FOREIGN MARKET ENTRY STRATEGY AND PERFORMANCE OF INTERNATIONAL SUPERMARKETS IN KENYA

WILFRED WANYONYI WEKESA

A RESEARCH PROJECT SUBMITTED IN PARTIAL FULFILLMENT OF THE REQUIREMENTS FOR THE DEGREE OF MASTER OF BUSINESS ADMINISTRATION, SCHOOL OF BUSINESS UNIVERSITY OF NAIROBI,

OCTOBER, 2022

DECLARATION

I, the undersigned hereby affirm that this research proposal is my original work and has not been previously presented in part or in totality to any other institution of learning for the award of any degree or examination.

Name: **Wilfred Wanyonyi Wekesa** Registration number: D61/ 79234/2015

Signed ……………………………..………… Date …09/11/2022……………………

This Research proposal has been submitted with my approval as the University supervisor.

Signed ………………………….…………… Date 09/11/2022

Prof. Martin Ogutu

Lecturer Department of Business Administration,

University of Nairobi.

ACKNOWLEDGEMENT

This far, it has taken the hand of God for me to realize this milestone. All glory and honour be unto you Lord. To my supervisor, Prof. Martin Ogutu who guided this work end to end, am very grateful for your immense guidance all through. More appreciations goes to my classmates, your immeasurable moral support during my study cannot go unnoticed.

DEDICATION

I dedicate this research project to my dear mother **Mrs. Neddy Nasamia Wekesa** for her everyday prayers and encouragement.

TABLE OF CONTENTS

LIST OF FIGURES

ABBREVIATIONS

MNCs	Multinational Corporations

CHAPTER ONE

INTRODUCTION

1.1 Background of the Study

The operating environment for businesses has changed drastically due to advancements in information communication and technology together with the globalization. Increased competition in local markets and the desire to grow firms has seen many business enterprises venture into new markets outside their areas of incorporation (Akande and Khadka, 2018). The situation has even become worse in affluent companies operating in developed markets. Globalization has played a key role in promoting internationalization of firms. Statistics from the global arena indicate that firms are continuously seeking new markets for their businesses in foreign markets following increased competition in their local markets so as to grow their sales volume and market share. Entering new markets especially outside the jurisdiction of a business' origin is fragile and needs to be well arranged. Penetration of a new market requires adequate planning so as to develop appropriate strategies for successful entry and growth. The scenario gets more complicated when the target market is in a different geographical location which has well established competitors both local and international. Therefore, proper planning to come up with appropriate entry strategies is necessary for successful entry and growth. O'Donnel (2010) argued that expanding operations into foreign countries requires adequate research to ensure that they are diversified and responsive to the diversified needs of the local market.

This study will be anchored on two theories: Internationalization and the Product Life-Cycle Theory all of which provide justification of firms to expand operations into international markets. Classical theory of international trade argues that imports and exports in an economy is a function of its trading with its partners. As such, countries tend to specialize in producing and exporting goods and services that they possess a competitive advantage and import those that they do not have an advantage. Therefore, to optimize output, firms extend into markets where they can leverage their competitive advantage position for a profit. Product life Cycle on the other hand argues that products undergo a trade cycle where the exporter country is regarded as an innovator which is then shared with its trading partners in multinational corporation arrangements.

Many multinational Corporations have extended their operations into emerging economies specifically competing for top tier of the market which is relatively small and keeps on shrinking from time to time. However, entry of foreign supermarkets in Kenya has heightened competition, limited protection exposing intellectual property rights to copying and imitation, and limited selection of good quality product offering. The retail chain distribution supermarkets in Kenya have witnessed a challenging time as once giant firms close their operations for diverse reasons. In addition, international firms have entered the Kenyan retail supermarket sector where they have posted mixed fortunes. This study therefore seeks to assess the effects of foreign market entry strategies on performance of international supermarkets in Kenya.

1.1.1 Foreign Market entry strategies

A strategy is a game plan developed by an organization to direct its day-to-day operations towards achievement of a desired future position or goal. It demonstrated the level of commitment by management team to pursue a specified set of actions in growing the business to an espoused future position (Thompson, 2007). This is aimed at ensuring that the business attracts and retains customers for a competitive better performance. A strategy communicated action plans developed by management teams to run business operations for the attainment of an espoused future position.

The decision to enter a foreign market is a strategic one that needs thorough thought and planning to ensure that everything goes well. In addition, the entry mode selected upon has a major impact on the level of control the Multinational enterprise has over the venture. This is because this decision carried with it big risks that if not well thought out could restrict strategic alternatives in future for the firm. Through entry strategies developed by an organization, a firm can survive and emerge victorious. Through the selected entry strategies, Multinational Corporations are able to come up with marketing plan, implement it and coordinate their activities for successful entry. This is achieved through thorough evaluation of internal and external factors. Different entry strategies have been adopted by firms depending on their objectives and goals, policies, level of control desired in the foreign market, resources at the disposal of the organization to implement entry strategies, flexibility, knowledge available in relation to the foreign market and overall organizational strategies. This is important in ensuring that any barriers to entry in the foreign markets are overcome for successful entry.

Different strategies have been adopted by firms in entering new marketing including Wholly owned foreign subsidiary, indirect exporting, direct exporting, Greenfield investment, mergers and acquisitions, Consolidation, joint ventures, partnerships and licensing agreements. Green field investment is an investment in a manufacturing, office, or other physical company-related structure or group of structures in an area where no previous facilities exist. Others adopt brownfield investment which involves venturing into a new market using an already existing business.

1.1.2 Firm Performance

`Firm performance has been defined differently by different scholars. However, the common thing about all these definitions is that they always have a desired results level and the actual. It is concerned with the preciseness with which management makes use of the resources at their disposal to generate value for stakeholders. Firms normally develop performance targets which are specific, and time bound. Successful organizations are those that attain their goals by utilization of resources at its disposal to the benefit of all stakeholders. Firm performance is a function of many other variables including management and expansion strategies among others. It is measured by checking the extent to which an organization has achieved its goals which could be targeted profits, market share, customer satisfaction, and survival among other parameters (Koontz and Donnell, 2003).

