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Customer retention strategies used by jubilee insurance in Burundi

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Abstract

The main purpose of this study was to assess the customer retention strategies used by Jubilee Insurance Burundi. The paper intended to answer to the following questions: what are the strategies used by Jubilee Insurance Burundi to attract customers? What are the challenges faced by Jubilee Insurance Burundi in so far as customer retention is concerned? How can Jubilee Insurance effectively increase its customer base? The results show that Jubilee Insurance Company of Burundi mainly attracts customers through sales representatives (34%) followed by advertisement (24%), Corporate social responsibility programs (18%), sales promotions (16%) and new product/service development (08%). The findings also indicate that the major challenges of customer retention at Jubilee Insurance Company Burundi are affordability of insurance services (32%), ineffective promotion (20%), competition (18%), government regulation policies (16%) and availability of trained staff. Finally, the respondents indicated that the management in insurance agencies need to employ skillful, knowledgeable and qualified marketing workforces (26%) who can effectively market the agency insurance services; they also indicated that the insurance agencies need to improve on delivery quality of insurance services (32%), adopt effective marketing strategies (24%), select efficient channel of advertisement (18%) and as well as advertise aggressively to attract more customers.

Keywords: Customer; Customer retention; Strategies; Insurance

1. Introduction

This paper is concerned about the marketing strategies used by Jubilee Insurance Company of Burundi to attract customers. The problem is that not many people have embraced insurance services in Burundi and thus Jubilee struggles to attract customers for its many services. This research problem is in line with marketing because most of the factors accounting for low penetration and spread of the insurance business relate to marketing and promotion strategies used by the company. For instance, a study by KPMG (2009) in Kenya showed that, among the most talked about topics in the insurance industry is the low penetration and spread of the business. Lack of trust in the industry, limited knowledge on its products, its limited reach to the informal sector; the perception that insurance is expensive, and the fear of not being able to service it continuously, are some of the factors hindering penetration of the service (p.21). Moreover, little has been written particularly about the customer retention strategies adopted by insurance companies in Burundi. Medical insurance sector has been contributing very little to the GDP of this country due to low intake of life insurance products which is affected by the various factors. The purpose of this study is to assess the customer retention strategies used by Jubilee Insurance Burundi. The paper intends to answer to the following questions: what are the strategies used by Jubilee Insurance to attract customers? What are the challenges of customer retention in Jubilee Insurance? How can Jubilee Insurance effectively increase its customer base?

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1.1. Customer Retention Strategies in Insurance Business

Marketing in organizations generate customer value at a profit. The truth of the matter is that the relationship with a customer will break when value evaporates, 'you've got to continue to generate more value for the consumer but not give away the house' it's a delicate balance indeed. For instance Noble, Sinha, and Kuma (2002) monitored product and service quality through continuous marketing and put great energy into improving hamburger in service industry in order to simplify operations, bring down costs, speed up service and bring greater value to customers (p.25). Beyond these efforts, each organization works to become a part of its neighborhoods through community involvement and service projects (Kotler, 2005, p.16).

The effective marketing of organization products influence increase market share, improve returns in the companies and generally promote growth of insurance company Marketing strategies serve as the fundamental underpinning of marketing plans designed to fill market needs and reach marketing objectives. Plans and objectives are generally tested for measurable results. Keegan (2003) stated that, "marketing integrates an organization's marketing goals, policies, and action sequences (tactics) into a cohesive whole" (p.12). This means, insurance companies need to manage and market insurance products and services, since they face rigorous regulation and complex, information-rich value chains. Marketing of insurance services by insurance agencies is central to their competitiveness and license to operate, and yet many insurers lack adequate insight to operate as high performers.

Literature also suggests that insurance companies that compete effectively on time (speeding new products to market, manufacturing just in time, responding promptly to customer complaints) tend to be good at other business attributes. Some of those business attributes include assessment of customer requirements, product quality consistency, ability to exploit emerging markets, enter new businesses, generate new ideas and incorporate them in innovations (Stalk et al, 1992). Intensive market knowledge (good understanding of customers, competitors and the market environment) is considered to be one of the key approaches to low cost production and efficiency improvement (Storey, 1994). Bezzell et al. (1995) identified six factors for the business competitiveness. They are marketing effort, relative product quality, research and development, product innovation, relative service quality and product availability. The most powerful of these are marketing expenditure, relative product quality. According to Zairi (1994) the key elements of competitiveness include the "voice of the customer through current and future demands and the voice of the process through establishing the organizational capability to deliver customer wants (Fisk, et al, 2004).

