INFLUENCE OF DISTRIBUTION STRATEGIES ON THE UPTAKE OF MICRO-INSURANCE PRODUCTS IN KENYA.

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A RESEARCH PROJECT PRESENTED IN FULFILMENT OF THE REQUIREMENTS FOR THE AWARD OF THE DEGREE OF MASTER DEGREE IN BUSINESS ADMINISTARATION (MBA) IN MARKETING

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DECLARATION

I declare that this research is my own work and has not been submitted for any other degree or examination in any other university

Signature………………………….. Date ………………………………………….

FRIDAH MUTUA

D61/83762/2016

The project has been submitted for examination with my approval as the university supervisor

Signature…………………………….. Date………………………………………

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DEDICATION

I wish to thank the almighty God for giving me the strength, knowledge and resources to work on this project .Also my dedication goes to my late Dad Justus Mutua whose love for education was immeasurable and always encouraged me to work us and further my education

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ABSTRACT

This research focused on the influence of distribution strategies o Micro Insurance product uptake in Kenya. It is important to mention that for any good and services to succeed there the process has to be supported by a strong distribution strategy. This is because the production and sales cycle is not complete without strategic distribution channels failure to which the value chain will collapse and goods and services will not reach the intended consumers. This study focused on Micro insurance in Kenya mainly due to the fact that this product growth has remained low despite it being a critical sector for Kenyans to cushion themselves against eventualities and poverty reduction. The study assed and measured the influence of distribution on Micro Insurance uptake and made recommendations to Micro insurers on how they can improve their distribution strategies in order to reach out to the masses at minimal cost.

The study was based on two theories including the theory of competitive advantage and the agency theory. Competitive theory because the Micro Insurance market in Kenya is low and is characterized by cut throat competition and for insurers to success they have to adopt strategies that give them a competitive advantage. The agency theory was considered due to the value chain in Micro Insurance product distribution and for it to succeed agency there is need for a proper management of the stakeholders. The population of the study was drawn from 38 financial institutions which offer Micro insurance products including Insurance companies, Microfinance institutions and commercial banks. In each organization one responded in charge of distribution was selected to participate and 30 questionnaires were successfully completed.

Data collected was analyzed using simple percentages and regression analysis and presented using charts and tables. The finding of the research there was a positive relationship between distribution strategies adopted and product uptake. Some of the key considerations Micro Insurers should make while selecting a distribution strategy included nature of products and customer characteristics. The research recommends that Micro insurers should make critical considerations while selecting distribution strategy as this will in the long run determine the survival of the organization

CHAPTER ONE: INTRODUCTION

1.1 Background of the Study

Success in today's highly competitive and dynamic market environment requires organizations to have compelling strategies in place to cope with changing customer need, penetrate new markets and stay ahead of competition. This can be achieved by leveraging on a holistic organizations strategy which includes a well-defined marketing strategy. A key aspect in marketing strategy is product and service distribution. A strong marketing strategy underpin the busness objectives in line with the bisiness plans. Without a cohesive ditribution strategy , the decisions made around concerned areas by companies can be adhoc, fragmeneted and lose effect. An efficient distribution strategy means putting the right product in the right place, at the right price, at the right time. According to Kotler (2000), distribution includes various activities the company undertakes to make the product accessible and available to target customer. There are three key distribution strategies namely exclusive distribution strategy whereby sole rights are granted to one retailer to sell specific products, in this case the retailer has control and loyal support. Intensive distribution; the kind where there are as many retailers as possible selling the same products and selective distribution where one numerous but limited outlets distribute same product.

This study will be anchored on the competitive advantage according to Porter (1985) and the agency theory Logan(2000). This is due to the fact that firms remain competitive if they adopt strategic and unique distribution strategies at the same time maintain good relationship with agents throughout the distribution value chain. Based on competitive advantage theory; a market oriented distribution strategy helps an organization to possess the ability to generate, disseminate, and respond to information about market forces and market conditions better than their less market oriented rivals Jaworski and Kohli (2003). In order to remain competitive marketers are required to keenly master the channels used by their competitors, at times borrow distribution ideas from successful industry players but depending on the nature of competition; they should avoid channels used by competitors that can culminate to market rivalry. A successful distribution strategy should also be underpinned by a perfect relationship between its principles and agents. Distribution process includes direct selling or selling through the agents and intermediaries. The agency theory according to Logan (2000) is based on the separation of ownership and control of economic activities between an agent and a principal. The assumption of the agency theory about the agent behavior are negative and the agency theory is used to rationalize the challenges between the members of a distribution chain. The agency theory principal is critical for an effective distribution process

Majority of the Micro insurance Kenya target market are the small and Micro Entrepreneurs in the informal sector who are excluded by convectional insurance companies. Therefore many people find themselves outside a formal employer facilitated or waged situation. According to Kenya National Bureau only 3% of Kenyans have access to any form on insurance and less that 1% of its come from micro- insurance segment. Considering the importance and the benefit of insurance, the low numbers and high competition for the few available customers, it seems a lot is yet to be achieved in terms of research and strategy implementation. Distribution is considered as one of the key factors in product penetration. The researcher will be interested understanding the impact of distribution strategies adopted by micro-insurance companies and influence on product uptake

1.1.1 Concept of Distribution

As the forth and key marketing mix commonly referred to as place or physical distribution it plays a critical part in the product lifecycle without which business transactions will not take place. A product can have the best quality, with the best pricing and promotional activity but will be a failure in the market if the organization does not adopt strategic distribution plans. Distribution strategies add value to the bottom-line in the product life cycle by reducing the distance and building a relationship with the customer by making the product easily accessible. Distribution idea is an important task in all business sectors as it plays important function in the performance of products and services in the market and help in company profit maximization. According to Porter (1985) organizational competitive advantage can be achieved if the firm implements a value creating and effective distribution strategy that is not simultaneously being implemented by any current potential competitors. According to John O’Shaughnessy (1992) in his book competitive marketing; a strategic approach denoted that a distribution system is the network of people, institutions or agencies involved in the flow of a product to the consumers, together with informational, financial, promotional and other services associated with making the product convenient and attractive to buy and rebuy.

There are two major aspects of distribution including the channel and the physical distribution... Physical distribution according to Kortler and Armstrong (2000) is the task involved in planning, implementing and controlling the physical flow of materials, services or final goods or related information from point of origin of consumption to meet the customer requirements at a profit. Physical distribution begins from the production area or plant through to the final consumer. The activity needs to be properly managed by a logistics expert to avoid inefficiencies. Channel of distribution on the other hand refers to a related arrangement which transfers goods from the producers to the final consumer. According to Linus Osuangu Channel of distribution refers to series of marketing institutions through which tittle to or control of product, service or idea is transferred from producer to consumer.

1.1.2 Distribution Strategies

Distribution strategies are concerned with the efficient channel and arrangement used to make goods and services available to customers, also agents and the product value chain that is used to move a product and service in the cheapest available way in order to make sure that customer needs and wants are fulfilled Achison (2002). One of the significant features of an organizations achievement of its objectives is selecting the proper distribution strategy. A good distribution strategy is based on finding the most profitable way to reach a market Ford and Mottner (2003) an effective distribution channel plan , application and control should be able to meet the shopping desires of the consumer. One of the key considerations when selecting a marketing strategy is the consumer choice and preferences.

There are three distribution strategies including Selective, excusive and intensive distribution strategies. Selective distribution strategy involves less channels but focusses on the economies of scale by leveraging on numbers. Frazier et al., (2009) argued that manufacturers positioning their brands as high quality have reason to pursue a highly selective distribution policy. Exclusive distribution strategy approach is the opposite of intensive distribution strategy as the focus is on fewer with few channels, this strategy works for brands like fashion related products for purposes of uniqueness. The main aim in this distribution strategy is to maximize on margins as opposed to volumes. In exclusive distribution strategy, organizations limit the number of retailers or intermediaries to one in a given market area. It helps in maintaining control and the partnership is stronger. The disadvantage with exclusive distribution strategy is that it can limit the potential of a product due to covering a very small market.

Intensive distribution strategy deals with products that target masses including fast moving consumer goods and basic services that need to be easily available to the consumer every time and anywhere they need to consume it. The sale of groceries in petrol and service stations is an example of how intensive distribution has grown Bowersoxeta'l (1979). It is characterized by many outlets, high number of customers, high demand, affordability and impulse buying. According to Stem, El Ansary, and Coughlan (1996) channel management is a critical foundation in of channel management is determining the number of outlets in a given geographic area. Within marketing, the primary theoretical thrust links product class to distribution strategy Aspinwall (1958), Copeland (1923)

1.1.3 Insurance uptake

Research indicate several factors determine the demand for insurance, however it is said that insurance is a complicated issue. Some of the determinants for demand include personal characteristic such as trust, availability, education, age, and value proposition, and perception, ability to pay and risk probability. Income, education and distribution are the key determinants of demand and are correlated with many other factors related to insurance demand. For example, wealthier people tend to have greater assets at risk and due to their lifestyle face different levels of risk. Wealthier people may also have different attitudes towards risk and a different level of education about risk and insurance. In the absence of micro-insurance, people mostly from middle low income segments market habitually patch together resources from multiple sources to meet expenses related to poor health, loss of a family member, asset loss and other unforeseen surprises. This is because they are financially constrained and are unable to cover their losses through a formal insurance company. Insurance products are less accessible and hard to understand further narrowing the demand leaving the insurers in a difficult situation

1.1.4 Micro – Insurance concept

Micro-insurance can be defined as a cushion to guard low income earners from risks like loss of a family member, ill health, natural calamities, property and business related risks. People from the low pyramid face household and other common risks, to overcome the risks they have pull resources from their family an friend circles and other informal risk sharing applications In most cases micro-insurance is meant to target micro and small entrepreneurs in the informal sector who are mostly left out of by convectional commercial and social insurance schemes. At times they can pay a small monthly or weekly insurance premium tailor made according to their basic insurance needs and income trends. When faced by risks low income earners are more exposed to risks and inability to mitigate the risk leading to economic loss. World Bank (2011) estimates that 1.2 Million people (20%) of the population live in poverty and of these only below 3% have any form of access to insurance. The lack of insurance does not stop the poor from accessing any type of insurance mechanism, Tucker (2007) shows that the poor urbanites spend 9.2% of their income attempting to reduce disastor risk without the advantage of insurance. This suggest that micro-insurance services are in demand but have not been effectively supplied.

