufacturing approaches, corporate social responsibility practices to ensure the industries we are coming up with are beneficial to the communities and no instances of labour exploitation are the other modern concepts now incorporated in global marketing.

In an effort to address these, the government took the following steps. To promote raw material development and enhance competitiveness of industrial sub-sectors the government conducted value chain analysis. This was to increase production of high quality raw materials for domestic manufacturing industry, which would in turn enhance production of competitively priced value added high quality value-added products for both domestic and export markets. Sectorial-diagnostic studies were conducted in various sub sectors including agro based, chemicals, and mineral based, engineering and construction-based industries. (Biwot 2000)

Kenya expanded program funded by UNIDO was employed in the development of agro-processing industries, fish, bee keeping, leather, dairy, fruit processing as well as capacity building and export promotion.

To improve efficiency of energy use by industries, the government in collaboration with the Kenya Association of Manufacturers launched the energy efficiency project funded by the global Environmental Facility and UNDP.

For capacity building, the government has been using Kenya Bureau of Standards to enhance service delivery of the institution. World Trade Organization centers were also established in 2001 at the ministry of trade and industry, Export Promotion Council and

Kenya Institute of Business Training as an interface between private and public sectors with the global markets.

In order to produce goods that conform to the international standards, the government enacted Environment Management and Co-ordination Act (EMCA) in 1999 to be implemented by National Environmental Management Authority. It has also developed policies, project and programs for their implementation. In July 2000 for instance, the Kenya National Cleaner Production Center (KNCPC) was established in collaboration with United Nations Industrial Organization (UNIDO), UNDP and UNEP at KIRDI headquarters to guide manufacturing industries on methods of reducing wastes, thus improving their profitability. It is in the same spirit that world-class manufacturing areas/zones were established with very attractive legislative incentive to attract investors who would incorporate world class manufacturing machinery's and engage high quality human resources to be able to compete world wide. (Biwot 2000)

CHAPTER THREE

3.0 RESEARCH METHODOLOGY

The chapter outlines the methodology used in this research project. It gives details of research design, population of the study and the sampling method, instrumentation, data collection and analysis technique use.

3.1 RESEARCH DESIGN

In the study, descriptive survey method has been used. Data was collected from the Export Processing Zones Authority and specific firms under the umbrella of the EPZ. Both secondary and primary data have been used in this study.

3.2 INSTRUMENTATION

Primary data was mainly collected with questionnaire and interviewing method. Lower, middle and senior management employees were interviewed. Structured questionnaires were used to collect quantitative data while unstructured questions were employed for qualitative data.

3.3 DATA COLLECTION

Both secondary and primary data have been used. Secondary data was obtained from the Internet and available literature documented in hard copies from export processing zones authority and specific firms under the EPZ umbrella. Primary data was obtained from the questionnaires administered, personal observations and interviews.

3.4 DATA ANALYSIS

The data collected has been coded, classified and systematically analyzed. Statistical tools of analysis have been employed. Both descriptive and inferential statistics have been employed. The data was analyzed using SPSS software and Microsoft excel, then findings presented by the use of frequency tables, graphs and charts.

3.5 SAMPLING UNIT

The research questionnaires were given to senior and middle level and junior management staff at the EPZ authority and firms under the umbrella of EPZ.

3.6 SAMPLE SIZE

The questionnaires were sent to all the 42 export processing zone firms both publicly developed and privately developed that were listed as at September 2002. The response however was received form 22 to them, which has been used in the analysis.

