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# **EFFECTS OF INTEGRATED MARKETING COMMUNICATION PROGRAMS ON PERFORMANCE OF INSURANCE BUSINESS**

**(THE CASE OF ETHIOPIAN INSURANCE CORPORATION)**

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**A THESIS SUBMITTED TO THE SCHOOL OF COMMERCE DEPARTMENT OF  
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**EFFECTS OF INTEGRATED MARKETING COMMUNICATION PROGRAMS ON  
PERFORMANCE OF INSURANCE BUSINESS  
(THE CASE OF ETHIOPIAN INSURANCE CORPORATION)**

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## STATEMENT OF CERTIFICATION

This is to certify that this project work, “Effects of integrated marketing communication programs on performance of insurance business; the case of Ethiopian Insurance Corporation”, undertaken by Mohammed Dawed for the partial fulfillment of Master’s of Arts Degree Addis Ababa University, is an original work and not submitted earlier for any degree either at this University or any other University.

Signature \_\_\_\_\_ Date \_\_\_\_\_

Temesgen Belayneh (PhD)

(The Project Advisor)

## DECLARATION

I, Mohammed Dawed declare that this work entitled “Effects of integrated marketing communication programs on performance of insurance business: the case of Ethiopian Insurance Corporation”, is outcome of my own effort and study and that all sources of materials used for the study have been duly acknowledged. I have produced it independently except for the guidance and suggestion of the Research Advisor.

This study has not been submitted for any degree in this University or any other University. It is offered for the partial fulfillment of the degree of MA in Marketing Management.

By: Mohammed Dawed GSE/0596/07

Signature\_\_\_\_\_

Date\_\_\_\_\_

## ***ABSTRACT***

The study was designed to understand the effect of integrated marketing communication programs on the performance of the Ethiopian insurance industry by undertaking a case study on the leading insurer in the industry, the Ethiopian Insurance Corporation. Specifically, the effect of specific integrated marketing communication tools advertising, sales promotion, direct marketing and personal selling activities on performance of the Corporation.

Descriptive and causal research designs are used for the investigation. The target population was 264 respondents comprising of 89 managerial and 175 non managerial staff working at the operational level. Stratified proportionate random sampling technique was used. The researcher used primary data for this study and collected using questionnaires complemented with triangulation of secondary data. Descriptive statistics includes mean, frequency, standard deviation and percentages to profile sample characteristics and major patterns emerging from the data. While in order understand the cause and effect of the independent and dependent variables, a multivariate regression model were applied to determine the relative importance of each of the four variables with respect to performance of the Corporation.

The study found that advertising and sales promotions practiced by EIC though have positive relationship with performance but failed to register significant contribution. On the other hand direct marketing activities and personal selling influenced the company performance positively as well as significantly. The regression analysis shows an increase in a unit of increase in direct marketing and personal selling activities overall performance of the Corporation by 0.165 and 0.296 units. The study found that the trend new policy issuance and profitability have improved while gross written premium remain constant and market share and policy retention rate has been declining over the years.

This study has recommended the exploitation of direct marketing and personal selling activities more in order to enhance performance. It further recommends that further study should be done in understanding the effect of advertising and sales promotion activities in depth in order to enhance their contribution to performance of insurance companies. Another study needs to be done with an aim of investigating the effectiveness of integrated marketing communication tools in relative to investment of such activities and also the industry performance considering the private insurance companies as well. In depth analysis of advertisement and sales promotion are also points to consider for further investigation.

Keywords; *Integrated Marketing Communication, Advertising, Sales Promotion, Direct Marketing, Personal Selling, Performance*

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# CHAPTER ONE

## 1. INTRODUCTION

### 1.1. Background of the Study

Promotion has been one of the critical roles carried out by organizations operating mainly for profit since the emergence of the selling concept as a marketing orientation. Since the turn of the century, the focus on promotion has been extended to include various aspects and its effect as a key differentiating factor between controlling a dominant market share in an industry and being able to merely operate has been gaining momentum. Integrated Marketing Communication (IMC), as it is now called, with a wider perspective and impact is one of top ranked pillars for marketing strategy for a company operating in a competitive environment. According to Kotler (2006), one of the key focuses of effective marketing strategies is successful development of IMC tools such as advertising, public relations, sales promotion, personal selling and direct marketing among others to optimize the communications impact on target customers.

Integrated Marketing Communication (IMC) is defined by Naeem et al (2013), as “concept of marketing communication planning that combine and evaluate strategic role of different communication discipline to get the clarity, consistency and greater impact” (pp125). The IMC process starts with the customer and works in a way that defines and finds methods and forms that are developed to influence various communication programs. The integration aspect of marketing communication comes with the aim of delivering consistent and complementary messages across various elements of the promotion mixes. According to Belch & Belch (2003), the tools for IMC which are considered as promotion mixes are advertising, direct marketing, interactive/internet marketing, sales promotion, publicity/public relations and personal selling. The importance of IMC in contemporary business environment has been growing and its impact has been observed in various aspects of firm performance and in meeting various objectives of a

firm. It is considered as a key element in creating a firm's competitive advantage and hence increases sales and profit while saving time and money. (Naeem et al, 2013).

The importance of IMC for service sector in general and for insurance industry in particular can be seen as of greater importance than in organizations that provide tangible products. Particularly, insurance products which are categorized as unsought goods need the effective communication in terms of creating awareness, persuading as well as reminding the importance of insurance products as customers are hardly motivated to purchase such products by themselves. Furthermore, the fact that most insurance products are generic and identical in nature creates more challenge to persuade customers to choose ones products over competitors. These and other factors of the particular industry create hurdles for insurance companies in their effort to achieve organizational objectives in terms of corporate performance. The insurance industry in the Ethiopian economy is found at one of the lowest in the world. Its contribution for the economy's gross domestic product is well below the global and African average of 6.23% and 2.9% respectively (Sigma, 2016), and stood at 0.00045% (NBE, 2016, compiled by the author) in 2015. Among several reasons put forward for such poor performance of the industry by various previous findings is lack of awareness about financial literacy in general and insurance products in particular. As a result it is important to evaluate the effect of IMC activities on performance of insurance companies and identify gaps against evidences and theories form other parts of the world for further improvement of the sector.

## **1.2. Background of the Insurance Industry and EIC**

The size of revenue generated by the insurance industry around the world is astonishing. According to the Geneva Association Research Report (2014), the premium underwritten around the world reached 4.65 trillion USD and accounts to 6.3 % of the global GDP in the same period. However, the same research suggests that there are significant differences in the distribution of insurance business globally and the advanced economies account for approximately 83 % of the aforementioned premium while the emerging economies only account for the rest 17 % despite generating 40 % of the global GDP in the same period.

Looking at the two broad categories of insurance services, life and non life insurance classes separately, the contribution of life insurance business is much higher at a global level than that of none life insurance, which includes various property, causality and liability insurance classes. For instance, in 2015, from the total global gross written premium, 55.6 % was generated from life insurance business (Sigma, 2016).

Since its first introduction in 1905, modern insurance in Ethiopia has gone through various stages ranging from fully foreigners owned industry to a national monopoly and finally now to an industry with several competitors who are fully owned by Ethiopians (Hailu, 2007). In its over a century journey, started by fire and marine insurance classes, the insurance business has transacted both life and nonlife insurance classes starting from the early second half of the 20th century. Though insurance has long history in Ethiopia, its development and contribution to the economy is one of the lowest by world standards.

Currently 17 insurance companies are operating in Ethiopia out of which nine of them are transacting both life and non life insurance businesses (Birritu, 2016). The only state owned public insurance company, Ethiopian Insurance Corporation (EIC), is the oldest and largest insurance company. Established on January 1st 1976, the Corporation has spent the last 40 years as a market leader, out of which 19 years (1975-1994) as a sole insurer in country. The Corporation's market share on average 40% over the past five years (2011/12-2015/16) and the share of life insurance business for the same period averaged 41.1% (Source, compiled from annual reports of the Corporation). On top of being complete and industry leader in the market, it is part of the Corporation's mission to avail insurance services to engage in all classes of insurance business in Ethiopia; and ensure the insurance services reach the broad mass of the people (proclamation No.68/1975) (EIC, 2015).

Given its mission to reach the broad mass of the people and as a market leader, EIC is expected to take the vanguard role for the development of insurance in the country in general and particularly life insurance business where it is more challenging for the private sector to inject long term expenditures. So on top of its competitiveness in the insurance industry, it is up to EIC

to lead the way in developing the insurance industry in general and the life insurance business in particular considering its contribution to the national development.

### **1.3. Statement of the Problem**

Numerous researches has been conducted by various institutions and academicians, on the challenges, opportunities and performance of the insurance industry from different perspectives and findings have been made and conclusions drawn. Most of the empirical studies undertaken in the insurance sector are done with the concern measuring profitability of the insurance sector and the factors that affect the same (Hadush, 2015, Meaza, 2014, Mistre, 2015 and Suheyli, 2015) and service quality investigation in the insurance industry and customer satisfaction in a particular company (Djalalie, 2011 and Meseret 2014). Others are investigating the challenges and opportunities encountered with a specific insurance product, dominantly motor insurance class of business (Fikadu, 2015 and Tesgereda, 2015). Others conducted on life insurance business in particular (Asegid, 2015, Amrot, 2014 and Mekonnen, 2014) are concerned with the socio economic factors that affect the performance of life insurance business in the Ethiopian context.

Though the aforementioned and other similar studies contribute both the practical insurance industry and the academia in their own accord, they fail to address a number of key elements. First, most of the studies conducted evaluate the insurance industry as it is and fail to explore the reasons behind for the prevailing situation. And most of the findings focus on what should be done to at macro level and the extent of impact of economic factors such as interest rate, inflation, real GDP growth and others on the performance of the insurance sector. Accordingly, little is done to investigate the contribution of insurance to the economy. Another important gap to explore is to evaluate what the insurance sector has done and should do in order to increase the insurance penetration and density.

Despite various marketing efforts exerted by the insurance companies operating in the industry, the level of growth of the business is very low compared to other countries and the economy's potential. This shows that there is a lot to be done in the marketing activities of the insurance

companies in creating the awareness needed in the insurance sector along with the other marketing mixes important for the success of a marketing strategy. However, despite several researches conducted in the insurance sector, investigation of insurance marketing strategies and activities are areas that has not been addressed yet and are also areas of significant interest in the insurance sector. Particularly, effect of integrated marketing communication (IMC) programs on the performance of the insurance companies is of a forgotten area of interest while it is of a critical importance. Considering all the above elements, this study focused on evaluating the effect of IMC programs on insurance company performance in Ethiopia by taking an in-depth assessment of the pioneer and leading insurance company, the Ethiopian Insurance Corporation.

#### **1.4. Basic research questions**

The general investigation of this research paper is to understand the effect of integrated marketing communication programs carried out by Ethiopian Insurance Corporation (EIC) on its performance. In order to understand this phenomenon, the research tries to answer the following basic questions;

- What is the effect of advertising on Corporation's performance?
- What are the effects of sales promotion on performance of EIC?
- What effect does direct marketing activities affect the performance of the Corporation?
- How does direct personal selling affect performance of the EIC?

#### **1.5. Objective of the Study**

##### **1.5.1. General Objective**

The general objective of the study is to understand the effect integrated marketing communication programs have on the Ethiopian insurance industry's performance by conducting a case study of the leading insurance in the industry, Ethiopian Insurance Corporation (EIC).

### **1.5.2. Specific Objectives**

The following are the specific objectives that will be realized by the accomplishment of the proposed research;

- To understand the effect of advertising activities on the performance of the Corporation.
- To examine the extent of effect sales promotion activities have on the performance of EIC.
- To understand the effect of direct marketing activities on the performance of EIC. And,
- To know the level of effect of personal selling on the performance of the Corporation.

### **1.6. Significance of the study**

This study contributes to the scarce empirical data on the application of integrated marketing communication programs practiced in the country's insurance industry. Particularly, this study was important in that it sought to establish the effectiveness of IMC in relaying marketing information to potential customers and thereby increasing customer acquisition rates and increasing of market share resulting in more sales. It will also have a significant input to evaluate the performance IMC programs of EIC against the benchmarked same in other parts of the world. The findings and conclusions drawn can be used to improve the IMC strategy and practices of the insurance companies operating in the industry.