Through performance measurement, a firm is able to assess how well it is progressing towards present objectives or goals (Rowley, 2011). This is further performed through determination of firm strengths and weaknesses together with prevailing opportunities and threats that need to be overcome to realize present targets. Kaplan and Norton (1992) identified the Balanced Score Card measure of performance which identified four distinct ways: Financial, internal processes, learning and growth and customer / stakeholders' satisfaction. It has been argued that firms need to improve their capacity internally which then leads to better internal processes for better customer experience and satisfaction. All these then sum up to improved financial performance outcomes recorded by a firm.

1.1.3 International Supermarkets in Kenya

Supermarkets as a sector play an important role in economic development of Kenya. The number of supermarkets operating in Kenya has declined slightly following a high rate of close down of both local and international supermarkets. For instance, those that have closed their operations in the past five years include: Nakumatt, Tuskys, Uchumi, and Ukwala in the local class while international supermarkets that have stopped operations in the country include: Choppies and Shoprite. Notable international brands that have made entry in Kenya include: the South Africa`s 'The Game' and French giant 'Carrefour' which aimed at revolutionizing the supermarket business in the Country. However, increased competitions as each supermarket strives to create a memorable shopping experience for their customers to win customer loyalty and ensure consistent shopping visits, operation costs have increased against declining profit margins. This explains the reasons advanced by some of the international brands that have exited the market.

Currently, only two international Supermarkets are present in the Country: the Game and Carrefour. Since the Game is set to exit the market in December 2021, this leaves Carrefour are the only international Supermarket in the country which shall form the case study. This study will target eleven senior and middle level managers because of theur key involvement in decision making processes.

1.2 Research Problem

Setting up operations in a foreign market involves huge amounts of funds hence the need to select appropriate entry strategies to ensure successful business ventures across borders. This is because the strategy chosen influences future decisions and overall performance outcomes and sustainability of that market (Gathirua, 2013). The chosen strategies need to provide opportunities that will enable firms tap in a sustainable manner. Internal strengths, opportunities and threats need to be assessed to ensure that the timing of entry and the resources used in entry are not wasted. Zekiri and Angelova (2011) noted that a firm's foreign market entry strategy is directly related to its performance outcomes.

The retail chain distribution chain in Kenya has faced numerous challenges which have seen a number close down their operations. For instance, local brands like Nakumatt Holdings, Uchumi, Tuskys and Mulleys have faced turbulent times which forced them to close part of whole of their branch networks in the Country. Other international brands like Choppies and Shoprite also ceased operations in the country. Game which has operated in the upmarket area is also scheduled to close its operations in the Country by December 2021. The closure of all these businesses have negatively affected economic growth of the country as many people have lost employment. This study will therefore seek to evaluate the effects of foreign market entry strategies on performance of international supermarkets in Kenya.

Several studies have been undertaken on foreign market entry strategies and firm performance with varying findings. Mungai, Kinoti and Kibera (2020) examined the impact that market entry strategies have on performance outcomes among multinational corporations in Kenya. The findings indicated that market entry strategies accounted for 43.1% variance in performance outcomes posted by firms. The strategies evaluated three modes: export entry mode, contracting, and investment which are limiting as opposed to the current study those extents to partnerships and joint ventures. In another study, Smith, Ogutu, Munjuri, and Kagwe (2021) studied the effects that foreign market entry strategies have on performance outcomes recorded by firms listed in Kenya where it was ascertained that MNCs operating through franchises and as wholly owned subsidiaries together with acquisitions posted lower performance compared to those operating as export companies. The study concentrated on a comparative analysis of those operating wholly owned franchises and owned subsidiaries to those involved in export businesses. The current study examined international supermarkets which are not listed in Kenya.

From the above empirical, contextual, conceptual, and methodological gaps, this study will seek to fill the gaps in research by answering one research question: How do foreign market entry strategies on performance of international supermarkets in Kenya.

1.3 Research Objectives

i. To establish the foreign market entry strategies adopted by international supermarkets to enter in Kenya.
ii. To establish the effect of foreign market entry strategies on performance of international supermarkets in Kenya.

1.4 Value of the Study

This study will benefit several stakeholders including the policy markets in Government, future scholars and management teams in international supermarkets and multinational corporations as a whole. For the policy makers in Government, the findings of this study will inform their formulation, implementation and enforcement of government rules and regulation related to licensing and overall supervision of international retail chain distributors so as to promote their competitiveness.

The study will also contribute to better understanding of foreign market entry strategies among managers in local and MNCs in Kenya. Through this study, they will gain insight into ways of planning and executing successful and sustainable foreign market operations.

The findings of this study will also contribute to the growth of literature in the area of do foreign market entry strategies on performance of firms. It will extend the application of different schools of thought on international trade besides suggesting areas for further research.

CHAPTER TWO

LITERATURE REVIEW

2.1 Introduction

This chapter reviews studies and theories carried out by other scholars that help inform the direction that this study will take. It identifies the schools of thought adopted and how it informs the current study. It also identifies the works done by other scholars and how their findings interlink with the current study. This is mainly done to identify the gaps that this study would like to fill besides providing direction in approaching the current research objective.

2.2 Theoretical Review

This study is anchored on two theories: Internationalization Theory and the Product Life-Cycle Theory. These theories are discussed in detail below:

2.2.1 Internationalization Theory

This theory is an extension of the Classic internalisation theory (Coase, 1937) which was based on existence of conducive conditions and local factors that allow benefits accruing from internationalization to exceed costs. It was conceptualized by Buckley and Casson (1976) around a firm's knowledge-based assets that can help it gain competitive edge across national boundaries. It is argued that firms will only seek to expand their operations outside their home countries when the net benefit of the expansion is positive. This line of thinking helps in understanding the behaviour of international businesses around the world (Casson, 2014). It also argues that multinational prefer to do businesses globally to gain international exposure, knowledge, understand market trends and experience on international market operations (Buckley and Casson, 2013). To attain this status, multinationals produce superior goods and services the effectively meet and exceed international customers' needs (Buckley and Lessard, 2005). This is done through guaranteed quality, tax benefits and value addition.

