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**ADDIS ABABA UNIVERSITY
COLLEGE OF BUSINESS AND ECONOMICS**

**ASSESSMENT OF MARKETING MIXES AND SALES PERFROMANCE
OF INSURANCE COMPANIES: A CASE OF ETHIOPIAN INSURANCE
CORPORATION**

**A RESEARCH PROJECT SUBMITTED IN PARTIAL
FULFILLMENT OF THE REQUIREMENTS FOR THE DEGREE
OF MASTER OF ART IN BUSINESS ADMINISTRATION (MBA)**

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ADVISOR: YOHANNES WORKAFERAHU (PH.D)

JUNE 2019

ADDIS ABABA, ETHIOPIA

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JUNE 2019

Declaration

I, the undersigned, announce this research paper entitled “**Assessment of marketing mixes and sales performance of insurance companies: A Case of Ethiopian Insurance Corporation**” is my own effort and I have the courage to say, it is original research work that has not been produced by others in any other Academic institutions for any other requirements in any form. To this end, I acknowledge all sources of information that I used to produce the study appropriately and I would say perfectly.

Molla Birhanie Tiruneh (Ato)

(The Researcher) Signature

Date

Statement of Certificate

This is to certify that **Molla Birhanie** has completed his research project entitled *Assessment of marketing mixes and sales performance of insurance companies: A Case of Ethiopian Insurance Corporation*) is his original work and is submitted for examination with my approval as a research project.

Yohannes Workaferahu (Ph.D)

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Signature

Date

Addis Ababa University

School of Graduate Studies

This is to certify that the research project entitled, *“Assessment of marketing mixes and sales performance of insurance companies: A Case of Ethiopian Insurance Corporation”* was carried out by Molla Birhanie under the supervision of Yohhanes Workaferahu (Ph.D) submitted in partial fulfillment of the requirements for the degree of Master of Business Administration complies with the regulations of the University.

Approved by the Examiners

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Name of External Examiner	Signature	Date

_____	_____	_____
Name of the Internal Examiner	Signature	Date

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Contents	Page
Acknowledgments.....	iv
List of Tables	viii
Abstract	xii
CHAPTER ONE	1
1. INTRODUCTION.....	1
1.1 Background of the Study	1
1.2 The Insurance Industry in Ethiopia.....	3
1.3 Statement of the Problem.....	5
1.4 Research Questions	7
1.5 General Objectives of the Study	8
1.5.1 Specific Objectives of the Study	8
1.6 Scope of the Study	8
1.7 Significance of the Study.....	8
1.8 Operational definitions of variables.....	9
1.9 Organization of the study.....	10
CHAPTER TWO	11
2. LITERATURE REVIEW	11
2.1 Introduction.....	11
2.2 Theoretical Review	11
2.2.1 Meaning of Marketing.....	11
2.2.2 The Marketing Mix	12
2.1.1 Role of Marketing in Insurance Business	14
2.1.1.1 Marketing Mix of Insurance Business.....	16
2.1.2 Key Performance Indicators for Insurance Business	21
2.1.1.1 Policy Growth.....	21

2.1.1.2	Market Share.....	22
2.1.1.3	Renewal/Retention.....	23
2.2	Reviews of Empirical Studies.....	24
2.3	Conceptual Framework.....	28
CHAPTER THREE		30
3.	RESEARCH METHODOLOGY	30
3.1	Introduction.....	30
3.2	Research Approach & Design.....	30
3.3	Population and Sampling.....	30
3.4	Sample Size & Techniques	31
3.5	Types of Data and Tools	35
3.6	Procedure of Data Collection.....	36
3.7	Methods of data Analysis.....	37
3.8	Reliability and Validity of the instrument	37
3.1	Ethical Considerations	37
CHAPTER FOUR.....		38
4.	DATA PRESENTATION, ANALYSIS AND INTERPRETATION.....	38
4.1	Data Cleaning, Response Rate and Reliability	38
4.2	Descriptive Analysis of Demographic Variables of Respondents.....	39
4.3	Descriptive statistical analysis of the variables	43
CHAPTER FIVE		53
5.	SUMMARY, CONCLUSIONS AND RECOMMENDATIONS	53
5.1	Summary of Major Findings.....	53
5.2	Conclusions.....	54
5.3	Recommendations.....	55
5.4	Limitations of the Study.....	56

5.5 Recommendation for further study	56
REFERENCE.....	57
APPENDICES	69

List of Tables

Table 3.4: Population Size	32
Table 3.5: Share of Premium Income & Number of Customer by Cost Center	33
Table 3.6: Share of Premium Income by Client type.....	33
Table 4.7: Response Rate.....	38
Table 4.8: Cronbach's Alpha Test	38
Table 4.9: Age of Respondents	39
Table 4.10: Gender/Sex of Respondents (All respondents).....	39
Table 4.11: Job Position of Respondents (EIC Employees).....	40
Table 4. 12: Education Level of Respondents	40
Table 4.13: Work Experience of Respondents (EIC Employees).....	41
Table 4.14:Duration of intermediaries (Agents/Brokers) work with EIC	41
Table 4.15: Intermediary's (Agent's/Broker's) frequent involvement	42
Table 4.16: Duration of customers work with EIC.....	42
Table 4.17: Premium amount paid by customers per year.....	43
Table 4.18: Table: Scale Range Reference	44
Table 4.19: Product.....	44
Table 4.20: Price	45
Table 4. 21: Promotion	46
Table 4. 22: Place/Accessibility.....	47
Table 4. 23: People	49
Table 4. 24: Process	50
Table 4. 25: Physical Evidence.....	51
Table 4. 26: The most important factor in relation to EIC's sales performance?	51

List of Charts

Chart 1.1: Market Share, Policy Lapse rate & Customer Retention Rate (%).....7

List of Figures

Figure 3: Research Conceptual Framework (adopted from various researchers).....	29
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ACRONYMS AND ABBREVIATIONS

EIC	Ethiopian Insurance Corporation
NBE	National Bank of Ethiopia
G7	Group 7
GDP	Gross Domestic Product
DCEO	Deputy Chief Executive Officer
KPI	Key Performance Indicator
SPSS	Statistical Packages for Social Science
SSA	Sub Sahara African
SPM	Strategy Planning and Management
IT	Information Technology
ROI	Return on Investment
CRM	Customer Relationship Management
ATM	Automatic Teller Machine
HRM	Human Resource Management
PFEA	Public Finance Enterprise Agency
NGO	Non Governmental Organization
IMF	International Monetary Fund
CII	Chartered Insurance Institute
LOMA	Life Office Management Association

Abstract

The general objective of this study was to assess marketing mixes practice of insurance companies, using the case study of the Ethiopian Insurance Corporation. The study was guided by the specific objectives of assessing the role of marketing mixes on sales performance of the Corporation. A descriptive research design was used for the study. The target population was 263 respondents comprising of 99 customers, 83 intermediaries (sales agents and insurance brokers) and 81 employees that largely interact customers. Stratified probability sampling technique was used to select the sample. The researcher used primary data for this study and collected using questionnaires. On the primary data, questionnaires were used to collect data and data has been analyzed using SPSS. Descriptive statistics includes mean, frequency, standard deviation and percentages to profile sample characteristics were applied. The reliability of the tool applied was tested and a Cronbach alpha value of 0.733 has been obtained. The study found that price, process and products were identified as the most important marketing mix that played vital role on sales performance of EIC. This study has recommended that the price need to be competent and affordable and adoption of various claim settlement options such as cash option & outsourcing have to be implemented. The study further recommends that feedbacks/views of customers, sales agents and insurance brokers need to incorporate at time of product development. Lastly, the study recommends that another study needs to be done with an aim of investigating the effect of marketing mix on firm performance considering the private insurance companies as well.

Keywords: *Marketing Mix, Sales Performance.*

CHAPTER ONE

1. INTRODUCTION

1.1 Background of the Study

Marketing is one of the key ways in which companies try to create awareness of their products or services (Fuerderer, Herrmann and Wuebker, 2013). Marketing is undertaken through the key elements known of the marketing mix, which is defined as the elements an organization controls that can be used to satisfy or communicate with customers (Zeithami, 2000).

An effective marketing programme blends the marketing mix elements into a coordinated programme designed to achieve the company's marketing objectives. The marketing mix constitutes the company's tactical tool kit for establishing strong positioning in target markets and thus be able to survive competition (Kotler, 2000). By adopting and utilizing the marketing mix, companies have a big edge over others and as Kotler (2000) further observes, winning companies are those that meet customer needs economically and conveniently and with effective communication.

Marketing mix is a business tool that is used by organizations to achieve a competitive advantage. Marketing mix refers to 4P's that organizations use in their marketing process to achieve organizational goals and meet customers' needs and wants. It is a set of tactical marketing tools that includes product, price, place and promotion that marketing managers are able to control to achieve the required objective (Shankar and Chin, 2011).

According to Kotler and Armstrong (2012), marketing mix is the set of tactical marketing tools - product, price, place, and promotion - that the firm blends to produce the response it wants in the target market. According to Palmer (2010), marketing mix is a conceptual framework that marketing managers use to come up with develop long term and short term strategies that can use to target their market and meet consumer's needs..

Saguti (2015) asserts that marketing mix is a model used by organizations to create and improve their marketing efforts. It is used to blend different factors in such a way that the organization is able to achieve their objectives and meet customers need.

The traditional marketing mix is composed of the four P's: product, price, place (distribution), and promotion. These elements appear as core decision variables in any marketing text or marketing plan. The notion of a mix implies that all of the variables are interrelated and depend on each other to some extent.

Scholars have however in the recent times looked again at the marketing mix and suggested an expanded marketing mix having 7P's (Fifield, 1998). The three added P's being; people, physical evidence and process. The 7P's were developed to deal with marketing of services which differ from manufactured products in a number of ways (Palmer, 1998). Service managers have found that the traditional four P's of marketing are inadequate to describe the key aspects of the service market's job. Some marketers suggest that the unique requirements of selling services require the manager attend to the 3 additional P's (Rust, 1996). According to Fifield (1998) these additional 3 elements are brought in to broaden the marketer's attention beyond the mechanical product-price-place-promotion myopia.

Since insurance is one of the service sectors, the importance of marketing mix in its business transaction and achieving marketing objective is not doubtful. The insurer's performance today is about marketing and the realization of marketing objectives is subject to the company blending the element of the marketing mix in such a way that it can be used to realize the company's marketing objectives by having marketing strategy (Ephraim, 2016). Muriuki (2013) claimed that insurance companies in the present scenario are facing problem of transiting from a perceived selling activity to a structured strategic marketing activity. To address such challenges, insurance companies are adopting all means of marketing approaches to be in a position of making great sales of insurance services and to cope up the increased competition (Muriuki, 2013).

Magunga (2010) conducted research on effects of marketing strategies on the performance of insurance companies in Kenya and claimed that marketing mixes are very vital in devising marketing strategy to positively influence the performance of insurance companies.. World Bank report conducted in 2008 on the Growth Report: Strategies for Sustained Growth and Inclusive Development revealed that Africa's insurance industry is largely underdeveloped, and insurance penetration levels are very low by global standards, accounting for just less than 1.2% (US\$0.06

trillion) of insurance premiums written globally in 2017. The bank stated out that African insurers need to invest heavily in marketing to build awareness and overcome a lack of product understanding or low consumer confidence by which the insurance penetration can be improved,. In addition, insurers have to strengthen their talent and skill base to take advantage of new product and distribution opportunities (World Bank, 2008). Therefore, effective use marketing mix very vital to the performance of insurance companies as it is to all other sectors.

1.2 The Insurance Industry in Ethiopia

The concept of insurance is not new and it always existed as a form of response to some problem faced by society. A form of insurance even existed in early Rome, where Romans gathered together in burial societies. They all contributed to a fund and the members of the pool had their burial costs met by the society (The Chartered Institute of Insurance, 2000).

The history of insurance service is as far back as modern form of banking service in Ethiopia which was introduced in 1905. Similarly, modern insurance service, which were introduced in Ethiopia by foreigners, mark out their origin as far back as 1905 when the bank of Abyssinia began to transact fire and marine insurance as an agent of a foreign insurance company.

According to a survey made in 1954, there were nine insurance companies that were providing insurance service in the country. With the exception of Imperial Insurance Company that was established in 1951, all the remaining of the insurance companies were either branches or agents of foreign companies. In 1960, the number of insurance companies increased considerably and reached 33 (Sambasivam & Abate, 2013).

In 1974, the Ethiopian insurance industry showed a significant shift which was reflected by nationalization all private insurance companies operating in Ethiopia and a single state owned insurance company, called Ethiopian Insurance Corporation, came in to existence and had been operating as a sole insurer until the sector liberalized in the 1994. Immediately after the enactment of the proclamation in the 1994, private insurance companies started to operate insurance business.

The Ethiopia's insurance market is one of the least developed markets, which is exemplified by low penetration rate, which is, 0.43%, as compared to other Sub Sahara African (SSA) countries.

