A SURVEY OF THE MARKETING MIX USED BY LIFE INSURANCE COMPANIES IN KENYA IN RESPONDING TO THE CHALLENGES OF THE HIV/AIDS PANDEMIC

BY

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DECLARATION

This management research project is my original work and has not been presented for a degree in any other university.

Signed.. Date.....22/10/2005.....

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This project has been submitted for examination with my approval as the University Supervisor.

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DEDICATION

To my parents Kyeva Mwisa and Rose Mumbua for all the support they have given me towards my education and for their love and encouragement.

To all my brothers and sisters for their support and patience.

The great heights, by men, reached and kept, were not achieved by a sudden flight but they, while others slept, toiled into the night.

R. Kipling

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ABSTRACT

The economy of Kenya has continued to perform poorly in past years, which has resulted in an unprecedented growth in the poverty levels. (UNDP Report Kenya, 2001). This disappointing development has further been complicated by the HIV/AIDS pandemic (Economic Recovery Strategy report 2003). It is on this premise that this study was formulated to try and identify how Life insurance companies in Kenya have used the marketing mix in responding to the challenges of the HIV/AIDS pandemic. The objectives of the study was to establish the extent to which Life insurance companies use the marketing mix variables to respond to the HIV/AIDS challenges and to determine the factors that influence the choice of the variables.

This was a descriptive survey aimed at determining the extent of use of the marketing mix by Life Insurance companies. Twenty one companies constituted the population. A census study was conducted. Data was collected using semi-structured questionnaires. Data was analyzed using frequencies, percentages, mean scores and standard deviation.

The findings of this study revealed that marketing mix elements used are product, price, promotion, place, process, physical evidence and people but the degree differs across the various Life insurance companies in Kenya. In light of the observations made it is recommended that: insurance companies embrace the marketing mix concept in a bid to respond to the HIV/AIDS challenges, that insurance companies come up with insurance polices that cater for the needs of the people suffering from HIV/AIDS and that the government together with the insurance industry intensify their campaign against this pandemic.

Respondent apprehension was very high and it was difficult to get the responsible senior officials to accept to be interviewed. They viewed the exercise with a lot of suspicion due to the stiff competition in the insurance industry. There is need to conduct similar studies on the Life insurance companies to determine the financial repercussions of the HIV/AIDS pandemic on their operations.

CHAPTER ONE

INTRODUCTION

1.1 Background

According to the economic recovery strategy for wealth and employment creation report of 2003, Kenya's economic performance during the last two decades has been far below potential. Per capita income declined from US$271 in 1990 to US$239 in 2002. The number of people unemployed currently stands at over 2 million or 14.6% of the labour force. The persistent poor economic performance worsened the poverty situation. The poverty line adopted in Kenya is US$17 and US$36 per month per adult in the rural and urban areas respectively. Behind these increases are a number of factors including primarily low economic growth from 1994 that culminated into a 0.3 per cent contraction in 2000, inflation and rise in consumer prices. Bad governance, inefficient use of public resources, corruption and structural adjustment programs have significantly contributed to the poor economic performance (Millennium Development Goals Progress report, 2003).

The declining economic performance, socio-economic disparities and decreasing human development index (HDI) have resulted in human development challenges for the country which go beyond simply increasing economic growth to addressing social and economic inequalities (UNDP report Kenya, 2001). The deterioration in the standard of living in Kenya is well demonstrated by the worsening in key social indicators over the last two decades. Kenya is ranked among the top ten low-income economies with a high concentration of income amongst its highest earner (10 per cent controlling 35 per cent of national income) Millennium Development Goals Progress Report, 2003).

Illiteracy rates increased as enrolment rates in primary schools declined while life expectancy and child mortality worsened. This disappointing development has further been complicated by the HIV/AIDS pandemic (Economic Recovery Strategy Report 2003). In the area of health and nutrition there has been a general decline in the provision of health services. Infant and under-five mortality rates has been on the rise.

The HIV/AIDS pandemic has compounded the deteriorating health standards, in some instances reversing the earlier gains. In its wake, the pandemic has caused a steep rise in the number of orphans, growing destitution, and unprecedented levels of poverty,(Millennium Development Goals Progress Report for Kenya, 2003).

Future policy challenges will involve a process of economic, social and political empowerment as a means of changing the balance in favour of those who have been kept out of the main stream of economic and social activity (UNDP Report Kenya, 2001). The major challenge of the government is how to restore economic growth generate employment opportunities to absorb the unemployed, particularly the youth and reduce poverty levels. Shelter and housing are basic needs for human survival and are important of the advancement of well being. The core aim of the government policy is to facilitate the construction of 150,000 housing units. In addition, the government will explore the possibility of working with development partners to develop a framework for upgrading slums and informal settlement in the urban areas (Economic recovery report, 2003).

Socio-economic analysis of the poverty dimension reveals that the main health challenge facing the poor is affordability. Thus the major objective of the government is to improve affordability and coverage of quality health services particularly for the poor. Although the government has been allocating substantial budgetary resources to health sector, the general health of Kenyans continues to deteriorate due to emergence of new diseases such HIV/AIDS, emigration of health workers and misuse of resources due to corruption (Ministry of Health report, 1999).

The government has resulted into taking the following actions; rehabilitation of existing health facilities, overhauling the system of procurement and distribution of drugs for health facilities in order to reduce cost of drugs, make them affordable and also rationalize the distribution system to ensure that drugs are supplied to areas where most needed, enactment of legislation converting National Hospital Insurance Fund (NHIF) in to National social health insurance fund (NSHIF) that will cover both inpatient and outpatient medical needs by sharing costs between the exchequer, the employers and employees, informal sector and other productive segments of the society (Economic recovery strategy report, 2003).

1.1.1 The Marketing mix

One of the most basic concepts in marketing is the marketing mix, defined as the elements an organization controls that can be used to satisfy or communicate with customers (Zeithami, 2000). The traditional marketing mix is composed of the four P's: product, price, place (distribution), and promotion. These elements appear as core decision variables in any marketing text or marketing plan. The notion of a mix implies that all of the variables are interrelated and depend on each other to some extent. Further, the marketing mix philosophy implies that there is an optimal mix of the factors for a given market segment at a given point in time (Kotler, 2000).

Scholars have however in the recent times looked again at the marketing mix and suggested an expanded marketing mix having 7P's (Fifield, 1998). The three added P's being; people, physical evidence and process. The 7P's were developed to deal with marketing of services which differ from manufactured products in a number of ways (Palmer, 1998). Service managers have found that the traditional four P's of marketing are inadequate to describe the key aspects of the service market's job. Some marketers suggest that the unique requirements of selling services require the manager attend to the 3 additional P's (Rust, 1996). According to Fifield (1998) these additional 3 elements are brought in to broaden the marketer's attention beyond the mechanical product-price-place-promotion myopia.

