

Effect of Networking Marketing Strategy on Customer Response to Insurance Products in Nairobi, Kenya

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Abstract: This study sought to investigate the effect of networking marketing strategy on customer response to insurance products in Nairobi, Kenya. The study scope was four insurance companies that were purposively sampled due to researchers believe that primary data can easily be collected from their customers. Convenient sampling was a technique applied in identifying respondents to be included in the sample, who are the customers of these companies. The study used a sample size of all the 80 respondents. Analysis and interpretation of the data was done using both qualitative and quantitative methods. Data was then presented using tables, charts and percentages. The finding of the study was that networking marketing strategy preferred as people nowadays equipped with technological gadgets. The study recommends that the insurance firms should aim at creating long-term relationship to bring in more referrals, make in routes to the social media sites where majority of the workforce spend their time and carefully analyze the segments to provide focus.

Keywords: Networking, Marketing Strategy, Customer Response.

1. INTRODUCTION

In today's economy, the financial services industry is exposed to increasing performance pressures and competitive forces (Goergen, 2001). Modern media, such as the internet, have created new challenges for this industry (Fuchs, 2001). New business concepts, a change in client sophistication (Davis, 2006), and an increasing number of new competitors entering into the market, such as independent financial consultants, have changed the business models and the competitive forces that established financial services organizations are facing today worldwide. According to Xassi (2001), a marketing strategy serves as the foundation of a marketing plan. A marketing plan contains a list of specific actions required to successfully implement a specific marketing strategy. A strategy is different than a tactic. While it is possible to write a tactical marketing plan without a sound, well-considered strategy, it is not recommended. Without a sound marketing strategy, a marketing plan has no foundation. Marketing strategies serve as the fundamental underpinning of marketing plans designed to reach marketing objectives (Dalrymple, 2004). It is important that these objectives have measurable results. A good marketing strategy should integrate an organization's marketing goals, policies, and action sequences (tactics) into a cohesive whole. The objective of a marketing strategy is to provide a foundation from which a tactical plan is developed. This allows the organization to carry out its mission effectively and efficiently.

The basic concepts of marketing are customer needs, wants and value; product, exchange, communication and relationships. Marketing is strategically concerned with the directions and scope of the long term activities performed by the organization to obtain a competitive advantage. The organization applies all its resources within a changing environment to satisfy customer's needs while meeting stakeholders' needs. The business of insurance has been there for decade now. However, early practices were reported in Europe over a thousand years ago, with the earliest being the marine insurance. Insurance had been unknown in Kenya until the early part of the 20th century. It is the early European settlers who introduced insurance in Kenya. In 1904, the London and Lancashire Insurance Company appointed agents for fire business in Nairobi. In 1922, Royal Exchange Assurance opened a branch office in Kenya and was followed by the

Commercial Union in 1929 (Wachira 2008). Until the late 1970s, the Insurance industry in Kenya operated in a rather stable environment. There was little demand for services, the products offered were standardized, government supervision was minimal and competition relatively low. However, following the issuance of the government directive in 1978 which required that all foreign insurance companies to be incorporated in Kenya by 1980 and the introduction of the insurance act CAP 487 of the laws of Kenya, the insurance industry has since experienced tremendous challenges.

2. STATEMENT OF THE PROBLEM

Despite the fact that insurance has been practiced for over a thousand years world over, it is a fact that consumer response towards insurance product is still very low, not only in Kenya but the world at large. The Insurance industry faced difficult economic environment in 2011. Overall gross premium declined by 0.8% in real terms. Premium growth in the industrialized countries was negative 1.1%. Emerging markets had an average growth of 1.3%, (Swiss Re-sigma 3/2012). Statistics show that Global life insurance premiums shrank by 2.7% in 2011. Advanced markets contracted by 2.3%, with the sharpest decline observed in Western Europe (9.8%). The US market recorded moderate growth of 2.9%. Global non-life insurance premiums rose by 1.9% in 2011 (AKI report 2011).

Different researchers have carried out extensive studies on the Insurance Industry in Kenya. However, these studies have focused on different strategic issues. A study by Wanjohi (2002) focused on strategic planning by Insurance companies in Kenya, Lengopito (2004) did a survey on strategic responses to increased competition in the healthcare industry, Wairegi (2004), sought to establish the Strategic responses by Life Insurance Companies in Kenya to changes in the environment. Ogolla (2005) carried out a study on application of generic strategies by Insurance companies in Kenya. Swalehe (2005) covered strategic issue management in Insurance companies in Kenya, while Kitur (2006), carried out a survey of strategic role of ICT among Insurance Companies in Kenya. Wachira (2008), who tried to do a different thing, undertook a study on assessment of attractiveness of the Insurance Industry.

