

**COMPETITIVE POSITIONING STRATEGIES ADOPTED BY THE NATIONAL  
HOSPITAL INSURANCE FUND (KENYA)**

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REQUIREMENT FOR THE DEGREE OF MASTER OF BUSINESS  
ADMINISTRATION OF THE UNIVERSITY OF NAIROBI**

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## **DECLARATION**

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

Sign..... Date.....

**Mumbi Rahab Susan Waruguru**

This research project has been submitted for examination with my approval as the University of Nairobi supervisor.

Sign..... Date.....

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## **ACKNOWLEDGEMENT**

Much thanks to the Almighty God for seeing me through this entire period.

My gratitude goes to my supervisor for his advice and guidance throughout the duration of this project.

I wish to thank the entire University of Nairobi faculty for the conducive learning environment they provided and the wide scope of knowledge shared.

I also acknowledge the entire management of NHIF for their facilitation which has enabled me to undertake this course.

Special thanks to my family for their unwavering support throughout this period.

## **DEDICATION**

This research project report is dedicated to my family for their support and encouragement throughout my Masters Degree Programme.

## **ABSTRACT**

This study was aimed at determining competitive positioning strategies adopted by the National Hospital Insurance Fund. The study targeted management staff at NHIF since they are conversant with the information sought regarding competitive positioning strategies adopted by the insurance firm. The study used a case study design to obtain relevant information on the subject where data was collected through interviews of the targeted sample. The interviews were carried out using unstructured interview questions and data analysis was done using content analysis of the data.

The study found that market monopoly enjoyed by NHIF is a result of the insurance firm being a state owned institution and is expected to provide medical cover to citizens at a cheaper cost compared to other private health insurance firms in the country. NHIF is preferred over other insurance companies due to its affordability as members can access medical cover from as low as Ksh160 contribution per month. NHIF accessible to all employed and self employed individuals likewise, NHIF contributions are mandatory for all employees most employers and employees prefer it due to the cheaper cost and wide acceptance in both private and public health facilities.

NHIF has decentralized services in order to ease access by clients countrywide which has enhanced efficiency and effectiveness of service and carved itself niche as a leading health insurance provider in the country.

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# CHAPTER ONE

## INTRODUCTION

### 1.1 Background of the Study

For companies to survive in today's highly competitive environment, they must understand their markets and develop products and services more appropriate to the demands of their customers. For a successful market penetration, the seller should begin by looking at the consumers' needs and wants (Stewart-Allen, 1999).

A firm competes for every consumer it seeks to attract. The firm competes for consumers' attention and involvement. It competes for their effort and time in the buying process. It competes for their willingness to deal with the technical complexity found in many products and the corresponding need for services, and the firm competes for the funds consumers are willing to spend in acquiring a product or service. But before any of this can happen, the firm must compete for the consumers' attention and secure a recognizable comparative position in their minds in harmony with their cultural base (Nakata and Sivakumar, 1996,).

A well-positioned business is closely aligned to the needs of its target segments, both current and emerging. Companies which anticipate and shape market trends have the best opportunity for long-term prosperity. In business, often the best way to predict the future is to create it, and companies are often able to position themselves in ways which set and exploit the basis of competition to their advantage. There are two ways in which a business can gain competitive advantage by establishing a favorable basis of competition. The first is by Influencing customers' perceptions, their expectations, and the benefits & value which they are prepared to pay for (driving customers towards preferences in which your company has a competitive advantage in delivering against). Secondly by establishing a raw competitive advantage over rivals (present and future).

The first method is about shaping the nature of market demand to generate a desired market positioning. The second method, establishing raw competitive advantage is about using the

delivery or supply side of business to establish a market positioning that is usually quite tangible. Marketing innovation can be used to drive opportunities in both types of positioning.

### **1.1.1 Positioning Strategy**

Positioning strategy is the act of placing a new market offering in the minds of prospective consumers. It is what is done in the minds of prospective consumers through the various components of the market offering. That is, a particular firm's offering is competitively positioned relative to all other market offerings in the minds of prospective consumers (Aulakh and Kotabe, 1997).

