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Strategic Marketing Approaches and Market Penetration by General Insurance Companies in Kenya

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Abstract
The insurance industry is faced with a number of challenges the world over, among them being the problem of internationalization and globalization, and this has therefore increased competition. In Africa the nature of competition in the Insurance industry has generated various levels of marketing strategies and applications. All players in the insurance industry are competing for the limited insured population. There is much distrust of the insurance sector among the population mostly out of ignorance, thus there is need for a comprehensive awareness programme in order to tap the vastly un-served market. There is need for insurance companies to be innovative in their marketing approaches. The purpose of this study was to determine the effects of strategic marketing on market penetration of the general insurance companies in Kenya. The study was guided by the following objectives; to establish whether direct response marketing has a significant effect on market penetration of general insurance companies in Kenya; to establish the effects of electronic marketing on market penetration of general insurance companies in Kenya; to establish whether strategic alliances have a significant effect on the market penetration of general insurance companies in Kenya. The study was guided by the resource dependence theory, commitment trust theory, resource based view theory. Descriptive research design was used and the target population was 160 employees in general insurance companies in Nyeri County from which a sample of 64 respondents was selected. Data was collected using the questionnaires. Multiple regression analysis was done to establish the relationship between the dependent variables and the independent variables. The results indicated that direct response marketing had a positive and significant influence on market penetration as shown by (Coeff/beta =0.131, P-value= 0.001), effect of electronic marketing was positive but insignificant (Coeff/beta =0.162, P-value=0.063), while those of strategic alliances were positive and significant (coeff/beta was 0.196, P-value = .031). This implied that if the general insurance companies were to increase market penetration, they should not only use the traditional method of marketing (direct marketing), but have to be innovative by employing strategic alliances as a marketing strategy among other marketing methods.

Key Words: *Market Penetration, Direct Response Marketing,Electronic Marketing andStrategic Alliances*

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I. Introduction

Creating sustainable marketing strategies is the most important goal of any organization and the most important attribute on which any firm focusing on selling must place its focus. This entails developing successful marketing strategies that pay attention on assessing unique strengths, identifying growth opportunities, collecting competitive intelligence, and responding to competitive threats which will effectively support a company's top-line growth objectives by helping it to develop sustainable position through increased market share (Absanto, 2013). The demands and needs of the environment are also constantly evolving and the top management is more concerned with adjusting the company according to the needs and demands of the environment (Cadle, Paul & Turner, 2012). The strongest and well thought marketing strategies determine the utmost increase in market share of an organization in respect to other players in the same industry, and so are of the greatest importance in strategy formulation. Proper marketing strategies are born out of core competencies that yield long-term benefit to the company through gaining sustainable market share geared towards increasing market coverage (Kotler *et. al*, 2009).

This is an era of unprecedented change for the insurance sector. New technologies, new customer expectations, new regulations and new competitive pressures are rapidly disrupting the traditional insurance business model. In this environment, insurance companies have no choice but to adapt. The vast majority of insurance executives subconsciously know they need to be more innovative (Goodnow, 2012). According to a recent report by KPMG (2016), more than 80 percent of insurance executives now draw a direct correlation between their organizations ability to innovate and its future success.Insurers are increasingly starting to recognize that their current marketing strategies, organizational structures and culture may not be conducive to achieving sustainable and value-creating change and innovation needed to compete in this new world (Spann, Fischer &Tellis, 2014). New marketing models, new ideas and new and strategic partners must be found so as to deal with the changes that have happened over the last 10 years through financial reforms, advancement of communication and information technologies and economic development. These changes have had a considerable effect on efficiency, productivity change, market structure and performance in the industry. Low insurance penetration is one of the challenges hindering the development of the insurance industry in terms of market share, product diversification among other measures.

