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FACTORS AFFECTING MARKETING OF INSURANCE SERVICE IN ADDIS ABEBA

BY
SARON DESSU

DEC, 2021
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A THESIS SUBMITTED TO ST. MARY'S UNIVERSITY SCHOOL OF GRADUATE STUDIES IN PARTIAL FULFILLMENT OF THE REQUIREMENT FOR THE DEGREE OF MASTERS OF MARKETING MANAGMENT

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Approved by board of directors

As member of the Board of Examiners we have read and examined the thesis prepared by Saron DessuTamirat and We agreed that it is accepted as fulfilling the thesis requiremen tfor the Master of Marketing Management.

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External Examiner Signature Date

DECLARATION

I, the undersigned, declared this is my original work, prepared under the guidance of my advisor ***TayeAmogne(Asst,Prof)***. All sources of materials used for the thesis have been duly acknowledged. I further confirm that the thesis has not been submitted either in part or in full to any other higherlearning institution for the purpose of earning any degree.

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Name Signature and Date

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ABSTRACT

The aim of this study is to assess the challenges faced in insurance while marketing their products. Insurance companies encounter challenges in marketing their products due to different factors. The study tries to answer what factors are affecting the insurance market and how they are affecting. Regarding the research methodology, non probability sampling technique was used in selecting the respondents. Study has been obtained from bothprimary and secondary sources. A questioner was administered by the researcher. Data collected from respondents is analyzed using descriptive statistics. From the findings high number of respondents believe that competition and lack of proper advertisement.The study concluded that complex procedures in claims management, failure to adopt information technology strategy affected the marketing of the insurance service and mistrust in insurance relationships between insurance competition is also the major factor affecting the insurance marketing because the competition in the insurance industry is based on price reduction rather than service quality. The study recommends Insurance companies need to select efficiency channel of advertisement and improve on delivery of quality of insurance services, they can do this by advertising over and over again in a creative, memorable and catchy way to attract more customers.Insurance companies should avoid the existing price war and unfair competition among them.

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CHAPTER ONE

1. Introduction

This chapter contains back ground of the study, statement of the problem, research questions, and objective of the study, significance of the study, limitations of the study, scope of the study and organization of the thesis.

1.1. Background of the Study

The development of marketing is influenced by the development of society and its economy. According to Kotler (2005), marketing management is the analysis, planning, implementation and control of programs designed to create, build and maintain beneficial exchanges with target buyers for the purpose of achieving organizational objectives such as high profits, sales growth, and market share. The purpose of marketing is to generate customer value at a profit (Noble *et al* , 2002) monitors product and service quality through continuous customer surveys and puts great energy into improving marketing methods in order to simplify operations, bring down costs, speed up service and bring greater value to customers. The Committee on Definitions of the American Marketing Association (AMA) defined marketing as the performance of business activities that direct the flow of goods and services to the consumer (Alexander, 1960). The characteristics of services are the justification for the claim that services marketing is different to marketing physical products (Grove and John, 2004). Many of the developments in services marketing are fairly recent. The factors affecting the developments within services marketing are organization size and structure, regulatory bodies, growth in service industries, characteristics of services, customer/employee interaction, and specific service sectors. Marketing are the process of researching and promoting to a market with non–physical goods known as services.

According to Keegan, (2003) marketing integrates an organization's marketing goals, policies, and action sequences (tactics) into a cohesive whole. Insurance companies need to manage and market insurance products and services, since they face rigorous regulation and complex, information-rich value chains. Marketing of insurance services by insurance companies is central to their competitiveness, and yet many insurers lack adequate insight to operate as high performers. Literature also suggests that insurance companies that compete effectively on time (speeding new products to market, manufacturing just in time, responding promptly to customer complaints) tend to be good at other business attributes. Some of those business attributes include assessment of customer requirements, product quality consistency, and ability to exploit emerging markets, enter new businesses, generate new ideas and incorporate them in innovations (Stalk et al, 1992). Intensive market knowledge (good understanding of customers, competitors and the market environment) is considered to be one of the key approaches to low cost production and efficiency improvement (Storey, 1994). Insurance marketing is basically just the marketing of insurance products. Insurance marketing emphasizes the importance of the customer preferences and priorities. Major objectives of insurance marketing are increasing customer awareness, successful distribution of insurance products, developing corporate image, improving customer service, improving customer base and its spread (Fisk, *et al*, 2004). Factors impeding the application of insurance marketing are insufficient experience of insurers while expanding insurance business, non-existence of long-term development strategies of insurance companies and the fact that insurers orient mostly to short term needs; and while trying to apply more actively insurance marketing means it is necessary to change the whole organizational management structure of an insurance company, the channels of insurance products sales, technologies of communication with clients innovation (Bezzell et al. 1995).

The insurance industry in Ethiopia has a long history since the 1950s'. Currently there are 18 insurance companies operating in the industry, one government owned and seventeen privately owned companies all operating under the control and regulation of the national bank of Ethiopia. Insurance industry is playing important role in a country economic development and their effective functioning would contribute for the growth and development of the country. Some of the contributions are promoting financial stability and reduce anxiety, substituting for government security programs, facilitating trade and commerce, mobilizing national savings, enabling risks to be managed more efficiently having economic incentives to help insured persons to reduce loses and fostering a more efficient allocation of country's capital, thereforeit'simportant to know about this big sector in the country and the challenges its facing in order to give ultimate solution.

Insurance companies in Ethiopia have found their world changing significantly and more difficult to market insurance service and be profitable. Marketing and sales functions at insurance companies has not been effective to attract and retain their best customers and capture their competitor's best customers .This competitiveness creates a challenge for all new insurance companies with the previously monopolistic and financially strongest government company to cope up with the changing environment.

The other challenge of insurance business in Ethiopia is the lack of public awareness about benefits of insurance due to many reasons. This is due to the fact that marketing strategies are not aiming at changing the attitude of the public awareness towards insurance and therefore it is important to study about the marketing of insurance service and seek what the factor affecting marketing of the insurance services to the market are.

1.2. Statement of the Problem

Markets are changing all the time and business firms need to be proactive or lose Customers. Some of the main reasons why markets change rapidly are that customers develop new needs and wants, new competitors enter a market, new technologies developing meaning that new products can be made, a world or countrywide event happening for instance war, and government introducing new legislation e.g. increases in minimum wage. For domestic firms facing global competition, industry position imposes an additional competitive challenge that differs from purely domestic competition (Williams, 1997).

Marketing of insurance service is critical and complex. In the present scenario, insurance companies are facing problem of transiting from a perceived selling activity to a structured strategic marketing activity. Insurance companies are adopting all means of marketing approaches to be in a position of making great sales of insurance services as they faced increased competition which are making them register low profits.(muriuki caroline,2013)

Marketing of insurance service is somehow difficult because of many factors, first and foremost, insurance is an indefinable service and an indefinable product may as well be unforeseen. As an indefinableproductit is very difficult for prospects to assess the quality or value of their insurance policy.In addition customers who are looking to purchase insurance products are not just looking to purchase a financial program, but also financial security and protection. These indefinable re invaluable to the consumers but they are not easy to market. The goal of most marketers is to differentiate their offering from the competition. In the insurance industry, this is extremely difficult as the insurance programs on the marketare very similar, if not the same. The difference in policies often comes down to the specific policy wordings where policies will vary in there extent of cover, inclusions and exclusions on the policy. These variations can bevery specific and also complex so it can be difficult for those outside the industry to understand.(muriuki caroline,2013)

In most industries marketing communications go from the company directly to the target audience, with insurance marketing the path is slightly more complex. Many consumers purchase their insurance policy through a middle man such as insurance sales persons or an insurance broker.In addition they may also be recommended insurance service from someone else that they work within the financial service sector, such as their financial planners and loan officers. As a result insurance marketers often have to create message that not only engage the user but also the other segments that influence the decision.(muriuki caroline,2013)

Insurance companies in Ethiopia have many challenges, they have low revenue related to other financial sectors and the development of insurance industry in the country is very low, one of the reasons behind is due to challenges in the marketing. Based on these the student researcher is motivated to investigate the challenges faced in marketing of insurance service

1.3. Research Questions

The research paper focuses on factors affecting marketing of insurance services in Ethiopia, Addis Ababaand the study strives to answer the following questions.

1- What are the challenges facing insurance companies while marketing of their service?

2- What is the level of significance of these factors on the marketing insurance service?

1.4. Objective of the study

1.4.1. General Objectives

The objective of the study was to investigate the factors affecting marketing of insurance services by insurance agencies in Addis Ababa, Ethiopia.

1.4.2. Specific Objective

- To identify the factors affecting the marketing of insurance service.
- To examine the level of significance of the factors on the marketing insurance service.

1.5. Significance of the Study

Despite the fact that insurance is one of the fastest growing businesses in Ethiopia, research studies about the insurance industry are not yet done as much as needed by all stake holders

The results of the study may be of benefit to the following: The study created insight to all the existing insurance companies in the insurance industry in Ethiopia. The identification of the challenges would enable managers to devise marketing strategies to enhance marketing of insurance services and improve companies' performance.

The study provides information to potential and current scholars on the factor affecting marketing of insurance services by insurance companies. This would expand their knowledge on marketing of insurance services in the insurance industry and also identify areas of further study.

Government agencies and policy makers may use the results to formulated positive national policies on a framework that is relevant and sensitive to the market forces influencing the insurance industry in Ethiopi

1.6. Scope of the Research

The scope of the research is mainly limited to identifying and analyzing the factors affecting marketing of insurance services in Ethiopia and to give recommendations based on the result/ finding of the research. The research covered three insurance companies registered and recognized by the Insurance supervisory organ, National Bank of Ethiopia (NBE), these areNile insurance s.c,Ethio-life and General insurances.c, and AbayInsrances,cAddis Ababa branches. These companies are selected because of their stay in the industry and the service they provide. In general, the study attempts to identify the major challenges of marketing insurance services; draw sound conclusions and provide feasible recommendations based on the major findings.

