MARKETING COMMUNICATION STRATEGIES IN THE INSURANCE INDUSTRY: A CASE OF FIRMS IN NAIROBI.

BY

KABUE HELLEN WANJUGU
SCHOOL OF HUMANITIES AND SOCIAL SCIENCES
DEPARTMENT OF BUSINESS ADMINISTRATION

A PROJECT SUBMITTED IN PARTIAL FULFILMENT OF THE REQUIREMENTS FOR THE DEGREE OF MASTER OF BUSINESS ADMINISTRATION (MBA), OF KENYATTA UNIVERSITY

JULY 2003
DECLARATION

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

DATE 28/07/2003

KABUE HELLEN WANJUGU

D53/7400/01

DEPARTMENT OF BUSINESS ADMINISTRATION

KENYATTA UNIVERSITY

This research has been submitted for examination with my approval as the university supervisor.

DATE 28.07.03

DR KHAYOTA

SUPERVISOR.

DATE

OCHOLA PHARES

CHAIRMAN DEPARTMENT OF BUSINESS ADMINISTRATION, KENYATTA UNIVERSITY
DEDICATION

To my loving Mum and Dad, Mr and Mrs E. Kabue Ndei who continually encouraged me throughout my entire school life and for the financial sacrifice they made for the sake of my education. To my brothers, Simon and Reuben Kabue for their generous contribution towards my education.
ACKNOWLEDGEMENT

I wish to express my heart-felt gratitude to my supervisor Dr Khayota for his continued guidance and dedicated support all through this research project.

I acknowledge the support I got from my respondents who assisted me in getting the information I needed. I especially recognise; Mr Mugambi of Madison insurance, Eve Ndengwa of the corporative insurance and all the other insurance companies that responded to my questionnaires.

Special thanks to all my friends along the way who supported me in one way or the other; Anthony, Mwaura, Patrick and the whole of the MBA class 2003.

Finally to all my brothers and sisters who prayed for my success. Praise be to God.
ABSTRACT

Insurance is a very important industry in economic performance of any country. This is because it traverses all sectors of the economy, it is therefore important that proper marketing strategies be put in place to ensure the success of the industry.

The study aimed at investigating the marketing communication strategies in the insurance industry, targeting insurance firms in Nairobi. It especially sought to identify the marketing tools that are in use in the industry, factors affecting choice of these tools and the factors hindering effective communication in the industry.

Data was collected from insurance firms in Nairobi, targeting all the firms regardless of whether they were involved in any form of marketing or not. Sampling was done using simple random sampling. Data was acquired through self administered questionnaires and also from secondary sources. It was analysed using SPSS computer package. Frequencies, percentages and cross tabulations were used to analyse the data and was presented in form of tables.

The study established that personal selling is the most popular tool in the industry and that currently, the trend is towards the use of direct marketing. In the factors affecting choice of these tools, effectiveness and target market were found to be outstanding though availability of resources was also significant. In the factors hindering effective communication; lack of insurance knowledge was most important and also misperception of insurance. Other factors were; high premium costs, Lack of confidence in the insurance and high cost of communication.

Drawing from the research findings it was suggested that; the insurance firms work towards corporate advertising and apply an integrated approach in their application of the marketing tools. The government should also support the industry through teaching of insurance in schools. Some of the insurance services like life assurance should be made compulsory for all Kenyans. This is because life assurance serves as a form of saving for oneself and for his/her dependents.
# TABLE OF CONTENTS

<table>
<thead>
<tr>
<th>Section</th>
<th>Pages</th>
</tr>
</thead>
<tbody>
<tr>
<td>DECLARATION</td>
<td>ii</td>
</tr>
<tr>
<td>DEDICATION</td>
<td>iii</td>
</tr>
<tr>
<td>ACKNOWLEDGEMENT</td>
<td>iv</td>
</tr>
<tr>
<td>ABSTRACT</td>
<td>v</td>
</tr>
<tr>
<td>LIST OF TABLES</td>
<td>vii</td>
</tr>
<tr>
<td>CHAPTER ONE:</td>
<td>1</td>
</tr>
<tr>
<td>1.0 INTRODUCTION</td>
<td>1</td>
</tr>
<tr>
<td>1.1 Background information</td>
<td>1</td>
</tr>
<tr>
<td>1.2 Statement of the problem</td>
<td>5</td>
</tr>
<tr>
<td>1.3 Study Objectives</td>
<td>7</td>
</tr>
<tr>
<td>1.3.1 Main objective</td>
<td>7</td>
</tr>
<tr>
<td>1.3.2 Subsidiary objectives</td>
<td>7</td>
</tr>
<tr>
<td>1.4 Research questions</td>
<td>7</td>
</tr>
<tr>
<td>1.5 Justification and Significance of the study</td>
<td>7</td>
</tr>
<tr>
<td>1.6 Scope of the study</td>
<td>8</td>
</tr>
<tr>
<td>CHAPTER TWO:</td>
<td>9</td>
</tr>
<tr>
<td>2.0 LITERATURE REVIEW</td>
<td>9</td>
</tr>
<tr>
<td>2.1 Introduction</td>
<td>9</td>
</tr>
<tr>
<td>2.2 The Marketing Mix</td>
<td>10</td>
</tr>
<tr>
<td>2.2.1 Product policy</td>
<td>10</td>
</tr>
<tr>
<td>2.2.2 Pricing</td>
<td>12</td>
</tr>
<tr>
<td>2.2.3 Place</td>
<td>13</td>
</tr>
<tr>
<td>2.2.4 Promotion</td>
<td>14</td>
</tr>
<tr>
<td>2.2.4.1 Advertising</td>
<td>15</td>
</tr>
<tr>
<td>2.2.4.2 Personal selling</td>
<td>16</td>
</tr>
<tr>
<td>2.2.4.3 Public relations</td>
<td>18</td>
</tr>
<tr>
<td>2.2.4.4 Direct marketing</td>
<td>19</td>
</tr>
<tr>
<td>2.2.4.5 Sales promotion</td>
<td>20</td>
</tr>
<tr>
<td>2.3 The insurance market</td>
<td>21</td>
</tr>
<tr>
<td>2.4 Conclusion</td>
<td>23</td>
</tr>
<tr>
<td>CHAPTER THREE:</td>
<td>24</td>
</tr>
<tr>
<td>3.0 RESEARCH METHODOLOGY</td>
<td>24</td>
</tr>
<tr>
<td>3.1 Research Design</td>
<td>24</td>
</tr>
<tr>
<td>3.2 Type of study</td>
<td>24</td>
</tr>
<tr>
<td>3.3 The target population</td>
<td>24</td>
</tr>
<tr>
<td>3.4 Sampling</td>
<td>24</td>
</tr>
<tr>
<td>3.6 Data analysis and presentation</td>
<td>25</td>
</tr>
<tr>
<td>3.7 Assumption</td>
<td>25</td>
</tr>
<tr>
<td>CHAPTER FOUR:</td>
<td>26</td>
</tr>
<tr>
<td>4.0 DATA PRESENTATION, ANALYSIS AND INTERPRETATION</td>
<td>26</td>
</tr>
<tr>
<td>4.1 Introduction</td>
<td>26</td>
</tr>
<tr>
<td>4.2 Insurance services</td>
<td>26</td>
</tr>
<tr>
<td>4.3 Marketing mix elements</td>
<td>28</td>
</tr>
<tr>
<td>4.3.1 Pricing</td>
<td>28</td>
</tr>
<tr>
<td>4.3.2 Distribution</td>
<td>28</td>
</tr>
<tr>
<td>4.4 Marketing communication activities</td>
<td>29</td>
</tr>
<tr>
<td>4.5 Summary and discussion</td>
<td>39</td>
</tr>
<tr>
<td>CHAPTER FIVE:</td>
<td>44</td>
</tr>
<tr>
<td>5.0 CONCLUSION AND RECOMMENDATIONS</td>
<td>44</td>
</tr>
<tr>
<td>5.1 Conclusion</td>
<td>44</td>
</tr>
<tr>
<td>5.2 Recommendations</td>
<td>45</td>
</tr>
<tr>
<td>5.3 Limitations of the study</td>
<td>46</td>
</tr>
<tr>
<td>5.4 Suggestions for further study</td>
<td>47</td>
</tr>
<tr>
<td>SELECTED REFERENCES</td>
<td>48</td>
</tr>
<tr>
<td>APPENDIX ONE:</td>
<td>49</td>
</tr>
<tr>
<td>APPENDIX TWO:</td>
<td>54</td>
</tr>
</tbody>
</table>

vi
<table>
<thead>
<tr>
<th>Table</th>
<th>Description</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>4.2.1</td>
<td>Insurance services offered by the insurance firms</td>
<td>26</td>
</tr>
<tr>
<td>4.2.2</td>
<td>Factors considered when insuring a person</td>
<td>27</td>
</tr>
<tr>
<td>4.3.1.1</td>
<td>Factors considered when pricing services</td>
<td>28</td>
</tr>
<tr>
<td>4.3.2.1</td>
<td>Channel of distribution</td>
<td>28</td>
</tr>
<tr>
<td>4.4.1</td>
<td>Number of employees in the marketing department</td>
<td>29</td>
</tr>
<tr>
<td>4.4.2</td>
<td>Application of marketing tools</td>
<td>30</td>
</tr>
<tr>
<td>4.4.3</td>
<td>Marketing activities and marketing tools applied</td>
<td>31</td>
</tr>
<tr>
<td>4.4.4</td>
<td>Type of media used</td>
<td>32</td>
</tr>
<tr>
<td>4.4.5</td>
<td>Human resource activities</td>
<td>33</td>
</tr>
<tr>
<td>4.4.6</td>
<td>Market share</td>
<td>33</td>
</tr>
<tr>
<td>4.4.7</td>
<td>Market share versus the number of branches</td>
<td>34</td>
</tr>
<tr>
<td>4.4.8</td>
<td>Market share versus number of employees in the marketing dept.</td>
<td>35</td>
</tr>
<tr>
<td>4.4.9</td>
<td>Factors affecting the choice of marketing tools</td>
<td>36</td>
</tr>
<tr>
<td>4.4.10</td>
<td>Factors hindering effective communication in the Industry</td>
<td>36</td>
</tr>
<tr>
<td>4.4.11</td>
<td>Challenges faced when communicating with the customers</td>
<td>37</td>
</tr>
</tbody>
</table>
CHAPTER ONE:

1.0 INTRODUCTION

1.1 Background information
Ennew *et al* (1998) define insurance as financial contract, which transfers the risk from the customer to the insurer. Arrangement by which one party (the insurer) promises to pay another party the (insured/assured) or policyholder a sum of money if something happens which causes or has the potential to cause the insured a financial loss.

Like other businesses, the business of insurance is based on the law of contract, under which one person agrees to insure the other persons against financial losses resulting from the happenings of uncertain events. As such all the contracts of insurance except that of life assurance are contracts of indemnity.

In this world, everything is uncertain except death but even the time, place and cause of ones death is uncertain. These uncertainties are due to operation of chance, misfortunes, natural or uncontrollable calamities or contingencies. It is in an attempt to cover losses due to these uncertainties that one wishes to insure his activities.

At present, the scope of insurance has widened to cover every possible risk under its preview. The kinds of insurance under common practice are: marine, fire, life, casualty, motor, health and property insurances.
The insurance industry is extremely sensitive to the economic performance of any country. Currently, the industry has total premium worth of Ksh 15 billion. The industry traverses all sectors of the economy and, therefore, it fills full rigours of the economy or lack of it.

The insurance industry performs a variety of functions, which are advantageous to the economy and to the public both directly and indirectly as outlined below:

Insurance provides certainty by reducing risk. It spreads the losses of the members over the whole insuring community. The company guarantees the insured persons to compensate them or indemnify the losses on the occurrence of uncertain events. In addition it also advises them on adoption of various methods and techniques, which help in reducing risk or losses.

The industry also serves as a source of capital for industrial development by providing share capital and availing loans on easy terms. By reducing risk, insurance increases efficiency in the business community. This in turn becomes a source of growth and diversification of the industry. (Kanwal 1988). The industry is a major employer and pays substantial amounts of money to the government in terms of taxes. The sector has invested substantially in the commercial sector and, hence, is a major contributor to the economy.

Toft (1996) points out that taking life assurance is a way of savings to provide income to oneself in life, or to ones dependents, meaning then that, purchase of life assurance by a consumer is essentially a reflection of consumer's desire to save.
The statistics compiled annually by the insurance industry in Kenya confirms regression in economic activity and have demonstrated absence of any major projects in the country. Due to the reduction in the economic activity, the volume of business available to the players has considerably declined, resulting into stiff competition among insurance companies, brokers and insurance agents. The industry is struggling to collect premium from its customers as some companies go under receivership and others into liquidation.

As the typical consumer has become increasingly better educated, he has also become more discerning and demanding. Thus, the insurance firms must shift from product-orientation to customer-based production. Marketing has, therefore, become more critical than technical production.

The growth of marketing as a business function began with fast moving consumer goods such as soap and breakfast cereals. However, the application of marketing to services, like insurance, rather than goods need to take account of their distinctive characteristics that create special marketing challenges and opportunities. These characteristics are outlined by Stanton (1994) as follows:

- Intangibility - because of intangibility of services, it is impossible for customers to sample-taste, feel, see, hear, or smell a service before they pay for it. Consequently, a company’s promotional program must portray the benefits to be derived from the services, rather than emphasizing the service itself.
Inseparability - services typically cannot be separated from the creator or the provider. Moreover, many services are created, dispensed and consumed simultaneously and they require the presence of the consumer for the services to be performed. Inseparability then means that, many people are involved concurrently in the production and the marketing efforts. An individual seller, therefore, cannot provide the service simultaneously in more than one market. Thus, direct sale is the only possible channel of distribution. However, the services can be sold by a person representing the seller, if more than one market has to be served at the same time.

Heterogeneity - it is difficult for a service industry to maintain standards. Each unit of the service is somewhat different from other units of the same service. An added complication is that it is often difficult to judge the quality of a service. Service providers should, therefore, pay special attention to the product planning stage of the marketing program and in the training of their personnel.

Perishability and fluctuating demand - services are highly perishable and cannot be stored. Furthermore, the market for services fluctuates considerably by season, week, day, and by the hour of day. However, there are exceptions of this generalization in health and life insurance for example. A person or a company purchases the service then it is held by the insurance company until needed by the beneficiary.
The combination of fluctuating demand and perishability offers product planning, pricing, distribution and promotion challenges to service executives. Insurance companies should, therefore, practice peak time efficiency routines. (Kotler 2001)

The art of marketing involves the application of available marketing tools and techniques (advertising, sales promotion, personal selling, direct marketing publicity and public relations) to meet consumer needs profitably. In the insurance industry, successful marketing requires firms to research on the insurance requirements of the customers, design products that meet these needs, decide how to distribute these products and persuade the customers to buy (Kirk 1994). Thus, the need for effective marketing communication.

1.2 Statement of the problem

The success of any business organization is dependent upon a number of variables: There is need to identify the needs in the market, assemble resources to meet these needs, but most importantly inform those whose needs have been identified, of the available solutions to their needs. Modern marketing, therefore, calls for more than developing a good product or service, pricing it attractively and making it accessible. Companies must communicate with present and potential stakeholders and the public. The study then, seeks to investigate the state of marketing communication in the insurance industry and provide recommendations for effective communication.

Despite the fact that most insurance companies market their services, there are still a number of aspects of the insurance business that raise interesting problems from a marketing perspective: Firstly, insurance is hardly ever purchased for the positive reasons since its main purpose is to protect the purchaser in the event of a highly
undesirable accident or loss. Thus, insurance is associated in the people's mind with
the worst rather than the best events in life. Therefore, individuals will purchase it
reluctantly.

Secondly, the core service of insurance is intangible since it comprises of a promise
by the insurer to compensate a claim should a loss or an accident occur at some time
in future.

Thirdly, the insurance transaction is confused by a pronounced lack of adequate
information on the part of both the insurer and the customer; many individual
customers have inaccurate perception of the risk they face and little knowledge of the
insurance products that are available. In addition, there is a large number of
competing insurers such that all customers find it very difficult to make comparisons
on the price and quality. Similarly, the insurers often have very little information
about the risk-taking behaviour of their customers.

As a result of this information and perception asymmetries, the Kenyan community
has not fully taken advantage of the crucial services offered by insurance industry. A
large number of Kenyans who can afford to purchase these services have deliberately
failed to do so. In a survey of Kenyan insurance market, by the Kenya News Agency
it was found that 55.3% of the respondents had not purchased insurance at all.
Mwangi (1992) reported that 75% of the respondents who earn between Kshs 7501-
10,000 had not purchased any form of insurance and that only 24% of those earning
Kshs 10,000 and above had purchase life insurance.
1.3 Study Objectives

1.3.1 Main objective
To investigate the application of marketing communication strategies in the insurance industry.

1.3.2 Subsidiary objectives

(a) To establish the state of communication in the insurance industry
(b) To identify the communication strategy commonly used by the firms.
(c) To investigate the criteria used in choosing the communication strategies.
(d) To establish factors that inhibit effective communication.

1.4 Research questions

a) What is the extent of marketing communication in the insurance industry?
b) What communication tools are being applied?
c) What factors are considered in choosing the tools?
d) What factors hinder effective communication?

1.5 Justification and Significance of the study.

In a study on people’s attitude towards insurance, it was found that over 60% of Kenyans have negative attitude towards insurance. Mirie (1987) found that the most challenging factor in the marketing of insurance is lack of information. The study sought to come up with recommendations on how the situation can be changed.
The research findings are expected to benefit the following groups.

1) Insurance companies - the study is expected to shed light to the companies that have not been using the communication tools, of the benefits accrued to their use and how they can use them to increase their market share. Will also assist them in making informed choices of the best tools to apply.

2) The academic discipline - the study will be useful to the other students of marketing in helping them appreciate the application of marketing in the insurance industries, see if the results can be utilized elsewhere or lead to further research.

3) Advertising agents - they will be assisted in choosing the most applicable communication strategy.

4) The researcher - Improve her skills in research work and expand her knowledge of the marketing communication strategies, especially in the Insurance sector.