Insurance industry continues to face challenges emanating from internationalization and globalization which have increased competition within the sector locally and internationally (Solomon, 2014). Other factors such as ageing populations and the increasing opportunities in other parts of the world have further complicated the insurance business. Insurance companies therefore need to adopt strategies geared towards continuous innovation in terms of creating new products and services, improving their competitiveness by use of advanced marketing strategies and techniques, efficient distribution channels, as well as heterogeneous alliances (Procházka, 2015).In Africa, market penetration in the insurance industry has generated various levels of marketing strategies developed by individual insurance companies. All players in the industry are competing for the limited current and potential customers, and this means that insurance companies need to understand strongly how their customers relate to insurance services, by how they perceive threats and risks and how such customers decide whether to purchase insurance services.

Competition within the insurance sector in Kenya has been on the rise in the last couple of years and has generated various levels marketing strategies and applications within specific insurance companies in order to enhance market penetration. Insurance market penetration in the country is low and this causes intense competition from the insurance players in their quest to capture a higher market share in relation to competition. Market penetration assists the organization to gain considerable market share thereby increasing its profitability and the viability of net income due to various financial incentives (Insurance Regulatory Authority, 2014). Successful company executives lay emphasis on how to create marketing strategies for the organization that lead to increased market share and operational performance. Proper marketing strategies are critical to the attainment of increased market share in all organizations. Organizations function within an ever-changing environment where they have little or no control over. Lack of a comprehensive marketing strategy is a recipe for ultimate failure in the competitive market (Ogolla, 2013).

The nature of competition in the Insurance industry in Kenya has generated various levels of marketing strategies and applications in order to enhance market penetration. All players in the insurance industry are competing for the limited insured population that is estimated at 2.75% (IRA, 2019). This means that the insurance penetration levels in Kenya are very low hence the intense competition from the 43 players in a bid to capture the few insured customers. In such an intense industry some insurance firms have been forced to seek regional expansion without even saturating the local market (G.O.K, 2019).Competition is stiff within the industry and product performance has not been effective compared to the last decade. Most companies have sharpened their marketing strategies as a mechanism to guarantee the success of their business in future (Rangsan&Titida, 2014). Previous studies have established that insurance organizations are struggling to create the types of dynamic business models they need in order to survive and thrive in this new environment. There is no one approach to compete for market share and each situation will be unique. Insurance companies need to learn from their experiences, peers and competitors as they strive to harness the power of strategic marketing.This study will explore the various strategic marketing options insurance firms can explore in their bid to increase their customer base and ultimately increase market penetration. The challenge most face is the need for diversification of insurance products and markets better tailored and suited to meet the needs and development of the people in various market niches.A fundamental principle of insurance marketing dictates that insurance products and services must be marketed and sold primarily on the basis of the need for security and the ability of the insurance product and services to provide adequate financial security from unexpected losses (Mols, 2013).

1.1 Statement of the Problem

Low insurance penetration is one of the challenges facing insurance development in terms of market share, product diversification among other measures. In Kenya, insurance penetration is 2.75% with a population of 47 million compared to South Africa whose penetration is 14.2% with a population of 53.2 million (KPMG, 2014). The number of insurance companies in Kenya is 42, however, penetration for the insurance sector remains significantly very low at below 3.0 percent, which is lower than the average of 3.8 percent in Africa (Cytonn, 2015).Several studies have been carried out on the Insurance Industry in Kenya, but these studies focused on different contexts other than strategic marketing and insurance market penetration. A study by Nginga (2018) on the factors that influence the consumer buyer behaviour of Kenyans to buy insurance products revealed that Kenyans are influenced by both psychological and sociological factors when making choices on insurance products. Additionally, Obuya (2017) while examining the influence of sales promotion on consumer buying behaviour for insurance products in Kenya revealed that insurance customers are influenced by perceived quality, and brand awareness. Not much research work has been done on the effectiveness of new strategic marketing strategies on insurance penetration in Kenya. All these previous research have focused on other different areas and not strategic marketing and market penetration. A knowledge gap therefore existed, and this study sought to bridge this gap in literature by investigating the effectsof strategic marketing on market penetration in the general insurance companies in Kenya.