1.7. Limitation of the Study

The study is bounded geographically, conceptually and methodologically. Conceptually factors affecting marketing of insurance are measured under different dimensions. This study focused on eight factors that affect marketing of insurance service. Another issue is primary data iscollected from the employees of the selected companies found only in AddisAbaba which can be geographically bonded. Hence, there might be placement and selection bias which might compromise the quality and reliability of the research findings.To overcome the limitation in respect secondary data, the researcher will also use other reliable sources, such as interviewing insurance professionals and managers of the above organizations.

1.8. Organization of the Thesis

The paper is organized into five chapters. Chapter one stands for introduction of the study. This chapter includes such essential parts of the study like background of the study, statement of the problem and objective of the study. The literature review part of the study presented in chapter two. Chapter three deals with research design and methodology used to carry out the study. It contains research design, model specification, data type, source and instruments of data collection and methods of data analysis. The next main chapter is forth chapter. This chapter deals with the results and analysis of the findings. It contains data presentation, analysis of the result and interpretation. Finally, the last fifth chapter presents conclusions and recommendations.

CHAPTER TWO

2. LITERATURE REVIEW

2.1. INTRODUCTION

In this chapter different literature were reviewed and the source of literature were books, journals, magazines periodical newspapers and previous research works.

2.2. Theoretical Review

The theoretical review aims at giving the meaning of a basic terminologies, theories and creating a comprehensive theoretical framework for the study. The following sub-sections will present concept of insurance, concept of marketing, marketing of insurance services, factors affecting marketing of insurance servicesand overcoming challenges of marketing insurance services and related theories those used in order to achieve the end result of the study.

2.3. Concept of Marketing

Marketing, as the term is commonly understood today, was developed initially in connection with the selling of consumer–packaged goods and later with the selling of industrial goods. The Committee on Definitions of the American Marketing Association (AMA) defined marketing as the performance of business activities that direct the flow of goods and services to the consumer (Alexander, 1960). The characteristics of services are the justification for the claim that services marketing is different to marketing physical products (Grove and John, 2004). Many of the developments in services marketing are fairly recent. The factors affecting the developments within services marketing are organization size and structure, regulatory bodies, growth in service industries, characteristics of services, customer/employee interaction, and specific service sectors. Marketing are the process of researching and promoting to a market with non–physical goods known as services.

According to Kotler (2009), marketing management is the analysis, planning, implementation and control of programs designed to create, build and maintain beneficial exchanges with target buyers for the purpose of achieving organizational objectives such as high profits, sales growth, and market share. This definition of marketing management emphasizes the carrying out of tasks to achieve the desired demand levels in various markets. The purpose of marketing is to generate customer value at a profit. A marketing strategy is most effective when it is an integral component of corporate strategy, defining how the organization will successfully engage customers, prospects, and competitors in the market arena. It is partially derived from broader corporate strategies, corporate missions, and corporate goals. As the customer constitutes the source of a company's revenue, marketing strategy is closely linked with sales. A key component of marketing strategy is often to keep marketing in line with a company's overarching mission statement (Keegan, 2009).

2.4. Concept of Insurance

Insurance is the pooling of fortuitous losses by transfer of such risks to insures, who agree toindemnify insured for such losses, to provide other pecuniary benefits on their occurrence, or to render services connected with the risk E.Rejda (2008). According to the author concepts within the definitions are explained as follows. *Pooling* is the spread of losses incurred by the few over the entire group, so that in the process, average loss is substituted for actual loss, fortuitous loss is one that is unforeseen and unexpected and occurs as a result of chance. Risk transfer on the other hand means that the pure risk is transferred from the insured to the insurer, who typically is in a stronger financial position to pay the loss than the insured. The other characteristics of insurance are indemnification for loss which means that the insured is restored to his/her approximate financial position prior to the occurrence of the loss.

Insurance is a contract in which the insured transfers risk of potential loss to the insurer who promises to compensate the former upon suffering loss. The insured then pays an agreed fee called a *premium* in consideration for this promise. The *promisor*is called insurer and the *promisee*is called the insured (Lowe, 1999).Insurance premium is the monetary consideration paid by the insured to the insurer for the cover granted by the insurance policy. The Insurer takes on a number of clients (insured) who pay small premiums that form an aggregate fund called the premium fund (Norman, 2000). The likelihood of an event or loss may be mathematically calculated or it may be based on the statistical results of past experience in order to determine the amount of premiums that would be required to accumulate a common fund or pool, to meet the losses upon their arising (Grose, 1992). Insurance is a financial product that legally binds the insurance company to pay losses of the policyholder when a specific event occurs. The insurer accepts the risk that the event will occur in exchange for a fee, the premium. The insurer, in turn, may pass on some of that risk to other insurers or reinsurers.

Insurance makes possible ventures that would otherwise be prohibitively expensive if one party had to absorb all the risk. Insurance is an important and growing part of financial sector in virtually all developed and developing countries. A resilient and well-regulated insurance industry can significantly contribute to economic growth through transfer of risk and mobilization of savings. In addition, it enhances financial system efficiency by reducing transaction cost, creating liquidity, and facilitating economies of scales in investment (Mister, 2015).

The insurance industry is different from other financial services in that its main role is to spreadfinancial loss. Policy- holders buy protection against the occurrence of defined events and insurers set reserves against the estimated total cost of claims. Insurance is founded on probability theory, where the price (insurance premium) is set before knowing the exact cost of the product (Keegan, 2009).In line with financial stability forum (2000), we can classify insurance in to three major categories (i) life insurance (ii) non-life insurance and (iii) reinsurance.

Insurance differs in its purpose and nature from other financial services and, in particular, from banking. First, its purpose is unique. Insurance is a risk transfer mechanism whereby an individual can reduce the negative financial consequences of an uncertain future event (Trowbridge, 1975). Essentially, the consumer is purchasing peace of mind that in the event of an insured loss they will be indemnified, i.e. returned to the financial position they were in prior to the loss. Insurance is therefore, one of the most intangible of all the financial services.

Second, not all customers understand or accept the purpose of insurance and, instead, view insurance as a form of investment. In the absence of a claim such customers feel regret, the Insurance was not consumed and the purchase unnecessary (Kunreuther, Pauly&McMorrow,

2013). This can result in dissatisfaction and mistrust at best, or at worst, dysfunctional behaviorin the form of fraudulent claims as the customer attempts to ‘consume’ the product they purchased.

Third, general insurance can be compulsory by law or a necessary addition alongside another purchase. For example, motor insurance and employer’s liability are compulsory by law in most, if not all, countries. Buildings insurance is usually necessary when a mortgage is taken to purchase a house to protect the asset. Insurance, is therefore not always desired *per se*, but is a means to satisfy other wants and needs (Ehrlich and Becker, 1972).

Fourth, insurance is normally an annually renewed contract. In the absence of a change to policy details or a claim, the policyholder therefore has little or no need to contact their insurance provider during the year and the insurer must generate opportunities to stay in touch and build a relationship. The annual renewal itself can also work to erode any early signs of loyalty as it focuses the consumer’s attention on price and can trigger a search of the marketplace for a better deal. General insurance (excluding large commercial) is becoming a commoditized market where there is little difference in policy cover and the purchase is made on price. This contrasts strongly with other financial services sectors, in particular the UK banking sector, where initiatives such as the national switching service were introduced to enable and encourage customers to switch banks more easily, yet the actual number of customers switching remains proportionately low (Dunkley, 2015).

Finally, a wrong purchase can lead to underinsurance or no insurance. Peace of mind is misplaced and the shortfall in cover will not be known until a later date. Past studies suggest that underinsurance is due to a lack of awareness of the types of insurance available or required and/or an inability to calculate the correct level of insurance, e.g. the sum insured (IIB Insurance 2015). Complex products (Bond and Stone, 2004) and consumer apathy (Farquhar and Robson, 2014), characteristics shared by many financial services, also contribute to inappropriate purchases.

The above differences are particularly pertinent for individuals and small business consumers. Larger businesses are most likely to employ an insurance specialist with commercial and technical skills (Sekhon and Kennington, 2000). In addition, due to the complex nature of larger commercial risks and the higher premium charged, the purchase process is likely to be longer with more interaction between the insurer and consumer (Beloucif et al 2004).

Insurance therefore differs both practically and theoretically from other financial services and in particular banking. Differences are both in the nature of the product and the interactions with the provider. For example, banking (and in particular a current account) is a fairly simple, standardized product; transactions (and therefore contact with the provider) are frequent, possibly daily; and the service continues year on year without the need to renew.(Beloucif et al 2004).

2.5. Service Marketing

Most of the challenges in service marketing arise from the basic characteristics of services like intangibility, heterogeneity, inseparability and perish ability (Boelhouwer, 1999). These characteristics have been staples of service research for more than two decades. Each of these characteristics poses certain challenges and requires specific strategies. These challenges revolve around understanding customer needs and expectations for service, tangibilizing the service offering, dealing with a myriad of people and delivery issues, and keeping promises made to customers (Zeithaml and Bitner, 1996). The distinctive characteristics of services pose difficulties in customer evaluation, lead to greater variability in operational inputs / outputs and emphasize the importance of time factor.

With the growing competition in the domestic and international markets, more demanding and assertive customers, rapid advancement in technology, and changing government policies and laws, the marketing environment has changed dramatically in the last decade and is becoming more turbulent. Cravens (2002) argues that marketing is a major stakeholder in new product development, customer management, and value/supply-chain management, and marketing strategy provides concepts and processes for gaining a competitive advantage by delivering superior value to the business's customers (Cravens 2002).