The right product at the right price will not be positioned successfully in the mind of the consumer if it is not also at the right place at the right time. Therefore, the distribution component is that combination of such elements as marketing channel outlets, storage facilities, inventory control procedures and shipping facilities put together by marketing managers to create the desired market offering competitive position in the consumers' minds. The availability of products via Internet technology and direct shipment is also having a major impact on the issue of successful marketing strategies and commensurate positioning (Alba *et al.*, 1997, pp. 41-2).

To correctly and successfully position the market offering, marketing executives must be concerned with such elements as the basic design of the marketing channel, the types of middlemen, and the extent of market coverage (Aulakh and Kotabe, 1997). To support the distribution, decisions must also be made regarding inventory storage facilities, the types and locations of these facilities, and the consumer order-handling procedures to be followed. Decisions regarding the establishment and maintenance of inventory levels, and types of transportation agencies and carriers to be used are also important.

### **1.1.2 Competitive Positioning**

Competitive positioning involves differentiating the firm's market offering from directly competing market offerings in ways that prospective consumers find meaningful and appropriate within their established "mind set" (Ries and Trout, 1986). Competitive positioning is defining how you will differentiate your offering and create value for your market. It is about carving out a spot in the competitive landscape and focusing your company to deliver on that strategy. One

of the key elements of your positioning strategy is your value proposition. There are three essential types of value: operational excellence, product leadership and customer intimacy.

The major challenge to successful competitive positioning is that the minds of consumers are limited, dislike confusion, are insecure, are hard to change, and lose focus (Trout and Rivkin, 1996).

### **1.1.3 National Hospital Insurance Fund (NHIF)**

The NHIF was established by an Act of Parliament in 1966 as a department in the Ministry of Health, which oversaw its operations, but responsible to the government Treasury for fiscal matters. The Fund was set up “to provide for a national contributory hospital insurance scheme for all residents in Kenya.” The Act establishing the NHIF provided for the enrolment in the NHIF of all Kenyans between the ages of 18 and 65 and mandates employers to deduct premium from wages and salaries. The level of contribution is graduated according to income, ranging from Ksh 30 to Ksh 320 per month (Republic of Kenya, 1999).

Contributions and membership are compulsory for all salaried employees earning a net salary of Ksh 1000/month and above. The Fund covers up to 180 inpatient hospital days per member and his/her beneficiaries per year. Besides being self-financing and self administering, the Fund monitors its own collections and distributes benefits to providers. The NHIF Act also provides for the Fund to make loans from its reserves to hospitals for service improvement. To improve on the delivery of services, the government amended the NHIF Act in 1998 to make the Fund a state corporation. The NHIF Act of 1998 transformed NHIF from a government department to an autonomous parastatal (Republic of Kenya, 1999).

All NHIF approved facilities (hospitals, maternity homes and nursing homes in the public, non-governmental organizations’) are reimbursed a flat rate per day irrespective of the type of ailment. In order to qualify to make claims from the NHIF, the Ministry of Health, acting through the agency of the Medical Practitioners and Dentists Board, must first approve inpatient facilities. Facilities are thereafter inspected by the NHIF and approved if the minimal conditions are met. The criteria used in determining the reimbursement rates for these hospitals are based on facilities available. These include X-rays, Intensive Care Unit (ICU); overall area occupied;

separate wards for children, males, females; isolation wards; number of doctors, nurses and clinical officers; supply of electricity and availability of standby generators; ambulances, pharmacies, laboratories, operating theatres, among other requisite facilities (Republic of Kenya, 1999).

## **1.2 Research Problem**

Competitive strategies adopted by a firm should result in a competitive advantage. Porter (1998) argues that there are three generic competitive strategies which firms can employ. These are cost leadership, differentiation and focus. This generalization was applied in US firms. Owiye (1999) argue that findings of studies carried out in one culture could not be assumed to apply to other cultures unless that was supported by research. The environment, i.e. cultural context, in USA is very different from that of Kenya.

