



IMPACT OF PROMOTIONAL STRATEGY ON THE DEVELOPMENT OF INSURANCE COMPANIES IN NIGERIA

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ABSTRACT: *The study applies the indices of media advertising, personal selling, sales promotion, direct marketing and sponsorship marketing to investigate the impact of promotional strategy on the development of insurance companies in Nigeria. Descriptive survey design was used to administer a well self-structured questionnaire to the respondents. One hundred and thirty-five respondents were judgementslly selected from five insurance companies in Nigeria. The retrieved data were coded and analysed using multiple regression analysis from SPSS version 20. Evidence from the result of regression test indicated that media advertising, personal selling, sales promotion, direct marketing and sponsorship marketing have positive and significant effect on the development of insurance companies in Nigeria. Thus, the study concluded that promotional strategy has positive and significant impact on the development of Insurance companies in Nigeria. It was recommended that Insurance firm should not sit comfortably in their office, rather, be on the go to meet prospective customers with valuable asset, thereby approaching them with cost-effective packages and other stimulants in order to attract their premiums and patronage.*

KEYWORD: Promotional Strategy, Development of Insurance Companies, Sponsorship Marketing, Direct Marketing, Personal Selling, Media Advertising, Sales Promotion

JEL Classification: G22, D18, M31, M37

INTRODUCTION

Insurance sector in Nigeria is considered as an integral section of the economy because of its proactiveness in risk sharing and transferring as well as a saving ground for individuals, corporate entities and governments at large which makes it indivisible from a functioning economic growth. Insurance and reinsurance companies are the main sellers of insurance covers with the primary aim of providing coverage to the general public. Insurance firms performs the function of underwriting pure risks in exchange for a specified fee, referred to as the premium, which is the prime source of insurance income (Igbodika, Ibenta & John, 2016; Madukwe & Obi-Nweke, 2014; Ubom, 2014). Theoretically, insurance sector activity is expected to directly affect economic performance of a country, giving the key role of risk



transfer mechanism, promote development and protection of lives and properties amongst other functions it performs in an economy.

For insurance companies to carry out marketing activities effectively and functionally, appropriate mix of marketing elements must be put in place. The fundamental factors of marketing mix of an organisation are Product, Promotion, Price and Place that is, '4Ps' (Dixon-Ogbechi, Jagun, Ighomereho, Rahim & Haran, 2018). In general, promotion is an essential aspect of organisations' marketing mix and a vital determinant of their successes or failures (Sharma, 2009). Promotional strategy is extremely instrumental to the continuity of an organisation as a result of product awareness and availability to customers on demand (Dixon-Ogbechi *et al.*, 2018). It is therefore imperative for insurance companies to develop various promotional strategies in order to communicate with the customers on the need and benefits for such products (Kotler, & Armstrong, 2010).

According to Idris, Asokere, Ajemunigbohun, Oreshile and Olutade (2012), there are about seven salient promotional mechanisms namely, personal selling, public relation; publicity; advertising, sales promotion, sponsorship and direct marketing that organisations can utilise; these elements are employed to advance the promotional strategy of an organisation. The choice of any of the promotional tools may be a determinant of the intending customer/market, competitors' strategy, product types and nature; information content, and the organisation budget (Kotler & Armstrong, 2010); product development stage, cost of promotional activities (Idris *et al.*, 2012); shove and draw strategies, buyer willingness, kind of distribution, promotion aims, media availability and cost effectiveness; size of the market/information needs of the buyer; competitors behaviours and organisation characteristics (Reena, 2013).

In recent times, organisations have employed varying promotional strategies depending on the objectives before them, most times; the objective is to create a channel for customer patronage and ensure that the promotional programmes motivate a higher proportion of market share. Furthermore, they undertake promotional programmes that contribute greatly to the wealth maximisation of their stakeholders. The result of this development led to customer's choice of service that will meet up with their wants. A sound and better promotional programme that can attract and spies the customers for more patronage should be ensured (Fadun & Hood, 2016).

