

**The Effects of Marketing Strategies on the
Performance of Private Insurance Companies in
Ethiopia.**



**Thesis Submitted to Research and Post graduate office for the partial
fulfillment of the Requirement for the Award of the degree of Master of
Business Administration (MBA)**

**JIMMA UNIVERSITY
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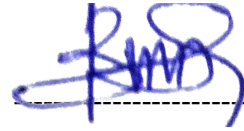
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**September, 2020
Addis Ababa, Ethiopia**

DECLARATION

I, declare that the Research Report entitled “**The Effects of Marketing Strategies on Performance of Private Insurance Companies**” Submitted to Research and Post Graduate Studies Collage of Business and Economics. It is My Original Work and has not been Submitted Previously in part or full to any University.



Date _...13/09/2020.....

CERTIFICATE

We Certify That the Research Report entitled

“The Effect of Marketing Strategies on the Performance of Private Insurance Companies in Ethiopia is done by Mrs Bezawit Haile Bizuneh for the Partial Fulfillment of Master’s Degree under Our Supervision.

Date: -----

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Abstract

The major objective of any business establishment is to remain in business profitably through production and sales of products or services. Without optimal profit, a business firm cannot survive. One of the core activities in a business company to stay in business is having a well-developed marketing strategy. The ultimate success or failure of a company depends on its marketing strategy. So, the strategy should be developed, implemented and evaluated effectively to achieve the company's objectives. So all in all the researcher is trying to see the overall effects of the marketing strategy and its relationship with the performance of insurance companies by measuring the performance based on the gross written premium. The purpose of this study is to determine the effects of different marketing strategies on the performance of insurance companies in Ethiopia. The data was collected from the marketing managers, Marketing Officers, Senior Marketing Officers and Marketing Department Staffs of all the insurance companies to gain wide representative of the sector. The finding of the study indicates that Promotional strategies have the greatest influence on insurance company's performance rather than pricing and distribution channels. It also indicates that using new technology (Innovation) in insurance companies must be given due attention if insurance company's wants to raise their Performance (Gross Written Premium).

Based on the result obtained in the analysis and conclusion made: the researcher recommended that private insurance companies should make effective promotional strategies and also trainee Professionals to develop new Technology to give the services on line and make new Product development as well as product differ nation (New Insurance Policies) in order to increase sales volume (Gross Written Premium).

Key Words: *-Promotional Strategies, Innovation strategies, Distribution Strategies, Pricing Strategizes, Performance.*

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CHAPTER ONE

1. Introduction

This Chapter is an introductory chapter basically deals with the back ground of the study where a gap in literature is going to be investigated, statement of the problem where by the reasons why a further research is needed is also being justified. A research question, scope of the study, limitation of the study and other elements are presented.

1.1 Background of the Study

Marketing plays a vital role within the insurance industry. It is used to increase sales and sustain marketplace positions for major companies and by smaller companies to build and grow their businesses. The use of marketing can be as far-reaching as a national television campaign to grow and sustain a major insurance company, and as localized as a business cards and fliers used by a local insurance agent. Regardless of size, marketing tactics and strategies are developed by all in the industry to target consumers and prospects to cover their insurance needs for home, health, life and commercial coverage. (Cheryl Munson, 2017).

Marketing in the insurance markets 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. Selling a promise requires a confidence, belief that the service Provider will be realized if the loss occurs. In any other economic or Economic Subject, whether Manufacturer or service does not have such kind of Product. Marketing insurance Plays a Manifold, On the one hand made Products and Promotion security, then raise Awareness' of citizens about models of Protection from risks, Increased Reliability to consumers , the cost of paying for the Promise Given By the insurer if a loss occurs will accomplished.(BesnikZekaj, 2017)

The insurance industry is one of the industries which have influenced the development of different communities. The industry plays a significant role to develop of different economic sectors. By

covering damaged caused by economic activity and community development it increases the incentives to invest one of the features of insurance companies is that they are at the core of financial issues. In addition To securing economic activities through the provision of insurance services they can cause the mobility and development of the capital markets through participation and development of financial industry in the financial markets.(Fakhreddin, Arman and Adrian, 2017).

The history of insurance service is as far back as modern form of banking service in Ethiopia which was introduced in 1905. At the time, an agreement was reached between Emperor Menelik II and a representative of the British owned National Bank of Egypt to open a new bank in Ethiopia. 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. At that time insurance business like any business undertaking was classified as trade and was administered by the provisions of the commercial code. (Yuvrajsam and Abate, 2013).

According to Hailu Zeleke (2007), the first significant event that the Ethiopian insurance market observation was the issuance of proclamation No. 281/1970 and this proclamation was issued to provide for the control & regulation of insurance business in Ethiopia. Consequently, it created an insurance council and an insurance controller's office, its strange impact in the sector.

The controller of insurance licensed 15 domestic insurance companies, 36 agents, 7 brokers, 3 actuaries & 11 assessors in accordance with the provisions of the proclamation immediately in the year after the issuance of the law.

Accordingly as stated by the office mentioned above, the law required an insurer to be a domestic company whose share capital (fully subscribed) not to be less than Ethiopian Birr

400,000 for a general insurance business, Birr 600,000 in the case of long-term insurance business and Birr 1,000,000 to do both long-term & general insurance business. The proclamation defined 'domestic company' as a share company having its head office in Ethiopia and in the case of a company transacting a general insurance business at least 51% and in the case of a company transacting life insurance business, at least 30% of the paid-up capital must be held by Ethiopian nationals or national companies. After four years that is after the enactment of the proclamation, the military government that came to power in 1974 put an end to all private enterprises. Then all insurance companies operating were nationalized and from January 1, 1975 onwards the government took over the ownership and control of these companies & merged them into a single unit called Ethiopian Insurance Corporation. In the years following nationalization, Ethiopian Insurance Corporation became the sole operator. After the change in the political environment in 1991, the proclamation for the licensing and supervision of insurance business heralded the beginning of a new era. Immediately after the enactment of the proclamation in the 1994, private insurance companies began to increase (Yuvrajsam and Abate, 2013).

1.2 STATEMENT OF PROBLEM

In Ethiopia the insurance industry is part of immune and Repair system of an economy and successful operation of the industry can set energy for other industries and development of an economy. According to Ethiopian business review 2015/2016 the price war amongst insurers has been affecting the profit earnings of firms. Its effect was especially felt in the 2015/2016 Ethiopian fiscal year With 10 Private Insurers reporting a declining in Profits. To do so the insurance industry is expected to have effective marketing strategies to make their company performance Strong and financially Solvent. The absence of more Empirical studies especially in Ethiopia concerning on lack of effective marketing strategies for insurance companies is what motivate the Researcher to put his/her own contribution on the study. Magana (2010) carried out a study on the effects of marketing strategies on performance of Insurance Companies in Kenya. He further argues that the major contributors to the sector performance

are the marketing strategies adopted by insurance companies. It is important to emphasize that good marketing practices by insurance companies in Kenya is imperative if the industry is to effectively play a key role in the overall development of the country. Magana (2010) a Kenyan researcher limited his study by taking only promotional strategies he didn't see the strategies on distribution, pricing in his study he only investigated innovation strategies, sales promotion and market intelligence as an independent variable and performance on insurance companies as a dependent variable. But in this study the Researcher take all the promotional strategies, distribution strategies and pricing strategies, Innovation strategies as an independent variable so this makes the study more broad as well as the respondents to answer the question raised by the researcher without any ambiguity. It is evident from the argument that the development and implementation of effective strategy is very important function for an organization for going. A Researcher in Ethiopia (Tizita, 2017) limited her study only one insurance company and Generalize about it, but in my study I will take from 8-14 from the 17 insurance companies in Ethiopia based on the Gross Premium they underwrite especially those who recently join the sector. In addition to that the Researcher takes the independent variables which are related directly with the Performance (Gross Written Premium) that makes the study more Relevant. The Researcher hope the sampling and the targeted population use also makes the Research More convincing and Reliable because of the department of marketing and staffs are directly related with the independent variables that the researchers elect and fill the gap on the statement of Problem the study aims at by answering the following Questions?

- What is the effect of Promotion on the performance of insurance companies (Gross Written Premium)?
- What effects does insurance product innovation and Product development (new insurance Policies) has on the company's Performance of insurance companies (Gross written Premium)?
- What effects does pricing strategies on Performance of Insurance companies (Gross

Written Premium)?

- What is the Effect of Distribution Strategies on Performance of Insurance Companies (Gross Written Premium)?

1.3 objectives of the study

1.3.1 General Objective of the study

The general objective of this study is to determine the effect of marketing strategies on the performance of insurance companies in Ethiopia.

1.3.2 Specific objectives

- To investigate the Effect of Promotion on the Performance of Insurance companies on the Sales Volume (Premium).
- To identify how much the company uses Innovation and Product Development (New insurance Policies) to increase the Performance of insurance companies (gross written Premium).
- To investigate the effect of the company Distribution channels (strategies) uses in order to increase the performance of the insurance company (Gross written Premium).
- To identify the effect of the company Pricing Strategies order to increase performance of the insurance company (Gross Written Premium).

1.4 Research Hypothesis

Based on Previous Empirical Evidences the researcher developed and tested the following Research Hypothesis of this study as Follows.

- H1:-Promotional Strategies has significant effect on Performance of Insurance Companies (Gross written Premium).
- H2:-Innovational Strategies has significant effect on Performance of Insurance Companies (Gross written Premium).
- H3:-Pricing Strategies has significant effect on Performance of Insurance Companies (Gross Written Premium).

- H4:-Distributional Channels has significant effect on Performance of Insurance Companies. (Gross Written Premium).

1.5 Significance of the study

The significance of the study is that insurance business is one of the highly competitive businesses locally and globally calls for Respective Marketing Department to adapt proper Marketing Strategies for the success of the company. To the insurance companies on the country this study finding will be great importance because through them, these institutions will be better positioned to get their performance and makes improvements where necessary to boost their market performance and overall ranking industry.

1.6 Scope of the study

The study covers only the effects of marketing strategies on the performance of some selected private insurance companies in Ethiopia and how much it affects their Performance. Since the study is mainly focused on the concerned groups those are the marketing department staffs and marketing department managers.

1.7 Limitation Of the study

Since marketing strategy is the main topic, therefore, the study only discusses the strategic management related to marketing. Thus, in this thesis, the focus is only on the marketing strategy study for the case of private insurance Companies .The focus of the study is also delimited to the data obtained from the rates using questionnaires and interviews in marketing and planning, research and development department's staffs only. We limit our study and only select the marketing department of the insurance companies and other departments are not included because the study is more of specific rather than general.

1.8 Organization of The study

The whole Paper is arranged under five chapters. Accordingly Chapter one deals with Introduction aspects Namely, Research problem and Research questions, objective of the study, Significant of the study, Scope of the study and limitation throughout this paper Chapter two is dedicated to the discussion of literatures that could give theoretical basis to the

study and chapter three is concerned with Methodology of the study and chapter four will deal with data analysis results ,discussion and interpretation finally Chapter five provides summary of finding conclusions and Recommendations aimed at resolving Identified Problems.