Hamel and Prahalad (1989) and Dickson (1992) discussed the need for firms to learn how to create new advantages that will keep them one step ahead of competitors. Alderson was considered "ahead of his time" with respect to the suggestion that firms search for ways to differentiate themselves from competitors. Over a decade later, Hall (1980) and Henderson (1983) solidified the need for firms to possess unique advantages in relation to competitors if they are to survive. These arguments form the basis for achieving advantage over its competitors

A product position differentiates it from its competitors on attributes considered important by target customers and gives it a distinctive identity in their minds. As Wind (1990, 387) puts it, positioning "is the product's reason for being, the reason why consumers buy it." In the marketing literature it is now well accepted that a product position is an important determinant of its competitive strength and that the product physical design and marketing strategy must be consistent with its intended position (Urban and Hauser 1980, Kotler 1990 Wind (1990). Firms position their products by selecting the optimal mix of tangible and intangible product attributes as well as prices.

Ever since the publication of Hotelling's (1929) paper, competitive positioning issues have been studied by economists. The Hotelling model sought to determine the optimal location of retail firms in a linear market with uniform distribution of consumers. Hotelling argued that two sellers in this market would both cluster at the center to maximize their respective market shares. This is the principle of minimum differentiation. D'Aspremont, (1979) show that minimum differentiation is not equilibrium in the Hotelling model if one allows for the possibility that firms can undercut their competitor's price to capture the entire market. They modify Hotelling's model to ensure price equilibrium at all product positions and show that firms differentiate maximally in equilibrium. The models of Shaked and Sutton (1982), Economides (1984) and Hauser (1988), among others, too, suggest differentiation rather than clustering of products. In a competitive market, the optimal product positions are determined by the interplay of two opposing influences. The price rivalry between closely positioned products provides incentives for differentiation. Greater differentiation reduces the intensity of price rivalry and increases profits for all firms.

There is a need therefore to formulate a study at NHIF in Kenya, specifically to understand the nature of competition of competitive positioning strategies adapted by NHIF and the challenges that NHIF face in implementing its competitive positioning strategies. The study sought to answer the following questions: What competitive positioning strategies are adopted by National Hospital Insurance Fund in Kenya? What challenges does the National Hospital Insurance Fund face in initiating competitive positioning advantage and applying strategies so formulated?

### **1.3 Objective of the Study**

The study objectives were as follows:

- i. To determine the competitive positioning strategies adopted by the National Hospital Insurance Fund in Kenya.
- ii. To determine challenges faced by National Hospital Insurance Fund in initiating competitive positioning advantage and applying strategies so formulated.
- iii. To determine the impact such strategies have had on NHIF.

#### **1.4 Value of the Study**

The study provides information to potential and current scholars on competitive positioning strategic management in insurance firms in Kenya. This has the potential to expand their knowledge on competitive strategies in the insurance sector and also identify areas of further study. The study highlights other important areas that need relational studies; these may include relationship between performance and strategic positioning.

Consequently policy makers now have access to knowledge of the insurance industry dynamics and the appropriate responses that are and specific to particular the firms and therefore provide guidance based on this study in designing appropriate policies that regulate the sector.

The study acts as a guide to managers of firms in their quest to develop competitive strategies and pursuing market leadership in the industry. The study will also be a reference material to managers, clients (employers in particular), insurance firms, agencies, health care provision institutions among others with interested stakeholders.

## CHAPTER TWO

### LITERATURE REVIEW

#### 2.1 Introduction

This chapter reviews the past literature on the study. The chapter also reviews theories of competitive strategies. Challenges facing Parastatals (NHIF) are well reviewed. Empirical study and conclusion of the chapter is also presented.

#### 2.2 Theoretical Background

Strategy is an essential part of any effective business plan. By using an effective competitive strategy, a company finds its industry niche and learns about its customers (Porter, 1980). Porter (1985) asserts there are basic businesses strategies differentiation, cost leadership, and focus and a company performs best by choosing one strategy on which to concentrate. However, many researchers feel a combination of these strategies may offer a company the best chance to achieve a competitive advantage (Cross, 1999). Whatever strategy a business chooses, it must fit with the company and its goals and objectives to gain a competitive advantage (Ross, 1999).

While various types of organizational strategies have been identified over the years (Porter, 1980) Porter's generic strategies remain the most commonly supported and identified in key strategic management textbooks (David, 2000) and in the literature (Miller and Dess, 1993). Porter's (1980) generic strategies can yield competitive advantage. Porter (1980) also suggests ensuring long-term profitability, the firm must make a choice between one of the generic strategies rather than end up being “stuck in the middle”.