1.2 Objective of the Study

The purpose of the study was to investigate the effectsof strategic marketing on market penetration in the general insurance companies in Kenya. Specifically, the study aimed at:

i) Examining whether direct response marketing has a significant effect on market penetration of general insurance companies in Kenya.

ii) Finding out the effects of electronic marketing on market penetration of general insurance companies in Kenya.

iii) Examining whether participation in strategic alliances have a significant effect on the market penetration of general insurance companies in Kenya.

II. Literature Review

1.2.1 Theoretical Review

This study was based on the following theories from which the variables for analyzed were derived from:

Resource Dependence Theory

Pfeffer&Salancik (1978) utilized the previous environmental literature to develop resource dependence theory. Resource dependence theory is based on the notion that environments are the source of scarce resources and organizations are dependent on these finite resources for survival. A lack of control over these resources thus acts to create uncertainty for firms operating in that environment. Organizations must develop ways to exploit these resources, which are also being sought by other firms, in order to ensure their own survival.This theory arose from the fact that firms are not able to solely generate their resources internally and as such, they are forced to enter into external agreements and transactions so as to be able to gain more resources to give them a competitive edge. The theory in itself provides some of the adaptation strategies which companies can put in place in order to survive a turbulent regime (Pfeffer&Salancik, 1978).Pfeffer&Salancik (1978) determined three factors that influenced the level of dependence organizations had on particular resources. First, the overall importance of the resource to the firm was critical in determining the resource dependence of the firm. Second, the scarcity of the resource was also a factor. The scarce a resource was, the more dependent the firm became. Finally, another factor influencing resource dependence was the competition between organizations for control of that resource. Together, all three of these factors acted to influence the level of dependence that an organization had for a particular resource.

Commitment Trust Theory

The commitment-trust theory posits that two fundamental factors namely trust and commitment must exist for a relationship to be successful (Cook, Karen & Richard, 1978). Day (1970) put forth that strategic marketing involves forming bonds with customers by meeting their needs and honoring commitments. Rather than chasing short-term profits goal, businesses following the principles of relationship marketing forge long-lasting bonds with their customers. As a result, customers trust these businesses, and the mutual loyalty helps both parties fulfill their needs (Meyer & Natalie, 1984). Trust is confidence between parties in a relationship. In most cases, businesses develop trust by building confidence with their customers. Commitment entails a long-term desire to maintain a valued partnership. This desire causes the business to continually invest in developing and maintaining relationships with its customers.

Resource Based View Theory

The resource-based view of the firm draws attention to the firm’s internal environment as a driver for competitive advantage and emphasizes the resources that firms have developed to compete in the environment (Armstrong, 2012). This the theory was proposed by Penrose (1959) and is a managerial framework used to determine the strategic resources with the potential to deliver comparative advantage to a firm. The focus of inquiry of the theory over the period of time has changed from the structure of the industry to the firm’s internal structure, with resources and capabilities the key elements of the resource based view. Since then, the resource-based view of strategy has emerged as a popular strategic theory of competitive advantage (Brown, 2010).

Resources possessed, deployed and used by the organization are really more important than industry structure. Influenced by Porter's (1985) studies, competitive advantage explains a firm's success regarding industrial sector features. From this point of view, firms in the same industrial sector having the same opportunities with few, if any, differences between them, remain that way only for a short period of time (Schweitzer, 2014). The resource-based view (RBV) is a way of viewing the firm and in turn of approaching strategy. Fundamentally, this theory formulates the firm to be a bundle of resources. It is these resources and the way that they are combined, which make firms different from one another. It is considered as taking an inside-out approach while analyzing the firm. This means that the starting point of the analysis is the internal environment of the organization.