Insurance marketing is basically just the marketing of insurance products. Insurance marketing emphasizes the importance of the customer preferences and priorities. Major objectives of insurance marketing are increasing customer awareness, successful distribution of insurance products, developing corporate image, improving customer service, improving customer base and its spread (Fisk, et al, 2004). Factors impeding the application of insurance marketing are insufficient experience of insurers while expanding insurance business, non-existence of long-term development strategies of insurance companies and the fact that insurers orient mostly to short term needs; and while trying to apply more actively insurance marketing means it is necessary to change the whole organizational management structure of an insurance company, the channels of insurance products sales, technologies of communication with clients innovation (Bezzell et al. 1995).

Various local studies have focused on investigating marketing strategies adopted by companies in different industries. For instance, Njoroge (2003), carried out a study on Diversification Strategy focusing on a case study of Nation Media Group and asserted that the stiff competition that had become the norm and influenced marketing decisions in the company. Ndungu (2010) carried out a study on the effectiveness of marketing strategies used in destination branding in the promotion of domestic tourism. Masika (2006) undertook a study on retail marketing strategies adopted by Commercial Banks in Kenya. There is no study that has a clear focus on assessing the customer retention strategies applied by insurance companies in Burundi. This research seeks to determine the customer retention strategies applied by insurance companies in Burundi so as to answer the question, what are the customer retention strategies applied by Jubilee Insurance Company of Burundi?

1.2. Challenges Related to Customer Retention in Insurance Business

Drury (2003) noted that the insurance industry faces shrinkage margins and must re–engineer its businesses to stay profitable. The challenges facing Burundi's insurance industry include:

Professional malpractices– some insurers continue to engage in unprofessional malpractices, which have tarnished the industry's reputation. Unless these undesirable practices are overcome, they will continue to dent an already battered image of the industry, leading to further loses of business opportunities for the industry (Marwa, 2007). Likewise, such professional malpractices tend to scare away potential clients of Jubilee Insurance Company of Burundi. Unhealthy competition amongst insurers – Insurers are currently engaged in severe price wars amongst themselves while attempting to wrestle businesses from their rivals so as to survive (Williams, 2002).

Insurance products for a very long time have been considered to be expensive especially to those in the lower income bracket. As a result of this, the penetration to the lower market end by insurance companies has been very slow. However, with the advent of micro–insurance concept, this is beginning to thaw down as micro – insurance gains momentum day by day (Kenya Insurer, 2009). Micro-insurance is insurance that is accessed by low income population, provided by a variety of different entities, but run in accordance with generally accepted principles.

In a study conducted by Churchill (2006), low income persons live in risky environments, vulnerable to numerous perils, including illness, accidental death and disability, loss of property due to theft or fire, agricultural losses, and calamities of both natural and manmade. These poor persons are ignored by mainstream commercial and social insurance schemes and have not had access to appropriate products. According to the United Nations Development Programme, any person who earns less than $2 is considered as a person of low-income. Although poor households often have informal means to manage risks, informal strategies generally provide insufficient protection against a series of perils.