Companies' relationship in marketing also stresses what it calls internal marketing, or using a marketing orientation within the organization itself. It is claimed that many of the relationship marketing attributes like collaboration, loyalty and trust determine what "internal customers" say and do. Contractual relationships are a pervasive fact of economic life. The theory due to their subjective needs, individuals have subjective preferences, and hence different interests. Occasionally, different subjective interest s gives rise to conflicts of interest between contracting partners (Zeithaml and Bitner, 1996).

These conflicts of interest may result, in turn, in one or both parties undertaking actions that may be against the interest of the other contracting partner. Agency theory deals with such problems. Agency theory is concerned with how these agency problems affect the form of the marketing contract and how they can be minimized, in particular, when contracting parties are variously informed (or uncertain). The pervasive nature of contractual relationships gives the agency theory an important place in marketing theory (Kotler, 2003).

The majority of the insurance companies' service products are found within the property/ casualty business. The most important lines of insurance in this field are primarily commercial/industrial and property insurance, marine and transport insurance, professional driver and aviation insurance (Boelhouwer, 1999). During the last decade, there has been a development towards an expansion of mainly large-scale enterprises or corporate groups to form captives. These are insurance companies owned by a firm in order to, as far as possible, be able to level out and eliminate incurring risks on its own and thus lower its insurance costs.

The captive firm is run like a subsidiary, and it insures either directly or indirectly via reinsurance companies, parts of the company's risks. The main difference between private and commercial insurance is that the latter is less standardized and much more complex in its nature. Corporate customers often want individually adapted solutions, countered by insurance packages by the insurers, including combinations of individual insurance. (Bergendahl, Hartman &Lindblom, 1990)

2.6. Marketing of Insurance Services

Literature also suggests that insurance companies that compete effectively on time (speeding new products to market, manufacturing just in time, responding promptly to customer complaints) tend to be good at other business attributes. Some of those business attributes include assessment of customer requirements, product quality consistency, ability to exploit emerging markets, enter new businesses, generate new ideas and incorporate them in innovations (Stalk et al, 1992). Intensive market knowledge (good understanding of customers, competitors and the market environment) is considered to be one of the key approaches to low cost production and efficiency improvement (Storey, 1994). Bezzell et al. (1995) identified six factors for the business competitiveness. They are marketing effort, relative product quality, research and development, product innovation, relative service quality and product availability. The most powerful of these are marketing expenditure, relative product quality. According to Zairi (1994) the key elements of competitiveness include the "voice of the customer through current and future demands and the voice of the process through establishing the organizational capability to deliver customer wants (Fisk, *et al*, 2004).

Insurance marketing is basically just the marketing of insurance products. Insurance marketing emphasizes the importance of the customer preferences and priorities. Major objectives of insurance marketing are increasing customer awareness, successful distribution of insurance products, developing corporate image, improving customer service, improving customer base and its spread (Fisk, *et al*, 2004). Factors impeding the application of insurance marketing are insufficient experience of insurers while expanding insurance business, non-existence of long-term development strategies of insurance companies and the fact that insurers orient mostly to short term needs; and while trying to apply more actively insurance marketing means it is necessary to change the whole organizational management structure of an insurance company, the channels of insurance products sales, technologies of communication with clients innovation (Bezzell et al. 1995).

2.7. Marketing Elements in the Insurance Market

The insurance market is specific because the products that are sold and specific customers. Marketing in the insurance market is comprised of four core elements: Products, Price, Distribution and Promotion. (BesnikZekaj, 2016)

Products

Insurance products in the region are homogeneous; any introduction of new product in market requires the development of long-term insurance products because they have high cost expenditure. Beliefs of consumers for these products are long-term civic obedience. Convince consumers to purchase these products, it requires reliability, which is one of the main components in the insurance market. Also insurance products range quite prosperous. It is assumed that by now are over 90 insurance products in developing countries a high classification of insurance required by international standards, and most have low development party insurance homogeneous products. This is because the introduction of new products is very high cost.

Price

The most important component in the insurance market is the price of the service or product offered by the insurer. To manage risk taking must have tools. Insurance companies provide the means of price policy, or premium, which in itself contains functional and the premium which serves to cover the costs of directing. On premise pricing should know that what serves as the basis for calculating the premium. (Net premium) or functional Premium is part of the premium that would cover losses and expenses with estimated losses. (Gross premium) includes net premium or functional as well as directing or operational costs.

The premium is the price quotes for insurance unit. Security Unit can be quite complicated , which subordinates insurance product that is the word, for example in the provision of fire it can be a building cover 150,000.00 euro, while measuring the production unit will be the value of production for the sales clerk insurance unit that done. Vehicle insurance to insurance unit is provided vehicles for a year. In determining the premise quota should keep in mind that one way to attract customers from the other side must keep in mind the definition of the premium, because low premium may lead to the insurance company in bankruptcy. So to set the price of an insurance policy expert engage various fields using different methods statistical probability accounts, dynamic analysis, methods that is inaccessible to the customer.

Distribution

Distribution of insurance products is done through direct and indirect channels. Direct channels in the insurance market are insurers who themselves develop strategic policies to ensure long-term civic and market development, using various methods of economic propaganda, economic publicity etc. In order to keep close relationship between the insured and the insurer, the insurer uses indirect channels for placing products using many agents, brokers etc.

Promotion

It is a process of communication between providers and consumers in order to create a positive conviction for products and services offered by the insurance market. The promotion is a permanent process of communication by insurance providers for existing and potential customers according to Kotler "Promotion includes all the tools of marketing system, whose task is to communicate with potential buyers." Besides they offer more attractive, sales of insurance products often depends from different communities, whether external or internal. Good communication with the customer company adds belief because consumer confidence will have much more knowledge of who will buy services. Companies that have the highest ratings and working tradition will certainly have greater sales of products, but if this company does not have adequate communication with customers, will miss the marketing of insurance products.

People

People mean the services provider in an organization (Kotler, 2004). According to Zeithaml and Bitner (1996), people are all humans who play a role in service delivery and who influence the perceptions of customers. People are the Service delivery employees (front-line staff), the general staff of the service company, the other customers that take part in the service production and delivery process. Personnel are keys to the delivery of service to customers. Achievement of a customer-orientation is not possible if there is no cooperation coming from the personnel (Judd, 2001). The term service encounter is used to denote person-to-person interactions between a customer and an employee of an organization during the purchase of a service (Bitner, 1994)

Process

These are the activities that occur during the consumption of a service. In addition, process was defined by Zeithaml and Bitner (1986) as the actual procedure mechanisms and flow of activities through which a service is delivered. They also grouped a process in dimensions which includes length, duration and logistical effective. Under length, Zeithaml and Bitner (1986) explained as the number of steps that participants have to follow in order to affect service delivery, duration is the time that elapses from the first to the last activity of the service delivery process and logistical effectiveness being the degree of smoothness in the flow of the steps of the service delivery process. The delivery of the service can be done in-person or through electronic gadgets like machines, phones and others. It is important that the service provider offers the best to the customers because a negative delivery of a process may affect the overall effectiveness of the process. It also considers how quick service transactions can be executed but at the same time considering the quality of the final delivery. An insurance company that has to create competitive advantage through efficient and effective processes has to be robust enough to automatically send reminders to customers when premiums are due and when policies are also due for renewal. All services need to be underpinned by clearly defined and efficient processes. This will avoid mix-up and promote a consistent service. In other words, processes mean that everybody knows what to do and how to do it (Stead, 2010).

In the insurance industry, the process should be customer friendly, easy and convenient to the customers. The speed and accuracy of payment is of great importance. In order to provide high levels of service quality and therefore create value for customers, service organizations need to explain the delivery of their services and ensure the successful implementation of actual plan. For this reason, good planning and effective implementation of the developed delivery plans are key factors for service delivery systems.

Physical Evidence

Physical evidence refers to the tangibles and intangible that services provide to a customer. Lovelock and Wright (2001) describe physical evidence as environment, appearance of buildings, staff member, materials and other visible cues all provide tangible evidence of a firm's service style and quality. Boom and Bitner (1981) explained that physical evidence is of relevance to the retailers or to those who maintain premises from which a service is sold or delivered. Conclusively, the researchers might say physical evidence are the tangibles of a services, those that have an impact on the effectiveness of the service which might include the environment used that is the building in which insurance business operates in the case on the research. Physical evidence is an element that can be easily associated with the product by the customers. Ideally, service companies should create physical evidence to build environments that appeal to the pleasure and arousal states, and stay away from creating atmosphere that create submissiveness (Hoffman, 2006).

2.8. Factors affecting Marketing of Insurance Services

Many of the development Many of the developments in services marketing are fairly recent. The factors affecting the developments within services marketing are organization size and structure, regulatory bodies, growth in service industries, characteristics of services, customer/employee interaction, and specific service sectors (Daniell, 2006). Services marketing are the process of researching and promoting to a market with non–physical goods known as services (Hausman, 2003). Insurance marketing is basically just the marketing of insurance products. Insurance marketing emphasizes the importance of the customer preferences and priorities. Major objectives of insurance marketing are increasing customer awareness, successful distribution of insurance products, developing corporate image, improving customer service, improving customer base and its spread, and etc. Factors impeding the application of insurance marketing are insufficient experience of insurers while expanding insurance business, non-existence of long-term development strategies of insurance companies and the fact that insurers orient mostly to short term needs; and while trying to apply more actively insurance marketing means it is necessary to change the whole organizational management structure of an insurance company, the channels of insurance products sales, technologies of communication with clients (Kotler, 2003).

2.8.1 Ineffective Promotion

The promotional mix is a term used to describe the set of tools that a business can use to communicate effectively the benefits of its products or services to its customers. Market communication performs three basic roles in marketing to inform, to persuade, and to remind (Coviello, *et al*, 2000).