1.6 Scope of the study
The study examined the marketing communication strategies used by insurance companies. It was limited within Nairobi targeting all the 45 licensed insurance companies. Reason being, all insurance companies are headquartered in Nairobi.
CHAPTER TWO:  

2.0 LITERATURE REVIEW  

2.1 Introduction  
Once a suitable product or service has been developed, marketers must come up with a communication strategy that must be used to contact potential customers and persuade them to buy it. However, for most companies, the question is not whether to communicate but rather what to say, to whom to say and how often to do it. The marketing concept emphasises that all marketing decision making should start by understanding the target consumers, finding out their attitudes towards the service, followed by harmonizing all other organization processes to achieve optimal consumer satisfaction. An integrated marketing mix must have as a common goal an image or theme, which it aims at generating in the minds of a consumer (Diacon 1990).  

Tony (1997) defines marketing communication as the process by which the marketer develops and presents an appropriate set of communications stimuli to a defined target audience with the intention of eliciting a desired set of responses. Marketing communication is extricably linked with the marketing concept. To ensure its effectiveness, the communication must reflect the marketing concept. It must serve to identify consumer needs and must integrate all the activities of the company, which are designed to satisfy these needs.  

The marketing communication must retain consistency with all the other aspects of the marketing mix (price, place and product) in order to present a cohesive
proposition to the target consumer. Thus, the nature of the product and its appeal to the final consumer will be influenced by the price, which is charged. Similarly, the availability of the product at specific retail outlets may influence consumer’s perception of the product.

The task of marketing communication is to present the product or service in the most appropriate manner. Thus, it can be considered a logical extension of the fundamental principles of marketing itself.

Yeshin (1997) says that a major contemporary issue in the field of marketing communication is the drive towards integrated activity. Key to the issue is the fact that consumers do not see advertising, public relations, sales promotion and other marketing communications as separate and divisible components.

2.2 The Marketing Mix

2.21 Product policy
After identifying the customers’ needs and underlying motivation towards insurance, the company must construct a range of products, which appeal to the customers in some special way. Standard correspondent (1996) reported that Kenyans are generally dissatisfied with the insurance industry.

Ennew et al (1998) identified the key feature of the insurer’s risk transfer product as the continuity and future survival of the insurer. Insurers in a weak financial position will offer a poor quality risk transfer service. There is always a possibility that the insurer will be unable to pay claims as result of its deteriorating financial position and
eventual bankruptcy. Insurers in a poor financial position are also likely to dispute and delay the payment of valid claims. The quality of an insurer's employee is a vital ingredient in the provision of non-risk transfer services to customers. The attitudes, skills, knowledge and behaviour of employees can have a critical impact on the levels of satisfaction the user derives from service/product consumption.

Of particular importance in the quality of insurance services are the ethical standards and behaviour of insurance personnel since customers who do not trust their insurers will not be customers for very long. Many of the surveys of the consumers and independent intermediaries that ask about customer satisfaction and choice of insurer highlight the quality of the service as the most important factor.

Sheather (1983) observes that the service of insurance has been misconceived and this has resulted to dissatisfaction. What consumers expect the service to be ends up not being the reality? Insurers are able to improve the quality of the service they provide by continually investing in training for their staff, and employing more staff with professional and/or academic qualification. He, however, did not look at other elements of the promotion mix.

Service quality is also an issue of concern to regulators (particularly in view of widespread evidence of mis-selling of life insurance and pension products). The regulators may impose minimum standards of staff training competence, implementing a system of mystery shopping to check on the quality of advice that the customers receive, and fining those insurers who are found to be in breach of guidelines.
Diacon (1990) says for life insurance and pension policies, the key factor in product quality is the future investment performance. Since performance cannot be guaranteed, the customers can only make judgements of product quality based on the past performance of similar contracts. Insurance companies have had to provide their clients at the point of sale with the following key features of the contracts:

- All administrative charges associated with the policy.
- Surrender values and maturity values based on the life officer own intended.
- Projected product investment performance based on the officer’s own recent experience.
- Written information on commission payable (or their equivalent).

Powerful marketing communication can serve to alter, amend or even change totally the perception of a product or a firm in the mind of a consumer.

2.2.2 Pricing

The basic concern for insurers is to set a price that covers average claims and other costs, which are expected to arise from the contract. Angima (1986) reports that 45.5% of the sample analysed in her study had the opinion that insurance premiums were high. Out of those people whose policies were lapsed, 40% mentioned high insurance premiums as the cause of policy lapse.

The price charged to the final consumer may differ between channels because the channels differ in the cost they impose on the insurers. E.g. using direct sales force is more expensive than either direct writing or use of intermediaries. The price may also
differ because of the attempts by the insurers to enforce an element of price discrimination by charging a higher price to less price sensitive customers.

Finsinger (1986) in his study on German insurance industry contends that consumer purchase of insurance is made under the conditions of incomplete price information. Hence, the insurance firms possess some form of market power.

Mwangi (1992) in his study on insurance demand in Kenya reported that almost all the respondents in the sample were not aware of price-quality differences offered by different insurance firms. He attributed this to lack of information by the consumer. He also identified that some individual companies charged more than twice the premium of the cheapest companies for the same risk coverage. The trend by most private firms was to charge prices, which on average were higher.

2.2.3 Place
Place decisions are concerned with physical distribution of insurance services, making these available to customers when and where they are needed. Place decisions in services marketing are concerned with location and distribution channel. When considering decisions on distribution channel, there are two related issues that must be considered:

- The type of channel to be used
- The sales incentives to be adopted to maximize the firm’s profits.

Insurance companies are faced with a number of channels through which they can avail their products to final customers. Nowadays most of them use a mixture of distribution channels that include:
• Independent intermediaries
• Appointed representatives (Aps)
• Own sales force
• Direct marketing.

Mwangi (1992) identified one for the limitations of the Kenyan insurance industry, as its uneven geographical distribution. A casual observation reveals that all major insurance companies are found in urban centres, with their branches located in smaller major towns around the country.

2.2.4 Promotion
The promotion mix includes advertising, personal selling, sales promotion, direct marketing and direct mailing, merchandising and public relations. Jones (1989) notes that these techniques used in communication are intended to influence the buying process by; achieving cognitive (learning), affective (feeling) or behavioural (doing) outcomes in target audience.

Esteva (1978) reported that insurance companies do not give comprehensive information and that it is a deliberate attempt by the companies to escape their responsibilities during compensation. Angima (1986) in a study carried out on the University of Nairobi’s main campus lecturers found out that 56% of those who responded had neutral attitude towards insurance, 33.8% had negative attitude and that only 9.2% had positive attitude. He however, did not look into the measures that can be taken to change the situation. Ennew (1998) notes that a company’s promotion policy must harmonise with other elements of the marketing mix in order to produce a composite brand company image.
2.2.4.0 Elements of the promotion mix

2.2.4.1 Advertising
Although the media advertising budget for most insurance companies is small compared to other financial service firms, it is nevertheless an important form of promotion. Some of the insurers' advertising is directed at the independent intermediaries via specialist insurance trade journals. But direct writers are targeting an increasing proportion of final consumers.

Media advertising by insurance companies is undertaken for a number of reasons which include: Name awareness, product promotion, enhancing policies benefits awareness and the creation of brand or company image. This last reason is particularly important in an industry with so many companies, which provide fairly homogeneous products as far as most "uninformed" consumers are concerned.

Kirk (1994) says that the role of advertising in financial services is to offer new services or provide specific new information. Here advertisement is seen in the traditional way, whereby, new relevant and interesting information sets a process in motion, which leads to increase in sales in the short term. However, advertising can generate sales in the long run by creating an association between the institution and the service.

In a report by the Pan African insurance it was reported that, following a research done with the assistance of the International East African Limited, it had been established that, for the company to succeed it had to communicate with the policyholders and the potential consumers through mass media. (Daily Nation 1996)
Advertising images may enhance the perception of the institution through: increasing awareness of the strengths, providing simplification, generating positive social feedback and translating claims into beliefs. In internal marketing, advertising ensures that the employees are fully aware and convinced of the advantages of the service before they attempt to sell it. Failure of this, leads to missing potential sales. Advertising cannot exist in isolation from other elements of marketing communication. Among the types of available media, each has particular features in respect to insurance advertising as follows:

- Television enables an appeal to be dramatized in the sound and vision conferring a social legitimacy in the advertised product. This medium is particularly important in heightening people’s awareness.

- Newspaper-Enables topical detailed copy to be transmitted in a retainable form and are particularly for the off-the-page direct response for the personal insurance contracts such as life and motor insurance.

- Magazines- have a longer retention, greater use of colour and higher credibility because of their elective leadership, they are particularly suitable for corporate or brand image building. Trade magazines are usually the most effective way of advertising to the insurance intermediaries

2.2.4.2 Personal selling
Insurance is a profession of servicing which comprises of the insurer, the insured and the intermediaries. These intermediaries bring together the insured and the insurers
usually the development officers and the insurance agents are the intermediaries whose function is to solicit, procure and control insurers and their services, thus, servicing the general insurance business. They search out the people to be insured, locate them and make them mentally prepared to take out the insurance policies. They also collect premium and answer their customers objections or queries. It is therefore important that the personnel are well trained.