CHAPTER TWO

REVIEW OF LITERATURE

This chapter comprises theoretical and empirical literatures evidences focusing on the insurance sector and its contributions to economic growth are presented. Accordingly the first section add second section presents theoretical and the marketing concepts while the third one presents empirical studies and conceptual frame work reviews.

2.1 Theoretical Review

This section examines the various theories that will be used to inform the study on the dynamics of business in an economy.

2.1.1 Concept of Insurance

There is no single definition for insurance. Insurance can be defined from the view point of several disciplines, including law, economy, history, risk theory and sociology. A working definition of insurance and the one that captures the essential characteristics of a true insurance plan by the Commission on Insurance terminology of the American Risk and Insurance Association is defined as Insurance is contract in which the insured transfer risk to potential loss to the insurer who promise to compensate the former upon suffering loss. Insurance premium is the monetary consideration paid by the insured for the cover granted by the insurance policy. The insurer take a number of clients (insured) who pays small premium that form an aggregate fund is called the premium fund (Tariku,2019).

Insurance is a contract in which the insured transfer risk of potential loss to the insurer who promises to compensate the former up on suffering loss. The insured then pays an agreed fee called a premium in consideration for this promise. The promisor is called the insurer and the promise is called the insured. Insurance premium is monetary consideration paid by the insured to the insurer for the cover granted by the insurance policy. The insurer takes a

number of clients (Insured) who pay small premiums that form an aggregate fund called the premium fund. (Ayneshet, 2019).

According to Jule Robinson (2015), wrote on her article about insurance, Insurance is However a complex and fragmented sector. Insurance are classified as general and life Insurance. In brief, general insurance includes personal insurance for individuals (Motor, home, Travel, and pet) as well as commercial insurance for business (e.g. liability, property, business interruptions composites offer both life and general insurance. Although health insurance is often provided by a separate specialist's health insurer, Permanent Health Policies is available from General Insurers.

According to Purni, (2017), wrote his article on life insurance, Life insurance is an agreement between policy holder and insurance company which gives assurance to the rest of the family to survive best. Dreams come fulfill the absence of policy holders when policy holders have taken sufficient Insurance of their human life value. There are number of plan with life insurance companies like Endowments, plans, Pension plan, Health plan, Retirement plan, Child education plan, etc. plan may be taken by individuals based on age , Criterion and their future planning.

Life insurance or life assurance especially in the common wealth of nation is a Contract between an insurance policy holder and an assurer where the insurer promises to pay designated beneficiary a sum of money(the benefit) in exchange for a premium on the death of an insured person.(Pureni,2017).

2.1.2 Theory of Push and Pull Customer Service

According to jimmy Riley (2018) relies wrote on his article on International Business Marketing distinguishes between two kinds of promotional strategies: push and pull. What is a push factor? What is a pull factor? This study note answers these questions and gives you examples of each.

Push factor

A "push" promotional strategy makes use of a company's sales force and trade promotion activities to create consumer demand for a product: it takes the product to the customer - the customer *knows* about the product when they buy it.

Producer promotes product wholesalers > wholesalers promote product to retailers > retailers promote product to consumers.

A push strategy tries to sell directly to the consumer, by passing other distribution channels. An example of this would be selling insurance or holidays directly. With this type of strategy, consumer promotions and advertising are the most likely promotional tools.

Pull factor

A "pull" selling strategy is one that requires high spending on advertising and consumer promotion to build up consumer demand for a product: it brings the customer to the product - the customer is *motivated* to buy it.

Consumers ask retailers for product > retailers ask wholesalers for product > wholesalers ask producers for product.

The researcher support jimmy relies in different scenarios because insurance business follows a push Strategy. Insurance business needs high promotions to convince customers to buy insurance policies. Customers' needs Personal Sales Agents and Brokers because they want to make sure that they get their compensation if their business fails or loss occurs they have to make sure that their business lies on the right insurance firm to minimize the risk. In addition to this they also want to make sure that the company is financially solvent in order to cover the loss they incurred so this needs high Marketing Promotional Strategies.

2.1.3 Marketing concepts

Marketing concepts are built and developed to satisfy the needs and wants of customers. The Marketing concept is a philosophy which states that the key to achieving goals is to determine the needs of the targeted customers and to satisfy the needs more efficiently and effectively than competitors. The marketing concept does not target to maximize Profitable sales volume but to generate profit through customer Stratification. Therefore, the emphasis is not solely on selling products but on selling stratification. The marketing concept Resorts to marketing Research, Which define the Marketing Segments, The size of segments and the needs of segments. (Taru, 2012).

2.1.3.1 The Production Concept

The **production concept** is one of the oldest concepts in business. It holds that consumers prefer products that are widely available and inexpensive. Managers of production-oriented businesses concentrate on achieving high production efficiency, low costs, and mass distribution. This orientation makes sense in developing countries such as China, where the largest PC manufacturer, Legend (principal owner of Lenovo Group), and domestic appliances giant Haier take advantage of the country's huge and inexpensive labor pool to dominate the market. Marketers also use the production concept when they want to expand the market.(Philips, Kotler's, 2010).

2.1.3.2 The Product Concept

The **product concept** proposes that consumers favor products offering the most quality, Performance or innovative features. However, managers are sometimes caught in a love affair with their products. They might commit the "better-mousetrap" fallacy, believing a better product will by itself lead people to beat a path to their door. A new or improved product will not necessarily be successful unless it's priced, distributed, advertised, and sold properly.(Philips, Kotler's, 2010).

2.1.3.3 The Selling Concept

The **selling concept** holds that consumers and businesses, if left alone, won't buy enough of the organization's products. It is practiced most aggressively with unsought goods—goods Buyers don't normally think of buying such as insurance and cemetery plots—and when firms with overcapacity aim to sell what they make, rather than make what the market wants. Marketing based on hard selling is risky. It assumes customers coaxed into buying a product not only won't return or bad-mouth it or complain to consumer organizations but might even buy it again. (Philips, Kotler's, 2010).

2.1.3.4 The Marketing Concept

The **marketing concept** emerged in the mid-1950s as a customer-centered, sense-and-respond philosophy. The job is to find not the right customers for your products, but the right products for your customers. Dell doesn't prepare a perfect computer for its target market. Rather, it provides product platforms on which each person customizes the features he or she desires in the computer. The marketing concept holds that the key to achieving organizational goals is being more effective than competitors in creating, delivering, and communicating superior customer value to your target markets. Harvard's Theodore Levitt drew a perceptive contrast between the selling and marketing concepts: Selling focuses on the needs of the seller; marketing on the needs of the buyer. Selling is preoccupied with the seller's need to convert his product into cash; marketing with the idea of satisfying the needs of the customer by means of the product and the whole cluster of things associated with creating, delivering, and finally consuming it. Several scholars found that companies embracing the marketing concept at that time achieved superior performance.(Philips, Kotler's, 2010).

2.1.3.5 The Holistic Marketing Concept

Without question, the trends and forces that have defined the first decade of the 21st century Are leading business firms to a new set of beliefs and practices? “Marketing Memo: Marketing Right and Wrong” suggests where companies go wrong—and how they can get it

right—in their marketing. The **holistic marketing** concept is based on the development, design, and implementation of marketing programs, processes, and activities that recognize their breadth and interdependencies. Holistic marketing acknowledges that everything matters in marketing—and that a broad, integrated perspective is often necessary. (Philips, Kotler's, 2010).

2.1.4 Marketing mix Theory

According to Isorati (2016) wrote the concept of Marketing mix means the product, Distribution, Promotion and Pricing strategies to produce and carry out exchanges and achieves the targeted Markets . “Marketing Mix” interrelated action and solution to meet consumer needs and to achieve the company Marketing Goals as A whole. Marketing Mix a set of Relevant Factors and Solutions that enable customers to meet the (Nationals) needs achieve the goal set by the company.

- ❖ **Product:** - Product is defined as a physical Product or service to the consumer for which he is willing to pay. It includes half of the material goods such as services which users buy. Kotlers and Armstrong Emphasizes that the Product is what can be offered to the market to get attention to be the Acquisition of used or can satisfy the wants or needs.
- ❖ **Price:** - are one of the most important marketing mix items and many scientists considering the price as one of the most important elements of the market. Which increases not only profits but also market share However, The price is not only one of the key factors in competence situation which directly affects the company sales and Profitability indicators but also one of the most flexible Marketing mix elements which can quickly adapt to environmental changes. Therefore, it is the price is perceived as the only element of marketing mix generating Revenue and the most important customer Stratification and loyalty factor.

- ❖ **Place:** - another very important element of marketing is place that is also called the distribution which is defined as the process and methods by which products or services reach customers. The Distribution channel is defined as an integral part of the service provides intermediaries (agents) and the same service user in most cases. Therefore, in order to control and manage these process companies need to develop an appropriate marketing channel to concede with the company's goal.
- ❖ **Promotion:-** The last 4ps Marketing mix complex element of the promotion which helps to increase consumer awareness in terms of their product, leads to higher sales and helps to build loyalty. Thus the promotion of the marketing mix is a tool that helps disseminate information encourages the purchase decision process.

Sponsorship is the most important consumer sales promotion tool that includes discounts and promotions as well as coupons, samples, Refunds, Bonuses, awards, contests and Product demonstrations, and to say what motivates consumers to buy.” Sponsorship” is an activity that makes the targeted customers aware of the product or services and their advantages and is convincing to buy the product

The Researcher support the Marketing Mix theory because all the Marketing mix theories affects the Performance of insurance Companies For Example when we see Promotion Most insurance business done by sales Agents, Brokers and Direct Marketing. This is the most known Promotional Strategies on Insurance Business. The other Marketing Mix is Price which is most Insurance Business is done through Price cutting Competition with one another to increase Sales Volume of insurance Companies.

2.1.5 Marketing strategy

Marketing is the acts of buying and selling in a market (Dixon, 2002). Marketing is the primary links between companies and their customers. Therefore, marketing positions and market mixes should be seriously considered by managers (Wheelmen and Hunger, 2008).

Marketing strategy is the process of planning and implementing company policies towards realizing company goals in accordance with the company vision. Marketing strategies include general ones such as price reduction for market share growth, product differentiation, and market segmentation, as well as numerous specific strategies for specific areas of marketing (Zelalem and Negi, 2009)

When we start marketing strategy, the same term apply to the words “objective” and “strategy”. The marketing objectives are the aims, the goal to which the entire marketing effort of the organization is directed. Marketing strategy therefore refers to the means by which the marketing objectives will be achieved. The same short hand will also apply; the marketing objectives must begin with the word “To...” and the marketing strategies with the word “By” (Kotler and Keller, 2009). They further elaborated that, the task of any business is to deliver customer value at a profit. In a hypercompetitive economy with increasingly rational buyers faced with abundant choices, a company can win only by adjusting the value delivery process and choosing, providing, and communicating superior value. Marketing strategy focuses on long term company objectives and involves planning marketing programs so that they help a company realize its goals. (Kotler and Keller, 2009).