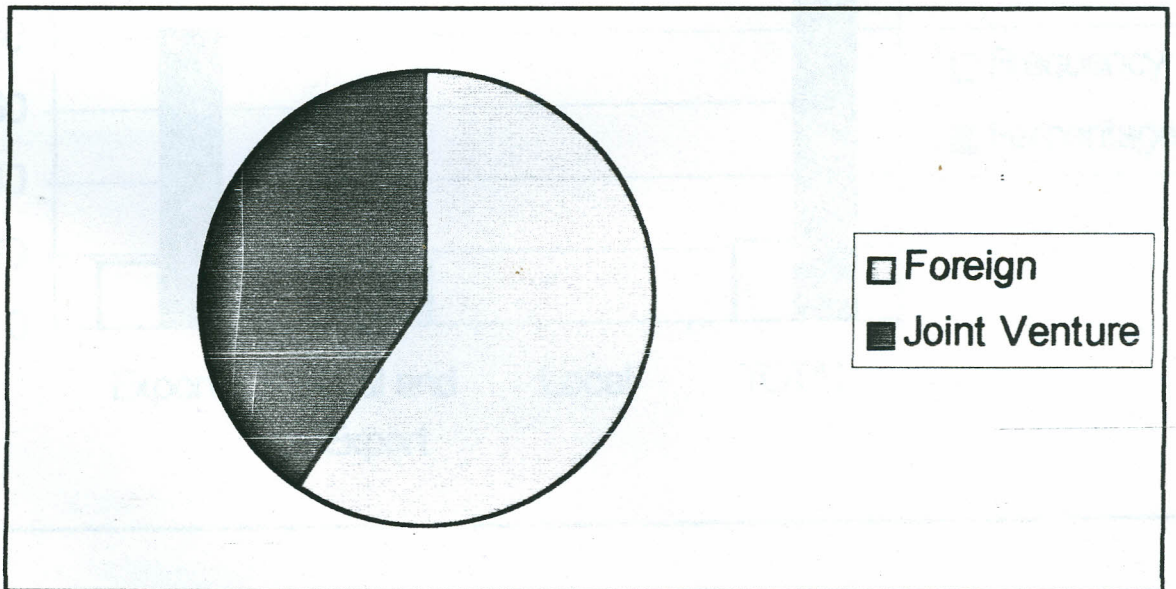
CHAPTER FOUR

4.0 DATA ANALYSIS AND PRESENTATION

Based on the above scheme, data has been collected and tabulated. Statistical calculations using SPSS software was used and the below mentioned were established:-

OWNERSHIP OF THE EPZ FIRMS

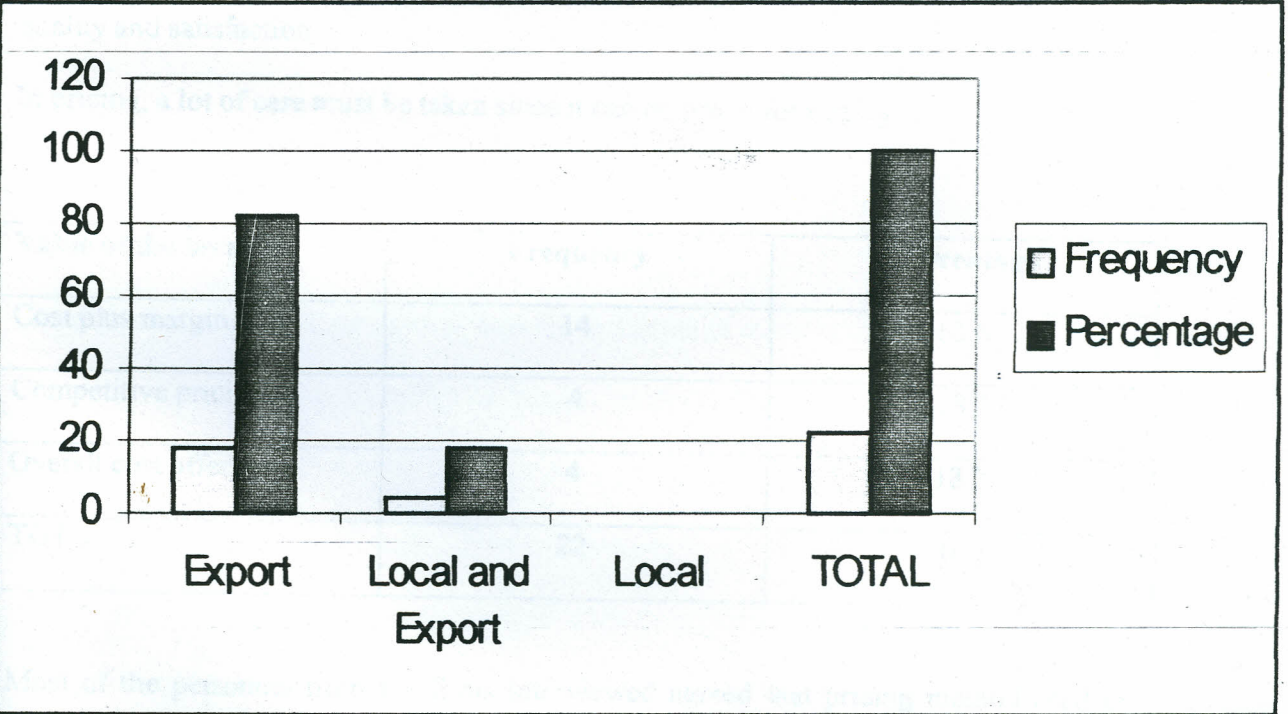
Value of label	Frequency	Percentage
Foreign	13	59.1
Joint Venture	9	40.9
TOTAL	22	100



From the 22 firms interviewed these are no purely locally own EPZ firm. Majority is foreign while 40% are joint venture between foreigners and locals.