The result witnessed that the Ethiopian insurance market is still untapped with possible future growth (Insurance penetration in Sub-Saharan Africa in 2017, by country, n.d.). Furthermore, EIC annual report explained that the Ethiopian insurance industry is not only exemplified with low penetration rate (0.43%), but also the market is experienced with poor public awareness and perception, price war and unethical competition, overdependence on traditional products, weak distribution channels, absence of actuaries, low customer satisfaction, and shortage of skilled man power (EIC Annual Report, 2016/17). As per the report, the industry has a limitation in the areas of product innovation, product pricing, promotion, distribution channel management, service delivery process and expertise which all are components of marketing mix, and EIC is one of the players in the market that experienced similar challenges.. Ethiopian Insurance Corporation is market leader of the Ethiopian insurance sector since the market has been opened to local insurance companies in 1994. The corporation has played significant roles in impacting the sector directly or indirectly in several areas such as product development, knowledge transfer and expertise, expansions of outlets, establishment of local reinsurance company (Ethio – re) etc. Due to its long years of experience in the sector with strong financial position and dominant market share for the last 24 years in the sector, its overall business practice and performance has a power to influence the industry at large. Despite the fact that the importance of marketing mix for performance of insurance business has been discussed by various researchers, the application of marketing mix in improving the sales performance of the Ethiopian insurance market is very limited. Therefore, it is important to examine how the marketing mix is important in relation to sales performance of insurance business.

The aim of this study is, therefore, to examine on how important are the 7'Ps (marketing mixes) in relation to the sales performance of insurance companies focusing on the largest insurer in Ethiopia, i.e. EIC.

1.3 Statement of the Problem

Marketing situations are changing all the time and business firms need to be proactive or lose customers. Some of the main reasons why market change rapidly is that that customers develop new needs and wants, new competitors enter a market, new technologies developing meaning that new products can be made, a world or countrywide event happening for instance war, and government introducing new legislation (Muriuki, 2013). Currently, operating a business in modern enterprise market and competitive environment is almost impossible without a strong marketing, as that marketing approach is changing and being perfected thanks to the informative technology (Besnik 2016). Muriuki (2013) has conducted an assessment of the challenges affecting insurers and found that choice of communication channel, lack of reliability, fraudulent claims and high premium rate, an unattractive building, and inaccessibility of the insurance policies pose an adverse effect on the marketing effort of insurance companies. Effective implementation of marketing mix has a paramount significance in designing marketing strategy by which overcoming of marketing challenges and exploitation of business opportunities can be realized in easy way.

Marketing Mix is the main factor that could affect the whole marketing system. The absence of marketing mix analysis will affect negatively the marketing performance. Factors affecting consumer purchase decision on insurance product in Pt. Prudential life assurance Manado,n.d.)

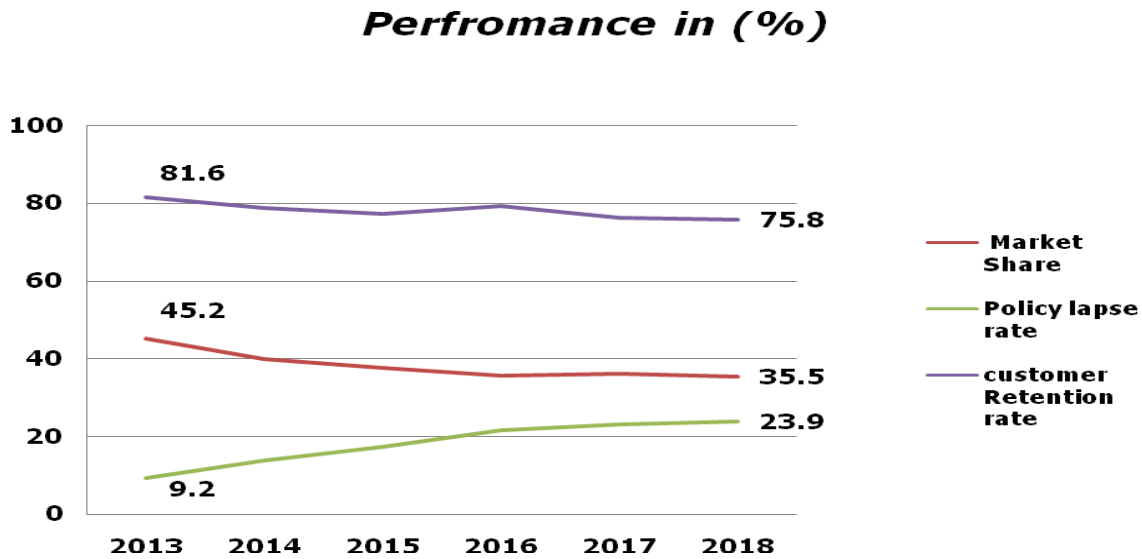
The marketing mix is a significant tool for creating the right marketing strategy and its implementation through effective tactics. The assessment of the roles of the product, promotion, price, place, and extended marketing mixes of people, process and physical evidence play a vital part in overall marketing approach of a company. The mix helps in determining which marketing strategy is right for a particular organization. It is the first step before you even create your business or marketing plan. The reason is that the marketing mix decisions of any business company also have an impact on its market positioning, targeting, and segmentation decisions (Hill, 2016).

The insurance industry, like other sectors, is going through a lot of changes and insurance carriers are looking for new avenues to create a competitive advantage – innovative products, quicker time-to-market, better utilization of customer touch points, competitive price, etc (Oracle Insurance,2014). Doing insurance business in Ethiopia is increasingly becoming a challenge to both established and newly establishing insurance firms. This is compounded by the fact that the insurance market is exemplifying with fierce and throat cut market competition as some of private insurance companies are ambitious to increase their sales volume by granting unjustifiable discounts to attract clients and attain their sales forecast which resulted in unhealthy spiral of premium cutting which becomes the concern of all concerned stakeholders, partners & even customer (Type of Insurance companies operating in Ethiopia, n.d.). For insurance companies, some of the effect of price based competition include bad claims ratio experience, reduction in premium due to lower premium rate people pay, decreased profits, reduced sales due low premiums and high customer turnover (Mugho,2004).

Due to these problems faced by insurance companies in Ethiopia, the operating companies have to adopt the use of the marketing mix as a way of solving these problems. This is supported by various researchers such as (Muriuki, 2013) and Eko Yiswa Rasti Esau (2015). The companies have to design products, price them fairly and adequately, promote them evenly and widely, process the products effectively and efficiently, train its employees and distribute the policies to all customers. With the help of a well designed marketing mix system, insurance companies will be able to exploit the untapped Ethiopian insurance market and improve the sales performance.

Despite the fact that EIC is the long serving company with strong financial standing in the industry, it has not been able to cope up the effect of price war in the industry and can't maintain its market position. The table below showed that EIC's market share, customer retention rate and policy lapse rate were deteriorating over the years (2013-2018).

Chart 1.2: Market Share, Policy Lapse rate & Customer Retention Rate (%)



Source: EIC Annual Report (2013-2018)

In view of the above, if EIC, as one of the insurer in the industry, adopt the marketing mix, it would be able to overcome the challenges and improve its sales performance. There is no however study that has a clear focus on assessing which marketing mix and to what extent the marketing mix needs to be used to improve sales performance in Ethiopian insurance sector in general, and EIC in particular.

Therefore, the present study is an attempt to fill the aforementioned research gap by providing information about the extent of contribution of marketing mix elements to various insurance related performance measures such as market share, customer retention, and customer attraction.

1.4 Research Questions

Considering all the real facts stated earlier, this study is expected to answer the following questions;

- i. What is the role of marketing mixes in relation to market share performance of EIC?
- ii. What is the role of marketing mixes in relation to customer retention performance of EIC?
- iii. What is the role of marketing mixes in relation to the new customer attraction performance of EIC?
- iv. Which marketing mix plays the most important role in relation to EIC's sales performance?

1.5 General Objectives of the Study

The general objective of the study was to assess the extent to which the marketing mixes determine the sales performance of Ethiopian Insurance Corporation.

1.5.1 Specific Objectives of the Study

- ✎ To identify the role of marketing mix in relation to the market share of EIC.
- ✎ To assess the role of marketing mix in relation to customer retention effort of EIC.
- ✎ To identify the role of marketing mix in relation to attracting new customers to EIC.

1.6 Scope of the Study

The scope of this study contextually limited to marketing mix practice of EIC in respect to its sales performance. The research is concerned in understanding the marketing mix that are designed and employed to understand its contribution towards the sales performance of the Ethiopian Insurance Corporation. It has been done from the understanding and context of the customers, intermediaries and employees located throughout the country.

Despite the fact that the contributing factors for sales performance are several in numbers, this study has been limited only to marketing mix in relation to sales performance of insurance business. On the other hand, 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 each marketing mix and its contribution towards sales performance for other business and insurance companies as well.

1.7 Significance of the Study

This study contributes to the scarce empirical data on the practice of marketing mixes practiced in the country's insurance industry. Particularly, this study was important in that it sought to assess the marketing mix in respect to sales performance. It will also have a significant input to evaluate the performance marketing programs of EIC against the benchmarked same in other parts of the world. It explicitly widens the understanding of all the existing local insurance companies about marketing mix in relation to sales performance. The findings and conclusions

drawn can be used to improve the marketing strategy and practices of the insurance companies operating in the industry.

The contribution of this study to academia is also not in doubt as it provides a good premise for future research. It also adds to existing literature on the contribution of marketing mix on sales performance of insurance companies. 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.

1.8 Operational definitions of variables

Insurance	: A device for transferring specified risks of individual persons to an insurer. The insurer agrees, for consideration (usually payment of a premium), to assume, to a specified extent, certain losses that may be suffered by the insured (NIBA- National Insurance Broker Association, 2006).
Insured	: The party to an insurance arrangement to whom the insurer agrees to provide cover against specified losses, or to render services, subject to the terms of the insurance contract. (NIBA- National Insurance Broker Association, 2006)
Insurer	: The party to an insurance arrangement who undertakes to provide cover or to render services, on the happening of specified events. (NIBA - National Insurance Broker Association, 2006)
Premium	: The price of insurance cover for a specified risk for a specified period of time (NIBA - National Insurance Broker Association, 2006)
Claim	: Notification by or on behalf of a claimant that an event likely to be covered by a policy has occurred, or is likely to occur, and giving formal notice to the insurer accordingly. Usually a claim will be accompanied by a request for indemnification under the policy. (NIBA - National Insurance Broker Association, 2006)
Claims Ratio	: The ratio of the cost of claims to earned premiums (NIBA - National Insurance Broker Association, 2006)
Market Share	: is the proportion of a company's sales share from the industry.

- District A : is the highest level outlet of EIC that operates only in Addis Ababa (EIC report, 2011).
- District B : is the second highest level outlet of EIC next to district “A“ that operates in Addis Ababa and outside Addis Ababa (EIC report, 2011).
- Branch I : is the highest level outlet of EIC that operates in Addis Ababa & outside Addis Ababa (EIC report, 2011).
- Branch II : is the second highest level outlet of EIC next to branch I that operates in Addis Ababa and outside Addis Ababa (EIC report, 2011).
- Corporate clients : are clients that are decisive in affecting overall performances of the corporation in terms of sales volume, policy/product base, as well as profitability (which are namely government institutions, public & Financial Enterprise, NGO and private organization). (EIC’s Strategic plan document, 2016)
- Retail client : are largely individuals that do not make repeat purchase, buy very few products, not loyal and have low bargaining power (EIC’s Strategic plan document, 2016).

1.9 Organization of the study

The study has been grouped into five chapters. Chapter one is the general introduction of the study. It looks at the background of the study, problem statement, objectives of the study; it also briefly looks at the research questions, significance, scope and limitations of the study. Chapter two looks at the literature review. The literature review comprised both theoretical and empirical reviews of literatures. The conceptual framework for the study was also outlined. Chapter three is on the methodology. It explains the research design. It also gives details about the population, sampling procedures used in the study. It further explains the research instrument, methods of data collection, data analysis. Chapter four looks at data presentation, analysis and discussion. Chapter five covered summary, conclusion and recommendations for the study

CHAPTER TWO

2. LITERATURE REVIEW

2.1 Introduction

Literature review in this chapter covers both the traditional and expanded marketing mix elements as discussed by various scholars i.e. product, price, promotion, place, physical evidence, process and people, and sales performance, conceptual framework, critique of the existing literature and research gap.

2.2 Theoretical Review

2.2.1 Meaning of Marketing

Kotler et al (2002) define marketing as a social and managerial process by which individuals and groups obtain what they need and want through creating and exchanging products and value with others. Stone (2000) defines marketing as the process of planning and executing the conception, pricing, promotion and distribution of ideas, goods and services to create exchanges that satisfy individual and organizational objectives.

Ennew (1998) defines marketing as being concerned with facilitating exchange and improving business performance through creation of long term customer satisfaction. Pride (2000) on the other hand views marketing as a philosophy that an organization uses to try and satisfy customers' needs through a set of well coordinated activities that also allows the organization to achieve its goals. According to this concept, providing satisfaction to a customer is the major thrust of the organization. To do this, a business must find out what will satisfy a customer. With this information, the business can create satisfying products.

Marketing is the process of planning and executing the conception, pricing, promotion and distribution of ideas, goods and services to create exchanges that satisfy the individual and organizational objectives. Alexander, R. S. (1960). The development of marketing is influenced by the development of society and its economy. Social and economic conditions largely influence the direction in which marketing evolves. Hence, marketing must continuously make the adaptation necessary for its healthy survival (Muriuki, 2013). The effective marketing of

organization products influence increase market share, improve returns in the companies and generally promote growth of insurance company.

Marketing, in insurance, is a philosophy of the underwriter, determining the strategy and tactics of his activities in the conditions terms of competition. Marketing simultaneously combines market research, new product development, distribution, advertising, promotion, product improvement and so on (Insurance Marketing,2017).