2.5.1.1 Direct Marketing

Today, many marketers build long-term relationships with customers. They send birthday cards, information materials, or small premiums. Airlines, hotels, and other businesses adopt frequency reward programs and club programs. Direct marketing is the use of consumer-direct (CD) channels to reach and deliver goods and services to customers without using marketing middle men. Direct marketers can use a number of channels to reach individual prospects and customers: direct mail, catalog marketing, telemarketing, interactive TV, kiosks, Web sites, and mobile devices. They often seek a measurable response, typically a customer order, through direct-order marketing. Direct marketing has been a fast-growing avenue for serving customers, partly in response to the high and increasing costs of reaching business markets through a sales force. Sales produced through traditional direct marketing

channels (catalogs, direct mail, and telemarketing) have been growing rapidly, along with direct-mail sales, which include sales to the consumer market, and fund-raising by charitable institutions. Direct marketing has been outpacing U.S. retail sales. It accounted for almost 53 percent of total advertising spending in 2009, and companies spent more than \$149 billion on direct marketing per year, accounting for 8.3 percent of GDP. (Philip Kotler's 14th edition, 2010, Principles of Marketing Management).

2.5.1.2 Advertising and Sales Promotions

According to Neil coke Muller (2019) wrote on his article on Effects of Advertising on sales volume On Hearst News Paper advertising can have both immediate and long term effects on your company's sales volume, depending on your objectives. Short-term sales promotions tend to lead to higher sales volume more quickly, whereas long-term brand management advertising produces higher sales and profits over time. Sales promotions have a much more sales-driven purpose than traditional advertising. Thus, they are often called direct response advertising. Sales promotions use price inducements to create a more immediate desire for your brand. They target the price variable of the value equation by offering customers a lower price point for the same quality of purchase. Based on the economic principle of the law of demand, when other factors remain constant but the price drops, the quantity demanded increases. In this instance, you may sell more units, but may or may not generate more sales volume as measured in total dollars.

According to Philip Kotler, Keller Sales promotion is a key ingredient in marketing campaigns, consists of a collection of incentive tools, mostly short term, designed to stimulate quicker or greater purchase of particular products or services by consumers or the trade. Whereas advertising offers a reason to buy, sales promotion offers an incentive. Sales promotion includes tools for consumer promotion (samples, coupons, cash refund offers, prices off, premiums, prizes, patronage rewards, free trials, warranties, tie-in promotions, cross-promotions, point-of purchase displays, and demonstrations), trade promotion (prices off, advertising and display allowances, and free goods), and business and sales force

promotion (trade shows and conventions, contests for sales representative and specialty advertising).

Sales promotion tools vary in their specific objectives. A free sample stimulates consumer trial, whereas a free management-advisory service aims at cementing a long-term relationship with a retailer. Sellers use incentive-type promotions to attract new triers, to reward loyal customers, and to increase the repurchase rates of occasional users.

Sales promotions often attract brand switchers, who are primarily looking for low price, good value, or premiums. If some of them would not have otherwise tried the brand, promotion can yield long-term increases in market share. Sales promotions in markets of high brand similarity can produce a high sales response in the short run but little permanent gain in brand preference over the longer term. In markets of high brand dissimilarity, they may be able to alter market shares permanently. In addition to brand switching, consumers may engage in stockpiling—purchasing earlier than usual (purchase acceleration) or purchasing extra quantities. But sales may then hit a post promotion dip.

Advertising

Advertising is a 'Paid for' communication in a communication Medium, which might be mass i.e. Non-targeted or Direct Targeted. It is used to develop attitudes, create awareness, and transmit Information in order to gain a response from the targeted Market. Traditional advertising 'Media' Were Mass, E.g. news Papers (Local national, Free, trade), magazines And Journals, Television (Local, National Terrestrial, Satellite), Cinema Outdoor advertising (Such As posters, bus sides and Radio). Modern Media is Direct internet, Mobile Phone, Email etc. (Andrew Whaley, Strategic Marketing, 2010).

2.5.1.3 Product Innovations and Development.

According to Nagasimha Balakrishna Kanagal, 2015, wrote his article, Innovation leads to a process of change in organizations and its market offerings, and is a key weapon that

marketing strategists use to win customers and markets, through the development of sustainable competitive advantage. In the words of Peter F Drucker (1954) ‘there is only one valid definition of business purpose: to create a customer’ and ‘the business enterprise has two and only two basic functions: marketing and innovation’. Innovations use assets and competencies (skill and knowledge in both technical systems and management systems) of the organization along with innovation processes to bring about new or different market offerings, which when successful in the market bring in immense value to the firm. Innovations also lead to the creation of assets called intellectual property; intellectual property rights called IPRs include copyrights, patents, trademarks, trade secrets and industrial designs. An ongoing innovation advantage is possible if the organization focus is to build organizational capabilities along with the co-creation of value with the customer, with adequate adaptations to mindsets, skills, behaviors and decision structures in an environment of global resources, flexible, efficient, resilient business processes and focused analytics (Prahalad and Krishnan, 2009). As of the time of study, a leading automobile firm of India has designed and developed an indigenous low cost car through frugal engineering techniques that is now poised to be sold in developed markets such as Europe - the Tata Nano to be sold in global markets as Nano Europa. At the same time, the world renowned Gillette razor blade firm has studied the Indian consumer for his shaving habits and procedures and innovated the Gillette Guard which directly competes to substitute the traditional knife or double edged razor blade. Around the same time, PepsiCo in India has innovated to make Alivia – a lentil based snack that has global potential.

All the preceding three products are product innovations and all the three are capable of reverse innovation; Tata Nano and Gillette Guard are both frugal innovations. All the three innovations have the potential to redefine markets. Innovation is driven by customer and market requirements as well as competition among suppliers to a need requirement and shaped by the evolution of technology (Adner and Levinthal, 2001); an illustration of innovation of this type is the Tata Ace of Tata Motors, India (Business Today, 2014).

Customer and market requirements as of the beginning of the twenty first century indicated the requirement of a sub-four ton four wheel light commercial vehicle to compete with the three wheelers of Bajaj Auto, Mahindra & Mahindra and Piaggio in terms of space and price (less than Indian Rs. 500,000). The market feedback indicated the requirement of a small truck. The road transportation system in India was emerging as a hub and spoke system that shifted the requirement of trucks into heavy and small commercial vehicles. A small truck needed a suitable engine, bigger than a single cylinder but smaller than a four cylinder which was in use in the market at the conceptualization stage. The firm decided to come out with an innovation of a new two cylinder engine which cost a third of its competitors, offered optimal performance including the fuel efficiency of a three wheeler simultaneously meeting the emission norms of Indian BS II and BS III. The engine became the USP of Ace and the vehicle was a resounding success with a 78% market share within seven years of its launch in 2005. Innovation can also be driven as a part of a planned agenda to innovate by the firm that is defined by the core purpose and or the envisioned future of the business. The capabilities of the organization and its ability to freewheel (or develop competencies in areas where none existed earlier) define the boundaries of what the firm can innovate and what is best for firms to accomplish. Innovations diffuse through markets till they are adopted by the individual.(Nagasimha Balakrishna Kanagal, 2015).

2.5.1.4 Public relations

According to Philip Kotler's wheelers wrote on his 14th edition on Principles of marketing not only must the company relate constructively to customers, suppliers, and dealers, it must also relate to a large number of interested publics. A public is any group that has an actual or potential interest in or impact on a company's ability to achieve its objectives. A public relations (PR) includes a variety of programs to promote or protect a company's image or individual products. The wise company takes concrete steps to manage successful relationships with its key publics. Most companies have public relations department that monitors the attitudes of the organization's publics and distributes information and

communications to build goodwill. The best PR departments counsel top management to adopt positive programs and eliminate questionable practices so negative publicity doesn't arise in the first place. They perform the following five functions:

1. *Press relations*—Presenting news and information about the organization in the most positive light
2. *Product publicity*—sponsoring efforts to publicize specific products
3. *Corporate communications*—promoting understanding of the organization through internal and external communications.
4. *Lobbying*—Dealing with legislators and government officials to promote or defeat legislation and regulation
5. *Counseling*—advising management about public issues, and company positions and image during good times and bad Marketing Public Relations.

Many companies are turning to marketing public relations (MPR) to support corporate or product promotion and image making. MPR, like financial PR and community PR, serves a special constituency, the marketing department. The old name for MPR was publicity, the task of securing editorial space—as opposed to paidSpace—in print and broadcast media to promote or “hype” a product, service, idea, place, person, or organization. MPR goes beyond simple publicity and plays an important role in the following tasks:

- *Launching new products.* The amazing commercial success of toys such as Leapfrog, Beanie Babies, and even the latest kids' craze, Silly Bandz, owes a great deal too strong publicity.
- *Repositioning a mature product.* In a classic PR case study, New York City had extremely bad press in the 1970s until the “I Love New York” campaign.
- *Building interest in a product category.* Companies and trade associations have used MPR to rebuild interest in declining commodities such as eggs, milk, beef, and potatoes and to expand consumption of such products as tea, pork, and orange juice.

- *Influencing specific target groups.* McDonald's sponsors special neighborhood events in Latino and African American communities to build goodwill. Crayola brings colorful fun to its company tours and visits.
- *Defending products that have encountered public problems.* PR professionals must be adept at managing crises, such as those weathered by such well-established brands as Tylenol, Toyota, and BP in 2010.
- *Building the corporate image in a way that reflects favorably on its products.* Steve Jobs' heavily anticipated Macworld keynote speeches have helped to create an innovative, iconoclastic image for Apple Corporation. As the power of mass advertising weakens, marketing managers are turning to MPR to build awareness and brand knowledge for both new and established products. MPR is also effective in blanketing local communities and reaching specific groups and can be more cost-effective than advertising. Nevertheless, it must be planned jointly with advertising clearly; creative public relations can affect public awareness at a fraction of the cost of advertising.

The company doesn't pay for media space or time but only for a staff to develop and circulate the stories and manage certain events. An interesting story picked up by the media can be worth millions of dollars in equivalent advertising. Some experts say consumers are five times more likely to be influenced by editorial copy than by advertising.

2.5.1.5 Personal Selling

According to Andrew Whelley, 2010 Personal selling is an effective way to manage Personal customer Relationships. The Sales person acts on behalf of the organization. They tend to be well trained in the approaches and techniques of personal selling. Personal selling is highly persuasive and is often used in markets where Personal choice figures strongly in the purchase e.g. Cosmetics. The use of celebrity endorsement within marketing communications can be seen as a way of introducing subtle Personal selling You want to be like the celebrity so you sell yourself the benefits of the Product they are Endorsing. (Andrew whalley 2010, Strategic Marketing).