MARKETS SERVED BY THE EPZ FIRMS

	Frequency	Percentage
Export	18	81.8
Local and Export	4	18.2
Local	0	0
TOTAL	22	100



Export processing zones firms in Kenya majorly manufacture goods for export. This is clearly shown by the 22 firms that responded. 18% of them manufactured goods strictly for foreign markets. Only a meagre 18.2% serve both export and local markets. This calls for very sound marketing concepts since the goods have to complete globally.

PRICING OF PRODUCTS IN THE EPZ

PRICE

Pricing of products for foreign markets depends on such factors as demand for the project, competition, cost of offering the product to the customers, the profit margins expected and the customer's evaluation of the product since it is also a reflection of quality and satisfaction.

In pricing, a lot of care must be taken since it can be proxy for quality

Value of the level	Frequency	Percentage
Cost plus margin	14	63.6
Competitive pricing	4	18.2
Overall cost offering	4	18.2
TOTAL	22	100

Most of the personnel from the firms interviewed agreed that pricing method used by most firms in the export processing zones reflects the cost incurred in producing the product and the expected profit margins by The stake holders.

The challenge here now for most of the firms is to strive to be low producers so that they offer the product the offer the products at competitive prices than their competitors. This is also due to the fact that social accountability has also become par has become part of the global trade, firms do not want to exploit their customers.

PACKAGING

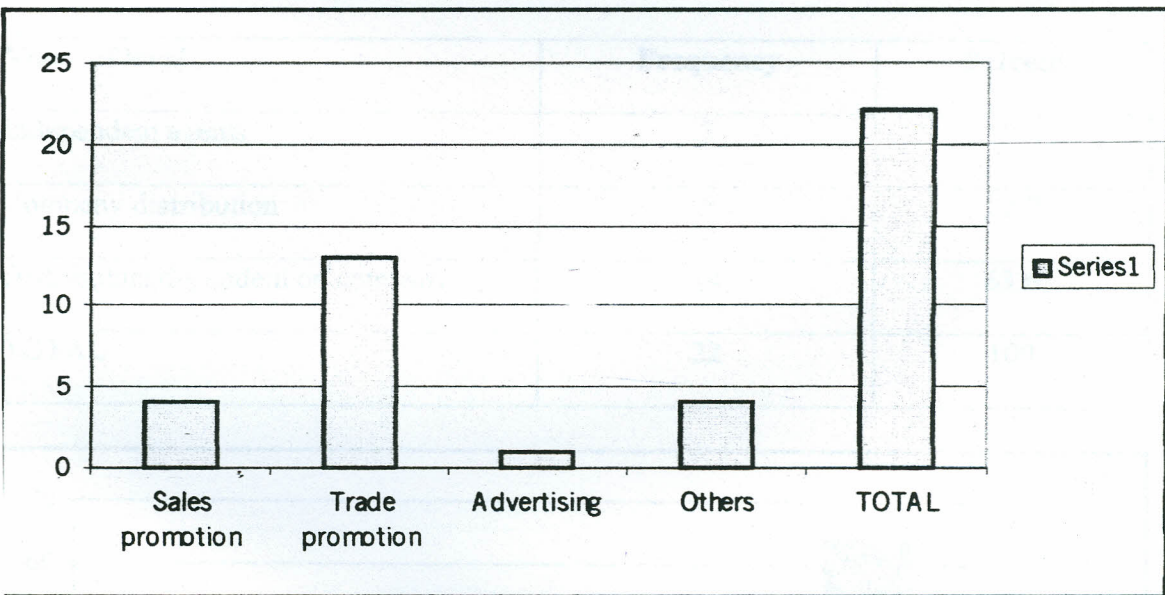
PACKAGING OF PRODUCTS		
Value of the level	Frequency	Percentage
Cost	1	4.5
Production identification	6	27.3
Consumer convenience	12	54.5
Product attractiveness	1	4.5
Others	2	9.1
Total	22	100