The study will also have a contribution to the policy makers such as the regulator of the industry (National Bank of Ethiopia) and different parts of the government in laying down the foundation for the growth of the insurance sector in the economy. The study will also have a mild theoretical significance. It will try to support the existing theoretical literature in coming up with empirical findings that will go in line with the existing area of knowledge.

### **1.7. Scope and Delimitation of the Study**

The research is concerned in evaluating the effect of IMC practices that are designed and employed to enhance the performance of the Ethiopian Insurance Corporation. This is done through understanding the perception of employees working in all branches and districts of the Corporation. It is done from the understanding and context of the employees of the Corporation

and the long term effect and image created by the programs in the minds of the customers is not part of this investigation. Though the findings of this study give empirical evidence and areas of emphasis in the future for both EIC and private insurance companies, one cannot draw conclusion of the same for effectiveness of particular variables compared to the expenditure spent on them as well as the impact of these activities in from the customers point of view.

Despite the importance of IMC programs on the performance of organizations, it is clear that these programs are not standalone in both the narrower arena of marketing and the broader efforts of any organization. So the effect of other variables both on performance and effectiveness of the integrated marketing communication programs cannot be captured by this study. Methodologically, the research is limited to the fact that the target population is insurance professionals working in the Corporation and those having direct contact with clients. As a result the opinions and perceptions of various employees outside of the target population are not considered.

## **1.8. Definition of Key Terms**

The following are theoretical definitions of the variables considered in the undertaking of this research:-

- **Integrated marketing Communications:** - This is a marketing strategy that takes and makes use of various customers' information to make or establish a marketing plan that will be effective in building and improving the customers' relations with the organization (Barnes & Matsson, 2010). Integrated Marketing Communication is "the concept under which a company carefully integrates and coordinates its many communications channels to deliver a clear concise and consistent message. Integrated marketing recognizes the value communication in advertising and aims at providing clarity and consistency of whatever is being prompted.
- **Advertising:** - Any paid form of non-personal presentation and promotion of ideas, goods or services by an identified sponsor in various media channels (Koltler, 2006).

- **Sales Promotions:-** Sales promotions is media & non media marketing pressure applied for a predetermined, limited period of time in order to stimulate trial & impulse purchases, increase consumer demand or improve product quality (Muniz and O'Guinn, 2001).
- **Direct Marketing:** - the use of consumer-direct (CD) channels to reach and deliver goods and services to customers without using marketing middlemen (Pickton & Broderick 2001).
- **Personal Selling:** - is face to face communication (one to one) interaction with one or more prospective customers for the purpose of making sales and building customer relationships (Mortimer, 2001).
- **Performance:** - is the analysis of a company's achievement as compared to goals and objectives. Within corporate organizations, there are three primary outcomes analyzed: financial performance, market performance and shareholder value performance (in some cases, production capacity performance may be analyzed) (Meidan, 2006).

## 1.9. Organization of the Paper

The paper is organized in to five chapters. The first chapter covers the background of the study and the insurance industry, statement of the problem, objective of the study, research question, significance and scope of the study. Chapter two provides an overall literature review that includes the theoretical and empirical review as well as a glance at the Ethiopian Insurance sector. The research design & methodology of the study is explained in the third chapter. The output for the analysis is presented in the result and discussion part which represent the fourth chapter. Finally the paper concludes by forwarding conclusion and recommendation for the Corporation in chapter five of the paper.

## CHAPTER TWO

### 2. LITERATURE REVIEW

#### 2.1. Definition and Components of Integrated Marketing Communication

There are several definitions put in place that illustrate what IMC is, its components, application and importance. For instance the definition put in place by the American Association of Advertising Agencies states the IMC “recognizes the value of a comprehensive plan that evaluates the strategic roles of a variety of communication disciplines that combines them to provide clarity consistency and maximum communication impact.” (<https://www.aaaa.org/>). Another definition by Naeem et al (2013) illustrates the IMC as a marketing concept relating to its communication planning sector and involves combining and evaluating the strategic roles of various communication disciplines to get a greater impact through clarity and consistency in messages. Furthermore, Percy et al (2008) defined the concept as the process of developing and implementing communication programs with customers and prospects through time to influence or affect the behavior of the selected audience.

The common themes among the above and other definitions explored are the existence of various programs, integration of the efforts, the fact that it is a process not a one-time thing to undertake as well as the need to create impact. The various programs or components involved in the IMC process are promotional mixes traditionally used separately with their own individual objective to achieve. With the emergence of the IMC process as a concept in late 20th century, the traditional promotional mixes such as advertising, direct marketing, sales promotion, and public relations efforts started to focus on harmonious and customer-centered approach (Naeem et al 2013). Over time, these components have grown through alternatives to communication that come in to existence as a result of the emergence of internet and other communication tools. The growth in internet has created a new metric system and resulted in a more transparent marketing and Companies in this era are able to directly interact with a larger number of final

individual consumers and assess marketing strategies offered by the marketing researches (Ana-Maria & Raluca-Ionela, 2009). Currently the impact of this Invention has been put to use not only for evaluation and assessment but also as one of the promotion components helping to grow profitability. However, the basic message transmitted through these new developments rest in one of the aforementioned mixes of promotion.

Integration is another key element in the definitions and refers to the ability to combine the aforementioned mixes of promotion to present a consistent and clear message constructed to have impact on the target audience. Integration has become an essential concept in marketing because technological advances have changed how business stakeholders interact and marketing concepts of the old has been overtaken by the complexities of real-time, multimodal, multi directional communication. Ana-Maria & Raluca-Ionela (2009) suggest that there are five integrated levels to marketing communications and these are horizontal, vertical, internal, external and data integrations. Comparing the time when all promotional mixes were practiced separately in as dismantled activities with their own aim in place, the integration aspect brings the synergy and coherence that help organizations to have a clear cut and consistent message across all the mixes to have effective impact (Shimp, 2010).

The expected impact of IMC activities have been another common area of focus in all the definitions of IMC. In this regard Shimp, (2010), illustrates that the ultimate goal of IMC is to influence directly the target audience to necessitate as a starting point to induce action or purchase of the product. Belch & Belch (2013) argue that through integration, IMC reduces duplication of effort and cost, helps to develop more effective and efficient communication programs and to adapt to changing environment are achieved to name a few. Furthermore IMC creates competitive advantage for firms that can be translated in to consistent communication to customers, improved creativity, saved time and money and in the end increase sales and hence profitability (Naeem et al 2013). Another important contribution of IMC for an organization is its effect to build a strong brand image which can be created via various routes. According to Fard & Farahani (2015), IMC affects brand through creating and maintaining trust, understanding, commitment and strong image in the minds of the customers. Adetunji et al (2014) argue that IMC is a valuable instrument to resolve accountability and effectiveness issues that organizations

face in developing brand and brand equity. According to the authors, this is because through integrated marketing communications, everything about a brand can be communicative, the art and science of a brand will be, and lasting relationship can be created and is critical to achieve external integration.

Integrated marketing communication is a process that passes through various stages to achieve its objective. The steps in the process of the communication programs demonstrate the components of IMC. Broadly speaking, there are three basic components of IMC programs (Naeem et al 2013) and these are consumers, communication channels and results. In understanding the first component, customers, firms must question how target audiences are getting information as well as understand how the delivery of this information affects the message's form and contents. Secondly the organization should look at how effective and appropriate each communication channel is in the achievement of the IMC strategy. The final important component is to be able to measure results of the IMC programs. This process is a cycle that must be improved every time new elements, concerns and developments arise. This is why IMC is not considered as a one time job rather a process that must be refined every time and go in line with new developments in the organizations internal and external environment.

## **2.2. Tools of Integrated Marketing Communication**

### **2.2.1. Advertising**

Advertising is defined as any paid form of non-personal presentation and promotion of ideas, goods or services by an identified sponsor (Kotler, 2006). This is done through the various media. Another definition put forward by Montaner and Pina (2008), considers advertising as any non-personal and paid for communication intended towards targeted audiences through various media outlets with the purpose of presenting and promoting a product, idea or service. The distinction between advertising and their forms of promotional is that the former is designed to reach large target group which makes it impersonal as well as it is transmitted through a mass media across various channels rather than communicating to a particular audience on a narrower

platform. Furthermore, advertising is done through a paid channel rather than unpaid forms of communication in other mixes.

Advertising activities can be undertaken in order to achieve various targets and both short term and long term corporate objectives can be backed by advertising Meidan (2006). For instance a company attempting to establish a long term build-up of its name can use institutional advertising while brand advertising policies can be utilized in promoting an organization's brand name and its different services. According to the author institutional advertising incorporates advertisements towards firm's image, promotion of products and services offered as well as establishing the firm's name for the target audience.

Through its marketing communications, organizations aim to build awareness and impress customers looking for the best range of products and services. This is particularly true for unsought goods such as insurance where awareness creation and impressing customers is critical for initiating purchase. It is also important to understand that institutional advertising has increased and its importance is more evident as firms such as insurance companies provide identical products with standardized policy format and understanding the institution and its distinct competencies is of great importance for consumer decision making. Brand advertising follows closely in the footsteps of institutional advertising. Its purpose is to create awareness of the companies name and to advertise the different services it is offering. For insurance institution, they need to make it known to the public product offered, as well as influence their decision making as to why they should choose one institution over the other.

Insurance companies offer products that are served to the broad mass of the public and consequently the challenges will be mainly on to know how to advertise and for whom to advertise in advertising services. Unlike institutional advertising, where the target audience is the whole population, service advertising of particular products is much more selective to demonstrate what the customer will get out of the service being advertised. According to Keller (2007), it is important to align such service advertising efforts with the general institutional advertising and the effect it created on the image of the organization. Mortimer (2001) states that advertising in such scenarios is important to reduce perceived risk of using the service by providing a clear idea of what the product comprises and also to advertise consistently, with a

clear brand image, in order to achieve differentiation and encourage word-of-mouth communication is critical.

The methodology employed for advertising is mainly dependent on the objective of the advertisement. According to Meidan (2006) the two broad objectives of advertising as stated above are institutional or corporate, where a company is working to promote itself and product or brand advertising with the objective to promote a specific product or the brand. While the earlier form of advertising promote the corporate goodwill, created positive image, enhance reputation as well as disseminate company information among others, the later focuses on promoting the various attributes, uses, superiority and other aspects of the particular product or service under consideration.

Insurance companies, particularly in a developing insurance market such as Ethiopian, have the responsibility to create awareness about insurance in the first place and then try to attract the customer by offering the benefits of a particular insurance policy as well as educating to reduce the perceived risk of buying insurance. This is exactly what was given to the sole state owned insurance company operating in Ethiopia, EIC, up on establishment. On top of being complete and industry leader in the market, it is part of the Corporation's mission to avail and promote insurance services to engage in all classes of insurance business in Ethiopia; and ensure the insurance services reach the broad mass of the people (proclamation No.68/1975) (EIC, 2015). To this end it is important to consider the effect its advertising activities have on its performance as one of the performance measures under consideration is the issuance of new policy which demonstrates availing insurance service to the broad mass of the people.

The importance of advertisement activities in the performance of insurance companies has been seen in various empirical studies as well. For insurance, Shahi (2013) found out that Life Insurance Corporation of India, the largest insurance company in Asia, was able to raise its number of policies from 19.6 million to 35.7 million and its gross revenue from 3.6 to 20.3 trillion Indian rupees by a in two strategic periods. The author attributed this tremendous result largely to advertisement activities such as campaigns in newspapers, consistent coverage of products in several magazines, Radio jingles on FM channels and radio stations on All India Radio, TV channels and on websites. Looking at the Ghanaian insurance market, Nyarko (2015)

concluded that awareness creation and information flow through advertisements is a key element in the marketing strategy and performance success of the particular insurance industry. Furthermore, Ardestani et al (2014) underscores the importance of marketing advertisements in the insurance industry considering their contribution to the organizational success of insurance companies operating in Iran.

Looking at the elements of advertising in depth, one can identify mass media as critical component in the process of advertizing. Media are organizations whose function is to provide information and entertainment to those who subscribe, view or read while offering marketing professionals the situation for reaching audience with printed or broadcasted messages (Belch and Belch 2007). These incorporate outlets such as television, radio, magazines and newspapers among others. As they communicate large audience over a range of geographical coverage, they are effective channels to reach targeted sections of society and have potential effect on the community which makes them a modality of choice for many organizations including insurance companies (Kihanya 2013).