This theory holds that through research and innovations, firms are able to come up with new product and service offerings that meet and exceed the expectations of their customers across the world (Buckley and Lessard, 2005). This has mainly been achieved through outsourcing of ideas and concepts so as to boost its chances of being competitive both in the local and international markets. This theory has been successfully applied in studying entry modes into foreign markets by Nyakiore (2019) in the context of manufacturing firms in Kenya. Long (2017) also applied it in studying application of social media in market entry strategies in China. This theory helps explain how firms expand their operations outside the country of formation. It identifies the motives which are increased market share, sales and profits.

2.2.2 New Trade Theory

Founded by Paul Krugman (1991), this theory is built on the tenets of instituting bases that explain how economics spur to new localities and the motives. Through application of spatial equilibrium models explaining how goods are distributed at a profit over the international market. It is founded on imperfections in the market present in the global market and the desire to increase returns of an organization (Krugman, 2008). This theory helps overcome the disadvantages encountered in the comparative based theories by arguing that most international trade is among countries bearing similar factor endowment, levels of production which explain the existence of large amounts of production from multinationals. It is well suited in offering explanations for the growing trends of trade volumes among trading partner countries (Davis, Desai and Francis, 2013).

New Trade Theory brings about new elements that root for differentiation, existence of imperfect markets and the desire to increase return to scale on investments. It is argued that because of globalization, manufacturers can now distribute their products in countries far away from areas of their operations (Ekeledo & Sivakumar, 2013). As firms seek to expand their markets into new territories, they experience reductions in transformation costs. This therefore provides a valid justification on firms engaging in international businesses through the attained competitive advantage (Kärkkäinen, 2011). This theory argues that expansion into new territories allows firms in consolidating resources necessary to build a competitive advantage position for better financial performance. This theory therefore helps explain the decision made by firms to expand into foreign markets in search for improved returns on investments.

2.3 Foreign Market entry Strategies adopted by Multinationals

Different multinationals apply different new market entry strategies in their quest to expand operations into new territories. The strategies adopted vary because of differences present in host countries in terms of legal provisions, economic status, and social standings. Commonly applied entry strategies in foreign markets include exporting directly franchising, joint ventures, licensing, partnerships and acquisitions.

In Kenya, Smith, Ogutu, Munjuri and Kagwe (2021) established that firms that adopted exporting strategy posted higher chances of better financial performance compared to firms that penetrated the market using a Wholly Owned Subsidiaries, Franchise or Acquisitions. It was noted that firms adopting exporting strategy were keen on exploring host markets to gain a better understanding on how to gain competitive edge over their competitors. This method has also been termed as appropriate in cases where competition in the home country if too stiff. However, in order to reap optimal returns from exporting strategy, a firm needs to build a strong partnership with the government of the host nation, customers in that country, importing organization, and have in place well organized transportation means to ensure consistent and timely supply.

Smith et al. (2021) noted that firms that adopt a wholly owned subsidiary as a mode of entry are motivated by the desire to have control of the foreign markets. This strategy normally comes with higher investments of time together with financial and other resources to set up functional operations, marketing function and building a working distribution network. This strategy is appropriate for multinational that wish to retain full control of operations in the foreign country. Such firms are also in a position to control the quality of products and services offered to the market. It also help in controlling the image of the organization and their brand prepositions. The downside of this strategy is high costs associated with the entry process.

Hennet and Slangen (2015) examined various foreign market entry strategies adopted my multinationals across the world. One of the strategies evaluated included the franchising. It was noted that this is a cost-effective strategy. It allows an organization to control business operations from a centralized place for all operations in foreign firms. The amount of capital invested in such a strategy is also less considered to the amounts spent in wholly owned subsidiary. This arrangement allows the franchisor to control the profits made by the franchisee, strategies adopted in advertising the brand and surviving in the foreign market. Franchise strategy is normally appropriate for firms that are risk verse and less willing to utilize more of their resources in bringing an entity in the foreign market. It also presents the advantage of being able to set up new foreign markets as quickly and at an affordable cost as possible. It helps the firm in maximization of global profits at minimal entry costs.

Munyiri (2014) explored the market entry strategies adopted by multinational organizations in Kenya. Through descriptive design, it was concluded that commonly applied entry strategies included: acquisitions, joint ventures, franchising and licensing. For instance, Ecobank Kenya used a direct investment strategy to enter the Kenyan Market. In another study, Nduku (2016) noted that manufacturing multinationals in Kenya used various international market strategies to venture into Kenyan market. These strategies included: licensing, whole owned subsidiaries, joint venture, exporting, direct investment and strategic alliances. The firms adopted more than one market entry strategy to ensure successful entry and a competitive edge. However, licensing and direct investment strategies were used to a a large extent.

In Australia, Martín, Chetty and Bai examined how the knowledge possessed on foreign market entry affected international performance through the mediating role of international market selection and networking capabilities. The study sampled 140 Small medium enterprises in Australia. It was noted that previous knowledge on foreign market entry strategies and experiences is a good guide in choosing appropriate entry strategies for optimal networking. This knowledge will guide managers on the entry mode to select for their entry and how to expand the business successfully. The findings indicate that the modes of entry varied from licensing, joint ventures and exporting.

Katharina (2015) examined how the choices made by small and medium enterprises to enter foreign markets affected performance outcomes. They study examined the influence that demographics of the person entrusted with management of operations in the foreign country together with their experience in the way these markets respond to different stimuli. The study analysed how demographics of the chief executive officer together exposed operations of the firms. It was established that the political climate of the host country too played a significant role in performance outcomes. The study analysed unique features available both in home and host markets which could differentiate the performance of the firm in each of the markets. It was noted that expansion in foreign markets is motivated by the desire to capture perceived opportunities contingent on home country environment. The findings indicated that firms had diverse choices on modes of foreign market entry. These included: exporting, joint venturing, contractual agreements like licensing, acquiring an existing company, or setting up a wholly owned Greenfield investment. Through the chosen mode of entry, a firm could establish with certainty the number of resources to commit to ensure successful entry. The study noted that each of these modes of entry presented several advantages and disadvantages. For instance, licensing has the potential of limiting the number of resources that can be committed by a firm especially in relation to keeping watch of personnel in their new work environment. Wholly owned Greenfield investment strategy on the other hand calls for a high level of resource commitment. Moderate resource commitment will be witnessed in cases where joint ventures are established.