According to Geron (2006) study (as cited in Kenya Insurer, 2009), the only alternative is to purchase a type of insurance that can mitigate these risks. These risks should be mitigated in ways that are affordable and appropriate to low-income. Probably, this is one way of increasing the penetration of life insurance (Kenya Insurer, 2009). Burundi financial sector has to learn from Uganda, which has been ranked by a recent study as a forerunner and a success story in Africa (Kenya Insurer, 2009). According to Roth et al (2007) study (as cited in Kenya Insurer, 2009) which studied 100 poorest countries, Uganda was found to have almost half of micro-insurance covers in Africa. "Uganda represents a good case study as it is often cited as one of the pioneers and success stories in micro-insurance. Roth et al (2007) opine that almost half of all micro-insurance covers in Africa (excluding South Africa) are in Uganda." What makes Uganda's case an eye opener is the fast paced growth in micro-insurance, with insurance companies in Kenya just waking up to their potential, and the possibility to accelerate penetration of the insurance industry, which remains dismally low. In a survey by AKI (2010) before the launch of their strategic plan 2011 – 2015, the respondents who comprised primarily of AKI staff, its board of directors and some insurance industry CEOs, were asked where they thought the most new growth will come from. The respondents were in consensus that life insurance had the highest growth potential (AKI Strategic Plan 2011 – 2015, 2010).

Today's customers expect insurance sales people to have deep product knowledge, ideas to improve the customers operations, and to be efficient and reliable. These demands have required companies to make a much higher investment in sales force training. They have to be trained on sales techniques and in the company's products, policies, and customer satisfaction (Ogutu, 2004). Kotler (2003), states that, "customers are value – maximisers." They form an expectation of value and act on it. Buyers will buy life insurance from a firm that they perceive to offer the highest customer delivered value, which is the difference between total customer value and total customer cost. A buyer's satisfaction is a function of the insurance product's perceived value and the buyer's expectations. Customer satisfaction should be a goal and a marketing tool.

Diacon and Carter (1992) study (as cited in Kamau, 2003) notes that the insurance company's marketing staff especially the sales representatives need to be motivated always. Some will put their best effort without any special coaching from management. To them, selling is the most fascinating job in the world; they are ambitious and self-starters. However, the majority requires encouragement and special incentives. These may include a bonus, cash rewards, and other allowances. According to Maigo (2000), life insurance companies should know about the prices they are selling their products and should also understand their customers‟ needs.

Wells, Stafford and Friedman study (as cited in Etemesi, 2004) cite lack of professionalism as a source of customer dissatisfaction in the insurance industry. Lack of technical and experienced staff can lead to improper interpretation of the policy provisions and consequently payment of a claim that was not otherwise payable under the policy.

Munguti (2006) noted that the widespread customer dissatisfaction in the insurance industry has been of great concern to various stakeholders in the industry. This is due to various impediments to efficient provision of services to customers. In his book, Dorfman (2004) notes that there has been significant changes in the marketing of all types of insurance in the preceding decades. The marketing of life insurance has been an area of obvious change. During the early part of the twentieth century, it was common for life insurance agents to come to an insured's home on a weekly basis or monthly basis to collect a small premium for "burial" insurance. This type of life insurance now has almost disappeared. Dorfman (2004) continues to note that today, many individuals who previously identified themselves as life insurance agents call themselves "professional financial planners." These financial planners believe the new identification better reflects the fact that they can offer a broader range of services than the traditional life insurance agent.

According to Berkowitz, Kery, Hartley and Rudelius (1997) study (as cited in Kamau, 2003), promotion includes all activities the company undertakes to communicate and promote its products and services to the target market. Promotion represents the fourth element in the marketing mix commonly referred to as the 4P's of marketing. The promotion element comprises of a mix of tools available for the marketer called the promotional mix. Life insurance companies employ these tools so as to reach their customers and persuade them to purchase their products. Belch and Belch (2001) defines promotion as the coordination of all seller initiated efforts to set up channels of information and persuasion to sell goods and services or promote an idea. While implicit communication occurs through the various elements of the marketing mix, most of an organization's communications with the market place take place as part of a carefully planned and controlled promotional program.

Kotler (2003) noted that companies often need to restructure their business and marketing practices in response to significant changes in the business environment, such as globalization, deregulation, computer and telecommunications advancements, and market fragmentations. The main responses of business firms to a rapidly changing environment include empowering personnel to produce more ideas and take more initiative. This should be the case with marketing and selling of life insurance products. Packaging insurance products with multiple benefits will go a long way in growing their uptake. Jubilee Burundi General Manager said more needs to be done to encourage more people to take up various covers. He said that the insurance industry needs to be flexible enough to understand and meet the needs of the Kenyan market. Insurance products that package multiple elements have proven to be more attractive in convincing the uninsured segment of the economy of the need for insurance.