2.2.2 The Marketing Mix

Marketing mix is originating from the single P (price) of microeconomic theory (Chong, 2003). The term marketing mix was first coined by the Harvard academician Boarden in 1965 that drew on a colleague's description of marketing managers as mixers of ingredients. If marketing managers were mixers of ingredients then what they produced could be described as marketing mix. Ennew (1998) defines marketing mix as the overall marketing offer to appeal to the target market.

Marketing mix is not a scientific theory, but merely a conceptual framework that identifies the principal decision making managers make in configuring their offerings to suit consumers' needs. The tools can be used to develop both long-term strategies and short-term tactical programmes (Palmer, 2004). The idea of the marketing mix is the same idea as when mixing a cake. A baker will alter the proportions of ingredients in a cake depending on the type of cake we wishes to bake. The proportions in the marketing mix can be altered in the same way and differ from the product to product (Hodder Education, n.d). The marketing mix management paradigm has dominated marketing thought, research and practice (Grönroos, 1994), and “as a creator of differentiation” (Van Waterschoot, n.d) since it was introduced in 1940s. Kent (1986) refers to the 4Ps of the marketing mix as “the holy quadruple...of the marketing faith...written in tablets of stone”. Marketing mix has been extremely influential in informing the development of both marketing theory and practice (Möller, 2006).

The main reasons the marketing mix is a powerful concept are It makes marketing seem easy to handle, allows the separation of marketing from other activities of the firm and the delegation of

marketing tasks to specialists; and the components of the marketing mix can change a firm's competitive position (Grönroos, 1994).

The marketing mix concept also has two important benefits. First, it is an important tool used to enable one to see that the marketing manager's job is, in a large part, a matter of trading off the benefits of one's competitive strengths in the marketing mix against the benefits of others. The second benefit of the marketing mix is that it helps to reveal another dimension of the marketing manager's job. All managers have to allocate available resources among various demands, and the marketing manager will in turn allocate these available resources among the various competitive devices of the marketing mix. In doing so, this will help to instill the marketing philosophy in the organization (Low and Tan, 1995).

Kotler (1997) defines marketing mix as the set of marketing tools that the firm uses to pursue its marketing objectives in the target market. According to Stone (2000), marketing mix refer to the four variables (product, price, promotion, and distribution that marketers manipulate to fulfill marketing's role.

Zikmund & Michael (1995) view marketing mix as the specific combination of interrelated and interdependent marketing activities in which an organization engages to meet its objectives. The marketing mix may have many facets but its elements can be placed in four basic categories and since they can be influenced by managers. They are known as controllable variables. Successful marketing depends upon addressing a number of key issues. These include: what a company is going to produce; how much it is going to charge; how it is going to deliver its products or services to the customer; and how it is going to tell its customers about its products and services.

Traditionally, these considerations were known as the 4Ps — Product, Price, Place and Promotion. Given the ever changing nature of the environment and the dynamic of marketing services are usually produced and consumed simultaneously, customers are often present in the firm's factory, interact directly with the firm's personnel, and are actually part of the service production process. Also, because services are intangible customers will often be looking for any tangible cue to help them understand the nature of the service experience. These facts have led service marketers conclude that they can use additional variables to communicate with and satisfy their customers (Rust, 1996).

Despite several benefits of the 4Ps, Möller (2006) however, highlighted that the shortcomings of the 4Ps marketing mix framework, as the pillars of the traditional marketing management have frequently become the target of intense criticism such as:

- ✗ The Mix does not consider customer behavior but is internally oriented.
- ✗ The Mix regards customers as passive; it does not allow interaction and cannot capture relationships.
- ✗ The Mix is void of theoretical content; it works primarily as a simplistic device focusing the attention of management.
- ✗ The Mix does not offer help for personification of marketing activities.
- ✗ The mix does not take into consideration the unique elements of services marketing.
- ✗ Product is stated in the singular but most companies do not sell a product in isolation.
- ✗ The mix does not mention relationship building which has become a major marketing focus, or the experiences that consumers buy.
- ✗ The conceptualization of the mix has implied marketers are the central element. This is not the case. Marketing is meant to be 'customer-focused management'.

The limitation observed in the traditional marketing mix led to adopt the concept of an expanded marketing mix (people, process and physical evidence). Thus in addition to the traditional four P's, the services marketing mix includes people, physical evidence, and process.

Thus the major marketing management decisions can be classified in one of the following seven categories: product, price, place (distribution), promotion, people, physical evidence and process are known as the marketing mix or the 7 P's of marketing and represent the variables that marketing managers can control in order to best satisfy customers in the target market (Zeithami, 2000).

2.1.1 Role of Marketing in Insurance Business

Insurance is a contract of insurance is that whereby one party, the insurer, undertakes, for a premium or an assessment, to make a payment to another party, the policyholder or a third party, if an event that is the object of a risk occurs. (François, 2016).

Services, such as insurance, dominate today's world economy as a result of the considerable growth of the service sector over the last decades the size of the service sector is increasing in many countries around the world. (Kotler et al, 2001). The characteristics of services are the justification for the claim that services marketing is different to marketing physical products. Many of the developments in services marketing are fairly recent. The factors affecting the developments within services marketing are organization size and structure, regulatory bodies, growth in service industries, characteristics of services, customer/employee interaction, and specific service sectors (Singh, Chakra borty, & Raju, 2011).

As explicitly explained by Maria (2015), growing number of services has intensified competition among companies, which have to employ new strategies and tactics to respond to customers' changing needs and expectations. As a consequence of the emergence of service economy, profound knowledge and skills in marketing and managing services have become crucial for a business success of a company. Insurance, as part of the service industry, is challenging to market in easy way. Marketing services is different from marketing goods and is relatively challenging because of the unique characteristics of services namely, intangibility, heterogeneity, perishability and inseparability also largely affects insurance marketing. (Service Marketing: Definition Features and Problem Faced in Marketing Services, n.d.).

As Zubes (1999) states the purpose of marketing in insurance company can be: Maximization of company's profit and earning by insurance company sufficient profit alongside with execution some additional function. He confirms that marketing in insurance is powerful enough to differ from marketing commodities production. Insurance marketing refers to the marketing of insurance services with the aim to create customer and generate profit through customer satisfaction (Singh, Chakra borty, & Raju, 2011). Factors impeding the application of insurance marketing are insufficient experience of insurers while expanding insurance business, non-existence of long-term development strategies of insurance companies, the channels of insurance products sales, technologies of communication with clients, and etc.

Besnik (2016) stated that marketing in the insurance market plays a key role to meet supply and demand, because insurance products are products that are not seen, not touched, but exist only in the form of pledges. Since customers are becoming more demanding and sophisticated, it has

become important for the insurance sector to determine the factors which are pertinent to the customers for choosing a company. To prevent the migration of clients and attracting the new ones, it is very important for the insurance companies to understand the preferences of the customers to offer the services required by them. The insurance companies need to adopt a people-oriented approach, rather than only concentrating on the profit-oriented approach, towards improving customer service (Dipin & Tripathi, 2014).

2.1.1.1 Marketing Mix of Insurance Business

Marketing professionals and specialist use many tactics to attract and retain their customers that comprise of different concepts and marketing mix is the most important one. (Beenish & Sameer, 2012). There are two concepts for marketing mix: 4P and 7P. It is essential to balance the 4Ps or the 7Ps of the marketing mix. According to them, the concept of 4Ps has been long used for the product industry while the latter has emerged as a successful proposition for the services industry including insurance sector. The marketing mix for insurance business as stated by Beenish & Sameer (2012) has been discussed below.

i. Product

In traditional /commercial marketing, the term product has been defined differently. Kotler et al (2002) defines a product as anything that is offered to a market for attention, acquisition, use or consumption and that might satisfy a want or need. Broadly defined, products include physical objects, services, persons, places, organizations, ideas or mixes of these entities. It is described as a complex bundle of benefits that marketers offer to satisfy some need. Stone (2000) on the other hand, defines product as the good or service that a seller offers to consumers to satisfy a need.

Cravens (1996) defines a product as anything that is potentially valued by a target market for the benefits or satisfactions it provides, including objects, services, organizations, places, people and ideas. For Bearden et al (1995), a product is not just the physical item presented for sale but it also deals with the image that is created for the product through branding and the level of customer service that accompanies it.

Kotler et al (2002) looks at products at five levels; core product, basic product, expected product, augmented product and potential product. The core product is the most fundamental service or

benefit that the customer is really buying. At the second level, the marketer has to turn the core benefit into a basic product. At the third level, the marketer prepares an expected product, a set of attributes and conditions that buyers normally expect and agree to when they purchase this product. At the fourth level, the marketer prepares an augmented product that meets the customers' desires beyond their expectations. At the fifth level stands the potential product which encompasses all the augmentations and transformations that the product might ultimately undergo in the future (it points out to the possible evolution). Therefore, a product is more than a simple set of tangible features.

A product means what we produce. If we produce goods, it means tangible product & when we produce & generate services, it means intangible service product. A product is both what a seller has to sell & buyer has to buy. So, insurance companies sell services & services are their products. Apart from insurance as product, customer not only buys product but also services in the form of assistance & advice regarding product benefits, policy terms, conditions, exclusions etc. It is natural that customers expect reasonable returns for their investments & insurance companies want to maximize their profitability. Hence while deciding the product mix, services or schemes should be motivational for both parties (Singh, 2016).

ii. Price

Needham and Dransfield (1991) explained that price is a sum of consideration or sacrifice customers pay as an exchange for a product or service. In the insurance business, the pricing decisions are concerned with the premium charged against the policies interest charged for defaulting the payment of premiums & credit facilities, commission charged for underwriting & consultancy services. The pricing of insurance products not only affects the sales volume and profitability but also influences the perceived quality in the minds of the consumers. Pricing in the insurance business is a meticulous task. One, various risk factors need to be assessed to arrive at the right price that considers underwriting premium, withstands competition, generates operating surplus and performs in the highly volatile economic market.

According to Beenish & Sameer (2012), there are several different methods for pricing insurance based on the insurance marketer's corporate objectives. They are the survival approach, the sales maximization approach, and the profit maximization approach. In general, the role of pricing

insurance marketing is even more important than any service products as customers, in most cases, perceived insurance as luxury (Maria, 2015).

Contrary to the banking sector, however, competition is stiff in the Ethiopian insurance industry. Private insurance companies (or at least some of them), ambitious to increase their sales volume, have been granting unfair and unjustifiable discounts to attract clients and attain their sales forecast. This aggressive pricing policy has led to an unhealthy spiral of premium cutting. (Type of Insurance companies operating in Ethiopia, n.d.).

iii. Place

It refers to the place where the customers can buy the product and how the product reaches out to that place. This is done through different channels, like Internet, wholesalers and retailers. The insurance marketplace is undergoing a transformation and variety of distribution channels are currently used in this market place and some insurers utilize a combination of distribution channels. These include the Internet-led channels, company-led channels, bank-led channels, and agent-led channels. (Randy & Robert, 2014).

The financial services industries have successfully used remote distribution channels such as telephone or internet so as to reach more customers, avoid intermediaries, bring down overheads and increase profitability (Muriuki, 2013). The report of Capgemini 2012 (cited in Muriuki 2013) stated that technological, operational changes and customer behavior preferences have led to the development of multiple distribution channels in the insurance industry. The insurers have to change traditional channels, such as agents or brokers, and develop alternative modern channels to drive growth at lower costs. An alternate distribution channel could be a private exchange, an online website or some other process of purchasing directly with the company.

iv. Promotion

According to Zikmund and Michael (1995), marketers need to communicate with consumers. Promotion therefore is the means by which marketers talk to existing customers and potential buyers. Cravens (1996) avers that promotion is considerably more than just advertising and is composed of four major tools i.e. advertising, sales promotion, publicity and personal selling (promotion mix). Kotler (2002), defines the promotion mix as the specific mix of advertising,

personal selling, sales promotion and public relations that a company uses to pursue its advertising and marketing objectives. The five main promotion tools that a company can use according to Kotler are; advertising which refers to any paid form of non-personal presentation and promotion of ideas, goods and services by an identified sponsor; personal selling which refers to personal presentation by the firm's sales force for the purpose of making sales and building customer relationships, Sales promotion; refers to short term incentives to encourage the purchase or sale of a product or service, Public relations; building of good relations with the company's various publics by obtaining favorable publicity, building up a good "corporate image", and handling or heading off unfavorable rumors, stories and events; Direct marketing, refers to direct connections with carefully targeted individual consumers to both obtain an immediate response and cultivate lasting customers relationships.