Customers always look for several features in a product these include packaging, variety, sizes etc. In packaging a product of foreign markets, the customer dictates what could appeal to him, EPZ firms must consider these into the account in addition to cost of the packaging, product identification, product protection, convenience and attractiveness of the products. A judicious prioritization of these requirements is necessary in packaging. Most of the firms interviewed agreed that the consumer is the determinant of the type of packaging they would use. Factors like how attractive the product would look are now

secondary. This means that marketing must be linked together with Engineering, research and development hence integrated marketing concept must be applied

PROMOTION

Value	Frequency	Percentage
Sales promotion	4	18.2
Trade promotion	13	59.1
Advertising	1	4.5
Others	4	18.2
TOTAL	22	100



Modern marketing calls for more than developing a good product, pricing it attractively and making it accessible. Companies must communicate with present and potential stakeholders, and the general public. Every company in the EPZ must therefore inevitably cast in to the role of communicator and promoter. The question is what to say it, to whom, and how often. Promotional tools like advertising, sales promotion, Trade

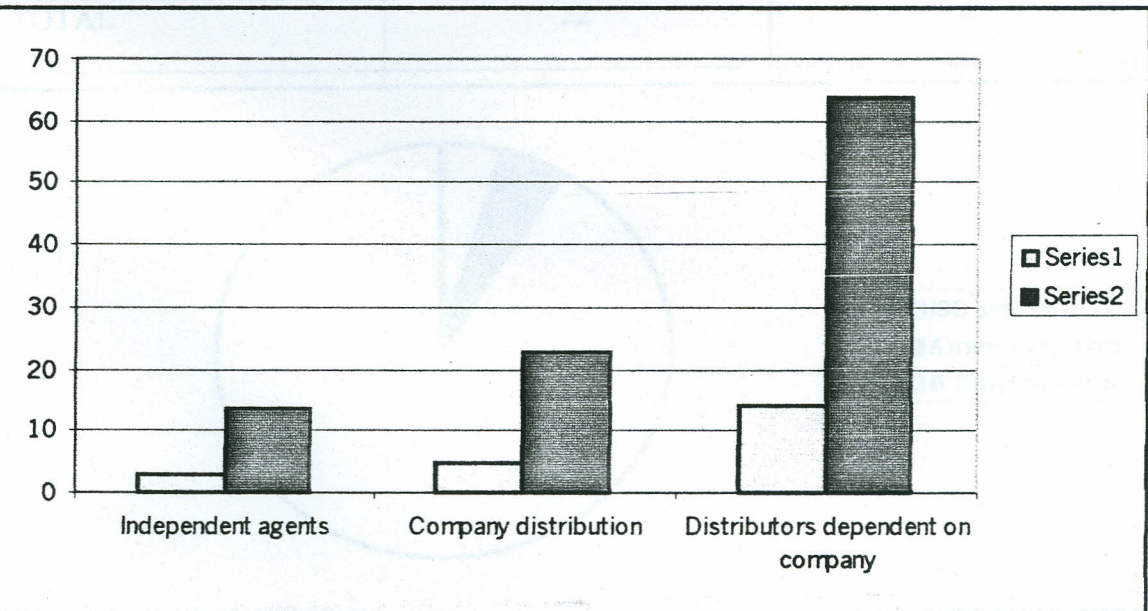
promotion, public relations, and sales force promotion and direct marketing must be considered in their marketing budgets.

These will depend on the impact a firm intends to make on a target market. It can choose advertising to build long-term image of product and to efficiently reach its geographical dispersed buyers. Trade promotion is a popular method of drawing quick response from the buyers in this sector in this sector with 59% using this method. However the other means of communications like advertising and sales promotion are also in use.

DISTRIBUTION

DISTRIBUTION POLICIES

Value of level	Frequency	Percent
Independent agents	3	13.6
Company distribution	5	22.7
Distributors dependent on company	14	63.6
TOTAL	22	100