According to McCarthy (1960) and Perreault and McCarthy (1999), a firm develops its marketing strategies by first identifying the target market for its products or services. It then develops a marketing mix a particular combination of product, price, promotion, and place (i.e., distribution and delivery functions in the supply chain) designed to enhance sales to the target market. A unique mix of these elements in a given industry allows firms to compete more effectively, thus ensuring profitability and sustainability. For example, by coordinating various

product offerings and associated price discriminations with sales promotions and effective logistics, a firm can increase its sales and profit. Since the Internet has a significant impact on the makeup of this marketing mix, Internet companies should develop strategies that take the unique nature of online marketing into account.

Porter developed three generic strategies that, he argues, can be used singly or in combination to create a defensible position and to outperform competitors, whether they are within an industry or across nations. Porter states that the strategies are generic because they are applicable to a large variety of situations and contexts. The strategies are overall cost leadership; differentiation; and focus on a particular market niche. The generic strategies provide direction for firms in designing incentive systems, control procedures, and organizational arrangements. Following is a description of this work.

## **2.3 Innovation**

Innovation in business often results from the application of a scientific or technical idea in decreasing the gap between the needs or expectations of the clients and the performance of a company's products or services. This may be product, process or market innovation.

### **2.3.1 Product Innovation**

Product innovation provides the most obvious means for generating revenues. Process innovation, on the other hand, provides the means for safeguarding and improving quality and also for saving costs. Improved and radically changed products are regarded as particularly important for long-term business growth (Hart, 1996). The power of product innovation in helping companies retain and grow competitive position is indisputable. Products have to be updated and completely renewed for retaining strong market presence.

### **2.3.2 Process Innovation**

Process innovation embraces quality function deployment and business process reengineering (Cumming, 1998). It is a type of innovation, which is not easy, but its purpose is now well understood. An efficient supplier who keeps working on productivity gains can expect, over

time, to develop products that offer the same performance at a lower cost. Such cost reductions may, or may not, be passed on to customers in the form of lower prices. Process innovation is important in both the supply of the core product as well as in the support part of any offer.

### **2.3.3 Market Innovation**

Market innovation is concerned with improving the mix of target markets and how chosen markets are best served. Its purpose is to identify better (new) potential markets; and better (new) ways to serve target markets.

In recent years, “benefit segmentation” has become more widely used (Hooley, Saunders and Piercy, 1998). It is based on the study of buyers’ attitudes, on the assumption that in great measure it is needs and benefits which make up markets and which alter markets. In this form of segmentation emphasis is on “usage occasions”, namely how buyers seek to gain benefits in particular buying situations. This form of segmentation is particularly powerful for dividing a total potential market into meaningful market opportunities. Its power derives from being predicated on the assumption that the same individual buyer can have different usage needs for the same core product; this happens quite frequently in practice.

### **2.4 Competitive Positioning**

Positioning, the place a product occupies in a given market, is the foundation of marketing strategy. A product position differentiates it from its competitors on attributes considered important by target customers and gives it a distinctive identity in their minds. As Wind (1990, 387) puts it, positioning "is the product's reason for being, the reason why consumers buy it." In the marketing literature it is now well accepted that a product position is an important determinant of its competitive strength and that the product physical design and marketing strategy must be consistent with its intended position (Urban and Hauser 1980, Kotler 1990 Wind (1990). Firms position their products by selecting the optimal mix of tangible and intangible product attributes as well as prices.

The distribution of consumer preferences and the existing or anticipated positions of competitive products are both critical inputs to the positioning decision. Product positioning therefore requires a synthesis of consumer and competitor analyses (Shapiro, 1985). Given the importance

of the positioning decision, a number of analytical frameworks have been proposed for optimally positioning products in competitive markets. Hauser (1983) "Defender" model, for example, investigates the optimal defensive response to a new entrant. Hauser (1988) extends the basic Defender framework and determines the competitive position and price equilibrium among products competing in a multi-attribute space. Price and position equilibria are also investigated by Moorthy (1988), Sudarshan (1988), and Carpenter (1989), among others. Moorthy (1988) examines duopoly firms competing on price and a single quality attribute. Carpenter (1989) looks at a two-attribute model in which consumers have ideal points that describe their most preferred levels of each attribute.