Promotion is about communicating about the benefits of using a particular product or service rather than just talking about its features. The insurance services depend on effective promotional measures, so as to create impulsive buying. Promotion comprises of advertising & other publicity tactics. The promotion is a fight not only for market share, but also for mind share. The insurance services depend on effective promotional measures, so as to create impulsive buying. Promotion comprises of advertising & other publicity tactics. Due attention should be given in selecting the promotional tools. Personnel should be given adequate training for creating impulsive buying (Beenish & Sameer, 2012).

v. People

Zeithami (2000) defines the concept of people as all human actors who play a part in service delivery and thus influence the buyer's perceptions; namely, the firm's personnel, the customer, and other customers in the service environment. Many services require personal interaction between customers and the firm's employees and these interactions strongly influence the customers' perception of service quality (Rust,1996). Being a service industry which involves a high level of people interaction, it is very important to use this resource efficiently in order to satisfy customers. Training, development & strong relationships with intermediaries are the key areas to be kept under consideration particularly for insurance companies as insurance product is unsought good by its very nature and largely perceived as luxury by most people.

vi. Process

This is defined as the actual procedures, mechanisms, and flow of activities by which the service is delivered - the service delivery and operating systems (Fifield, 1998). The actual delivery steps the customer experiences, or the operational flow of the service will also provide customers with evidence on which to judge the service. It refers to the methods and process of providing a service and is hence essential to have a thorough knowledge on whether the services are helpful to the customers, if they are provided in time, if the customers are informed in hand about the services and many such things. The process should be customer friendly in insurance industry. The speed & accuracy of claims payment is of immense importance. Technology can either complement or supplement the channels of distribution cost effectively. It also helps to improve customer service levels & helps to find out profitability & potential of various customers product segments. Accidents caused by man or nature have an immediate and direct impact on insurance companies and their marketing efforts. For example, if a hurricane hits in Florida, insurance companies take a first responder marketing approach to authorize and place representatives on site to take care of claims by insured customers. This is done to satisfy customer service responsibilities as well as to thwart any potential for adverse or negative publicity about the insurance company and their responsiveness to the needs of insured customers after a disaster or crisis. (Cheryl, 2017). Moreover, Braers (cited in Muriuki, 2013) claims that prudent claims administration strategy promotes customer loyalty as it helps to develop a perception of “membership” or belonging within a particular group of customers, thereby providing the company with opportunities to retain existing customers while attracting new ones and profitable ones.

vii. Physical evidence

This element of the expanded marketing mix addresses the "tangible" component of the service experience and the firm's image. Physical surroundings and other visible cues have a profound effect on the impressions customers form about the quality of service they receive (Zeithami, 2000). Rust (1996) describes it as the environment in which the service is delivered and where the firm and customer interact, and any tangible components that facilitate performance or communication of the service. Because services are intangible, customers often rely on tangible

cues or physical evidence, to evaluate the service before its purchase and to assess their satisfaction with the service during and after consumption.

Evidence is a key element of success for all insurance companies. Physical evidence can be provided to insurance customers in the form of policy certificate and premium payment receipts. The office building, the ambience, the service personnel etc. of the insurance company and their logo and brand name in advertisements also add to the physical evidence. To reach a profitable mass of customers, then new distribution avenues & alliances will be necessary. Initially insurance was looked upon as a complex product with a high advice & service component. Buyers prefer a face to face interaction & they place a high premium on brand names & reliability (Muriuki, 2013)

2.1.2 Key Performance Indicators for Insurance Business

Performance can be defined as the extent of actual work performed by an individual or to what extent the actual work is shown by an individual (Cooper & Kleinschmidt, 2015). In an era of intensifying competition and fierce negotiations with buyers, tactical selling approaches simply don't work instead the key to sales success is creating value to the buyer (Muola, 2017).

As per Niyi (2016), and the Insurance Industry's 18 Most Critical Metrics guiding metrics (<https://guidingmetrics.com>), insurance marketing and development of insurance sector in particular country largely measured by various matrixes. Out of which, policy growth, customer retention, insurance penetration, insurance density including market share are the most and widely used KPI in insurance sector. Successful insurance companies consistently strive for profitable growth, differentiation, and a unique, sustainable market position.

2.1.1.1 Policy Growth

As per Niyi (2016), and guiding metrics (<https://guidingmetrics.com>), selling new policies is an essential revenue generator for insurance companies, so analyzing the policy growth KPI provides a benchmark for how many policies the business sold versus the targeted policy sales goal for a specific period of time. Insurance companies can calculate this KPI by subtracting the current period sales revenue from the previous period sales revenue and dividing the total by the

previous period sales revenue. This provides a clear picture of whether the company is adding enough new policies and clients to meet sales goals.

2.1.1.2 Market Share

Market share is the most important metric companies can use to judge the effectiveness of any possible revenue generating effort, such as marketing campaigns, branding initiatives, or CRM programs. Furthermore, by understanding market share, companies can objectively measure pricing strategies, consumer perception of new products/services, promotions, management personnel, real estate decisions and other key business initiatives (Market Share: The Most Important Metric for Business Success, n.d.)

Market share refers to the percentage of sales a company has in a specific market within a specific time period. Higher market share translates into higher profits. Gaining or building market share is an offensive or attack strategy to improve the company's standing in the market (Sarkissian, 2010).

Market share is a measure of the consumers' preference for a product over other similar products. A higher market share usually means greater sales, lesser effort to sell more and a strong barrier to entry for other competitors. A higher market share also means that if the market expands, the leader gains more than the others. By the same token, a market leader - as defined by its market share - also has to expand the market, for its own growth (Schnaars, 1998).

There are many different ways to increase market share; companies usually use a combination of strategies. Sometimes something as basic as increasing advertising can have huge effects, as can adjusting pricing. Breaking products into groups and targeting them at specific demographics can also increase this percentage, as can making of complementary products. Another strategy is improving the product or service itself, which can attract customers from competitors, though this can be difficult, so many companies try to grow along with a growing market rather than trying to take business from the competition (Sliden, 2014).

Market share is a key indicator of market competitiveness; how well a firm is doing against its competitors. This metric, supplemented by changes in sales revenue, helps managers evaluate both primary and selective demand in their market. It enables them to judge not only total market

growth or decline but also trends in customers' selections among competitors. Generally, sales growth resulting from primary demand (total market growth) is less costly and more profitable than that achieved by capturing share from competitors. Conversely, losses in market share can signal serious long-term problems that require strategic adjustments. Firms with market shares below a certain level may not be viable. Similarly, within a firm's product line, market share trends for individual products are considered early indicators of future opportunities or problems (Armstrong and Greene, 2007).

Every industry has a target market, and the percentage of consumers that a company has captured from its specific, desired market within an industry. That is market share. While market share doesn't tell a business leader anything about the financial health of a company, knowing the percentage of market share gives an idea of the size of revenues, growth and competitiveness of the business, compared to the competitors (Kimberlee, 2018).

2.1.1.3 Renewal/Retention

It is one of the metrics that indicates the performance of insurance business, which is used to measure the number of customers who continue coverage after the initial term has expired (<https://guidingmetrics.com>). Once a company has captured the market share it wants, the focus must be to keep those clients as loyal and raving fans as the cost to retain customers is less than to acquire them. In this regard, relationships are critical to retention strategies, and customers become clients when they feel the company and its people care about them. (Kimberlee, 2018).

In reality, it is not an easy time to be an insurance company. Cultural, operational and general market challenges are converging, shifting the overall market landscape and forcing insurers to take a long, hard look at their traditional ways of conducting business (Insurance Providers: Improving Customer Retention through the Contact Center, n.d.)

Customer retention is the strategic objective of striving to maintain long term relationships with customers. Customer retention is the mirror image of customer defection. A high retention rate is equivalent to a low defection rate. However, customer retention is not a new concept among insurers, but today's market demands a novel approach to building and maintaining loyalty. An

effective Customer Retention (CR) strategy not only retains the customer but promotes the sales of additional products to that customer as needs arise.

2.2 Reviews of Empirical Studies

Eko Yiswa Rasti Esau (2015) conducted research on factors affecting consumer purchase decision on insurance product in Pt. Prudential life assurance Manado. The study concluded that product, price, promotion, people, process simultaneously affect towards consumer purchase decisions in choosing insurance product on Prudential Life Assurance Manado Are. However, several gaps had been observed in the study. First, the study had not addressed whether physical Evidence (one of the marketing mix element) affects the consumer purchase decisions in choosing insurance product. Secondly, the study had not shown the relative importance of each marketing mix in affecting consumer purchase decision of insurance product. Thirdly, although the promotion factor is a major factor in consumer decision making supported by several researchers such as, Mnkeni (2007) and Moshi (2009), the finding of the study however showed it was equally important like other mixes.

Muriuki, (2013) conducted a descriptive survey on the challenges affecting marketing of insurance services by insurance firms in Nairobi, Kenya. The study concluded that complex procedures in claims management, failure to adopt information technology strategy, mistrust in insurance relationships between insurance and the customers, lack of innovativeness in insurance product development, cost of insurance services and pricing of the insurance policies challenged marketing of insurance services in insurance industry. The study recommended that management in insurance agencies need to employ skillful, knowledgeable and qualified marketing workforces who could effectively market the agency insurance services. In addition to the competitive environment in which insurance companies operate, efficient claims management is vital to the success of insurance companies and he stressed that an effective claim management also makes the marketing effort of insurance business smooth and successful as satisfied customers are largely tend to continue their business relationship with the insurance company, and sometimes become advocate/ partner to the company (Muriuki, 2013). Like previous study, this study also couldn't show whether the other marketing mix (i.e. such as physical evidence and promotion) has an effect on marketing effort of insurance company.

Ephraim (2016) also conducted a survey on the effects of marketing practices on the performance of phoenix of East Africa assurance Company Ltd, and the study concluded that the marketing practices (such as customer acquisition and retention, product innovation and maintenance, market orientation and task-oriented approaches) are vital to cope up the business competition, and has an adverse effect on the organizational performance. On the other hand, the study concluded that setting up new distribution channels, internationalizing, and expanding field sales are critical to establish and maintain long term relationship with customers. He lastly recommended that insurance firms need to embrace dynamic marketing approaches and adopt and implement lead tracking to enhance their marketing efficiency.

As Beatrice (2013) revealed in her study conducted on strategies adopted by Kenyan insurance companies to alleviate low insurance penetration, low insurance uptake has been caused by various factors that includes lack of knowledge and awareness by the intended consumers, inaccessibility of Insurance as the distribution channels are wanting, and products do not meet the needs of the consumer amongst others. Moreover, the role of the regulator in enabling penetration is critical particularly in ensuring the right legal framework to allow for more distribution channels especially the bancassurance. The study then recommended that concerted effort is significantly required by both the Insurance Regulatory authority and the individual Insurance companies in implementing strategies to enhance Insurance uptake. Insurance companies, in this regard, need to be more creative and come up with innovative products that will address the needs of the consumers, and public education needs to be carried out exhaustively.

Abdalelah S. Saaty (2011) conducted a survey on the factors critical in marketing strategies of Insurance Companies in Saudi Arabia and revealed that; the public at large is unaware about various types of insurances products and the benefits. The study emphasized on educative promotional marketing strategy that primarily focuses on educating the people to spread the insurance geographically as well as to motivate the public to purchase insurance. Moreover, the study stressed that insurance companies shall focus on the claim settlement process as well.

Abdalelah (2012) also conducted an empirical analysis of the strategies undertaken by insurance companies in Saudi Arabia to enhance customer loyalty and customer retention. The study showed that the insurance companies need to focus enhancing insurance awareness and

education programs, and overall customer services should be improved for enhancing the customer loyalty and customer retention.

Makau (2013) conducted a descriptive survey on factors affecting the growth of life insurance business in Nairobi Kenya. The study revealed that sales promotion and product pricing are the major factors affecting performance, and recommended that pricing insurance products and sales promotion are important issues to improve insurance penetration and enhance public awareness respectively. Julius (2013) conducted a study on a factors affecting uptake of life insurance in Kenya. The study found out that high cost of premiums and inefficiency in claims settlement has been identified as major factors hindering the penetration. Other factors that hindered insurance penetration are poor agents' integrity, poor customer service, little disposable incomes, lack of product variety, the product complexity and limited distribution channels, are some among others.

Mohammad (2015) conducted a case study on factors affecting insurance consumption in the Dhaka city. Based on the findings, the study conclude that factors that inhibit insurance consumption (which resulted in low insurance penetration) is as a result of customer dissatisfaction with regards to decayed indemnification of genuine claims, poor publicity and awareness campaign, unprofessional attitude of insurance marketers and product complexity, poor image perception of the insurance industry by the public. The study recommended that every genuine claim needs to be paid promptly, insurance accessible need to be improved, policy statements must be short and easy to understand, more insurance education and publicity should be routinely carried out, insurance practice need to be promoted, insurance marketers need to be trained and equipped for better customer service, and consumer satisfaction survey need to be conducted to know public perception towards insurance.

Nwankwo & Bakarey (2013) conducted study on the impact of Islamic belief on the demand for life assurance policies in Lagos state, Nigeria. The findings showed that Islamic believes does affect the demand for life insurance products and recommended that insurance product that address their issue like that of Takaful insurance need to be introduced as conventional product.

Beatrice (2014) conducted a study on factors influencing penetration of micro insurance in Kenya. The study concluded that level of income, the structure of the economy, perception about insurance, the distribution of the population and the insurer's ability to administer micro

insurance through pricing and claims settlement were judged crucial in facilitating the penetration of micro-insurance products.

Besides, EIC has conducted an assessment study on the relationship between the Corporation and its Intermediaries (Insurance Agents & Brokers) in 2018. The study concluded that the relationship between EIC and its intermediaries is not as to the expected level and is getting worse from time to time which in turn has led to an undesirable effect on the Corporation's performance and reputation.

The study identified that absence of policy and procedures, and a clear marketing strategy on how to handle intermediaries' business, absence of a complaint handling system for intermediaries, lack of standard service across each outlets and unavailability of regular discussion forums with intermediaries are the predominant factors, among others. The study recommended that intermediaries should be treated as one of the major stakeholders and should handle all business transactions conducted with them at utmost good faith. (EIC Report, 2018).