1.1.5 Micro-Insurance Industry in Kenya

According to Kenya Insurance Regulatory Authority, Kenya insurance penetration was at 3.1% of the gross domestic product (GDP) by the year ending June 2016. Some financial institutions have however embraced Micro-insurance by introducing products such as Faulu Kenya offering FauluAfya, Salama Sure by UAP and Afya Bora by CIC. This products are concerned with health, livestock, life insurance and last expense cover. Kenya's insurance potential market has over 11 Million people, however; to date, the major focus of insurance companies has been the delivery of services to a formally employed retail market. This leaves a large informal market without access to insurance products and services.

Bulk potential micro-insurance target market are in the informal sector. According to Kenya National Bureau of statistics the informal sector which constitutes 80% of employment, over 60% are youth aged 18 – 35years with 910,000 being SMEs employing over 2 million people. The informal segment pays critical economic growth in the Kenya; nevertheless, the micro-insurance industry growth levels remain low a fact which has been attributed to several dynamics. In a report by the insurance regulator some of the shortcomings to the delivery of micro-insurance products and services to the consumer are the distribution strategies adopted by insurers; the existing micro-insurance distribution strategies and supporting structure do not seem to bear a proper and fit capability to drive micro-insurance penetration majorly due to the fact that insurers and more specific underwriters approach micro-insurance like any other convectional insurance products. Due to the challenges of accessing the mass market, some micro-insurance products in Kenya have failed most notably Changamka Micro-health and a health product named Linda Jamii that was developed by Britam in partnership with Safaricom. Government products like NHIF and NSSF form the biggest percentage of micro-insurance products in Kenya. From a supply perspective, insurers are struggling with high cost of reaching out to the low end market due to the wide coverage leading to loss of opportunities. The Kenya micro-insurance policy paper (2014) points out that for micro insurance to be successful, there should be a model for sharing the cost and profit with various distribution agents to increase potentials through profit maximization

1.2 Research Problem

Micro Insurance products are not bought, they are sold, Tadesse & Brans (2012) A big percentage of the target market do not see the need of insurance and will not voluntarily go to an office to ask for insurance products. To succeed in the area micro-insurance, insurers should focus on a distribution strategy whereby the products are mainly distributed by insurers going to the customer's premise or business locations and explaining the benefits of the products. Prior studies have revealed that there is a significant relationship between insurance uptake and distribution strategies adopted by the insurers. The selling process requires a strategic and effective approach, customers need to be educated on the benefits including transaction process and the claim process. The target market is also unique in their own ways in the sense that most of them are not educated to understand the process easily. This kind of transaction and customer demographics need a special approach to distribution. Due to this there is a need to understand the influence of distribution strategies adopted by insurance companies and impact on micro-insurance uptake (Insurance Policy Paper 2012)

Majority of low income people in Kenya do not have access to facilities like micro-insurance in order to hedge them from emergencies. They are therefore highly vulnerable to accidents, natural disasters, illness, death and risk of damage to property, all these can have a shocking effect on their livelihoods. Barriers to access to micro-insurance have a negative effect on demand even among some market segments that are already positive about the product. Consumers of insurance are predisposed, occasionally unreasonably, by apparent insignificant restrictions, for example a client may decide to ignore a certain purchase decision simply because they are required to drop an insurance form to an office they don't know or the insurance officer has not visited their premise to explain to them the benefit of taking an insurance cover. The objective of this study is to assess the impact of distribution strategies adopted by insurance on product uptake. According to Njuguna and Arunga, (2013) one of the risks inherent in micro-insurance is adequacy of distribution channels.

Several studies have been carried out in the area of micro-insurance both locally and internationally. From an international perspective Fabien Huber (2012) conducted a study to examine micro-insurance demand a case study of a micro-insurance scheme in Indonesia. In India, Ahuja and Guha-Khasnobis (2005), researched the trends of micro insurance products uptake against the distribution strategies adopted by selected insurers and found that there was a correlation between product uptake and distribution strategies adopted. Locally Muriuki(2013) conducted a research to understand the challenges faced by insurance agencies in Nairobi Kenya, the study revealed that consumer perception, distribution challenges and income levels affect micro-insurance product uptake. Njuguna and Arunga(2013) conducted a research to tackle the risk management practices by service providers in micro- insurance and found out that most universal risks facing micro-insurance providers as; diseconomies of scale emanating from low penetration, inadequate distribution networks, associated risks and strict regulation. None of the above studies narrowed down specifically to understand micro-insurance distribution strategies and their impact on product uptake and this study seeks to fill the gap. The researcher in this study will seek to understand the influence of distribution strategies on micro-insurance product uptake in Kenya. This feedback will give strategic direction to micro-insurance decision makers on how to increase product micro insurance uptake through strategic distribution process. Of interest to this study will be distribution of Micro-Insurance products because Insurance is sold and not bought. The main research question will what is the influence of distribution strategy on Micro-insurance product uptake

1.3 Research Objective

The objective this research is evaluate the influence of distribution strategies on the uptake of micro-insurance products in Kenya

1.4 Value of the Study

This study will contribute to the theory of competitive advantage and agency theory by enhancing the effect of distribution and its role in increase organizational product uptake and new market penetration. Success of an organization is dependent on how to approach the market in a unique way that is not being adopted by competitors. The research findings will be used as a basis for future study in the area of increasing micro insurance penetration in Kenya. Further research need to be conducted to evaluate the influence of other factors on micro-insurance uptake including age, gender, income, customer behavior among other parameters

This research will help Banks, Microfinance banks and Insurance companies to adopt strategic distribution for their micro-insurance products and services. Through the study the industry players will be able to identify the gaps and distribute the products in an efficient and cost effective manner This will offer them opportunities to tap the under developed segment. The research findings will be used as a basis for future study in the area of increasing micro insurance penetration in Kenya.

This research will also will help policy makers and regulators make strategic decisions while developng the framework to support the distribution of micro-insurance products in Kenya. Key area of concern being simplification of the stringent guidelines around insurance distribution requirements. The impact will support in achievent of vision 2030 objectives through poverty and disaster reduction among the poor communties in Kenya.

CHAPTER TWO: LITERATURE REVIEW

2.1 Introduction

This chapter reviewed the literature on how distribution strategy can influence product uptake in Kenya. This was done by citing two theories that is the theory of competitive advantage and agency theory. This chapter also highlights the considerations made by organizations while selecting an effective distribution strategy.

2.2 Theoretical Framework

This research will be based on two theories namely the theory of competitive advantage and the agency theory

2.2.1 The Theory of Competitive Advantage

A competitive advantage in marketing can be defined as gain in their favor against competitors by presenting the best to the customer in terms of value for their money, quality, quantity and ease of availability. Competitive advantage can also be achieved by providing more benefits to the consumer over and above their normal purchase or request, this can be achieved through give away, product bundling at a lower price, after sales service and other strategic benefits to the consumer. According to Porter (2005), organizational competitive advantage can be achieved if an organization implements a value creating strategy that is not simultaneously being implemented by current or potential competitors.

The conventional product and service market is full of competition and product differentiation has also become much less hence marketers are trying any creativity to gain every slight edge to gain market share. Today, business success is gauged by the ability to approach customers and the market differently from their competitors at the same time giving more value to their consumers According to Day (2004) Market-driven firms are distinguished by the ability to sense events and trends in their markets ahead of their competitors. For them to succeed they are expected to foresee the future market trends, purchase habits of their customers and respond with actions that will attract customers, maintain a good relationship with agents as well as adopt strategies that are not likely to be replicated by competitors in order to impede any form of competition . Most organizations use innovation, technology, research, strategic distribution as key tools to counter competition challenges faced by the competitive challenges organizations

2.2.2 The Agency Theory

An agent can be defined as an individual or an entity acting on behalf of an organization. An agency relationship occurs when owners commonly referred as principles of a certain business entity contract another group or person commonly known as an agent to carry out the day to day activity and make decisions on behalf of the principle. In the case of product and service distribution for example the agency relationship can be defined by the relationship between suppliers and buyers Ketchen&Giunipero (2004).The agency theory explains the relationship between two principles for instance shareholders, manager and agents. In this relationship the principle delegate hires an agent to perform the work on their behalf. The agency theory says that due to subjective needs, preference and different interest between contracting principles conflicts may arise. The pervasive nature of contractual relationship gives the agency theory an important place on distribution of products as in many cases it involved more than one party. It is important to any organization dealing with product and service distribution to consider the agency theory because it provides opportunities on how risks can be avoided. It also provides an avenue where the threat of opportunism can be minimized along any supply chain. The agency theory is useful in distribution as it helps in monitoring all the activities taking place along the distribution chain. By so doing, an organization can be able to minimize costs thereby increasing the profitability and revenue earnings

2.3 Empirical review of the factors influencing distribution uptake

As the era of rapidly changing customer trends, technology and revolving market dynamics continue to gain momentum, it has become widely understood that developing a compelling distribution strategy is key in sales and product acceptance by consumers in the market. Distribution decisions have a far reaching effect in an organization in terms of effort and resource therefore organizations are advised to make careful considerations in developing their distribution strategies especially during the introduction of new product and service innovations (Stern and Sturdivant, 1987). The most important consideration in selecting an ideal distribution strategy is that matches the company goals and objectives at the same time appeal to the target market but at the lowest cost possible. According to Liu and Weinberg (2004), the decision of how to distribute products is connected to the general strategy an organization specifically with relation to an organizations products, customers and the geographical coverage

2.4 Considerations in the Choice of a Distribution Strategy

The main aim of a distribution strategy is to forge a competitive advantage for organization in a given area. The distribution sector includes commission agents, wholesalers and retailers who act as enablers of trade Matteo (2008). Distribution strategy decisions are an important part of marketing function and therefore managers need to pay critical attention to the strategies they adopt Pitt, et al (1999).To choose a distribution strategy, identifying the functions to be performed by the distribution system, access to good intermediaries and the channel that is most profitable are some of the key considerations. With the aim of reaching the right target market, right numbers and right time marketers are faced with the question of what considerations best suits their distribution strategy. When delivering products to the final consumer three types of distribution strategies are considered namely intensive, selective and exclusive distribution. Fill (2005) posits that in order to make a distribution strategy decision, an organization need to consider a number of factors.