An effective marketing programme blends the marketing mix elements into a coordinated programme designed to achieve the company's marketing objectives. The marketing mix constitutes the company's tactical tool kit for establishing strong positioning in target markets and thus be able to survive competition (Kotler, 2000). By adopting and utilizing the marketing mix companies have a big edge over others and as Kotler (2000) further observes, winning companies are those that meet customer needs economically and conveniently and with effective communication.

1.1.2 Human Immune - Deficiency Virus /Acquired Immune Deficiency Syndrome (H.I.V./AIDS)

HIV/AIDS is a major health and development problem in Kenya. Since the diagnosis of the first AIDS case in the country in the mid-80s, there has been a steady increase in the proportion of the people infected by the HIV virus. The national HIV prevalence rate doubled from 5.1 to 10.4 per cent between 1990 and 1995 and peaked at 13.4 percent in 2000 before declining to 10.6 per cent in 2002. The number of Kenyans living with HIV/AIDS increased from 513,941 in 1990 to over 2.5 million in 2002 (Millennium Development Goals Progress report for Kenya, 2003).

In Sub-Saharan Africa, several negative synergistic factors have interplayed to perpetuate the vicious chain of HIV transmission. These include knowledge deficiency, poverty, high incidences of sexually transmitted diseases, socio-cultural belief and practices, civil wars and deficient public health infrastructures (Joint United Nations Programme on HIV/AIDS April, 2000).

The effect of HIV/AIDS on businesses or companies include, increased absence due to illness, but also as a result of workers who have to take care of family members who are ill and workers who have to attend funerals, low morale of the labour force, workers who are ill are less productive and will not be able to perform labour intensive tasks in the later stages of the disease, replacements of workers who have died of the disease tend to be less skilled and experienced and may require training, an increase in new appointments, an increase in overtime payments. According to a World Bank strategy report (World Development Sources 1996), a Kenyan company spent about US$45 per employee per year for HIV/AIDS related costs or 3% of the company profits. The report projected that this cost would increase to 8% of the company profits, by the year 2000. It further noted that in 1992, an average company in Kenya incurred mean annual costs associated with AIDS of approximately US$140,000. This cost was expected to rise to US$403,000 by the year 2005.

1.1.3 The Insurance Industry in Kenya

The concept of insurance is not new and it always existed as a form of response to some problem faced by society. A form of insurance even existed in early Rome, where Romans gathered together in burial societies. They all contributed to a fund and the members of the pool had their burial costs met by the society (The Chartered Institute of Insurance, 2000). In the early days of Marine insurance, the various merchants who were having goods carried on a ship would agree to make contributions to those who may have suffered a loss during the voyage, after the loss had taken place. This certainly removed the risk of a total loss from any one merchant, as each one knew that his loss would be shared. The first real evidence of life assurances dates back to 1583 where a policy of £382 was taken on 18 June, on the life of William Gibbons. The contract was for twelve months and the money was to be paid if Gibbons died within one year (The Chartered Institute of Insurance, 2000).

Life insurance companies play a number of essential roles in the economy of Kenya. These roles include operating as market driven organizations where they develop certain products and then attempt to sell them to the public, providing financial security to consumers, serving as financial intermediaries, and employing a great many people.

In Kenya Life insurance companies basically offer individual and group life assurance policies. An individual insurance policy is an insurance policy that is issued to insure the life or health of a named person who can either take a whole life or endowment assurance. Under these policies the amount of protection is low compares to the term assurance. These policies are taken by the people who accept to pay high premium for high investment. HIV/AIDS has less significant impact on these policies because of high premiums compared to sums assured, but bonuses are being reduced. Whole life (designed to run until the death of policy holder) and endowment policies provide guaranteed insurability option, (Mugho, 2004). Assureds can increase the sum assured to specified limits without providing evidence of good health. The insurer bears the risk even after the assured has contracted AIDS (Mugho, 2004). A group insurance policy on the other hand, is a policy issued by an insurance company to a party that is purchasing insurance coverage for a specific group of people e.g. to employees. The cover is available to all employees automatically and no medical evidence is required provided the cover is below free cover (non medical limit). The premium rates are very low because of competition and economies of scale. The insurer cannot refuse to cover an individual up to free cover limit. The insurer will have to pay claims up to free cover limit irrespective of the cause of the death (Harriet, 1998).

Life insurers in Africa have accepted that HIV/AIDS adversely affects financial planning of commercial business; there is knock-on effect on insurance in the region. Large claims in respect of AIDS may not be avoided (Mugho, 2004). The worst affected are group life, non-profit individual life business, and products whose benefits are paid in lump-sum (as opposed to income stream benefits). The industry has taken the following measures to protect current policyholders, shareholders and future policyholders; excluding HIV/AIDS, setting free cover limits, premium loading, identification of high risk groups, questions in proposal forms, medical testing, removal of premium guarantees and conversion options, product design and contingency reserves.

1.2 Statement of the Problem

Nearly all the life insurance companies have provided some insurance cover with no medical examination requirements for many years. The life insurance market has consequently paid hundreds of millions of shillings to the families of those who passed away as a result of HIV/AIDS ever since the disease was diagnosed by the World Health Organization (Mugho, 2004). Since HIV/AIDS is now a reality in the country, insurance companies should design insurance products which do not exclude HIV/AIDS entirely.

HIV/AIDS has had a major impact on an otherwise most vibrant and modern insurance industry in Kenya. The total worth of premiums presently being held by the insurance industry in Kenya rose to Kshs28 billion up from Kshs25 billion in 2002 (Mugho, 2004). For insurance companies, some of the effect of HIV/AIDS include: bad claims experience, reduction in premium collection due to inability of people to pay hence policies lapse, decreased profits, reduced sales due high premiums required by insurance companies to keep them afloat and increased underwriting costs (Mugho, 2004).

Due to these problems faced by Life insurance companies in Kenya the operating companies have to adopt the use of the marketing mix as a way of solving these problems. The companies have to design products, price them fairly and adequately, promote them evenly and widely, process the products effectively and efficiently, train its employees and distribute the policies to all customers. With the help of a well designed marketing mix system, insurance companies will be able to divide the total market into smaller segments and select the segments they can best serve. This will further assist the companies in differentiating their marketing offer and to position this offer in selected target markets.

A study by the Long Range Planning Division of the Ministry of Planning and National Development (1993), simply states that "certainly health care and insurance are likely to be significantly affected by HIV/AIDS", but does not outline exactly how the Insurance sector will be affected. Fersythe (1997) conducted a study that mainly focused on the broader social-economic impact and policy implications of HIV/AIDS in Kenya but did not narrow down on the effect of the pandemic on the Life Assurance in Kenya and the marketing mix tools used in combating it. Tari (1998) examined the underwriting practices undertaken by Life Offices in Kenya in response to the HIV/AIDS. He however did not outline or specify the marketing mix elements adopted by insurance companies in fighting the problem.