Despite the fact that various researches have been conducted regarding marketing mix and its contribution on sales performance and lots of debates were forwarded, I couldn't get any research study related with the subject matter conducted in Ethiopian insurance sector in general and in Ethiopian Insurance Corporation in particular.

Moreover, the studies conducted regarding marketing mix practice by various researchers could not indicated the degree of importance of each marketing mix in determining customer attraction, market share and customer retention. Had it been researched in such a way, it would have given an opportunity for the company to deal business on priority base.

In general, lack of sufficient research studies conducted on the determinants factors (marketing mix) of sales performance of insurance business in Ethiopia context, the existence of knowledge gap and the problem stated in the statement of the problem part instigate the researcher to conduct this study. Therefore, the intent of this research is to assess the marketing mix practice of EIC in determining its sales performance and to fill the knowledge gap that exists in the area by providing evidence from the finding of this study.

2.3 Conceptual Framework

As explained in the research design & methodology part, the analytical framework of the study began with identifying the population and then selecting sample using applicable techniques. These small groups then need to be representative of the entire group, as much as possible to infer about population. Next, the formulation of questionnaires has been done in order to collect data from sample.

The collected data has been edited, coded, classified and tabulated for making meaningful analysis and statistical inferences. Since the purpose of the research was primarily to assess the contribution of marketing mix for sales performance, descriptive statistics has been employed. In doing so, mechanisms such as tables, diagrams and percentages have been employed to describe the patterns observed in the collected data. Qualitative analysis has been use for analyzing and interpreting qualitative data.

The theoretical part in the literature reviews have then compared to what practically exercised in an organization to find the gaps in between & the problems which help to set necessary recommendations too. Based on the above & other literature reviews in the subject matter under study, the following conceptual framework has been prepared.

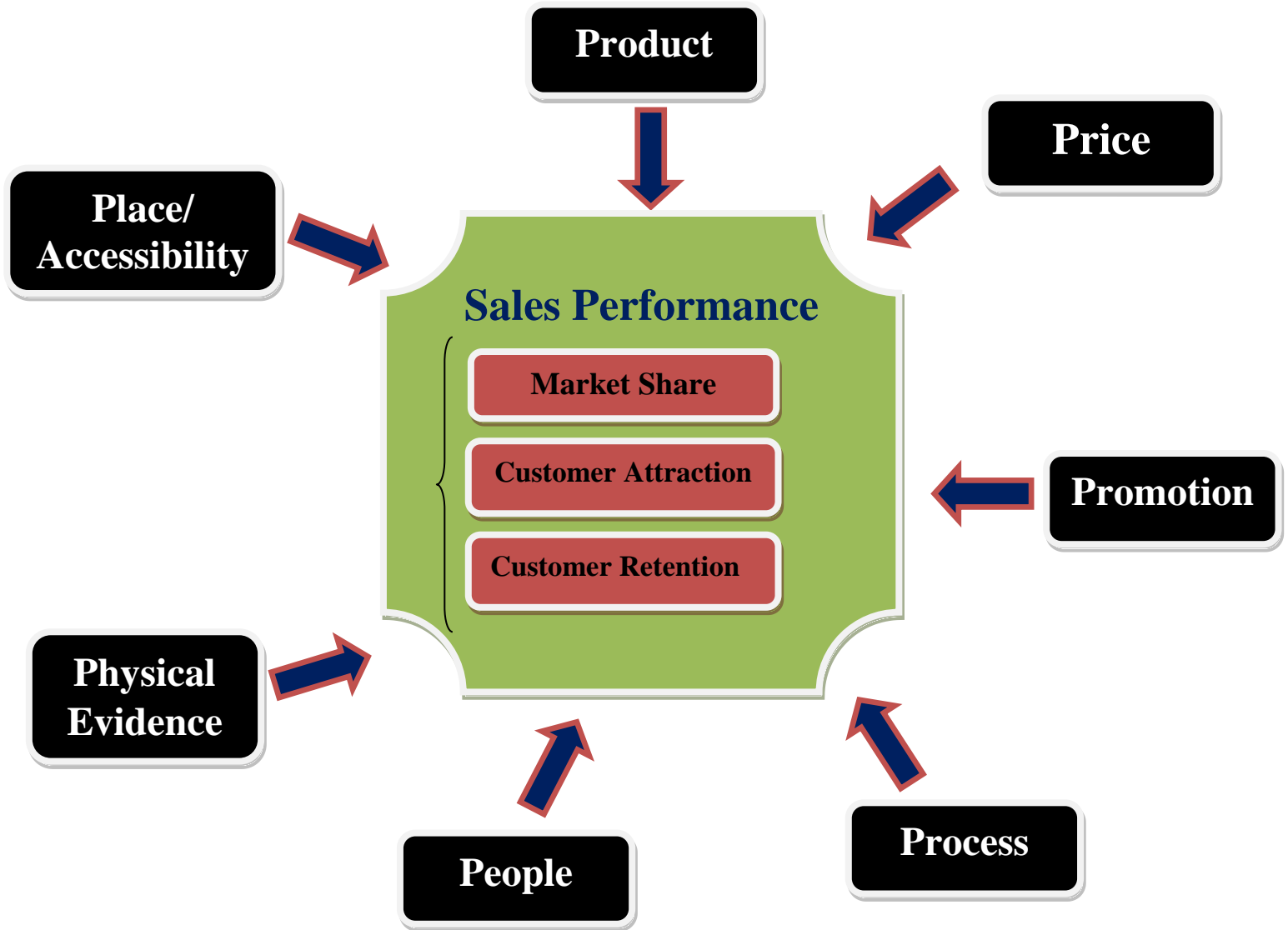


Figure 1: Research Conceptual Framework (adopted from various researchers)

CHAPTER THREE

3. RESEARCH METHODOLOGY

3.1 Introduction

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

3.2 Research Approach & Design

This was a descriptive survey aimed at assessing the role of marketing mix elements used by EIC on its sales performance. This is because; descriptive survey method is preferred as it ensures complete description of the situation, making sure that there is minimum bias in the collection of data (Kothari, 2008). Cooper and Emory (1995) assert that descriptive study is used to learn the who, what, when, where and how of a phenomenon, which is the focus of the current study. As stated by Kothari (2004), research design is a plan, structure and strategy of investigation to obtain answers to research questions and control variance. Hence, the assessment tries to explain the extent to which each marketing mix determines the sales performance of Ethiopian Insurance Corporation,

As the marketing mix are product, price, promotion, place, process, people and physical evidence which are of qualitative nature, the research approach will be to use qualitative analysis. 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). 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 years are included.

3.3 Population and Sampling

Population of study refers to the entire group of individuals or objects from which the study seeks to generalize its findings (Cooper & Schindler, 2008). As the study assessed the role of marketing mix on sales performance of EIC, the marketing mix elements were expected to be several in numbers. In this regard, the population for this study had been defined by taking the relevance and impact of the stakeholders of insurance business with regards to the subject matter

under study in to due consideration. In this regard, the target populations of this research were selected employees, Intermediary, and Corporate Clients.

3.4 Sample Size & Techniques

In order to infer about the population, it was necessary to include sample from all classes. Accordingly, the sample has been selected using stratified probability sampling techniques in which each class may have equal chances of selection that will help to include the representatives of each specific group from each category. In this regard, the total numbers of samples considered for this study were selected employees of the corporation located in different geographical areas, selected members of corporate clients from Head Office and level “A” Districts, front line operation officers, selected members of intermediaries, and senior management of Ethiopian insurer association. The sample size of each population target category (employee, Intermediary and corporate client) had been determined using Slovin’s (1960) formula, which is:

$$no = \frac{N}{1 + N(e^2)}$$

Where = no is the sample size
N= is the population size, and
e = is the level of precision or sampling error

a) *Employees*

As per the data obtained from Human Resource Management directorate of the Corporation, the total number of employees as of January, 2019 reached 1,505 that work in Head Office, districts and branches. The target population selected for this study was, however, limited to all management members of districts & Branches, selected management members of Head Office and front line operation officers by taking their nature of operations (relevance), size of sales volume (production) and frequent interaction with customers in to primary consideration. As per the data obtained from Marketing & Strategic Management Directorate, the total number of direct outlets reached 87 (1 Head Office, 6 level “A” & 8 level “B” districts , 21 Branch I & 51 Branch II) throughout the country in December 2018. The table below shows the total number of population located in Addis Ababa and outside Addis Ababa selected for this study.

Table 3.3: Population Size

Outlet/ position	DCEO	Director	Team Leader (Manger)	Principal Officer (Manger)	Senior Officer (Manger)	Front line Officer	Total (a)	Frequency (b)	Grand Total (a*b)
Head Office	3	4	1	2	2	-	12	1	12
Districts A	-	1	2	4	6	8	21	6	126
District B	-	-	1	3	2	5	11	8	88
Branch I	-	-	-	1	2	2	5	21	105
Branch II	-	-	-	-	1	1	2	51	102
Total									433

The sample size has been calculated as:

$$no = \frac{N}{1 + N(e^2)}$$

$$no = \frac{433}{1 + 433(0.1^2)}$$

Where = no is the sample size

N= is the population size, and

e = is the level of precision or sampling error

Therefore, sample size (no) = 81

b) Corporate Clients

As per EICs five year's strategic (2016 - 2020) plan document, EIC has categorized clients in to two categories (corporate client and retail client) based on their premium, frequent purchase, insurance covers, bargaining power and life time (loyalty). Corporate clients, in this regard, mean those that have strong power in affecting overall performances of the corporation in terms of sales volume, policy/product base, as well as profitability. These are namely government institutions, public & Financial Enterprise, NGO and private organization). On the contrary, retail client were individuals that do not make repeat purchase, buy very few products, not loyal and have low bargaining power.

The customers selected as target population for this study were corporate clients from Head Office and level "A" districts located only in Addis Ababa. The core reason for limiting the population target to Head Office & District "A" was because they sold out all the grand policies/products of the corporation and the amounts of their portfolio (underwritten premium income) constituted the greatest share. As data shows in the table below, Head Office & Districts

“A” on average took a premium share 70.3% of overall corporate performance leaving the balance to the rest outlets.

Table 3.4: Share of Premium Income & Number of Customer by Cost Center

Outlet	Birr in'000	
	Average Premium Income (2016-2018)	% share
Head Office & Districts “A”	1,872,691	70.3
The Rest Outlets	791,401	29.7
Total	2,664,092	100

Source: EIC’s Strategy Planning & Management (SPM) Team

On the same manner, corporate clients were only selected as population target for this study. This was due to the fact that they have strong power and decisive for the corporation in terms of generating sales volume (premium), diversification (insurance policy). Moreover, since corporate clients are government institutions, public enterprises, private organizations and NGOs, most of their head quarters have been located in Addis Ababa and have frequent business interaction with the Corporation, it was easy for the researcher to manage and access them; whereas retail clients were largely individual clients that have not well structured (fixed) address in relative terms, have lesser frequency interaction with the corporation and largely mobile in their nature. Due to such reasons, retail clients were not selected for this purpose.

Table 3.5: Share of Premium Income by Client type

Particular	Birr in'000	
	Average Premium Income (2016-2018)	% Share
Retail Clients (Individuals)	543,814	20.4
Corporate Clients	2,120,278	79.6
Gross premium	2,664,092	100.0

Source: EIC’s Strategy Planning & Management (SPM) Team

As clearly shown in the above table, average three years (2016 – 2018 F.Y.) premium share of Corporate clients constitute 79.6% of Overall Corporate underwritten premium whereas the share of retail business is relatively low, i.e. 20.4%. As per 2017/18 EIC’s Annual General Meeting

(AGM) report, the total number of Corporate clients reached 9,675. Accordingly, the sample size has been calculated as:

$$no = \frac{N}{1 + N(e^2)}$$

Where = no is the sample size
N= is the population size, and
e = is the level of precision or sampling error

$$no = \frac{9,675}{1 + 9,675(0.1^2)}$$

Therefore, sample size (no) = 99

c) Insurance Intermediary

Brokers and Agents are insurance intermediaries who interact with insurers by selling insurance product to customers. Insurance agent is a person licensed by a state and generally employed by an insurance company to sell insurance policies on the company's behalf; whereas insurance broker is usually independent intermediary who is able to negotiate with a number of insurance companies on behalf of clients in order to secure for them the most advantageous cover and terms, as well as handling claims and offering general insurance advice (Harvey, 2012). As per NBE's Directive (No. SIB/30/2007), "Insurance Agent" or "Agent" shall mean a person licensed by the Bank as an insurance agent who, acting for and on behalf of one or more insurers, engages in: (a) soliciting or procuring insurance business; (b) work preparatory to the conclusion of, or in concluding of insurance; and (c) activities relating to the continuance, renewal or revival of contracts of insurance or in assisting in the administration and performance of such contracts (NBE Directive, 2007). On the other hand, "Insurance Broker" or "Broker" shall mean a person licensed as an insurance broker by the Bank who, acting for and on behalf of policyholders or proposers for insurance: a) places insurance business with insurers; b) carries out work preparatory to the conclusion of contracts of insurance and reinsurance; and c) where appropriate, assists in the administration and performance of such contracts. (NBE Directive, 2010).