The decision of selecting channels for product distribution largely depends on specific characteristics of the product and its manufacturer Aspinwall (2008). Product characteristics including value, shape, size, colour and durability are some of the key considerations when choosing a distribution strategy. Consumable substances requires smaller channel as opposed to durable goods which can go through a longer channel. Selective distribution strategy works well for targeted brands like high profile fashion products whereas exclusive works well for highly precious products. Intensive distribution on the other hand targets products that need to be easily available to the consumer like goods found in local outlets near customer residential areas. Intensive distribution is characterized by products that have high demand and high frequency of purchase.

To attain the best distribution strategy marketers need to first analyze number intermediaries in a given area. An intermediary can be defined as a person or a firm who/which acts or sells products on behalf of an organization for example agents and brokers in insurance. Intermediaries help organizations achieve their distribution objectives by reducing cost, improved customer experience, supporting customer accessibility to credit and enabling them to make frequent purchase and in small quantities but above all improve sales**.** Marketers should aim at selecting the intermediaries that will give the best results in terms of coverage. This intermediaries can also be vetted against their ability to satisfy customer needs including convenience, cost variety and pre post sales service to consumers. Intermediaries need to generate maximum revenue to the organization since the bottom line of any organization is to make maximum profit. Availability of the right caliber of middlemen is also a key because some product like insurance may require specific knowledge which necessitates some form of training.

The choice of a distribution strategy is also influenced by the organizations characteristics including its financial wellbeing, nature of organization, past experience, marketing policies and size of the organization. A large sized company may adopt the intensive marketing strategy to cover a wide geographic area while a small organization would prefer to distribute its products through selective distribution strategy to reach out to a small targeted geographic area. Organizations that have a good reputation and are known in the market are in a better position to eliminate long distribution channels as the effort to sell their products is much less because it can establish its own retailers. An example of such organizations in Kenya is Safaricom. Small organizations on the other hand cannot afford to invest in retail distribution and have to depend on middlemen.

From a customer's perspective; the market place has become highly dynamic with customer focus changing to non-price purchase decisions. Economic distribution channel theory postulate that, the best distribution channel can be created by examining the customer needs and understanding their consumption habits for example how they are willing to pay for certain goods and services, where they are willing to get the service from and the cost they are willing to pay for alternative channels or goods and services Stern et al, (2006). Customer feedback, understanding customer needs and perceptions remain imperative towards defining a winning distribution strategy. Considering consumer behavior in distribution strategy development helps in market segmentation, proper positioning differentiation and targeting. The bases of customer evaluation may be based on factors including geographic location, lifestyle, demographics, and psychographic attributes. Distribution strategies have evolved into a domain totally centered on customer experiences and methods of providing and enhancing them El-Ansary (2005).

In the 21st century business landscape, firms compete in a complex and challenging context that is being transformed by many factors from globalization to the frequent and uncertain changes to the growing use of information technologies Danel et al (2003).When selecting a distribution strategy it is important to examine the micro environmental factors such as technological, political, legal, and social factors as they have an influence in an organizations strategy performance. Organizations are governed by strict regulatory guidelines which they are required to follow failure to which they are subjected to fines. This requirements affect the company strategy and more specifically the distribution strategy. An example of highly regulated product in Kenya is the liquor industry where by alcoholic drinks and drugs are required to be distributed by specific channels and outlets. In Kenya the competition law controls consumer product pricing, unfair business practices, cartels and monopolism. Another legal influence of distribution strategies are due to competition control, alignment to national and regional policies, laws and regulations leading to distribution discrepancies between two regions and import/export bans. Such regulations can prevent exclusive distributions and territorial restrictions.

Goods and service organizations are faced with the challenge of the ever increasing cost of reaching out to their consumers especially for those that cover a wide geographical area. Distribution costs include fuel, staff cost, transportation, and communication; for organizations to survive in such environments they to put anyplace strategic cost benefit analysis. Geographical imposed gap between firms and their potential consumers is bridged by distribution, as physical distribution uses its transportation function to provide time and space utility between these two parties Bowersox and Closs (1996). Marketing efforts, such as the extension of product lines and penetration of new marketing channels into new markets, are increasing strain on distribution systems, making them more complex to manage and more expensive to operate McKinnon (1999)

CHAPTER THREE: RESEARCH METHODOLOGY

3.1 Introduction

This chapter focused on how the proposed study was carried out. It covers how the research was to be designed, the population under study, the data collection process, analysis and presentation of final data

3.2 Research Design

A research design is as a conceptual structure within which research is conducted Kothari (2004), The research design answers questions concerning the techniques that were used to gather information, the kind of sampling to be used. According to Kothari (2004), a good research design is flexible, appropriate, economical and efficient. Saunder (2003) defines research design as the arrangement of condition for collection and analysis of data in a manner that aims to combine relevance to the research purpose with economy in procedure. The research study was descriptive in nature.Descriptive research was more recommeded for this research due to its ability to answer the question why, what and when inorder to holistically meet the researchers objectves. According to Mugenda and Mugenda (2003), the purpose of descriptive research is to determine and report how things are, and helps in establishing the current state of the population under the study. Descriptive approach is a term used to refer to research questions that only use descriptive and not inferential statistics Gliner et al. (2009). Descriptive study enables the researcher probe for more information and present the results in an information wealthy manner.

3.3 Target Population

According to Mugenda and Mugenda (2003), a population is the group of subjects who conform to a given specification that can be used as a data source for research purposes. The insurance universe consist 49 insurance companies. 44 commercial banks, SACCOs and Microfinance institutions; of these, 13 banks, 18 insurance companies and 7 microfinance institutions offer micro-insurance products. The target population for this research will consist of this 38 financial institutions that offer micro-insurance products and services hence census survey approach methodology was applied.

3.4 Data Collection

The research was based on primary data collection methods and mainly focussed on quantitative data collection approach. Quantitative research was conducted using closed ended questions. The flow of the questions was phased in a way that one question leads to the other for a deeper understing of the study.The questionnaire was divided in to three sections, The first section of the questionnaire sought to understand the responded profile and any other questions related the sampled orgarnizations profile, section two sought to understand general industry issues and the nature of micro-insurance orgarnization in question and section three sought to the relevant information related to the research objectives. From the 38 financial institutions that distribute Micro-insurance products, a manager or supervisor in the department of distribution was approached by the resaercher to partcipate in the resaerch. The data was collected using the primary data collection through the assisted interview model. One manager or senior officer in the line of micro-insurance product distribution was selected from each institution to participate in the research on behalf of the organization.Mugenda and mugenda (1999) describe the target population as the complete set of individuals, case of objects with some common characteristics to which the researcher wants to generalize the results of the study.

3.5 Data Analysis

Data analysis can be defined as a collection of methods that can help analyze trends. Data analysis is a body of methods that help to test hypothesis, describe facts, and identify deductions and progress descriptions. Data analysis can further be described as the process whereby large amounts of data are studied in order to draw meaningful conclusions. Regression, correlation and inferential statistics data analysis models were used to compare the impact of distribution on product uptake.

CHAPTER FOUR: RESULTS, DATA ANALYSIS AND DISCUSSION

4.1 Introduction

The objective of this chapter is to present and interpret the primary data collected for this study. In the analysis descriptive research analysis tools were used collect arrange, summarize, present and interpret the data collected in a meaningful manner. The data collected discusses the influence of distribution strategies on the uptake of Micro – Insurance products in Kenya

4.2 Respondent demographics

4.2.1 Response rate

The researcher circulated 38 questionnaires to staff in organization that offer Micro-insurance products and services. 30 questionnaires representing 79% achievement rate were successfully completed

4.2.2 Background information of the respondents

The research sought to understand the background information of the target respondents in an effort to make sure the targeted respondents were fit to present the required research feedback. This was achieved by understanding the number of years they worked in the organization and the level they served in the organization. This respondent demographics were presented in the tables below

4.2.2.1 Level of Service in the Organization

		Frequency	Percent
Valid	Senior Management	3	10.0
	Middle Management	10	33.3
	Branch Management	10	33.3
	Officer/Supervisor	7	23.3
	Total	30	100.0

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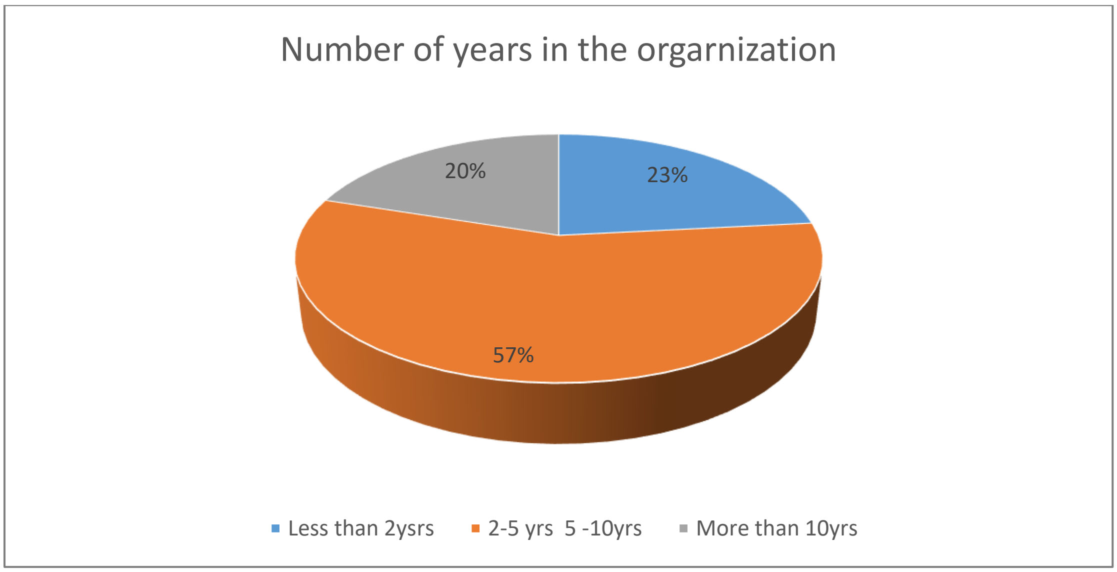
The findings indicate that majority of the respondents were mainly from the middle level and branch management which form a majority of staff in most of the targeted institution. The respondent's area of specialization was distribution of Micro Insurance products in the area they served.