In view of the above, if Life insurance companies adopt the marketing mix they would be able to overcome the challenges and be able to increase their market share (Kotler, 2000). It is however not known as to whether there are using the marketing mix and to what extent. The proposed study therefore seeks response to the following questions;

i. What are the marketing mix elements used by Life insurance companies in responding to the challenges posed by the HIV/AIDS pandemic?
ii. To what extent have the Life insurance companies applied the marketing mix elements?

iii. What factors influence the choice of such marketing mix?

1.3 Objectives of the study

The objectives of this study were to determine:

i. The extent to which Life insurance companies in Kenya use the marketing mix variables in responding to the HIV/AIDS challenges.
ii. The factors influencing the choice of the marketing mix elements used by Life insurance companies in Kenya.

1.4 Importance of the study

The results of this study may be of use to the following:-

i. The Insurance industry as it tries to find a possible solution to the growing HIV/AIDS cases that have affected life assurance and try to improve on the marketing mix while at the same time ensuring competitiveness of their products.
ii. The world of academia serving as a stimulus to carry out research in the area of challenges facing the insurance industry and increase the body of knowledge existing.
iii. The general public in understanding how insurance companies have reacted to HIV/AIDS, as they form the clientele of life assurance products and help educate them on the problems of HIV/AIDS.

CHAPTER TWO

LITERATURE REVIEW

2.1 Introduction

The literature review in this chapter covers both the traditional and expanded marketing mix elements as discussed by various scholars i.e. product, price, promotion, place, physical evidence, process and people

2.2 Meaning of marketing

Kotler et al (2002) define marketing as a social and managerial process by which individuals and groups obtain what they need and want through creating and exchanging products and value with others. Stone (2000) defines marketing as the process of planning and executing the conception, pricing, promotion and distribution of ideas, goods and services to create exchanges that satisfy individual and organizational objectives.

Marketing thus starts with human needs and wants as human beings need food, air, water, clothing, and shelter to survive. A human need is a state of deprivation of some basic satisfaction and they exist in the very texture of human biology and the human condition. Wants are desires for specific satisfiers of needs and demands are wants for specific products that are backed by an ability and willingness to buy them.

Ennew (1998) defines marketing as being concerned with facilitating exchange and improving business performance through creation of long term customer satisfaction. Pride (2000) on the other hand views marketing as a philosophy that an organization uses to try and satisfy customers' needs through a set of well coordinated activities that also allows the organization to achieve its goals. According to this concept, providing satisfaction to a customer is the major thrust of the organization. To do this, a business must find out what will satisfy a customer. With this information, the business can create satisfying products.

McCarthy & Perreault (1990) define marketing from both the micro and macro level i.e. marketing is both a set of activities performed by organizations and a social process. At the micro level, marketing is defined as the performance of activities that seek to accomplish an organization's objectives by anticipating customers' needs and directing a flow of need – satisfying goods and services from producers to customers. At the macro level, marketing is defined as a social process that directs an economy's flow of goods and services from producers to consumers in a way that effectively matches the supply and demand and accomplishes the objectives of the society (McCarthy & Perreault, 1990).

Stanton (1975) defines marketing as the total system of interacting business' activities designed to plan, price, promote and distribute want – satisfying products and services to present and potential customers. Boarden (1994) views marketing as the process in a society by which the demand structure for the economic goods and services is anticipated or enlarged and satisfied through the conception promotion, exchange and physical distribution of such goods and services.

Palmer (2000) holds the view that marketing is essentially about marshalling the resources of an organization so that they meet the changing needs of the customers on whom the organization depends. As a verb it is all about how an organization addresses its markets. Customers' needs are the starting point for all marketing activity. He further contends that marketing managers try to identify these needs and develop products which will satisfy customers' needs through an exchange process.
According to the Chartered Institute of marketing (1995), marketing is defined as the process which identifies, anticipates and supplies customers' requirements efficiently and profitably. Zikmund & Michael (1995) view marketing as a process that includes many interrelated and interdependent activities meant to encourage exchange.

It is the business process by which products are matched with markets and through which transfer of ownership are effected (Still, 1974). Still contends that it consists of the performance of business' activities that direct the flow of goods and services from producers to consumers.

From the above definitions it emerges that various scholars have different definitions about marketing though the there are certain similarities in the definitions. Among the definitions the one espoused by McCarthy & Perreault (1990) who view marketing from a micro and macro point of view seems to be more comprehensive as it takes a more holistic approach and also a wider perspective as it encompasses more.

2.3 The Marketing Mix

The term marketing mix was first coined by the Harvard academician Boarden in 1965 who drew on a colleague's description of marketing managers as mixers of ingredients. If marketing managers were mixers of ingredients then what they produced could be described as marketing mix. Ennew (1998) defines marketing mix as the overall marketing offer to appeal to the target market.

It consists of decisions in four basic areas; product (development of a product, service, or idea to exchange), pricing (what to charge for the exchange), communication (how to communicate with the target market about the possible exchange) and distribution (how to get the product, service or idea to the target market to consummate the exchange.

Kotler (1997) defines marketing mix as the set of marketing tools that the firm uses to pursue its marketing objectives in the target market. According to Stone (2000), marketing mix refer to the four variables (product, price, promotion, and distribution that marketers manipulate to fulfill marketing's role.

Zikmund & Michael (1995) view marketing mix as the specific combination of interrelated and interdependent marketing activities in which an organization engages to meet its objectives. The marketing mix may have many facets but its elements can be placed in four basic categories and since they can be influenced by managers. They are known as controllable variables.

Palmer (2000) defines marketing mix as the controllable variables that an organization puts together to satisfy the target group. From the above definitions it is thus clear that most of the definitions of marketing mix are similar and a common theme that emerges among the authors is that it refers to the controllable variables and are the ones commonly referred to as the four Ps of marketing i.e. product, price, promotion and place.

Given the ever changing nature of the environment and the dynamic of marketing services are usually produced and consumed simultaneously, customers are often present in the firm's factory, interact directly with the firm's personnel, and are actually part of the service production process. Also, because services are intangible customers will often be looking for any tangible cue to help them understand the nature of the service experience. These facts have led service marketers conclude that they can use additional variables to communicate with and satisfy their customers (Rust, 1996).

Acknowledgement of the importance of these additional communication variables has led services marketers to adopt the concept of an expanded marketing mix. Thus in addition to the traditional four P's, the services marketing mix includes people, physical evidence, and process.

Thus the major marketing management decisions can be classified in one of the following seven categories: product, price, place (distribution), promotion, people, physical evidence and process are known as the marketing mix or the 7 P's of marketing and represent the variables that marketing managers can control in order to best satisfy customers in the target market (Zeithami, 2000).

Product

In traditional /commercial marketing, the term product has been defined differently. Kotler et al (2002) defines a product as anything that is offered to a market for attention, acquisition, use or consumption and that might satisfy a want or need. Broadly defined, products include physical objects, services, persons, places, organizations, ideas or mixes of these entities. It is described as a complex bundle of benefits that marketers offer to satisfy some need.

Stone (2000) on the other hand, defines product as the good or service that a seller offers to consumers to satisfy a need.