As per the data obtained from EIC's Marketing & Strategy Management Directorate, the total number of intermediaries reached 570. However, the target populations selected for this study were 502 who sell both life and non life insurance products of the Corporation who were presumed to have vast exposure and diversified marketing challenges in their day to day marketing effort.

The core reason for incorporating brokers as target population was due to the fact that broker have well experience in understanding insurance business, challenges of the insurance business, and have better customer experience as they fully represent customers in negotiating as well as dealing business with insurers. On the same manner, the reason for taking sales agents as target population for the study was mainly due to the fact that most of EIC's insurance agents have also lot of exposure in their marketing endeavor and mostly sells insurance cover to individuals.

The data obtained from EIC's Marketing & Strategy Management Directorate shows that 93.2% of sales agents have sold out insurance policies to individuals (retail clients) whereas the rest 6.8% of sales agents sold out insurance products to corporate clients during the period 2017/18 F.Y. This situation therefore gives the researcher an opportunity to incorporate and address EIC's marketing issues related with retail clients. The sample size has been calculated as:

$$no = \frac{N}{1 + N(e^2)}$$

Where = no is the sample size
N= is the population size, and
e = is the level of precision or sampling error

$$no = \frac{502}{1 + 502(0.1^2)}$$

Therefore, sample size (*no*) = 83

To summarize, the sample size of each target group selected for this study has been presented hereunder.

- ✎ *Sample Size (no) for Employees= 81*
- ✎ *Sample Size (no) for corporate clients= 99*
- ✎ *Sample Size (no) for intermediary= 83*

Total Sample Size (*no*) for the study= 263

3.5 Types of Data and Tools

In order to have a comprehensive view of the case at hand, the research will use 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 263 samples. 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 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 (2014) & Kohtari, (2004)). Since most of the questions demand the level of agreement of the employees, clients and intermediaries, 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 to be collected and used in this project, extensive use of various reports, research and documents is under consideration. In this regard corporate annual reports were being examined along with NBE reports.

3.6 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.

3.7 Methods of data Analysis

The collected data was examined and checked for completeness and comprehensibility, and the data was summarized, coded and tabulated. Descriptive statistics such as means, standard deviation and frequency distribution had been used to analyze the data. The data had been tabulated with the help of the Statistical Package for Social Sciences (SPSS) version 20. Data presentation was done by the use of percentages and frequency tables, which ensured the gathered information is easily and clearly understandable. The analysis of this study was being performed using Descriptive analysis.

3.8 Reliability and Validity of the instrument

Since the study used a descriptive survey approach by collecting qualitative data from the respondents, the reliability and validity of the data has been tested by distributing sample questionnaires to a portion (10%) of the targeted population, i.e. 26 respondents. The distribution of the sample questionnaire had been administered on selective approach to employees, customers and intermediaries so as to understand the possible gaps on the overall content as well as structural framework of the questionnaire. Then after, the sample questionnaire distributed to respondents have been collected, reviewed and adjusted. Accordingly, the Cronbach's Alpha reliability test of 21 valid respondents became 0.786 which was satisfactory as coefficient of 0.6 or above is nearly always acceptable.

3.1 Ethical Considerations

An ethical consideration of confidentiality and privacy was addressed. A concerted and conscious effort was made at all times to uphold the promise. The researcher tried to clearly inform to all respondents (employees, customers and intermediaries) that the purpose of the study is for academic purpose, and a guarantee was given that their response and name kept in confidential. Furthermore, the researcher's previous relationship and bond with the respondents was a plus for confidentiality

In addition to this, they were informed that their participation in the study was based on their consents. The researcher also not personalizes any of the response of the respondents during data presentations, analysis, and interpretation. Finally, all the materials that were used for this research are duly acknowledge.

CHAPTER FOUR

4. DATA PRESENTATION, ANALYSIS AND INTERPRETATION

This chapter includes the data presentation, analysis and interpretation of the findings. The analysis starts with a description of the respondents demographic profiles.

4.1 Data Cleaning, Response Rate and Reliability

Table 4.6: Response Rate

Category	Distributed	Returned	Not Returned	Rejected	Used	Response Rate (%)
Customer	99	91	8	2	89	89.9
Employee	81	76	5	1	75	92.6
Intermediary	83	78	5	4	74	89.2
Total	263	245	18	7	238	90.5

The total sample of the study was 263, out of the 263 questionnaires distributed, 245 were returned, 18 not returned and 7 were rejected due to data quality problem. Therefore, 238 questionnaires with a response rate of 90.5% were used for the analysis as Mugenda (2003) indicated a respondent rate of 50% -70% is sufficient for a study.

Therefore, 238 respondents were considered for the entire study and the data gathered from the respondents were analyzed using statistical software called SPSS Version 20. Moreover, reliability test has been conducted to rely on the outcome of the questionnaires using Cronbach's Alpha Test that measures the extent to which an instrument yields consistent result. Accordingly, the reliability test became 0.7333 which was satisfactory as coefficient of 0.6 or above are nearly always acceptable.

Table 4.7: Cronbach's Alpha Test

Cronbach's Alpha	No. of Items	Description
Product	4	0.760
Price	4	0.791
Promotion	3	0.697
Place/Accessibility	4	0.706
People	4	0.705
Process	3	0.651
Physical Evidence	2	0.696
Overall	24	0.733

Source: Survey data, 2019

4.2 Descriptive Analysis of Demographic Variables of Respondents

In this part, demographic variables of respondents such as age, gender, education, position, work experience etc were included to gather basic demographic information from respondents, and the results were described by using descriptive analysis.

Table 4.8: Age of Respondents

		Frequency	Percent	Valid Percent
Valid	18-30	58	24.4	24.6
	31-40	80	33.6	33.9
	41-50	59	24.8	25.0
	above 50	39	16.4	16.5
	Total	236	99.2	100.0
	Missing	2	.8	
Total		238	100.0	

Source: Survey data, 2019

Table 7 indicates that 58 (24.6%) of respondents were between 18-30 years of age, 80 (33.9%) of respondents were between 31-40 years of age, 59 (25.0) of respondents were between 41-50 years, and 39 (16.5%) of respondents were above 50 years. This shows that majority of the respondents were aged between 31- 40 years.

Table 4.9: Gender/Sex of Respondents (All respondents)

		Frequency	Percent	Valid Percent
Valid	Male	152	63.9	66.4
	Female	77	32.4	33.6
	Total	229	96.2	100.0
Missing		9	3.8	
Total		238	100.0	

Source: Survey data, 2019

The respondents were asked to indicate their gender, and the results in the above table indicated that 152 (66.4%) of the respondents were male and 77 (33.6%) were female.

Table 4.10: Job Position of Respondents (EIC Employees)

		Frequency	Percent	Valid Percent
Valid	Non-Management	32	42.7	42.7
	Lower Management	26	34.7	34.7
	Middle Management	11	14.7	14.7
	Top Management	6	8.0	8.0
	Total	75	100.0	100.0

Source: Survey data, 2019

As per the above table (table 4.5), 32 (42.7%) respondents were at non - managerial position, 26 (34.7%) respondents were at lower level (first line) management position, 11 (14.7%) respondents were at middle level management position, and 6 (8.0%) respondents were at top level (executive) management position.

Table 4. 11: Education Level of Respondents

		Frequency	Percent	Valid Percent
Valid	Diploma	61	25.6	26.5
	Under Graduate	123	51.7	53.5
	Post Graduate	44	18.5	19.1
	Any Other	2	.8	.9
	Total	230	96.6	100.0
	Missing	8	3.4	
Total		238	100.0	

Source: Survey data, 2019

Regarding the educational qualification of respondents, the highest number of respondents 123 (53.5%) were undergraduates followed by 61 (26.5%) were diploma holders, 44 (19.1%) were post graduates and only 2 (0.9%) were insurance diploma (CII and LOMA) holders. Consequently, it is possible to infer that that academically, majority of respondents, who account 167 (72.6%) of sample respondents hold first degree and above.

Table 4.12: Work Experience of Respondents (EIC Employees)

		Frequency	Percent	Valid Percent
Valid	1-5 years	14	18.7	18.9
	5-10 years	17	22.7	23.0
	10-15 years	14	18.7	18.9
	above 15 years	29	38.7	39.2
	Total	74	98.7	100.0
	missing	1	1.3	
Total		75	75	100.0

Source: Survey data, 2019

From the above table 14 (18.9%) of the respondents served for 1- 5 years, 17 (23%) of the respondents worked for 5-10 years, 14 (18.9%) of the respondents worked for 10-15 years, 29 (39.2%) of the respondents worked above 15 years. This indicates that the employees in the corporation those served between 5-10 years and above 15 years were large in numbers.

Table 4.13:Duration of intermediaries (Agents/Brokers) work with EIC

		Frequency	Percent	Valid Percent
Valid	1-5 years	20	27.0	27.0
	5-10 years	30	40.5	40.5
	10-15 years	9	12.2	12.2
	above 15 years	15	20.3	20.3
	Total	74	100.0	100.0

Source: Survey data, 2019

As stated in the table above, 20 (27%) of the respondents worked with EIC for 1-5 years, 30 (40.5%) of the respondents worked with EIC for 5-10 years, 9 (12.2%) of the respondents worked with EIC for 10-15 years, and 15 (20.3%) of the respondents worked with EIC for more than 15 years. The finding revealed that agents and brokers worked with EIC between 5-10 years were large in numbers.

Table 4.14: Intermediary's (Agent's/Broker's) frequent involvement

		Frequency	Percent	Valid Percent
Valid	Life	4	5.4	5.4
	Non Life	46	62.2	62.2
	Both	24	32.4	32.4
	Total	74	100.0	100.0

Source: Survey data, 2019

As far as the frequent business involvement of intermediary is concerned, 4 (5.4%) of the respondents frequently involved in life insurance business, 46 (62.2%) of the respondents frequently involved in non- life insurance business, and the remaining balance of 24 (32.4%) of the respondents frequently involved in both line of business. This indicates that most of the intermediaries were frequently involved in non life insurance business and on the contrary their involvements with life class of business were rare.

Table 4.15: Duration of customers work with EIC

		Frequency	Percent	Valid Percent
Valid	1-5 years	20	22.5	22.5
	5-10 years	42	47.2	47.2
	10-15 years	15	16.9	16.9
	Above 15 years	12	13.5	13.5
	Total	89	100.0	100.0

Source: Survey data, 2019

As revealed in the table above, 20 (22.5%) of the customers has been customers of EIC for 1-5 years, 42 (47.2%) of the customers has been customers of EIC for 5-10 years, 15 (16.9%) of the customers has been customers of EIC for 10-15 years, and 12 (13.5%) of the customers has been customers of EIC for more than 15 years, The finding revealed that customers worked with EIC between 1-10 years were large (62) in numbers and took lion share of 69.7%.

Table 4.16: Premium amount paid by customers per year

		Frequency	Percent	Valid Percent
Valid	Birr 500,000 - 1,000,000	27	30.3	30.7
	Birr 1,000,001 - 5,000,000	8	9.0	9.1
	Birr 5,000,001- 10, 000, 000	29	32.6	33.0
	Above Birr 10,000,000	24	27.0	27.3
	Total	88	98.9	100.0
	Missing	1	1.1	
Total		89	100.0	

Source: Survey data, 2019

As far as yearly premium amount paid by customer is concerned, 27 (30.7%) of the customers paid not more than Birr 1,000,000 per year, 8 (9.1%) of the customers paid Birr 1,000,001 - 5,000,000 per year, 29 (33.0%) of the customers paid Birr 5,000,001- 10, 000, 000 per year and 24 (27.3%) of the customers paid more than Birr 10,000,000 per year.

4.3 Descriptive statistical analysis of the variables

In order to see the general perception of the respondents, employees, customers and intermediaries (Agents and brokers) were asked to indicate the level or extent to which they agreed to statement related to regarding the impact of marketing challenges and opportunities on corporate performance using a five point likert scale that ranges from strongly disagree to strongly agree indicated in the tables as 1= Strongly Disagree (SDA) and 2= Disagree (D) which are below average, while 3=Neutral (N) mean or average point,4= Agree (A) and 5= Strongly Agree (SA) are above average.

The variables analyzed using descriptive statistics with the respective frequencies, percentages, means and standard deviations. The mean indicates to what extent the sample group averagely agrees or disagrees to different statements stated in the tables. The higher the mean, the more the respondents agree where as the lower the mean, the more the respondents disagree with the stated statements.

In order to overcome the limitation of five point likert scale in determining and categorizing the fraction result between each scale, the suggested mean range decision rule by Ajan (2015) has

been applied using the following formula (i.e. Mean Scale Range = (Maximum – Minimum) /Maximum Scale).

Accordingly, and the exact mean value for each scale has been presented in the table below.

Table 4.17: Table: Scale Range Reference

SN	Scale Ranges	Interpretation
1	1.0 - 1.80	Strongly Disagree (SDA)
2	1.81 - 2.60	Disagree (DA)
3	2.61 - 3.40	Neutral (N)
4	3.41 - 4.20	Agree (A)
5	4.21 - 5.0	Strongly Agree (SA)

Source: Ajay, 2015

Standard deviation was also used to determine the significant differences among the various scores of the marketing mix aspects. A standard deviation of less than one indicates that there are no major variations and most of the companies were doing the same thing. However where the deviation is greater than one then the practices then the practices were diverse by various insurance companies.

On the other hand, standard deviation (SD) shows the variability of observed responses from a single sample Marczyk, Dematteo and Festinger (2005). Accordingly, the descriptive statistical analysis has been discussed in the following sections.