Traditional promotion employs a variety of methods including advertising, sales promotion, public relation, and personal selling to attract the attention of existing and potential customers, and to inform them of the products, services, and special offers made available by the firm (Peattie, and Peattie, 1994).

Each of the categories of promotion mix has now become familiar in many areas of services marketing. In case of life insurance services, promotion is done through a mix of advertising, personal selling, and sales promotion. Promotion communicates with the potential market so as to persuade the prospective customers to try a new insurance product (Periasamy, 2005).

The insurance services depend on effective promotional measures. In a country like India, the rate of illiteracy is very high and the rural economy has dominance in the national economy. It is essential to have both personal and impersonal promotion strategies. In promoting insurance business, the agents and the rural career agents play an important role. Due attention should be given in selecting the promotional tools for agents and rural career agents and even for the branch managers and front line staff. They also have to be given proper training in order to create impulse buying (Coviello, *et al*, 2000).

Advertising and Publicity, organization of conferences and seminars, incentive to policyholders are impersonal communication. Arranging exhibitions, participation in fairs and festivals, rural wall paintings and publicity drive through the mobile publicity van units would be effective in creating the impulse buying and the rural prospects would be easily transformed into actual policyholders.

2.8.2 Choice of Marketing Channels

Distribution is a key determinant of marketing success of all insurance companies. In case of life insurance, it is combination of decisions regarding channels of distribution. Insurance company market various insurance covers either directly or through various distribution channels individual insurance agents, corporate agents including banc assurance and Brokers (Adel and El-Ansary, 2006). These are generally called the traditional channels. In today's scenario agents continue as the prime channel for insurance distribution in India and almost all the players follow this model primarily. However, with new developments in consumer’s behavior, evaluation of technology and deregulation, new distribution channels have been developed successfully and rapidly in recent years.

According to Zeithaml and Bitner (2003), to evaluate insurance services before its purchase and to assess their satisfaction with the service after it is bought; customers tend to rely on tangible cues, or physical evidence. The appearance of building, landscaping, interior furnishing, equipment’s, printed materials, and other visible cues all provide tangible evidence of a firm‘s service quality.

This sort of physical evidence provides excellent opportunities for a service firm to send clear and consistent marketing messages regarding the firm‘s purpose the intended market segment, and the nature of the service (Bitner, 1992 and 1996). In case of insurance business, apart from office environment, materials such as brochures, policy documents, and periodic statements are the tangibles, which will influence the customers. Insurance agencies need to manage all these physical evidences carefully as they can have a profound impact on the impression of the customers. Although all insurance agencies provide similar essential service, the differences that do exist are the physical evidence (Adel and El-Ansary, 2006).

2.8.3 Mistrust in Insurance Relationships

A unique feature of the distribution of insurance services is, the fact that a customer buys a service which actually notice until a loss is suffered(Kotler and Armstrong, 2006). Hence, the policy holder initially consumes a service in the shape of extremely intangible risk coverage and then after some time has elapsed, when something occurs which is covered by the insurance policy, he or she may have the opportunity of consuming the service in another shape, namely the claim settlement. In a recent case study made of ten corporate customers of one of the major Swedish insurance companies, this dual consumption involving two different insurance managers was concluded to be one of the causes of customer mistrust towards insurance firms (Arneving&Demelid, 1997).According to this study there is a mutual mistrust between insurance companies and their customers. From the insurers' view it was based on the customers' propensity to try to gain from fraudulent behavior, but was more categorically expressed by the customers towards the insurance firm(Kotler and Armstrong, 2006).

The claim settlement is but one of four areas where relationships often fail due to imperfectly managed interaction. At the claim settlement, customers almost always perceive themselves to have been encountered with suspicion by the agent, as there is a possibility of the customer wanting to gain from his own loss. The second area is in relation to the offers made to gain customers, often through drastically lowered premiums. How are these really to be interpreted? Third is the concept of complexity and difficulty in understanding the service provided, which was discussed earlier. The final area concerns the history of the strictly institutionalized and regulated insurance business, entailing badly delivered services (Arneving and Demelid, 1997).

2.8.4. Competition

Marketing is becoming increasingly vital in the contemporary Nigerian insurance business environment. Environmental variables and intense competition from other financial institutions have compelled Nigerian insurance companies to devise ways and means to survive and operate efficiently and effectively. Specifically, Nigerian insurance companies are showing some interest in the relevance of marketing techniques in their businesses. These interests have been manifested in form of myriads of products and prices, among other marketing activities. Osoka (1992) asserts that for the Nigerian insurance industry to survive the stiff competition and other environmental forces, it is necessary for practitioners in the insurance industry to adopt innovative marketing strategies (Kotler and Keller, 2006).

2.8.5 Availability of Trained Staff

Professionalism constitutes the main thrust of insurance practice. Hence, it is hypothesized to be positively related with increased consumption. The unique nature of insurance industry should serve as the foundation for a distinctive marketing system in the insurance market (Marney,2000). The agent is very central in insurance marketing process. While this is true, the relationship betweenthe agent and the company they represent can be is often varied.

Because of the technical complications of the insurance products, it is particularly important that those selling insurance understand the contracts they are supposed to sell.

Because a common problem associated with agency is the professional attitude of most insurance agencies. With little or no qualification, one can become an agent or broker Drucker, 1993). Understanding the customer better allows designing appropriate products. Being a service industry which involves a high level of people interaction, it is important to use this resource efficiently in order to satisfy customers. Training, development and strong relationships with intermediaries are the key areas to be kept under consideration. Training the employees, use of IT for efficiency, both at the staff and agent level, is one of the important areas in marketing of insurance services (Gnyawali and Madhavan, (2001)

Zeithaml et al. (1990) indicate that the service-performance gap between what is expected and what is often delivered may be narrowed through increased and better employee training. In order for companies to be responsive to the pre-sale, during-sale, and after-sale service needs of their local clients, companies must invest in training programs in which their agents are comfortable using the technological resources made readily available to them through their providers (Herfled, 1999). The purchase of an insurance contract from insurance agencies is often based, for example, on such criteria as the reputation of the company, the perceived professionalism of the agent, and the price of the policy in relation to the coverage provided. Nonetheless, since new forms of distribution have started to erode the perceived quality relationship that once required a trained agent as part of the traditional buying process, two additional criteria for evaluating service delivery quality may now be needed. The first includes the level of technology provided by the insurance firm, and the second relates to the added psychological cost involved in purchasing the policy without an agent present, (Schlesinger *et al*., 1993).

2.8.6 Pricing of Insurance Services

As might be expected, neither price nor the technology available during the delivery of the service constitutes the principle concern of the average customer. According to an early survey by Cummins *et al.* (1974), only about half of those who purchased insurance actually checked other companies for prices on the same or similar policies. In many cases the individual purchased insurance from a company who was a friend, a relative, a neighbor, or a referral from some trusted source. Hence, insurance transactions are, more often than not, seen as an act of friendship rather than a strictly market-based decision (Schlesinger et al., 1993).

2.8.7 Cost of Insurance

The factor that determines the client's ability to purchase any Insurance product is the issue of cost. The other issue that is facing property insurance and liability today is the high cost of insurance for some segments of the insurance buying public and the response that this high cost has generated among those buyers and among certain other groups.

This is against the backdrop that insurance agent must be made available to all who want and need it and that it must be affordable (Bernard and Raymond, 2008) that will increase the revenue to the industry in particular to the growth of the insurance brokers.

The demand for availability and affordability of the supply of any product is the function of cost, which means that there is an inevitable conflict between these two goals. When the cost of losses for a given group is low, it is clear that insurance was available and affordable. Conversely when the cost of losses for a given group is high the premium must also be high (Ennew, Reed and Binks, 1993).

2.9. Empirical Studies

There have not been empirical studies that address the "factors affecting marketing of insurance service". However, I have got related studies which are explained below.

(Muraki Caroline,2013): the main objective of this research is to investigate the challenges of marketing insurance service by insurance agencies in Nairobi Kenya. The study used a descriptive survey approach in collecting data from the respondents. A questionnaire was used as primary data collection instruments. Descriptive statistics such as means, standard deviation and frequency distribution was used to analyze the data. The study concluded that complex procedures in claims management, failure to adopt information technology strategy affected the marketing of the insurance service and mistrust in insurance relationships between insurance and the customers, lack of innovativeness in insurance product development affected the marketing of insurance services, cost of insurance services and pricing of the insurance policies challenged marketing of insurance services in insurance agency industry.

(Manvendra Pratapsingh et.al 2011): the paper shows the important aspects of life insurance marketing activity from a service perspective and highlights the contemporary issues and challenges facing the life insurance companies in product marketing. Life insurance companies, particularly private sector players give more attention in selling unit linked plans that are not suited to the real needs of the insured. Of the various alternative distribution channels, agency is still dominating and the successful one. Given poor level of awareness, strong customer education programs and promotional strategies are the immediate requirements. Exploring more distribution channels of micro-insurance for untapped rural market is extremely important. Furthermore customer service is the key for the success in life insurance companies therefore should give more attention in post-sales service rather than pre-sales services.

(Turayishimye Thierry 2015): the main objective of the study was to establish the market penetration challenges for insurance companies in Kenya. The study was guided by the following objectives: to find out the internal organization challenges that affect market penetration by insurance companies to establish the external challenges that affect market penetration by

insurance companies and to establish if attitude and buying behavior of the target customer contribute to market challenges by insurance companies.
The study concluded that indeed there exist certain internal challenges within insurance companies in Kenya that affect market penetration of the products to the consumer. More specific the product offering , market approach and fund managers experience, internal business processes, fund size, customer care practice, client communication all influence market penetration. The study also concluded that there are also external organization factors that influence market penetration of insurance in Kenya. Some of the factors include government policy, industry dynamics, market forces, competition, power of buyers and supplies, and threat of new entrants, all influence market penetration challenges faced by insurance companies.