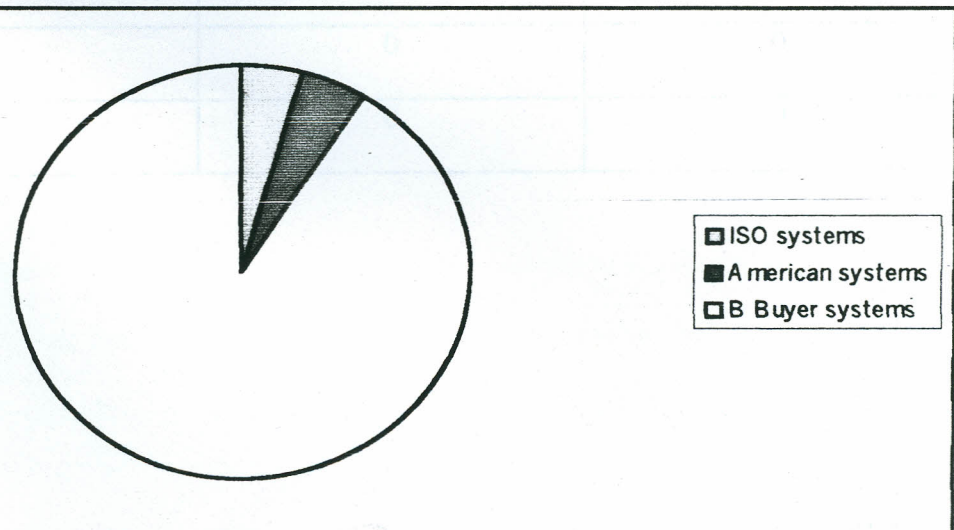


To deliver or display the product to the foreign buyer, EPZ firms must use good and efficient distribution channels, Part and parcel of these channels is selling channels such as banks, and insurance companies to facilitate transactions. These firms must therefore decide whether to use independent distribution or whether the manufacturing company in the distribution or whether the manufacturing company should be incorporated in designing the distribution network. David Packard of Hewlett-Packard is far too important to be left to marketing department? An integrated approach is the system used by the EPZ firms where all the company departments work together to serve the customers interest. The companies are part of the distribution network.

SYSTEMS

TYPES OF SYSTEMS

Value of label	Frequency	Percent
ISO systems	1	4.5
American systems	1	4.5
Buyer systems	20	90.9
TOTAL	22	100



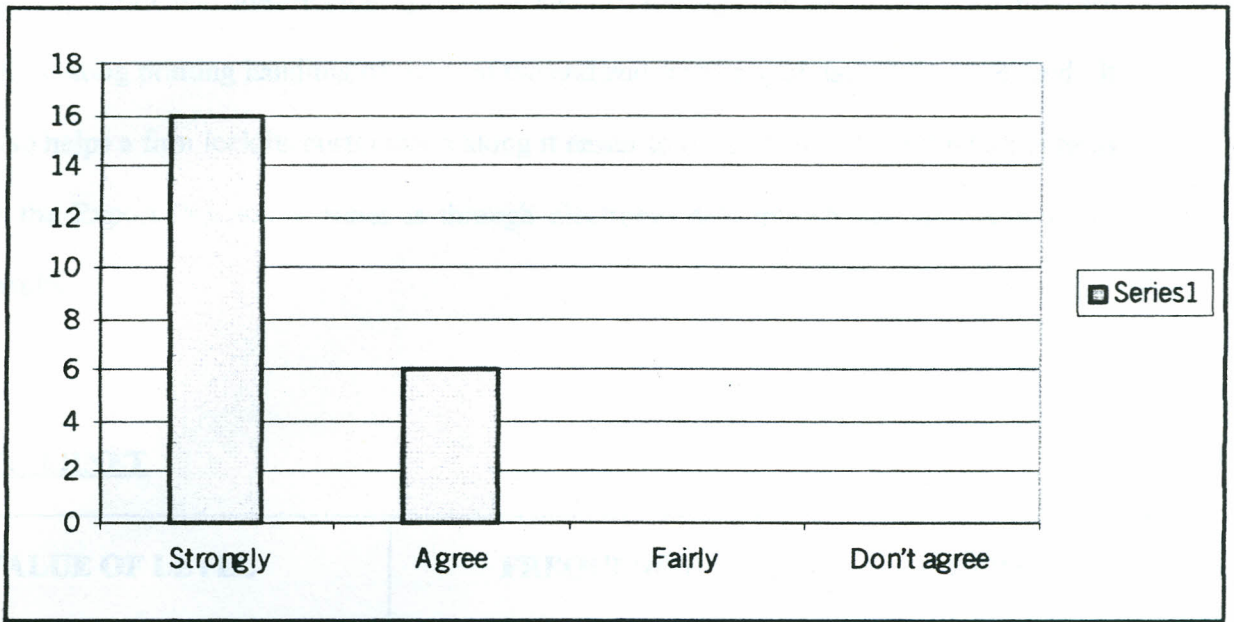
Global markets have gone beyond just provision of good products but demand that products are made in socially accountable manner. The markets in E2urope, America and he far East countries served by the EPZ demand the use of farms must address safe and healthy working place, avoid the use of forced labor, demand the use of fair disciplinary practices in the factories, have good human rights record and avoid discrimination, workers to work reasonable hours and get reasonable wages. There should be no use to forced labor. Even though with the recent April 2003 strikes, this seems not to be the case for most firms.