Nonetheless, based on empirical foundations in Nigeria, there has been a modicum of study on the influence of promotional strategy in relation to development of insurance in Nigeria. However, few of the scholars include Dixon-Ogbechi, Jagun, Ighomereho, Rahim and Haran (2014); Enitilo, Ajayi and Famuagun (2017). Aside these two aforementioned studies, other studies such as (Eze & Okoye, 2013; Akinlo & Apanisile, 2014; Lawal, 2014; Ukpong & Acha, 2017; Fadun & Shoyemi, 2018) to mention but just a few have examined the contributions of insurance to Nigeria economic growth and expansion. The implication arising from these studies is that little efforts have been created by empirical scholars in an attempt to identify the best promotional strategy that the insurance firm can employ in contributing to the firm performance. As such, this study will contribute to empirical knowledge in literature by adding to the sparse of literature on the subject and also identify the most appropriate tool of promotional strategy by including instrumental variables to help capture this need. Therefore, the study investigates the impact of promotional strategy on the development of insurance in Nigeria. The pertinent questions arose from the discourse are:



To what extent does the media advertising affect the development of insurance companies in Nigeria? What effect does personal selling has on the insurance companies' development in Nigeria? In what way can sales promotion influence the development of insurance companies in Nigeria? What effect does direct marketing has on the development of insurance companies in Nigeria? What is the impact of sponsorship marketing on the development of insurance companies in Nigeria?

This research is expected to benefit the insurance customers so as to know and understand the different types of businesses that insurance companies offers, to know the best strategy to apply in assessing them easily and to know how best to relates with insurance companies. The remaining section of the paper is structured into literature review, methodology, result and discussion as well as conclusion.

LITERATURE REVIEW

The study is centred on cultural norms theory of communication as explained by Gusan (1995). The theory stipulates that through careful selection of materials and facts to be presented in a programme that involves the cultural life of the society, an individual can be influenced (motivated) to adopt the changes advocated therein. The insurance industry can adopt this approach by hiring a competent marketing communication practitioner e.g. public relations expert to influence the minds of the rural people towards insurance policies.

Series of empirical investigation have been examined at one time or the other by prominent scholars. Ebitu, Ibok and Mbum (2012) studied the determinants of insurance consumption in Nigeria and discovered that most of the respondent were educated, married and were still in their active working ages. Understanding the implications of the result as they influence the patronage and development of insurance in the state, the study suggested that a there should be total removal of insurance institutional framework in the system. Olumoko, Abass and Dansu (2012) analysed the importance of personal selling in stimulating clients' satisfaction in Nigeria insurance market. It was explicitly unveiled that personal selling strategy has potency of promoting insurance industry, thus, firms should adopt it as the best way of reaching out to their customers.

Eze and Okoye (2013) applied Johansen co-integration to test the effect of insurance operations on Nigeria economic growth from 1980 to 2011. The study detected that insurance premium capital and total investment have significant impact on the economic growth. Moreover, there is a significant relationship between insurance sector development, and economic growth in Nigeria. The study concluded that insurance practices have a significant positive effect on the nigerian economy growth. Ogbonna and Ogwo (2013) applied correlation analysis to study the significant role of market orientation on corporate performance among insurance firms in Nigeria. Empirically, insurance firms that engage in market orientation recorded progress compared to those that are yet to apply the strategy. Ajagbe, Long and Solomon (2013) investigated how the sales promotion and product branding influence company performance using AIICO Insurance Nigerian Plc as the case study. Application of Chi-square (χ^2) method was estimated and it was inferred that product branding and sales promotion affect organisational growth directly.



In a sub-Saharan Africa cross-country study by Akinlo and Apanisile (2014) on influence of insurance industry on economic growth, over the duration of 1986 to 2011, pooled panel regression test indicated that insurance market has significant impact on economic growth. Lawal (2014) focused on the effect of strategic marketing of financial services on organisation performance. Spearman's rank correlation coefficient was applied to analyse the data and found that there is a significant and positive relationship between the financial marketing services and profitability of firm. Nebo and Okolo (2016) explore on the importance of strategies to ensure customer satisfaction in promoting insurance firms in Enugu metropolis. By applying multiple regression tools, it was shown that 10 out of 15 strategies were predominantly adopted for customer satisfaction; 7 amidst 10 factors employed had impactful benefit on the performance of insurance industry. More so, insurance firm applied impactful strategies that ensured their performance.

Enitilo, Ajayi and Famuagun (2017) ascertained the usefulness of promotional activities and consumers' patronage of insurance business in Nigeria. Multiple regression method was employed and it was discovered that there is a strong and direct nexus among direct marketing, media advertising, personal selling, sales promotion and consumer patronages of insurance businesses. Ishola, Adedoyin, Adeoye and Dangana (2017) investigated the application of marketing strategies in relation to banks performance and economic performance in Nigeria. It was inferred that bank should be more innovative and creative by creating more bankable products and services for her customer in order to enlarge its market size. Nnabugwu, Ebere and Nordum (2018) studied the association linking internal marketing and service quality in Nigeria's insurance firms. By applying mean score statistics, it was inferred that internal marketing significantly associated with quality service delivery.