2.5.1.6 Pricing Strategies

According to Philip Kotler's 14th edition on Principles of Marketing Pricing, Price is the one element of the marketing mix that produces revenue; the other elements produce costs. Prices are perhaps the easiest element of the marketing program to adjust; product features, channels, and even communications take more time. Price also communicates to the market the company's intended value positioning of its product or brand. A well-designed and marketed product can command a price premium and reap big profits. But new economic realities have caused many consumers to pinch pennies, and many companies have had to carefully review their pricing strategies as a result.

Pricing decisions are clearly complex and difficult, and many marketers neglect their pricing strategies. Holistic marketers must take into account many factors in making pricing decisions—the company, the customers, the competition, and the marketing environment. Pricing decisions must be consistent with the firm's marketing strategy and its target markets and brand positioning. Price is not just a number on a tag. It comes in many forms and performs many functions. Rent, Tuition, fares, fees, rates, tolls, retainers, wages, and commissions are all the price you pay for some Good or service. Price also has many components. If you buy a new car, the sticker price may be adjusted by debates and dealer incentives. Some firms allow for payment through multiple forms, such as \$150 plus 25,000 frequent flier miles for a flight. Throughout most of history; prices were set by negotiation between buyers and sellers. Bargaining is still a sport in some areas. Setting one price for all buyers is a relatively modern idea SHAPING THE MARKET OFFERINGS that arose with the development of large-scale retailing at the end of the nineteenth century. F.W. Woolworth, Tiffany & Co., John Wanamaker, and others advertised a "strictly one-price policy," because they carried so many items and supervised so many employees. Traditionally, price has operated as a major determinant of buyer choice. Consumers and purchasing agents who have access to price information and price discounters put pressure on retailers to lower their

prices. Retailers in turn put pressure on manufacturers to lower their prices. The result can be a marketplace characterized by heavy discounting and sales promotion.

2.5.1.7 Distribution Strategies (channels)

According to [Hitesh](#), (2018) wrote his article on Marketing Management. In today's fast paced world, distribution by a company can be an enormous [competitive advantage](#) to the company. Most companies [target](#) their customers far and wide. Because of the rising costs, companies are trying to expand in various [markets](#) so that they have a higher turnover and hence a higher margin. To reach far and wide, you need the right distribution strategies in place. You cannot market a [product](#) and then not deliver the product to the end customer. This is a sheer loss of money as you waste money on your marketing and the [opportunity loss](#) is also huge. Not to mention, the loss to the [brand](#) when the customer [wants](#) to purchase the product but cannot find it. Thus, there is a lot of importance given to making proper distribution strategies for a company. This is also the reason why [Place](#) (Which majorly consists of distribution) is one of the major 4P's of the [marketing mix](#). Place is considered in case of [products](#) as well as services. Distribution [strategy](#) is mainly decided by keeping the [top management](#) in loop because it affects overall [operations](#). This strategy can be summarized with 3 main point's .On a macro level; there are two types of distribution.

Direct Distribution and Indirect distribution

Indirect distribution is when the product reaches the end customer through [numerous channels](#) in between. For example – The product goes from manufacturer to C&F, then to the distributor, then to the retailer and finally to the customer. Thus the chain is long. Direct distribution is when the company either directly sends the product to end customer or when the [channel](#) length is very less. A company selling on an [e commerce](#) portal or selling through [modern retail](#) is the form of direct distribution. Furthermore, distribution strategies are also decided based on the level of [penetration](#) that the company wants to achieve. This [level of](#)

[penetration](#) is decided again by the remaining 3 P's of the [marketing mix](#) – Product, price and [promotions](#). (Hitesh, 2018).

2.2 Empirical Studies and Research Gap

According to Gupta (2016), an economy consists of Primary data, Secondary and Territory Sectors while Primary Sectors covers Agriculture and Mining and Secondary Sectors Includes Manufacturing Similarly Territory Sectors Comprises a wide Range of Services Such as Trade Transport, Banking and Insurance etc. Each and Every Sector Have Significant Role to play in the Economic development of nations. This is the reason why every nation, irrespective of its level of development has been paying greater Attention on the development of service sector of the services. Insurance sector is Unique because at one place it protects the economic value of life and property at the other, it generates employment, Promotes saving, investment and contributes significant to capital formation which is vital for Promoting Industrialization in the country it may be noted that in the economically advanced countries like the USA, the United Kingdom, German, Japan etc.

Magunga (2010) conducted a study on “The effects of marketing strategies on performance of insurance companies in Kenya. The researcher is to investigate how marketing strategy affects insurance firm's performance in Kenya. The researcher uses both qualitative and quantitative data Research Approach method and the research design are descriptive. The targeted populations are the marketing and development planning department staffs which are directly related with the problem and the researcher uses census method because the marketing departments staffs are few in number so all the department staffs should be included in the survey.

According to Fakhreddin Maroofi (2017), wrote on his article on the effect of sales strategies on the financial performance of insurance companies the insurance industry is one of the industries which have influenced the development of different communities. The industry plays a significant role to develop of different economic sectors. By covering damage caused

by economic activity and community development, it increases the incentives to invest. One of the features of the insurance companies is that they are at the core of financial issues. In addition to securing economic activities through the provision of insurance services, they can cause the mobility and the development of the capital markets through participation and development of the financial industry build in the financial markets. Apart from providing security and peace of mind, it alleviates worries concerned with unforeseen events. In this way, the cycle of life and work flow more smoothly (Abdi, 1997). Without the backing and support of insurance coverage, the activities of different sectors of economic activity would be accompanied with fear and uncertainty given that one of the fundamental factors of growth and development of security is an investment. Through insurance coverage and with any investment, they have tried to provide more and better services which would not be realized without insurance. Although the insurance industry had an acceptable growth in the past decade, it has not shed an in-depth look at the basic needs of its customers. With the increasing number of insurance companies, competition among them has increased. This has been followed by consequences such as loss of sales and market share. In this study, the researcher tries to investigate the influences of the strategies adopted by insurance companies to sell insurance services and check their performance.

According to Ethiopian business review on 2018 edition on Economy and finance portion about the performance of private insurances in Ethiopia, Gross written premium in the insurance industry showed a significant rise in the first half of the current fiscal year. The aggregate premium written by all private insurance firms reached five billion birr during this period. The lion's share of the premium, accounting for 90Ppct of the total, is collected from general insurance lines of businesses such as Motor Insurance. The remaining comes from life insurance. The surge in premium occurred despite cut throat competition within the insurance industry where insurance companies often use price-cutting strategies to raise their market shares, instead of introducing new insurance products. The price war amongst insurers has been affecting the profit earnings of the firms. Its effect was especially felt in the

2015/16 Ethiopian fiscal year, with 10 private insurers reporting a decline in profits. Despite this, the performance of the insurance industry in the first six months of this fiscal year reveals that all insurance firms have improved their premium collection. Amongst private insurers, Awash, Africa and Nyla are the leading beneficiaries of this growth by writing a premium of ETB358.4 million, ETB 355.9 million and ETB319.6 million, respectively. Awash's market share stood at 7.1Pct while Africa and Nyla hold 7.08Pct and 5.3Pct of the market share, respectively.

In addition to the above the underwriting Results (premium collection) of the private insurance companies are Awash (358.4 million), Africa (355.90 million),Nyla (319.60 Million), Nib (269.60Million) United (260.60 million) Nile (251.80) Lion (201 million), Oromia (200.80) Teshay (143.10 million), Nice (142.10) million. When we compare our insurance industry sector with other African countries like Nigeria, Kenya the Ethiopian insurance sector especially the recent private insurance companies still needs an effective marketing strategy like sales promotion, market intelligence, Price strategy (adjusting the insurances underwriting premium rate), Product development like Maximizing the type of policies issued, and Creating Effective public relations with the customer in order to get the customer full information about the contract that he/she had with the insurance firm.(Ethiopian Business Review,2018).

The Research gap that have addressed in this study is that some Research Findings do not appear to have transferred well to the work place that produce camp of knowledge Producer from Knowledge user, hence it create Research gap. The study is expected to give general enlightens in the type of problem on hand in developing countries context like in Ethiopia. Since there was no study conducted on the same topic it will contribute a new knowledge related to how effective marketing Strategies affect the performance of insurance companies in the world. Besides the finding of the study will have Relevance to improve understanding of particular insurance business in the country.

Therefore, this study seeks to fill the above Explained gaps by providing information about the marketing strategies affecting performance of insurance companies by examining the untouched one by using all private insurance companies operated in Ethiopia based on the gross written premium which underwrite. Moreover; this study was aimed to fill the gap theoretically and practically in the mentioned area.

2.3 Conceptual Frame work

According to Mandefro (2017) Marketing has been an effective tool and strategy for increasing the sales of a product. For marketing strategies, companies look for segmentation for its consumes, Provision of successful good and services For each Segment and also Employment of Right promotional tools and Pricing Strategies to accomplish the company's objective.

Sales Promotion and Advertising as a marketing strategy is important as it ensures there is adequate awareness; this also arouses interest of the insurance products to the potential customers. The interest aroused would finally lead to potential sales and purchase of the insurance products this would increase the penetration levels, increase the gross written premium and generally improve the performance of the company.

Pricing (Premium price) is also another independent variable which affects Performance of insurance companies. Customers Move from Old insurance companies to new insurance companies searching for lower premium Rates to purchase insurance. Because of this a lot of old insurance companies lose their clients because they charge higher premium rate than which Recently Join the sectors.

