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THE INFLUENCE OF MARKETING STRATEGIES ON PERFORMANCE OF INSURANCE COMPANIES IN KENYA

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Abstract

The broad purpose of the study was to establish the influence of marketing strategies on performance of insurance companies in Kenya. The study was anchored on Service Marketing Theory and comprised 51 insurance companies in Kenya. Primary data were collected using semi-structured questionnaires. The pertinent data were analyzed using descriptive statistics and regression analyses. The results of the study showed that marketing strategies significantly influence organizational performance. The study results were consistent with theoretical argument from service marketing theory which focuses on the premise that marketing especially in service industry is achieved through careful understanding of customer characteristics and providing services that are acceptable to customers. The study findings also support service marketing theory which suggests that, since the service industry has unique and specific characteristic, there are challenges associated with marketing. This requires special marketing strategies to be designed and applied in dealing with it. The study further concur with the

classical test theory which gives an insight to the concept of added value by arguing that the needs of buyers should be clearly shown in products and services and the ability of customers to identify perceived relevance of the product in question. Based on the study findings, recommendations are made that policy makers should enforce best practices like development of formal guidelines to the marketing process and establishment of key marketing strategies to increase performance of insurance companies in Kenya.

Keywords: Marketing Strategies, Service Marketing Theory, Firm Performance, Insurance companies, Kenya

INTRODUCTION

The achievement of the goals and objectives of a firm are determined by how effectively the marketing strategies are planned and applied, which help in the identification of its opportunities and their realization. Most firms often strive to apply the right marketing strategies to make their marketing effort successful. Marketing strategies refers to as set of controllable variables that can be utilized by a firm to sway the response of the buyer and can dictate the direction of marketing effort to craft competitive advantage (Kiprotich, 2013). Marketing strategies also refers to marketing logic that directs a business towards achieving its set marketing objectives. These include; product, place, price, process, positioning, promotion, people and performance. In any firm, there exists no activity where the marketer is not obligated to make the right decision about the seven constituents of marketing mix through employment of marketing strategy (Daniel, 2018).

Marketing in general comprises several activities. To start with, a firm may choose which target customers to serve (Eavani & Nazari, 2012). After selecting the target customers, the product is subsequently placed in the market through delivery of suitable product, promotional, price, and distribution exertions. They are blended to enhance customer satisfaction and to provide desired performance. The variables can be manipulated by marketing managers to enhance customer satisfaction (Oke, 2012).

The organizations' capacity to anticipate and spot opportunities and threats in a market characterized by advances in technology, complex competitive landscape and a change in customer tastes and preferences is crucial (Oloko, Anene, Kiara, Kathambi & Mutulu, 2014). For successful achieving superior performance, organizations must continually keep abreast to emerging market trends, anticipate, determine and deliver satisfaction to their target customers through monitoring activities of the competitors and adjusting proactively to their products and

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service offering in a more effective and efficient than competitors in their market niche (Njeru, 2013).

Faced with intensifying competition, insurance companies are turning to marketing strategies as a source of competitive advantage which if well managed may impact positively on performance. There is intense competition among Kenyan licensed insurance companies in a market which is limited and is characterized by very low penetration. According to Mbogo (2010), marketing strategies play an essential role in influencing consumer buying behavior in the insurance industry in Kenya. Any new products that are put on the market will require robust marketing strategies that are tandem with customer requirements. To do this, customers should be divided into segments to determine what specific marketing strategies will reach each targeted group and what each group needs. The debate amongst stakeholders has been why the uptake remains low despite concerted efforts at application of marketing strategies such as consumer education, advertising and product placement. Performance remains a big debate in the business environment in Kenya and particularly the insurance industry. This has been fueled by declining profits, stagnant growth and a small section of the insured population, which stood at 2.89% in 2019; 3.16% in 2020 and 3.44% in 2021 (AKI, 2021). The low penetration highlights the significant opportunities that exist in the Kenyan Insurance Market especially in commercial lines such as oil, real estate and infrastructure. This constitutes an important context for studying the relationships among marketing strategies, consumer based brand equity, organizational characteristics and firm performance.