In social marketing, the term product is what a marketer is selling, the desired behaviour and the associated benefits of that behaviour. It also includes any tangible objects and services developed to support and facilitate the target audience's behaviour change (Kotler, Roberto & Lee, 2002). Palmer (2000) asserts that a product is the heart of a company's marketing activity. Consumers buy a firm's product in order to satisfy their needs as cost effectively. He thus defines a product as comprising complex bundles of attributes which must be translated into benefits for customers. It is the focal point by which companies seek to satisfy customers' needs and could be tangible or intangible items that satisfies a need.

Cravens (1996) defines a product as anything that is potentially valued by a target market for the benefits or satisfactions it provides, including objects, services, organizations, places, people and ideas. For Bearden et al (1995), a product is not just the physical item presented for sale but it also deals with the image that is created for the product through branding and the level of customer service that accompanies it.

Kotler et al (2002) looks at products at five levels; core product, basic product, expected product, augmented product and potential product. The core product is the most fundamental service or benefit that the customer is really buying. At the second level, the marketer has to turn the core benefit into a basic product. At the third level, the marketer prepares an expected product, a set of attributes and conditions that buyers normally expect and agree to when they purchase this product. At the fourth level, the marketer prepares an augmented product that meets the customers' desires beyond their expectations. At the fifth level stands the potential product which encompasses all the augmentations and transformations that the product might ultimately undergo in the future (it points out to the possible evolution). Therefore, a product is more than a simple set of tangible features.

Zikmund & Michael (1995) divides products and services into two broad classes based on the types of customer that use them - consumer and industrial products. Consumer products are those bought by final consumers for personal consumption. Marketers according these authors usually classify these goods based on consumer shopping habits. Consumer products include; convenience products (product that a consumer usually buys frequently, immediately and with a minimum comparison and buying effort); shopping products (a consumer product that the customer in the process of selection and purchase characteristically compares with others on such bases as suitability, quality, price and style) ;specialty products (a consumer product with unique characteristics or brand identification for which a significant group of buyers is willing to make a special purchase effort) and unsought product (a consumer product that the consumer either does not know about or knows about but does not normally think of buying e.g. insurance cover). Industrial products on the other hand refer to a product bought by individuals and organizations for further processing or for use in conducting a business.

Most companies sell more than one product. Their product mix can be classified according to width, length, depth and consistency. These four dimensions are the tools for developing the company's marketing strategy and deciding which product lines to grow, maintain, harvest and divest (Stanton, 1994). Thus, strong products should be grown or maintained; weak and/or unprofitable lines should be harvested or divested.

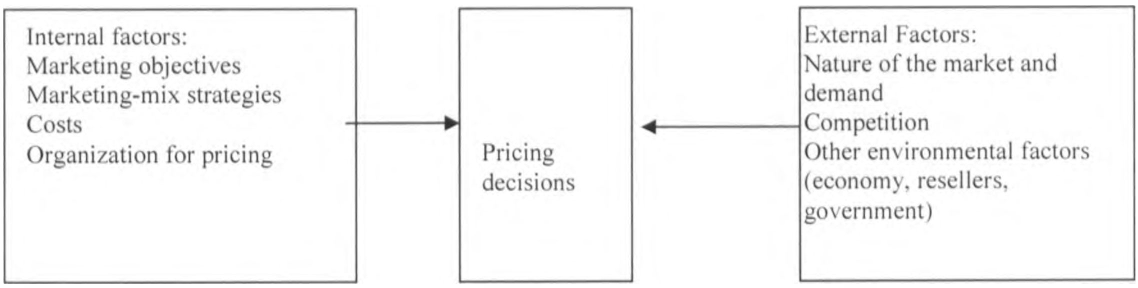
Branding is a major issue in product strategy. Branding is expensive and time consuming, and can make or break a product. The most valuable brands have a brand equity that is considered an important company asset, (Kotler, 2000). In thinking about branding strategy, companies must decide whether or not to brand, whether to produce manufacturer brands or distributor/private brands, which brand name to us, and whether to us line extensions, brand extensions, multibrands, new brands, or co brands (McCarthy, 1991). According to Kotler (2000), the best brand names suggest something about the product's benefits; suggest product qualities; are easy to pronounce, recognize, and remember; are distinctive; and do not carry negative meanings or connotations in other countries or languages.

Many physical products going to the market have to be packaged and labeled. Well designed products can create convenience value for customers and promotional value for producers (Stone, 2000). Marketers thus have to develop a packaging concept and test it functionally and psychologically to make sure it achieves its desired objectives and it's compatible with public policy and social-responsibility concerns (Kotler, 2001).

Pricing

Cravens (1996) defines pricing as the process of setting objectives, determining the available flexibility, developing strategies, setting prices and engaging in implementation and control. Pricing is more than simply the amount of money that the consumer pays when making the purchase, as it also encompasses credit or finance, deals with any discounts, special offers, additional delivery charges etc. Kotler et al (2000) defines pricing as 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. It is what is exchanged for a product. According to McCarthy (1990), a company's pricing decisions are affected both by internal company factors and by external environmental factors.

Factors to consider when setting prices



Source: Kotler (2000), Marketing Management, Prentice-Hall, (Pg 569)

Internal factors affecting pricing include the company's marketing objectives, marketing mix strategy, cost and organization. External factors that affect pricing decisions include the nature of the market and demand, competition and other environmental elements. There are various pricing strategies that a company can use i.e. dual pricing, market-differentiated pricing and skimming. The type of strategy used will depend upon several factors; these include the type of product, the product range, economic circumstances and competition (Kotler, 2003). Thus when setting prices several principles guide decision making and these include maximizing profits, profit objectives and target return and then once the pricing objective is clarified, specific prices can be set.

Companies do not usually set a single price, but rather a pricing structure that reflects variations in geographical demand and costs, market segment requirements, purchase timing, order levels, and other factors (Cravens, 1996). There are basically three approaches used by marketers in setting prices, cost plus pricing, demand oriented pricing and competition oriented pricing (Kibera and Waruingi, 1998). Several price-adaptation strategies are available: Geographical pricing, which often makes use of counter trade arrangements; Price discounts and allowances, including cash discounts, quantity discounts, functional discounts, seasonal discounts, and trade-in and promotional allowances; Promotional pricing, such as loss-leader pricing, special-event pricing, cash rebates, low interest financing, longer payment terms, warranties and service contracts, and psychological discounting; Discriminatory pricing in which the company sells a product at different prices to different market segments based on customer segment, product form, image, location or time; and product mix pricing, which includes the setting of prices for product lines, optional features, captive products, two-part items, byproducts, and product bundles (Hutt and Speh, 1998).

According to Kotler (2001), the company facing a competitor's price must try to understand the competitor's intent and the likely duration of the change. The firm's strategy often depends on whether it is producing homogeneous or nonhomogeneous products. Market leaders who are attacked by lower-priced competitors can choose to maintain price, raise the perceived quality of their product, reduce price, increase and improve quality, or launch a low-price fighter line.