In this era of an informed society, market competition assumes bigger role in anticipating long-term development. Business is customer centered. The company operating in a modern business world must constantly analyze its relationship with consumers, especially how they react to their products if it intends to improve its results. These companies must therefore devise strategies that will give them a competitive advantage and cause the consumers to respond positively towards their products. It is from these studies that the study sought to determine the effect of networking marketing strategy on customer response to insurance products in Nairobi, Kenya.

3. LITERATURE REVIEW

The network marketing strategy is based on the concept of word of mouth promotion where customers consume the product, find them satisfactory and then promote the products to their networks, which may include friends, family, colleagues, relatives and virtually anyone they know. Money in the form of commissions and bonuses is earned both by successfully selling the product and by persuading network members to join the company and become distributors themselves (Kong, 2001). Network marketing emphasizes relationships in doing business. Network marketing, as an enterprise 'using' friendship to promote products, has been notorious for its exploitative use of interpersonal meaning (Kong, 2002).

Network marketing firms are institutions which intermingle the meanings of close personal relationships and practical business relationships; these relationships are very different, and even contradictory, in many aspects. In terms of operation, NMOs are rather different from traditional business firms. The operation of NMOs places particular emphasis on using corporate culture as a means of control. Corporate culture can be seen as 'embodiment of values, norms, and beliefs shared by and affecting the attitudes and behaviour of members of the organization' (Kao and Ng, 1992: 185). The culture or ideology adopted by NMOs is that of intermingling friendship and instrumental relationship business. NMOs try to convince their network marketers that what they are doing is for the benefit of their friends, not at their expense. The marketers regularly attend rallies and meetings where the benefits of products (usually cosmetic and health products) are introduced. These meetings are also places where newcomers and novice marketers are introduced to the idea of network marketing.

Networks have the capacity to shape the dynamics and evolution of business through their impacts on innovation (Scott, Baggio, & Cooper 2008). They help maintain a competitive advantage and facilitate knowledge transfer processes (Hjalager 2010). They are invaluable to individual organizations conducting business in the contemporary environment

(Dale 2003; Grangsjö and Gummesson 2006). Increasingly, networks have superseded the mainstream notion of organizations as individual, autonomous economic entities, as they represent a total economic unit and an association of business value creation. In other words, the organization's environment is no longer seen as a "hub and spoke" but as a network (Garriga 2009).

More recent literature (Rowley 1997; Neville and Menguc 2006; Garriga 2009) and practice suggests that stakeholders can form a network and collaborate around an organization to express their expert views and make decisions collectively for particular topics/issues/challenges. Most stakeholder theory to date posits a dyadic inter-organizational relationship between the stakeholder and the organization or among stakeholders. This does not recognize the complex, networked structure of the organization-stakeholder relationships (Garriga 2009). Networks are important to consider when analyzing such behavior as organizations do not simply respond to each stakeholder individually but rather to an *interaction* of multiple influences from all their stakeholders (Neville and Menguc 2006).

Although few studies have researched stakeholder networks, the notion of a single collaborative stakeholder network surrounding the organization has gained currency recently. This is based on stakeholders' shared views of and interests in the organization. These stakeholders inform and are informed within the network; they present an approach to the organization based on that collaboration. Rowley (1997) introduced to the analysis social network constructs to measure the structure of stakeholder networks, in respect of density (interconnectivity) and centrality (node position). With this he built a theory of stakeholder influences, incorporating multiple, interdependent stakeholder demands and predicted how organizations respond to simultaneous influence of multiple stakeholders. McCabe, Sharples, and Foster (2012) also noted that theories of collaboration for tourism have embraced the "network" approach. They examined stakeholder engagement for designing technology-enhanced tourism services and showed the importance of stakeholder collaboration in the context of product innovation.

4. RESEARCH METHODOLOGY

In this study, descriptive survey research design was used. The study population included all the Insurance companies in Kenya, forty seven (47) in number according to the list obtained from the umbrella body of the companies, that were, Association of Kenya Insurers (AKI) and the Regulator, the Insurance Regulatory Authority (IRA). Purposive sampling was done to pick the four insurance companies. In order to meet the objective of the study, questionnaires were used to collect the data developed by the researcher. Since the study was quantitative in nature, the findings were presented in simple descriptive statistics involving some tables and bar charts.

5. FINDINGS

The study sought the level of agreement with statements related to network marketing strategy and the results are as presented in table 1.