In a report by the Pan African insurance company chairman, it was emphasised that, marketing function is too important to be entrusted on untrained personnel. Insurance companies must realize that a well-satisfied employee is the best ambassador for his company. Makua Kitei in Daily Nation (1990) says “no amount of advertising, sales promotion, and public relations can compensate for a negative impression created by an underpaid employee who has just missed lunch”.

Kanwal (1998) identifies the following as the contributions made by personal selling:

- Gaining acceptance of new products by existing customers
- Attracting new customers for existing products
- Maintaining customers loyalty
- Facilitating future sales by provision of advices to prospects or influencers
- Gathering market information

Personal selling provides the basis for selling and offers a focused approach with immediate feedback. It should, therefore, be part of the overall marketing strategy. Indeed marketing strategy should pre-sell the product first making the personal selling
task easier. Nevertheless, the benefits are not without a cost as personal selling is more expensive than other elements of the promotion mix and is more difficult to turn on and off. Attention must be paid on some of these important issues, such as training and motivation of the sales force.

2.2.4.3 Public relations
Public relations uses a variety of tools to enhance a positive image of the company and its products as outlined by (Ennew et al (1998). These include:

- Annual reports
- Seminars
- Charitable donations
- In-house magazines
- Press releases

Public relations seek to establish and maintain mutual understanding between the organization and those it comes into contact with. In addition to customers, these may include other interested parties such as the employees, intermediaries, the financial community and government.

To maximise its effectiveness, public relations should be deliberately planned and continuous rather than ad hoc damage limitation exercise aimed at only minimizing the negative impacts of particular situations. Public relations should be handled at corporate rather than functional level, thereby, ensuring a consistent image. The development of clear corporate image is increasingly viewed as an important feature of competitive strategy and represents a variable marketing asset particularly for service institutions.
The public relations requirements for insurance, is to contend with the bad publicity generated by the sale of personal pension plans to clients. Usenge (1987) in his study on consumer attitude towards insurance, reported that consumers had this to say about insurance: life assurance reflects, “fast talking salesmen bent on convincing one into buying insurance against one’s better judgment” Others had this to say, “tricky insurance companies that do not honour their obligations when claims are lodged”

2.2.2.4 Direct marketing
Kotler (2001) defines direct marketing as an interactive system of marketing, which uses one or more advertising media to affect a measurable response and or transaction at any location. It aims at creating and exploiting a dialogue between the service provider and the customer. It offers several potential benefits as outlined by (Bett and yorke, 1994)

- Targeting precision
- It is measurable and accountable
- Provision of new distribution channels and support for existing ones.
- Control of timing
- Advertising and cost effectiveness
- Invisible to competitors
- More effective segmentation

Unfortunately the potential benefits are not always realized and the image of direct marketing has suffered accordingly. Reasons being: poor targeting, incorrect personality and misuse of sensitive information. Direct marketing has grown considerably during the last decade particularly by financial service institutions.
A study of 105 banks, building societies and insurance companies, revealed that 75% of the respondents used direct marketing, though most of them had adopted it post 1986 (Thwartes and Lee (1994). Direct marketing proved to be the most popular media. There were however differences of emphasis between institutions; banks placed greater value on direct marketing for cross-selling and trading-up and encouraging existing customers to trade up while building societies also stressed cross-selling and trading up but less strongly than banks. They found direct marketing more useful for retaining existing customers.

Insurance companies were broadly similar to building societies except that they used direct marketing more extensively for lead generation and selling to new prospects.

Specific advantage for direct marketing as compared to other competition methods was; accountability, measurability, and precise targeting. Some support was also found for control, flexibility and one-to-one communication.

2.2.4.5 Sales promotion
Baker (1997) defines sales promotion as the marketing activities usually specific to a time period, place or customer group, which encourage a direct sale from consumers or intermediaries, through the offer of additional benefits. The growing awareness of the strategic promotional importance of the sales promotion is leading to a more integrated approach to their management and their role in the marketing mix.

Baker (1997) says the responses which promotion is likely to generate, include encouraging the customer to:

- Accelerate their buying of a product.
- Select a brand for their initial purchase.
• Switch brands.
• Replace a consumer durable
• Overcome their original image to a product and sample it.
• Gather information about brand.

Hardy (1986) says promotions help to secure intermediaries support, and can help to reduce inventories.

2.3 The insurance market

Insuring public

Insurance agents  Direct agents  Insurance brokers

Insurers

Insurers transact much of their business through any of the above channels.

*General Agents:* Also known as direct or dependent agents who stand in the place of insurers. They include the directors, managers, underwriters and salaried staff.
Agents employed: To introduce business to the insured. These include cash agents who merely introduce business on which they are paid on commission. It also includes independent agents who are formally appointed by the insurers and their powers are set out on a letter of appointment.

Insurance brokers: A broker is a special class of agents who commonly acts not only for his clients but also for the insurer.

The distribution system: Channels of distribution for services are usually simpler and more direct than channels of distribution for goods. In part this is due to the intangibility of services. The market of services is often less concerned with storage, transportation and inventory control. Insurance services are mainly distributed through intermediaries due to the following advantages:

Mirie (1987) identified the following as the reasons why insurance companies choose to intermediaries:

- It is economical as larger market can be reached and intermediaries through their contacts, experience, specialization and sales of operation, offer the firm more than it can usually achieve on its own.
- The sales agency would conceivably sell more than a company sales force.
- The agency sales force may be just as aggressive as a direct sales force.
- Some customers prefer dealing with the agents rather than the sales persons from the company.
2.4 Conclusion

From the literature review, it can be concluded that:

Most Kenyans hold negative attitude towards insurance, the reason why to date the potential for insurance has not been exploited fully. It is, therefore, important that effective marketing communication strategies be put in place so as to change the situation.

It can also be concluded that, marketing communication cannot exist on its own, but it must be tied to other elements of the marketing mix (place, product, and price). The studies carried out on insurance so far have not focused on marketing communication (promotion mix). There exist several tools of communication, which include: personal selling, sales promotion, publicity and public relations, direct marketing and advertising. If marketing communication is to be effective, it is important that we move from a situation of specialization, in which marketers are experts in one area of marketing communication to people who know all marketing communication disciplines at the same time.

It is recognized that all consumers are different, hence, have different needs and wants, even of the same product or service. There is need to ensure that we are able to communicate with them as individuals rather than homogeneous unit. The increasing concern is the desire to communicate with ever-smaller segments of the global market and, in an ideal world, reach a position where we can communicate with them individually. This desire manifests itself in the increasing drive towards direct marketing techniques.
CHAPTER THREE:

3.0 RESEARCH METHODOLOGY

3.1 Research Design
This section outlines the method that was used to obtain analyse and present data. It includes: population of the study, sampling, data collection, analysis and presentation.

3.2 Type of study
The objectives of this study were achieved through conducting a survey on all licensed insurance companies in Nairobi. Both qualitative and quantitative data was collected.

3.3 The target population
The population under the study included all the 45 licensed insurance companies in Nairobi. A list of these companies can be found in appendix four.

3.4 Sampling
A sample of thirty firms was drawn from the population using simple random sampling. This sample constitutes about 70% of the population, but the response consisted of 25 firms, that is 80% response. This is because some of the firms that were visited were not willing to disclose the information required. The study targeted any firm regardless of whether they were involved in any form of marketing communication or not.
3.5 Data collection

The study required the use of both primary and secondary data. Secondary data was obtained from the available research results, textbooks, journals, newspapers and the Internet. Primary data was collected using structured questionnaires, which were self-administered to the marketing managers or other senior persons in the marketing departments. A pilot study was carried out and the necessary adjustments made on the questionnaire. ‘Drop and pick’ method was used to administer the questionnaires. The reason why this method was chosen is the fact that marketing managers are very busy and more often than not, they are in the field. It was therefore hard to meet them. Interviews were also conducted where possible.

3.6 Data analysis and presentation

Data analysis was done using both qualitative and quantitative methods. The data was edited, coded and then analysed. Frequencies, percentages and cross tabulation were used to analyse the data using Statistical Package for Social sciences (SPSS). Qualitative data was used to explain factors hindering effective communication in the insurance industry. The data was presented in form of tables and was discussed against the following variables:

- Advertising
- Personal selling
- Publicity and public relations
- Sales promotion
- Direct marketing

3.7 Assumption

All insurance companies apply marketing communication.
CHAPTER FOUR:

4.0 DATA PRESENTATION, ANALYSIS AND INTERPRETATION

4.1 Introduction

This chapter documents data analysis and interpretation. It is divided into four parts; part one consists of general information about the insurance services offered by the different firms and the factors they consider when insuring their customers. The second part discusses the other marketing mix elements (price, place and product). This was done with regard to the fact that, marketing communication cannot exist on its own it must be tied to the other elements of the marketing mix. Part three evaluates the promotion mix element, which is the main objective of the research project. The fourth part is the summary and discussion of the findings.