LITERATURE REVIEW

The current study is largely driven by the service marketing theory (Christian 1982; Lages, Simoes, Fisk & Kunz, 2013). The service marketing theory is a general theory that overarches market based theories. Service marketing theory suggests that since service industry has unique and specific characteristic, there are problems associated with marketing and therefore requires special marketing strategies to be designed and applied in dealing with it (Lovelock, 2001).

The theory argues assumes that services have several unique characteristics that distinguish them from physical goods, meaning that knowledge about goods cannot be transferred to understand services. Particularly such characteristics as the simultaneous process of production, distribution, and consumption as well as services being intangible and heterogeneous describe services (Grönroos 2007). Further, such characteristics as services being activities or processes, customer participation in the production of services, and the interaction between the organization and the customer define services (Grönroos 2007). A

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service being a process means that the customer experience and the production of the service cannot be separated from each other. This is due to the fact that a service is experienced at the same time as the service production is taking place. As a consequence, a service indicates that the customer participates actively as a co-producer in the production of the service. Customer participation indicates that a service can take many forms within the same service organization. This means that service experiences vary as services are experienced subjectively. As a consequence, a single service may lead to various quality perceptions.

The theory therefore suggests the alteration of the traditional managerial functions to suit the unique and sole characteristics of services. The theory is critiqued in the sense that the most cited service marketing literature assumption lies in the premise that the major challenges faced by service marketers arise from the basic characteristics like inseparability, intangibility, perishability and heterogeneity (Rust & Chung, 2005). The fact that services cannot be patented legally means that any new service concepts may be easily copied by market competitors thus limiting how the idea originating organization can maintain its competitive advantage for long to build performance (Assael, 1985). This theory is crucial in this study since it enables management in service marketing carefully analyze and understand the customers' needs and provide services that enhance their satisfaction levels which is necessary for the organizations to build performance.

Empirical studies have been conducted to determine the influence of marketing strategies and firm performance. Marketing strategies are used by organizations as the overriding principle to organizing and allocating resources in generating profit from customers that are, in the part of the market, aggregate and with reasonably and clear parameters concerning its size (Kim, 2004). Aaker (2009) argues that marketing strategies involves functional area strategies like positioning, distribution, pricing and global strategies. Marketing strategies determines the organizations' performance through application of controllable variables when they have many other uncontrollable factors (Darani, 2010).

The extent to which organization's performance is achieved is a gauge of marketing strategies and organization characteristics (Njeru, 2013). Distinct marketing strategies enables organizations to perform exemplary than competitors by reaching target markets more efficient and effective. As far as many organizations may be focusing on a particular similar market niche, the unique way in which individuals within each organization uses the information gathered creates many distinctive ways of solving similar customer needs.

Rust and Chung (2005) found that distinct marketing strategies enable an organization to create performance by reaching target markets more effectively and efficiently. Njeru (2013) concluded that market orientation influence performance. The study conducted by Aremu and

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Lawal (2012) found product design and style to have a significant positive effect on firm performance. While other studies researched on the relationship between product quality and firm performance in international markets in which the relationship is found to be positively associated. The provision of high-quality product to customers has been postulated to augment the value associated with customer performance. Prior studies reveal two observations regarding quality of product in line with the marketing strategy that are important.

Many researchers have emphasized the importance of promotional mix to business markets as a valuable tool for achieving performance. Sales, financial and customer performance is achieved through promotional mix by gaining experience in the opportunities and problems arising in specific export markets, boosting communication, personalizing relationships, and cultivating a team spirit with customers abroad, and providing timely response and immediate support to the export venture's needs. The study by Ambler and Puntoni (2004) examined six promotion-related variables, i.e., advertising, sales promotion, personal selling, trade fairs, personal visits, and promotion adaptation, for their effects on export performance.