4.2.2.2 Number of Years in an Organization

Graph 4.1



The findings on number of years in the organization indicate that majority of the respondents 57% had served their respective organizations for 5 – 10 years. This a good representation considering the kind of information the researcher sought to understand needed proper understanding of what has been happening in the organization with regard to distribution strategies.

4.3 Research Findings

4.3.1 Summary of Number of Customers per Organizations

Table 4.2

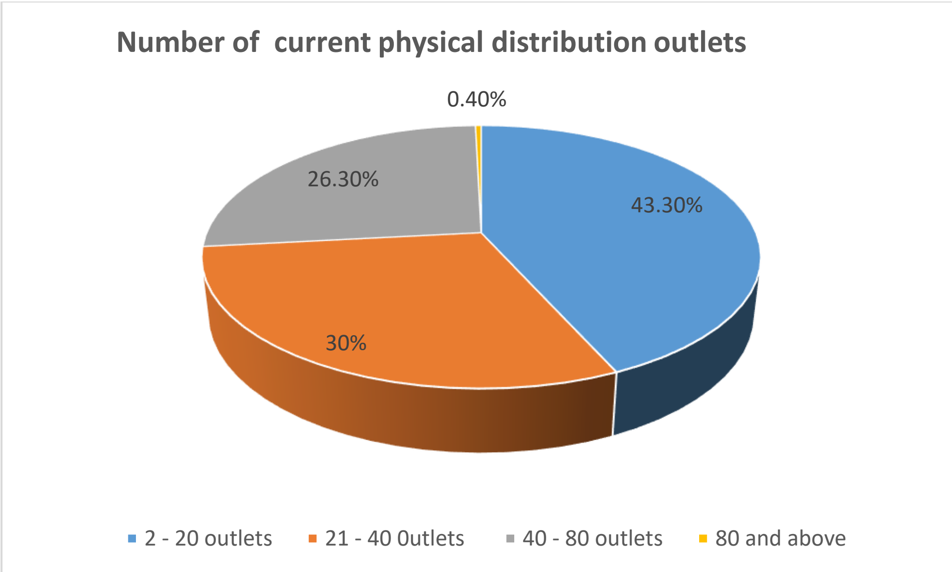
	Frequency	Percent
200 – 500 customers	5	16.7
500 – 1000 customers	4	13.3
Over 1,000 customers	21	70.0
Total	30	100.0

The researcher sought to find out the number of customers that were being served by each targeted organization and 70% of them confirmed that they had over 1000 customers which was a good indication that the industry was growing and that the study would add value to a vibrant sector. The number of customers in each organization was a critical element in the study as it helped the researcher in analyzing the relationship between product uptake and distribution strategies adopted by organizations. Number of customers present the size of Micro Insurance arm in the organization as well as give an indication of profitability from the same

4.3.2 Number of physical distribution outlets per organization

Respondents were asked to indicate the number of branches or outlets. Distribution outlets in Micro-insurance is a factor that highly influence product uptake. It is expected that the more widespread the branch network of a firm, the more easily the potential customers will access the service. On the question of the number of branches that deal with Micro-Insurance, the results shows that majority of the targeted organizations operated between 15 – 20 branches thought the country. The relationship between an organizations size is diverse. Literatures of economies scale suggest that there is a positive correlation between an organizations profitability and number of distribution outlets owned

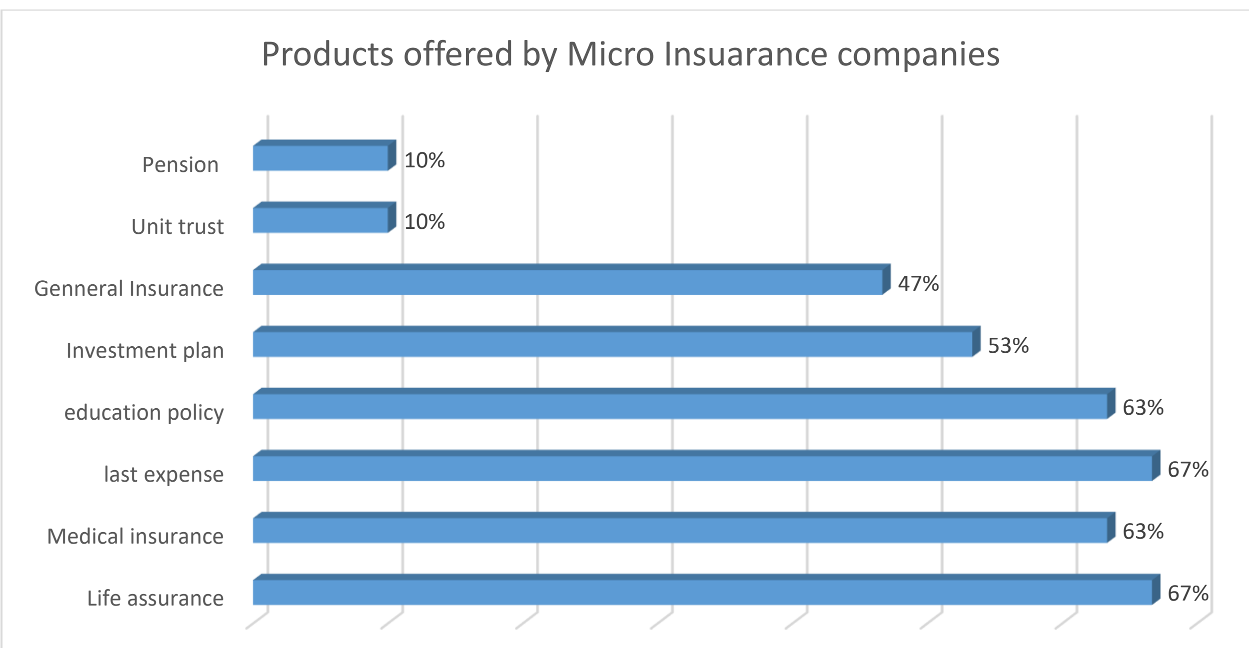
Graph 4.2



4.3.4 Products offered by Micro – insurance companies

On the question about the products being offered by Micro Insurance companies; the researcher found out that a diverse range of products were being offered depending of the targeted customer profile. The most common Micro-Insurance products were Life Assurance, medical, last expense for last respects, education, investment and General Insurance in that order

Graph 4.3



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4.4 Considerations for Selection of Distribution Strategies