4.2 Insurance services

Table 4.2.1 Insurance services offered by the insurance firms

<table>
<thead>
<tr>
<th>Services Rank</th>
<th>Life insurance %</th>
<th>Property insurance %</th>
<th>Medical insurance %</th>
<th>Casualty insurance %</th>
<th>Fire insurance %</th>
</tr>
</thead>
<tbody>
<tr>
<td>1st</td>
<td>33.3</td>
<td>29.2</td>
<td>0</td>
<td>0</td>
<td>37.5</td>
</tr>
<tr>
<td>2nd</td>
<td>8.7</td>
<td>30.4</td>
<td>8.7</td>
<td>17.4</td>
<td>34.5</td>
</tr>
<tr>
<td>3rd</td>
<td>17.4</td>
<td>30.4</td>
<td>21.7</td>
<td>17.4</td>
<td>13.0</td>
</tr>
<tr>
<td>4th</td>
<td>19.0</td>
<td>4.8</td>
<td>21.1</td>
<td>47.4</td>
<td>9.5</td>
</tr>
<tr>
<td>5th</td>
<td>21.1</td>
<td>5.3</td>
<td>42.9</td>
<td>28.8</td>
<td>5.3</td>
</tr>
<tr>
<td>Overall ranking</td>
<td>2</td>
<td>3</td>
<td>5</td>
<td>4</td>
<td>1</td>
</tr>
</tbody>
</table>
In order to identify the range of insurance services offered by the firms the respondents were asked to state the services they offered ranking them in order of importance with rank (1) for the most important to (5) for the least important. As shown in table 4.2.1 above, the researcher identified the most common types of insurance as: property, life, casualty, fire, property and medical. Most of the firms were observed to be offering all the five forms though they differed in the emphasis laid on each. 37.5% of the firms ranked fire insurance as rank 1, 33.3% ranked life insurance as rank 1 the most important, while 29.9% ranked property insurance as rank 5. On the other hand 42.9% of the firms ranked medical insurance as rank five and 28.8% ranked casualty insurance as rank 5. In the overall ranking fire insurance ranked number one while medical insurance ranked last.

**Table 4.2.2 Factors considered when insuring a person**

<table>
<thead>
<tr>
<th></th>
<th>Yes</th>
<th>No In %</th>
<th>No response %</th>
</tr>
</thead>
<tbody>
<tr>
<td>Market selection</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Age</td>
<td>72</td>
<td>20</td>
<td>8</td>
</tr>
<tr>
<td>Income</td>
<td>84</td>
<td>4</td>
<td>12</td>
</tr>
<tr>
<td>Occupation</td>
<td>68</td>
<td>24</td>
<td>8</td>
</tr>
<tr>
<td>Property owned</td>
<td>72</td>
<td>16</td>
<td>12</td>
</tr>
</tbody>
</table>

An analysis of the factors considered when insuring a person revealed that 84% of the respondents considered the income of a person, 72% of the respondents considered age and property owned while 68% considered occupation other factors included; accessibility and capability to premiums. The above factors were used to justify capability of the person in paying premiums and also the risk exposure in such a way
that property or people who were found to have high risk exposure are made to pay more in terms of premiums.

4.3 Marketing mix elements

4.3.1 Pricing

Table 4.3.1.1 Factors considered when pricing services

<table>
<thead>
<tr>
<th>Factors</th>
<th>Respondents</th>
<th>Frequency</th>
<th>Percentages</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cost + Profit</td>
<td>14</td>
<td>56</td>
<td></td>
</tr>
<tr>
<td>Competitors</td>
<td>8</td>
<td>32</td>
<td></td>
</tr>
<tr>
<td>Gov. restrictions</td>
<td>3</td>
<td>12</td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>25</td>
<td>100</td>
<td></td>
</tr>
</tbody>
</table>

As shown in the table 4.3.1.1, 56% of the firms were found to be setting their prices on basis of cost + profit margins, a price that covers average claims and other costs + profit. 32% said they considered most, the price offered by their competitors so as not to be so high and lack customers or not too low to run at a loss. Only 12% of the firms considered government restriction when deciding on their pricing policies. This is the reason why, all firms will not be offering the same services at the same prices. Further probing revealed that some of the firms combined these factors for example in addition to cost plus profit margins they also considered the prices offered by their competitors.

4.3.2 Distribution

Table 4.3.2.1 Channel of distribution

<table>
<thead>
<tr>
<th>Channel of distribution</th>
<th>Direct selling</th>
<th>Own sale force</th>
<th>Independent intermediaries</th>
<th>Appointed representatives</th>
</tr>
</thead>
<tbody>
<tr>
<td>No. of respondents</td>
<td>17</td>
<td>15</td>
<td>25</td>
<td>8</td>
</tr>
<tr>
<td>Percentage</td>
<td>68%</td>
<td>60%</td>
<td>100%</td>
<td>32%</td>
</tr>
</tbody>
</table>
As can be seen on table 4.3.2.1 most of the firms were found to be using more than one channel to offer their services. All the respondents (100%) made use of independent intermediaries who included the brokers and the agents. In addition to these they also used other forms of distribution as shown in the table; 68% of the firms used direct marketing, 60% were using their own sales force while only 32% were using appointed representatives. The choice of the channel was attributed to cost.

4.4 Marketing communication activities

Table 4.4.1 Number of employees in the marketing department.

<table>
<thead>
<tr>
<th>Employees</th>
<th>frequency</th>
<th>Percentages</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 – 5</td>
<td>13</td>
<td>59.1%</td>
</tr>
<tr>
<td>6 – 10</td>
<td>5</td>
<td>27.3%</td>
</tr>
<tr>
<td>11 – 15</td>
<td>3</td>
<td>19.1%</td>
</tr>
<tr>
<td>Above 16</td>
<td>1</td>
<td>4.5%</td>
</tr>
<tr>
<td>Total</td>
<td>22</td>
<td>100%</td>
</tr>
</tbody>
</table>

Though 90% of the firms had marketing departments, the departments were however not well established because, as can be seen in the table 4.4.1, 59.1% of the firms had between 1-5 employees in their marketing departments, inclusive of the marketing managers. 27.3% had between 6 -10 while only one firm out of the respondents had over 16 employees. This implies that majority of the firms did not lay much emphasis on marketing. This was thought to be the reason why many prospects lacked adequate information about the insurance services.
Table 4.4.2 Application of marketing tools

<table>
<thead>
<tr>
<th>Frequency</th>
<th>Rating</th>
<th>Not often %</th>
<th>Often %</th>
<th>Very often %</th>
<th>Overall ranking</th>
</tr>
</thead>
<tbody>
<tr>
<td>Advertising</td>
<td></td>
<td>28</td>
<td>68</td>
<td>4</td>
<td>5</td>
</tr>
<tr>
<td>Public relations</td>
<td></td>
<td>8</td>
<td>44</td>
<td>48</td>
<td>3</td>
</tr>
<tr>
<td>Sales promotions</td>
<td></td>
<td>16.7</td>
<td>37.5</td>
<td>45.8</td>
<td>4</td>
</tr>
<tr>
<td>Direct marketing</td>
<td></td>
<td>8.3</td>
<td>25</td>
<td>66.7</td>
<td>2</td>
</tr>
<tr>
<td>Personal selling</td>
<td></td>
<td>4.2</td>
<td>29.21</td>
<td>66.7</td>
<td>1</td>
</tr>
</tbody>
</table>

In order to establish what marketing tools were in use in the insurance industry, the respondents were asked to indicate the tools, which they applied, and how often they used them. Table 4.4.2 shows the commonly used marketing tools and the frequency of application, in terms of how often they were applied. 66.7% of the firms were found to be using direct marketing and personal selling very often, 48% used public relation very often, 45.8 used sales promotion and only 4% applied advertising very often. On the other hand 68% of the respondents used advertising often while 28% used it not often. Only 4.2% and 8% of the respondents ranked personal selling and public relations respectively as not often applied. In the overall ranking, based on a weighing scale as follows; first rank (5 points), second ranking (4 points), 3rd ranking (3 points), 4th ranking (2 point) and 5th ranking (1 point). Personal selling ranked number 1ie the most commonly used tool of communication in the insurance industry. Direct marketing, personal selling, sales promotion, advertising as number 2,3,4,5 respectively.
Table 4.4.3 Marketing activities and marketing tools applied.

<table>
<thead>
<tr>
<th>Activity</th>
<th>Advertising %</th>
<th>Public relations %</th>
<th>Sales promotion %</th>
<th>Direct marketing %</th>
<th>Personal selling %</th>
</tr>
</thead>
<tbody>
<tr>
<td>Retain present customers</td>
<td>4.5</td>
<td>54.5</td>
<td>0</td>
<td>27.3</td>
<td>13.6</td>
</tr>
<tr>
<td>Attract new customers</td>
<td>40.9</td>
<td>4.5</td>
<td>22.7</td>
<td>18.2</td>
<td>13.6</td>
</tr>
<tr>
<td>Introduce new product</td>
<td>33.3</td>
<td>4.8</td>
<td>28.6</td>
<td>9.5</td>
<td>23.8</td>
</tr>
<tr>
<td>Combat competition</td>
<td>36.4</td>
<td>8.2</td>
<td>0</td>
<td>55.7</td>
<td>22.7</td>
</tr>
</tbody>
</table>

In order to find out the application of marketing tools in different activities, the respondents were asked to state which tools they applied for performing the different activities: To retain the present customers, public relations ranked number one being used by 54% of the respondents it was preferred due to its ability to convince customers and get an immediate response. It was followed by direct marketing which was being used by 27.3% of the respondents. It was preferred for its ability to ensure one to one communication and to create more effective segmentation.