2.4 Empirical Literature Review and Knowledge Gaps

Several scholars have paid keen attention about foreign market entry strategy and firm performance. For instance, Arasa and Nduku (2015) studied the influence that entry strategy mode choice had on performance outcomes using international manufacturing firms set up in Kenya. Through analysis of primary data collected using a questionnaire, the findings indicated that international manufacturing firms in Kenya considered various factors including resources within their control, competencies in the firm, general level of competition present in the market, market size in the host nation, existence of firms that are willing to enter into partnership arrangement in the host nation, legal provisions of the host nation and general development levels of infrastructure in the host nation. It was established that international manufacturing firms were at liberty to apply more than one entry strategy because all the strategies reviewed contributed positively to firm performance. This study presents a contextual gap as the focus was on manufacturing firms and not supermarket retail chains. Manufacturing firms face different challenges from those experienced by supermarkets hence limiting the application of this study's findings.

In another study, Ndwiga (2012) studied foreign market entry strategies using the case of British multinational corporations in Kenya. Through a descriptive design, The study considered that factors evaluated by firms in pre-entry stages including: market size and growth levels, general changes in prices of goods and services, political and legal environment and competition. Findings indicated that attention was given to technical innovation strategies as a pre-market entry strategy. To ensure subsidiary success, the firms carried out extensive research and testing for easy adaptability of products and services offered. Majority of British Multinational firms in Kenya were wholly owned subsidiary. However, a few other firms adopted strategic alliances and joint ventures. Very few adopted indirect exporting strategy. This study presents a knowledge gap in that its sample was limited to British registered corporations and not those applied by other multination from other countries. For instance, supermarket industry has firms from South Africa (Game stores) and France (Carrefour). Different countries tend to promote different entry strategies because of differentiated philosophies. It therefore limits the application of these study findings.

Smith et al. (2021) studied foreign market entry strategies effects in financial performance of multinational firms trading at the Nairobi Securities Exchange, Kenya. Through the guidance of Internationalization theory and a cross-sectional descriptive design, it was ascertained that MNCs that operated through franchises and wholly owned subsidiaries recorded lower results compared to their peers operating as export companies. It was more of a comparative study as opposed to establishing the performance of all. The mode of entry chosen by a firm was found to bear significant effect on performance outcomes.

Paolo A., Annelore H., and Giulia B. (2021) studied the effect of first impressions created by entry strategies and why multinational firms needed to critically think this out especially in an era characterised by digitization. The study was driven by the desire to ascertain the opportunities together with implications of new digital entrants facilitated by increased globalization and advancements in information communication and technology. It is argued that increased globalization and digitization of the economy has affected the way businesses are now done. The study pursued two icons of the 'sharing economy', Uber and BlaBlaCar, pursued two distinct categorization strategies which were incumbent-focused and economic versus emergent-focused and non-economic. This study was more focused on technology application firms which only needed to develop an application to be used to export their business model to other countries. This presents a different contextual and conceptual configuration from the current study.

Al-Maery (2018) examined the influence that market entry strategies had on foreign market entry strategies with particular focus on exporting, licensing, joint venture and foreign direct investment strategies on performance of foreign retail chain supermarkets in Kenya. The study focused on four supermarkets three of which have closed down their operations in the Country. The findings indicated that different entry strategies affected performance outcomes differently. This study was done when foreign supermarkets in the Country were many and now only one is remaining. It would be interesting to understand how the remaining supermarket has capitalized on entry strategies for sustained better performance.

CHAPTER THREE

RESEARCH METHODOLOGY

3.1 Introduction

Research methodology highlights the methods that will be adopted in order to ensure exhaustive response to research objectives. It identifies the design that is best suited for the study by providing a justification for its choice, the population of interest to the researcher, data collection together with the instruments to be used. It also highlights the methods to be adopted in analysing data to make sense in line with objectives.

3.2 Research Design

This study will adopt a case study design because the unit of analysis is one organization: Carrefour as other foreign supermarkets have either closed Kenyan operations or are in the final stages of exiting the Kenyan market. A case study is normally appropriate for collection of more detailed information about the subject as it allows the respondents to provide more insight. This type of design was successfully applied by Njiru (2015) who noted that case study provides a systematic way of analyzing events for detailed report writing.

3.3 Population of the Study

Population has been defined as comprising a group of things or elements bearing common observable characteristics to allow generalization of responses (Ngechu, 2004). This could be made up of things, individuals, family units among other provided they have a common characteristic. The population of the study shall comprise of all 11 senior employees at Carrefour retail chain. Senior management have been selected upon because of the key role they perform in decision making in the organization in relation to new market entry strategies and expansion. This will help provide detailed information about market entry strategies and firm performance.

3.4 Data Collection

This study shall use primary and secondary data which will be collected through an interview guide because the unit of analysis is one organization. Interview guide have the advantage of allowing a scholar collect in-depth data that would otherwise be difficult to collect through other means. This will be adopted to promote better understanding and a more insightful interpretation of the results to be obtained.

Secondary data will be collected from existing publications and Carrefour website to complement primary data collected. The study will interview senior and middle level managers at the supermarket because of their involvement in key decision making. The supermarket has a total of eleven senior and middle level managers. All these managers will be included in the study for collection of all-inclusive information.

3.5 Data Analysis

Utilization of an interview guide will provide qualitative data which shall be analysed through content analysis. This will be done by interpreting the responses collected in the context of the retail chain industry and international business models to provide exhaustive responses to study objectives. Analysed data shall be organized into distinct thematic areas so as to provide answers to the main research question. Interpreted data shall be presented in prose form in line with different thematic areas.

CHAPTER FOUR

DATA ANALYSIS, FINDINGS AND DISCUSSIONS

4.1 Introduction

This chapter presents analysis and interpretation of data as collected from the field to help provide answers to the research questions. The study set to find out how foreign market entry strategies influenced performance of international supermarkets in Kenya. To help in accomplishment of this objective, the study collected primary data using an interview guide which was administered to senior managers in the identified international supermarket outlets. This involved 11 senior employees at Carrefour retail chain. Of the targeted 11 senior managers, eight of them accepted to take part in the study by providing responses to the questions asked which shall help respond to research objectives. The remaining three managers were either too busy or were totally not available to take part in the study. Collected analysed in line with objectives of the study and the findings are as presented as per the different classes below.