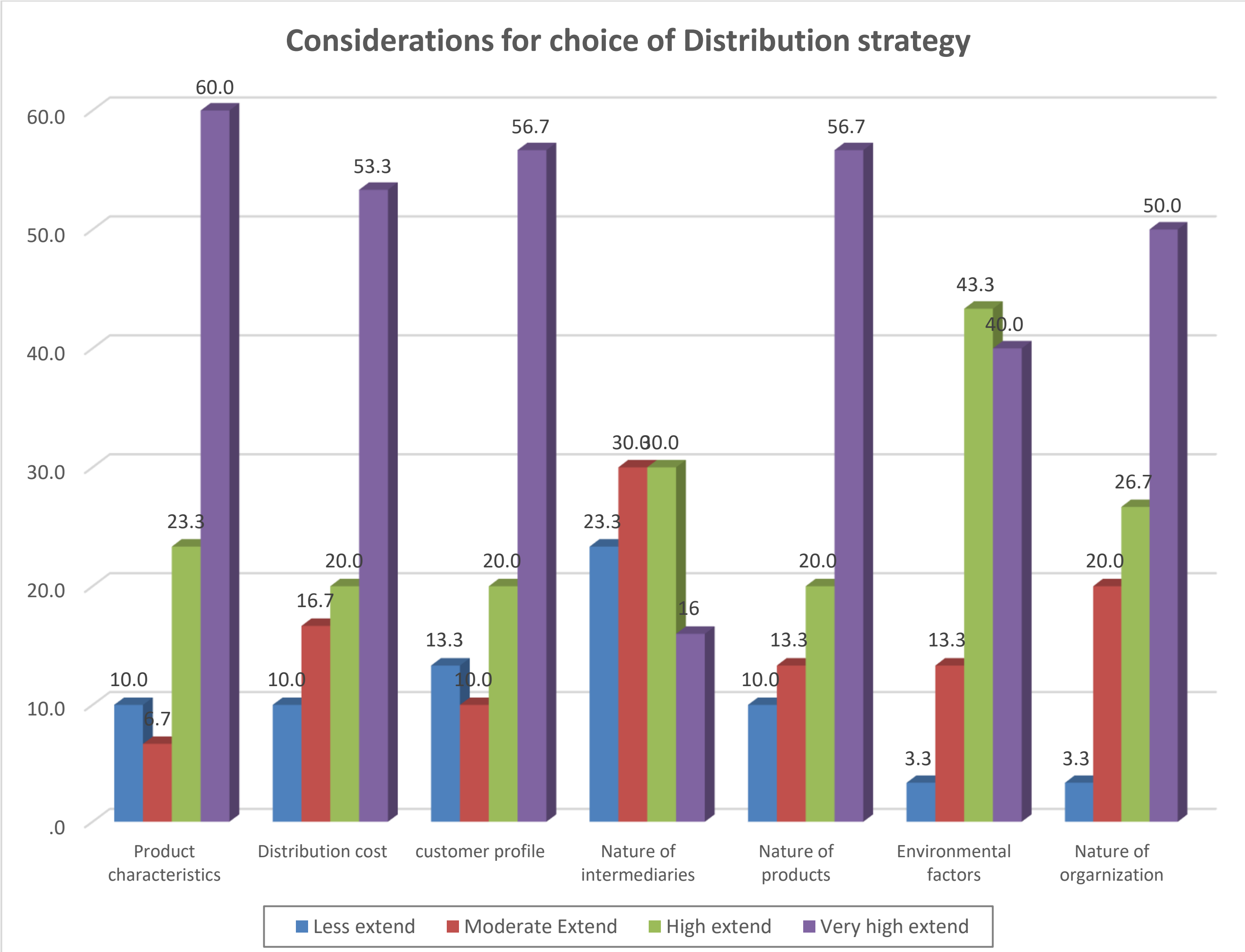
Table 4.4

Correlations

		How many micro-insurance customers does your organization have in the business portfolio?	Product characteristics	Distribution cost	Customer profile	Nature of intermediaries	Nature of organization
How many micro-insurance customers does your organization have in the business portfolio?	Pearson Correlation	1	.790**	.689**	.803**	.667**	.706**
	Sig. (2-tailed)		.000	.000	.000	.000	.000
	N	30	30	30	30	30	30
Product characteristics	Pearson Correlation	.790**	1	.735**	.728**	.665**	.489**
	Sig. (2-tailed)	.000		.000	.000	.000	.006
	N	30	30	30	30	30	30
Distribution cost	Pearson Correlation	.689**	.735**	1	.777**	.674**	.505**
	Sig. (2-tailed)	.000	.000		.000	.000	.004
	N	30	30	30	30	30	30
Customer profile	Pearson Correlation	.803**	.728**	.777**	1	.755**	.582**
	Sig. (2-tailed)	.000	.000	.000		.000	.001
	N	30	30	30	30	30	30
Nature of intermediaries	Pearson Correlation	.667**	.665**	.674**	.755**	1	.581**
	Sig. (2-tailed)	.000	.000	.000	.000		.001
	N	30	30	30	30	30	30
Nature of organization	Pearson Correlation	.706**	.489**	.505**	.582**	.581**	1
	Sig. (2-tailed)	.000	.006	.004	.001	.001	
	N	30	30	30	30	30	30

There was a significant correlation between the considerations made by Micro Insurance companies and the number of customers in their portfolio. The is depicted in the chart above with a significance level of less than 0.005

Graph 4.4



The targeted organizations adopted multiple distribution strategies, according to Aspinwall 2008 for organizations to ensure good market coverage and optimize distribution they have to rely on various considerations while selecting distribution strategies. This is the only way organizations can achieve their objectives of availing products to its intended customer's .The research wished to establish the considerations made by Micro Insurance organizations in selecting appropriate distribution strategies in making their respective products easily available to the target respondents. This research feedback would support to understand whether the considerations in place help the Micro Insurance organizations remain competitive and increase product uptake.

The respondents were asked to rate the extent to which they made various considerations while selecting a distribution strategy, the considerations included product characteristics, distribution cost, nature of intermediaries, environmental factors and nature of organization.

From a product perspective, quite a number of respondents 60% gave a positive feedback and beleived to a great extend that product charateristics is key consideration to make while selecting a proper fit distribution strategy. Distribution cost was also highly rated as another key consideratin to make while making distribution decisions . To a very high extend 57% of the resopondents felt that distribution cost was am improtant consideration while selecting a distribution stratgy and 20% also had the same feelings to a high extend. The cost of making products and services available to customers is a key determinant of any organizations profitability. Due to the growing customer needs, changing technology and changing market dynamics. It is inevitable for organizations to keep abreast with the changes in order to maintain its market position. The research findings indicate that it is critical for organizations to understand their customer needs and motivations before settling on a distribution strategy. 56.7% confirmed consideration of customer profile was critical for them while selecting a distribution strategy to a very high extend and 20% to a high extend.

Based on the research , the nature of intermediaries seems to be a consideration made by fewer organizations, this could be attributed to the fact some organizations were not already using intermediaries as a distribution channel.13% considered nature of intermediaries to a less extend and only 16% considered them to a very high extend while selecting a distribution strategy. However in terms of environmental consideration a relatively higher number of organizations made this consideration while selecting their distribution strategy. Quite a number confirmed they consider environmental factors during distribution strategy selection. Environmental factors include Social, political, legal, economic and technological factors all of which are critical in determining the directions organizations should take with regards to distribution. 40% of the respondents considered environmental factors to a very high extend and 43% to a high extend. This is a statistically good indication that environmental factors have a great impact on distribution strategy success.

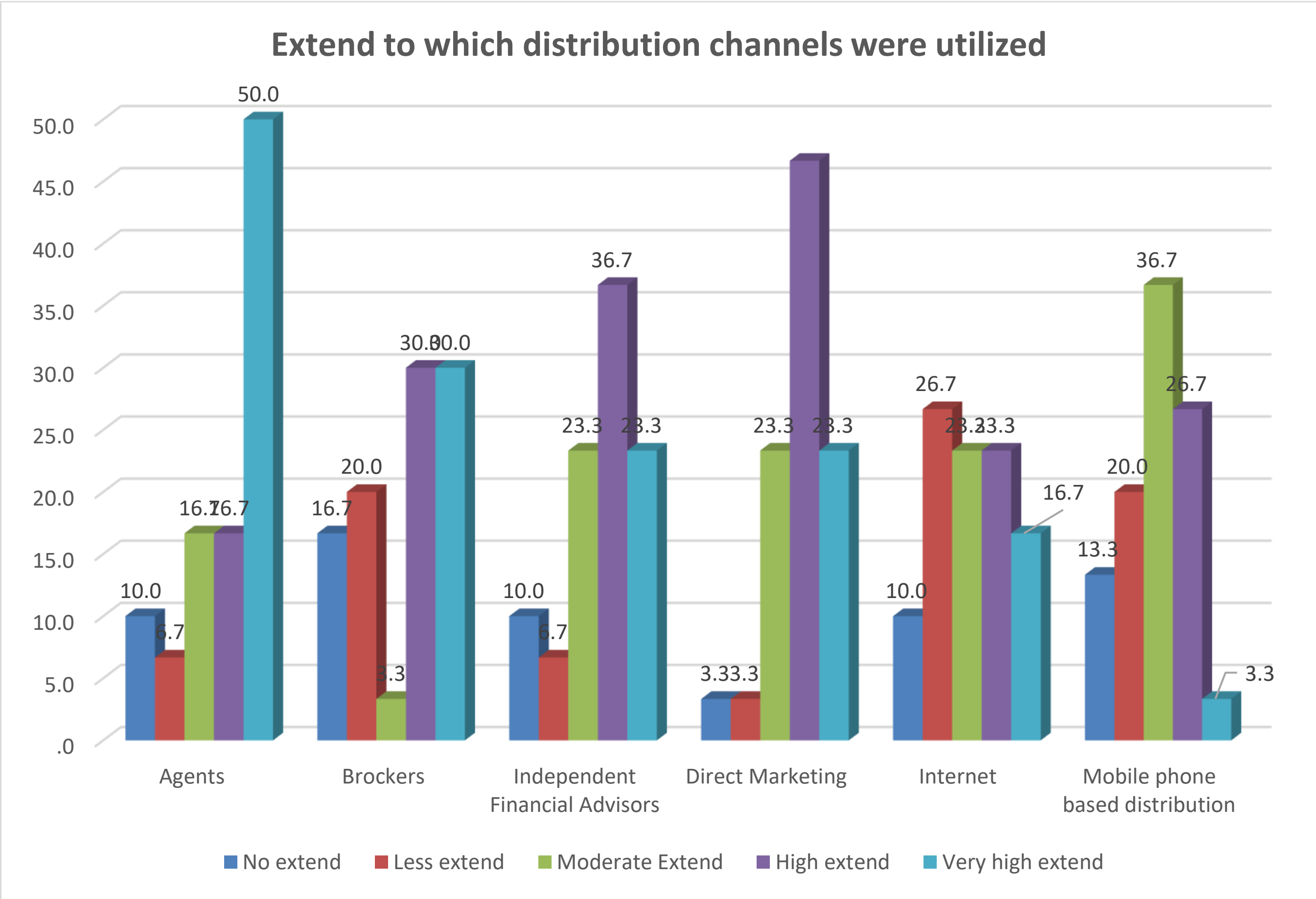
On a different perspective the researcher sought to understand if the nature of an organization was a consideration made in selection of distribution strategies and to what extent. The nature of organization including size, area of operation, existing portfolio and customer numbers among other parameters. Majority of respondent supported the fact that nature of an organization was an important consideration in distribution strategy selection. 50% of the respondents confirmed they considered nature of organization to a very high extend and 26.7% to a high extend however 23.3% of the respondents did not seem to strongly relate distribution strategies and nature of an organization. The bottom-line of this feedback is that there is was a positive association of distribution strategies to the above parameters listed in the table 4.4 as consideration was mainly above average.