To attract new customers, advertising ranked number 1 being used by 40% of the respondents, followed by sales promotion, which is used by 22.7% of the respondents.

To introduce new products advertising ranked number 1 with 33.3% while sales promotion ranked second with 28.6% of the respondents. To combat competition, 55.7% used direct marketing used and 36.4% of the respondents used advertising as can be seen in the table 4.4.3.
When asked about the different types of media they used to communicate with their present and potential customers, Newspapers, magazines, were ranked number 1 by 47.8% and 21.7% of the respondents respectively while magazines and television were ranked number 1 by 13% of the respondents. In the second ranking television took the lead with 31.8% of the respondents. In the third ranking the radio took the lead with 27.8% while in the 4th and 5th journals took the lead with 37.5% and 28.8% respectively.

In the overall ranking the Newspaper, ranked number one while journals ranked number two, television, magazines and the radio ranked 3, 4, and 5 respectively. Further probing revealed that due to emergence of the many radio stations the trend is towards the use of the radio to reach different ethnic groups in their mother tongues.
Table 4.4.5 Human resource activities

<table>
<thead>
<tr>
<th>Human resources activities</th>
<th>No. of respondents</th>
<th>Percentages</th>
</tr>
</thead>
<tbody>
<tr>
<td>Training and development</td>
<td>18</td>
<td>72</td>
</tr>
<tr>
<td>Attractive remuneration</td>
<td>6</td>
<td>24</td>
</tr>
<tr>
<td>Incentives</td>
<td>1</td>
<td>4</td>
</tr>
<tr>
<td>Total</td>
<td>25</td>
<td>100</td>
</tr>
</tbody>
</table>

Owing to the fact that most of the firms use personal selling as the main tool of marketing communication, they were asked to state what human resources activities they emphasized on to ensure efficiency of their personnel. 72% of the firms put into practice training and development. This was done to ensure that the personnel understood the products well and that they knew the best way of communicating with the customers. 24% emphasized on attractive remuneration while only 4% used incentives as a way of motivating their personnel. Some of the incentives that were in use included: commission on sales, loans, short organization structure to ease communication, conducive working environment and performance appraisal-bonus payment for the best staff.

Table 4.4.6. Market share.

<table>
<thead>
<tr>
<th>Market share</th>
<th>Firms</th>
<th>Frequency</th>
<th>Percentages</th>
</tr>
</thead>
<tbody>
<tr>
<td>0- 20%</td>
<td>18</td>
<td>72</td>
<td></td>
</tr>
<tr>
<td>20 – 30%</td>
<td>4</td>
<td>16</td>
<td></td>
</tr>
<tr>
<td>30 – 50%</td>
<td>3</td>
<td>12</td>
<td></td>
</tr>
<tr>
<td>Above 50%</td>
<td>0</td>
<td>0</td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>25</td>
<td>100</td>
<td></td>
</tr>
</tbody>
</table>
As shown in 4.4.6, 72% of the firms had a market share of 0 - 20%, 16% had a share of 20 - 30% while 12% were found to have a market share of 30 - 50% and none of the firms had a market share above 50%. Further investigations revealed that, potential for insurance in Kenya has not been fully exploited. This is the reason why some firms have gone under receivership and others into liquidation.

Table 4.4.7. Market share versus the number of branches

<table>
<thead>
<tr>
<th>Market share</th>
<th>1 - 4</th>
<th>5 - 9</th>
<th>10 - 15</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>0 - 20</td>
<td>15</td>
<td>-</td>
<td>-</td>
<td>15</td>
</tr>
<tr>
<td>20 - 30</td>
<td>2</td>
<td>2</td>
<td>-</td>
<td>4</td>
</tr>
<tr>
<td>30 - 50</td>
<td>-</td>
<td>3</td>
<td>3</td>
<td>6</td>
</tr>
<tr>
<td>Total</td>
<td>17</td>
<td>5</td>
<td>3</td>
<td>25</td>
</tr>
</tbody>
</table>

The table above shows that, out of the 17 firms that had between 1- 4 branches had a market share of between 0 - 20% while only two had a share of between 20 - 30%, out of the five that had between 5-9 branches two were ranging in 20 - 30% market share while three were in the 30 - 50% market share. All the three firms that had 10-15 branches had a market share of between 30 - 50%. Taking the number of branches to be equivalent to the size of the firm (the more the branches the larger the firm) it can be deduced that, the large firms are taking the better share of the market while the smaller one take a smaller share.
Table 4.4.8 Market share versus number of employees in the marketing department

<table>
<thead>
<tr>
<th>Market share Employees</th>
<th>0 – 20%</th>
<th>20 – 30%</th>
<th>30 – 50%</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 – 5</td>
<td>12</td>
<td>3</td>
<td>-</td>
<td>15</td>
</tr>
<tr>
<td>6 – 10</td>
<td>2</td>
<td>1</td>
<td>1</td>
<td>4</td>
</tr>
<tr>
<td>11 – 15</td>
<td>-</td>
<td>-</td>
<td>5</td>
<td>5</td>
</tr>
<tr>
<td>Above 16</td>
<td>-</td>
<td>-</td>
<td>1</td>
<td>1</td>
</tr>
</tbody>
</table>

Out of the 15 firms that had between 1 - 5 employees in their marketing departments, 12 had a market share of between 0 – 20% while only three had a market share of between 20 – 30%. Those that had between 6 – 10 employees were distributed in sharing as shown in the table above. All the six firms that had above 11 employees in their marketing departments had a market share of between 30 – 50%. Taking the number of employees in the department to mean the emphasis laid on marketing, the table above then shows that the more the emphasis laid on marketing, the better the performance of the firm.
### Table 4.4.9 Factors affecting the choice of marketing tools

<table>
<thead>
<tr>
<th>Factors</th>
<th>Not important</th>
<th>Fairly important</th>
<th>Important</th>
<th>Most important</th>
<th>Ranking</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>%</td>
<td></td>
<td>%</td>
<td>%</td>
<td></td>
</tr>
<tr>
<td>Cost</td>
<td>0</td>
<td>20.0</td>
<td>44.0</td>
<td>36.0</td>
<td>5</td>
</tr>
<tr>
<td>Effectiveness</td>
<td>0</td>
<td>4.0</td>
<td>12.0</td>
<td>84.0</td>
<td>1</td>
</tr>
<tr>
<td>Legal restrictions</td>
<td>28.0</td>
<td>40.0</td>
<td>16.0</td>
<td>16.0</td>
<td>7</td>
</tr>
<tr>
<td>Competitors</td>
<td>0</td>
<td>12.0</td>
<td>64.0</td>
<td>24.0</td>
<td>6</td>
</tr>
<tr>
<td>Target market</td>
<td>0</td>
<td>4.0</td>
<td>32.0</td>
<td>64.0</td>
<td>2</td>
</tr>
<tr>
<td>Resources</td>
<td>0</td>
<td>8.3</td>
<td>45.0</td>
<td>45.0</td>
<td>3</td>
</tr>
<tr>
<td>Technology</td>
<td>0</td>
<td>24.0</td>
<td>16.0</td>
<td>40.0</td>
<td>4</td>
</tr>
</tbody>
</table>

The table above shows the factors considered in choosing marketing tools in order of importance. 84% of the respondents ranked effectiveness of the tool as the most important while 64% said the target market was most important. On the other hand, 28% of the respondents said legal restrictions were not important while 40% said the restrictions were important. On overall ranking effectiveness was ranked as number one, target market as two, while resources came third. Technology, cost and competitors ranked 4, 5 and 6 respectively.

### Table 4.4.10 Factors hindering effective communication in the insurance Industry

<table>
<thead>
<tr>
<th>Factors</th>
<th>Legal restrictions</th>
<th>High cost of promotions</th>
<th>Lack of qualified personnel</th>
<th>Consumer behaviour</th>
<th>Unfair competition</th>
</tr>
</thead>
<tbody>
<tr>
<td>No. of respondents</td>
<td>8</td>
<td>10</td>
<td>4</td>
<td>22</td>
<td>12</td>
</tr>
<tr>
<td>Percentages</td>
<td>32%</td>
<td>40%</td>
<td>16%</td>
<td>88%</td>
<td>48%</td>
</tr>
</tbody>
</table>
The factors shown in the table 4.4.10 were cited as the ones hindering effective communication. As can be seen from the table, 88% of the respondents said consumer behaviour was the most important factor. Further probing revealed that most of the consumer lacked knowledge on the insurance services that are in existence, their and benefits. Worse still, those who were aware had negative attitude towards the same. This was attributed to past mistakes made by the industry like delayed payment. 48% of the respondents stated competition as a factor, 40% mentioned high cost of promotion, and 32% cited legal restrictions and only 16% cited lack of qualified personnel as a hindrance to effective communication.