Table 1. Level of agreement with statement relating to network marketing strategy

Statement	5	4	3	2	1
Word of mouth to mouth is the most preferred by customer as the product is demonstrated and can be questioned.	16%	68%	8%	8%	0%
Network marketing emphasizes relationships in doing business as an enterprise 'using' friendship to promote products, has been notorious for its exploitative use of interpersonal meaning	8%	58%	26%	8%	0%
marketers regularly attend rallies and meetings where the benefits of products (usually cosmetic and health products) are introduced	0%	75%	8%	17%	0%
stakeholders always form a network and collaborate around an organization to express their expert views and make decisions collectively for particular topics/issues/challenges	25%	58%	0%	17%	0%

The findings of the statement that word of mouth to mouth is the most preferred by customer as the product is demonstrated and can be questioned, this was confirmed by 84% of the respondents who strongly agreed. This was because many clients expect a demonstration from the agents on a face to face basis where they can also ask questions. Since this is a service, customers expect a one on one engagement. However, a partly 16% neither agree nor were unsure

citing that any method of delivery is welcomed as what they require is a genuine product. On the statement that network marketing emphasizes relationships in doing business as an enterprise 'using' friendship to promote products, has been notorious for its exploitative use of interpersonal meaning, 66% of the customers agreed with the statement since they said that the some staff go sell their product on a selfish gain, to sell themselves. This they do to create more job opportunities for themselves. However, 34% were on the contrary opinion as they claim that its thro networking that many organization get referrals especially for corporate insurance.

The study also found out that many marketers regularly attend rallies and meetings where the benefits of products (usually cosmetic and health products) are introduced. This was supported by 75% of the respondents who cited that a big crowd is what they always target to sell their products since it is done to the mass at a lower cost. Some respondents, 25%, refuted this saying that presentation skills matters a lot and individual presentation is the best as one gets convinced. This study discovered that stakeholders always form a network and collaborate around an organization to express their expert views and make decisions collectively for particular topics/issues/challenges. This received a support from 83% of the respondents who said that approaching an entity, as a group, was most likely to have a chance of convincing the potential customer unlike when one was as an individual. The potential customer may get convinced and the marketed product may look more real. The needs of the customer was claimed to be behind the rejection statement by the 17% of the respondents. Once an individual has a need and has the knowledge of the product, the marketing strategies doesn't matter to them.

The study also sought to know from the respondents which strategy their organization preferred to use that they think sells best to their customers, 58% of the respondents supported word of mouth to mouth as they claimed that the customer gets convinced more as individual issues are taken into consideration. Formation of networks was supported by 42% that showed that it is also preferred by most insurance firms as they mostly use it to sell their products to the corporate clients. This is summarized in figure 1.

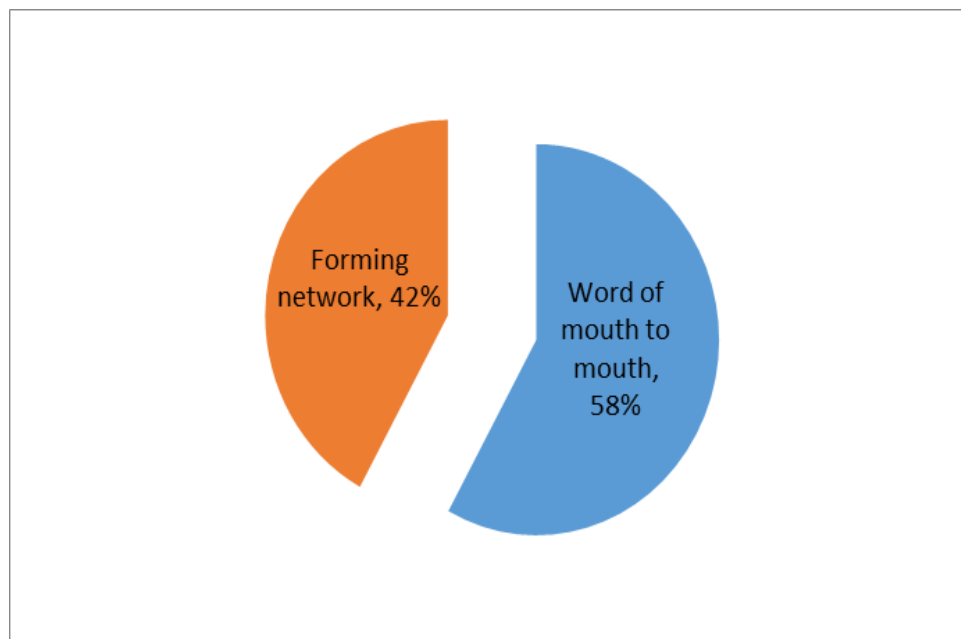


Figure 1. Strategy used by the organization

6. CONCLUSION AND RECOMMENDATION

The study found that word of mouth to mouth is the most preferred by customer as the product is demonstrated and can be questioned. Network marketing emphasizes relationships in doing business as an enterprise 'using' friendship to promote products, has been notorious for its exploitative use of interpersonal meaning, 66% of the respondents agreed with this strategy. Marketers regularly attend rallies and meetings where the benefits of products (usually cosmetic and health products) are introduced where a big crowd is what they target to sell their products since it is done to the mass at a lower cost. Marketers should aim at creating long term relationships with customers as this may bring in more referrals. This may also be a good marketing platform for them in case they want to introduce new product to the market.

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