Most of the promotional related variables were found to be positively linked to firm performance. Notably, advertising was the most widely researched variable of promotional mix, based on the notion that with sound advertising procedures the firm can communicate information, constantly remind, and persuade foreign customers to buy the products and, therefore, generate more sales. Performance is a valuable asset that needs to be managed by manegers (Abratt & Mofokeng, 2001). A favourable organization's performance can enhance sales since there will be increase in customer loyalty and satisfaction element and also attracted investors and competent employees. It results to weaker influence of competitors thus enabling the organization to achieve and maintain higher levels of profit (Kim, 2011).

METHODOLOGY

This study adopted a positivist philosophy and a descriptive cross-sectional survey. The study relied on both primary and secondary data. Primary data was obtained from all 51 insurance companies in Kenya through a semi-structured questionnaire with the help of key informants in these companies. The data collection process involved collecting data from target respondents; ideally senior officials of the (CEO or marketing/sales manager) as they were considered to have explicit knowledge of the company in strategic initiatives and they also shape the destiny of a firm. The study simple linear regression analysis to test the hypothesis.

The general model for predicting firm performance was represented by the following model: $Y = \alpha + \beta_1X_1 + \varepsilon_1$ where Y is the firm performance and is a linear function of X_1 (marketing strategies).

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RESULTS

The objective sought to assess the influence of marketing strategies on performance of insurance companies in Kenya. This objective was therefore tested through four sub-hypotheses; H_{1a}: Marketing strategies have no significant influence on non-financial performance; H_{1b}: Marketing strategies have no significant influence on Total premiums; H_{1c}: Marketing strategies have no significant influence on ROA; H_{1d}: Marketing strategies have no significant influence on ROI;

Marketing Strategies and Non-Financial Performance

The study determined the influence of knowledge storage on performance through a sub hypothesis that $\mathbf{H_{1a}}$**:** Marketing strategies have no significant influence on non-financial performance. This was through computing composite index of marketing strategies and performance constructs and applied simple linear regression analysis to determine their significance levels. The results are presented in Table 1.

Table 1: Regression Results from the Test of the Effect of marketing strategies on non-financial performance

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.883[a]	.779	.774	.21321

a. Predictors: (Constant), Marketing strategies

ANOVA[a]

Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	6.733	1	6.733	148.110	.000[b]
	Residual	1.909	42	.045		
	Total	8.642	43			

a. Dependent Variable: non-financial Performance
b. Predictors: (Constant), Marketing strategies

Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	.511	.375		1.361	.181
	Marketing strategies	1.091	.090	.883	12.170	.000

a. Dependent Variable: non-financial Performance

The results in Table 1 indicate that there is strong relationship between marketing strategies and non-financial performance (R=.883). The coefficient of determination R^2

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=.779 implies that marketing strategies explains 77.9% of the variation in non-financial performance. The other variables not included in this study explain the remaining 20.2%. This result shows a strong influence of marketing strategies and performance. The overall model was statistically significant ($F = 148.110$, P-value < 0.05). The results of the beta coefficient showed that a unit increase in strategy implementation will cause a .893 increase in non-financial performance ($B=.883$, $t=12.170$, $p<0.05$) suggesting that the influence of between marketing strategies on non-financial performance was statistically significant. This implies, overall, marketing strategies is a good predictor of performance. The findings thus were sufficient to reject the first hypothesis *this implies that marketing strategies significantly influence non-financial performance and therefore the hypothesis that* marketing strategies has no significant effect on non-financial performance of insurance companies in Kenya was rejected. Based on the outcomes of the results of the regression analysis, the model becomes -

$Y=0.883 X_1$

Where, Y was non-financial performance and X_1 is marketing strategies.

This implies that a unit change in marketing strategies results to 0.893 change in non-financial performance. This implies that marketing strategies significantly influences non-financial performance. The model above suggests that insurance companies need to invest on marketing strategies and keenly monitor how they perform as these a significant if they are to yield higher performance levels.