4.5 Extend of Utilization of distribution channels summary table

		Number of customers	Agents	Brokers	Independent Financial Advisors	Direct Marketing	Internet	Mobile phone based distribution
Number of customers?	Pearson Correlation	1	.796**	.472**	.517**	.526**	.440*	.605**
	Sig. (2-tailed)		.000	.008	.003	.003	.015	.000
	N	30	30	30	30	30	30	30
Agents	Pearson Correlation	.796**	1	.729**	.678**	.473**	.268	.484**
	Sig. (2-tailed)	.000		.000	.000	.008	.153	.007
	N	30	30	30	30	30	30	30
Brokers	Pearson Correlation	.472**	.729**	1	.838**	.385*	.207	.410*
	Sig. (2-tailed)	.008	.000		.000	.036	.272	.024
	N	30	30	30	30	30	30	30
Independent Financial Advisors	Pearson Correlation	.517**	.678**	.838**	1	.510**	.256	.392*
	Sig. (2-tailed)	.003	.000	.000		.004	.172	.032
	N	30	30	30	30	30	30	30
Direct Marketing	Pearson Correlation	.526**	.473**	.385*	.510**	1	.704**	.561**
	Sig. (2-tailed)	.003	.008	.036	.004		.000	.001
	N	30	30	30	30	30	30	30
Internet	Pearson Correlation	.440*	.268	.207	.256	.704**	1	.551**
	Sig. (2-tailed)	.015	.153	.272	.172	.000		.002
	N	30	30	30	30	30	30	30
Mobile phone based distribution	Pearson Correlation	.605**	.484**	.410*	.392*	.561**	.551**	1
	Sig. (2-tailed)	.000	.007	.024	.032	.001	.002	
	N	30	30	30	30	30	30	30

There was a significant correlation between the type of distribution channels adopted by Micro Insurers and the number of customers in their portfolio. The is depicted in the chart above with a significance level of less than 0.005

Table 4.5



The selection of an appropriate distribution channel strategy in any organization is important because based on the competitive advantage theory distribution is one of the key factors that help organizations stay ahead of competition. Based on the extent to which the above distribution channels have been used by the targeted organizations, the respondent pointed extensive use of the channels as a way of increasing product uptake. The way to ensuring high product uptake in this organizations was by maximization from wider channels as depicted in table 4.3 above.

The researcher sought to find out the extent to which Micro Insurance organizations utilized preselected distribution strategies including Agents, Brokers, Financial advisors, direct marketing, interned and mobile banking as a way of Micro Insurance product distribution

Over 50% of the respondents agreed that they used agents to a very high extent and 16% to a moderate extend. According to economic times, an agent is an individual who represents an insurance firm and sells insurance policies on its behalf. Agents are said to be an effective way of reaching out to many smaller consumers as agents have a freedom to reach out to a wider geographical area and are their services are paid on commission hence prompting them to be more aggressive in signing up more customers.

Brokers on the other hand were the second most utilized distribution channels with 30% of the represented organization using then to a very great extend and another 30% used them to a high extend. Insurance brokers are preferred by Micro insurers as they represent an intermediary between customers and insurance companies. Their interest is their customer and they offer products and services from more than one insurance company but ensure they give the best deal to the customer. They seek to determine the best fit for their clients and can effectively address the mind block faced by the public about the various companies. Based on IRA 2014 Insurance brokers are specialists who evaluate risk on behalf of their client, advice on alleviation of that risk, identify the optional insurance policy framework and carryout document preparation and contract development.

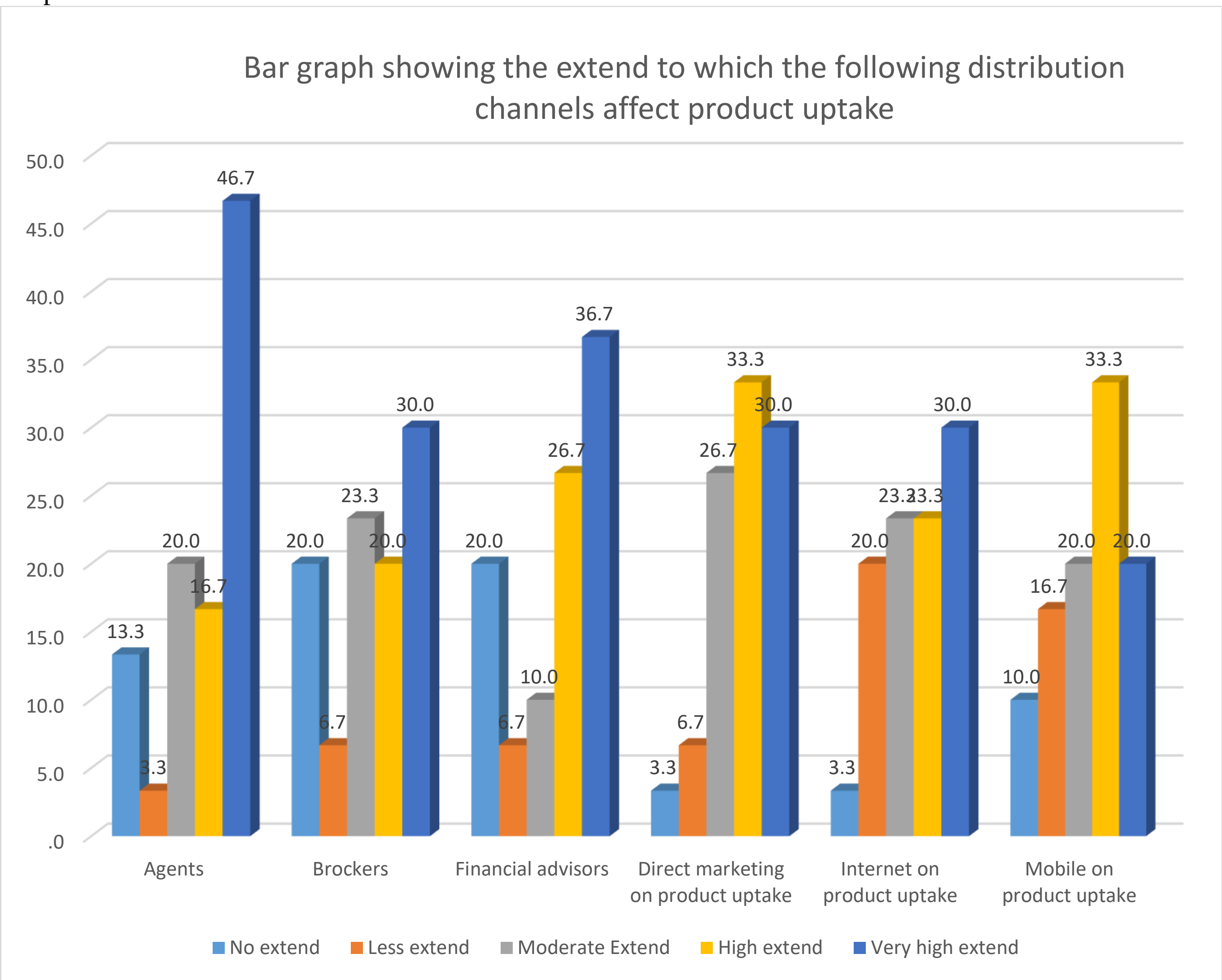
Independent Financial Advisors on the other hand were relatively utilized by Micro-Insurance institutions interviewed. Financial Advisors operate as individual or an institution and can provide financial advice on several insurance products. The research finding point out a high extend usage of financial Advisors as a distribution channel with 36.7% of the respondents using them to a high extend and 28.3% using them to a very high extend. This proves that they add value to the business by enhancing the effectiveness of the distribution strategies in place

The research findings revealed that Micro-Insurers use multiple distribution channels to reach out to the masses who are the intended targets for their products. Mobile phone is yet another strategic distribution channel although it is yet to be fully embraced by Micro Insurance distributors. According to Kenya Communications Authority Kenya has in the recent past gone through a transformation in communication technology and mobile money transfer. Mobile phone is now affordable to the middle and bottom of the pyramid. Mobile ownership and money transfer has grown tremendously. By January 2017, mobile phone users had reached 39.7M. Based on the research results, only 3.3% of the institutions interviewed were using mobile phone to a very high extend, 40% were yet to use mobile phones as distribution channel

Internet is the latest strategic channels that micro insurers are trying to adopt, although considered complicated especially by uneducated informal segment, interned is now gaining popularity. This survey established that 40% of the respondents were using interned to reach out to their customers and grow their numbers, this was mainly said to be through emails

4.6 Distribution channels and their influence on product uptake

Graph 4.6



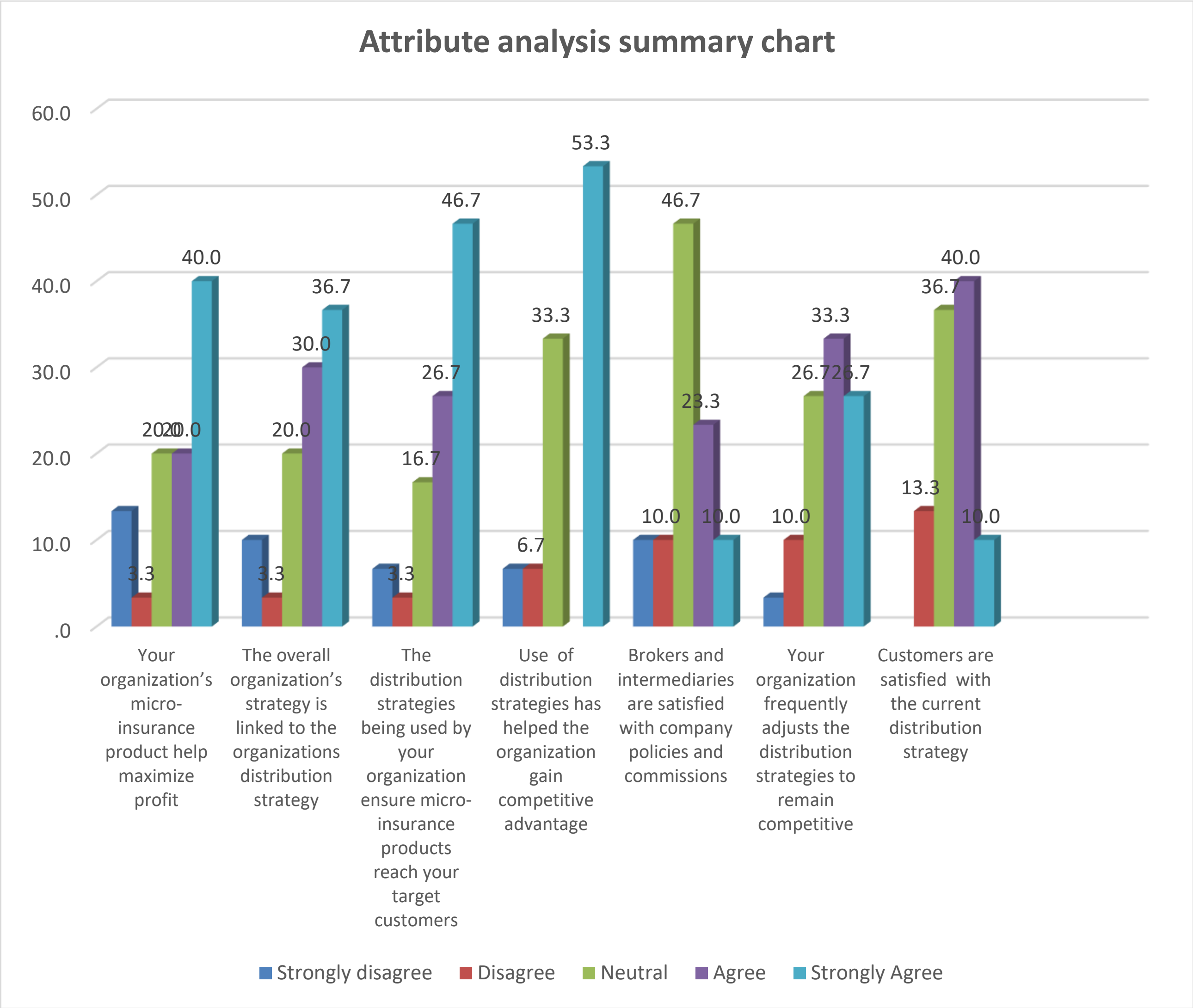
Literature indicate that over the past few years, operational, environmental and technological advancements have prompted Micro insurers to innovate and develop several distribution channels. Industry players in Micro insurance no longer depend purely on the traditional channels such as agents, broker but have come up with alternative channels that can add value to the bottom line at a lower cost. Below are some of the channels and feedback on the extent to which Micro- insurers adopt them as part of their distribution strategies