The media channels appropriate for advertising can be broadly classified in to below and above the line advertising. (Meidan 2006). Below the line advertising, which is largely associated with institutional advertising, is mainly focused on presenting a tactical reasoning to purchase the product or service. In the insurance industry, corporate and policy specific brochures, leaflets, pamphlets and explanatory guides are used extensively and are distributed through channel outlets and on events sponsored including trade fairs and exhibitions. It is considered as one of the best methods to raise sales is using advertising and promotion tools in the sales outlet where the consumer makes the final decision (Kerfoot and Ward 2003 & Newlands and Hooper 2009). On the other hand, above the line advertising is all about mass media advertising which includes television, radio, print, billboards and internet. The goal of such advertising to build a brand and have a strong element in creating awareness and reminding customers, especially in the insurance business.

### **2.2.2. Sales Promotion**

According to Muniz and O'Guinn, (2001), sales promotions is media & non media marketing pressure applied for a predetermined, limited period of time in order to stimulate trial & impulse purchases, increase consumer demand or improve product quality. A dominant figure Kotler (2006), defines sales promotion as a collection of incentive tools mostly short term, designed to stimulate quicker or great purchase of a particular product or services by consumers or trade. With the purpose of stimulating behavior of customers to directly impact they are action focused marketing events that are closer to the decision making process than the advertisement activities. They are also more attractive to the customers as coupons, discounts, refunds, demonstrations, contests and prizes grab more attention than traditional advertising. According to Brassington and Pettitt (2000) sales promotion is different tactical marketing techniques with mostly short-term incentives, which are designed to add value to the product or service, in order to achieve specific sales or marketing objectives.

For Meidan (2006), sales promotion has two qualities that are distinctive. Firstly, given the attention gaining quality of sales promotion elements, it provides firms with a bargaining chance offering a deal that will not be available again. This is however without the limitation of customers rotating from one firm to another every season as they tend to look for a better deal with reasonably similar qualities. Secondly, frequently used sales promotion activities could lead to insecure customers, wondering whether the service is reliable or reasonably priced. Meidan (2006) indicates that due to the conflicting ideas concerning the benefits of sales promotions, an organization must base its decisions upon relevance and usefulness of sales promotion, as well as cost-effectiveness. Therefore, for insurance institutions, cautions should be exercised to ensure that they don't have an intake that puts pressure on their available resources of space, human and equipment. This is because the price setting of a service is already a difficult process, and that consumers often see lower prices as a result of lower quality. However, Meidan (2006) states that sales promotion appears to be most effectively used in combination with advertising. The primary objectives with sales promotion is to attract new customers, thereby increasing the institution's share of savings; to increase market share in selected market segments; and to lower

the cost of acquiring new customers by seeking to avoid direct price competition with other institutions.

Among the sales promotion techniques that are used by marketers, price oriented sales promotions such as price discounts, coupons and rebates are the most popular and are used to increase sales, market share and encourage customers for new trials of the product. This is especially true for insurance companies where the nature of the products in the market for a particular policy is more or less identical and the service delivery of the insurance companies is most exhibited at the time of materialization of risk. As a result customers tend to incline to make decision based on the price of the product. Furthermore these types of sales promotion efforts are encouraged by insurance companies to increase customer loyalty (which is illustrated by retention rate of insurance policies) as well as motivate the agents and brokers working with the insurance companies.

Another form of sales promotion that is used to promote the institutional level image of the company or brand is event sponsorship. Events that are initiated by clients, other institutions where potential and existing clients are participatory, causes that one's clients stand for or other forms of events can be possible options for firms to sponsor. The companies sponsor events in various ways in return getting the opportunity of being a visible element in the due course of the event. Such sponsorships are important to create awareness both about the brand and its attributes as well as to maintain customer loyalty. Particularly events that are organized for community welfare have a long run benefit of creating long term goodwill for the sponsoring organization (Aldred, 2005).

### **2.2.3. Direct Marketing**

Direct marketing is defined as the use of consumer-direct (CD) channels to reach and deliver goods and services to customers without using marketing middlemen (Kotler and Keller, 2006). It allows marketers a more direct response from consumers (generally an order), allows marketers to better target niche markets, and allows marketers to sell a product without the expensive and lengthy process of getting it into traditional channels. Direct marketing also

presents many benefits to consumers, including avoiding the hassles of traffic congestion, parking headaches, lack of time, shortage of retail help, and lines at checkout counters. Consumers can browse through a larger selection of products than retail outlets generally carry and price shop by browsing through mail catalogs and online shopping while in the comfort of their home or office.

Direct marketing is important element in integrated marketing communication as it allows companies to communicate directly with customers using numerous channels. According to Yamamoto, B. (2006), it emphasis on trackable, measurable responses from customers regardless of the medium of communication used. The message in direct marketing seeks to call customers to specific action. Practiced by organizations of all size, direct marketing uses direct mail, telemarketing, direct selling, text messages, emails, interactive consumer websites, fliers, promotional letters and outdoor advertising as mediums among other channels.

It is a very important element as it can be measured easily and can affect the bottom line operation of an organization with an immediate impact on performance. In insurance companies, one approach to this would be selling products directly to the consumer without going through the agents and brokers. Over and above the above channels, EIC does this by seeking audience with key decision makers in key potential customers through its marketing professionals as well as branch and district managers. Insurance companies are leaning more towards this method of sales due to challenges posed by indirect sales methods such as increased cost of sales commission, loss of ownership of policyholders and the fact that brokers have the license to work with competitors leading insurance companies to go to war based on price. It also satisfies organization needs for understanding and control of sales performance elements. On interview conducted with sales people and managers representing B2B organizations, Zallocco et al. (2009), were able to conclude that the understanding of measuring sales performance is still inconsistent and differs among the two major groups that work together. Accordingly, sales managers are more concerned to measure concrete dimensions like price, revenue, managing cash and budgets whereas salespeople link the measurement criteria to customer service level and personal interaction with customers. Apparently, this fundamental shift of putting customer

ahead of the product has affected sales discipline to a great extent. This means that organizations will have to consider both quantitative and qualitative measures while evaluating sales outcomes.

Illustrating the power of direct marketing to performance of companies, McCarthy and Wright (2004), argue that the fact that due to various alternative channels to communication, the cost of communicating to a customer has fallen rapidly. This can be demonstrated through the rise of internet and its low cost which alleviated the challenge of meeting customers through intermediaries. Furthermore, the cost of communication has continued to fall with new communication channels emerging, presenting opportunities as well as challenges for direct marketing.

The opportunities derive from the greater choice of low-cost means of communicating with current and potential customers. But it is a challenge for firms to evaluate the effectiveness of this proliferation of new channels. A more significant challenge is the lack of control over communication which this increase of channels implies, as consumers are increasingly able to communicate among themselves, and in this high load communication environment, the direct marketer has to compete for attention with messages from a wide range of peer group-based media (Muniz and O'Guinn, 2001).

#### **2.2.4. Personal Selling**

The common theme on defining sales effectiveness by various scholars is the fact that it is a summary of organizational outcomes. These outcomes according to Piercy et al. (2011), are sales volume (gross written premium of insurance business), market share, profit contribution, return on assets and customer satisfaction. These outcomes not only evaluate the performance of sales but also can be used to measure the effect of various activities undertaken in an organization and its contribution to the overall success of the company.

However, marketing in general has shifted from transactional based selling to relationship based communication (Pickton & Broderick 2001). So the emphasis is placed on building the relationship with prospects and retaining the existing ones rather than trying to sell the product or

service in order to increase sales (hence the need to evaluate performance in terms of customer accusation and retention became an important consideration).

Personal selling is defined as face to face interaction with one or more prospective customers for the purpose of making sales and building customer relationships (Datta and Datta 2006). Brassington and Pettitt (2000) on the other hand define the concept as a two-way communication tool between a representative of an organization and an individual or group, with the intention to inform, persuade or remind them, or sometimes serve them to take appropriate actions. It is a crucial element in ensuring post-purchase satisfaction, and in building long term relationship built on trust and understanding. This is especially critical in insurance companies where the post purchase element of the insurance business is a very critical element of the service; in fact, the service starts after purchase of the insurance policy.

On top of the nature of insurance business, the increase competition within fast changing environments of services has triggered companies to develop and maintain comprehensive relationships with their customers (Verhallenet al. 1997). Hence, long term personal relationship is important in creating a relatively sustainable competitive advantage over competitors (Julian and Ramaseshan 2004).

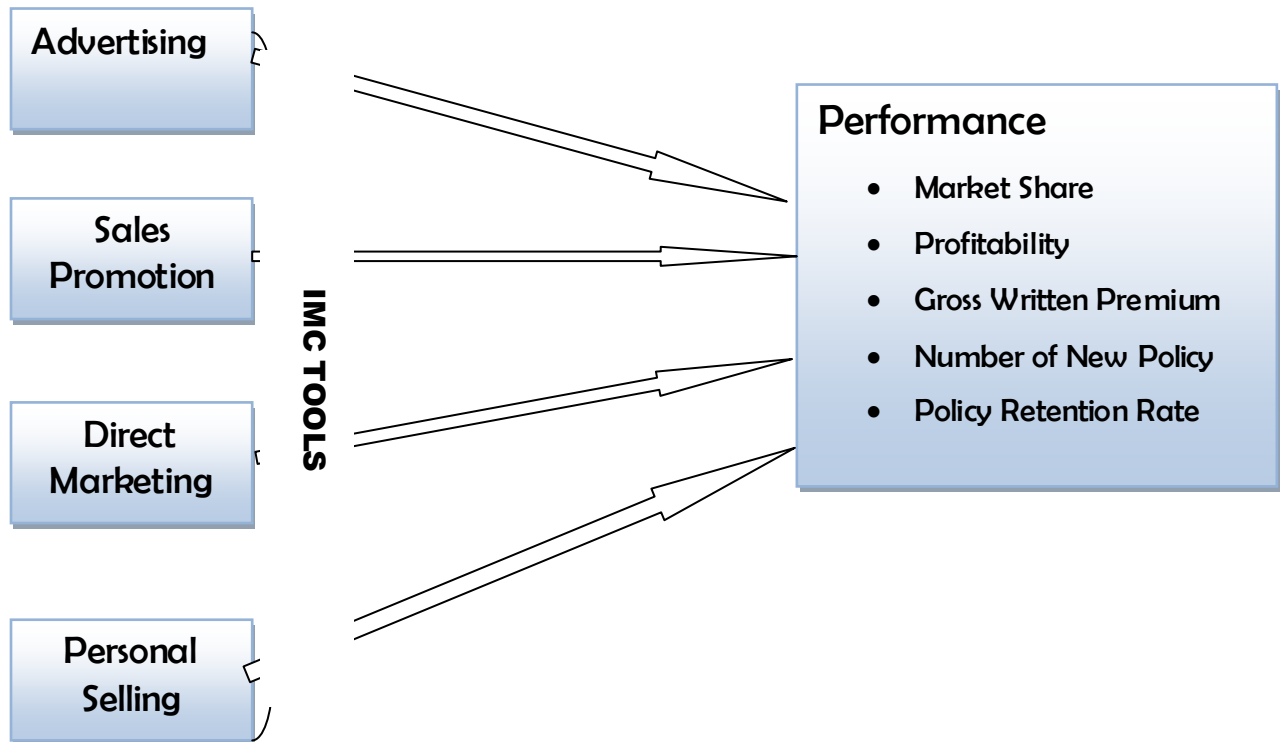
According to, Meidan (2006) that once a customer has chosen a company, he/she is unlikely to switch to another. As such, institutions of higher learning participate in organized career forum in high schools to tap a market from the source. This way, these institutions are able to influence decision making of the young mind and they are therefore unlikely to change their minds. Thus, personal selling is probably the most important element in the communication process within the insurance arena.