Table 4.4.11 Challenges faced when communicating with the customers

<table>
<thead>
<tr>
<th>Challenges</th>
<th>No. of firms</th>
<th>frequency</th>
<th>percentages</th>
</tr>
</thead>
<tbody>
<tr>
<td>High cost of premiums</td>
<td>4</td>
<td>19</td>
<td></td>
</tr>
<tr>
<td>Lack of confidence in insurance</td>
<td>2</td>
<td>9.5</td>
<td></td>
</tr>
<tr>
<td>Customers perception</td>
<td>3</td>
<td>14.3</td>
<td></td>
</tr>
<tr>
<td>Ignorance of the customers</td>
<td>2</td>
<td>9.5</td>
<td></td>
</tr>
<tr>
<td>Language barrier</td>
<td>1</td>
<td>4.8</td>
<td></td>
</tr>
<tr>
<td>Lack of knowledge</td>
<td>7</td>
<td>33.3</td>
<td></td>
</tr>
<tr>
<td>Cost of communication</td>
<td>1</td>
<td>4.8</td>
<td></td>
</tr>
<tr>
<td>Literacy and price negotiations</td>
<td>1</td>
<td>4.8</td>
<td></td>
</tr>
</tbody>
</table>

When asked what challenges they faced when trying to communicate with their potential customers, different respondents mentioned the problems on the table 4.4.11 above. As can be seen lack of knowledge is the biggest challenge the industry is facing, their customers lack insurance knowledge and that they are ignorant in the sense that they are not even interested with the information. Further investigations revealed that, most of the customers complain of high cost of premiums and that
different firms offered different prices for similar services. It is also evident that most customers lacked confidence with the insurers due to bad experiences had in the past.

Other problems included: Language barrier, many customers did not understand English. This is made it difficult for the marketers to explain the insurance concepts in their mother tongue or even in Kiswahili. Some respondents complained of high cost of communication especially in direct marketing, use of telephone proved quite expensive. Further probing revealed that some of clients were unfaithful to the insurers in that, they sometimes made claims that were outside the scope of cover.
Summary and discussion
The study was undertaken to investigate the state of marketing communication in the insurance industry in Kenya, targeting insurance firms in Nairobi. It was intended to find out the communication strategy commonly used by the insurance firms, factors considered in choosing the marketing tools and finally to find out those factors that hinder effective communication in the industry. This was done through an analysis of application of the known marketing tools which include advertising, sales promotion, personal selling, direct marketing and public relations.

The study discovered that all insurance services did not specialize in the type of services they offered and that they offered as many services as was possible. They only differed in the emphasis laid on each, in such a way that each firm had a main business while the others were considered as minor activities.

On the issue of pricing the findings of this research are in agreement with Angima (1986) that, 45% of the respondents analyzed in her sample complained of high premium costs. Among the many challenges mentioned in this project, pricing took a share of 19%, which was relatively higher compared with the other challenges. It was also discovered that a majority of the firms set their prices on the basis of cost plus profit margin while others considered the prices offered by their competitors.

The distribution system in the insurance industry was found to be an interaction between the insurer, the insuring public and the intermediaries. The study also found that most of the information got to the insuring public through the intermediaries. In fact, some of the insurance firms had no marketing departments, they wholly depended on the brokers to market their services and fetch customers for them.
arguing that it was more economical to do so. Other than the intermediaries, some respondents argued that direct marketing has proved to be an effective channel in the recent past especially in retaining customers. They however, claimed that using their own sales force was expensive because it required more space and other resources.

In respect to the state of marketing communication in the insurance industry, the study found out that, majority of the firms marketed their services. However, it was discovered that, there was not much emphasis laid on this. This was revealed by the size of the marketing departments and the fact that some of the firms had no marketing department. 59.1% of the firms were found to have between 1-5 employees in their marketing departments.

Worse still majority of these people were not professional marketers, but people from other professions like accounting. Most of the respondents argued that it was cheaper to use advertising agents rather than have an established marketing department.

All the firms were found to have an integrated approach towards the use of the marketing tools. This was attributed to the fact that the different tools performed better in some of the marketing activities more effectively than others. As discussed below:

Personal selling was found to be the tool that was applied by most of the respondents in overall ranking. It was believed to offer a more immediate feedback. Its effectiveness in introducing new products and changing people’s attitude towards insurance could not be compromised with the other cheaper tools. They however
complained of the high cost of training their personnel and keeping them motivated and that it is not a tool that can be turned off and on like the others, e.g. advertising, because it involves human beings.

Many respondents were found to be in favour of direct marketing due to its ability to treat customers as individuals and not as a homogeneous group. Direct marketing has been found more effective in, than the other tools. It was however, not very successful in introducing new products, due to the negative attitude a majority of the prospects already held towards insurance. However, the use of direct marketing is on the increase due to the fact that it is not very visible to the competitors and that it is more precise.

All the firms were found to be using public relations as a way of creating good will and confidence in their potential customers. This was mainly done through sponsoring public activities like sports and charity works. In addition, public relations was used to retain present customers and combat competition.

Though sales promotion was not often applied in the industry, to them that applied it, it proved an effective tool in introducing new products and stimulating purchasing. In comparison with other tools, a higher percentage of the respondents said they used sales promotion to introduce new products and attract new customers.

Although advertising was ranked last in the overall ranking, it does not imply that it is not important. We, however, should not lose sight of its capability in introducing
new services and providing new and/or specific information. As shown in table 4.4.3, 40.9% of the respondents used it in attracting new customers and creating awareness.

The research revealed that, all the firms used different forms of media which included; television, radio, newspapers, journals and magazines. They, however, complained of the high cost of promotion especially while using the radio and the television. Though the two were thought to be more effective most respondents preferred using journals and the newspaper to cut the cost.

It is also evident that a good percentage of the firms, that is, (72%) emphasized on training and development to ensure effectiveness of their personnel. It was, however, found that they did not lay much emphasis on giving attractive remunerations, though it is an important element in ensuring job satisfaction. Only one firm was found to be laying emphasis on giving incentives, which in my opinion should be used to motivate the employees.

To find out the factors considered in choosing the marketing tools, the respondent were found to be putting into consideration a number of factors, which included; cost, effectiveness, legal restrictions, competitors, target market, resources and technological change. However, some factors were found to be outstanding. These were factors such as; effectiveness, which in this case is taken to mean the number of prospects who can be reached within a given period of time. It also refers to the frequency in which the message is aired. A second important factor was the target market i.e. the people who are intended to get the message and finally, the available resources e.g. computers and human resources, with regard to their cost effectiveness.
There are many challenges that are facing the industry most of which, act as hindrances to effective communication, as shown in table 4.4.11. The most challenging factors were found to be; lack of insurance knowledge and the negative attitude that most clients already held towards insurance. It was argued that many of the prospects complained of the insurance language being very technical. There was also a problem of language barrier because not all prospects understood English.

Other challenges included price negotiation, lack of confidence with the insurers, high cost of communication, unfair competition in which, some firms were offering their services at very low prices so as to win more customers. Finally, the fact that insurance is not a priority to majority of Kenyans created a big problem for the insurers.
5.0 CONCLUSION AND RECOMMENDATIONS.

5.1 Conclusion
The findings of this research project are in agreement with those of Mirie (1987), that, the most challenging factor in the marketing of insurance services is lack of insurance knowledge. Majority of Kenyans are not aware of the insurance services available, their benefits, and even quality-price differences offered by different firms. Worse still, they are not even interested in the information. This has resulted in insurance not being a priority to most of Kenyans.

The findings are also consistent with Angima (1986) in her study on people’s attitude towards insurance. She found out that, majority of Kenyans held a negative attitude towards insurance. The researcher discovered that all insurance firms faced a lot of problems when trying to market their products because it has proved very difficult to change this attitude. Due to this kind of perception many prospects were found lacking confidence in the insurers. This has been attributed to the past mistakes, like delayed payments or even complete refusal to pay claims giving unjustified reasons and taking advantage of the fact that most of their clients lacked adequate information.

It can also be concluded that there is some reasonable effort that has been put by the industry in their pursuit towards effective communication. Even though much more need be done, and can be if all the firms regarded the marketing department as one of the most important departments which should be run by marketing professionals.
It was discovered that, all the firms had a considerable amount of technical knowledge on marketing and to some extent applied some of the marketing tools. It was however found that, most of these firms did not have professional marketers and therefore the people who were involved in marketing activities were people from other professions. This was thought to be the reason why little success has been achieved in creating awareness and changing the misconception that is still persistent in the minds of many Kenyans.

Contemporary issue in the field of marketing communication is the drive towards integrated activity. Key to the issue is the fact that each marketing tool performs each marketing activity better than others. For example, advertising is a better tool to use when introducing new products, while direct marketing is more effective in combating competition. Marketers must change from being specialist in one marketing tool to people who know all the marketing communication disciplines.

It is also important that marketers treat customers as individuals and not as a homogeneous group. That is, considering customers as people who have different needs or specifications for similar products. Consequently, efforts must be put towards communicating with smaller groups or individual prospects.

5.2. Recommendations
The insurance industry must work towards changing the negative attitude many people seem to be holding towards insurance. The researcher recommends that:

1) The firms should employ specialized marketers who are conversant with the marketing concepts so as to ensure success in their marketing activities.
2) The industry should work together with the government for example, in making some of the insurance services compulsory to all Kenyans e.g. life assurance. This will make the public realise the importance of these services.

3) Teaching of insurance in schools and colleges so as to create awareness in the young Kenyans.

4) All the insurance firms should work towards corporate advertising aimed at increasing awareness and changing of the negative attitude, so as to exploit the full potential for insurance.

5) Insurance marketers should embark fully on an integrated approach in their application of the marketing tools and specializing in some.