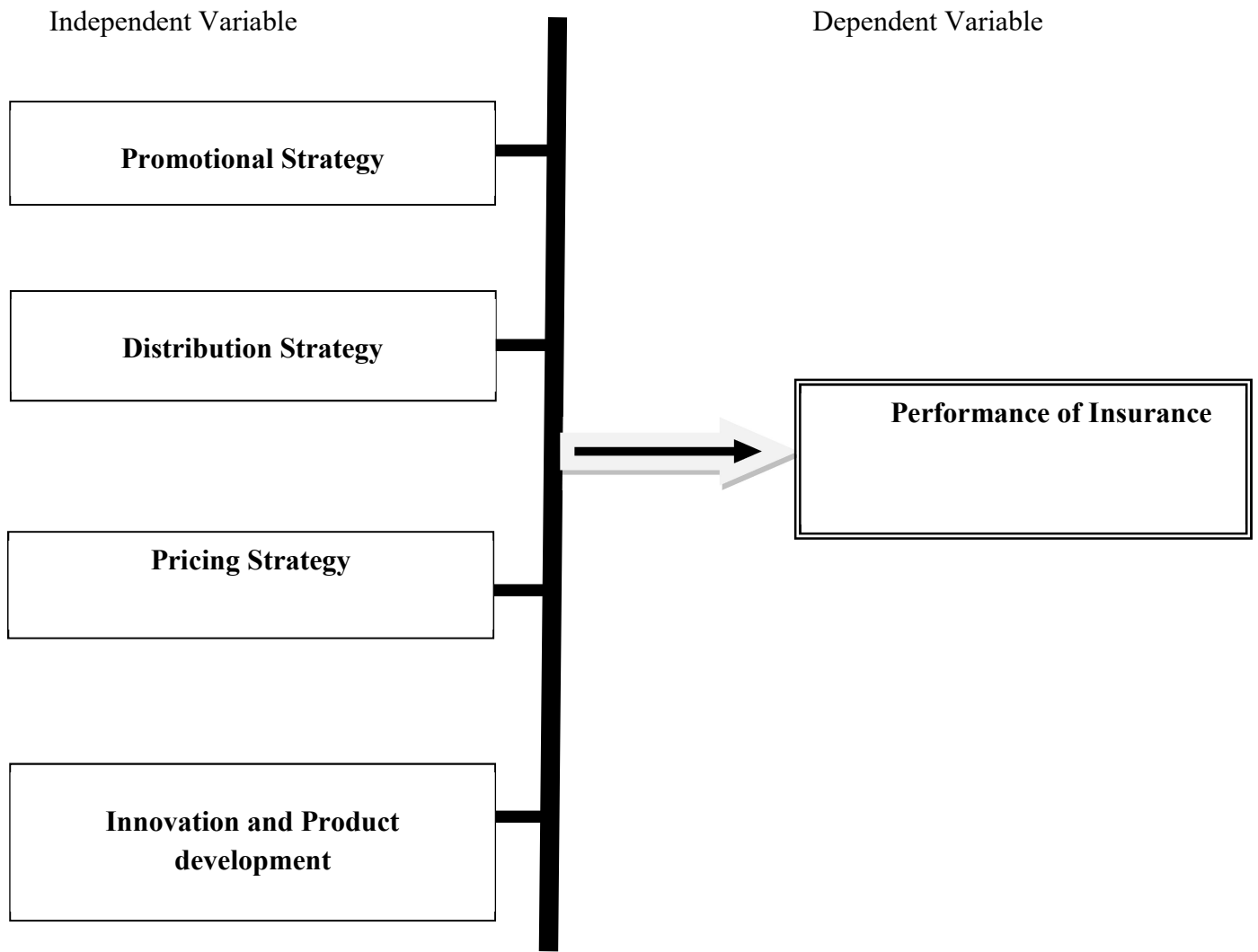
A distribution channel is another Marketing Strategy which affects the performance of insurance companies. Location Matters to sell insurance premiums Most Clients need appropriate location which is near to their work location or home so Insurance companies

should open different branch and home delivery service in order to raise the gross written premium.

Personal selling is the fourth Marketing strategy that most insurance companies Practice. Clients need best intermediaries (agents and Brokers) to convince them to that they choice the Right insurance Company. So Because of this intermediary, potential customers purchase insurance to share risk of their business.

Public Relations are another Marketing Strategy that create awareness, promotes and protect a company image or individual Products. Because of this a lot of customers get experience to purchase insurance in order to share the risk of their business.

There must be constant **Product innovations** to reflect the changes in consumer preferences. This should be done through research and development. Customers to financial services have got varying needs from service providers. Insurance research department should always put priority in good and customer focused market research as a tool in product development will have a positive niche on the market.



Source: - Adopted from Amstong and Kotlers, 2014

CHAPTER THREE

RESEARCH METHODOLOGY

This chapter provides discussions of Research methodology used in this study. It discusses there search design especially with respect to the choice of the design. It also discusses the population of the study, sample design, sampling techniques, data collection methods as well as data analysis and data presentation method that will be employed in the study.

3.1 Research Design

It is obvious that, based on their nature and purpose, different types of studies require different research methods. The study is designed by using Explanatory research method to show the cause and effect Relation Ship. Quantitative research approaches is used to obtain the desired results of the Insurance Company and to explore detailed evidence about the problems. In the course of analyzing the problems, Primary data collection a procedure is used to achieve this goal, which a questionnaire is the main tools.

3.2 Target Population of the study

The Population for the conclusion of the study for the research conducted includes some of selected private insurance companies which are out of the seventeen existed which are recently joined the sector based on the Minimum gross Written premium they underwrite throughout the year.(Ethioinsure, 2018,Licensed Insurance Agent in Ethiopia).The selections of the respondents have been carried out by using purposive sampling method because marketing department's staffs are the only department concerned about the marketing strategies. The researcher took all experts who are working in the departments as a total population of the study and other than marketing department; the Research, Planning and Development selected because some work of marketing is being carried out in this department.

3.3 Data Collection Method

The study uses Primary Data which is collected through a questionnaire. A questionnaire comprising of both open and (multiple choice) questions is administrated to marketing Mangers and department staffs of insurance companies. In addition to that an a interview is set for Operation Department Head Mangers and Deputes and secondary data gathered from Annual Report of National bank of Ethiopia, Newspapers, magazines (Ethiopian business Review). A pilot study is conducted from nine Respondents in order to test the instrument of data collection a week before there all data collection exercise is carried out.

3.4 Method of Data Analysis.

The researcher will conduct data clean up, that is editing, coding and Tabulation. A descriptive Statics Mean, Frequency and Percentage will be done on the characteristics of the Respondents Regression analysis is used to measure and predict the Relationship between the Independent and the dependent variable. To obtain these statistical outcomes, the study will use Statistical Package for Social Science (SPSS). The model of the study is defined below.

$$Y = \beta + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \beta_4 X_4 + e$$

Where X_1 = Promotional Strategy X_2 = Pricing Strategy X_3 =

DistributionStrategy X_4 = Innovation Strategy β = Beta Coefficient = error term β = Constant and

Y = Performance of Insurance Companies.

3.5 Reliability Analysis and Validity

Reliability Analysis is Conducted Prior to the Regression Analysis in order to identify the appropriate items for the analysis. The consistency Reliability and the value of Cornbrash's alpha will determine the variables Reliability and Measure the consistency of multiple scales. Table 3.5.1 shows the summary of the Reliability and Analysis and Factor loading for all the measurement items used in the multiple Regression analysis. Therefore Cornbach alpha

Coefficients are above 0.7 which is 0.761 demonstrating excellent internal consistence.

Table 3.5.1 Case Processing Summary

		N	%
Cases	Valid	81	100.0
	Excluded	0	.0
	Total	81	100.0

- a. List wise deletion based on all variables in the procedure.

Table 3.5.2 Reliability Statistics

Variables	No of items	Cornbrash's alpha
Promotional Strategy	10	0.957
Pricing Strategy	2	0.915
Distribution Strategy	4	0.990
Innovation Strategy	2	0.817
Performance of Insurance	3	0.832

Source: Survey Result 2020

Table 3.5.3 Reliability Statistics for All Variables

Reliability Statistics for All variables

Cornbrash's Alpha	N of Items
.761	21

Equation 4.2.4 Model Equation

CHAPTER FOUR

DATA PRESENTATION AND ANYALYSIS

4.1Introduction

This chapter presents a summary of data collected from both Primary and Secondary Sources. This data collected by semi-Structured Questionnaire was transcript, tabulated and finally processed to yield these summary Presentation In table by Spss Although total of 92 Questionnaires' Were Distributed to Management Members, Senior Marketing officers and Marketing officers of Private Insurance Companies Existed in Ethiopia and Almost 81 of them returned the questionnaires. The data Presentation is in the form of table as I can quickly convey to the reader the essential points or trends in the data. Tables are particularly useful when the data are being presented to an audience because information has to be conveyed in a limited time period.

4.2 Demographic Characteristics of the Respondents

The conceptual analysis of the data collected (see Table 4.1) from the insurance companies under review showed that 48.1 per cent of respondents were under 30 years of age, 42 per cent were between 31 and 40, 8.6 per cent were between 41 and 50, and the remainder are above 50. This indicates that most of the respondents tended to be young and middle-aged. By gender, approximately 54.3 per cent of respondents were men, and 45.7 percent of respondents were women which indicate that half of them are women in the Marketing Department and managerial positions of the concerned companies. Considering the date of establishment of the studied insurance companies, approximately 43.2 per cent of the employees had experience of 1-3 years of

experience, 19.8 percent of employees had experience of less than one year, 16 percent of employees had experience of 4-5 year and the remainder 21 Percent had an experience > 5 year of experience. Considering level of education 56.8 percent of them are marketing officers, 30.9 percent of them are senior marketing officers, 7.4 percent of them are marketing department head and 4.9 of them are marketing Division. This indicates the results implies that the insurance company employed qualified personnel to market insurances services to the market and could thus offer relevant information concerning marketing strategy design and implementation practices of Insurance Companies.

Table 4.2 Population's demographics Source; survey 2020

	Variables	Percentage	Valid Percentage (%)
Gender			
Men	44	54.3	54.3
Women	37	45.7	45.7
Age			
<30 year	39	48.1	48.1
30-40	34	42.0	42.0
40-50	7	8.6	8.6
>50	1	1.2	1.2
Education			
MA	20	24.7	24.7
DEGREE	61	75.3	75.3
Year of Experience			
< 1 Year	16	19.8	19.8
1-3 Year	35	43.2	43.2
4-5 Year	13	16.0	16.0
>5 Year	17	21.0	21.0
No of Employees			
< 3 Employees	18	22.2	22.2
< 4 Employees	31	38.3	38.3
< 5 Employees	23	28.4	28.4
< 7 Employees	9	11.1	11.1
Job Title			
Marketing officer	46	56.8	56.8
Senior Marketing officer	25	30.9	30.9
Marketing Dept. Head	6	7.4	7.4
Marketing Division	4	4.9	4.9

4.2.1 Years of operation

The study Lastly Sought to Establish the Number of Years the insurance firms had been in operation. The collected Data was analyzed and Findings are as Shown.

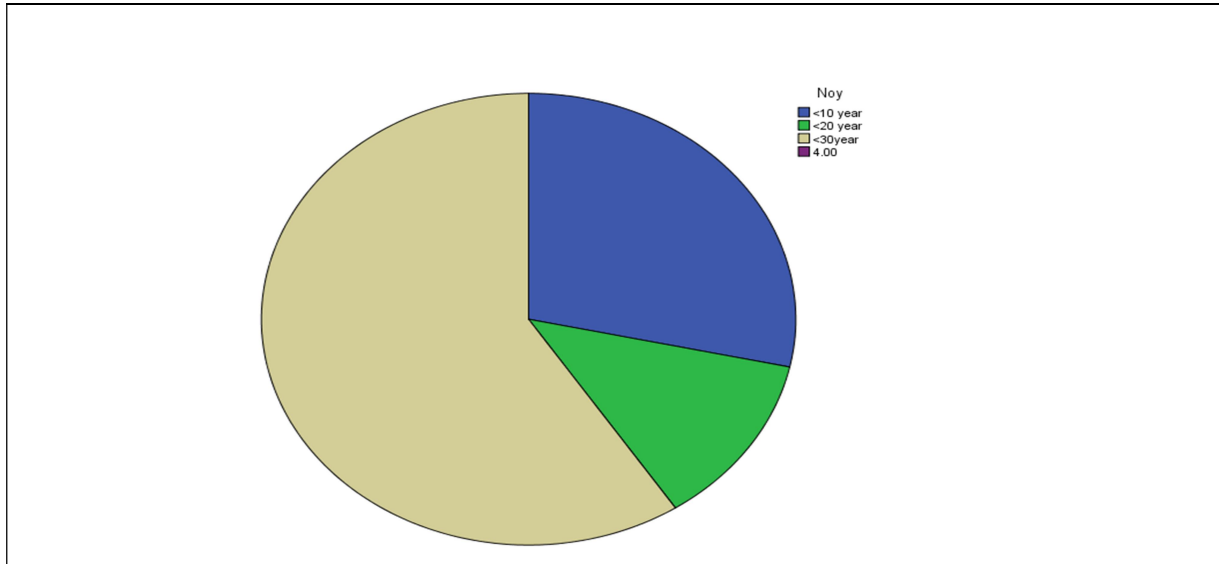


Figure of 4.2.1 Years of Operation

The Study Found out that Majority (65%) of the Insurance firms had been in operation for less than 30 years while (25%) had been operation for over less than 10 year and (15%) had been operation over less than 20 years. This indicates that the study sourced information from Respondents who worked in insurance firms that have existed long enough to experience change in Marketing Strategies.