According to Julian & Ramaseshan (2004) the relationship between the salesperson and the customer is perceived as being of great importance for the marketing of a company. Hence, the sales force within the industry needs not only to be trained in the art of selling, but also to be aware of all the products available and be able to clearly explain what each offers. Since customers' needs and motivation are likely to be complex, and their ability to assess alternative

courses of action without professional assistance is likely to be limited, it is of great significance for the sales force to know their customers, as well as their products. Verhallenet al. (2007) indicate that companies should see the selling as a problem-solving process in which the sales force engages and co-operates towards the customer, trying to find a solution to the customers' problem, rather than only persuading him to purchase the products or services. In addition, Meidan (2006) claims that it is up to the sales force to enhance the company's reputation by looking after its customers.

### **2.3. Conceptual Framework**

A conceptual model shows how one theorizes the relationships among several elements identified as important to the research questions based on the theoretical and empirical literature available. With this under consideration, a conceptual model has been developed for this particular case at hand based on the reviews of previous knowledge to discuss the interrelationships among the tools of integrated marketing communication and the performance of insurance companies in terms of various variables. The framework has been developed considering similar empirical studies and the theoretical illustrations on the above sections of the literature. They are made based on the basic hypotheses all of the IMC tools in this study, i.e., advertising, sales promotion, direct marketing and personal selling affect the performance of insurance companies positively and significantly.



Source; Adopted from; Kihanya 2013

## CHAPTER THREE

### 3. RESEARCH DESIGN AND METHODOLOGY

#### 3.1. Research Approach and Design

The research is aimed in understanding the effect of integrated marketing programs on the performance of insurance businesses operating in Ethiopia taking a case study on the largest insurer in the market. Hence, the investigation tries to explain how the various IMC tools taken as independent variable contribute to the performance of Ethiopian Insurance Corporation. As the tools are promotional mixes such as advertising, sales promotion, direct marketing and personal selling which are of qualitative nature, the research approach will be to use qualitative analysis. Survey instrument will be used to undertake this empirical study which will try to explain an existing phenomenon. However, there are several secondary data including those showing the performance indicators over the years are included.

As far as the mode of inquiry is concerned, this research followed a mixed approach. Mixed methods approach is a procedure for collecting, analyzing and mixing both quantitative and qualitative data (Creswell, (2009)). Mixed research design is opted for since it allows gaining a fuller understanding the case at hand. Neither qualitative nor quantitative research methods are sufficient to have a full understanding of the situation. The quantitative and qualitative data, when used in tandem, complement each other and allow more complete analysis (Creswell, (2009)). Quantitative data can reveal generalizable information for the larger portion of the sample. Qualitative research techniques are particularly appropriate to research attitude and perception responses to a phenomenon and people's perceptions and judgments about that experience (Miles & Huberman, 1994).

Research design is defined as the arrangement of conditions for collection and analysis of data in a way that aims to combine relevance to the research purpose with economy in the procedure (Babbie, 2002). In addition Kothari (2004) illustrate research design as a blue print which

facilitates the smooth sailing of the various research operations, thereby making research as efficient as possible hence yielding maximum information with minimal expenditure of effort, time and money. This paper follows both the descriptive and causal research designs as it will describe the variables of interest in IMC programs and also measures the cause and effect relationship between the programs and Organizational Performance.

A descriptive research design is defined as the arrangement of conditions for collection and analysis of data in a way that aims to combine relevance to the research purpose with economy in the procedure (Babbie, 2002). In addition Kothari (2004) illustrate research design as a blue print which facilitates the smooth sailing of the various research operations, thereby making research as efficient as possible hence yielding maximum information with minimal expenditure of effort, time and money. Descriptive research paints a picture of the specific details of a situation, social setting, or relationship. By giving answers to who, what, when, where, and how questions. For Kohtari (2004), descriptive research aims at describing a situation in terms of its characteristics. This research will also try to give details on integrated marketing communication programs used in EIC and its effect in performance of the Corporation.

On the other hand, Causal Design is important in establishing cause-and-effect relationships between variables. It is concerned with the study of how one or more variables affect changes in another variable (Kothari, 2004). The author further illustrates that it is a study of functional relationships existing between two or more variables. As a result it is used in this research as it helps to demonstrate the relationship between the IMC tools and Company performance, i.e. the independent and dependent variables respectively.

### **3.2. Population and Sampling**

In scientific research, population is defined as a full set of cases from which a sample is taken (Saunders, 2009:21). Given constraints in incorporating the whole population in the undertaking of a research, individuals are selected to represent the population and participate in the study so as to infer the outcome to the population as a whole. In some cases, a study might consider a set of all elements belonging to a certain defined group to be studied to which the study outcomes are going to be generalized to and these are referred to as target population.

For the study under consideration, the total population is the current employees of the Corporation which are 1,363 (as at September 30<sup>th</sup> 2016). However, given the nature of investigation of the study, only those which are professional and involved with the operational activities of the Corporation are considered as the target population. The Corporation considers an employee as a professional in its respective field when he/she is at or above job grade level eight. In this regard the target population of the study is 772 employees of the Corporation. The target population represent all managerial level employees and also those employees working in insurance service delivery process as well as those which are support process employees working in areas such as marketing, business development, strategic management and research units. Employees undertaking janitorial, messenger and security services and office assistants are excluded since they didn't perform professional services.

A concurrent sampling in which quantitative probability and qualitative purposeful sampling are combined in this research. Purposive or judgmental sampling is used to extract qualitative data and stratified sampling is used to draw samples for the quantitative data. A purposive sampling method enables the researcher to use personal judgment in selecting cases that will best enable him answer research question(s) and meet objectives (Saunders, 2009). This method is especially important as the researcher believes that some individuals from the population are important to be hand-picked as they are particularly informative than others.

A stratified sampling technique is applied to identify sample from the remaining target population. In such type of sampling every member of the population has equal chance of being selected in relation to their proportion within the total population. If the population from which a sample is to be drawn doesn't constitute a homogeneous group, then stratified sampling technique is applied so as to obtain a representative sample (Kohtari, 2004). In this technique, the population is stratified into a number of non-overlapping subpopulations or strata and sample items are selected from each stratum. Proportional stratified sampling specifically is the one in which the number of sampling units drawn from each stratum is in proportion to the relative population size of that stratum. This sampling technique is advantageous since it assures representation of all groups in sample population needed.

A stratified sampling is chosen as the target population comprises of two strata, managerial staff and non-managerial staff and their contribution and attitude towards the Corporation's IMC programs and practices differs considerably and hence fair representation of each strata is vital. These sub populations does not overlap because an employee is either a management member or non managerial staff but not both.

The desired sample size is 264. This is calculated using the following sample size determination formula suggested by <http://prudencexd.weebly.com>

$$n = N / (1 + N(e)^2)$$

Where

*N = Number of target population*

*n = Sample size to be determined*

*e = level of confidence = 0.05*

Accordingly,  $n = 772 / (1 + 772(e)^2) = \mathbf{264}$

Given confidence level of 95% and precision rate of ±5 percent

From the target population of 772, the number of managerial staff (strata one) is 260 while the non managerial staff (strata two) is 512. To have appropriate and equal representation, the 264 sample size is distributed using the following formula:-

$$N_s = (D_1 / N) * n$$

Where

*N<sub>s</sub> = sample size for each strata*  
*N = Total Number of population*  
*D<sub>1</sub> = Population size of the strata*  
*n = sample size*

Accordingly, total number of sample from managerial staff  $N_s = (260/772)*264 = 89$

$$N_2 = (D_1 / N) * n$$

Where

*N<sub>s</sub> = sample size for each strata*  
*N = Total Number of population*  
*D<sub>2</sub> = Population size of the strata*  
*n = sample size*

Accordingly, total number of sample from non managerial staff  $N_s = (512/772)*264 = 175$

### 3.3. Types of Data and Tools

In order to have a comprehensive view of the case at hand, the research used both primary and secondary data. Primary data, those collected for the first time on the regarding issue is original in nature. On the other hand the secondary sources are those which are made available to the researcher or have been collected and analyzed beforehand for other purposes.

As sources of primary data, questionnaires are distributed and used to collect data from the selected 264 samples of the two strata. Questionnaire, defined as all techniques used for data collection in which every respondent is asked identical set of questions in a predetermined order. It is useful as it is can be administered to a large number of respondents at a lower cost, reach respondents who are not easily approachable otherwise, give adequate time for respondents to give responses which are well thought of and also easier to analyze and code responses by allowing only answers which fit into categories that have been established in advance by the researcher (Saunders (2009), Dencombe (2007) & Kohtari, (2004)).

Since most of the questions demand the level of agreement of the employees, a five scale Likert scale is used. Close ended format is chosen as it is easier and quicker for respondents to answer, easier to compare the answers of different respondents easier to code and statistically analyze.

As to the secondary data collected and used in this project, extensive use of various reports, research and documents is under consideration. This is because it is vital to incorporate previous works of the Corporation as they are of great use in gaining what has been done and is still under progress with regard to the marketing strategy and practice of the life insurance businesses. In this regard corporate strategies and subsequently cascaded ones for the strategic periods 2010/2011 to 2014/2015 and 2015/16 to 2019/20 will be examined along with their monitoring and evaluation progress reports.

### **3.4. Procedure of Data Collection**

The questionnaire designed by the researcher based on the research questions was pilot tested to refine the questions before it can be administered to the selected sample. A pilot test was conducted to identify weakness in design and instrumentation and to provide proxy data for selection of a probability sample. Dencombe (2007) asserted that, the accuracy of data to be collected largely depended on the data collection instruments in terms of validity and reliability. Content validity which was employed by this study is a measure of the degree to which data collected using a particular instrument represents a specific domain or content of a particular concept.

The questionnaires were distributed for respondents using both hard copies as well as through Microsoft outlook email options used in the Corporation. Respondents were assured of confidentiality and any difficulties faced in filling the questionnaire were assisted by the researcher and two assistants that supported the process through face to face as well as via telephone and IP chat options presented in the Corporation.

### **3.5. Methods of data Analysis**

Data analysis is the application of reasoning to understand the data that have been gathered by determining a consistent pattern and summarizing of relevant details revealed in the investigation (Zikmund & et.al (2010)). Using the various methodologies available, analysis is all about making sense of the raw data gathered. The analysis of the data followed once the collection of it was finalized. The analysis type depended on the type of data available for each situation.

The quantitative data in this research was analyzed by descriptive statistics using statistical package for social sciences (SPSS). Descriptive statistics includes mean, frequency, standard deviation and percentages to profile sample characteristics and major patterns emerging from the data. Completeness of qualitative data collected was checked for and cleaned ready for data analysis. Content analysis was used in processing of this data and results presented in prose form.

In addition, a multivariate regression model was applied to determine the relative importance of each of the four variables with respect to performance of the Ethiopian Insurance Corporation. Multiple regressions is a flexible method of data analysis that may be appropriate whenever quantitative variables (the dependent) is to be examined in relationship to any other factors (expressed as independent or predictor variable). Relationships may be non-linear, independent variables may be quantitative or qualitative and one can examine the effects of a single variable or multiple variables with or without the effects of other variables taken into account, (Cohen, West & Aiken, 2003). The regression model was as follows was adopted from Kihanya (2013):

$$PER = \beta_0 + \beta_1ADV1 + \beta_2SP + \beta_3DM + \beta_4PS + \varepsilon$$

Where:

PER = Organizational performance

$\beta_0$  = Constant Term

$\beta_1, \beta_2$  and  $\beta_3$ , = Beta coefficients

ADV= advertising

SP= sales promotion

DM= direct marketing

PS= personal Selling

$\varepsilon$  = Error term

### **3.6. Validity of the instrument**

Validity, which refers to the study's conceptual and scientific soundness, is an important element and the primary aim of a scientific research is to generate a valid conclusion (Marczyk & et.al, 2005). A scientific research will ensure validity of from start to end so as to increase the accuracy and usefulness of findings by controlling for or eliminating as many confounding variables as possible. The instrument designed for collection of data is questionnaire which is common modalities to undertake researches of such nature. As the questions are designed using a standardized format and have been used to assess such phenomenon in an empirical studies.

Furthermore one of the forms in which validity is assured is by ensuring content validity. Content validity, according to Kohtari (2004), is a measure of the extent to which a measuring instrument/s provides adequate coverage of the topic under investigation and how well it provides adequate coverage of the topic under study. Hence a research is having a good content validity a representative sample is incorporated in the instrument. As a result one can say that this study has good content validity as its sample represents those employees of the Corporation that are closely involved in the customer related and operational service delivery of the Corporation which gives them insight to understanding the effect of integrated marketing communication on various performance indicators of the Corporation.