(Mohammed Al-dwari et.al, 2020): The main purpose of this research is to evaluate the major factors that affect the insurance industry in the Middle East countries through applying the principal component analysis method (PCA). The researchers studied and analyzed 19 variables that have an impact on the insurance industry in the Middle East. These variables were summarized into eight major factors based on their importance, among them the inter-developed insurance culture, and the industry’s dependence on traditional insurance products. These variables were categorized according to their significance, and in light of the nature of the implication of every factor. The study revealed that the first factor “Inter developed insurance culture” was the most significant factor, followed by the second factor “lack of awareness”, and then comes the third factor “low insurance premium”.

(Akroush ,2011) conducted a study on “The 7ps classification of marketing mix Revised: An empirical assessment of their generalisability, applicability and effect on performance –evidence from Jordan’s service organizations”. The purposes of this research are: (a) to investigate the generalisability of Boom and Bitner's (1981) services marketing mix paradigm (SMM), 7P s, and (b) to examine the effect of service marketing mix on business performance in Jordan’s services organizations. A quantitative methodology was adopted in which a structured questionnaire was developed and distributed to a sample of 164 marketing managers in Jordan's services organizations. With a response rate of 91.2%, 146 questionnaires were returned and were valid for data analysis. Structural equation modeling was used to test the research model and hypotheses. The empirical findings of exploratory and confirmatory factor analyses indicate that the 7Ps of the service marketing mix are found to be only 5Ps in the Jordanian context. Structural paths analyses findings indicate that the 5Ps of SMM have a positive and significant influence on Jordan’s service organizations performance. The findings also indicate that the strongest predictors of the 5Ps model on performance are people (the service providers), service price and service distribution, respectively. A major finding is that the expanded 3Ps (people, 16 process, physical evidence) of service marketing mix have loaded on only one factor named as "people", meanwhile the 4Ps of traditional marketing mix loaded on four factors as theoretically proposed. Managers should adopt the 5Ps of service marketing mix but the fifth P (people) should include the expanded 3Ps (people, process, physical evidence) as an integrated approach to achieve intended performance levels. However, the research model is developed and tested in Jordan's services organizations which may limit its generalisability to other service industries without further examination. The major contribution of this study is that it is the first quantitative empirical study that has examined the service marketing mix model elements and their effect on business performance in the Jordanian context.

2.8. Conceptual Framework

Based on the theoretical foundations, the following frameworks are developed for factors affecting marketing of insurance services.

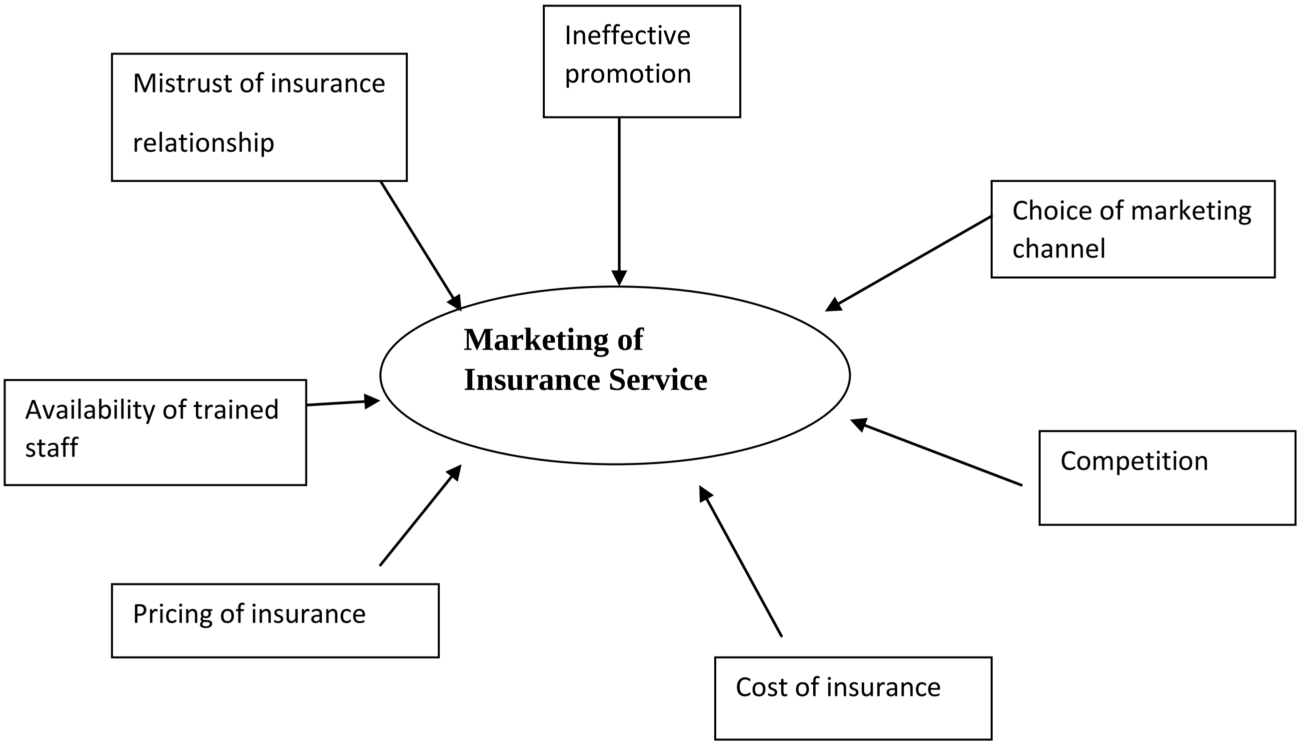

Figure.1. *Factors affecting marketing of insurance service*

Source: (Muriuki Caroline, 2013)

CHAPTER THREE: RESEARCH METHODOLOGY

3. Introduction

This chapter presents methodology that was used to conduct the study. It covered the research design, the target population, data collection instruments and procedures and the method of data analysis.

3.1 Research Approaches

Research approaches is plan and procedure for research that span the steps from broad assumption to detailed method of data collection, analysis and interpretations. It is a plan proposed to conduct the research, involving the intersection of philosophy, research design and specific methods (Creswell, 2014). The, the researcher used both the quantitative and qualitative research approach based on the nature of data, the problem taken into account and pre-determined objective in this study

3.2. Research Design

This study endeavor to see the factors affecting marketing of insurance service in Addis Ababa. So to achieve this aim, descriptive research design was used. Descriptive research design is scientific method of investigation in which data is collected and analyzed. Hence, this method selected for the reason that it enables the researcher to obtain the information concerning the current status of the phenomenon, and describe and explain the current status of subject of the study. In addition, descriptive research design method is advantageous to collect details and rich data from many respondents once at a time which will be possibly leads to important recommendation (Mugenda, 2003).Thus this approach will adopted because it requires to describe the situation as it is concerning with related variables, and evaluate how the former practice influences on the latter practice.

3.3Sampling and Sample Design

3.3.1 Target Population

A population is the group of individual, objects, or items from among which sample are taken from the measurements (Singh, 2007). It is the universe of the events from which the sample is drawn. Accordingly, the population of this study covers approximately 300 employees of the three insurance companies mainly related to the marketing of insurance service, the researchertaken 171 employees from all Addis Ababa branch of Ehtio-Life and general insurance, Nile insurance and Abay insurance companies by using non probability quota and convenient sampling techniques per the below calculation only interested clients was selected from their respective branch based on the quota to fill out the questioners.

3.3.2 Sample size and Sampling techniques

Ehtio-Life and general insurance, Nile insurance and Abay insurance have a total of approximately 8000employees in Addis Ababa branches. Due to time and budget constraints, it is difficult to include all members of the population as a source of data for the study. Accordingly the researcher applied non- probability sampling method which is representative of the total population of the study made for acquiring primary data from sample employees through self-administered questionnaires.

Based on, Yamane Taro (1967) simplified formula calculate to obtain manageable sample size from large population size. Taking in to account the large population size, the assumption is best alternative and 95% confidential.

Hereafter, the formula applying to compute sample size is:-

n = N/ 1+N(e2)

Where:n = size of sample

e = maximum tolerable sampling error=5%

N= population size

n = size of sample

Accordingly, the sample size computes using this appropriate formula:

N= 300 e= 0.05

= 300/1+300(0.05)2 n =171 sample size

Therefore, employees selected from Addis Ababa City branch. And, convenience sampling method is applied by distributing the questioners.

3.4Data Sources and Data Collection Instruments

3.4.1Data Sources

In this study, both primary and secondary data sources used to obtained relevant information.

3.4.1.1 Primary Source

Primary data of the study collected for the first time by the researcher and are original in nature. These data was collected from employees of Ethio-Life and general insurance company, Nile insurance company and Abay insurance company city branches by distributed to branch office.

3.4.1.2 Secondary Data

Secondary data are those that are not collected by the researcher for the first time. These data had been generated by others and archived in raw form or in used result form for various purposes. Secondary data are thoroughly searched from different published and unpublished sources.

3.5. Data Collection

A questionnaire is used as primary data collection instruments. This is because questionnaires are easier to administer and save time. The questionnaire is divided into sections representing the various variables that are adopted for the study. The questionnaire included closed and open ended questions which sought views, opinion, and attitude from the respondents which might not have been captured by the closed ended questions. The questionnaire will be administered through drop and pick method.