4.2 Demographic Information

To help understand the relevance and appropriateness of the data collected. The study collected some information related to the demographic background of the persons who responded in the study. This involved information on their gender, highest level of education and the period (in years) they had worked in retail chain. Findings are highlighted below:

4.2.1 Gender Distribution of the Respondents

Information on the gender of the respondents was collected through observation or through the titles indicated on their emails for those who responded through emails.

From the findings, six were male while 2 were female. This means that 75% of the respondents were male while female comprised 25%. This information is presented in the figure 4.1 below:

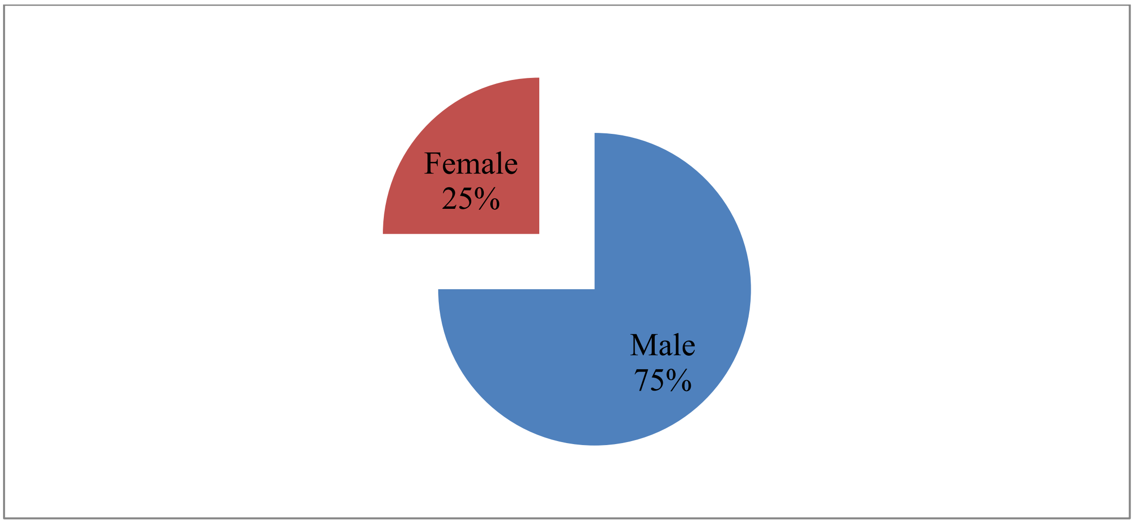

Figure 4.1: Gender Distribution

4.2.2 Highest level of Education Attained

Data collected on the respondents' highest level of education was as shown in the figure 4.2.

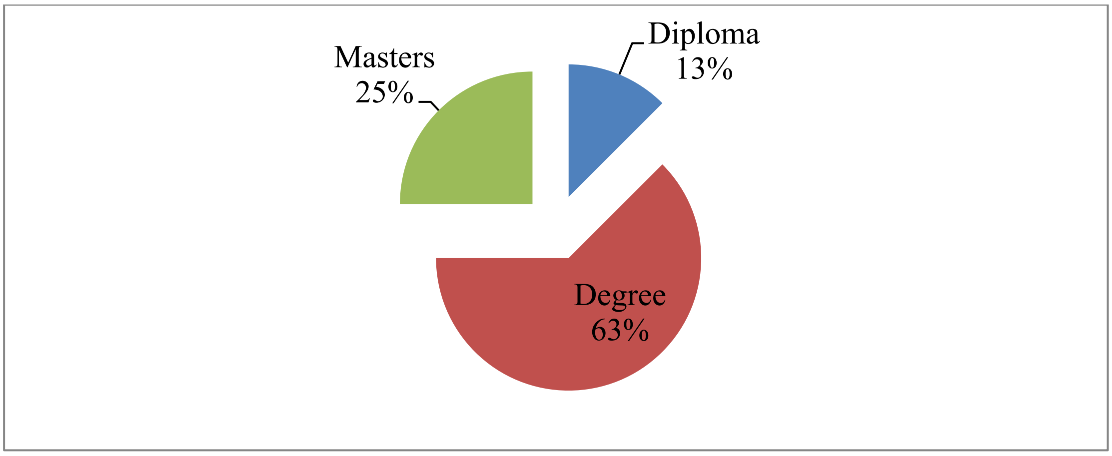

Figure 4.2: Highest Level of Education

From the findings, majority of the respondents held a degree at 63% followed by masters at 25% while the least had a diploma at 12% as their highest level of education. These findings show that the persons who took part in this study were learned and hence could understand the questions asked to provide valid responses.

4.2.3 Period worked within the Retail Industry

Data on the period that the respondents had worked in the retail industry in Kenya was collected as shown in the table below

From the responses, the interviewees indicated that they had worked in the industry for varying periods. Four of the interviewees had worked in the industry for more than ten years followed by two had worked in the industry for between five and ten years. The remaining two had worked in the industry for a period of less than five years. These findings indicated that the respondents had worked in the industry long enough to understand industry dynamics. They indicated that prior to joining Carrefour, they had worked in different supermarkets both local and international. This therefore had presented them with adequate experience on the industry hence were well informed on the information sought in this study. It therefore means that the data provided was accurate and reliable.

The interviewees noted that they had all served the Supermarket since its entry in the Country in the year 2016. They were employed earlier even before the first branch was opened hence had good understanding of the market entry strategies and how they affected performance outcomes.

4.2.4 Period the Supermarket has operated in Kenya

Data collected on the period that the Supermarket had operated in the Kenyan market indicated that the Carrefour had operated in the Kenyan market for the past seven years since its entry in the year 2016. These findings indicated that the Supermarket had operated in Kenya long enough to understand how different market entry strategies affected performance outcomes. After starting with one outlet branch, the Supermarket has experienced phenomenal growth to reach sixteen branches by the end of the year 2021. The number of employees has also grown to over three thousand six hundred.