### **3.7. Ethical Consideration**

Ethics is one of the basic foundation for which society is built up on. It is defined by Webster's dictionary as conformance to the standards of conducts of a given profession or group. In research where the researchers is looking for data that is reliable and indicate the fact on the ground, it is important to insure that ethical considerations are kept intact. With regard to the research participants a research must be respect persons, be kind to participants, have an informed consent of the participants as well as have a fair selection of participants (Marczyk & et.al, 2005).

Furthermore, it is also critical that one should be aware of and abide by the general agreements of the scientific community on what is acceptable and what is not in the process of conducting scientific research. To this extent it is important for the researchers to resist the temptation to

manipulate their data collection, analysis, and interpretation procedures in a way that contradicts the principles of science or the scientific method or advances their personal agenda (Bhattacharjee, (2012)).

In this research the researcher tried his best to follow an ethical path in the collection, analysis and interpretation of the data. Having acquired a letter of support from Addis Ababa University School of Commerce for the researcher to conduct the research, the researcher undertake the project in close relationship with those involved in the process of formulating, implementing and monitoring and evaluating the IMC programs in the Ethiopian Insurance Corporation.

During the collection of data various participants both management members and concerned employees were approached and their cooperation was be vital and hence keeping ethical considerations was not underestimated at any point of the study. Some of the basic tenants of the ethical behavior in research like voluntary participation and harmlessness, informed consent, anonymity and confidentiality and disclosure were kept intact in the research. In giving response to the questionnaire, participants were informed why the research was conducted and how responses are kept confidential. Furthermore, the researcher's previous relationship and bond with the respondents was a plus for confidentiality.

## **CHAPTER FOUR**

### **4. RESULTS AND DISCUSSION**

#### **4.1. Introduction**

This chapter incorporates the analysis of data and findings of study. The main objective of the study was to understand the effect of the integrated marketing communication programs on the performance of insurance business in Ethiopia by taking in to consideration of the Ethiopian Insurance Corporation. First the demographic characteristics of the respondents that shape their response to the questions raised will be presented in brief. Then reliability test conducted by sample questioner in order to evaluate the internal reliability of the instrument as a whole as well as in each variable is presented. The response given to the effect of each independent variable on the performance of the corporation will be presented in both general terms and also on each attribute of the variable. Finally a comprehensive analysis of correlation, multiple regressions and one way ANOVA is conducted to evaluate response of the employees.

#### **4.2. Demographics of the Respondents**

Some demographic elements of respondents that affect the level of response given to the questions have been under consideration. These elements affect both the understanding of questions as well as the current level of the effect of the variables identified on the corporate performance of EIC. As a result a brief presentation of the demographic statistics has been presented as follows.

##### **4.2.1. Gender of the Respondents**

Table 4.1 provides a summary of the gender of the respondents as a result of the responses given by the respondents.

**Table 4.1 Gender of the Respondents**

	Frequency	Percent	Cumulative Percent
Valid Male	146	55.3	55.3
Female	118	44.7	100.0
Total	264	100.0	

Source; SPSS Survey Output (2017)

As shown in the table above, male respondents contribute 55.3 percent or 146 in number while the rest 118 respondents or 44.7 percent are female employees of the Corporation. This demonstrates that there is a fair gender distribution of the respondents which can be inferred to concluding that the Corporation gives equal opportunity to gender on a professional level.

#### **4.2.2. Job Position of the Respondents**

**Table 4.2 Job Grade of the Respondents**

	Frequency	Percent	Cumulative Percent
Valid Officer	106	40.2	40.2
Senior Officer	69	26.1	66.3
Principal Officer	58	22.0	88.3
Team Leader	24	9.1	97.3
Director	5	1.9	99.2
D CEO	2	.8	100.0
Total	264	100.0	

Source; SPSS Survey Output (2017)

As the table illustrates above, 66.3% (175) of the respondents are non managerial operational employees of the Corporation comprising grade 8 officers as well as grade 9 senior officers. On the other hand first line managers (principal officers), middle level managers (team leaders and Directors) and top level managers (Deputy Chief Executive Officers) employees constitute 22%, 11% and 0.8% of the respondents respectively. Hence the total number of managerial

respondents is 89 taking a total of 33.7% of the respondents. This figure is exactly the amount and composition identified in the sampling process of this survey.

#### 4.2.3. Educational Level of the Respondents

As shown in the table below, 92.8% of the respondent's possess graduate or postgraduate degrees while the rest 7.2% of the respondents have the educational level of acquiring a certificate or diploma. This is important as the respondents are expected to have the basic understanding of illustrating the relationship between the independent variables and performance of the Corporation.

*Table 4.3 Level of Education of the Respondents*

	Frequency	Percent	Cumulative Percent
Certificate	4	1.5	1.5
Diploma	15	5.7	7.2
Valid BA/BSC	220	83.3	90.5
MA/MSc	25	9.5	100.0
Total	264	100.0	

Source; SPSS Survey Output (2017)

#### 4.2.4. Experience of the Respondents in EIC

*Table 4.4 Experience of the Respondents in the Corporation*

	Frequency	Percent	Cumulative Percent
Less than 3 year	28	10.6	10.6
3 to 6 Years	85	32.2	42.8
Valid 6 to 8 years	33	12.5	55.3
8 to 10 years	41	15.5	70.8
Above 10 years	77	29.2	100.0
Total	264	100.0	

Source; SPSS Survey Output (2017)

Out of the total 264 respondents in the survey, 89.4% of the respondents have been working in the Corporation for more than 3 years. Out of these employees 57.2% has been in EIC long enough to have the minimum experience requirements of a senior expert by the Corporation's definition which is expected to enable them understand insurance and the market at a higher level. On the other hand, 10.6% of the respondents which have been working in the Corporation for less than three years are expected to have a fresh look at the elements in the survey as all of them are enrolled by the Corporation as fresh graduates with a high GPA level and are expected to inject dynamism to the work environment. Given the fact that all the respondents are educated as well as stayed for a relatively longer period of time, one can use the respondents educated and experience based opinion on past trends and on inferring the relationships of variables. This off course will be triangulated with secondary data.

### **4.3. Reliability**

Reliability, which relates to the dependability and consistency of measuring instruments, is another important consideration in scientific investigation. In this regard, the study used the Cronbach's alpha coefficient, which is one of the tests used to check for reliability of an instrument in hence to relay on the outcome of the instrument applied. According to Jonker & Pennink (2010), this coefficient calculates the average of all possible split-half reliability coefficients. With the quantum varying from 1(denoting perfect internal reliability) to 0 (denoting no internal reliability), 0.8 is typically employed as a rule of thumb to denote an acceptable level of internal reliability.

In order to evaluate the reliability of the instrument used in this survey, the researcher conducted as pilot study by taking 10% of the total sample 26 and testing the questioner. Accordingly the reliability test has been conducted for the general instrument, each of the IMC tools as well as on the performance measures outlined in the questioner.

#### 4.3.1. Reliability of the General Instrument

*Table 4.5 Reliability statistics for the general instrument*

Cronbach's Alpha	N of Items
.821	28

Source; SPSS Survey Output (2017)

The researcher conducted reliability test to make sure the instrument used in the study is reliable. The Cronbach's alpha for the general instrument is found to be 0.821 which is more than the acceptable range 8.0.

#### 4.3.2. Reliability of the IMC Tools and Performance

*Table 4.6 Reliability statistics for the IMC Tools & Performance*

ITEMS	Cronbach's Alpha	NUMBER OF ITEMS
Advertising	0.869	8
Sales Promotion	0.822	5
Direct Marketing	0.896	6
Personal Selling	0.870	4
Performance	0.822	5

Source; SPSS Survey Output (2017)

It was also important to test the reliability of each variable and make sure that they possess the reliability requirement. As observed from the table above each variable was run and its Cronbach's alpha is greater than 0.7, greater than the acceptable range (Saunders et al, 2012).

## 4.4. Effects of Integrated Marketing Communication on Performance

### 4.4.1. Mean Scores of the IMC Tools

Considering the descriptive statistics of the IMC tools is important to generally observe the respondents attitude towards the effect of each tool on the performance of the corporation. In this regard, the table below illustrates the average importance of each IMC tool for the performance of insurance company based on responses of the survey.

*Table 4.7 Mean Score on Effect of each IMC program on Performance*

	N	Mean	Std. Deviation
Advertising	264	3.5819	.49532
Sales Promotion	264	3.5758	.40154
Direct Marketing	264	3.6660	.52130
Personal Selling	264	3.3504	.45871
Valid N (listwise)	264		

Source; SPSS Survey Output (2017)

The above table describes the mean score of each IMC tool in terms of affecting the performance of insurance companies. Accordingly the result of the mean scores is ranks as one being the highest mean score while five being the least score. Respondents have the highest expectation for direct marketing to affect performance with a mean score of 3.666 followed by Advertising (3.581) Sales Promotion (3.575) and Personal Selling (3.350). Using a 5 point likert scale where 1-1.499 = not at all, 1.500-2.499 = low extent, 2.500-3.499= moderate extent, 3.500-4.499 = great extent and 4.500-5.000 = very great extent, one can clearly see that Direct Marketing, Advertising and Sales Promotion are expected to affect performance to a great level while Personal Selling moderately affects performance of insurance business. .

### 4.4.2. Advertising

Advertising is any paid form of non-personal communication directed towards target audiences and transmitted through various mass media in order to promote and present a product, service or idea. The key difference between advertising and the other promotional tools is that it is impersonal and communicates with large numbers of people through paid media channels.

The study sought to find out the extent that advertising of institutions services/products influenced the company performance.

**Table 4.8 Extent of Effect of Advertising on Performance of Insurance Companies**

	Frequency	Percent	Cumulative Percent
Valid Low extent	9	3.4	3.4
Moderate Extent	67	25.4	28.8
Great Extent	156	59.1	87.9
Very Great Extent	32	12.1	100.0
Total	264	100.0	

Source; SPSS Survey Output (2017)

According to the table above, only 3.4% of the respondents believe that the importance of advertising for performance of insurance companies is low. While the large part of the respondents, 71.2% consider the importance of advertising on the performance of insurance companies at a high and very high level. As the importance of advertising is critical in terms of reducing perceived risk and also create clear idea on the products of companies (Mortimer 2001), its importance is supported by the theoretical foundation. Furthermore an empirical study conducted by Kihanya (2013) was concluded by a similar outcome. According to that particular finding, the importance of advertng has been instrumental for performance of insurance companies. On top of these 40.9% of the respondents believe that the Corporation is not undertaking enough advertisement activities while 49.2% of the respondents believe that the advertisement activities undertaken by the EIC are fair enough. Only 9.8% of the respondents believe EIC’s advertisement activities are more than enough.

**Table 4.9 Extent of Effect of various forms of advertising on EIC's Performance**

	N	Mean	Std. Deviation	Rank
Online Activities	264	3.40	.793	7
Event Participation	264	4.06	.743	1
Bill Board, Sonic Screen and Wall Branding	264	3.51	.604	5
Flyers, policy brochures, leaflets	264	3.73	.624	2
TV Advertisements	264	3.52	.760	4
Radio Advertisements	264	3.30	.711	8
Print media Advertisements	264	3.51	.664	6
Interactive media relation activities	264	3.63	.662	3

Source; SPSS Survey Output (2017)

Looking at the various forms of advertising and their effect on the Corporation's performance, as outlined in the table above, it is evident that all have important contribution. The respondents consider all forms of advertising to affect performance from moderate to great extent. Particularly, event participation of the Corporation such as trade fairs and exhibitions are considered to affect performance to a great extent. The mean 4.06 out of a 5 scale response indicates that this particular form of advertising is considered vital. Only 38 of the respondents (14.4%) believe that the contribution of event participation to performance is very low, while those who believe that its contribution to be a moderate or great extent is 34.1 and 48.1% respectively. this also goes in line with the literature as participation in events is a great way to create awareness about insurance as well as institutional advertisements that induce action on customers which in turn affects performance.

Other forms that have high level of influence are advertisement through flyers, policy brochures, leaflets and Interactive media relation activities with a mean score of 3.7 and 3.6 respectively. These results also go in line with the literature as the forms are important in giving detailed explanation of products and the Corporation for both first time customers who issue new policy as well as for those who already have insurance cover through better understanding of policy scope and wordings as well as the working ways of the Corporation. On the other hand those who scored relatively lower mean, but still are more than average level of contribution, are those

who do not provide the privilege to demonstrate a lot about the importance of insurance in depth compared to the above forms of advertising.