METHODOLOGY

Research Design, Population and Sampling size

The study employed descriptive survey design. The study population covered the entire insurance companies in Nigeria. Nonetheless, the target population of this study consisted of the entire members of staff of five selected Insurance firms in Nigeria namely; Mutual benefits Assurance, AIICO Insurance, Industrial and General Insurance, Oasis Insurance and Standard Insurance Plc. Proportionate sampling technique was used to get the total number of the respondent from each of the insurance companies. The formula is stated below and the sample size was calculated by employing the Yamane model (1967)

Sample size

$$n = \frac{N}{1 + N(e)^2}$$

(Where, n = anticipated total sample size; N = population size; e = acceptable error term (0.05)).

$$n = \frac{204}{1+204 (0.05)^2}$$



$$n = \frac{204}{1+204 (0.0025)}$$

$$n = \frac{204}{1.51}$$

$$n = 135$$

Model Specification, Estimation Technique, Instruments and Source of Data

In order to determine whether the dependent variable (development of Insurance companies) will be significantly determined by the independent variable (promotional strategies), the study adapted the model used in Enitilo, Ajayi and Famuagun’ (2017) study. Thus, with augmentation, the model is stated as follow;

$$DIC = f(MA, PS, SP, DM, SM) \dots\dots\dots 1$$

Where; DIC = Development of Insurance companies; MA = Marketing advertising; PS = Personal selling; SP = Sales promotion; DM = Direct marketing; SM = Sponsorship marketing; f = functional notation.

Multiple regressions was utilize to analyze and check the connection between the dependent and independent variables and appraise the hypotheses, as well as answering the research questions and achieve the objective pertinent to the study.

Stating the equation in (1) as in notation form to econometric form, it therefore becomes

$$CP = \alpha_0 + \beta_1 MA + \beta_2 PS + \beta_3 SP + \beta_4 DM + \beta_5 SM \dots\dots\dots 2$$

Where; α_0 = Constant, $\beta_1 - \beta_5$ = beta coefficients; e = error term. Other variables are as earlier defined.

Questionnaire was the major tool used for the collection of data for this study. It was sourced and obtained primarily through a self-structured questionnaire and relevant review.

RESULTS AND DISCUSSION

The multiple regression of media advertising, personal selling; sales promotion; direct marketing and sponsorship marketing on development of insurance companies in Nigeria

Table 1: Model Summary of the Regression Analysis

| Model Summary | | | | |
|----------------------|-------------------|----------|-------------------|----------------------------|
| Model | R | R Square | Adjusted R Square | Std. Error of the Estimate |
| 1 | .855 ^a | .826 | .699 | .468 |

a. Predictors: (Constant), media advertising, personal selling, sales promotion, direct marketing, sponsorship marketing

Source: Field Survey Report, 2020



The Table 1 indicated that the model had a correlation value of 0.855, which manifests a good linear relationship between dependent and independent variables. The Table further showed that the goodness of fit (R^2) is 0.826 which depicted that 82.6% of the changes in dependent variable (development of insurance companies) is accounted for by the independent variables (Media advertising, Personal selling; Sales promotion; Direct marketing and sponsorship marketing). More so, the adjusted R square is 69.9% which further justified the fact. The F-test value of 14.696 significant at .000 shows a good explanatory power of the independent variables. This showed that the model do not suffer from specification bias.

Table 2: Analysis of Variance (ANOVA)

| Model | | Sum of Squares | df | Mean Square | F | Sig. |
|-------|------------|----------------|-----|-------------|--------|-------------------|
| 1 | Regression | 4.115 | 4 | 1.029 | 14.696 | .001 ^b |
| | Residual | 28.477 | 130 | .219 | | |
| | Total | 32.593 | 134 | | | |

a. Dependent Variable: Development of insurance companies

b. Predictors: (Constant), media advertising, personal selling, sales promotion, direct marketing, sponsorship marketing

Source: *Field Survey Report, 2020*

The findings from the ANOVA usually indicate the model weakness or strength. Belle (2008) avows that an insignificant F-test value indicates that the regression model is weak. However, table 2 result shows that the F-test value is 14.696 having a significance value of 0.00 less than 0.05. Since the p-value obtained was <0.05, thus, the F-test is significant, therefore, it was concluded that the regression model was good.