1.2.2 Empirical Literature

A study by Kwak and Richard (2012) surveyed internet users and explored their demographics and personality traits that potentially influence customers' online purchasing and how often they switch from the brands they purchase. The findings showed that the level of income led to online purchasing, and this shows that the amount of income by a customer influences loyalty to the products, and therefore organizations that keep their prices low tend to gain more market share as opposed to those that don't**.** Brookes & Little (2007) investigated the relationship between online marketing and customer loyalty. They concluded that online marketing provides a platform to market goods and services to a wide range of customers. Fullerton (2002) explored the effect of social media advertising on market penetration. The findings show that through social media, customers easily share information with their friends. Electronic marketing led to improved sharing of information, brand switching leading to market penetration. It was further revealed that customers trusted information from their fellow customers than the organization. This finding is consistent with commitment trust theory which according to Cook, Karen & Richard (2008), trust and commitment must exist for a relationship between customer and the organization to be successful.

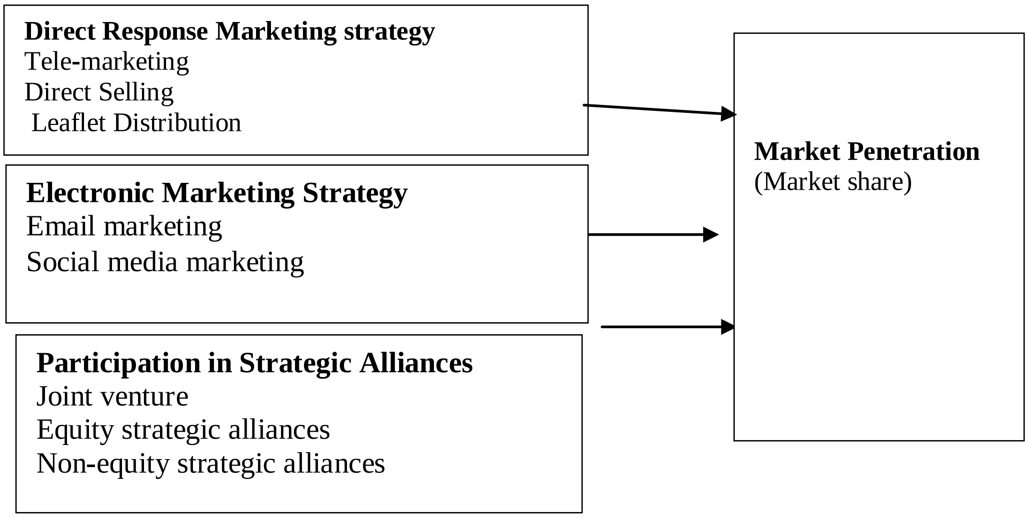
Muiruri (2015) study focused on the effects of strategic partnerships and market penetration of Equity Bank in Kenya. This study adopted descriptive research design. Primary data was used in the study and was obtained by use of an interview guide that was administered to managers who were interviewed at Equity Bank and partner organizations. The study findings established that strategic partnerships between Equity Bank and its partner organizations improved its market share and the staff capacity and thus enabled it to be well equipped in handling the challenges they experienced and therefore improving on its service delivery. Makau (2012) study examined the influence of strategic alliances and organizational competitiveness among commercial banks in Kenya. The study found that strategic alliances created competitive advantage through collaboration rather than competition. Strategic alliances are also based on mutual trust of partners and improve the market penetration aspect of an organization.

Muthoka and Oduor (2014) study examined the effects of strategic alliances on market share: supermarkets and their alliances in Kenya. The empirical results of the study indicated that there was a strong, negative correlation between technological strategic alliances and market penetration. Musau (2016) study examined the impact of strategic outsourcing on organizational market share: A Case Study of Bidco Africa Limited. The study found that cost driven outsourcing led to improved organizational market share by reducing costs and risks while increasing operational efficiency, both in the short term and long term.

Conceptual Framework

A conceptual framework is an analytical tool with several variations and contexts. It is used to make conceptual distinctions and to organize ideas. Independent variables are variables that a researcher employs in order to determine the effect of influence on the dependent variable. The dependent variable attempts to indicate the total influence arising from the influence of the independent variable (Shields &Rangarjan, 2013). This is illustrated in figure below showing the two types of variables.