Distribution

Rosenbloom (1995) asserts that it is not possible to have one definition of the marketing channel because of the different perspective or viewpoints from manufacturers, wholesalers', retailers', consumer and researcher. Manufacturers may focus on the different intermediaries needed to get products to consumers, wholesalers and retailers may view it as the flow of the title of the goods as the proper delineator of the marketing channels, and consumer may view the marketing channel as simply a lot of the middlemen standing between them and the producer of the product. Finally the researcher may describe it as structural dimensions and efficiency of the operation. Thus the marketing channel can be defined from the marketing management point of view of producing and manufacturing firms as, the external contractual organization that management operates to achieve its distribution objectives (Rosenbloom, 1995).

Stanton et al (1994) defines a distribution channel as the set of people and firms involved in the transfer of the title to the product as the product moves from producer to ultimate consumer or business user. Besides producer, middlemen and final customer, other institutions aid the distribution process. Among these intermediaries are banks, insurance companies, storage firms and transportation companies, which are not formally included in the distribution channel.

Place includes company's activities that make the product available to target consumers. The role and purpose of distribution is to transport goods and services in the most effective and efficient way from where they are to where they need to be (Worsan and Wright, 1995). In goods marketing framework manufacturers control promotion and pricing, but distribution is normally delegated to marketing intermediaries. In marketing terms, this is a distribution strategy, for example PepsiR uses this. Their goal is to make sure wherever you are in the world, you're within arm's length of a bottle of Pepsi. (http://www.quickmba.com/marketing/mix/, 9th November, 2004).

Distribution channels are among the most critical decisions facing management. This is because channel choices once made, are often very difficult to change; the company's chosen channels ultimately affect other marketing decisions (Kotler, 1997). According to McCarthy and William (1991), place decisions have long-run effects; they are harder to change than product, price and promotion decisions. Effective working arrangements with others in the channels partners may also limit changes. The objective when developing a distribution channel is to develop strategies that will make it as convenient and pleasant as possible to reach the consumers.

Marketing channels are sets of interdependent organizations involved in the process of making a product or service available for use or consumption (Kotler, 1997). Intermediaries smoothen the flow of goods and services, which is necessary in order to bridge the discrepancy between the assortment of goods and services generated by the consumers. The discrepancy results from the fact that manufacturers typically produce a large quantity of a limited variety of goods whereas consumers usually desire only a limited quantity of a wide variety of goods (Kotler, 1997).

According to Okatch (2002), marketing channels perform the work of moving goods from producer to consumer. It overcomes the time place possession gaps that separate goods and services from those who need them. Members of marketing channel perform key functions which include; information: they collect and disseminate marketing research information about potential and current customers, competitors and other actors and forces in the market environment. Promotion; i.e. development and dissemination of persuasive communications designed to attract customers to the offer. Negotiation; the attempt to reach final agreement on price and other terms so that transfer of ownership or possession can be affected. Ordering; placing notice of intention to buy from manufacturer. Financing; the acquisition and allocation of funds required to finance inventories at different levels of the marketing channel. Risk taking; the assumption of ownership of risk connected with carrying out the channel work. Title; the actual transfer of ownership from one organization or person to another. Physical; the successive storage and movement of physical products from raw materials to the final customer. Payment; buyer's payment of the bills to the seller through banks and other financial institutions.

Kibera and Waruingi (1998) define a channel of distribution as the chain of market intermediaries or middlemen used by a producer or marketer to make products and services available when and where consumers or users want them. It thus a route followed by a product as it moves from the producer to the user. Kotler and Roberto (2002) have described four types of distribution channels i.e. zero level i.e. direct marketing channels - consists of manufacturer selling directly to the final customer. One level – contains one selling intermediary e.g. retailer. Two levels – contains two intermediaries e.g. wholesaler and retailer. Three level channels – contains three intermediaries.

Deciding which type(s) of channels to use calls for (1) analyzing customer needs; (2) establishing channel objectives; and (3) identifying and evaluating the major channel alternatives, including the types and numbers of intermediaries that will be involved in the channel. The company must determine whether to distribute its product exclusively, selectively, or intensively, and it must clearly spell out the terms and responsibilities of each channel member (Kotler, 2000).

According to Stanton et al (1994), diverse distribution channels exist; main ones are distribution channels for consumer goods, business goods and services. Distribution includes the entire process of moving the product from the factory to the end user. The type of distribution network you choose will depend upon the industry and the size of the market. A good way to make your decision is to analyze your competitors to determine the channels they are using, and then decide whether to use the same type of channel or an alternative that may provide you with a strategic advantage (Holmes, 2004).

Promotion

According to Zikmund and Michael (1995), marketers need to communicate with consumers. Promotion therefore is the means by which marketers talk to existing customers and potential buyers. It may convey a message about the organization, a product or some other element of the marketing mix. Marketers use it to communicate both factual information and persuasion message to prospective buyers. In the marketing mix promotion serves three purposes; to inform, to persuade and to remind.

Cravens (1996) avers that promotion is considerably more than just advertising and is composed of four major tools i.e. advertising, sales promotion, publicity and personal selling (promotion mix). Kotler (2002), defines the promotion mix as the specific mix of advertising, personal selling, sales promotion and public relations that a company uses to pursue its advertising and marketing objectives. The five main promotion tools that a company can use according to Kotler are; advertising which refers to any paid form of non-personal presentation and promotion of ideas, goods and services by an identified sponsor; personal selling which refers to personal presentation by the firm's sales force for the purpose of making sales and building customer relationships, Sales promotion; refers to short term incentives to encourage the purchase or sale of a product or service, Public relations; building of good relations with the company's various publics by obtaining favourable publicity, building up a good "corporate image", and handling or heading off unfavourable rumors, stories and events; Direct marketing, refers to direct connections with carefully targeted individual consumers to both obtain an immediate response and cultivate lasting customers relationships.

According to McCarthy (1991), there is a five step process when a company wants to develop an advertising program. First, marketers must set advertising objectives; they must decide whether they want their advertising to inform, persuade, or remind/reinforce. Second, they must establish a budget that takes into account the stage in the product life cycle, market share and consumer base, competition and clutter, advertising frequency, and product substitutability. Third, they must choose the advertising message; determine how the message will be generated; evaluating alternative messages for desirability, exclusiveness, and believability; and executing the message with the most appropriate style, tone, words, and format and in a socially responsible manner. Fourth, they must decide on the media they will use. This decision involves choosing the ad's desired reach, frequency, and impact, then choosing the media that will deliver the desired results in terms of circulation, audience, effective audience, and effective ad-exposed audience. Finally, marketers must take steps to evaluate the communication and sales effects of advertising.