3.6. Data Analysis Techniques

The collected data is examined and checked for completeness and comprehensibility. The data is then summarized, coded and tabulated. Descriptive statistics such as means, standard deviation and frequency distribution is used to analyze the data. The data is tabulated with the help of the Statistical Package for Social Sciences (SPSS) that has data handling and statistical analysis capability that can analyze data statistics and generate descriptive statistics such as frequency, percentages, means and standard deviations. Data presentation is done by the use of frequency tables and percentage. This ensured that the gathered information is clearly understood.

3.6. Ethical Consideration

Respondents were granted privilege of not writing their names and other identities to hide them from unwanted approach to be maintained by other groups later on. Furthermore, they were assured on the part of treatment their responses in strict confidentially. No respondent was forced to fill the questionnaire unwillingly and without the actual purpose of the research being clear to him/her.

CHAPTER FOUR: DATA ANALYSIS, RESULTS AND DISCUSSION

4. Introduction

This chapter presents the data analysis, results and discussion of the findings based on the objectives of this study. The objective of the study was to establish the factors affecting marketing of insurance services.

4.1 Response Rate

From the study, the study population was 171 where 80 respondents responded and returned the questionnaires. The 80 respondents were 1 marketing manager, 16 branch managers and 25 underwriting officers from Ethio-life and general insurance. 1 marketing manager ,9 branch managers and 15 underwriting officers from Nile insurance.1marketing manager, 5 branch managers and 7 underwriting officers from Abbay insurance. This constituted 95% response rate. Mugenda and Mugenda (2003) indicated a respondent rate of 50%-70% is sufficient for a study and therefore a respondent rate of 95% for this study was very good.

4.2 General Information

The study sought the background of the respondents focusing on respondent's position in the insurance company, respondent level of education and period the respondents had been working in the insurance company.

From the findings respondents were marketing managers, branch managers and underwriting officers in the insurance companies. This clearly indicates that the information on factors affecting marketing of insurance services was collected from relevant parties hence data was valid.

Table 1: Respondents Demographic Profile

Variables	Category	Frequency	Valid Percentage
Level of Education	Diploma	0	0
	Graduate	55	68.8
	Post Graduate	25	31.3
Working period in the company	1-3 years	11	13.8
	4-6 years	48	60
	7-10 years	18	22.5
	Above 10 years	3	3.8
Number of Years The Company Has Been In Operation	1-3 years	0	0
	4-6 years	0	0
	7-10 years	0	0
	Above 10 years	80	100

From the findings as in Table 1, we can see the demographic profile of the respondents. Majority 68.8% of the respondents indicated that they were graduate holders, 31.3% of the respondents were post graduates while there is no respondent holding diploma. This implies the insurances companies employed qualified personnel to market insurances services to the market and could thus offer relevant information concerning factors affecting marketing of insurance services in their companies and also in the country.

It is also shown that 60% of the respondents indicated that they had been working in insurance company for 4-6 years, 22.5% of the respondents indicated that they had been working for 7-10 years, 13.8% of the respondents indicated that they had been working for 1-3 years while 3.8% had been working for over years This implied that the majority of the respondents had worked in insurance for a long period and had experience on challenges affecting marketing of insurances services.

From the above table we can see that 100% of the respondents indicated that insurance the companies had been in operation for over 10 years. This implied that insurance companies had been in marketing insurance services for long period and had experience challenges in marketing of their services.

4.3 Descriptive Analysis

This section presents the data analysis elements, which is factors affecting marketing of insurance service and overcoming challenges of marketing insurance service separately.

Table 2: respondents' response on marketing effectiveness, strategy and customer retention

Variables	Responses	Frequency	Percentage
Is marketing of insurance service effective in your company?	Yes	23	28.8
	No	57	71.3
To what extent marketing strategies adopted by your Company affects the insurance marketing?	Very great extent	3	3.8
	Great extent	26	32.5
	To moderate extent	46	57.5
	To less extent	3	3.8
	To no extent	2	2.5
Effectiveness of customer retention management in the insurance company?	Yes	26	32.5
	No	54	67.5

From the findings, in table 3; 71.3 % of the respondents indicated that marketing of insurance service was not effective in their insurance company while 28.8% indicated that marketing insurance service was effective in their company. This implied that the employees of insurance companies think there marketing is not very effecting which will enable them to list what factors are contributing to the ineffectiveness of marketing the insurance services.

Marketing strategies adopted by insurance companies was found to affect marketing of insurance services to moderate extent as indicated by 46 (57.5%) of the respondents while 26 (32.5%) indicated that marketing strategies adopted in marketing of insurance services affecting marketing of the services to a great extent. This clearly indicated that marketing strategies adopted by the insurance companies in marketing of insurance are not suitable hence ineffective. These indicate the marketing strategies adopted by insurance companies are not effective.

From the findings 54 (67.5%) of respondents indicated that customer retention management had not been effective in marketing of insurance services in insurance companies while 26 (32.5%) indicated customer retention management had been effective in marketing of insurance services. The respondents explained that poor customer retention management had been affecting insurance service quality where customer feeling unsatisfied.

Table 3: Factors Hindering Marketing of Insurance Services.

	Mean	Std deviation
High competition in the market	4.41	0.791
Rigorous regulations	3.91	0.957
Ineffective advertisement of insurance services	3.66	0.826
Lack of customer awareness on insurance services	4.01	0.720
Incompetence and inexperience of staffs	3.54	1.124

The results in Table 4 indicated that high competition in the market affected marketing of insurance services to a very great extent as indicated by a mean of 4.41. it is also shown that lack of customers awareness on insurance services has a great effect on the marketing of insurance services as it is indicated by a mean of 4.01.the study further found that rigorous regulation and Ineffective advertisement of insurance services hindered marketing of insurance service as indicated by a mean of 3.91 and 3.66 respectively. While incompetence and inexperience of staff in insurance companies show they have relatively less effect on hindering marketing of insurance services in insurance companies.

The findings concurred with Osoka (2002) who found that environmental variables and intense competition from other financial institutions have compelled insurance companies to devise ways and means to survive and operate efficiently and effectively.

Table 4: Promotion and Distribution Challenges Faced by Insurance Companies

Variable	Category	Mean	Std deviation
Promotion challenges	Ineffective advertisement	3.65	0.943
	Lack of sale promotion	2.76	1.022
	Poor public relation	2.84	1.049
	Ineffective choice of promotion strategies	3.58	1.134
	High cost of promotion	3.88	0.946
	Ineffective personal selling	3.54	1.272
Distribution challenges	Choice of communication channel	3.61	0.921
	High premium insurance brand	3.17	1.111
	Lack of reliability	3.68	1.188
	Fraudulent claims	3.70	1.257
	Lack of brochures, policy documents, and periodic statements are the tangibles, which will influence the customers	2.09	1.009
	Inaccessibility of the insurance policies	2.81	1.157
	Poor appearance of building, poor landscaping and poor interior furnishing of insurance agency offices	2.06	1.140

The results on table 6 show the extent to which promotion & distribution challenges faced by insurance companies affect marketing of insurance services. The study found that high cost promotion and ineffective advertisement affecting marketing of insurance services to a very great extent as indicated by a mean of 3.88 and 3.65 respectively. The study found that ineffective choice of promotion strategies and ineffective personal selling affected marketing of insurance services to a great extent as indicated by 3.58 and 3.54 respectively. The study further found that lack of sales promotion and poor public relation affected marketing of insurance service to a moderate extent. This clearly indicated that ineffective personal selling, ineffective choice of promotion strategies, high cost of promotion and ineffective advertisement affected marketing of insurance services to a very great extent. The findings concurred with Periasamy, (2005) who found that in case of insurance services, promotion needed to be done through a mix of advertising, personal selling, and sales promotion as promotion communicates with the potential market so as to persuade the prospective customers to try a new insurance product.

The results also indicate Fraudulent claims, lack of reliability and choice of communication channel affect marketing of insurance services by the insurance agencies as indicated by a mean of 3.70, 3.68 and 3.61 respectively. High premium insurance brand is the second factor affecting insurance marketing indicated by mean of 3.17. The results also indicated that an unattractive building, poor landscaping and poor interior furnishing of insurance agency offices, Inaccessibility of the insurance policies and of brochures, policy documents, and periodic statements and inaccessibility of insurance policies affect insurance companies in a moderate extent. The finding concurred with Coviello, Brodie and Munro, (2000) who found that ineffective promotional mix greatly affected marketing of organization products and services. The findings further concurred with Arneving and Demelid, (1997) who noted that poor relation to the offers made to gain customers, high premiums and complexity and difficulty in understanding the service provided as well as regulated insurance business, entailing badly delivered services resulting to ineffective marketing of the insurance services.

Table 5: Challenges affecting marketing of insurance services

	Mean	Std deviation
Mistrust in insurance relationships between insurance and the customers	3.72	1.368
Failure to adopt information technology strategy	3.05	0.992
Low trained and inexperience marketing staff	3.28	1.092
Pricing of the insurance policies	3.46	0.885
Cost of insurance services	3.46	0.921
Lack of innovativeness in insurance product development	3.13	1.151
Complex procedures in claims management	3.65	1.254

Table 7 results indicated that mistrust in insurance relationship between insurance and customer and complex procedures in claims mean of 3.72 and 3.65 respectively. Pricing of insurance policies and cost of insurance service has an effect on insurance marketing indicated by a mean of 3.46. The results further indicated that lack of innovativeness in insurance product development, low trained and inexperienced marketing staff affect insurance marketing to moderate extent as indicated by a mean of 3.1and 3.28 respectively. Failure to adopt information technology has become the least affecting factor of insurance marketing according to the results. This clearly indicated that complex procedures in claims management, failure to adopt information technology strategy affected the marketing of the insurance service and mistrust in insurance relationships between insurance and the customers, lack of innovativeness in insurance product development affected the marketing of insurance services, cost of insurance services and pricing of the insurance policies challenged marketing of insurance services in insurance agency industry. The findings concurred with Kotler and Armstrong, (2006) who noted that mutual mistrust between insurance companies and their customers, fraudulent behavior hinders effective marketing of insurance services.