4.2.2 PARTICIPATION ON MARKETING STRATEGY DESIGNING

Most employees who have working in the Marketing Department have not participated in the formulation of marketing strategy, which account 54.33 % of them are neither Participated in the Marketing Strategy Design and the rest 45.7% have participated in the Marketing Strategy Design.

Table 4.2 Marketing Strategy Formulation Participation

1	Description	General Information	Frequency	Percent
	Participation in the Marketing Strategy Design	YES	37	45.77
		NO	44	54.33

Source; survey 2020

It's apparent that when the marketing strategy is formulated at Private Insurance Companies, it gives chance to participate only for quarter of the marketing employees.

4.3 Revision of Marketing Strategy Design Revisions.

Most employees who have working in the Marketing Department Revised the Marketing Strategy either frequently or More than a year. The table below Show as About the Respondents answers.

Table 4.3.1 Revision of Marketing Strategy

	General Information	Frequency	Percent	Valid Percent (%)
1	Frequently (<1 year)	41	50.6	50.6
	>1-2 year	14	17.3	17.3
	>2-3year	3	3.7	3.7
	>3-4year	2	2.5	2.5
	>4- 5year	12	14.8	14.8
	it depends	9	11.1	11.1

It can also be inferred from the above table that 50.6 % of the respondents said that Marketing Strategy design Revised frequently, 17.3% of the respondents said that between one and two years, 3.7% of them said that it is Revised between two and three Year, 2.5% of them Said that

revised between three to four years, 14.8 % of the respondents said it is between four to five years and the Rest 11.1% of them said that it depends on the sales Volume of the Company. From the finding of this study a lot of private insurance companies revise their marketing strategy frequently to raise their performance and Few of them Revised when their sales Volume Declines.

4.4 Descriptive Statistics.

Descriptive Statistics Concern the development of certain indices from the raw data. These Provide the Mean Scores, Standard Deviations and N for Each Sub groups. Inspecting the pattern of these Values will give us An Indication of the Impact of Our Independent variables (Tefera, 2018).The following table shows the Mean and Standard Deviation scores of Variables obtained From 81 Respondents.

Table 4.4.1 Mean and Standard Deviation for Factors Affecting Performance of insurance company

Descriptive Statistics					
Marketing Strategy	N	Minimum	Maximum	Mean	Std. Deviation
Performance	81	3.90	5.00	4.36	.31
Promotional Strategy	81	1.20	5.00	4.28	.58
Innovation Strategy	81	1.00	5.00	2.63	1.47
Distribution Strategy	81	1.00	5.00	2.44	1.48
Pricing Strategy	81	1.00	5.00	2.49	1.37

In the output Presented above the information we requested for each of the variables is summarized. Concerning the Variable Pricing Strategy is the Mean is 2.49. These shows an a few Respondents are Average on the Statements that Indicates Pricing Strategy of their Company with

Standard Deviation of 1.37. Innovation Strategy has also a mean Value 2.63 with Standard Deviation of 1.47. Promotion Strategy has also Mean Value of 4.28 with Standard Deviation of 0.58. It can be observed from the data the Mean score for the Promotional Strategies is 4.28 it means that to the Large Extent Promotional Strategies affects Operational Performance of insurance Companies. The least One is that Distribution Strategy has a mean Value of 2.44 with Standard Deviation 1.48 Which Indicates Majority of the Respondents is almost on average.

4.5 Testing of Regression Model Assumption

4.5.1 Testing Multicollnarity

In Multiple Regression Analysis, the regression Coefficients (b1, b2) become less reliable as the degree of Correlation between the Independent Variables (Y1, Y2,) increases. If there is high Degree of Correlation Between independent variable, we have a Problem of what is commonly described as the Problem of Multi Collanarity. Collnarity is relatively is Easy to detect by calculating the tolerance of VIF (Variance Inflation factor). A tolerance of below 0.10 indicates that (Multi) Collnarity is a problem. The VIF is Just the Reciprocal value of the tolerance. Thus VIF values above ten indicate Collnarity Issues (Tefera, 2018). According to this Measurement None of the Variables Tolerance Level is below 0.10 and their VIF above ten. So there is no Multi Collinarty Problem with the Variables.

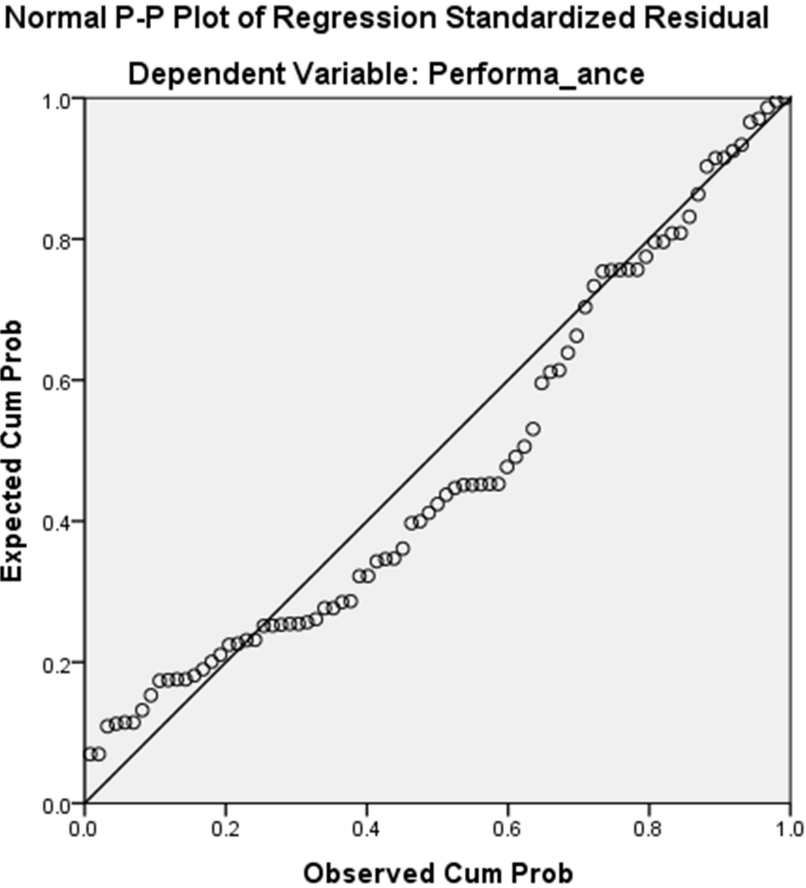
Table 4.5 Multi Collinearity Statistics

Model		Tolerance	VIF
1	(Constant)		
	Promotion Strategy	.934	1.07
	Pricing Strategy	.907	1.10
	Distribution Strategy	.822	1.21
	Innovation Strategy	.836	1.19

Source: Survey Result 2020

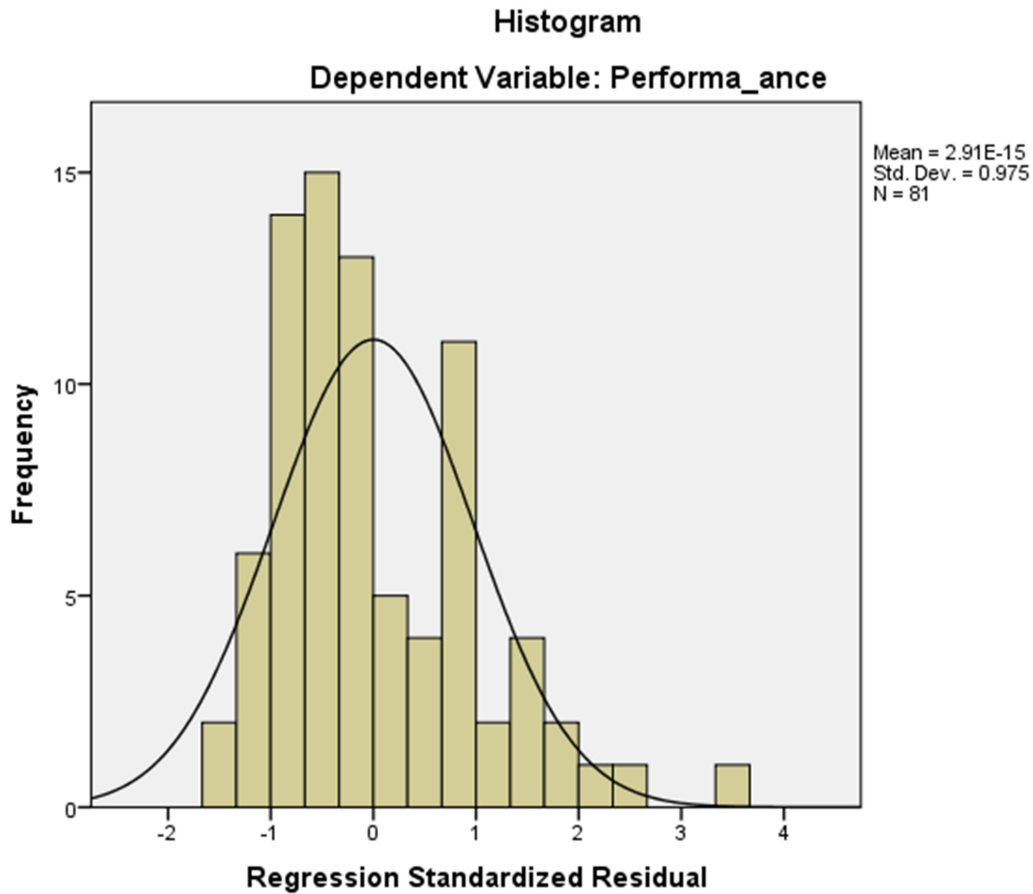
4.5.2 Checking For Linearity

The Regression Model can be expressed in a linear way. Checking the Linearity between Y and X Variables Can Be done by plotting the dependent Variable against the Independent variables. As Figure 4.7 Shows the Relationship of independent Variables with the dependent variable is linear.