4.3 Foreign Market Entry Strategies Applied for the Kenyan Market

The study sought more information on foreign market entry strategies adopted by the Supermarket. From the responses, one of the interviewees noted that their firm adopted exporting strategy where it leveraged on linkages created on the global market where the Supermarket was operating to have similar goods delivered to its Kenyan market. With wide experience in logistics and procurement, exporting strategy was easy as it helped the Supermarket keep its operational costs down and improve on its profit margins. The interviewees noted that the Supermarket was sourcing experiences for their stores overseas. Instead of engaging new suppliers, they leveraged on existing international suppliers who then exported some of their stock into their outlets. This ensured that landed costs were maintained below other retailers hence higher margins. This concurs with the findings of Smith et al. (2021) who argued that in order to reap optimal returns from exporting strategy, a firm needs to build a strong partnership with the government of the host nation, customers in that country, importing organization, and have in place well organized transportation means to ensure consistent and timely supply.

As the retail chain managed to keep their landed costs of some of the brands low, they were able to price some of their stocks below market prices which attracted more customers for increased turnover and sales margin. These findings are in line with those established by Smith et al., (2021) that firms adopting exporting strategy were keen on exploring host markets to gain a better understanding on how to gain competitive edge over their competitors.

The interviewees also noted that their retail chain adopted joint ventures to some extent. They noted that their retail chain entered into agreement with other parties that enabled them to pursue similar objectives of getting goods and services to the customer in their designated outlets while remaining independent. To win the trust of local suppliers, the firm went into joint ventures where local produce could be supplier to its outlet stores by independent firms. This ensured that the retail chain had adequate stock for customers of quality local products hence promote the acceptability and ownership of the brand among local customers. This helped in enhancing the competitiveness of the Carrefour brand in the local market for higher profitability. The interviewees noted that through joint ventures, the retail chain was able to realize economies of scale which improved their pricing strategy. This strategy also helped the retail chain consolidate control of the industry especially among more affluent shoppers. These findings are in line with the recommendations of Munyiri (2014) that Joint ventures bring more benefits as different firms forming the alliance bring with them different sets of synergies and opportunities that complement each other. These opportunities when tapped can result in successful operations.

On evaluation of licensing strategy, the interviewees noted that licensing strategy monopoly position on aspects to do with patents and trademarks or copyrights. This strategy applied only on retail chain Logo and corporate colours to protect their reputation internationally. This mainly applied to the parent firm as they sought to expand their operations outside the country of domicile. This was mainly executed in the form of management contracts, franchising, and contract manufacturing especially for international brands which they had a working relationship.

On strategic alliances, the interviewees noted that the retail chain entered into several strategic alliances with international suppliers where they collaborated on how to avail quality global brands of commodities especially technology advanced stocks to the local market. This ensured that the retail chain was able to supply the local market with high quality commodities at affordable and competitive prices. As a mode of entry, this strategy worked well in helping the retail chain win the trust of customers. This played a key role in ensuring availability of variety from which customers could choose from.

On wholly owned subsidiary strategy, the interviewees noted that the Kenyan business was established with the help of local investors who hold some stake in the business. However, the interviewees were reluctant to provide more information on the structure or proportion of shared allocated to local investors. Indirect exporting was not applied to a large extent in the retail chain.

4.4 Ways in which Entry Strategies affected Performance

The interviewees were asked to identify ways in which entry strategies had affected performance of the Retail Chain. From the responses, the interviewees noted that exporting strategy had enabled the Firm leverage on its existing capacities in home country for the new created market in Kenya. Additionally, the existing linkages in home country enabled the retail chain access high quality merchandise at affordable prices which meant that the Retail chain could enter the market with higher quality products which are fairly prices. This strategy helped increase sales turnover besides attracting more customers to the store. The level of customer satisfaction was found to be high.

Another interviewee noted that the retail chain adopted joint venture strategy where they entered into some form of agreement with other business establishments to pursue a common goal while each did what they were established to do. This strategy helped the Retail chain avail high quality product offerings and in quantities that were adequate to customer demands. This ensured that there were no incidences when stocks ran out or the quality fell below recommended levels. This played a key role in building customer loyalty, hence promoting repeat business. Through joint ventures, economies of scale were achieved hence minimized operational costs for higher operating margins. Additionally, through joint ventures, the retail chain was able to realize economies of scale which improved their pricing strategy. This strategy also helped the retail chain consolidate control of the industry especially among more affluent shoppers.

The interviewee also noted that licensing strategy on utilization of corporate colours and logo of the retail chain helped confirm to the targeted customers of the quality being delivered by the Firm. This was mainly executed in the form of management contracts, franchising and contract manufacturing especially for international brands which they had a working relationship.

The interviewees also noted that strategic alliances enabled the retail chain access diverse high quality international brands at affordable rates which were then passed to customers in the form of lower prices. This attracted more and more customers to the firm hence higher sales and profit margins. This in turn resulted in higher customer satisfaction and loyalty.

4.5 Discussion of Findings

From the findings, it was established that the firms adopted exporting strategy where they leveraged on linkages created on the global market especially in cases where the Supermarket was operating. This enabled the global retail outlet to stock similar goods in its Kenyan market as those found on the global markets at similar costs as the suppliers transported them on their costs. These retail chain leveraged on its economies of scale in logistics and procurement to export and still maintain the cost of products and services affordable.

Additionally, the study established that retail chain supermarkets leveraged on existing international suppliers who then exported some of their stock into their outlets at no additional costs. This ensured that landed costs were maintained below other retailers hence higher margins. These findings are in line with those established by Smith et al, (2021) where they established that firms adopted exporting strategy to increase their chances of better financial performance.

Compared to setting up wholly owned subsidiaries, exporting strategy keeps operating costs low such that optimising turnover results in higher profits. Smith et al. (2021) argued that exporting strategy is important to firms facing stiff competition in their home countries. The study noted that the retail chains built strong working relationship and partnerships with the host nation together with government regulations to minimize conflicts. Unlike product-based industry, retail chain are normally a service industry where they sale space for vendors to air their products for customers to choose from.