Sales promotion consists of a diverse collection of incentive tools, mostly short-term, designed to stimulate quicker and or/ greater purchase of particular products/services by consumers or the trade (Kotler, 2001). Sales promotion includes tools for consumer promotion (samples, coupons, cash refund offers, prices off, premiums, prizes, patronage rewards, free trials, warranties, tie-promotions and demonstrations). In using sales promotion, a company must establish its objectives, select the tools, develop the program, pretest the program, implement and control it, and evaluate the results (Pride, 2000).

Public relations involves a variety of programs designed to promote and/ or protect a company's image or its individual products (Stanton, 1994). Many companies today can use marketing public relations (MPR) to support their marketing departments in corporate/product promotion and image making. MPR can potentially impact public awareness at a fraction of the cost of advertising, and is often much more credible. The main tool of public relations are publications, events, news, speeches, public-service activities, and identity media.

People

Zeithami (2000) defines the concept of people as all human actors who play a part in service delivery and thus influence the buyer's perceptions; namely, the firm's personnel, the customer, and other customers in the service environment. Many services require personal interaction between customers and the firm's employees and these interactions strongly influence the customers' perception of service quality (Rust, 1996). All of the human actors participating in the delivery of a service cues to the customer regarding the nature of the service itself.

How these people are dressed, their personal appearance, and their attitudes and behaviors all influence the customer's perceptions of the service. For example a person's stay at a hotel can be greatly affected by the friendliness, knowledge ability and helpfulness of the hotel staff, in most cases the lowest paid in the organization. One's impression of the hotel and willingness to return are determined to a large extent by the brief encounters with the front desk staff, bellhops and so on, many which take place outside the direct control of the hotel management (Fifield, 1998).

Management thus faces a tremendous challenge in selecting and training all of the employees to do their jobs well and perhaps even more important in motivating them to care about doing their jobs and to make an extra effort to serve their customers. After all these employees must believe in what they are doing and enjoy their work before they can in turn provide good service to customers (Zeithami, 2000). Management leadership, job redesign and system to reward and recognize outstanding achievement are among issues that a successful service manager must address. The term "internal marketing" has been coined to characterize the sets of activities a firm must undertake to woo and win over the hearts and minds of its employees to achieve service excellence (Fifield, 1998).

The "people" component of the service marketing mix also includes the management of the firm's customers' mix. Because services are often experienced at the provider's facilities one's satisfaction with a service can be influenced by other customers who are being served there (Rust, 1996).

Physical Evidence

This element of the expanded marketing mix addresses the "tangible" component of the service experience and the firm's image. Physical surroundings and other visible cues have a profound effect on the impressions customers form about the quality of service they receive (Zeithami, 2000). Rust (1996) describes it as the environment in which the service is delivered and where the firm and customer interact, and any tangible components that facilitate performance or communication of the service. Because services are intangible, customers often rely on tangible cues or physical evidence, to evaluate the service before its purchase and to asses their satisfaction with the service during and after consumption.

The physical evidence of service includes all of the tangible representations of the service such as brochures, business cards, report formats, signage, and equipment. The "service – scape", that is the ambience, the background music, the comfort of the seating and the physical layout of a service facility can greatly affect a customer's satisfaction with a service experience. The appearance of the staff including clothes and grooming may be used as important clues. Promotion materials and written correspondence provide tangible evidence of the firm's professionalism (Fifield, 1998). It is apparent that that some services communicate heavily through physical evidence (e.g. hospitals, resorts, child care), while others provide limited physical evidence (e.g. insurance, express mail).

Examples of physical evidence from the customer's point of view

	Physical evidence	
Service	Servicescape	other tangibles
Insurance	Not applicable	Policy itself Billing statements Periodic updates Company brochure Letters/cards
Hospital	Building exterior Parking Signs Waiting areas Admissions office Patient care room	Uniforms Reports/stationery Billing statements
Sporting event	parking Stadium exterior Ticketing area Entrance Seating Restrooms Playing field	signs tickets program uniforms

Source; Zeithami et al, (page 254), Service Marketing, Harper Collins College Publishers, 1996

Service companies should design their items with extreme care since they will play a major role in influencing a customer's impression of the company. In particular all physical evidence must be designed to be consistent with the "personality" that the company wishes to project in the market place (Rust, 1996).

Process

This is defined as the actual procedures, mechanisms, and flow of activities by which the service is delivered – the service delivery and operating systems (Fifield, 1998). The actual delivery steps the customer experiences, or the operational flow of the service will also provide customers with evidence on which to judge the service.

Some services are very complex, requiring the customer to follow a complicated and extensive series of actions to complete the process. Highly bureaucratized services frequently follow this pattern, and the logic of the steps involved often escapes the customer (Zeithami, 2000). Another distinguishing characteristic of the process that can provide evidence to the customer is whether the service follows a production-line/standardizes approach or whether the process is an empowered/customized one. None of these characteristics of the service is inherently better or worse than another. Rather, the point is that these process characteristics are another form of evidence used by the consumer to judge service (Rust, 1996).

CHAPTER THREE

RESEARCH METHODOLOGY

3.1 Research design

This was a descriptive survey aimed at determining the marketing mix elements used by Life insurance companies in responding to challenges posed by the HIV/AIDS pandemic. Cooper and Emory (1995) assert that descriptive study is used to learn the who, what, when, where and how of a phenomenon, which is the focus of the current study.

3.2 The Population

The population of interest in this study comprised of all Life insurance companies providing insurance cover in Kenya. According to the Association of Kenya Insurers directory of 2003 there are 21 Life Insurance companies in Kenya. Given the small number of the companies, a census study was conducted. One respondent was contacted from each of the 21 firms. The Marketing Manager or an equivalent person under consideration was targeted.

3.3 Data collection

Questionnaires containing both open and closed ended questions were used to collect primary data. The questionnaires were personally administered to the managers concerned with marketing activities of the company. Follows ups were done by telephone to facilitate response rate.

The questionnaire was divided into 3 parts as follows: Part A contained open ended questions aimed at generating data on the profile/general information on the respondents, while Part B contained both open-ended questions and Likert scale questions on the on marketing mix approaches/tools used by the insurance companies and Part C contained questions focusing on the factors to consider when choosing the marketing mix elements by Life insurance companies.

3.4 Operationalising the Marketing Mix Variables

Operationalising the marketing mix variables using the data collection tool gives us the parameters that were we are working towards. The lickert scale was used where a mean score of 4 and above means to a very large extent influenced the marketing mix variables, 2.5 to 3.9 indicates to a moderate extent and less than 2.5 indicates to a small extent. Standard deviation was also used to determine the significant differences among the various scores of the marketing mix aspects. A standard deviation of less than one indicates that there are no major variations and most of the companies were doing the same thing. However where the deviation is greater than one then the practices then the practices were diverse by various insurance companies.