Conceptual Framework



III. Research Methodology

Correlational research design was used and the target population was 160 employees in general insurance companies in Nyeri County from which a sample of 64 respondents was selected as follows:

Category	Population	Sampling Factor	Sample Size
Branch managers	20	0.4	8
Relationship managers	80	0.4	32
Sales administrators	40	0.4	16
Underwriters	20	0.4	8
Total	160	0.4	64

Primary data was collected using the questionnaires. Multiple regression analysis was done to establish the relationship between the dependent variables and the independent variables. The regression equation is presented as below:$Y = \beta_0 + \beta_1X_1 + \beta_2X_2 + \beta_3X_3 + \beta 4X4 + \mu$, where; Y =Market Penetration, X_1 =Direct response marketing, X_2 = Electronic marketing andX_3 = Strategic alliances In the model, β_0= the constant term whileβ_1…. β_4 will be used to measure the sensitivity of the dependent variable (Y) to unit change in the predictor variables X_1, X_2, and X_3. μ is the error term which captures the unexplained variations in the model.Variables were operationalized as follows:

Variable	How obtained	Description
Market penetration	Respondents indicated the percentage of the market share	Percentage of market share owned by the company
Direct response marketing strategy	Respondents indicated i) The amount spent on telemarketing ii) The amount spent on direct selling iii) Amount allocated for leaflet distribution	i) Amount in Kenya shillings ii) Amount in Kenya shillings iv) Amount in Kenya shillings
Electronic marketing Strategy	Respondents indicated: i)The number of times the company has used e-mail marketing ii) The number of times the company has used social media marketing	i) Number of times the company has used either email marketing or social media marketing
Joint venture strategies	Respondents rated their companies using a scale of 1-10 in regard to participating in joint ventures, equity strategic alliance and non-equity strategic alliance	More than 5= high Less than 5= otherwise in each case

IV. Multiple Regression model results

Variable	Beta	Standard Error	*t*	Sign.
Constant	1.597	0.422	3.755	0.001
Direct Response Marketing	0.131	0.087	1.204	0.001
Electronic Marketing	0.162	0.076	1.892	0.063
Strategic Alliances	0.196	0.814	1.997	0.031

Results above indicate that direct response marketing had a positive and significant influence on market penetration as shown by (Coeff/beta =0.131, P-value= 0.001The results for effect of electronic marketing were (Coeff/beta =0.162, P-value=0.0063), which was an indication that this variable had a positive and insignificant influence on market penetration. The results implied that an increase in electronic marketing budget by a shilling unit leads to an increase in market penetration by 0.162 percent. Strategic alliances had a positive and a significant effect on market penetration (coeff/beta was 0.196, P-value = 0.031). This implied that having strategic alliances increased market penetration by 0.0196 percent more than if the company never entered in strategic alliance, but the effect was significant. The overall results corresponds with the views of Walker (2015) and those of Moghli, Abdallah, &Muala (2012) who indicated market penetration is basically dependent on how organizations evaluate their direct response marketing, electronic marketing and their participation in strategic alliances.

V. Conclusions and Recommendations

From the analysis of findings, the study concluded that direct response marketing is an important factor that contributes immensely to market penetration of general insurance companies in Kenya. The study also concluded that electronic marketing also had a positive although not significance effect market penetration by general insurance companies in Kenya. It can be concluded from this study that, online marketing provides a platform to market goods and services to a wide range of customers. It also concluded that strategic alliances also were key ingredient in increasing market penetration.

Based on the results, it can be recommended that insurance companies should venture into new markets by establishing solid partnerships with other institutions such as banks, small and micro enterprises, and agribusinesses so as to enlarge their market share opportunities into the future and find it easy to penetrate such markets. From the findings of this study, it can also be concluded that, direct marketing should not be ignored as a method of increasing market share, and the companies should set a considerably huge budget for so that they can increase their market share. This is a traditional method of promoting products and brands, but from the findings it remains relevant in the insurance industry. Although electronic marketing effect on the market was positive but insignificant, there is need for insurance companies to continue using it when trying to expand their market share so that they can expose their brand and products as a way of supporting the other two methods of building market share.

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