Ogutu (2004) points out that, the role of marketing in the organization is changing. Traditionally marketers have played the role of middlemen, charged with understanding customer needs. In a networked enterprise, every functional area can interact directly with customers and modern marketers of life insurance need to interact the entire customer – facing processes so that customers see a single face and hear a single voice when they interact with the firm.

According to Kotler (2003), pricing is the amount of money charged for a product or service, or the sum of the values that consumers exchange for the benefits of having or using the product or service. An increasing number of companies are basing their prices on the product's perceived value. Price is considered along with other marketing mix variables before the marketing program is set.

Life insurance products selling are highly affected by developments in the political and legal environment. These factors include laws, government agencies and pressure groups that influence and limit various organizations and individuals (Kotler, 2003). Marketers of life insurance products need to understand their customers‟ purchasing power. The available purchasing power in an economy depends on current income, prices, savings, debt and credit availability (Muchire, 2003). Marketers must pay close attention to major trends in income and consumer spending patterns (Kotler, 2003).

2. Material and methods

The study used descriptive research design to summarize and organize data in an effective and meaningful way. Both quantitative and qualitative research methods were applied. Mugenda and Mugenda (2003) noted that a descriptive survey research attempts to collect data from members of a population in order to determine the current status of that population with respect to one or more variables. This study was a descriptive survey as it set out to describe and interpret a situation (Etemesi, 2004).

The study utilized self-administered questionnaires to collect responses from the sampled respondents. A structured survey questionnaire was administered by the researcher to the respondents who were required to complete them. A sample of the questionnaire is attached as appendix C of this paper. The questionnaire contains two sections. The first section contained general data of the respondent, which was useful in the analysis. The second section contained some differential belief statements, which the respondents were to tick or complete as per their level of agreement. Mugenda and Mugenda (2003) said that the questionnaire tool is the most appropriate where detailed information is required.

For secondary data, the researcher used document review method of data collection. Document review is a way of collecting data by reviewing existing documents. Here the researcher reviewed company documents such as sales reports, annual reports and bulletins. Mugenda and Mugenda (2003) argued that, reviewing existing documents helps you understand the history, philosophy, and operation of the program you are evaluating and the organization in which it operates.

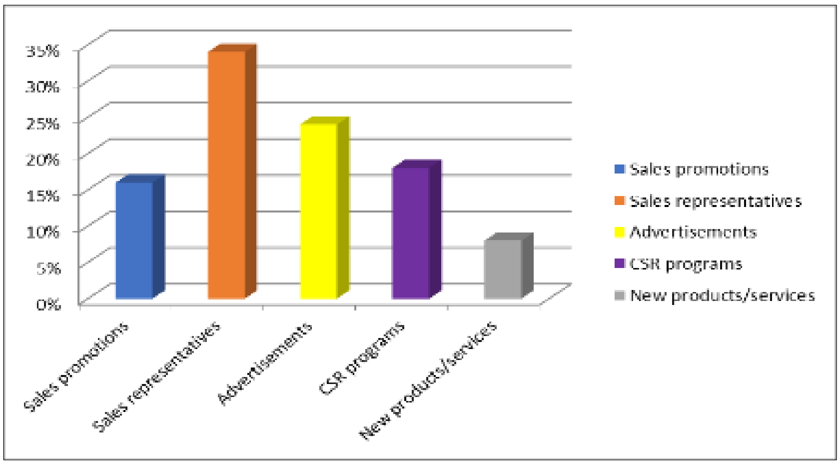
The collected data was examined and checked for completeness and comprehensibility. The data was then summarized, coded and tabulated. It was then analyzed using descriptive statistics with the help of Microsoft Excel 2007 version. For the above purpose frequencies and percentages were used. Tables and graphs were used in the presentation of the data. This ensured that the gathered information is clearly understood. The content analysis was used to analyze the respondents' views about the customer retention strategies used by insurance companies in marketing of insurance services.

3. Results and discussion

This section discusses the results in a way to answer to the questions asked in this study.