4.5.3 Normality Test

Normality of distribution can be tested by using histogram with a normal curve. In general the figure below shows that the variables are normally distributed for performance of Insurance.

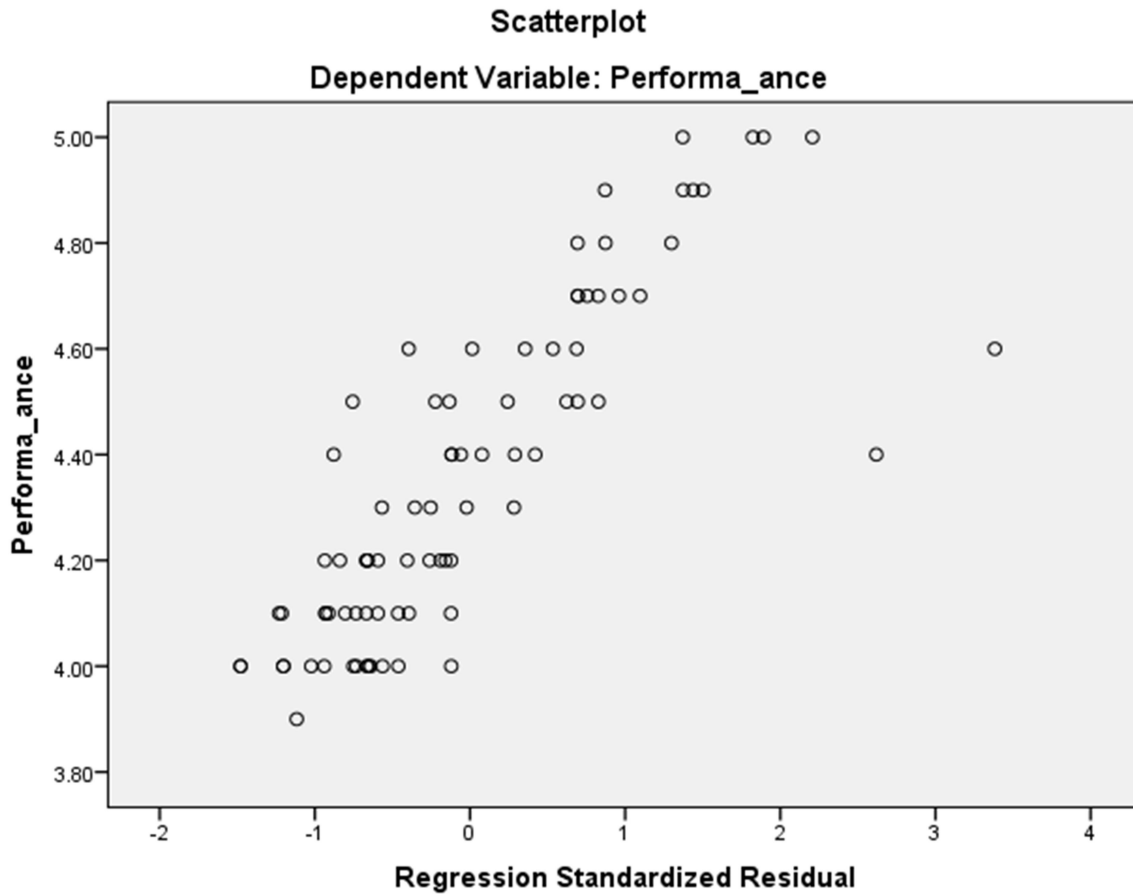


If a skewer is equal to 0, the data are perfectly symmetrical. But a skewer of exactly zero is quite unlikely for real-world data (Tefra, 2018). As George and Mallery (2010) put a generally acceptable range for skewers and kurtosis for further analyses is between the ranges of ± 2.0 . Others extend the range of kurtosis up to ± 3.0 . Skewness Refers to the data is normal so if the curve is shifted to the right we will Say Positively Skewed if it is Skewed Negatively the Curve shifted to the Left if the data is Normal and Asymmetrical Bell Curve Refers to Skewness.

Kurtosis statistics is used to measure the Preakness of the distribution. The reference standard is a normal distribution, which has a kurtosis of 3 and the lower bound is -3 (Tefera, 2018)

4.5.4 Assumption of Homoscedasticity

It refers the Variance of the Errors which should be Constant. To test for this, we plot the errors against the Dependent Variable. (Tefera, 2018).



Homoscedasticity refers to whether these residuals are equally distributed, or whether they tend to bunch together at some values, and at other values, spread far apart. The plot shows that the dependent variables are condensed and concentrated in one area with some outliers. In order to manage some of the outliers the first thing done was to make a look at the nature of these Outliers before deciding either to drop or not to drop them. Some of the outliers have been dropped which are made irregular while recording data.

4.8 Regression Analysis

Regression is a technique that can be used to investigate the effect of one or more Predictor Variables on outcome Variable that is, it allows us to make Statements About well one or more Independent Variables will predict the Dependent Variable. (Ayalew, 2017).

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The following tables are extracted from SPSS in order to perform a regression analysis between independent variables and dependent variable.

Variables Entered/Removed

Model	Variables Entered	Variables Removed	Method
1	Distribution Strategy, Innovation Strategy, Pricing Strategy, Promotion Strategy	.	Enter

- a. Dependent Variable: Performance
- b. All requested variables entered.

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.571 ^a	.326	.290	.26157

- a. Predictors: (Constant), Promotional Strategy, Distribution Strategy, Pricing Strategy, Innovation Strategy.

Source: Survey Result 2020

The model for this regression is: $Y = a + \beta_1x_1 + \beta_2x_2 + \beta_3x_3 + \beta_4x_4 + e$. From the model summary result we can see that independent variables explain the dependent variable with a percentage of

32.6. In cross-sectional designs, values of around 0.30 are common while for exploratory research, using cross-sectional data; values of 0.10 are typical. (Tefera, 2018).

ANOVA^a

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	2.511	4	.628	9.176	.000 ^b
	Residual	5.200	76	.068		
	Total	7.711	80			

a. Dependent Variable: Performance

b. Predictors: (Constant), Innovation Strategy, Promotion Strategy Pricing Strategy, distribution Strategy

Source: Survey Result 2020

The table below shows the constant, beta, and significance level of each variable. It indicates that the three variables which are Promotional Strategy, Pricing Strategy, and Innovation Strategy influence on Performance of insurance companies significantly at 95% confidence interval with a sig. level of 0.01, and 0.05 respectively. As the constant and B values are known the model will be: $Y = 2.94 + 0.291X1 + 0.047X2 + 0.0543X3 - 0.036X4 + 0.05$. Which indicates that a single unit changes in Promotional Strategy; Pricing and Innovation will increase the performance of insurance by 0.291, 0.047 and 0.0543 respectively? In addition to this the Result shows Performance of insurance companies are Directly Related with Promotional Strategies, Pricing Strategies and Innovation. The result shows that effective Promotional Strategies and innovation (Implementing advanced Technology) increases Sales volume (Performance) of insurance companies.

Table 4.9 Regression out Put

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	2.946	.253		11.660	.000
	Promotional Strategy	.291	.052	.545	5.592	.000
	Innovation Strategy	.054	.022	.255	2.474	.016
	Distribution Strategy	-.036	.022	-.170	-1.639	.105
	Pricing strategy	.047	.022	.209	2.109	.038

Hypothesis Accepted

- H1:-Promotional Strategies has significant effect on Performance of Insurance Companies.
- H2:-Innovational Strategies has significant effect on Performance of Insurance Companies.
- H3:-Pricing Strategies has significant effect on Performance of Insurance Companies.

Hypothesis Rejected

- H4:- Distribution Strategies has significant effect on Performance of Insurance Companies.

4.7 Discussion

The study found that there is a strong Significant correlation Relation between Promotional Strategy and Performance of Insurance Companies at beta Coefficient of 0.291 at Significant Level of 0.000 which Results Shows that has a mean value of (Mean=4.28). In Addition To this Promotional Strategies and Adoption of Promotional Strategies had Positively Related on Sales Performance. The finding consistent with (Zekaj, 2016) Promotion is a Permanent Process of communication by insurance providers for existing and potential customers. It is the process of communication between Providers and consumers in order to create a positive conviction for products and Service offered by the insurance Market. Sale of insurance products often depends from different communities whether external or internal. Good Communication with Customer

Company adds beliefs because consumer confidence will have much more knowledge of who will buy services companies that have the highest ratings and working conditions will certainly have greater sales of products but if this company does not have adequate communication with customer will miss the marketing of insurance Products. The finding is similar with (Zekaj, 2016) the other important Component in the insurance market is Price of the service offered by the insurer. Insurance companies provide the means of Price policy or Premium which serves to cover the cost of directing. The premium is the price quotes for insurance unit security can be quite complicated which subordinates an insurance product that is the word. (Isorati, 2016) Price is one of the factors affecting the consumer because it helps him to understand the value of the Product. Insurance Companies discount Premium Pricing or use Price cutting to attract new customers and increase Sales Volume so there is always the higher the Price, the sales will decline. From the finding of the study result, that Pricing Cutting Strategy is designed to help insurance firms to maximize their Sales Volume. The Result Support that Pricing Strategies has positively related at Beta Coefficient of 0.047 at Significant Level of 0.038.

On the extent of Innovation strategies the study concludes that lack of Skilled Labor and high Cost are the Major Challenges that the Marketing Department staffs lacks in order to implement new technology and Product development. Other Researchers like (Maguna, 2016) established that Adoption of new technology (Innovation Strategy) positively influence the Performance of insurance companies. The Result is Support that innovation Strategies has positively related at Beta Coefficient of 0.054 at Significant Level of 0.016.

CHAPTER FIVE

Summary, Conclusion and Recommendations

5.0 Introduction

This Chapter Contains a Summary of the results as Presented in the previous chapter and gives conclusions and Recommendations based on the finding of the Study. This Chapter also provides the Limitations of the Study based on the analysis of the Entire Study and Suggestions for Further research.

5.1 Summary of the Study

Based on the analysis and Discussions the finding of the Study Summarized as Follows.

- The Regression analysis Results showed the first hypothesis sought to determine the relationship between Promotion and Performance of Private insurance companies in Ethiopia. The results further indicated that there existed a high, Positive and **statistically** significant value of 0.000 which Means at 5% significant level. Therefore, the null hypothesis that Promotion had no significant effect on Performance of insurance Companies was rejected. The Results Implies that An Increase or Improvement in the utilization of Promotional Strategies Led to increase in Sales Growth of Insurance Companies.
- The second hypothesis sought to determine the relationship between Pricing and Performance of insurance companies in Ethiopia. The study established that pricing significantly affected Performance of Insurance Companies. The results further indicated that there existed a moderate, positive and statistically significant relationship between

Pricing and Performance at 5% significance level. Therefore, the null hypothesis that Pricing had no significant effect on sales growth of insurance companies is rejected.