All the APZ firms follow certain, which have become a requirement in the European and American markets. Majority buyer specified meant to service their own market need from the above results.

BUSINESS TO BUSINESS ELECTRONIC COMMERCE

ELECTRONIC COMMERCE AND ELECTRONIC BUSINESS

VALUE	FREQUENCY	PERCENT
Strongly	16	72.7
Agree	6	27.3
Fairly	0	0
Don't agree	0	0



E-commerce has brought new efficiencies and relationships by automation of purchase and sale and payment transactions from business. Most of the firms agree that this is an important aspect of global trade.

ELECTRONICS DATA INTERCHANCE

VALUE OF LABEL	FREQUENCY	PERCENT
No	1	4.5
Yes	21	95.5
TOTAL	22	100

Electronic data is a key technology for electronic commerce because it allows computer exchange between two organizations of standard transaction documents. These include invoices, bills of lading, purchase orders. It allows transaction costs because they can be

directly from one information system to another through telecommunication network eliminating printing handling of paper at the end and imputing of data at the other end. It also helps a firm lock its customers making it easier to order than 95% of the transactions at the Export Processing zones is through electronic data interchange from the above results.

INTERNET

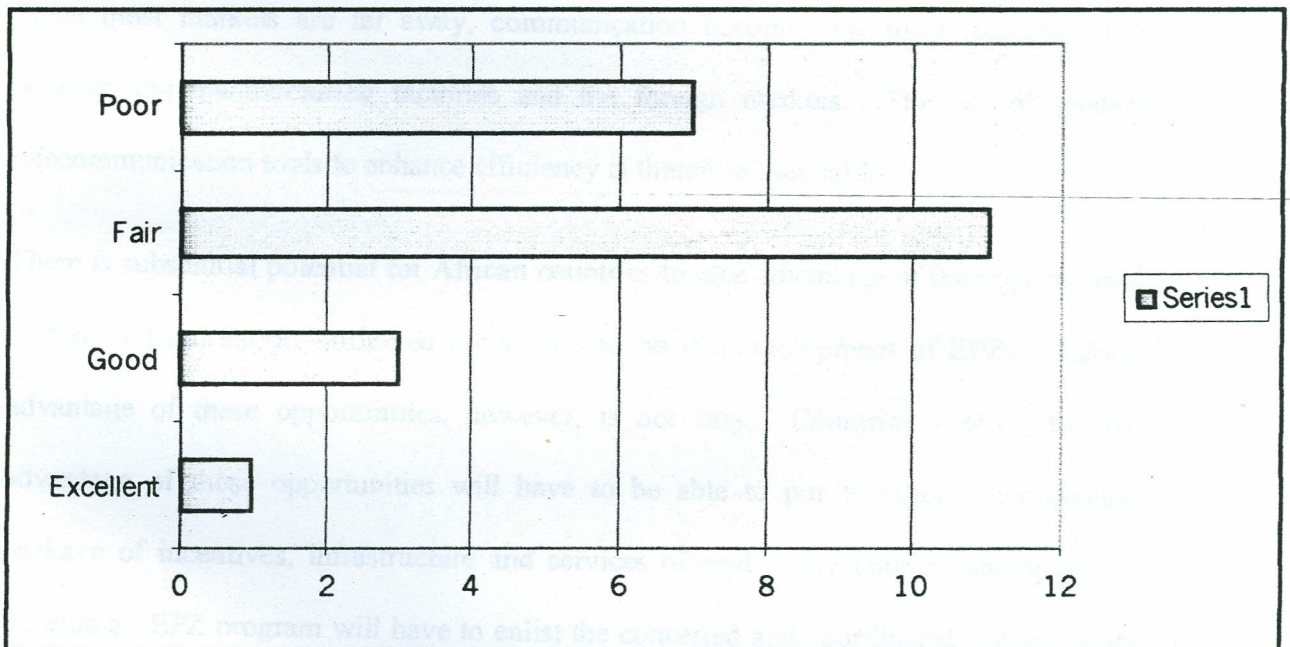
VALUE OF LEVEL	FREQUENCY	PER CENT
Yes	11	50
No	11	50

Internet provides companies with new channel of communication and interaction that can create yet more cost effective relationship with customers in sales, marketing customers support. Sales includes manufacturers selling their products and services directly to retail customers and by passing intermediaries such as distributor or retail outlet significantly lowering purchase transactions cost.