6) Teach people to view insurance as a way of saving for future use and not just conmen trying to take away their money.

5.3 Limitations of the study:

- Some of the marketing managers who completed the questionnaires were not professional marketers, therefore, could not understand some of the concepts of marketing. This forced the researcher to keep explaining what some of these concepts meant. Thus, consuming a lot of time.

- Some of the sampled respondents did not complete the questionnaires arguing that the information needed was confidential. It took time for the researcher to explain that the research was purely academic, and that the information was to be treated with utmost confidentiality.

- Financial constraint was experienced since the researcher could be made to visit one firm more than twice before the questionnaire was completed.
5.4 Suggestions for further study

- This study focused only on one element of the marketing mix i.e. promotion. Further study could be done on the other elements like pricing and product quality, to find out how they have affected demand for insurance policies.

- A study can also be carried out to identify measures for adoption in order to change people's attitude towards insurance.

- Research can also be carried out to investigate the application of marketing communication strategies in other service industries for comparison purposes.
SELECTED REFERENCES

Angima, M.B. (1986), Attitudes towards insurance and possible reasons for holding such attitudes. MBA Term paper University of Nairobi. Unpublished.


Daily Nation 5th November 1996. Nairobi


East African Standard, 4th January 2000


Kenya times, 29th June 1996. Nairobi


QUESTIONNAIRE

Dear respondent,

I am an MBA student at Kenyatta University. Am conducting a study whose main objective is: To investigate the application of marketing communication strategies in insurance industry. The study is a requirement for the award of the degree of Master of Business Administration (MBA). The purpose of the study is to increase my knowledge on the above named subject.

You have been selected as one of the respondents in this study. The information supplied will be used strictly for academic purposes and will be treated with utmost confidentiality.

Your corporation will be highly appreciated

Thank you

Kabue H.W.

(1) Please provide the following information about your firm:

Name of the firm ____________________________________________

How many branches do you have? _____________________________

Is your firm locally or foreign owned __________________________

(2) Who are your target customers______________________________

(b) What market do you target in terms of?

Niche_______________

Mass_______________
(3) Do you select the market in terms of?

Yes  no

Age  [ ]  [ ]
Income  [ ]  [ ]
Occupation  [ ]  [ ]
Property owned  [ ]  [ ]
Others  (specify) ________________________________

(4) Please indicate in the order of importance from among the following services offered by your firm (1) for the most important to (5) for the least.

Life insurance  [ ]
Property Insurance  [ ]
Medical Insurance  [ ]
Casualty insurance  [ ]
Fire Insurance  [ ]
Others  (Please specify) ________________________________

(5) How do you price your services?

Cost plus profit margins  [ ]
Consider competitors  [ ]
Government restrictions  [ ]

(6) What is your market share?

0-20%  [ ]
20 – 30%  [ ]
30 – 50%  [ ]
50 – 60%  [ ]
70% and above  [ ]
(7) Which of the following channels do you use to provide your products?

i. Direct selling [ ]

ii. Own sales force [ ]

iii. Independent intermediaries [ ]

iv. Appointed representatives [ ]

(8) (a) Do you have a marketing department?

Yes [ ]

No [ ]

(c) If yes, what is the workforce in the department ______________________

(b) If no, how do you advertise your products

Self [ ]

Agent [ ]

9) How much do you spend on advertising per year in Kshs?

20,000 - 50,000 [ ]

50,000 - 100,000 [ ]

150,000 - 200,000 [ ]

Above - 200,000 [ ]

10 (a) How often do you use the following tools?

<table>
<thead>
<tr>
<th>Tool</th>
<th>Not often</th>
<th>often</th>
<th>very often</th>
</tr>
</thead>
<tbody>
<tr>
<td>Advertising</td>
<td>[ ]</td>
<td>[ ]</td>
<td>[ ]</td>
</tr>
<tr>
<td>Public relations</td>
<td>[ ]</td>
<td>[ ]</td>
<td>[ ]</td>
</tr>
<tr>
<td>Sales promotion</td>
<td>[ ]</td>
<td>[ ]</td>
<td>[ ]</td>
</tr>
<tr>
<td>Direct marketing</td>
<td>[ ]</td>
<td>[ ]</td>
<td>[ ]</td>
</tr>
<tr>
<td>Personal selling</td>
<td>[ ]</td>
<td>[ ]</td>
<td>[ ]</td>
</tr>
</tbody>
</table>
(b) Please indicate from the above tools which ones you use for the following activities

(i) Retain present customers ______________________

(ii) Attract new customers ______________________

(iii) Introduce new product ______________________

(iv) Combat competition ______________________

11) Which of the following media in order of importance are used by your firm to advertise its services? (1) for the most important, to (5) for the least.

i) Radio [ ]

ii) Television [ ]

iii) Newspapers [ ]

iv) Magazines [ ]

v) Journals [ ]

vi) Others (specify) [ ]

12) Which of the following human resource activities do you emphasize on to ensure maximum productivity of your personnel?

i) Training and development [ ]

ii) Attractive remuneration [ ]

iii) Incentives [ ]

iv) Thorough recruitment and selection processes. [ ]

v) Others (specify) ______________________
(13) What do you consider in your choice of the marketing tools under (10a) above given the options below. Indicate the degree of importance.

<table>
<thead>
<tr>
<th></th>
<th>Not Important</th>
<th>fairly Important</th>
<th>important</th>
<th>most Important</th>
</tr>
</thead>
<tbody>
<tr>
<td>i Cost</td>
<td>[ ]</td>
<td>[ ]</td>
<td>[ ]</td>
<td>[ ]</td>
</tr>
<tr>
<td>ii Effectiveness</td>
<td>[ ]</td>
<td>[ ]</td>
<td>[ ]</td>
<td>[ ]</td>
</tr>
<tr>
<td>iii Legal restrictions</td>
<td>[ ]</td>
<td>[ ]</td>
<td>[ ]</td>
<td>[ ]</td>
</tr>
<tr>
<td>iv Competitors</td>
<td>[ ]</td>
<td>[ ]</td>
<td>[ ]</td>
<td>[ ]</td>
</tr>
<tr>
<td>v Target market</td>
<td>[ ]</td>
<td>[ ]</td>
<td>[ ]</td>
<td>[ ]</td>
</tr>
<tr>
<td>vi Resources</td>
<td>[ ]</td>
<td>[ ]</td>
<td>[ ]</td>
<td>[ ]</td>
</tr>
<tr>
<td>vii Technology</td>
<td>[ ]</td>
<td>[ ]</td>
<td>[ ]</td>
<td>[ ]</td>
</tr>
<tr>
<td>viii Others (specify)</td>
<td>[ ]</td>
<td>[ ]</td>
<td>[ ]</td>
<td>[ ]</td>
</tr>
</tbody>
</table>

(14) Which of the following factors could be hindering effective communication in the insurance industry?

I. Legal restrictions [ ]
II. High cost of promotion [ ]
III. Lack of qualified personnel [ ]
IV. Consumer behaviour [ ]
V. Unfair competition [ ]
VI. Others (specify) [ ]

(15) What challenges do you face when trying to communicate with your customers?

Please indicate: ______________________________________________________
____________________________________________________
____________________________________________________
____________________________________________________
____________________________________________________
APPENDIX TWO:

A list of insurance companies

1. Africa Reinsurance
2. Alico assurance company
3. Apollo Insurance Company Ltd.
4. Association of Kenya Insurers
5. Blue Shield Insurance Co Ltd.
7. Cannon Assurance Company Ltd.
8. College of Insurance
9. Commissioner of Insurance
10. Concord Insurance Company Ltd.
11. Co-operative Insurance Services Ltd.
12. Corporate Insurance Company Ltd.
13. East Africa Re Company Ltd.
14. Fidelity Shield Insurance Co Ltd.
15. First Assurance Company Ltd.
16. Gateway Insurance Company Ltd.
17. Geminia Insurance Company Ltd.
18. General Accident Insurance Co Ltd.
19. Heritage ALL Insurance Co Ltd.
20. Insurance Company of EA. Limited (ICEA)
21. Intra Africa Assurance Co Ltd.
22. Invesco Insurance Company Ltd.
23. Jubilee Insurance Company Ltd.
24. Kenindia Assurance Company Ltd.
25. Kenya Alliance Insurance Co Ltd.
26. Kenya Reinsurance Corporation Ltd.
27. Kenya Orient Insurance Co Ltd.
28. Lakestar Insurance Company Ltd.
29. Lion of Kenya Insurance Co Ltd.
30. Madison Insurance Company Ltd.
31. Mercantile Life & General Assurance
32. The Monarch Insurance Co Ltd.
33. Munich Reinsurance Co Liaison Office
34. Occidental Life & General Assurance
35. Pan Africa Insurance Co Ltd.
36. Phoenix of EA. Assurance Co Ltd.
37. Pioneer General Assurance Co Ltd.
38. PTA Reinsurance Company Ltd.
39. Royal Insurance Company Ltd.
40. Stallion Insurance Company Ltd.
41. Standard Assurance Company Ltd.
42. Tausi Assurance Company Ltd.
43. Trident Insurance Company Ltd.
44. UAP Provincial Insurance Company Ltd.
45. United Insurance Company Ltd.