Ever since the publication of Hotelling's (1929) paper, competitive positioning issues have been studied by economists. The Hotelling model sought to determine the optimal location of retail firms in a linear market with uniform distribution of consumers. Hotelling argued that two sellers in this market would both cluster at the center to maximize their respective market shares. This is the principle of minimum differentiation. D'Aspremont, (1979) show that minimum differentiation is not equilibrium in the Hotelling model if one allows for the possibility that firms can undercut their competitor's price to capture the entire market. They modify Hotelling's model to ensure price equilibrium at all product positions and show that firms differentiate maximally in equilibrium. The models of Shaked and Sutton (1982), Economides (1984) and Hauser (1988), among others, too, suggest differentiation rather than clustering of products. In a competitive market, the optimal product positions are determined by the interplay of two opposing influences. The price rivalry between closely positioned products provides incentives for differentiation. Greater differentiation reduces the intensity of price rivalry and increases profits for all firms. This motivation is counteracted, however, by the tendency of firms to cluster around the majority customer preference. This exerts an agglomerative influence as firms want to position where consumers are. In most models that assume uniform consumer preferences. The strategic effect due to price competition dominates the agglomerative influence and yields maximal differentiation of products as the equilibrium outcome.

Starting with Hotelling, most models of spatial competition, whether in marketing or economics, have assumed a uniform distribution for consumers' preferences. Models in spatial economics, for example, assume that the density of consumers is the same everywhere in the market. Brand-

positioning models deal with consumer preferences rather than their physical location, but the uniformity assumption persists. They typically assume that consumer preferences for product attributes are distributed uniformly in the attribute space. The uniformity assumption is convenient for deriving analytical results, but it may not be highly satisfactory in representing actual consumer distributions in many markets. Consider, for example, the market for symbolic algebra computer software.

Products in this market can be characterized by their position along two attributes: processing speed and flexibility (characterized by the number of built-in functions and applications). The distribution of consumer preferences in this market is unlikely to be uniform (i.e., equal number of consumers preferring each possible combination of the two attributes). Only a few consumers would want extreme speed at the expense of flexibility or extreme flexibility at very slow speeds. The majority of users would give about equal weight to both attributes leading to a non-uniform distribution of preferences.

It is likely that positioning strategies that are optimal when consumer preferences are uniformly distributed may not be desirable in markets with non-uniform preferences. Shugan (1987), for example, finds that market share predictions based on the Defender model vary significantly depending on the particular distribution of consumer preference that is assumed. Analysis of positioning strategies of two products competing in a two-dimensional perceptual space leads Carpenter (1989) to conclude that uni modal taste distributions encourage products to locate at the center of the market when advertising and distribution effects are not prominent. It is important therefore to understand how consumer heterogeneity influences product positioning decisions of firms.

The optimal positions of products depend critically on the total number of products and the sequence in which they enter the market. To date, most models of competitive product positioning assume that the number of products in the market is determined exogenously and that these products enter (or reposition) simultaneously (Hauser 1988, Neven 1986). In addition to examining simultaneous positioning, we also investigate equilibrium when firms enter sequentially. We assume that early entrants have foresight and are able to predict how later entrants will respond to their positions (Prescott and Visscher 1977).

As Lane (1980, 238), argued, sequential entry with foresight is a useful equilibrium concept "because it enables entry to be made endogenous to the model in a meaningful manner." We explore how early entrants can use their positions to deter entry of other products and how entry deterrence strategies are affected by the distribution of consumer preferences. We find that the equilibrium configuration under sequential entry differs from that under simultaneous positioning.

## **2.5 Developing a Positioning Strategy**

Positioning in the marketplace is the act of placing a new market offering in the minds of prospective consumers. Competitive positioning, a more sophisticated second step in positioning, involves differentiating the firm's market offering from directly competing market offerings in ways that prospective consumers find meaningful and appropriate within their established "mind set". Therefore, there are two steps in the successful positioning process: establishing the initial market offering in the minds of consumers; and differentiating the market offering from competitors in the minds of consumers (Stewart-Allen, 1999).