Table 3: Regression Coefficients

| Model | Unstandardized Coefficients | | Standardized Coefficients | t | Sig. | |
|-------|-----------------------------|------------|---------------------------|------|--------|------|
| | B | Std. Error | Beta | | | |
| 1 | (Constant) | .906 | .205 | | 4.419 | .000 |
| | Media advertising | .192 | .091 | .185 | 2.109 | .037 |
| | Personal selling | .167 | .083 | .170 | 2.311 | .042 |
| | Sales promotion | .232 | .085 | .232 | 2.721 | .007 |
| | Direct marketing | .506 | .205 | .159 | 2.628 | .000 |
| | Sponsorship marketing | .202 | .090 | .199 | -2.235 | .027 |

a. Dependent Variable: Development of insurance companies

Source: *Field Survey, 2020*



From the table 3 above, the following regression equation was established

$$CS = 0.906 + 0.192_{MA} + 0.167_{PS} + 0.167_{SP} + 0.506_{DM} + 0.202_{SM}$$

From the model, the DIC (development of insurance companies) is 0.906 when other factors (media advertising, personal selling, sales promotion, direct marketing, sponsorship marketing) were held constant. Marketing advertising has a positive and significant effect on development of insurance companies which implies that a percent increase in marketing advertising will enhance development of insurance companies by 19.2% increase. Therefore, hypothesis one concluded that marketing advertising has a positive and significant effect on development of insurance companies in Nigeria. The coefficient of the personal selling is 0.167 which is significant and positively related with development of insurance companies. This implies that 1% change in personal selling will positively increase development of insurance companies by 16.7%. Therefore, it can be concluded that personal selling positively and significantly affects the insurance companies' development in Nigeria. Furthermore, the coefficient of sales promotion is estimated to be 0.167 which indicated a significant and positive effect on development of insurance companies in Nigeria. Therefore, a percent increase in sales promotion will bring about 16.7% increases in the development of insurance companies in Nigeria. The hypothesis that sales promotion positively and significantly influenced the insurance companies' development in Nigeria cannot be rejected.

More so, the coefficient of direct marketing is 0.506 which showed a positive and significant effect on development of insurance companies in Nigeria. The result therefore implies that a percent change in direct marketing will bring about an increase in development of insurance companies by 50.6%. Hence, direct marketing has a significant and positive effect on development of insurance companies in Nigeria. Lastly, the coefficient of sponsorship marketing is 0.202 which showed a positive and significant effect on development of insurance companies in Nigeria. The result therefore implies that a percent change in sponsorship marketing will bring about an increase in development of insurance companies by 20.2%. Hence, sponsorship marketing has a positive and significant effect on development of insurance companies in the country. Financial sector are advised to employ the promotional strategies in their business in other to affect customers' patronage and service quality. This result validates the empirical finding of Enitilo, Ajayi and Famuagun (2017) whose study confirmed that positive and significant relationship exist between promotional activities and development of insurance companies in Ekiti State.

CONCLUSION

From the literature review, the data analysis and test of hypotheses, the following conclusions were made. First, it can be inferred from the study that media advertising, personal selling, sales promotion, direct marketing and sponsorship marketing positively and significantly impacted on development of the selected insurance companies in Nigeria. These would enhance increase in the financial capacity of the selected insurance companies. This therefore will result to a greater increase in insurance industry's growth, sales, size, higher customer base compared to other competitors in the industry. Promotion strategy has shown to be an avenue of increasing customer base of patronising organisation's products and services, thus,



organisation must cherish her customers by constantly meeting their needs as at and when due in order to remain in business.

Following the foregoing, therefore, it follows that media advertising, personal selling, sales promotion, direct marketing and sponsorship marketing significantly affect the development of insurance business in Nigeria. Subsequently, the promotional strategy has been identified as the backbone of product development which helps to enhance and attain a developmental state in business. The study recommended that insurance firm should observe that promotional strategies gives competitive edge that translate to a unique selling point of any product or service, therefore, management of these firms should consistently make available to customer an appropriate mix of strategies in such a way that it will be easily communicated to enhance their values. Also, it was suggested that insurance firm should not sit comfortably in their office, rather, be on the go to meet prospective customers with valuable asset, thereby approaching them with cost-effective packages and other stimulants in order to attract their premiums and patronage.

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