3.1. Customer retention strategies used by Jubilee Insurance of Burundi

The findings under this sub-section relate to the first research question which stated that 'What customer retention strategies are used by Jubilee Insurance of Burundi? Through self-administered questionnaires, respondents were able to point out the key customer retention strategies applied by Jubilee Insurance Company of Burundi. The findings are presented in figure 1 below;



Source: Primary Data

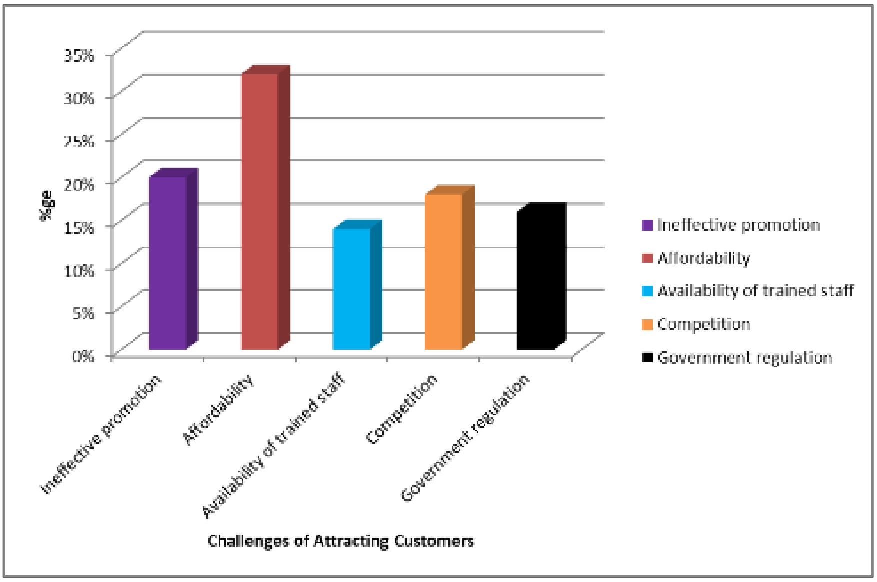
Figure 1. Customer Retention Strategies at Jubilee Insurance Company

The findings in figure 1 show that Jubilee Insurance Company of Burundi mainly attracts customers through sales representatives (34%) followed by advertisement (24%), Corporate social responsibility programs (18%), sales promotions (16%) and new product/service development (08%). Similarly, Periasamy (2005) found that, in case of life insurance services, promotion is done through a mix of advertising, personal selling, and sales promotion. Promotion communicates with the potential market so as to persuade the prospective customers to try a new insurance product.

3.2. Challenges faced by Jubilee Insurance Company of Burundi with regard to customer retention

The findings under this sub-section are in response to research question two which asked, "what are the challenges of customer retention at Jubilee Insurance Company of Burundi?" Through self- administered questionnaires, respondents were able to point out the key customer retention strategies applied by Jubilee Insurance Company of Burundi. The findings are presented in figure 2 below;

The findings in figure 2 indicate that the major challenges of customer retention at Jubilee Insurance Company of Burundi are affordability of insurance services (32%), ineffective promotion (20%), competition (18%), government regulation policies (16%) and availability of trained staff. The researcher observed that the factor that determines the client's ability to purchase any Insurance product is the issue of cost. The other issue that is facing property insurance and liability today is the high cost of insurance for some segments of the insurance buying public and the response that this high cost has generated among those buyers and among certain other groups. Respondents noted that highly priced life assurance products may discourage buyers compared to lowly priced well packaged products. The study further observed that marketing is becoming increasingly vital in the contemporary Burundian insurance business environment. Environmental variables and intense competition from other financial institutions have compelled Burundian insurance companies to devise ways and means to survive and operate efficiently and effectively. Specifically, Jubilee Insurance Company of Burundi is showing some interest in the relevance of marketing techniques in their businesses.