Developing an effective and successful competitive positioning strategy must begin with research to define the target market. In addition, the key factors that are characteristic of the product component, and that are of primary importance to prospective consumers, must be analyzed (Kim and Chung, 1997). A determination must also be made as to how these consumers position a firm's market offering in their minds, and the position of comparable market offerings considered to be of primary value to the targeted consumers.

## **2.6 Marketing Mix Process**

For a successful market penetration, the seller should begin by looking at the consumers' needs and wants (Stewart-Allen, 1999). Although most consumers do not separate the market offering into its component parts, any one of these components can influence the response of the consumer to the entire market offering (Buckley and Casson, 1998). Therefore, the marketing executive must strategically manage each of the components if the positioning process is to be successful. By doing this, a market offering can be created that will be more successfully

positioned in the mind of the consumer. The creation of a marketing mix for specific consumers therefore involves several issues.

The major focus of the marketing mix process involves: the formulation of the product; the terms of sale; the distribution; and the communication sub mixes. It is necessary to separate the offering into these four components, each with several elements, for the purpose of making the necessary decisions about each element. A consumer market offering is the result of mixing the four components, and it is through this component mixing that a successful position is achieved in consumers' minds. The large number of elements, and the enormous number of ways in which these elements can be combined, result in influencing the different levels of response that consumers have to the competitive offerings available in the marketplace.

## **CHAPTER THREE**

### **RESEARCH METHODOLOGY**

#### **3.1 Introduction**

This chapter presents the methodology that was used to carry out the study. It describes the research design, the model, the study area, target population, sampling techniques and sample size, type and source of data, research instruments that were be used, the pilot study, data collection and data analysis.

#### **3.2 Research Design**

This was a case study design. A case study is an in-depth investigation of an individual, institution or phenomenon (Mugenda and Mugenda, 2003). The primary purpose of a case study is to determine the competitive positioning strategies adopted by NHIF and to determine challenges faced in initiating competitive positioning advantage. A case study design was deemed the best design to fulfill the objectives of the study.

#### **3.3 Data Collection Procedure**

Primary data was collected through in-depth interview. In-depth interviewing is a qualitative research technique that involves conducting intensive individual interviews with a small number of persons to explore their perspectives on a particular idea, or situation. In-depth interviews are useful when one intends to get detailed information about a person's thoughts on an issue or want to explore new issues in depth, offering a more complete picture of the "what" and "why" (Boyce and Neale, 2006). Moreover with interviews, the interviewer can probe deeper into a response given by an interviewee and produce a higher response rate. The interview was conducted on 5 management staff of NHIF conversant with "why", "how" and "when" the strategies were executed. The sample size is justifiable since it minimized the duplicity and redundancy of to be data obtained and was large enough to ensure collection of comprehensive data since different views were represented. The interview approach that was used was face to

face as the study sought to obtain comprehensive data and it allows for flexibility in the direction of questioning and further probing.

### **3.4 Data Analysis**

The data collected was qualitative in nature. The researcher, thus, used content analysis to analyze the data. Content analysis is used to determine the presence of certain words, concepts, themes, phrases, characters, or sentences within texts or sets of texts and to quantify this presence in an objective manner.

These are done from texts within books interviews, conversations or any occurrence of communicative language. This approach of analysis is preferred because it gives results that are predictable, directed and comprehensive and enable the researcher to shift through large volumes of data with relative ease in a systematic fashion as the contents obtained from the interview are categorized into emerging common themes. However, content analysis is criticized for lacking reliability; for instance, the way one categorizes the data does not cohere with how somebody else would do it.

## **CHAPTER FOUR**

### **DATA ANALYSIS AND INTERPRETATION**

#### **4.1 Introduction**

This chapter presents the analysis and interpretations of the data from the field. It presents analysis and findings of the study as set out in the research methodology on the assessment of the competitive positioning strategies at NHIF. The data was gathered exclusively from an interview guide as the research instrument. The interview guide was designed in line with the objectives of the study. To enhance data quality of data obtained, unstructured questions were used whereby interviewees indicated their views and opinions on competitive positioning strategies at NHIF.