#### 4.4.3. Sales Promotion

Sales promotion is a collection of incentive tools mostly short term, designed to stimulate quicker or great purchase of a particular product or services by consumers or trade. Sales promotions are action-focused marketing events whose purpose is to have a direct impact on the behavior of the firm’s customers.

The study sought to find out the extent that sales promotions practiced by EIC influenced its performance.

**Table 4.10 Extent of Effect of Sales Promotion on Performance of Insurance Companies**

	Frequency	Percent	Cumulative Percent
Valid Low extent	5	1.9	1.9
Moderate Extent	36	13.6	15.5
Great Extent	181	68.6	84.1
Very Great Extent	42	15.9	100.0
Total	264	100.0	

Source; SPSS Survey Output (2017)

Responding to the question “in your opinion, to what extent does sales promotion activates affect the performance of insurance companies?” 68.2% of the respondents believed that the role of sales promotion activities on the performance of insurance companies is to great extent while 15.9% believe that it affects performance to a very great extent. Only 5 respondents (1.9%) believe that sales promotion activities affect the performance of insurance companies to a low extent. On the other hand, the rest of the respondents 13.6% think that the effect is moderate.

Looking at more closely about the contribution of each sales promotion elements in the survey, the following table illustrates the responses provided.

**Table 4.11 Extent of Effect of various forms of Sales Promotion on EIC's Performance**

	N	Mean	Std. Deviation	Rank
Discounts	264	4.42	.592	1
Trainings to customers	264	3.41	.591	5
Customer service week	264	3.57	.587	4
Sponsoring events	264	3.89	.612	2
Ex gratia treatment	264	3.60	.651	3

Source; SPSS Survey Output (2017)

Using a 5 point likert scale where 1-1.499 = not at all, 1.500-2.499 = low extent, 2.500-3.499= moderate extent, 3.500-4.499 = great extent and 4.500-5.000 = very great extent, it is evident that all forms of sales promotion affect performance of insurance companies to a moderate and great extent level. Particularly discounts, sponsoring events and ex gratia treatments to clients affect performance of the Corporation to a great extent. Considering the fact that the insurance industries have identical products, price is one of the key differentiation elements for competitors. The result from the survey is complementary to this fact making the Ethiopian insurance industry no different to the world. Given the price based competition that prevails in the industry, the effort to attract and retain customers through discounts on insurance premium affects the performance of insurance companies in two key ways. The first one is it increases the issuance of new policy as well as policy retention rate. On the other side, its effect on gross written premium, market share and profitability will be a complex element as it is difficult to understand the effect of the rate of discount to the rate of reduction/increment in revenue as well as its effect on matching the price to the risk which affects profitability of the business.

As described in the literature the effect of sponsorship on the performance of insurance companies is both on short and long term context. Furthermore sponsorship activities those are undertaken on potential or existing client activities such as construction exhibitions, agricultural or industrial expos as well as hotel and tourism activities enhance the relationship of the insurance company with potential or existing clients on the event sponsored. Furthermore the literature supports the long term effect of sponsoring on performance of insurance companies in cases such as sponsoring community welfare events.

Another important sales promotion element that is highly affecting the performance of the Corporation is ex gratia treatment of existing clients. Ex gratia treatment occurs where an insurance company pays claim settlement for clients for accidents or unfortunate events that are not covered in the insurance policy. This is done by insurance companies based on the loyalty and profitability of customers and aims at promoting the insurance service in terms of retaining existing clients and the revenue generated compared against their claim history in the past. It is very important sales promotion activity in creating the need for cross selling and encouraging loss minimization which affects profitability.

Customer service weeks that are marked mainly by client visit and discussion with major clients is considered as important sales promotion activities that affect performance of insurance companies. With the aim of enhancing customer relationship, these activities are important elements in policy retention as well as improving service delivery of the Corporation. Furthermore, trainings provided on insurance products in particular and the importance of insurance in general for both existing and potential clients has been a very important element of sales promotion as it enhance the knowledge of insurance on the receiving end leading them to an informed decision making which will in turn affect performance on the side of the Corporation.

#### **4.4.4. Direct Marketing**

Regardless of the medium, direct marketing emphasis on those measurable and trackable activities those customers respond to. Marketing using various channels that directly provide products to customers, information exchange and prompt response to inquiries, business to business communications, direct mail, telemarketing, text messages, emails, interactive consumer websites, fliers, promotional letters and outdoor advertising. Direct marketing is practiced by businesses of all sizes.

The study sought to find out the extent that direct marketing influenced the company performance.

**Table 4.12 Extent of Effect of Direct Marketing Activities Performance of Insurance Companies**

	Frequency	Percent	Cumulative Percent
Not at All	23	8.7	8.7
Low extent	21	8.0	16.7
Valid Moderate Extent	113	42.8	69.5
Great Extent	107	40.5	100.0
Total	264	100.0	

Source; SPSS Survey Output (2017)

Accordingly, the survey found out that direct marketing activities are believed to affect the performance of insurance companies to a moderate and great extent. From the total respondents, 42.8% consider direct marketing activities such as direct selling, working with brokers and agents, giving prompt response to customer enquire, business to business marketing as well as response to corporate clients affect performance to a moderate level. On the other hand, 40.5% are believed these attributes of direct marketing affect insurance company performance to great extent. This also goes in line with the literature which suggest that relationship marketing and availing information through various forms of direct marketing activities affect the performance of businesses in a competitive and dynamic environment.

**Table 4.13 Extent of Effect of various forms of Direct Marketing on EIC's Performance**

	N	Mean	Std. Deviation	Rank
Direct Selling	264	3.24	.486	2
Working with intermediaries (agents)	264	3.54	.313	1
Working with intermediates (Brokers)	264	3.19	.457	3
Response to Customer Enquiries	264	2.31	.695	6
Business to Business marketing	264	2.93	.526	4
Response to Corporate Clients	264	2.78	.645	5

Source; SPSS Survey Output (2017)

Using a 5 point likert scale where 1-1.499 = not at all, 1.500-2.499 = low extent, 2.500-3.499= moderate extent, 3.500-4.499 = great extent and 4.500-5.000 = very great extent, one can look at the effect of each direct marketing activity identified on the performance of the insurance Corporation in particular.

The sales performance of insurance business has been largely dominated by intermediaries for long Kihanya (2013). The importance of agents and brokers in generating the large share of insurance business, in some industries as the only source of sales for the insurance business, has been critical for the overall improvement in the sector (Kalaimani, 2013). Though not as important as they are in other parts of the world, insurance intermediaries provide significant share of the portfolio in the Ethiopian insurance industry in general and the EIC in particular. Over the past 10 years the contribution of insurance intermediaries to the general portfolio of the business and also in bringing new customers to the Corporation has been growing on average by 6.8% and 3.2% respectively. Furthermore, the contribution of agents of the Corporation especially to the life insurance portfolio has been increasing over the years and takes 40% of the total portfolio generated by the segment on the fiscal year ended June 30<sup>th</sup> 2016 (*Ethiopian Insurance Corporation 15/16*). The finding of this survey also demonstrates the fact this fact by demonstrating the effect of working with agents (which are captive for the insurance Corporation only) on the performance of the Corporation to a great extent.

The study also found out that the direct selling activities of the Corporation which involves acquiring new customers and policy retention through customer relationship management by operational staff, managers as well as marketing officers deployed by the Corporation affects its overall performance to a moderate extent. This also goes in line with the fact that the growth in generating new office business have declined over the years in the Corporation especially from the private sector of the segment. The 2015/16 report of the Corporation demonstrates growth in the private sector portfolio is largely attributed to agent and broker businesses while the government sector of the business which accounts to 54% of the general revenue is solely generated on the office sales. However, as the literature shows, the increasing acquisition cost of business through intermediaries, lack of control of client that are coming to the Corporation via intermediaries and the price shopping nature of insurance brokers (as they can work with all

insurance companies) has negative impact on the performance of insurance companies. This can lead to strengthening the direct selling effort which might also create conflict of interest between the Corporation and insurance intermediaries especially Brokers.

Insurance brokers, who are professionals that are intermediaries between the insurance company and policyholders, are important in generating new business as well as maintain good relationship with existing ones for insurance companies. Brokers are given license by the National bank of Ethiopia to undertake brokerage business concerning insurance companies and can work with any insurance company with the primary aim of keeping the interest of their principal (client) at all times and intern collect commission fees up on the placement of new business or at the time of policy renewal. As they can work with multiple insurance companies at a time, they have the privilege to compete the best price and policy wording for their client. These make the insurance companies dependent for the brokers for the business and also compete each other through providing higher commission rate for a business which affects the operating income of the Companies and hence profitability is affected. So the respondents consider the importance of working with brokers in affecting performance of the Corporation to moderate extent.

As the Corporation's main clients are government institutions and public enterprises owned by the government which are more or less captive to the Corporation, business to business marketing, response to corporate clients and response to customer enquiries are considered to have moderate effect on the performance of EIC.

#### **4.4.5. Personal Selling**

Personal selling as defined in the second chapter is a two-way communication tool between a representative of an organization and an individual or group, with the intention to inform, persuade or remind them, or sometimes serve them to take appropriate actions. Personal selling is a crucial element in ensuring customers post-purchase satisfaction, and in building profitable long-term buyer-seller relationships built on trust and understanding. Insurance institutions are known to participate in this a lot.

The study sought to find out the extent that personal selling practiced by EIC influenced the company performance.

**Table 4.14 Extent of Effect of Personal Selling Activities Performance of Insurance Companies**

	Frequency	Percent	Cumulative Percent
Valid Not at All	18	6.8	6.8
Low extent	17	6.4	13.2
Moderate Extent	56	21.2	34.4
Great Extent	172	65.2	99.6
Very Great Extent	1	.4	100.0

Source; SPSS Survey Output (2017)

The overall response of the survey demonstrates that personal selling is believed to have a very strong impact on the performance of insurance Corporations. 65.2% of the respondents consider personal selling to affect performance of insurance companies to a great extent. On top of that 21.2% of the respondents consider its effect to be moderate. Only 6.8% of the respondents believe that it does not have effect on the performance of insurance companies.

Among personal selling activities considered for investigation, reliability or keeping promise to customers is considered to affect performance to great extent with a mean score of 3.95. This is in line with the literature as insurance is considered to be transacted based on promise of delivering coverage on unfortunate events which makes reliability a critical element. Furthermore, flexibility and innovativeness for service delivery, direct interaction with clients as well as level of attention given to them are affecting the performance of the Corporation to a significant level.

**Table 4.15 Extent of Effect of various forms of Personal Selling on EIC's Performance**

	N	Mean	Std. Deviation	Rank
Direct Interaction with Clients	264	3.48	.475	3
High level of Customer Attention	264	3.32	.798	4
Reliability	264	3.95	.502	1
Innovativeness and Flexibility	264	3.78	.645	2

Source; SPSS Survey Output (2017)

#### **4.4.6. Organizational Performance**

The study sought to find out the trend in the business for the last five years. A 5 point likert scale was used where 1-1.499 = Greatly decreased, 1.500-2.499 = Decreasing, 2.500-3.499= Constant, 3.500-4.499 = Improved and 4.500-5.000 = Greatly Improved.

**Table 4.16 Performance of EIC on major performance indicators over the past five years**

	N	Mean	Std. Deviation
Profitability	264	3.75	.638
Market Share	264	2.70	.521
Gross Written Premium		3.14	.593
New policy Issuance	264	3.58	.611
Policy Retention Rate	264	2.40	.556

Source; SPSS Survey Output (2017)

Accordingly the findings show that market share and policy retention rate of the corporation has been dropping for the past five years. This is no different to the statistical data of the Corporation which states that the average market share of the Corporation stood at 41.6% for the past five years indicating an average deterioration by 2.45% every year. Except for the 2011/12 fiscal year, the market share of the Corporation has been declining relative to its previous year's performance (EIC Annual Reports, compiled by the researcher). Policy retention also has been declining in the past five years and most notably in the past three years. Though the Corporation

aims to retain 95% of its renewable policies, the retention rate has been below 50% for the past three years while the five year trend stood at 74.2%. The deportation has been significant after the introduction of the compulsory motor insurance policy at national level which affects new policies but as it is shopped with the same price every year without any history of loss it accumulated lapse rate of the motor insurance class of business over the years.