- The third hypothesis sought to determine the relationship between Distribution Strategies and Performance of insurance companies in Ethiopia. The study established Distribution is not significantly affected Performance. Therefore, the null hypothesis that distribution strategies have no significant effect on performance of Insurance companies is accepted.
- The Fourth hypothesis sought to determine the relationship between Innovation and Performance of insurance companies in Ethiopia. The study established that Innovation significantly affected Performance. The results further indicated that there existed a moderate, Positive and statistically significant relationship between Innovation and Performance at 5% significance. Therefore, the null hypothesis that Innovation had no significant effect on Performance insurance companies is rejected.

5.2 Conclusions

The main objective of the study was to determine the effect of Marketing Strategies on performance of Private insurance companies in Ethiopia. This was achieved by analyzing the effect of Promotional Strategies, Pricing Strategies, Distribution Strategies and Innovation Strategies. The Demographic Data Shows Majority of the Respondents age fall between 20 and 40 Years of Age which Shows almost 90% of them are Young and out of the 81 Respondents 54.3 percent of them are male and 45.7 of them are female and 24.7 of them has Second degree this shows that Female employees are well educated and encouraged in the insurance sector. The study made of Descriptive Statistics the data is more relevant and reliable because almost half of the Department Staffs had an Experience on implementation of the marketing strategy Design.

- Based on the result of the study the Researcher concludes that there is young and well educated employees are existed in the insurance industry sector. In addition to that that it shows that also female employees are also compete in the market as Department heads, Senior level and also Marketing Mangers of the insurance Companies. The study revealed that that Marketing has become a major function in insurance industry as a result of increased competition one another.
- According to (Magunga, 2010) it is here by concluded that the following Marketing Strategy are responsible for performance of insurance companies in Kenya. According to Magunga for any insurance company to diversify effectively and increase its Sales Volume Product innovation is critical. The study also registered a positive relationship exist between Product Innovation development as Marketing Strategy and Performance of insurance companies. In this research based on the result found from the respondents and the analysis of the data it is possible to conclude that innovation Strategies had a Positive and significant effect on performance of insurance companies.
- Secondly, in this research based on the result found from the respondents and the analysis of the data it is possible to conclude that the Promotional Strategies had a positive effect on performance of insurance companies (Sales Volume). (Kinoti, 2019) Support the finding of this study on Promotion. Promotional strategies play a key role in sales performance of any institution. Insurance products are generally difficult to sell and require well thought out marketing strategies that will include Persuasive Promotional Activities.
- Pricing Strategy, insurance premium charged by Private insurance companies are considered as expensive and the Competition in the industry is basically based on the

premium or price. The study also shows that Premium or the Pricing policy adopted by the Private companies is based on cost and competition. So the researcher concludes that Pricing had a Positive and Significant effect on performance of insurance companies (Sales Volume).

- Finally the researcher concludes on the distribution channels which a lot of insurance companies open new branches to increase the performance but the Result shows that distribution channels on Performance of Insurance companies is insignificant.

5.3 Recommendations

Based on the Research Findings, the Researcher Make some Recommendations that are aimed to strengthening the Company's Performance with in the insurance Industry.

- The Researcher recommended that Marketing Department Staffs Should Share their Experience and their knowledge With Other African Countries Because in Ethiopia Cost plus Skilled Labor is a major Problem in the industry to implement new technology and Product Development. As we know adapting new technology will cost high for most insurance companies to implement a new system because all the skilled labors are imported from Asian countries like Indian and other African Countries South Africa. So because of the struggle of financial capacity of that the insurance Company has almost half of the Private Insurance Companies use Manual System even to underwrite or issue Premium Polices. So insurance firms should adjust their system by adapting new technology like selling polices on line in order to reduce unnecessary labor cost and Resources.

- In addition to this Premium Pricing also another Competition that insurance Companies have one another. Since Premium Price for old Insurance Companies Are High a lot of clients migrate to new insurance Companies in order to get the service at cheap price because the premium price is lower than competitors. I believe that Premium Pricing is one major Marketing Strategies that firms compete with one another to increase Sales Volume so I suggest that National Bank of Ethiopia should set Premium Rate for all polices in order to reduce price cutting among insurance companies as well as to keep Customer Retention.
- Based on the Result and finding of the Study Promotion contributes a lot on Performance of insurance Companies. Yes in our country insurance business is done by insurance intermediaries (Sales agents and Brokers) which we call it Personal selling. So Training agents frequently has positive impact on insurance Companies Sales growth. In addition to that Sales Promotion and Advertising Should be done by mass Communication in order to increase Sales Volume and also to create awareness how much it is important getting life insurance as well as General insurance.
- Finally Insurance companies should emphasize on the use of free consultations to their clients to increase sales as part of sales promotion towards enhancement of sales growth. They also need to stress on Promotional Strategies activities since they were found to affect sales growth most significantly. Advertising activities (print, electronic, outdoor and social media) should be exploited as a means of improving performance

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APPENDIX A: QUESTIONNAIRES

Effects of Marketing Strategy on the performance of private Insurance Companies in Ethiopia.

Questionnaires

(To be filled by Employees of Marketing and Research, Planning and Development departments of Insurance companies).

The purpose of this questionnaire is to enable me to carry out a research for the partial fulfillment of **Master's Degree in Business Administration. The research focuses on "Effect of marketing strategy practices" on Private insurance companies in Ethiopia.** A Marketing strategy questionnaires are tools used to collect data from you regarding Marketing. Hence, to gather information, I kindly seek your assistance in responding to the questions listed below. Any information you present will be kept utterly confidential and will be used only for academic purpose. Your cooperation and prompt response will be highly appreciated. Please try to fill the Questioner by filling the appropriate category.

Part I – General Information

1. Name of the insurance firm? (Optional)-----
2. Gender? A. Male B. Female
3. Age of the Respondent A). < 30 Years B) 30-40 Years C) 40-50 Years D) >50 years
4. Education Level? A. PhD B. Masters C. Degree D. Diploma
5. How long have you been as employee of Marketing Department in your company?
A. < 1 Year B. 1 – 3 Years C. 4 – 5 Years D. > 5 Years
6. What is your job title in the Department?
A) Marketing Officer
B) Senior Marketing officer
C) Marketing Department Head

D) Marketing Manager Division

7. Have you ever participated in Marketing Strategy designing in your company?

A.) Yes B.) No

8. How Many Branches does your Company Has?

A) < 20 B) < 30 C) < 40 D) < 50

9. How long has the insurance company Operated in Ethiopia?

A) <10 YEARS B) <20 YEARS C) <30 YEARS D) < 40YEARS

10. Indicate the number of employees that the Marketing Department has?

A) < 3 Employees B) < 4 Employees C) <5 Employees D) <10 Employees

Part II– Types Marketing Strategy: - (Advertising, **Sales Promotion, Distribution channels, Pricing, Direct Marketing, Public Relation, Product and Innovation and Personal selling.**

Indicate your level of agreement with the following Statements Relating To marketing Strategies. (Key 1=Very low, 2=Low, 3=Average 4= High 5=Very High)

Promotional Strategies and Distribution Strategies

		1	2	3	4	5
1.	The effect of frequent Advertising on Performance of insurance Companies.					
2.	The effect of Sales Promotion to strength the Performance of insurance Companies					
3.	Promotion Contribute to your Decision of Buying Insurance Premium.					
4.	The existence of public relations events and experiences contribute to your decision of buying Insurance?					
5.	The effect of Personal selling (sales agent and Brokers) increases Performance of insurance companies.					
6.	Effect of Personal selling (agents and Brokers) is the best marketing strategy to raise the Gross written Premium of insurance companies					
7.	The effect of using Direct Marketing Sending gifts to high potential customers to sell additional Insurance Premiums					
8.	How Effective is Media Advertising (Television or Radio) to sell insurance to Raise Performance of Insurance companies?					
9.	How Effective are locations (Distribution) of your company					

	branches in providing the Services are accessible to customer to sell insurance premium.					
10.	The Effectiveness of your service outlet expansion (place) is enough to sell Insurance Premiums?					
11.	The Effectiveness of Presence of celebrities in the Advertisements influences you to buy insurance Premium.					
12.	The effect of Employees dress and Furnishing of the room considered as part of Advertising For Selling Insurance Premiums.					
13.	Location of Private Insurance Companies Affects Performance and Distribution of the Service.					

Pricing and Innovation Strategies

14.	Pricing as a basis for competition among Performance of Private insurance companies. (Relate this with Gross written Premium).					
15.	Private Insurance Companies Cut Price one another to Raise the gross written Premium.					
16.	The efficiency of Insurance companies is in meeting customer wants in delivery of the service to raise their performance.					
17.	The effect of Using innovation and Technology (Selling Policy on line) Raising the gross written Premium of insurance companies.					
18.	The Effect of Selling insurance (Issue policy) on line to customers to increase the Performance of the company.					

Indicate your level of agreement with the following Statements Relating To marketing Strategies. (Key 1=Very low, 2=Low, 3=Average 4= High 5=Very High

Performance of the Company

19.	The Effect of Marketing Strategy on a Company Sales Volume.(Gross Written Premium)					
-----	--	--	--	--	--	--

20. Which Promotional Strategy is the best for your Company to Raise the Performance.

- A) Advertising -----
- B) Public Relations -----
- C) Direct Marketing-----
- D) Sales Promotion-----
- E) Personal Selling-----

21. Does your Insurance Company Follow the Best marketing strategy?

If Yes, Please Specify

22. What are the problems you encounter during marketing strategy implementation?

23. How often do you revise the Marketing strategy of your company?

24. What do you experience during marketing strategy implementation?

25. What Other challenges does your organization Face when Implementing Insurance Marketing Strategies? -----

26. Do you have additional comment and suggestions on Private Insurance companies marketing strategy?

Appendix B: List of Insurance Companies in Ethiopia.

	List Of Private Insurance Companies	Year Of Establishment	TYPE
1	Africa Insurance Share Company	1994	GENERAL
2	Awash Insurance Share Company	1994	GENERAL
3	National Insurance Company of Ethiopia	1994	GENERAL
4	Nile Insurance share Company	1995	GENERAL
5	Nyala Insurance share Company	1995	GENERAL
6	Global insurance share Company	1997	GENERAL
7	The united insurance share Company	1997	GENERAL
8	Nib Insurance Share Company	2002	GENERAL
9	Lion Insurance Share Company	2007	GENERAL
10	Ethio-life and General Insurance Share Company	2008	LIFE
11	Oromia Insurance Share Company	2009	GENERAL
12	Abay Insurance Share Company	2010	GENERAL
13.	Berhan Insurance Share Company	2011	GENERAL
14.	Lucy Insurance Share Company	2012	GENERAL
15.	Tsehay Insurance Share Company	2012	GENERAL
16.	Bunna Insurance Share Company	2013	GENERAL