The researcher targeted 5 management staff at NHIF office; however, only 4 out of the 5 interviewees targeted completed the interview guide representing a response rate of 80%. This complies with Mugenda and Mugenda (2003) who suggested that for generalization a response rate of 50% is adequate for analysis and reporting, 60% is good and a response rate of 70% and over is excellent. This commendable response rate was actualized after the researcher made personal calls and visits to request the interviewees to fill-in the interview guide as well as insisting the importance of participating in the study.

#### **4.2 Competitive Positioning Strategies**

Interviewees agreed that they consider NHIF a monopoly indicating that contributions to the fund are mandatory for those in employment. Others attributed its monopoly to the fact that it is the only social health insurance company mandated by the Act of parliament to provide health insurance to the citizens. This monopoly is attributed to the fact that it is the only government institution, formed under an Act of parliament, mandated to provide health insurance to the citizens.

Regarding whether NHIF is preferred over other insurance companies, interviewees indicated that it offers the cheapest monthly contribution rates in the country and caters for people from all

walks of life. Thus from the response obtained from all the interviewees it is evident that NHIF is preferred due to its service affordability especially among low income clients.

As far as the cost benefits of subscribing to the NHIF insurance scheme over other insurance firms, interviewees indicated that clients prefer NHIF because it has a wider coverage in terms of clients and it is recognized most in all health provision centres. It was indicated that the NHIF scheme covers all in-patient cases including terminal illness.

With regard to how NHIF manages its services to create desired marketing offering competitive position in the consumers mind, the study found that most clients prefer NHIF because there are no underwriting costs on admission. Interviewees also indicated that there is decentralization of operations country wide which enhances service delivery. Other interviewees also indicated that the scheme has various packages which meet customer needs. NHIF also enhances its competitive advantage through affordability, accessibility and acceptable cover for the low income earners.

The study found that product positioning and product differentiation, interviewees indicated that NHIF positions itself as a social insurance scheme for all Kenyans. Likewise the firm uses pricing strategy to differentiate itself by making its products affordable compared to competitors.

In order to determine NHIF product positioning in the minds of the consumer, interviewees indicated that the firm has introduced attractive packages which are affordable to customers. This concept is replicated through product regrouping in which customers can access various services in different hospital categories.

Finally on the question regarding unique products at NHIF interviewees indicated that the health insurance company has unique package for kidney patients enabling clients to access this facility with ease without financial constraints. The company also offers rehabilitation package for drug addicted patients. From this analysis it is evident that NHIF provides quality service at affordable prices without any form of discrimination.

### **4.3 Challenges Facing NHIF**

National Hospital Insurance Fund faces several challenges in provision of affordable insurance products to its clients. On the political front key appointments especially the Board Directors, Chief Executive Officer and senior management staff are mostly political appointees of the minister and are replaced as soon as there is a new minister or when their contracts expire regardless of performance.

The board is comprised of several stakeholders making decision making and policy formulation protracted and tedious affair and sometimes agreement is not guaranteed. For instance, the proposed adjustment of premium rates to reflect the rise in the cost of living (inflation) and expand the coverage bracket was met with stiff resistance led by COTU ironically a board member. Technologically, adoption of efficient systems has been slow due to fear that it may lead to redundancies and the also the cost involved.

The introduction of the out -patient cover has been challenge as the extra resources required have not been realized since the intended adjustment was halted by a court order. There is also apprehension that the initiative may be abused like in the past. The management has in the recent past embarked on intensive activities meant to shore up performance in the face of stiff competition such as expanding the branch network, electronically connection of branches and improved monitoring and evaluation of activities.

Competition from other insurance companies are inform of facilitation of training and competitive remuneration package for staff, intensive media advertising campaigns, diversified products (cover for both in-patient and outpatient) and the deployment of efficient and latest technology.

To counter the above NHIF is engaged in intensive mobile recruitment campaign above the print and broadcast advertising employed by competitors. It also offers competitive cover premiums unmatched by rivals, expansion of health insurance to untapped low end user market segment (informal or self employed) and automation of the financial management system.

## CHAPTER FIVE

### SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

#### 5.1 Introduction

This chapter presents the summary of the data findings on assessment of the competitive positioning strategies at NHIF, the conclusions and recommendations are drawn there to. The chapter is structured into summary of findings, conclusions, recommendations and area for further research.