The Corporation's sales, which is translated in to the gross written premium generated from the insurance policies are found to have consistent trend over the past five years. This have been also in line with the available data which shows that the figure has been between 1.8 billion Ethiopian birr to 2.2 billion Ethiopian birr picking on the 2012/13 fiscal year. Comparing this figure against the 27% growth rate every year in the insurance industry, the Corporation's performance is said to be consistent with a marginal increment.

On the other hand, the Corporation' profitability has been rising in the past five years with an average growth rate of 33.4%. This also has been confirmed with the survey showing an improvement level with the mean of 3.75 in the past five years. This is due to a relatively stable claims expense, a marginally increasing administrative cost as well as an increase in the Corporation's investment income. Since the introduction of the compulsory motor insurance policy, the Corporation's new policy issuance rate has been increasing on average by 22.64% which is also complementary with the improved status response from the survey averaging 3.58.

#### **4.5. Correlation**

Correlation, Pearson correlation in this case, is important to understand the strength of the linear relationship between two variables. The correlation coefficient ( $r$ ), ranging from -1.0 to +1.0, shows the level of strength of the relationship. Accordingly, if the coefficient is close to +1.0 or -1.0, the relationship is said to be strong while a result close to 0 is an indication of weak relationship between the variables. According to Cronk, (2008) a correlation coefficient above 0.7 on both sides is considered to be strong, 0.3-0.7 as moderate and below 0.3 and closing to 0 on both sides as weak relationship.

**Table 4.17 Pearson Correlation between the variables**

		Advertising	Sales Promotion	Direct Marketing	Personal Selling	Performance
Advertising	Pearson Correlation	1	<b>.794**</b>	<b>.602**</b>	<b>.677**</b>	<b>.556**</b>
	Sig. (2-tailed)		.000	.000	.000	.000
Sales Promotion	Pearson Correlation	.794**	1	.520**	.466**	<b>.762**</b>
	Sig. (2-tailed)	.000		.000	.000	.000
Direct Marketing	Pearson Correlation	.602**	.520**	1	.496**	<b>.507**</b>
	Sig. (2-tailed)	.000	.000		.000	.000
Personal Selling	Pearson Correlation	.677**	.466**	.496**	1	<b>.734**</b>
	Sig. (2-tailed)	.000	.000	.000		.000
Performance	Pearson Correlation	<b>.556**</b>	<b>.762**</b>	<b>.507**</b>	<b>.734**</b>	1
	Sig. (2-tailed)	.000	.000	.000	.000	
	N	264	264	264	264	264

\*\* . Correlation is significant at the 0.01 level (2-tailed).

Source; SPSS Survey Output (2017)

A Pearson correlation coefficient was calculated for the relationship between IMC tools and performance. A strong positive correlation and significant linear relationships are obtained between all the overall performances of the Corporation. The correlation coefficients (r) for all variables range from 0.507 to 0.762, which show a moderate and high correlation. The most correlated dimension with performance among the IMC tools is Sales Promotion (r (264) =0.762) followed by Personal Selling (r (264) =0.734), Advertising (r (264) =0.556), and Direct Marketing (r (264) =.507).

The correlation between the IC tools themselves shows that there is a higher correlation between Sales Promotion and Advertising with persons correlation of (r (264) =.794). The second highly correlated items are Personal Selling and Advertising (r (264) =.677) with a moderate level of correlation. On the other side of the table, the two least correlated items falling in to the medium correlation range are Direct Marketing with Personal (r (264) =.496) and Selling Personal Selling with Sales Promotion (r (264) = .466) respectively.

#### 4.6. Multiple linear regressions analysis

Multiple regressions is a statistical model through which researchers analyze the relationship between the dependent variable and a set of independent or predictor variables. Ho (2006), it is a frequently used a statistical technique to achieve three main objectives. Firstly it is used to sort the best prediction equation for a set of variables (i.e. to answer questions like, given X and Y as predictors, what is Z (the dependent variable?). Secondly it is also important to control for confounding factors to evaluate the contribution of a specific variable or set of variables through identifying independent relationships. It is also important to find structural relationships and provide illustrations for what seems to be a complex relationship.

It allows the prediction of one variable from several other variables. Multiple linear regressions assume that all variables are interval or ratio scaled. In addition, the dependent variable should be normally distributed around the prediction line. This, of course, assumes that the variables are related to each other linearly. All variables should be normally distributed (Pallet, 2005).

One of the SPSS outputs of the regression analysis is the model summary that includes the R square and the standard of the error term for the model. R Square (called the coefficient of determination) tells one the proportion of the variance in the dependent variable (performance in this particular case) that can be explained by variation in the independent variables (the IMC tools). The Standard Error of the Estimate gives a margin of error for the prediction equation.

The second part of the output that is area of interested is the ANOVA summary table. For now, the important number is the significance in the rightmost column. If that value is less than .05, it is said to have a significant linear regression. If it is larger than 0.05, it is not. The final section of output and the most important one is the table of coefficients and is where the actual prediction equation is illustrated.

**Table 4.18 Model Summary**

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Change Statistics				
					R Square Change	F Change	df1	df2	Sig. F Change
1	.484 <sup>a</sup>	.580	.566	.40732	.680	54.669	4	263	.000

a. Predictors: (Constant), PS, SP, Advertising, DM

Source; SPSS Survey Output (2017)

The result in the table above indicates the correlation between independent variables (Personal Selling, Sales Promotion, Advertising and Direct Marketing) with Performance of the Corporation is 0.484. This implies 48.4% of the variation the performance of EIC on the attributes identified can be explained by variation in undertaking various integrated marketing communication programs. The other 51.6% of the variations are considered to be the effect of other variables out of this scope.

**Table 4.19 ANOVA<sup>a</sup> Analysis for IMC tools and Performance**

**ANOVA<sup>a</sup>**

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	3.762	4	.940	5.669	.000 <sup>b</sup>
	Residual	42.971	259	.166		
	Total	46.733	263			

a. Dependent Variable: PER

b. Predictors: (Constant), PS, SP, Advertising, DM

Source; SPSS Survey Output (2017)

The ANOVA summary table for the regression analysis is observed that the significance level is less than 0.05 ( $p < 0.05$ ) that illustrate there is significant linear regression. This implies that integrated marketing communication programs have a significant effect on the overall performance of the Corporation.

**Table 4.20 Multiple regression result for IMC tools and Performance  
Coefficients<sup>a</sup>**

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.	Collinearity Statistics	
	B	Std. Error	Beta			Tolerance	VIF
(Constant)	3.116	.420		7.416	.000		
Advertising	+.083	.065	+.098	1.289	.199	.617	1.620
Sales Promotion	+.071	.063	+.067	1.124	.262	.985	1.016
Direct Marketing	+.165	.070	+.204	2.368	.019	.479	2.089
Personal Selling	+.296	.064	+.322	4.617	.000	.730	1.370

Source; SPSS Survey Output (2017)

The last output in the analysis of the multiple regression models represents the output for the beta coefficients of each integrated marketing communication tools. The regression equation for this research is presented below.

$$PER = B_0 + (B_1) ADV + (B_2) SP + (B_3) DM + (B_4) PS + e$$

Where, PER= Performance, ADV= Advertisement, SP= Sales Promotion, DM=Direct Marketing, PS=Personal Selling, B<sub>0</sub>= Constant, B<sub>1</sub> to B<sub>4</sub>= beta coefficients, and e=the error term

Substituting the results in the model gives:-

$$PER = 3.116 + 0.083ADV + 0.071SP + 0.165 DM + 0.296PS + e$$

Prior to interpretation of the model and its beta coefficients, it is important to evaluate it in terms of multicollinearity issue. According to Pallet (2005), multicollinearity refers to the situation in which the independent/predictor variables are highly correlated. When independent variables are multicollinear, there is “overlap” or sharing of predictive power. This may lead to the paradoxical effect, whereby the regression model fits the data well; but none of the predictor variables has a significant impact in predicting the dependent variable. This is because when the predictor variables are highly correlated, they share essentially the same information. Thus, together, they may explain a great deal of the dependent variable, but may not individually contribute significantly to the model This can be checked by looking in to the output of variance

inflation factor (VIF) and the tolerance level for the model. The tolerance value is an indication of the percentage of variance in the predictor that cannot be accounted for by the other predictors. Values that are less than 0.10 may merit further investigation. The VIF, which stands for variance inflation factor, is computed as “1/tolerance,” and it is suggested that predictor variables whose VIF values are greater than 5 may merit further investigation. As it can be seen from the table these requirements are not invalidated in our results and there is no issue of multicollinearity.

The results in the table show Personal Selling ( $B=0.296$ ), Advertising ( $B=0.083$ ), Direct Marketing ( $B=0.165$ ) and Sales Promotion ( $B=0.071$ ) all have positive relationships with performance. The regression equation above also established that taking all factors into account (advertising, sales promotion, personal selling and direct marketing) constant at zero organizational performance will be 3.116. The findings presented also show that taking all other independent variables at zero, a unit increase in personal selling would lead to a 0.296 increase in the organizational performance. However, at 95% confidence level ( $p<0.05$ ), only the contribution of direct marketing and personal selling have a significant and positive effect on performance of EIC. On the other hand the effect of advertising and sales promotion activities of the Corporation on performance is not significant.

The findings show that a unit increase in personal selling activities would lead to a 0.296 increase in organizational performance. This is particularly in line with the fact that personal selling activities such as reliability, direct interaction with customers, flexibility and innovativeness and level of customer attention can directly result in an increase in sales, policy retention, cross selling, reduce claims settlement cost and hence profitability. As the literature above suggests, this immediate effect of personal selling activities makes it a critical element in raising the performance of insurance companies in both short and long term time horizons. Direct marketing activities are also highly effective in the short run on raising performance of the insurance companies as most of them are important in raising the gross written premium as well as policy insurance and retention. This in turn will result in an increase in the profit of the corporation.

On the other hand, though the advertisement activities are important in creating insurance awareness in general and institutional promotion in particular, the literature suggests that there must be aggressive, consistent and effective advertisement efforts for a relatively longer period of time to persuade customers to buy unsought goods. The positive relationship shows that the effect is on the right direction but fails to register significant effect. This is because, as the literature suggest, it is difficult for creating awareness in insurance especially in developing economies and might in the short run even affect profitability adversely through huge advertisement expenses with very little returns. As the effect of advertising in this particular case is a long term issue, it is important for the Corporation to continue to spend on such activities in a careful and designed way for a long term objective as well as devise ways to increase its effect on short terms basis via selecting particular segments of the market that are having higher awareness level for insurance.

The effect of sales promotion activities such as discounts, event sponsorship, ex gratia treatments as well as customer service week and trainings are mixed on performance. For instance given the high level of price war in the industry as identified in earlier, the intense discount efforts might result in negative contribution to performance as it leads to accepting premiums that do not represent the risk associated with the cover. The same might hold true for ex gratia treatment if it is done on the basis of not losing customers only without considering its long term profitability. On the other hand the effect of event sponsorship to performance might take a relatively longer time period while customer service week and trainings have a relatively shorter period to kick in for customers and hence affect performance positively much better. As a result, it is important for the corporation to focus more on the later activities of sales promotion in depth while trying to have a properly designed and careful approach to discounts and ex gratia treatments.

## CHAPTER FIVE

### 5. CONCLUSIONS AND RECOMMENDATIONS

#### 5.1. Conclusion

The general objective of was to assess the effect of integrated marketing communication tools on business performance in the insurance industry, focusing on the Ethiopian Insurance Corporation. The study was guided by the following research questions in regards to the business performance in the insurance industry: To what extent does advertising affect performance of the Corporation?; What are the effects of sales promotion on performance of the EIC?; How does personal Selling affect performance of the EIC?; What influence does direct marketing have on performance of the Corporation?.

The researcher targeted EIC. The operational staffs of the Corporation, both management and non management members are the main point of focus. This study was important in that it sought to establish the effect of IMC in relaying marketing information to potential customers and thereby increasing customer acquisition rates resulting in more sales. The study would be of particular importance to the management in EIC as it would draw recommendations that the company might employ to boost their sales turnover and profits.