Marketing strategies and Total premiums

The study determined the influence of marketing strategies on total premiums through a sub hypothesis that H_{1b}: Marketing strategies have no significant influence on Total premiums. This was through computing composite index of marketing strategies and total premiums constructs and applied simple linear regression analysis to determine their significance levels. Table 2 presents a summary for the results for marketing strategies and total premiums.

Table 2 Regression Results from the Test of the Effect of marketing strategies on total premiums

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.325[a]	.105	.084	.42150

a. Predictors: (Constant), Marketing strategies

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ANOVA[a]

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	.879	1	.879	4.945	.032[b]
	Residual	7.462	42	.178		
	Total	8.341	43			

a. Dependent Variable: Total premiums
b. Predictors: (Constant), Marketing strategies

Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients		
		B	Std. Error	Beta	t	Sig.
1	(Constant)	1.784	.741		2.406	.021
	Marketing strategies	.394	.177	.325	2.224	.032

a. Dependent Variable: Total premiums

The study found a significant relationship between marketing strategies and total premiums although weak (R= .325). Coefficient of determination (R^2 =.105) indicates that marketing strategies explain 10.5% of variation in total premiums. Also the overall model is significant (F=4.945, p<0.05). The standardized beta coefficient indicate that marketing strategies makes positive and significant contribution to total premiums showed by a unit increase in strategy implementation will cause a .325 increase in total premiums (Beta =-.325 t =2.224, p< 0.05). This therefore depicts that marketing strategies is a predictor of total premiums of insurance companies in Kenya and thus the hypothesis that Marketing strategies have no significant influence on Total premiums was rejected. Based on the outcomes of the results the regression model explaining the relationship becomes-

$Y= 1.784 + .325 X_1$

Where Y is total premiums and X_1 **is** marketing strategies.

The model above suggests that total premiums set by insurance companies can be significantly impacted by the marketing strategies they use which can cause the consumers to develop a negative attitude to the organizations in general based on the premiums set. Therefore, these organizations need to assess carefully the various strategies they are to implement.

Marketing Strategies and Return on Assets

The study determined the influence of marketing strategies on ROA. This was determined by getting the composite index of marketing strategies and regress it against ROA using simple linear regression analysis to determine their significance levels. Consequently, the

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following sub hypothesis was tested H_{1c}: Marketing strategies have no significant influence on ROA. The results were as depicted in Table 3.

Table 3 Regression Results from the Test of the Effect of marketing strategies on Return on Assets

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.402[a]	.162	.142	.40084

a. Predictors: (Constant), Marketing strategies

ANOVA[a]

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	1.303	1	1.303	8.108	.007[b]
	Residual	6.748	42	.161		
	Total	8.051	43			

a. Dependent Variable: Return on Asset
b. Predictors: (Constant), Marketing strategies

Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	2.011	.705		2.852	.007
	Marketing strategies	.480	.169	.402	2.847	.007

a. Dependent Variable: Return on Asset

The study found a moderate and significant relationship between marketing strategies and ROA (R=.402). Coefficient of determination (R^2 =.162). Also the overall model is insignificant (F=8.108, p>0.05). The standardized beta coefficient indicate that marketing strategies makes significant contribution to return on assets (Beta = .402, t = 2.847, p>0.05). This therefore implies that marketing strategies affects ROA and thus the hypothesis that Marketing strategies have no significant influence on ROA was rejected. Based on the outcomes of the results the regression model explaining the relationship becomes-

$Y= 2.011 + .402 X_1$

Where Y is total premiums and X_1 **is** marketing strategies.

These results can be interpreted to mean that organizations are able to effectively utilize their assets for profitable returns by deploying the appropriate marketing strategies. Therefore a unit increase in marketing strategies causes an increase of .402 of ROA.