Marketing Mix operationalising Table

Dimensions of Marketing Mix	Expanded Dimension	Variables	Relevant Questions
Product	Type or classification	Providing a description with the following parameters in mind:- ▪ Type of insurance policies offered (individual or group life)	6,7
	Levels of product	▪ Different levels of the insurance products i.e. core product, actual product, augmented product, expected product and potential product	8,9,10,11,12
	Modification	▪ Have they modified insurance products to suit people suffering from HIV/AIDS	
	Branding	▪ Brand names for insurance policies for people infected by the disease.	14
Promotion	Advertising Objectives	▪ To inform the public about their insurance products ▪ To educate the public about the HIV/AIDS pandemic and also its insurance policies ▪ To persuade the public and also those suffering from HIV/AIDS	16

		about its and encouraging them to switching to their insurance policies ▪ To remind the public about their insurance policies and also where to buy them	
	Media choice	▪ The type of media that they use in their advertising campaign i.e. print media and /or electronic media. Use of newspapers, television, radio, magazines, direct mail, outdoor and internet	18
	Budget	▪ The effect of HIV/AIDS on the company's budget ▪ Advertising frequency about their insurance policies	21
	Message	▪ Creating the advertising message to the public about its insurance policies i.e. fear, rational and emotional ▪ Message should be evaluated in terms of the following characteristics, meaningful, believable and distinctive about their insurance policies and HIV/AIDS pandemic	20
	Sales promotion		
	Objectives	▪ Increase short-term sales on their insurance polices ▪ Help build long-term market share ▪ Entice consumers to try their new insurance policies ▪ Lure customers away from competitors insurance products ▪ Encourage consumers to "load up" on a mature policies ▪ Hold and reward loyal customers ▪ Use samples i.e. offering clients a trial of their insurance policies ▪ Coupons ▪ Cash refunds for purchase of insurance polices ▪ Price packs i.e. reduced premiums that are marked for buying of insurance policies ▪ Premiums i.e. policies offered either free or at low cost as an incentive to buy them	22
	Promotion tools	▪ Patronage rewards i.e. cash or awards for the regular use of	23

		the company's policies or services ▪ Contests, sweepstakes and games with purchase of insurance policies ▪ Advertising specialties i.e. useful articles imprinted with company's name and given as gifts to customers e.g. pens, calendars, key rings, T shirts etc	
	Public Relations and publicity Objectives Tools	▪ News story to be communicated ▪ Communication objectives to be achieved (awareness creation, knowledge dissemination, generation of specific publicity for target groups especially those affected by HIV/AIDS ▪ News about their insurance policies ▪ Speeches to create insurance policies and company publicity ▪ Special events such as news conferences, press tours, grand openings et al ▪ Corporate identity materials about their insurance policies ▪ Sponsorship ▪ Company's website	24 24
	Strategies Push strategy	▪ Using of insurance agents and brokers to sell their HIV/AIDS policies	26,27
	Pull Strategy	▪ Going directly to the people especially those infected with HIV/AIDS through advertising	26,27
	Push-Pull Strategy	▪ Mixture of advertising and personal selling in order attract the people suffering from HIV/AIDS	26,27

Pricing	Objectives	▪ Survival if they are troubled by too much capacity, heavy competition or changing consumer wants ▪ Current profit maximasation as their pricing goal ▪ Market-share leadership ▪ Product quality leadership ▪ To prevent competition from entering the market ▪ Stabilize the market	27
	methods	▪ Cost-based approach i.e. premiums based on cost ▪ Value based approach ▪ Competition-based approach	29
	Strategies Skimming Market Penetration	▪ A high initial premiums for policies ▪ Entering the market with a low initial premiums for HIV/AIDS policies in order to penetrate the market quickly and deeply ▪	30 30
Distribution	Strategies Intensive Exclusive Channel Structure strategy Selective	▪ Increasing the number and location of outlets ▪ Moving outlets closer to target population ▪ One particular insurance agent serves a given area and is granted sole rights to carry the policies ▪ Number of intermediaries employed to move insurance policies i.e. - No middlemen (direct distribution) - Agents or brokers ▪ Several but not all insurance agents outlets are selected to carry the policies	33 33 32 33
People	Strategies	▪ Recruitment and selection of employees, agents and brokers to sell their insurance policies	

		▪ Training programmes for employees, agents and brokers on HIV/AIDS insurance policies ▪ Training programmes for employees, agents and brokers on how to handle people suffering from HIV/AIDS	35 35
Physical Evidence		▪ Improving the ambience of a location and making it more appealing ▪ Number of HIV/AIDS people covered by the company ▪ Increasing prominence of HIV/AIDS insurance products displayed on aisles and shelves ▪ Offering different types of policies for HIV/AIDS sufferers	37 6
Process		▪ Offering the option of purchasing HIV/AIDS insurance policies on line ▪ Reducing wait time in processing HIV/AIDS policies ▪ Extending hours and days of the week to give advise to people infected by HIV/AIDS ▪ Monitoring of quality in delivery process ▪ Delivery time of policies to customers	36 36 36

3.5 Data Analysis

The data was analyzed by use of frequencies and mean scores, which were used to determine the extent of use of marketing mix in responding to the challenges of the HIV AIDS pandemic. Percentages were used to summarize extent of use of the marketing mix tools identified. The analyzed data was presented in form of tables, charts and graphs.

CHAPTER FOUR

DATA ANALYSIS AND FINDINGS

4.1 Introduction

This chapter contains the findings of the study with their possible interpretations based on the questionnaires administered to marketing managers. The data gathered included a general profile of the respondents, extent of the use of marketing mix in responding to the HIV AIDS challenges and the factors influencing the choice of the marketing mix used by insurance companies in Kenya. The data has been analyzed by use of mean scores and percentages.

A total of 21 questionnaires were distributed to the respondents of which 17 responded by completing and returning the questionnaires. This gives a response rate of 80.95%. All the respondents were members of Association of Kenya Insurers (A.K.I.) and were selected from the A.K.I 2003 directory.

4.2 General Profile of the Respondents

The general profile of the respondents in the study included ownership of the company, number of years in existence, the size of the business and line of business that the company engages in.

Number of years that the insurance companies have been in existence

Respondents were asked to indicate the number of years that their companies have been in existence. The results are summarized on the table below.

Table 1: Number or years in existence

Period of Existence	Frequency	Percentage
Less than a year	0	0
1- 5 years	0	0
6 – 10 years	3	17.64
Over 10 years	14	82.36
Total	**17**	**100**

From Table 1, it is evident that none of the companies studied had been in existence for 5 years and below, 3 companies (17.64%) had been in existence between 6 to 10 years while 14 of them i.e. 82.36% had been in existence for over 10 years. This implies that majority of the companies in the study were over 10 years in existence.

Ownership of the various Companies

The study sought to establish whether the Life Insurance Companies in Kenya were locally owned, foreign owned or a mixture of the two.

Table 2 Ownership of the life insurance companies in Kenya.

Categories	Frequency	Percentage
Local	10	58.82
Foreign	0	0
Mixed	7	41.18
Total	**17**	**100**

In terms of ownership 10 companies (58.82%) of the companies were locally owned, none of the companies studied was foreign owned, while 7 (41.18%) of the companies were a mixture. This means that the bulk of insurance companies in Kenya are locally owned.