4.8 Analysis of attributes summary table

Table 4.7

		Strongly disagree	Disagree	Neutral	Agree	Strongly Agree
Your organization's micro-insurance product help maximize profit	Count	4	1	6	6	12
	Percentage	13.3	3.3	20.0	20.0	40.0
The overall organization's strategy is linked to the organizations distribution strategy	Count	3	1	6	9	11
	Percentage	10.0	3.3	20.0	30.0	36.7
The distribution strategies being used by your organization ensure micro-insurance products reach your target customers	Count	2	1	5	8	14
	Percentage	6.7	3.3	16.7	26.7	46.7
Use of distribution strategies has helped the organization gain competitive advantage	Count	2		2	10	16
	Percentage	6.7	6.7	33.3		53.3
Brokers and intermediaries are satisfied with company policies and commissions	Count	3	3	14	7	3
	Percentage	10.0	10.0	46.7	23.3	10.0
Your organization frequently adjusts the distribution strategies to remain competitive	Count	1	3	8	10	8
	Percentage	3.3	10.0	26.7	33.3	26.7
Customers are satisfied with the current distribution strategy	Count		4	11	12	3
	Percentage		13.3	36.7	40.0	10.0

Graph 4.7



The findings on Micro Insurance as a source of company profitability indicate that 40% of the responses strongly agree that Micro Insurance enables the organization grow their bottom-line The study also sought to determine whether the overall organizations strategies were linked to the distribution strategy and 37.7% strongly agree with this statement, this points signifies some distribution strategies in organizations may fail to increase product uptake if they are not linked disconnect between that may exist in organizations which may product uptake.

However 46.7% of the respondents were of a strong opinion that organizations that adopted strategic distribution strategies would be able to easily reach out to their intended consumers

With regards to use of strategic distribution strategies 53.3% of the respondents strongly agree with the fact that use of strategic distribution strategies has led to. This indicates that using strategic distribution strategies helps organizations penetrate in the market easier that their competitors. This could be due to the fact that using direct distribution helps to generate great consumer experiences mainly through selection of channel mix and other unique customer touch point offers.

With respect to intermediaries, the study sought to understand their satisfaction and alignment to company polices, this was driven by a desktop research which pointed out that agents and intermediaries are key distribution channels in many organizations yet they are not informed about the company policies and commissions this has been proven by the 46.6% respondents who disagree with the statement that Brokers and intermediaries are satisfied with the company policies and commissions. This means that if this Broker and intermediaries concerns are addressed Micro Insurance organizations will be able to increase their products uptake. The study also sought to find out the extent to which respondents intended customers were satisfied with the existing distribution strategies in the various organizations and the results depict a negative reaction as 50% of the responded disagreed with the statement on customer satisfaction with distribution strategies in place

4.9 Influence of Distribution Strategies on Product Uptake

To enable the researcher analyze the influence of distribution strategies on product uptake regression analysis was used and the results are outlined in table 4.12 below

4.9.1 Model Summary

Table 4.8

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.912[a]	.832	.788	.358

From the table 4.12 above the data shows that the correlation coefficient was 0.912 indicating that there was a strong relationship that exist between product uptake and distribution strategies adopted by organizations in Kenya

4.9.2 Analysis of Variance

Table 4.9

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	14.525	6	2.421	18.931	.000[a]
	Residual	2.941	23	.128		
	Total	17.467	29			

The Analysis of Variance table above depicts that the ratio of the sum of squires of the regression to the sum of the squires equals the R squire value. The significant value for the model is 0.000 which means that the model is significant since the value is lower that 0.05. this means there is a positive correlation between the distribution strategies adopted by organizations and Micro Insurance product uptake

4.9.3 Coefficients of determination

Table 4.10

Model	Unstandardized Coefficients		Standardized Coefficients	T	Sig.
	B	Std. Error	Beta		
(Constant)	1.005	.457		2.201	.038
Product characteristics	.186	.118	.238	1.576	.129
Distribution cost	.047	.113	.064	.415	.682
Customer profile	.298	.140	.421	2.130	.044
Nature of intermediaries	-.401	.178	-.422	-2.249	.034
Nature of products	.516	.143	.691	3.613	.001
Environmental factors	-.050	.121	-.052	-.415	.682

The equation for a straight line is Y = A + Bx. The independent variable is x, the dependent variable is y, A is the intercept and B is the slope. Regression analysis figures out what the best values of A and B are, and reports these as coefficients. It then tests whether the coefficient B the slope is different from zero.

Hence the equation line is

$Y = 1.005 + -0.186X_1 + -0.47X_2 + 0.298X_3 + -0.401X_4 + 0.516X_5 + -0.050X_6$

Where:

X1 = Product characteristics

X2 = Distribution cost

X3 = Customer profile

X4 = Nature of intermediaries

X5 = Nature of products

X6 = Environmental factors

Centering our interpretation on this equation it can be interpreted that the independent variable X1 to X6 to constant zero, the distribution strategies adopted by Micro-Insurance companies the dependent variable Y would be 1.005 which means there is a positive impact distribution strategies against product uptake. From the equation of the study found that a factor increase in the extend to consideration of selected distribution strategies by Micro-insurance companies interviewed would lead to an increase in product uptake.Putting the above considerations that is Product characteristics, Distribution cost, Customer profile, Nature of intermediaries and Environmental factors in mind while selecting a distribution strategy means a 1.05 growth in product uptake. Holding the other considerations constant, considering the nature of products while selecting a distribution strategy would increase product uptake by 0.516, there is a positive relationship between consideration of nature of product uptake as shown by the regression coefficient and significant value of 0.001. Considering the nature of intermediaries in selection of a distribution channel will however not have any significant impact on Micro Insurance product uptake. Holding the other variables constant considering customer profiles while selecting a distribution strategy for Micro Insurance product would increase product uptake by 0.298

4.10 Conclusion of Findings

This chapter was used to present the research feedback from the survey, the survey response rate was 79.8%. The survey results were analyzed using various descriptive statistics; percentages, correlations and the feedback presentation done in tables, graphs and descriptive explanations. The study sought to understand the influence of distribution strategies on Micro insurance product uptake

CHAPTER 5: SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

5.1 Introduction.

The aim of the study was to evaluate the impact of distribution strategies on Micro Insurance product uptake and from the analysis of the data the following conclusions, disussion and recommendations were made..

5.2 Summary of findings

The general findings of the study were that to a great extend Micro Insurance companies made consideration to several factors while selecting selecting distribution strategies.The Micro Insurance companies also adopted various distribution strategies as an effort to make sure the products reached their intended clients at the right time, in the right condition and at minimal cost. Some of the distribution strategies adopted included use of agents, brockers, inremediaies, internet and mobile banking to reach cover a wider grorgaphical area.

Generally, the feedback from the research point to a link between distribution strategies by Micro Insurers as has been indicated in the theoretical studies as well as empirically in this survey, Ultimately, high product uptake will be enjoyed by Micro Insurers who know how to focus on long term and strategic distribution strategies, cost effective, plan around the needs of the customer, attract and retain the right alternate distribution channels for their products and invest in technology (Rice, 2001)

5.2.1 Considerations for selecting distribution strategies

The Micro insurance uptake in Kenya remain low and marred by competition for the few available consumers, cost management and customer convenience have become critical factors of success in the industry. This challenging factors have led to insurance companies adopting diverse distribution channels such as mobile phone and internet. Because of an expanding client base, and need of tailor-made solutions for retail and corporate customers as well as maintaining technological innovations in the market place, the study indicates that Micro-Insurance companies have moved to device multiple distribution channels in order to keep the pace of changing customer needs and remain ahead of competition. As Micro Insurance companies continue to support customers through various channels, the need of customers have become diverse with customers requiring convenient, fast secure and hassle free service. Distribution channels decisions are among the most pivotal decisions that managers make since the customer touch points are not only used as an area of sales but also a platform to engage customer queries to uphold customer service as well as cross selling

This paper examined the considerations for selection of distribution strategies and well as the impact of the current channels adopted by Micro Insurers on product uptake. In line with the above findings the researcher recommended the following with regard to distribution strategies; Micro insurers should consider the nature of product, how delicate and easy to sell thorough alternate channels, review the effectiveness of working with agents and brokers, tie distribution strategy with the goal or objective that marketing and the entire business seeks to achieve, closely monitor competitor distribution strategy, the impact of service distribution on marketing mix and the buyer behavior, characteristics as well as buying motivation

5.3 Recommendations

One of the objectives of this study is to recommend critical success factors for achieving high product uptake in the Micro insurance industry based on the findings and based on that the study makes the following recommendations.