International retain chain supermarkets also adopted joint venture strategy where they entered into agreement with other parties that enabled them to pursue similar objectives of getting goods and services to the consumer in their designated outlets while remaining independent. This included partnerships with suppliers from both local and international markets to ensure stable supply of goods and services. Through joint ventures, the retail chain was able to realize economies of scale which improved their pricing strategy. This strategy also helped in consolidating control of the industry especially among more affluent shoppers. This is line with Munyiri (2014) who argued that Joint ventures bring more benefits as different firms forming the alliance bring with them different sets of synergies, strengths and opportunities that complement each other for competitive advantage. It can be noted that these synergies played a key role in enhancing competitiveness of international retail chains on the Kenyan market.

The study noted that international retail chain supermarkets adopted licensing strategy especially in products where patents, trademark and copyrights were involved. This strategy applied only on retail chain Logo and corporate colours to protect their reputation internationally. This was mainly executed in the form of management contracts, franchising and contract manufacturing especially for international brands which they had a working relationship.

The study established that the retail chain entered into several strategic alliances with international suppliers where they collaborated on how to avail quality global brands of commodities especially technology advanced stocks to the local market. This strategy worked well in helping the retail chain win the trust of customers besides ensuring availability of variety from which customers could choose from. Findings further indicate that the Kenyan business was established with the help of local investors who hold some stake in the business.

On the effect of entry strategies on performance, the study established that exporting strategy had enabled international retail chain outlet to leverage on its existing capacities in home country for the new created market in Kenya. Additionally, the existing linkages in home country enabled the retail chain access high quality merchandise at affordable prices which meant that the Retail chain could enter the market with higher quality products which are fairly prices. Further, joint venture strategy helped the Retail chain avail high quality product offerings and in quantities that were adequate to customer demands. This ensured that there were no incidences when stocks ran out or the quality fell below recommended levels.

The licensing strategy was applied by international retain chain in communicating their brand and brand offerings to the customers. By adopting the same colours and logo used internationally, the firm was communicating its intention to offer standardized service as that offered on the international scene. This included management structure and positions. Through strategic alliances, the international retail supermarket chain was able to offer diverse high quality international brands at affordable rates which helped win customer loyalty. All these strategies played a key role in improving performance of the retail chain in terms of sales turnover and profitability.

CHAPTER FIVE

SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

5.1 Introduction

This chapter provides a summary of findings as established in chapter four. It also highlights conclusions and recommendations. It also identifies limitations faced and the way the researcher dealt with them to ensure that it does not negatively affect the quality of data collected.

5.2 Summary

The study set out to assess how foreign market entry strategies affect performance of international supermarkets in Kenya. The objectives included: establish the foreign market entry strategies adopted and establishing the effect of foreign market entry strategies on performance of international supermarkets in Kenya. The study adopted a case study design because the number of international supermarkets in the country has reduced to one. The study adopted content analysis following the collection of qualitative data through interview guides.

On the foreign market entry strategies, the study established that the supermarket had adopted various strategies including exporting strategy, joint ventures, licensing strategy, and strategic alliance strategy. It was noted that the Supermarket leveraged on existing international suppliers who then exported some of their stock into their outlets. This ensured that landed costs were maintained below other retailers hence higher margins.

In joint ventures, it was established that the retail chain entered into agreement with other parties that enabled them to pursue similar objectives of getting goods and services to the customer in their designated outlets while remaining independent. To win the trust of local suppliers, the firm went into joint ventures where local produce could be supplier to its outlet stores by independent firms. This helped in enhancing the competitiveness of the Carrefour brand in the local market for higher profitability. It also helped the retail chain consolidate control of the industry especially among more affluent shoppers.

The retail chain also adopted licensing strategy in relation to corporate logo, patents and copyrights. Through this strategy, the retail chain was able to convince the market that their services were up to international standards observed in other international markets. Additionally, the retail chain also adopted strategic alliance strategy where it entered into several strategic alliances with international suppliers on how to avail quality global brands to the local market.

On the second objective of ways in which entry strategies affected performance, the study established that exporting strategy had enabled the Firm leverage on its existing capacities in home country for the new created market in Kenya. The chain was able to leverage on the strengths in their home country and other markets to ensure that their entry in the Kenyan market was successful.

On joint venture strategy, the study established that it helped in availing high quality product offerings and in quantities that were adequate to customer demands. This strategy ensured that there were no incidences when stocks ran out or the quality fell below recommended levels. This strategy championed exploitation of economies of scale for improved profitability margins.

The study also established that the retail chain adopted strategic alliance strategy which enabled accessibility to diverse high quality international brands at affordable rates which were then passed to customers in the form of lower prices. This attracted more and more customers to the firm hence higher sales and profit margins. This in turn resulted in higher customer satisfaction and loyalty

5.3 Conclusions

From the summary above, this study concludes that the Retail chain adopted several strategies in its entry into the Kenyan market. These strategies included exporting strategy, joint ventures, licensing strategy, and strategic alliance strategy. Through export strategy, the Supermarket was able to leverage on existing international suppliers who then exported some of their stock into their outlets. The rich global network made it easy for the firm to export its service offering to the local market. The study further concluded that the retail chain entered joint ventures to boost its performance. This was mainly applied in management of supplier relationship to ensure stable supplies. Licensing strategy applied mainly to corporate logo, patents and copyrights which helped the chain convince the market that their services were up to international standards observed in other international markets.

The study concludes that entry strategies adopted positively influenced performance. Exporting strategy had enabled the Firm leverage on its existing capacities in home country for the new created market in Kenya. Joint venture strategy helped in availing high quality product offerings and in quantities that were adequate to customer demands. This strategy ensured that there were no incidences when stocks ran out or the quality fell below recommended levels. Strategic alliance strategy enabled accessibility to diverse high quality international brands at affordable rates which were then passed to customers in the form of lower prices.

5.4 Recommendations

Based on findings in chapter four, summary in chapter five and conclusion above, this study draws the following recommendations:

For policy, this study recommends that the Government of Kenya re-evaluates the rules and regulations governing foreign businesses in the country especially those in the retail sector as the rate of exit has been high. The government needs to draft business friendly policies and regulations to encourage them venture into retail chain business in the country.