Marketers can also use interactive features of web pages to holds consumers attention or to capture information about their taste and preferences. Also customer self-service by companies using their websites and e-mail to answer customer questions or to provide customers with helpful information. This is a gap that EPZ firms still needs to exploit in their marketing departments as only 50% of the firms use internet marketing.

PROFITABILITY

PROFITABILITY	FREQUENCY	PERCENTAGE
Excellent	1	4.5
Good	3	13.6
Fair	11	50
Poor	7	31.8
TOTAL	22	100



Most of the EPZ firms are still not making so much profits probably due to gaps still inherent in.

Their marketing practices them not operating upto expected global standard making fair profits and a meager 4.5% claim to be making excellent profits.

CHAPTER FIVE

5.0 SUMMARY AND CONCLUSION

All entrepreneurs successful in the EPZ have to master a number of skills: production technology, strategic management, labor relations, finances and access to markets. Failure in any one will lead to failure of the enterprise as a whole. Since the bulk of the EPZ products are for export they have to compete with products from the developed world. Efficiency is therefore, inevitable if such firms have to survive. This definitely calls for incorporation of the modern concepts in both manufacturing and marketing. Since most markets are far away, communication becomes the most important link between the manufacturing factories and the foreign markets. The use of modern telecommunication tools to enhance efficiency is therefore inevitable.

There is substantial potential for African countries to take advantage of the opportunities to benefit from export-oriented growth based on the development of EPZs. Taking advantage of these opportunities, however, is not easy. Countries wishing to take advantage of these opportunities will have to be able to put together a coordinated package of incentives, infrastructure and services offered. Any country attempting to develop an EPZ program will have to enlist the concerted and coordinated support of its development partners in the implementation of the program.

Evidence from outside Africa indicates that those countries that are able to pull it all together can reap substantial economic benefits.

5.1 RECOMMENDATIONS

The modern global arena is very turbulent with changing customer needs. Most EPZ firms manufacture goods for export, thus they are faced with the challenge of changing with the changing needs of the customers. These firms must therefore, spend huge portions of their budgets in marketing, since the markets are far away, this must go hand in hand with a highly efficient telecommunication network since this is the essence of modern marketing. Kenyan firms still are not utilizing these fully as evidenced from the research findings.

5.2 AREAS FOR FURTHER RESEARCH

1. Effect of the use of promotion, packaging, price, and product the 5 Ps of marketing on the sale of EPZ products.
2. How EPZ firms can fully utilize modern telecommunication tools to market their Products.

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APPENDIX I

TIME SCHEDULE

PHASE	ACTIVITY	PERIOD IN WEEKS
1.	PRE -TESTING QUESTIONARE	3
2.	DATA COLLECTION	4
3.	DATA ANALYSIS	4
4.	REPORT WRITING	3
5.	MPILING/ PRESENTATION	3
6.	TOTAL TIME	17 WEEKS

APPENDIX II

BUDGET

COMPUTER FEE	KSHS 70,000
STATIONERY/POSTING	KSHS 20,000
TRAVELING EXPENSES	KSHS 50,000
MISCELLANEOUS EXPENSES	KSHS 20,000
TOTAL	KSHS 160,000

APPENDIX III

ZONE DEVELOPERS LEASING SPACE TO ENTERPRISES TO PROSPECTIVE

INVESTOR: 0812

<u>ZONE</u>	<u>LOCATION</u>
1. ATHI-RIVER EPZ P. O. BOX 50563 TEL: 254-15022136 ATHI-RIVER	ATHI-RIVER
2. COAST INDUSTRIAL PARK C/O STRATEGIC CONSULTANTS P. O. BOX 39112 TEL: 254-2-213923 NAIROBI 254-11-224175 MOMBASA.	KWA JOMVU
3. EAST AFRICAN MOLASSES EPZ LTD. P. O. BOX 86562 TEL: 254-11-313606 MOMBASA	MOMBASA
4. KINGORANI EPZ LTD. P. O. BOX 47011 MOMBASA	KWA JOMVU