Stakeholders such as government agencies, policy makers, the National Bank of Ethiopia and those working for the financial market development may use the results to formulate positive national policies on a framework that is relevant and sensitive to the market forces influencing the insurance industry in Ethiopia. Customer and owner confidence on the operation and performance of the Corporation shall improve based on the recommendation as to what should be done to improve performance. The research results would also be important to scholars and researchers as it would add to the existing pool of knowledge in effects of IMC on marketing.

Descriptive and causal research designs were used this study. The target population was of 772 staff in different managerial and non managerial levels at the operational professions. This

population was chosen since the people have day to day contact with one or more of the IMC tools and can observe its impact on the performance indicators identified. Stratified proportionate random sampling technique was used to select the sample. Stratification aimed to reduce standard error by providing some control over variance. Accordingly respondents comprising of 264 were selected from the two stratum with 89 from managerial positions and 175 from non managerial professionals. The researcher used primary data for this study and collected using questionnaires. The quantitative data in this research was analyzed by descriptive statistics using statistical package for social sciences (SPSS). Descriptive statistics includes mean, frequency, standard deviation and percentages to profile sample characteristics and major patterns emerging from the data. A multivariate regression model was applied to determine the relative importance of each of the four variables with respect to performance of the Ethiopian Insurance Corporation.

The study found that direct marketing and personal selling activities conducted by the Corporation affect its performance significantly in a positive manner. This goes in line with the literature as well as the conceptual framework of the study. The study concluded that EIC's personal selling activities influenced its performance to a great extent. The regression analysis shows an increase in a unit of personal selling activities by the EIC will increase overall performance by 0.296 units. All the activities of personal selling identified in the study affect the performance of insurance business to a great extent. This leads to the conclusion that efforts made on these activities have a positive and immediate effect and is where the Corporation should focus on for maximum return in the short run.

Furthermore direct marketing efforts such as direct selling, working with intermediaries, response to customer enquiries and corporate clients as well as business to business marketing affect performance to a significant and positive manner. Particularly, working with agents, direct selling and working with brokers have a great impact on the overall performance. On the other hand the effect of business to business marketing, response to corporate clients and response to customer enquiries are considered to have moderate effect on the performance of EIC. The regression analysis shows an increase in a unit of direct marketing activities by the EIC will increase overall performance by 0.165 units. Direct marketing activities are highly effective in the short run on raising performance of the insurance companies as most of them are important in

raising the gross written premium as well as policy insurance and retention. This in turn will result in an increase in the profit of the corporation. So these activities are important to focus on as their return is higher and immediate.

On the other hand, though the advertisement activities are important in creating insurance awareness in general and institutional promotion in particular, the literature suggests that there must be aggressive, consistent and effective advertisement efforts for a relatively longer period of time to persuade customers to buy unsought goods. The positive relationship shows that the effect is on the right direction but fails to register significant effect. This is because, as the literature suggest, it is difficult for creating awareness in insurance especially in developing economies and might in the short run even affect profitability adversely through huge advertisement expenses with very little returns. As the effect of advertising in this particular case is a long term issue, it is important for the Corporation to continue to spend on such activities in a careful and designed way for a long term objective as well as devise ways to increase its effect on short terms basis via selecting particular segments of the market that are having higher awareness level for insurance.

The effect of sales promotion activities such as discounts, event sponsorship, ex gratia treatments as well as customer service week and trainings are mixed on performance. For instance given the high level of price war in the industry as identified in earlier, the intense discount efforts might result in negative contribution to performance as it leads to accepting premiums that do not represent the risk associated with the cover. The same might hold true for ex gratia treatment if it is done on the basis of not losing customers only without considering its long term profitability. On the other hand the effect of event sponsorship to performance might take a relatively longer time period while customer service week and trainings have a relatively shorter period to kick in for customers and hence affect performance positively much better. As a result, it is important for the corporation to focus more on the later activities of sales promotion in depth while trying to have a properly designed and careful approach to discounts and ex gratia treatments.

The study found that the trend new policy issuance and profitability have improved for the last five years and this finding is supported by the rate of growth of profit as well as new policy issuance rate of the Corporation. In addition, the trend of gross written premium has been

consistent for the last five years while the Corporation's market share and policy retention rate has been declining over the years. The regression equation above has established that taking all factors into account (advertising, sales promotion, personal Selling and direct marketing) constant at zero organizational performance will be 3.116. Overall, sales promotion had the least effect on organizational performance and personal selling had the highest effect.

## **5.2. Recommendations**

### **5.2.1. Recommendations for Improvement**

Generally speaking IMC must remain an integral component of Corporation's business strategy as a tool to achieve the Company's business objectives. This is because the tools are able to explain 48.4% of the variation in performance of the Corporation. However, the approach to each IMC tool and its components must be carefully designed and strategically vary.

For its short turn return and immediate impact on performance it is important for the Corporation to focus on direct marketing activities which affect sales almost instantly. Furthermore the effect is positive and significant as shown in the regression analysis. Particularly direct sales must be an area of focus as it reduces the transaction cost such as commission which raises profitability compared to agents and brokers. Using the intermediaries must be done with caution as it affects both income and expense side of the equation by bringing sales as well as taking commission payments. So it is important for the Corporation to use intermediaries in insurance covers where the risk profile is lower and the return is higher while in insurance policies such as motor insurance business due care must be given as its high risk portfolio might affect performance negatively if commission expense to intermediaries is included.

As personal selling activities are having the highest coefficient as well as a significant positive effect on performance, the Corporation must focus on exploiting its opportunities to this end. Particularly keeping promises to customers, reliability is a key element that could be enhanced by the Corporation in order to improve its performance. This can be demonstrated in insurance

business through being able to meet customer expectation and beyond in claim settlement within the policy terms and conditions as well as promptly. Being flexible and innovative in serving customers is also another important aspect of personal selling to focus on if the Corporation to improve its performance elements as it helps to meet customer needs which intern increases directly new policy issuance and policy retention rates among other things. The levels of customer attention as well as direct interaction with clients are also areas to consider within this domain of IMC tool.

The effect of advertising to performance has been rather insignificant based on the finding of the survey. However, the study was able to demonstrate that there is a positive relationship between advertisement and corporate performance. Furthermore respondents believe that the importance of advertising on the performance of insurance companies is very critical in theory and this is supported by the literature in previous sections. So it is important to consider for the Corporation further examination of as to how this effect can be raised to a significant level as to how to pass consistent, effective and persuading messages on both the importance of insurance and also organizational level advertisements in all forms. It is also important for the Corporation to channel its advertisement activities to specific segments in order to identify its long and short term effect based on the level of response to a particular advertisement by each customer segments.

Balancing the cost and benefit aspect of sales promotion activities is also a critical area for improvement as some of them have impact both on the revenue and cost sides of the equation for profitability. Looking for carefully designed ways to provide discounts for both new customers and those who are renewing their policy covers and understanding the loss experience of customers in availing ex gratia treatments as well as other policy discretions are important elements to consider improving the significance of impact sales promotion has on performance of insurance companies.

### **5.2.2. Recommendations for Further Studies**

This study has explored the effect of integrated marketing communication tools on business performance in the insurance industry, focusing EIC. The overall effect of integrated marketing communication can therefore not be ignored at any cost. There is therefore need to put in place the integrated marketing communication tools. This study has recommended adoption of various reforms in the insurance industry and other organizations to ensure maximum business performance. The study further recommends that another study needs to be done with an aim of investigating the effectiveness of integrated marketing communication tools in relative to investment of such activities and also the industry performance considering the private insurance companies as well.

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# *Appendices*



## II. Effects of Integrated Marketing Communication on Performance of Insurance Business In EIC

### *Advertisements*

1. In your opinion, do you think the Corporation has undertaken enough advertising activities to promote itself and its insurance products?

Strongly Agree                       Agree                       Neutral  
 Disagree                       Strongly Disagree

2. In your opinion, to what extent is the advertising activities are affecting the performance of life insurance products in the Corporation?

Not at All                       Agree                       Neutral  
 Disagree                       Strongly Disagree

3. In your own opinion, what is the extent to which the following forms of advertising influences the Corporation's performance? 1 = not at all, 2 = low extent, 3 = moderate extent, 4 = great extent and 5 = very great extent

Advertising		Level of Agreement				
		<i>1</i>	<i>2</i>	<i>3</i>	<i>4</i>	<i>5</i>
	<i>Statement</i>					
1	Online activities of the Corporation such as websites, blogs and social media affect its performance.					
2	EIC's participation on various events such as trade fairs and exhibitions affect its performance.					
3	The use of billboards, sonic screens and wall branding put in various places by the Corporation affect its business performance.					
4	The Corporation's flayers, policy explanation brochures and leaflets affect its performance.					
5	TV Advertisements of EIC affect is overall performance.					
6	Radio Advertisements by the Corporation affect its performance					
7	Print media Advertisements on news papers and magazines affect its performance					
8	Interactive media relation activities contribute to the Corporation's performance					

## *Sales Promotions*

5. To what extent do you think sales promotions practiced by you corporation influences its performance?

- Very Great Extent                       Moderate Extent     Not at All  
 Great Extent                                 Low Extent

6. In your own opinion, what is the extent to which the following forms of sales promotion influences the Corporation's performance? 1 = not at all, 2 = low extent, 3 = moderate extent, 4 = great extent and 5 = very great extent

<b>Sales Promotion</b>		<b>Level of Agreement</b>				
		<i>1</i>	<i>2</i>	<i>3</i>	<i>4</i>	<i>5</i>
<i>Statement</i>						
1	Discounts on insurance premiums provided for new and existing customers affect the Corporation's performance.					
2	Trainings provided for major clients on various insurance related issues affect the Corporation's performance.					
3	Customer service week such as visiting existing clients affect its performance.					
4	Sponsoring client based or community based events by the Corporation affects its performance.					
5	EIC's ex gratia treatment of profitable clients affect its business performance.					

## *Direct marketing*

7. To what extent do you think direct marketing as practiced in EIC influences performance?

- Very Great Extent                       Moderate Extent     Not at All  
 Great Extent                                 Low Extent

8. In your own opinion, what is the extent to which the following forms of direct marketing influences the Corporation's Performance? 1 = not at all, 2 = low extent, 3 = moderate extent, 4 = great extent and 5 = very great extent

<b>Direct Marketing</b>		Level of Agreement				
<i>Statement</i>		<i>1</i>	<i>2</i>	<i>3</i>	<i>4</i>	<i>5</i>
1	Corporation's effort to create more office business (without agents and Brokers) affects its performance.					
2	Corporation's effort to work with agents affects its performance.					
3	Corporation's effort to work with brokers affects its performance.					
4	EIC's current level of response to customer enquiries affects performance.					
5	Business to Business marketing activities of EIC affects its performance.					
6	Response to Corporate Clients given by the Corporation Affects its performance					

### ***Personal Selling***

9. In your own opinion, to what extent do you think personal selling practiced by EIC influences the company performance?

- Very Great Extent                       Moderate Extent     Not at All  
 Great Extent                                 Low Extent

10. In your own opinion, what is the extent to which the following forms of personal selling influences the Corporation's Performance? 1 = not at all, 2 = low extent, 3 = moderate extent, 4 = great extent and 5 = very great extent

<b>Personal Selling</b>		Level of Agreement				
<i>Statement</i>		<i>1</i>	<i>2</i>	<i>3</i>	<i>4</i>	<i>5</i>
1	EIC's Direct (face to face) Interaction with Clients affects its performance.					
2	The level of attention given by the Corporation for its customers is affecting its performance.					
3	Prompt response and keeping promise at the time of claim (Reliability) is affecting EIC's performance.					
4	The Corporation's innovativeness and flexibility is affecting its performance.					

## ***Corporate Performance***

11. In your own opinion, how do you evaluate the performance of corporate performance over the past five years in the following areas?

<b>Corporate Performance Indicators of EIC</b>		<b>Level of Growth of the Indicator</b>				
		Greatly Improved	Improved	Consistent	Decreasing	Greatly Decreasing
1	Market Share					
2	New Policy Growth Rate					
3	Policy Renewal Rate					
4	Profitability					
5	Gross Written Premium					

***Thank you for your honest opinion and participation!***