Table 4.18: Product

SN	Variables	Response	SDA	D	N	A	SA	Mean	SD
Q1	Most of the products offered by EIC are not tailored to meet consumer needs	Frequency	6	32	51	106	41	3.60	1.007
		Valid %	2.54	13.56	21.61	44.92	17.37		
Q2	Product innovation is most important element for insurance penetration and market share in EIC	Frequency	2	27	33	111	64	3.90	0.964
		Valid %	0.84	11.39	13.92	46.84	27		
Q3	Most of the products offered by EIC do not address people with low income	Frequency	5	20	38	105	68	3.90	0.986
		Valid %	2.12	8.47	16.1	44.49	28.81		
Q4	Saving products offered by EIC do not attract customers as they have very low returns	Frequency	11	31	61	86	46	3.50	1.091
		Valid %	4.68	13.19	25.96	36.6	19.57		
Group Mean of product related variables		Frequency	6	28	46	102	55	3.73	1.012
		Valid %	2.5	11.7	19.4	43.2	23.2		

Source: Survey data, 2019

The above table reveals the respondents' rate on the role of product mix elements in relation to sales performance of EIC. The study found out that respondents agree that product has an important role on sales performance of EIC with the average group mean score of 3.73 (SD 1.012).

Regarding separate analysis for each product related variables, respondents agree that most of the products offered by EIC are not tailored to meet consumer needs with mean score of 3.60 (SD 1.007). Respondents were asked whether EIC's Product innovation plays the most important role on insurance penetration and market share of EIC, and respondents agree that product innovation has very important role on insurance penetration and market share in EIC with mean score of 3.90 (SD 0.964). Respondents with mean score of 3.90 (SD 1.091) also agree that saving products offered by EIC do not attract customers as they have very low returns.

Finally, respondents with mean score of 3.50 (SD0.986) agree that most of the products offered by EIC do not address people with low income. From the findings of the study under product marketing mix, one would therefore be right to say that product was one of the important marketing mix elements that played a vital role in relation to the sales performance of EIC as the mean scores of product related variables rated by the respondents in most cases are above 3.50.

Table 4.19: Price

SN	Variables	Response	SDA	D	N	A	SA	Mean	SD
Q5	Price war plays vital role for market share decline	Frequency	5	12	35	83	103	4.1	0.980
		Valid %	2.1	5.0	14.7	34.9	43.3		
Q6	Most of price charged by EIC is expensive as compared to other competitors	Frequency	5	6	9	85	133	4.4	0.851
		Valid %	2.1	2.5	3.8	35.7	55.9		
Q7	The premium rate charged be EIC is mostly unaffordable and play vital role for customer migration	Frequency	7	14	29	73	113	4.1	1.043
		Valid %	3.0	5.9	12.3	30.9	47.9		
Q8	Lack of flexible price in EIC contributes for customer retention	Frequency	3	10	16	105	101	4.2	0.854
		Valid %	1.3	4.3	6.8	44.7	43.0		
Q9	Lack of actuary in EIC has an important role on EIC's pricing strategy	Frequency	5	6	22	71	132	4.4	0.908
		Valid %	2.1	2.5	9.3	30.1	55.9		
Group Mean of price related variables		Frequency	5	9.6	22.2	83.4	116.4	4.3	0.899
		Valid %	2.1	4.1	9.4	35.3	49.2		

Source: Survey data, 2019

The above table reveals the respondents' rate of on the role of price in relation to sales performance of EIC. In this regard, the study found out that respondents agree that price played an important role in relation to sales performance of EIC with average group mean value of 4.3 (SD 0.899).

Regarding the separate analysis is concerned, respondents with mean score of 4.1 (SD 0.980) strongly agree that price war has significant role for decline of EIC's market share. Respondents were also asked that whether EIC's price is expensive as compared to other competitors, and respondents with mean score of 4.4 (SD 0.851) strongly agree that EIC's price is expensive as compared to other competitors.

Respondents with mean score of 4.1 (SD 1.043) also strongly agree that the premium rate charged by EIC is mostly unaffordable and played an important role in relation to customer retention effort of the corporation. Respondents with mean score of 4.2 (SD 0.854) strongly agree that lack of flexible price in EIC has a vital role for customer retention. Finally, respondents with mean score of 4.4 (SD 0.908) strongly agree that lack of actuary in EIC is has a significant role in relation to EIC's pricing strategy.

From the findings of the study, it is simple to infer that price related variables played the most important role in relation to market share and customer retention effort of EIC since most of the respondents believe that price played very vital role on relation to EIC's sales.

Table 4. 20: Promotion

SN	Variables	Response	SDA	D	N	A	SA	Mean	SD
Q10	EIC's promotion in enhancing insurance awareness as well as attracting new customers is effective.	Frequency	95	86	49	4	2	1.9	0.860
		Valid %	40.3	36.4	20.8	1.7	0.8		
Q11	EIC uses effective media channel to promote its insurance service	Frequency	94	79	40	21	4	2.0	1.035
		Valid %	39.5	33.2	16.8	8.8	1.7		
Q12	The advertisements transmitted by EIC are not vague to understand	Frequency	44	64	49	44	35	2.8	1.333
		Valid %	18.6	27.1	20.8	18.6	14.8		
Group Mean of promotion related variables		Frequency	78	76	46	23	14	2.2	1.076
		Valid %	32.8	32.3	19.4	9.7	5.8		

Source: Survey data, 2019

The above table reveals the respondents' rate of on the extent to which the role of importance of promotion in relation to sales performance of EIC. In this regard, the study found out that most of the respondents with average group mean score of 2.9 (SD 1.158) disagree that EIC's overall promotional performance in the areas of awareness creation, customer attraction, and the content of the advertisement as well as the selected media channel was effective.

Regarding the separate analysis for each variable under promotion is concerned, respondents with mean score of 1.9 (SD 0.860) disagree that EIC's promotion in enhancing insurance awareness as well as attracting new customers was effective.

Respondents were also asked rate whether EIC's media channel selection to promote its insurance service is effective and respondents with mean score of 2.0 (SD 1.035) also disagree the EIC uses effective media channel to promote its insurance service. Similarly respondents with mean score of 2.2 (SD 1.223) also disagree that the advertisements transmitted by EIC were not vague to understand.

From the findings of the study, it is simple to infer that the performance of EIC with regard to promotion was ineffective and its role in relation to the sales performance is very low.

Table 4. 21: Place/Accessibility

SN	variable	Response	SDA	D	N	A	SA	Mean	SD
Q13	Sales agents and brokers have been underutilized by EIC in marketing its insurance service	Frequency	7	33	77	75	46	3.5	1.046
		Valid %	2.94	13.87	32.35	31.51	19.33		
Q14	EIC's distribution channels are traditional, inaccessible and ineffective	Frequency	17	37	74	79	30	3.3	1.098
		Valid %	7.17	15.61	31.22	33.33	12.66		
Q15	EIC's weak relationship with sales Agents and brokers is an important element for customer migration & declining market share	Frequency	9	22	75	74	58	3.6	1.066
		Valid %	3.78	9.24	31.51	31.09	24.37		
Q16	Lack of online insurance marketing in EIC contributes for customer retention as well as retention.	Frequency	20	31	68	60	59	3.5	1.231
		Valid %	8	13	29	25	25		
Group Mean of place/accessibility related variables		Frequency	13	31	74	72	48	3.5	1.110
		Valid %	5.6	12.9	30.9	30.3	20.3		

Source: Survey data, 2019

The above table shows the extent to which place/accessibility played important role in relation to sales performance of EIC. In this regard, respondents with the average group mean score of 3.5 (SD 1.110) agree that place/accessibility related variables (such as sales agents, brokers, online insurance etc) played vital role in relation to the sales performance of EIC.

As analysis made for each variable under the category of accessibility/place, respondents were asked to respond whether sales agents and brokers have been underutilized by EIC in marketing its insurance service. Accordingly, the results showed that respondents with mean score of 3.5 (SD 1.046) were agree that sales agents and brokers have been underutilized by EIC in marketing its insurance service.

Respondents with mean score of 3.3 (SD 1.098) agree that EIC's distribution channels are traditional, inaccessible and ineffective meaning that the relative importance of distribution effectiveness in relation to sales performance of EIC is above average.

As far as EIC's relationship with intermediary and its importance in determining EIC's market share and customer migration is concerned, most of respondents with mean value of 3.6 (SD1.066) agree that EIC's weak relationship with sales Agents and brokers is important factor in relation to customer migration & market share.

Similarly, respondents were asked to rate the unavailability of online insurance marketing in relation to customer retention as well as retention of EIC. Most of the respondents in this regard responded with mean score of 3.5 (SD 1.231) agree that lack of online insurance marketing in EIC has an important role in relation to retention of existing clients as well as attraction of new customers.

Based on the overall assessment of the finding under this category, it is possible to infer that issues related with place/ accessibility were playing an important role in relation to EIC's sales performance in general, and customer attraction and retention in particular.

Table 4. 22: People

SN	Variables	Response	SDA	D	N	A	SA	Mean	SD
Q17	Most of EIC's marketing staffs are effective in customer follow up and awareness creation about insurance	Frequency	31	90	41	65	11	2.7	1.135
		Valid %	13.0	37.8	17.2	27.3	4.6		
Q18	Customers are satisfied with employee's readiness to accept complains/feedback and address promptly	Frequency	26	97	47	53	15	2.7	1.117
		Valid %	10.9	40.8	19.7	22.3	6.3		
Q19	Most of EIC's staff are supportive and committed to avoid mistrust between EIC & the customer	Frequency	27	61	69	63	17	2.9	1.125
		Valid %	11.4	25.7	29.1	26.6	7.2		
Group Mean of people related variables		Frequency	28	83	52	60	14	2.8	1.126
		Valid %	11.8	34.8	22.0	25.4	6.0		

Source: Survey data, 2019

The above table reveals the respondents' rate on the extent to which people is important marketing mix in relation to the sales performance of EIC. The study found out that respondent with the average group mean score of 2.8 (SD 1.126) were neutral in rating whether staff of EIC are an important marketing mix element in relation to sales performance of EIC.

Regarding the separate analysis for each variable under people is concerned, respondents with mean score of 2.7 (SD 1.135) were neutral in rating whether most of EIC's marketing staffs are effective in customer follow up and awareness creation about insurance.

Respondents were also asked rate whether Customers are satisfied with employee's readiness to accept complains/feedback and address promptly and respondents with mean score of 2.7 (SD 1.117) were also indifferent in rating staff readiness to accept complains/feedback promptly.

Similarly respondents with mean score of 2.9 (SD 1.125) were neutral to rate whether EIC's staff are supportive and committed to avoid mistrust between EIC & the customer.

From the findings of the study, it is simple to infer that the role of people (EIC staff) with respect to the sales performance of EIC has not been clearly known as most of the respondents were indifferent.

Table 4. 23: Process

SN	variable	Response	SDA	D	N	A	SA	Mean	SD
Q20	EIC's risk selection and underwriting practice is mostly ineffective	Frequency	94	103	34	4	2	1.8	0.805
		Valid %	39.7	43.5	14.3	1.7	0.8		
Q21	EIC's claim settlement practice is time taking and play vital role for customer migration & market share	Frequency	5	6	20	71	134	4.4	0.901
		Valid %	2.1	2.5	8.5	30.1	56.8		
Q22	EIC's customer's compliant handling system is not well developed and has a role for customer migration & market share	Frequency	9	23	37	85	84	3.9	1.108
		Valid %	3.8	9.7	15.5	35.7	35.3		
Group Mean of process related variables		Frequency	36	44	30	53	73	3.4	0.938
		Valid %	15.2	18.6	12.8	22.5	31.0		

Source: Survey data, 2019

The above table shows the respondents' response rate with regard to the importance of process is in relation to EIC's sales performance. In this regard, respondents the average group mean score of 3.4 (SD 0.938) agree that EIC's process (such as underwriting, claim settlement and compliant handling process) has an important role on sales performance of EIC.

Regarding the separate analysis is concerned, respondents with mean score of 1.8 (SD 0.805) strongly disagree that EIC's risk selection and underwriting practice is mostly ineffective. On the contrary, respondents with mean score of 4.4 (SD 0.901) strongly agree that EIC's claim settlement practice is time taking & has an important role in relation to customer migration and decline of market share.

Likewise, respondents with mean score of 3.9 (SD 1.108) also strongly agree that EIC's customer's compliant handling system is not well developed and has a vital role in relation to customer migration and market share.

From the findings of the study, it is simple to infer that the claim settlement process of EIC played the most important role in relation to market share and customer retention as most of the respondents rated that EIC's claim settlement practice is time taking. On the other hand, the underwriting process of EIC can be considered as areas of strength as response rate most of the respondents rated it well.

Table 4. 24: Physical Evidence

SN	Variables	Response	SDA	D	N	A	SA	Mean	SD
Q23	EIC outlets (district & branch) are conveniently located, safety, visible, attractive and easily accessible, among other factors.	Frequency	11	39	83	77	28	3.5	1.028
		Valid %	4.6	16.4	34.9	32.4	11.8		
Q24	EIC's long year's experience and financial strength develop confidence and trust in the eyes of customers	Frequency	2	7	56	61	111	4.1	0.938
		Valid %	0.8	3.0	23.6	25.7	46.8		
Group Mean of physical evidence related variables		Frequency	7	23	70	69	70	3.7	0.983
		Valid %	2.7	9.7	29.3	29.0	29.3		

Source: Survey data, 2019

As shown in the table above, the study found out that respondents with the average group mean score of 3.7 (SD 0.983) agree that EIC physical evidence such as convenience of outlets and long years of experience were the most important elements in relation to sales performance of EIC.