The study also recommends that the Government allows multinational companies (MNCs) wanting to venture into the retail chain distribution sector through incentives so that it attracts most of the international brands for vibrancy of the sector.

The government also needs to find appropriate incentives for the retail chain sector to encourage the few remaining international supermarkets continue serving the Kenyan market.

The study recommends that managers in other MNCs planning to enter the Kenyan market reviews the success of entry strategies adopted and how they influenced performance of the supermarket so as to plan their entry accordingly.

The study also recommends that managers in local businesses wanting to expand their businesses outside Kenya to review the success of the strategies adopted by this firm to inform their entry strategies in their targeted markets. Thorough review of the strategies would promote performance and survival of those companies to a competitive position.

5.5 Limitations of the Study

Limitations included any prevailing conditions that would have affected the outcome of the study in one way or another if not checked. A major limitation was the number of international retail chains closing their Kenyan operations in the last five years. Many international supermarkets have stopped their operations in Kenya leaving only one by the time the study was undertaken. This would have altered the result because of reduced sample size. However, the study complemented responses with secondary data from published materials to overcome the challenges of a small population.

Another limitation involved the outbreak of COVID-19 pandemic which resulted in limited movement and interaction of people. This limited the chances of meeting with the targeted interviewees' one on one. Instead, the researcher made arrangements for virtual meetings with the interviewees while administering the interviews. However, the interviewees were allowed adequate time as the interview were flexible in timing.

The study adopted a descriptive design where the interviewees described the scenario for the sake of building up the relationship between foreign market entry strategies and performance of international supermarkets in Kenya. The interviewees only shared what they could remember. The launch had happened long ago and some information and experiences may have faded away. The researcher included teaser questions for the respondents to try and remember what unfolded as their firm entered Kenyan market.

The results are based on one international supermarket which could vary when another retail chain from a different country enters the market. These findings may therefore be limited in application to multinational supermarkets entering the Kenyan market from different continents and countries.

5.6 Suggestions for Further Research

This study examined foreign market entry strategies and performance of international supermarkets in Kenya. The study ended up being a case study as many international supermarkets had closed their Kenyan operations. Future studies could therefore examine the factors affecting continued operation of foreign supermarkets on the Kenyan market. The rate of general supermarkets exit in Kenya has been on the increase. Nakumatt, Tuskys, Mulleys and Uchumi are among the local supermarkets have collapsed while Choppies and the Game exited the market voluntarily. Therefore, a study in these areas would help bring out the causes of international markets exit and how it can be avoided in future.

The study recommends that a similar study be conducted on other industries apart from supermarkets. This will help generalize the findings on different sectors . It is important to note that the retail chain industry is unique and different from manufacturing and banking sectors among other in the Kenyan economy that scholars could pay attention to.

REFERENCES

Akande, O. & Khadka, B. (2018). Market entry strategy: Case company-MAMTUS.

Buckley P. J., and Lessard, D. R. (2005). 'Regaining the edge for international business research', *Journal of International Business Studies, 36*, 595-599.

Buckley, P. J. and Casson M. C. (1976). The *Future of the Multinational Enterprise, London*: Macmillan [Basingstoke, Hants: Palgrave Macmillan, 25th Anniversary ed. 2001], 112pp.

Buckley, P., and Casson, M. (2013). *The Future of the Multinational Enterprise*. London: MacMillan.

Casson, M. C. (2014). Coase and international business: the origin and development of internalisation theory, *Managerial and Decision Economics, 36,* 1, pp. 55-66.

Davis, P., Desai, A. and Francis, J. (2013). Mode of International Entry: An Isomorphism Perspective. Journal of International Business Studies 31(2): pp. 239-258.

Ekeledo, G. & Sivakumar, K. (2013). Foreign Market Entry Mode Choice of Service Firms: A Contingency Perspective, *Journal of the Academy of Marketing Science*

Kaplan, R.S & Norton, D.P. (1992). The Balanced Scorecard measure that drives performance. Harvard Business Review Jan-Feb

Kärkkäinen A. (2011). Selection of International Market Entry Mode, Seminar in Business Strategy and International Business

Katharina L. (2015). *Foreign Market Entry Mode Choice of Small and Medium-Sized Enterprises,* Unpublished Doctoral Thesis, University of Düsseldorf

Martín, O. M. Chetty, S. and Bai W. (2021). Foreign market entry knowledge and international performance: The mediating role of international market selection and network capability, Journal of World Business, 1-14.

O'Donnel, S.W. (2000). Managing foreign subsidiaries: Agents of headquarters or an interdependent network? *Strategic Management Journal*, 21 (5) 525-548.

Smith, C. Ogutu, M. Munjuri, M. and Kagwe, J. (2021). The Effects of Foreign Market Entry Strategies on Financial Performance of Listed Multinational Firms in Kenya, *European Journal of Business and Management Research, 6*(3), 216-225.

Sukali, K. (2014). International Market Entry Strategies, Organizational Characteristics and the Performance of Manufacturing Firms in Kenya. *Journal of Strategic Management, 1*(2), 68-85.

Terpstra, V. & Sarathy, R. (2010), *International marketing,* 8th edn, The Dryden Press, Orlando, Florida.

Zekiri, J. & Angelova, B. (2011). Factors that influence entry mode choice in foreign markets. *European Journal of Social Sciences, 22*(4), 572-584.

APPENDIX

INTERVIEW GUIDE

Section I: General Information

1. Please tell us briefly about what you do in your organization
2. How long have you worked in this organization?
3. What is your highest level of education?
4. How long has your supermarket operated in the Country
5. How many employees has your organization employed in Kenya?
6. What is the average organizational profit for Kenyan operations (Say for the past 3 years?)
7. How many branches does your organization have in Kenya?

Section II: Foreign Market entry Strategies

8. How did your organization evaluate each of the following foreign market entry strategy?
   - i. Direct exporting Strategy
   - ii. Joint Venture
   - iii. Licensing
   - iv. Strategic alliances
   - v. Wholly owned subsidiary
   - vi. Indirect exporting
   - vii. Other
9. Which of these strategies were adopted for the Kenyan market? Why were they chosen?

10. In which ways did these entry strategies affect the performance of your organization?