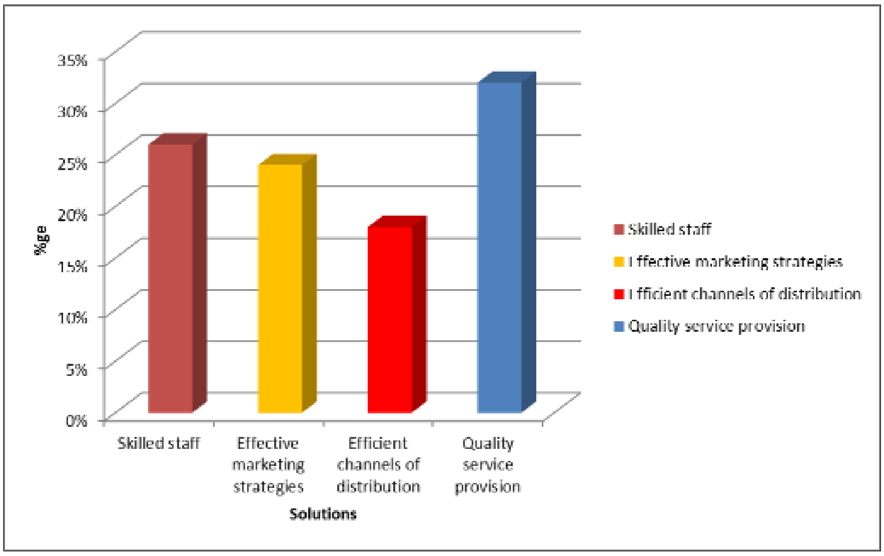
Source: Primary Data

Figure 2 Challenges of Customer Retention at Jubilee Insurance Company

Jubilee Insurance Company of Burundi also faces a challenge of getting the rightly trained staff to sell its products/services. Yet Ogutu (2004) said that, today's customers expect insurance sales people to have deep product knowledge, ideas to improve the customers operations, and to be efficient and reliable. These demands have required companies to make a much higher investment in sales force training. They have to be trained on sales techniques and in the company's products, policies, and customer satisfaction.

3.3. Ways to overcome customer retention challenges at Jubilee Insurance Company of Burundi

Research question 3 was "How can customer retention challenges be overcome at Jubilee Insurance Company of Burundi?"



Source: Primary Data

Figure 3 Solutions to Customer Retention Challenges

The respondents were requested to indicate how challenges affecting retention of consumers in insurance agencies. From the findings in figure 3, the respondents indicated that the management in insurance agencies needs to employ skillful, knowledgeable and qualified marketing workforces (26%) who can effectively market the agency insurance services. The study found that the insurance agencies need to improve on delivery quality of insurance services (32%), adopt effective marketing strategies (24%), select efficient channel of advertisement (18%) and as well as advertise aggressively to attract more customers.

4. Conclusion and Recommendations

The results show that Jubilee Insurance Company of Burundi mainly attracts customers through sales representatives followed by advertisement, corporate social responsibility programs, sales promotions and new product/service development. The findings also indicate that the major challenges of customer retention at Jubilee Insurance Company Burundi are affordability of insurance services, ineffective promotion, competition, government regulation policies and availability of trained staff. Finally, the respondents indicated that the management in insurance agencies need to employ skillful, knowledgeable and qualified marketing workforces who can effectively market the agency insurance services; they also indicated that the insurance agencies need to improve on delivery quality of insurance services, adopt effective marketing strategies, select efficient channel of advertisement and as well as advertise aggressively to attract more customers.

The study recommends that management in Jubilee Insurance Company of Burundi need to employ skillful, knowledgeable and qualified marketing workforces who can effectively market the agency insurance services.

The insurance company needs to adopt effective marketing strategies, select efficiency channel of advertisement and improve on delivery quality of insurance services as well as advertise aggressively to attract more customers.

The study recommends that management of Jubilee Insurance Company need to make effective choice of communication channel, enhance reliability in delivery of insurance, reduce fraudulent claims and manage premium insurance, and develop insurance brand to enhance marketing of insurance services by the insurance agencies.

Finally, further studies need to be conducted using more variables that seem to be pertinent to the study. The studies should be conducted to investigate the interaction of other variables that influence the growth of medical insurance business.

Compliance with ethical standards

Statement of informed consent

Informed consent was obtained from all individual participants included in the study.

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