Regarding the separate analysis is concerned, respondents with mean score of 3.5 (SD 1.028) agree that EIC outlets (district & branch) are conveniently located, safety, visible, attractive and easily accessible, among other factors. Likewise, respondents with mean score of 4.1 (SD 0.938) also agree that EIC's long year's experience and financial strength develop confidence and trust in the eyes of customers. This implies that it is an important marketing mix element in relation to EIC's sales performance.

Table 4. 25: The most important factor in relation to EIC's sales performance?

SN	Description	Response (%)
1	Time taking claims settlement practice	45.7
2	Unaffordable & incompetent price	26.5
3	Lack of product innovation	10.0
4	Ineffective promotion	7.0
5	Weak Distribution Channel Management	4.3
6	Others	6.5
7	Total	100

Source: Survey data, 2019

Respondents were asked to rate which one is playing the most important role in relation to EIC's sales performance. In view of that, 105 of the respondents that constitute a lion share (45.7%) felt that time taking claims settlement practice played the most important role of all in relation to EIC's sales performance followed by unaffordable & incompetent price with response rate of 26.5%.

Likewise, lack of product innovation, ineffective promotion, weak distribution and channel management, were also rated as important elements in respect to EIC's sales performance with response rate of 10%, 7% and 4.3% respectively.

CHAPTER FIVE

5. SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

This chapter summarizes the study. The chapter gives the study summary, the study conclusions that have been derived from the study findings. The chapter also proposes recommendations for improvement and for additional studies.

5.1 Summary of Major Findings

This section included summary of main points and major findings which were obtained from data analysis of survey questionnaires and interviews. This research paper was conducted through questionnaires collected from 238 respondents. Accordingly, summary of the findings have been presented hereunder.

- ✎ The demographic characteristics of the respondents indicate that out of the total 238 respondents who were participated in this study, most of the respondents 152(66.4%) were males, 80 (33.9%) in the age group of 31- 40 years took the largest share, 123(53.5%) were undergraduates, the majority of 43(57.3%) respondents were management members, 29(39.2%) were working above 15 years of service, 46(62.2%) intermediaries frequently involved in non- life insurance business and they were several in number, 42(47.2%) of customers work with EIC for 5-10 years, and 29(33.0%) of the customers that paid Birr 5,000,001- 10, 000, 000 per year were the majority in numbers.
- ✎ From descriptive analysis result of each variable, it is possible to summarize that (7P's) marketing mix elements have played an important role in relation to sales performance of EIC (market share, customer attraction and customer retention) with cumulative mean value of 3.3 (SD 1.031).
- ✎ Times taking claim settlement process and unaffordable & incompetent price, lack of product innovation, ineffective promotion, weak distribution and channel management have played an important role in relation to EIC's market share, new customer attraction as well as retention of existing clients with response rate 45.7% and 26.5% 10%, 7% and 4.3% respectively.

5.2 Conclusions

From the finding, the conclusions of this research conclude as follows:

- All marketing mix (Product, price, promotion, people, process and physical evidence) were an important marketing mix element that have vital role on sales performance of EIC.
- Product is an important marketing mix element with respect to sales performance of EIC. When the company can make the product that can satisfy customer need, then the product itself will be the reason for customer to do purchase.
- Price is an important marketing mix element in relation to sales performance of EIC. When the price is set in the right position that match with the income of the customer and competitive as compared to other insurance companies, then the customer will able to purchase the insurance product and refer others to EIC.
- Promotion is an important marketing mix element with respect to sales performance of EIC. When the promotion strategies become better, then the number of new clients attracted to the Corporation will increase and then sales will automatically increase.
- People are also an important marketing mix element in relation to sales performance of EIC. The quality of service is depending on the ability of the staff and employee.
- Process is an important marketing mix element with respect to sales performance. When the process (risk analysis, underwriting, quotation handling, claim settlement, claim, etc) become clear and easier, customer will satisfy with the services and become the loyal customer, and opinion leader in refereeing other potential customers to buy insurance cover from EIC.

However, incompetent pricing practice and time taking claim settlement process are the most important marketing mix element, among others, that played the most vital role in relation to EIC's sales performance (market share, customer retention and new customer attraction).

Moreover, the finding of this research has been largely supported by the findings of other study conducted in similar area. For example, Muriuki, (2013) who conducted a descriptive survey on the challenges affecting marketing of insurance services by insurance firms in Nairobi, Kenya concluded that complex procedures in claims management, failure to adopt information

technology strategy, mistrust in insurance relationships between insurance and the customers, lack of innovativeness in insurance product development, cost of insurance services and pricing of the insurance policies challenged marketing of insurance services in insurance industry.

Eko Yiswa Rasti Esau also conducted research on factors affecting consumer purchase decision on insurance product in Pt. Prudential life assurance Manado. The study concluded that product, price, promotion, people, process simultaneously affect towards consumer purchase decisions in choosing insurance product on Prudential Life Assurance Manado.

To finalize, the finding of the research gave a chance to say that all marketing mix elements (product, price, promotion, place, people, process and physical evidence) were identified as an important marketing mix element that have imperative role in relation to sales performance even though the importance of each marketing mix varies.

5.3 Recommendations

Based on the findings and conclusions, recommendations that can improve the sales performance of EIC are stated hereunder.

- EIC has to set competent and affordable price by taking the industry practice, and customers reaction in to due account. Furthermore, EIC has to have its own expert in actuarial science so as to ensure prudent underwriting practice;
- Since the claim settlement process (process) has been rated by most respondents as the most important marketing mix element in respect to the Corporate sales performance (market share, customer attraction and customer/policy retention), EIC must give foremost and due attention to improve its process by implementing alternative claim settlement approaches such as “cash option method”, establishing own garage that can repair damaged vehicles, outsourcing claim settlement process, and improving empowerment/authority limit of decision makers at various level;
- EIC has to develop innovative and tailored made products by incorporating the view of customers, sales agents and broker apart from upgrading knowledge and skill of the employees who actively involved in the product development;
- Insurance awareness/public education needs to be carried to attract new customers, enhance cross selling, and improve sales volume; and

- Finally EIC's distribution channel management practice needs to be suitable for intermediaries (sales agents and brokers) and the corporation should consider them as major business partner and address their issues as quickly as possible. Moreover, EIC has to start online insurance in order to be easily accessibility to customers apart from increasing insurance density and penetration.

In general, EIC has to give priority in improving its pricing approach, service delivery process, and product development in order to overcome the challenges of market share decline and customer migration.

5.4 Limitations of the Study

The researcher encountered various challenges that tended to hinder access to information sought by the study. The respondents approached were reluctant in giving information on timely manner.

Moreover, to achieve the maximum result from the study, it would have been better if it had been studied in a comparison way between EIC and any of other 16 private insurance companies to have a complete picture of the effect of marketing challenges and opportunities on the overall insurance marketing of the Ethiopian insurance sector. But the time and budget constraint brings a burden to limit this study just on a single insurance company, EIC.

Finally, apart from the above facts, due to the absence of empirical studies related with the subject matter may affect the completeness of the study.

5.5 Recommendation for further study

The study assessed the role marketing mix practice of EIC on its sales performance. Seeing that the study has been conducted on a single insurance company (i.e. EIC), the result of the study has limitations to generalize to other similar insurance companies operating in Ethiopian insurance market. Therefore, future research should be undertaken in order to generalize the result at industry level including insurance companies and to compare the result of the corporation with other similar companies.

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APPENDICES

Appendix I – Cover letter to the respondent

Dear Sir/Madam,

Subject: Your involvement in research project

I am a postgraduate student at Addis Ababa University College of Business and Economics working towards for an MBA Degree in Financial Services. I am doing research project on the title “*Assessment of marketing mixes in determining sales performance of insurance companies: a case of Ethiopian insurance corporation (EIC)*”. As part of this research, I am planning to collect data through questionnaire survey. The purpose of the survey is to assess the marketing mix in determining the sales performance of Ethiopian Insurance Corporation. This research is meant for academic purpose and there is no information which requests the respondent identity, if there is any that will be considered as sensitive, and treated with utmost confidentiality and anonymity. There is no risk associated in responding this survey; no cost will be incurred and no compensation will be given to the respondent. Your participation in this survey is completely voluntary as well.

And hence, you are kindly requested to answer the questions as honestly and precisely as possible. The questions will take approximately 15 - 20 minutes. The filled questionnaire will be sealed and returned directly to the researcher or his delegated personnel to be introduced during briefing.

Thank you in advance for giving me your valuable time

Yours faithfully,

Molla Birhanie

AAU College of Business and Economics

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Appendix II: Questionnaire

Section A: General Information /Demographic data

Instruction I: (Please tick the appropriate answer)

Ignore Questions 1, 2 and 3 for Corporate Entity

1. What is your current position in EIC?
 - i. Non - Management
 - ii. Lower Level Management
 - iii. Middle Level Management
 - iv. Top Level Management
2. Sex: Male Female
3. Ages:
18 - 30 [] 41 - 50 []
31- 40 [] above 50 []
4. What is your level of education?
 - i. Diploma []
 - ii. Under Graduate []
 - iii. Post Graduate []
 - iv. Any other, please specify.....
5. Years of experience?
 - 5.1 If you are **employee**, how long have you been working in EIC?
1-5 years [] 5-10 years []
10-15 years [] Above 15 years []
 - 5.2 If you are **intermediary (Agent/ Broker)**, how long have you been working with EIC?
1-5 years [] 5-10 years []
10-15 years [] Above 15 years []
 - 5.3 If you are a **customer**, how long have you been a customer of EIC?
1-5 years [] 5-10 years []
10-15 years [] Above 15 years []
6. If you are an agent or broker, which insurance category you are most frequently involved?
 - i. Life []
 - ii. Non life []
 - iii. Both []
7. If you are EIC's customer, how much of premium you usually pay per year?
 - i. Birr 500,000 – 1,000,000
 - ii. Birr 1,000,001 – 5,000,000
 - iii. Birr 5,000,001 – 10,000,000
 - iv. Above Birr 10,000,000

Section B: Questionnaires

Instruction II: Please rate your opinion on the agreement of the concepts in each part by making a tick mark on the space provided. The numbers represent:

1 = Strongly Disagree, 2 = Disagree, 3 = Neutral, 4 = Agree, 5 = Strongly Agree

i. PRODUCT

	Product Related Variables	1	2	3	4	5
1	Most of the products offered by EIC are not tailored to meet consumer needs					
2	Product innovation is most important element for insurance penetration and market share in EIC					
3	Most of the products offered by EIC do not address people with low income					
4	Saving products offered by EIC do not attract customers as they have very low returns					

ii. PRICE

	Pricing Related Variables	1	2	3	4	5
5	Price war plays vital role for market share decline					
6	Most of price charged by EIC is expensive as compared to other competitors					
7	The premium rate charged by EIC is mostly unaffordable and play vital role for customer migration					
8	Lack of flexible price in EIC contributes for customer retention					
9	Lack of actuary in EIC has an important role on EIC's pricing strategy					

iii. PROMOTION

	Promotion Related Variables	1	2	3	4	5
10	EIC's promotion in enhancing insurance awareness as well as attracting new customers is effective.					
11	EIC uses effective media channel to promote its insurance service					
12	The advertisements transmitted by EIC are not vague to understand					

iv. PLACE/ACCESSIBILITY

	Place/Accessibility Related Variables	1	2	3	4	5
13	Sales agents and brokers have been underutilized by EIC in marketing its insurance service					
14	EIC's distribution channels are traditional, inaccessible and ineffective					
15	EIC's weak relationship with sales Agents and brokers is an important element for customer migration & declining market share					
16	Lack of online insurance marketing in EIC contributes for customer retention as well as retention.					

v. PEOPLE

	People Related Variables	1	2	3	4	5
17	Most of EIC's marketing staffs are effective in customer follow up and awareness creation about insurance					
18	Customers are satisfied with employee's readiness to accept complains/feedback and address promptly					
19	Most of EIC's staff are supportive and committed to avoid mistrust between EIC & the customer					

vi. PROCESS

	Process Related Variables	1	2	3	4	5
20	EIC's risk selection and underwriting practice is mostly ineffective					
21	EIC's claim settlement practice is time taking and play vital role for customer migration & market share					
22	EIC's customer's compliant handling system is not well developed and has a role for customer migration & market share					

vii. PHYSICAL EVIDENCE

	Physical Evidence Related Variables	1	2	3	4	5
23	EIC outlets (district & branch) are conveniently located, safety, visible, attractive and easily accessible, among other factors.					
24	EIC's long year's experience and financial strength develop confidence and trust in the eyes of customers					

Section C: General view

Instruction III: Please put a tick {√} in the appropriate box

In your opinion, which marketing mix element plays an important role on EIC's sales performance?

SN	Description	Response
1	Lack of product innovation	
2	Time taking claims settlement practice	
3	Ineffective promotion	
4	Weak Distribution Channel Management	
5	Unaffordable & incompetent price	
6	None of the above ('it is not all that bad')	
7	Other (Please specify) ----- -----	