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Marketing strategies and Return on Investments

The study determined the influence of marketing strategies on ROI through a sub hypothesis that H_{1d}: Marketing strategies have no significant influence on ROI. This was through computing composite index of marketing strategies and ROI constructs and applied simple linear regression analysis to determine their significance levels. Table 4 presents a summary for the results for marketing strategies and total premiums.

Table 4 Regression Results from the Test of the Effect of marketing strategies on Return on Investments

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.329[a]	.109	.087	.58851

a. Predictors: (Constant), Marketing strategies

ANOVA[a]

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	1.771	1	1.771	5.112	.029[b]
	Residual	14.546	42	.346		
	Total	16.317	43			

a. Dependent Variable: Return on Investment
b. Predictors: (Constant), Marketing strategies

Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	1.137	1.035		1.098	.007
	Marketing strategies	.559	.247	.329	2.261	.029

a. Dependent Variable: Return on Investment

The study found a moderate and significant relationship between marketing strategies and ROI (R= .329). Coefficient of determination (R^2 =.109) indicates that marketing strategies explain 10.9% of variation in ROI. Also the overall model is significant (F=5.112, $p<0.05$).

The standardized beta coefficient indicate that marketing strategies makes significant contribution to ROI (Beta = .329, t = 2.261 $p< 0.05$). This therefore depicts that marketing strategies is a predictor of ROI of insurance firms in Kenya and thus the hypothesis that Marketing strategies have no significant influence on ROI was rejected. Based on the outcomes of the results the regression model explaining the relationship is;

$Y = B_0+B_1X_1$ now becomes $Y= 1.137 + .3290X_1$

Where Y is ROI and X_1 **is** marketing strategies

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This implies that a unit change in marketing strategies leads to 0.329 positive change in return on investments. These results can be interpreted to mean that for insurance companies, intensifying on marketing will yield a positive output on their investments. Therefore, these companies need to be acutely aware of the type of marketing strategies they chose to invest in so as to maximize on their returns.

CONCLUSIONS

The findings show that the relationship between marketing strategies and performance is statistically significant. The findings in the study suggested that marketing strategies attributes that include product, place, price, process, positioning, promotion, people and performance had a great influence on organizational performance. Investing in marketing strategies will improve sales and marketing performance for organizations. The results of this study therefore provide a concrete reason to give more attention to marketing strategies to be able to achieve better outcomes. This study concluded that marketing strategies (product, promotion, price, place, process, people and positioning) have an important role and impact on organizational performance of Insurance companies in Kenya. In essence, these strategies are useful tools for survival, sustenance and development of these companies. It is increasingly apparent from literature that marketers in these Insurance companies need to keenly consider the various marketing strategies they generate for their firms. Given the competitive nature of this insurance industry, it is paramount that organizations identify the best marketing strategy for their products/ services and focus on the promotion tactics they use, the distribution channels selected and the personnel they engage.

RECOMMENDATIONS

The study reports that each of the tested variables had an effect on performance either individually or jointly. The findings of the study established that most insurance companies offered unique products to their customers. The study hence suggest that these firms not only should they offer unique products but ensure the products and services offers meet customers' needs and wants suggest that in order to increase competitive advantage and hence improve its performance.

The findings further noted on performance that most of the firms were effective in offering products/services as well as quick on responding and handling customer demands and complaints. The findings further suggest that the surveyed insurance companies should put measures in place that ensures these companies continuously meets customer's expectation as well as ensures it effectively and efficiently deliver products and services to clients in order to

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enjoy good profits as customers will be drawn to the company since it meets their needs and wants effectively, timely and at affordable costs.

The results of the findings further established that most firm needed to look into their pricing and adjust in order to attract customers to improve performance. The study hence recommends that Managers when developing a pricing strategy should base their decisions on a careful consideration of several factors such as costs, demand, customer impacts and competitor prices since the prices you set for a product or service has a very significant effect on how the consumer behaves.

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