Table 6: Overcoming challenges of insurance marketing

	Mean	Std deviation
Building trust between insurance companies and customers	4.26	0.725
Effective promotion and distribution channel	4.08	0.911
Innovative marketing strategy	4.03	0.900
Educating the society about insurance products and services	3.85	1.192

Table 9 results indicated that all of the above factors have a great extent in overcoming the challenges faced by insurance companies in marketing of their insurance service. Building trust between insurance companies and customer plays a major role in overcoming marketing challenges according to the result indicated by a mean of 4.26. Effective promotion and distribution and innovative marketing strategy indicated by a mean of 4.08 and 4.03 respectively also help in overcoming insurance marketing challenges.

4.4. Overcoming Challenges Faced by Insurance Companies

The respondents were requested to indicate how challenges affecting marketing of insurance services in insurance companies by open ended question so they can give their own opinion even though most of them had returned the question blank. From the findings, the respondents indicated that the management in insurance companies need to employees skillful, knowledgeable and qualified marketing workforces who could effectively market the companies' insurance services. The study found that the insurance companies need to adopt effective marketing strategies, select efficiency channel of advertisement and improve on delivery of quality of insurance services as well as advertise aggressively to attract more customers. They also suggest that increasing society awareness about the insurance and shifting the market from being price derived to being service quality derived. The other main issue raised by most of the respondents in overcoming insurance marketing is improving the time taken to handle customers claim and making it free from fraud.

4.5. Discussions

Based on the findings the researcher evaluated and interpreted the implications of the findings. Thus by examining, interpreting and qualifying the results drawn from the findings the discussions are done qualitatively and quantitatively.
Regarding to the effectiveness of marketing insurance services in the insurance companies most of the respondents which is 71.3% of them agreed that there is no effective marketing or marketing strategy in the selling of insurance services. The ineffectiveness of marketing of insurance services leads to a low premium collection which will affect the growth and profit of the insurance companies. Marketing is the backbone of an organization, if it is ineffective selling product and services of the company will be difficult these will in turn affect companies profitability,

The factors hindering marketing of insurance services discussed by the respondents was the high competition in the market. Among the respondents most of them believed that one of the major factors hindering marketing of insurance services is high competition, the competition among insurance companies is based on premium deduction rather than service quality which affect the companies in developing good marketing strategy. Unfair competition occurs when business person act to avoid competition or to win the competitor in ways that kill or weaken the competition. It is exercised through using restrictive business practice such as predatory pricing, exclusive dealing, cartel and the like rather than focusing on innovation, choice, quality and service (Haroye, 2008). Predatory pricing occurs when firms sell their product at reasonably low price to drive competitors out of the market to prevent new entry and successfully monopolize the market and hence result in reduced products and high price in the future (Haroye, 2008).

The other major factor in hindering marketing of insurance service that is chosen by the respondents is lack of qualified insurance professionals. This lack of qualified professionals in the field makes insurance companies unable to compete in the market efficiently and give satisfactory insurance services to their clients. This is because insurance industry by its nature requires effective risk determination and risk identification by qualified professionals to collect equivalent premium for those risks. But in Ethiopia there is no institute giving specialized insurance courses. The only institute giving short term trainings is the Institute of Ethiopian financial studies. Zeithaml et al. (1990) indicate that the service-performance gap between what is expected and what is often delivered may be narrowed through increased and better employee training. In order for companies to be responsive to the pre-sale, during-sale, and after-sale service needs of their local clients, companies must invest in training programs in which their agents are comfortable using the technological resources made readily available to them through their providers (Herfled, 1999).

The respondents also believe that customer awareness has a great factor in affecting insurance marketing (mean:4.01).Awareness of the use and knowledge of insurance terms and condition is positively related to customer's satisfaction. This is because the higher the level of one's awareness of terms and conditions, insured's perception met expectation. Majority of insurance consumers misunderstand of insurance terms and conditions creates customers dissatisfaction. (Wilson 2004) observed that much of the dissatisfaction with insurance is based on a faulty idea of what insurance is and how it operates. With this level of awareness, insurance patronage and consumption becomes a daunting task. This problem is even made worse by the high level of illiteracy among the citizenry (Oworen, 1993). An institutional bottleneck that affects insurance marketing and consumption as argued by Gowon (2004) is insufficient publicity and public awareness campaign by insurance companies.

According to the product factors affecting marketing of insurance services 69.7% of the respondents agreed that the availability of marketing channel highly affect insurance marketing. While the rest of the respondents believe cost of marketing nature of insurance product and consumer perception affect the insurance marketing.

The respondents were asked to what extent marketing strategies adopted by their insurance company affected marketing of insurance service, most of the respondents replied that it is affecting only to moderate extent. They believe the marketing strategies adopted by the companies have a little effect in insurance marketing.

Although the majority of the respondents (67.5% of the respondents) agreed that customer retention management has not been effective in the marketing of insurance services, some of the respondents (32.5% of the respondents) replied that customer retention has been effective in their company. They said as long as insurance companies deliver similar products and switching costs of those customers is low insurance clients going out of the one to the other and sometimes out of the industry totally. The outcome of a number of factors relating to the time the customer spends with the organization which includes the higher initial costs of introducing and attracting a new customer, increases in both the value and number of purchases, the customer's better understanding of the organization, and positive word-of-mouth promotion (Havaldar et al, 2012). In addition, retaining customers saves the effort and cost of gaining new ones. Rust and Zahorik(1993) argue the financial implications of attracting new customers may be five times as costly as keeping existing customers. Customer retention is important to most companies because the cost of acquiring a new customer is far greater than the cost of maintaining a relationship with a Current customer (Ro King, 2005).

The other challenge forwarded by the researcher to the respondents was promotion challenges faced by the insurance companies in marketing their service. Regarding to this point most of the respondents believe that high cost of promotion ineffective advertisement have high extent in affecting the marketing of insurance service while the rest of the respondents believe that ineffective choice of promotion strategies and ineffective personal selling are the promotional factors affecting marketing of insurance services.

Other challenges of marketing insurance services were also mentioned by the respondents. Among the major factors raised with a high number of respondents are fraudulent claim, mistrust in insurance relation between insurance and customers and complex procedures in claim management. Mistrust in insurance relation will occur due to the complex claim procedures and frauds. Customer trust in a firm is the principal mediator between product or service attributes and customer retention (Garbarino and Johnson, 1999). Customer trust significantly contributes to sales growth through customer acquisition and retention. The development and upkeep of trust in a business environment is critically important, especially in such a highly unpredictable market with reduced product differentiation as insurance (Fournier and Yao, 1997; Urban et al., 2000; Papadopoulou, et al., 2001)

In overcoming the challenges affecting marketing of insurance services respondents have suggested different factors. Giving training to staff members, fast and effective claim handling and building trust between insurance companies and customers are among the major factors with a high number of respondents that help in overcoming of challenges in marketing of insurance services. The respondents also suggested using effective communication channel, effective distribution and innovative marketing strategies are good in overcoming challenges of insurance marketing.

CHAPTER FIVE

5. Summary of major findings, Conclusions and Recommendations

By analyzing the results and findings of the research from the previous chapter, the researcher draws conclusions about the factors affecting marketing of insurance services. Finally the chapter provides some recommendations to be taken by the insurance industry of Ethiopia to overcome the current challenges and to exploit the existing opportunities of the market.

5.1. Summary of major finding

Regarding to the effectiveness of marketing insurance services in the insurance companies most of the respondents which is 71.3% of them agreed that there is no effective marketing or marketing strategy in the selling of insurance services. The ineffectiveness of marketing of insurance services leads to a low premium collection which will affect the growth and profit of the insurance companies.

The other major factor in hindering marketing of insurance service that is chosen by the respondents is lack of qualified insurance professionals. This lack of qualified professionals in the field makes insurance companies unable to compete in the market efficiently and give satisfactory insurance services to their clients. This is because insurance industry by its nature requires effective risk determination and risk identification by qualified professionals to collect equivalent premium for those risks. But in Ethiopia there is no institute giving specialized insurance courses.

The respondents also believe that customer awareness has a great factor in affecting insurance marketing (mean:4.01).Awareness of the use and knowledge of insurance terms and condition is positively related to customer’s satisfaction. This is because the higher the level of one’s awareness of terms and conditions, insured’s perception met expectation. Majority of insurance consumers misunderstand of insurance terms and conditions creates customers dissatisfaction.

Although the majority of the respondents (67.5% of the respondents) agreed that customer retention management has not been effective in the marketing of insurance services, some of the respondents (32.5% of the respondents) replied that customer retention has been effective in their company. They said as long as insurance companies deliver similar products and switching costs of those customers is low insurance clients going out of the one to the other and sometimes out of the industry totally.

5.2. Conclusion

The insurance business in Ethiopia is not a recent phenomenon, it accounts over a century started from the establishment of the first insurance company in the country in 1905. But the growth of the sector is still undeveloped. Ethiopian insurance market is under developed. This can be explained by low level of penetration and density in the market and its low level contribution to the GDP. It contributes only 0.75% of the GDP which much lower than the performance of the insurance industry in other African countries.

As it is discussed in the previous chapter the Ethiopian insurance market has many challenges in marketing of its service. The first challenge of the industry is the existence of price war and unhealthy competition among the insurance companies. Rather than competing with qualified and efficient service and competing with new products, the current insurance companies mostly compete with premium. Competition with price leads companies to reduce premium payments collected from insurance clients. This unhealthy competition results less revenue of the insurance industries. In turn, insurance companies focus on reduction of premiums to attract customers rather than focusing on quality service. It also back fires on insurance companies by putting pressure while settling claims payments to those claimants.