5. RAFIKI EPZ LTD

NAIROBI

P. O. BOX 43832

TEL: 254-2-862078

NAIROBI

6. REAL INDUSTRIAL PARK

NAIROBI

P. O. BOX 46385

TEL: 254-2-217664

NAIROBI

7. SAMEER INDUSTRIAL PARK

NAIROBI

P. O. BOX 30429

TEL: 254-2-545511

NAIROBI

8. TRSNSFLEET EPZ LTD

ATHI-RIVER

P. O. BOX 47011

TEL: 254-2-823700

NAIROBI

APPENDIX IV

Dear respondent,

This is a research being carried to investigate the extent of application of marketing concepts at the Kenyan export – processing zone. This is part of the requirement for my MBA program at Kenyatta University. You are kindly requested to fill in this questionnaire without any fear to be as sincere as possible. I will be very grateful and if you will cooperate.

Thank you in advance.

JOSEPH O. OSEWE

RESEARCH QUESTIONS

1. (I) Name and address of the company

(ii) Major products

(iii) Designation of the respondent

2. Who are owners of your company (Please tick appropriately)

(i) Foreign []

(ii) Local []

(iii) Joint (foreign and local) []

3. (a) Does your company possess a formally documented marketing plan?

Yes []

No []

4. In your view, what proportion of your company employees know about importance of marketing?

(i) Less than 25% []

(ii) Between 25-50% []

(iii) Between 50-75% []

(iv) Between 75-100% []

5. Which of the following markets does your company serve?

Local []

Export []

Both Local and Export []

6. How did company get access to the foreign market _____

7. How far do you agree with the statement mentioned below as far your global markets is concerned

“These days companies product planning should be geared towards offering of totality of benefits to the customer rather than product features” (Tick one of the five alternatives)

Strongly agree [] Partially agree []

Neither agree nor disagree [] Generally disagree []

Strongly disagree []

8. How do you price your products for the foreign markets

(Tick one of the following)

- Cost plus some margins []
- Competitive pricing []
- Overall cost of offering products to customers []
- Customer relative of your products []

9. Which of the following is considered important in packing your goods for

Foreign destinations

- i) Cost
- ii) Product Identification
- iii) Consumers Convenience
- iv) Products attractiveness
- v) Any other (specify)

10. Which of the following promotion policy do you use to promote your products in the foreign markets?

(Tick appropriately)

- (a). Sales promotion []
- (b). Trade Promotion []
- (c). Sale force promotion []
- (d). Advertising []
- (e). Publicity []
- (f) Others _____ Specify _____ ?

11. Which of the following best describes your foreign distribution policies?

- (a). Independent agents []
- (b). Company is part of distribution system []
- (c). Distributors depend on Company in system designing []

12. How would you rate overall performance of your company in comparison with similar companies in the E zone for the last 5 years with regard to :

	Excellence	Good	Fair	Poor
i. Customer confidence
ii. Sales growth
iii. Market share
iv. Profitability

13. Are there any quality, environmental or social accountability system?

- Yes []
- No []

14. Which systems do you follow?

ISO systems []

American systems

Others please specify.....

15. Are they foreign customer requirements?

Yes []

No []

16. Does your organization ever use the Internet for marketing purposes?

Yes []

No []

17. How far do you agree with these statements? *"In procuring goods for foreign destinations, companies often search for the best suppliers, aim at building long-term relations even with fewer customers and don't compromise quality for price savings"*

Strongly agree []

Agree []

Fairly agree []

Don't agree []

18. How far do you agree with this statement as far as your global operations is concerned.

"Companies with global operations have been able to reduce transaction and coordination costs by the use of electronic business

strongly agree []

Agree []

Fairly agree []

Don't agree []

19. Which one of the following do you use to share information about your production schedules, inventory levels and shipping of your products?

i). Electronic mail []

ii). Voice mail []

ii). Facsimile []

iv). Telephone calls []

v). Others please specify

20. *“Electronic data interchange (EDI) has helped many organizations in the export business to automate e-commerce, by transactions, by transmitting documents directly from one customers computer to the seller computer”* How far do you agree with this statements as far as your company operations are concerned?

Strongly agree []

Agree []

Fairly agree []

Don't agree []