Foremost, Insurance is currently contributing very little to the GDP, yet the potential is there this requires to be harnessed so as to create wealth and improve the standards of living for the people of Kenya thus aiding the economic pillar of development. It is therefore recommended that the relevant bodies including Association of Kenya insurers support Micro insurance companies with regards to reaching out to the mass market due to the high cost associated with distribution.

The research findings indicate a positive correlation between the number of customers and number of distribution outlets, it is clear that that the cost of building and managing a distribution outlet is high so as much as Micro Insurers would like to reach out to the masses the cost is too high

Secondly, based on the study findings there is a positive relationship between distribution strategies adopted and Micro Insurance product uptake. On this basis it is recommended that management of different firms should ensure they consider the following while making decisions on their distribution strategies, these factors include customer, product, nature of organization, cost and environmental factors.

Thirdly, based on the research findings it can be concluded that a significant relationship exists between consideration of needs and motivations while selecting a distribution strategy and Micro Insurance product uptake. In line with the above conclusion. Micro Insurance companies in Kenya must conduct customer surveys from time to time in order to keep with the rapidly changing customer needs. With regards to customer demographics and on a more business front, insurers are urged to respond to the growing technology based distribution solutions in an attempt to improve customer convenience and experience. The technology based channels are in the near future expected to replace the convectional distribution channel and strategies. This is supported by statics including growth in usage of smart phones, social media and internet

Lastly, the literature study established that the insurance sector is very challenging due to other factors including poor perception, the cost of distribution is high and low financial literacy. This calls for Micro Insurance companies to partner with affinity groups in the informal sector in order to realize economies of scale. Such groups in the informal sector include partnerships with Telcos and other distributors operating in the bottom of the pyramid

5.4 Conclusions

Distribution strategies adopted by a firm will in the long run determine the survival of any institution as consumers always look for institutions that offer them convenient services and at the same time satisfy their needs. Development of viable Micro insurance distribution strategy is critical to overall growth of the industry and to generate earnings. The road ahead for Micro Insurers lies on doing things uniquely and making the difference since the area remain under tapped with only less than 1% customers in the informal sector being able to access Micro Insurance. Their success is underpinned by their ability to leverage on innovation in order to reduce the cost of distribution and cover a wider geographical area with a key focus to customer convenience. This could be achieved by riding on the existing platforms including social media or even co developing distribution platforms with partners who are doing well in the informal sector like Mswari by Safaricom.

The survey pointed out that customers were not satisfied with the service delivery, distribution effectiveness of insurance services in general has been criticized and many customers could have opted not to sign up for Micro Insurance products due to inconsistent or inability to access the products . In this survey the researcher has demonstrated the considerations to make while selecting a distribution strategy in order to lure customers and increase product uptake and tested the impact which indicated a positive influence. The considerations evaluated in this study include product, customer, organization and environmental considerations among others. Based on this feedback the researcher recommends that Micro Insurances focus on consumers first through consistent research as well as the nature of the product, whenever an organization develop a new product, its success is hinged on how well it is able to reach to the customers and this depend on how well the products fit the capabilities of its distribution channels. The other success factor as depicted by the survey is for Micro Insurers to link the distribution strategy to the entire business strategies specifically marketing and sales. Distribution of products and services in an organization is the back bone of any organization and should be properly linked to the operations of the entire organization

5.5 Study Limitations

This study focused on financial service providers in the area of distributing Micro Insurance products and services, however the scope was limited to head office staff who are in charge of distribution and were mainly based in Nairobi. Given more time and resources the researcher would have gone deeper to interview representatives from the rural areas as well as respondents who are in charge of distribution in the regions. Additionally the research limited to one responded in each organization, the researcher would have been able to get deeper insights given the ability to interview at least five respondents per organization. Singe respondent per organization can also subject the data to biasness.

Secondly given the competition in the market and the privacy policy in many organizations, some respondents may have withheld critical information that would have added value to the research, some of the information they were hesitant to give included their number of branches, number of customers as well as their distribution strategies.

The study focused on distribution of Micro Insurance whose target market is mainly the informal sector, the implication is that this survey feedback may not necessarily be applied to other sectors of the economy or even utilized in the insurance industry entirely due to the different customer profiles and approach to distribution.

The research respondents were mainly drawn from the Micro Insurance product companies including banks and insurance companies but the research would have been more valuable if it also targeted Brokers and agents who get direct input from the customers. Also omitted from the study were the Micro Insurance clients themselves and the public in general as they would have given the researcher insights from their own perspective.

5.6 Suggestion for further study

This study narrowed itself around the influence of distribution strategies on Micro Insurance product uptake, however further studies can be carried out to define the influence of distribution strategies on other sectors like fast moving consumer goods whose approach is significantly different due to their products nature.

Secondly the study respondents were drawn from employees who may have withheld critical information, the researcher recommends another research be carried out with support from the industry regulator who will give more weight to the study and also cover a wider scope including the challenges for the slow product uptake. A research to understand the customers' needs and motivations would be ideal so as to get their insights as they are the users of the products being distributed. Micro Institutions will gain a lot more by getting information on how the customers themselves would like to be approached.

As technology continues to grow, Micro insurance companies are also advised to leverage on the innovation growth in order to maximize on numbers, reduce cost, and reach a wider geographical area. This can only be achieved through consistent research in order to come up with not only innovative but also relevant distribution strategies. The innovation agenda can also be achieved through partnering with likeminded organizations who can also co fund the research and development initiatives. This will help organizations to stay ahead of competition as technology and multiple channel usage by consumers continue to gain momentum

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APPENDIX 1: Research Questionnaire

Section A

Name of organization ________________________________

Position

- ☐ Senior Management
- ☐ Middle Management
- ☐ Branch Management
- ☐ Officer/Supervisor

Number of years in the orgarnization

- ☐ Less than 2ysrs
- ☐ 2-5 yrs 5 -10yrs
- ☐ More than 10yrs

Section B

How many micro-insurance customers does your organization have in the business portfolio?

- ☐ Less than 200 customers
- ☐ 200 – 500 customers
- ☐ 500 – 1000 customers
- ☐ Over 1,000 customers

What category of insurance products does your organization offer to customers?

- ☐ Life insurance
- ☐ Medical
- ☐ Last expense
- ☐ Education
- ☐ Investment
- ☐ Any other --------------------

How many distribution outlets does your organization currently have? ________________

Section C

1. To what extend did your organization consider the following while selecting the distribution strategies? On a scale of one to five where 1 is to a less extend and 5 is to high extend

Considerations for a distribution strategy	1	2	3	4
Product characteristics				
Distribution cost				
Customer profile				
Nature of intermediaries				
Nature of products				
Environmental factors				
Nature of organization				

2 To what extend does your organization use the following distribution channels? On a scale of one to five where 1 is not at all and 5 is to a very high extend

Distribution channels	1	2	3	4	5
Agents					
Brokers					
Customer profile					
Independent Financial Advisors					
Direct Marketing					
Internet					
Mobile phone based distribution					

2. To what extend do you think the channel strategies influences uptake of your organizations micro-insurance products? On a scale of one to five where one is not at all and 5 is to a very extend

Distribution channels	1	2	3	4	5
Agents					
Brokers					
Customer profile					
Independent Financial Advisors					
Direct Marketing					
Internet					
Mobile phone based distribution					

3. What is your level of agreement or disagreement in regard with the following statements? Where 1 is strongly disagree and 5 is strongly agree

Your organization's micro- insurance product uptake is directly correlated to distribution strategies in place	1	2	3	4	5
The overall organization's strategy is linked to the organizations distribution strategy					
Use of distribution strategies has helped the organization gain competitive advantage					
Brokers and intermediaries are satisfied with company policies and commissions					
Customers are satisfied with the current distribution strategy					
Your organizations micro-insurance distribution strategies are frequently reviewed to remain competitive					
Taking products to the consumer will improve product uptake					
Adoption of technology as part of distribution strategy will improve product uptake					
Lack of strategic distribution channels hinders micro-insurance product uptake in Kenya					

The distribution strategies adopted by your organization are consumer and market oriented					
Your organization takes great care while designing distribution strategies to remain competitive					

4. What other distribution strategies are being used successfully in other industries that may be adopted by your organization for and effective distribution of micro-insurance products

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____

____

5. In your opinion what challenges does your organization face in of distribution micro-insurance products and services?

____

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6. In your opinion what issues should your organization address in order to improve on the existing micro-insurance distribution strategies for higher product uptake

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APPENDIX 2: List of Institutions Offering Micro-Insurance Products

Insurance companies	1	A P A Insurance Limited
	2	British American Insurance Company (Kenya) Limited
	3	CFC Life Assurance Limited
	4	CIC General Insurance Limited
	5	CIC Life Assurance Limited
	6	Fidelity Shield Insurance Company Limited
	7	First Assurance Company Limited
	8	ICEA LION General Insurance Company
	9	ICEA LION Life Assurance Company Limited
	10	Invesco Assurance Company Limited
	11	Kenya Orient Insurance Limited
	12	Madison Insurance
	13	Pioneer Assurance Company Limited
	14	Old Mutual Life Assurance Company Limited
	15	Sanalam
	16	Resolution Insurance Company Limited
	17	UAP Insurance Company Limited
	18	UAP Life Assurance Limited
Banks	1	KCB
	2	Barclays
	3	Co Operative Bank
	4	Diamnd trust Bank
	5	Eco Bank
	6	Equity Bank
	7	Family Bank
	8	Housing Finance
	9	Jamii Bora Bank
	10	National Bank
	11	Bank Of Africa
	12	First Community Bank
	13	Sidian Bank
Microfinance institutions	1	Faulu Microfinance
	2	Kenya Women Finance trust
	3	SMEP
	4	Rafiki
	5	Musoni
	6	Uwezo

	7	Remu
	8	Centaury Bank
	9	Sumac