#### 5.2 Summary of the Findings

The following summary of findings can be deduced from the study. First, the monopoly attributed to NHIF is as result of the firm being the only state owned corporation mandated to offer medical insurance to all at citizens.

Secondly, the study found that clients preferred NHIF over other insurance companies due to its affordability as members can access medical cover from as low as Ksh100 per month contribution compared to private health insurance firms which are more expensive.

In terms of accessibility the study found that NHIF is well within reach of all employed and self employed individuals as evidenced by its countrywide branch network and the intensive mobile recruitment drives.

Likewise NHIF contributions have been made mandatory for all employees and thus bigger revenue base the benefit of which is manifested in cheap medical cover compared to other health insurance providers.

The study found that NHIF has decentralized its services in order to ease access to its services by members especially those in informal employment such farmers and small scale entrepreneurs all over the country. This has enhanced efficiency and effectiveness on service delivery to clients.

Lastly, insurance and health care in particular is still very low in Kenya mainly concentrating on the formally employed which leaves a majority of Kenyans without a health insurance plan.

### **5.3 Conclusion**

From this analysis the study would come to the following conclusions with regard to assessment of the competitive positioning strategies at NHIF.

That NHIF has employed pricing strategies to enlarge its customer and revenue base which has borne positive results especially in the formal sector and now has embarked on sensitization campaigns to inform Kenyans particularly those in informal employment of the need to enroll in health insurance scheme customized specifically for them. This has enhanced the competitive positioning of NHIF hence enabling it to compete favorably with other private insurance firms.

Decentralization of services has also enhanced the competitive positioning of NHIF due the ease of service accessibility, likewise members contributions are remitted directly to the institution by the employer whereas individual contributions can be paid directly in their offices. Flexible contribution terms where one can pay monthly or annually has ensured client convenience and translated into wider diverse customer base compared to other players in the sector.

### **5.4 Recommendations**

#### **5.4.1 Recommendations with Policy Implications**

In order to enhance competitive positioning NHIF should engage in research and development in order to come up with new products and services especially targeted at high end user market where rivals are dominant. Investment in R&D will enable the institution to cope with the ever changing business environment if at the institutions mandate is not profit making.

It is also recommendable if NHIF rolls out health insurance schemes for the Jua-Kali sector which has been neglected for such a long time and employs majority of Kenyans making it a lucrative market for health insurance schemes.

#### **5.4.2 Recommendations for Further Research**

While this study was majorly based on assessing the competitive positioning of NHIF, the study did not investigate competitive strategies employed by the health insurance scheme; this leaves a

lot to be done in this area in order to bridge this knowledge gap. Therefore the researcher recommends future research to be conducted with regard to strategies employed by NHIF towards competitive positioning at NHIF.

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## APPENDICES

### Appendix I: Interview Guide

#### Section A: Competitive Positioning Strategies

1. Do you consider NHIF a monopoly? Explain

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2. What makes NHIF to be preferred over other insurance companies that provide health insurance?

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3. What is the cost benefit of subscribing to NHIF over other insurance companies?

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4. How does NHIF manage its products/services to create the desired market offering competitive position in the consumers' minds?

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5. How does NHIF optimally position its services in the competitive markets of Kenyan insurance? Does NHIF differentiate its offering from its competitors (insurance companies) and create value for its services?

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6. How does NHIF provide the right service at the right price so as to position itself successfully in the mind of the consumer?

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7. Does NHIF have a unique product/service? Kindly explain?

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**Section B: Challenges**

1. What are the political, legal, and technological challenges that NHIF faces in rebranding itself as a Health Maintenance Organization (HMO)?

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2. When introducing out-patient cover, what were/are the challenges that NHIF faced/is facing?

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3. Does the NHIF management team commit resources in order to create a competitive strategy?

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4. What competitive aspects provided by insurance companies hinder NHIF service provision?

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5. Is there internal resistance to change at NHIF and how does it affect competitive position?

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6. Do you face price rivalry between closely positioned products from other health insurance firms?

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7. What mechanisms does NHIF have in place to solve the challenges to its competitiveness?

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**THANK YOU FOR PARTICIPATING IN THE STUDY**