Promotions done by the insurance services are ineffective, these due to lack of proper advertisement and proper choice of advertising media they are not reachable to the public. Advertisements are not understandable and don’t give a clear message about the insurance products and services offered by the companies. There are no public relations done by the insurance companies, like sponsor ship or societal marketing.

Lack of adequate qualified insurance professionals is also the current challenge of the insurance industry. Insurance companies in Ethiopia start out insurance transaction with little understanding of it. Professional in the industry are usually graduates with degree or masters in

business related fields. This is because there is only few institutionalized and specialized training in the subject of insurance. As result, insurance companies lack experienced and qualified staff. This makes insurance companies inefficient while determining, assessment of risks and render professional insurance services to their customers prudently.
High cost of marketing and promotion is also another factor in that hinders the marketing of insurance service. As stated above insurance companies are competing by premium reduction which leads to reduced or low revenue, so if the insurance companies have low revenue they won'tbeable to afford the cost for marketing of their services. Insurance companies are using ineffective method of advertisement which is not clear or understandable for the customers about the product and services they are offering.

Retaining existing customers for a longer period of time is another challenge of the insurance companies in Ethiopia. The existence of unhealthy competition or price war among firms and the similarity on insurance products throughout the industry makes customers switching from the one and moving to the other frequently. This due to lack of basic insurance knowhow by the customer side which is only price based selection among insurance companies.Rigorous regulations are the other challenging factors in the marketing of insurance services. National bank of Ethiopia is the regulatory body for insurance companies; this regulatory body is constituted with more than 90% of bank professionals with a little or no knowledge about the insurance market. The national bank of Ethiopia has done nothing in developing policy strategies that promote the insurance sector; there are no training centers that individuals can train and gain knowledge about the insurance sector.

The other major challenge of the Ethiopian insurance market is complex procedures in claim management and fraudulent claims. This is a major challenge for the companies because claim settlement is the main job of the insurance companies, if insurance companies cannot settle their claims properly, fairly and on time then their existence will be in question. As we have seen before insurance companies are competing by reducing premiums, they give cover to hazardous risk with a very low premium which will make them unable to cover the risk at the time of claim. The other reason for complex claim handling is, at the time of claim there are many stake holders involved in the process, like the police, independent surveyors, tolling service, the garages and so on. Since these stakeholders doesn't have proper and ethical cooperation with the insurance companies that means they don't disclose necessary information's free from biasorfraudulent reports and estimations regarding loss or damage of properties. Unfair and fraudulent claim settlements lead to mistrust between the insurer and the insured which also affects the insurance marketing.

Even though the insurance market in Ethiopia has many challenges in marketing of its services. The research also shows overcoming factors of these challenges. The study found that the insurance companies need to adopt effective marketing strategies, select efficiency channel of advertisement and improve on delivery of quality of insurance services as well as advertise aggressively to attract more customers. The companies should also work on staff training and development.

5.2 Recommendations

The researcher recommends the following points to be taken by the insurance companies to overcome the current challenges in the marketing of insurance services.

- The study recommends that management of insurance firms need to make effective choice of communication channel, enhance reliability in delivery of insurance service, through developing automation or information technology support widening insurance branch accessibility. Meanwhile insurance companies should highly improve claim handling techniques by collecting reasonable premium in underwriting process and entertain claim utmost good faith, fast and efficient response for claim issues unless the claimants engaged in illegal activities or fraud.

- Insurance companies should have arrange awareness creation programs, for instance participating in societal marketing, exhibitions, public gatherings, sponsoring in different advertising plat forms, like radio and television programs and repeated air time promotion.

- Insurance companies should avoid the existing price war and unfair competition among them. As long as the existing competition with premium causes decline in their revenues and puts pressure on them when unforeseen future occurrence and sever claims arises, so they should avoid competing with price. It will also have a total negative impact on the insurance industry by reducing the share of the industry in the national market. Companies could enhance healthy competition by setting minimum premium to be collected by class of business beside national bank directives, rather than only price based unhealthy competition in the market, insurance companies better to provide other incentives that recognize the insured, like award for those who haven't been lodge claim further to no claim bonus discount made on annual base for the insured or customer.

- The existing insurance companies should take appropriate actions to make their current staff more professional and qualified in the field of insurance business. The insurance companies should create relations with higher education institutes to get specialized insurance courses from those higher education institutes. The regulatory body should focus in expanding training institutes for the insurance sector.

- Insurance companies should provide better customer services to avoid the current problems of customer turnover. The insurance companies should revise their services according to their customers' needs and they should be customer focused. By assessing customer need and want especially from their opinion or feedbacks and mainly from service complaints.
- The insurance company's offices, branches and contact offices should be situated in an easily reachable, attractive and having sufficient parking area, hence good looking interior design and well furnished of insurance head offices and branches as well. For the accessibility of the insurance companies with their products to enhance effective marketing of insurance services.

- The insurance companies should consider the nature of their products, so Ethiopian insurance companies able to adopt different insurance products and policies.

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Appendix

Questioner

ST. MARY UNIVERSITY

SCHOOL OF GRADUATE STUDIES

The objective of this questionnaire is to secure the necessary and relevant firsthand information that will be useful to conduct a research regarding ***“FACTORS AFFECTING MARKETING OF INSURANCE SERVICE”*** which will be used to prepare a thesis requiredfor degree of masters in marketing management. Therefore, your response in this regard helps a lot to undertake the study. Please be assured that this is purely for academic purposes and your responses will be handled with utmost confidentiality. The researcher appreciates in advance your coordination and your valuable time filling this questionnaire.

Section A: General Information

1. What is your position in the company? ___________________________________

2. What is your level of education?

i. Diploma [ ]

ii. Graduate [ ]

iii. Post Graduate [ ]

Any other, kindly Specify……………………………………………………………………

3. Indicate the period of time you have been working for your insurance company.

1-3 years [ ] 4-6 years [ ]

7--10 years [ ] above 10 years [ ]

4. How long in years has your insurance company been in operations?

1-3 years [ ] 4-6 years [ ]

7--10 years [ ] above 10 years [ ]

SECTION B

5. Has marketing of insurance service in your insurance company been effective?

1. Yes [ ]
2. No [ ]

Give a reason for your answer…………………………………………………………...

6. Kindly indicated the extent to which the following has been hindering marketing of insurance Services in your company? Use a scale of 1-5 where 1= to no extent at all.5= very great extent

	1	**2**	**3**	**4**	**5**
High competition in the market					
Rigorous regulations					
Ineffective advertisement of insurance services					
Lack of customer awareness on insurance services					
Competence and experiences of staff in your company					

7. Which of the following factors greatly influence marketing of insurance services in your Company?

i. Nature of the Insurance products [ ]
ii. Consumer perception [ ]
iii. Cost of marketing [ ]
iv. Availability of marketing channels [ ]

Any other (Kindly specify)……………………………………

8.To what extent has marketing strategies adopted by your company in marketing insurance services been affecting marketing of the insurance services?

i. To Very great extent [ ]
ii. To Great extent [ ]

iii. To Moderate extent [ ]

iv. To Less extent [ ]

v. To No extent [ ]

9. Has customer retention management been effective in marketing of insurance service in your firm?

i. Yes [ ]

ii. No [ ]

Give reasons for your answer

10. To what extent do you agree with the following statements that relate to promotion Challenges faced by your company in marketing insurance services? Use a scale of 1-5 where 1= to no extent at all.5= very great extent

	1	2	3	4	5
Ineffective advertisement					
Lack of sale promotion					
Poor public relation					
Ineffective choice of promotion strategies					
High cost of promotion					
Ineffective personal selling					

11. Which type of media has your company used mostly in marketing insurance Services? (tick 2 using a symbol ×)

i. Televisions [ ]

ii. Radios [ ]

iii. News paper[ ]

iv. Bill Boards [ ]

12. Kindly indicated the extent to which the following issues have affected marketing of insurance services in your company? Use a scale of 1-5 where 1= to no extent at all.5= very great extent

	1	**2**	**3**	**4**	**5**
Choice of communication channel					
High premium insurance brand					
Lack of reliability					
Fraudulent claims					
Lack of brochures, policy documents, and periodic statements are the tangibles, which will influence the customers					
Inaccessibility of the insurance policies					
Poor appearance of building, poor landscaping and poor interior furnishing of insurance agency offices					
Any other, specify					

13. To what extent do the following challenges affected marketing of insurance services in your company? Use a scale of 1-5 where 1= to no extent at all.5= very great extent

	1	**2**	**3**	**4**	**5**
Mistrust in insurance relationships between insurance and the customers					
Failure to adopt information technology strategy					
Low trained and inexperience marketing staff					
Pricing of the insurance policies					
Cost of insurance services					
Lack of innovativeness in insurance product development					
Complex procedures in claims management					

14. Kindly indicated which of the following issues can be more appropriate to overcome the of challenge marketing insurance service in your company. You can choose more than one issue

i. Development of new insurance products that meet customer want [ ]
ii. Fast and effective claim handling process [ ]
iii. Adoption of information technology system [ ]
iv. Giving training to staff members [ ]
v. Reduction of premium [ ]
vi. Using effective communication channels [ ]
vii. Any other, specify____

15. To what extent do the following factors help to overcome the challenge of marketing of Insurance service? Use a scale of 1-5 where 1= to no extent at all.5= very great extent

	1	**2**	**3**	**4**	**5**
Building trust b/n insurance companies and customers					
Adoption of new insurance policies and products					
Effective promotion and distribution channel					
Innovative marketing strategy					
Educating the society about insurance products and service.					

16. In your own opinion, indicate how challenges faced by insurance companies in marketing of insurance services can be overcome

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