Size of the Companies in terms of premiums in Kenya shillings

Respondents were asked to indicate the size of the companies in relation to the premiums collected annually.

Table 3: Size of the Companies in terms of premiums

Size of premiums (Kshs)	Frequency	Percentage
Less than 100 million	1	5.88
100 – 499 million	3	17.64
500 – 999 million	4	23.52
1 billion – 5 billion	8	47.05
More than 5 billion	1	5.88
Total	**17**	**100**

It can be observed that 5.88% of the companies collected premiums less than 100 million shillings, 17.64% had premium collection between 100 to 499 million, 23.52 % also had premiums collection between 500 to 999 million shillings, 47.05% had between 1 billion to 5 billion shillings and 5.88% had more than 5 billion shillings in term of premiums. Majority of the companies thus had premium collection between 1 billion to 5 billion (Table 3).

Lines of business that the Companies engage in.

The study also sought to find out the various lines of business that the companies were engaged in. The results are presented on table 4.

Table 4: Various lines of business that the companies engage in

Line of Business	**Frequency**	**Percentage**
Ordinary Life	17	100
General Business	-	-
Group Life	17	100
Composite	-	-
Total	**17**	**100**

It is evident from the table none of the companies studied engaged in general business and that all the companies i.e. 17 (100%) in the study engaged in Ordinary and Group Life lines of Business (Table 4).

4.3 The extent of use of the Marketing Mix by life insurance companies

The first objective of this study was to determine the extent to which Life insurance companies use the marketing mix variables i.e. product, price, place, promotion, physical evidence, process and people in responding to the HIV/AIDS challenges. Mean scores were used to analyze the data where the mean score range is from 0 to 5. A mean score of 4 and above indicates a large extent, 2.5 to 3.9 indicate to a moderate extent and less than 2.5 indicates to a small extent. Standard deviation was also used to determine the significant differences among the various scores of the marketing mix aspects, whereby a figure of less than 1 indicates no major variations among the responses and above 1 indicates major variations among the various responses given.

Product

The product variables that were measured include ordinary and Group life cover. The study sought to find out among the listed Life insurance companies the extent to which the companies modified their insurance policies to cater for the people suffering from HIV/AIDS. By use of mean scores, the extent was determined.

Table 5: Modifications of Life insurance policies

Product offered	Frequency	Mean score	Std Deviation
Ordinary Life	11	3.83	0.923
Group Life	6	4.38	0.740

It is evident from the table above that Group life policies had been modified to a very large extent among the Life insurance companies in Kenya with a mean score of 4.38, while ordinary life policies had been modified to a moderate extent with a mean score of 3.83. The standard deviation indicates that there were no major variations among the various respondents between the two types of products.

Needs that the polices focus on in the advent of the HIV/AIDS pandemic.

Respondents were asked to highlight the various needs that their policies focus on in the advent of the HIV/AIDS pandemic. Findings are given on Table 6.

Table 6: Special needs that their policies focus on

Special needs	Frequency	Percentage
Education	**4**	**36.4**
Medical	**1**	**9.0**
Savings	**5**	**45.4**
Investment	**7**	**63.6**
Health	**2**	**18.1**
Hope	**1**	**9.0**

It can be observed that majority of the companies studied focus investment as the special need for their customers with 63.6%, then savings with 45.4%, education with 36.6%, health with 18.1% and then hope and medical with 9%.

The use of product features when designing insurance policies in the advent of the HIV/AIDS pandemic.

The study sought to establish the product features that insurance companies use when designing their insurance polices in the advent of the HIV/AIDS pandemic.

Table 7: Product features incorporated in the HIV/AIDS related polices

Features	Frequency	Total	Standard Deviation
Quality level	11	4.33	0.796
Features	8	3.35	1.268
Design	7	3.45	1.247
Brand Name	5	2.95	1.658
Packaging	6	3.72	1.384
Others	5	3.20	1.165

From Table 7 it can be observed that quality level is important to a large extent in most Life insurance companies when designing their insurance products and all the companies in the study also use this. The standard deviation is 0.796 indicating that there were no major variations in the responses received from the various respondents.

Conditions imposed on those people suffering from HIV/AIDS before issuing polices

The researcher was interested in determining if the studied Life Insurance companies imposed any conditions to people infected by HIV/AIDS disease when purchasing their polices. This was done by use of a dichotomous question whereby the companies indicated whether or not they impose or specify any conditions to such customers.

Table 8: Conditions imposed on People affected by HIV/AIDS

Impose conditions	Frequency	Percentage
Yes	9	52.95
No	8	47.05
Total	**17**	**100**

From Table 8, 9 companies i.e. 52.95% of the Life Insurance companies imposed conditions for their customers before giving them policies, while 8 companies i.e. 47.05% did not impose conditions.

For the companies that imposed conditions the following are the various conditions imposed: a) Medical testing for those taking cover beyond a certain threshold (1 million and above); b) HIV/AIDS people cannot get risk cover but can only get investment and savings polices; c) All people applying for life insurance cover complete a questionnaire and disclose all known factors; d) Cover is declined in case of ordinary life policies or limited to free cover limit incase of group life cover

Product mostly affected by the HIV/AIDS pandemic

The product mostly affected by the HIV/AIDS was also studied. Results are presented on table 9.

Table 9: Effects of HIV/AIDS on insurance products

Type of Product	**Frequency**	**Percentage**
Ordinary Life	5	29.41
Group Life	12	70.59
Total	**17**	**100**

It can be observed that majority of the policies i.e. 12 (70.59%) are affected by the pandemic while only 5 (29.41%) are in the ordinary life category.

Additional services and benefits that companies build around their insurance policies to encourage purchase

The researcher was also interested to know if the companies offered any further additional services and benefits to their customers in the advent of the HIV/AIDS pandemic.

Table10: Additional services and benefits that companies build around their policies

Additional services and benefits	Frequency	Percentage
Toll free line	-	-
Discounts	1	9.0
Refunds	3	27.3
Premiums offered either free or low cost	1	9.0
Free cover limit	1	9.0

It is evident from the table above that 27.3% of the companies refund premiums as the additional benefits and services around their insurance policies while 9% of the companies give discounts, and also 9% also offer free cover limit.

Ensuring that there is repeat purchase in the advent of the HIV/AIDS pandemic

The study sought to address the issue of repeat purchase among the respondents and thus establish what the companies do to encourage repeat purchase.

Table11: Repeat purchase in the advent of the HIV/AIDS pandemic

Service	**Frequency**	**Percentage**
Patronage rewards	1	9.0
Issuing coupons	1	9.0
Advertising specialties	2	18.1
Price packs	3	27.3
Excellent service	2	18.1

From Table 11 it can be established that, 9% of the companies offer patronage rewards, 9% issue coupons, 27.3% of the companies which is the majority give price packs to their customers to encourage repeat purchase and the 18.1% give advertising specialties and excellent service respectively to encourage repeat purchase.

Whether the companies have a brand name for those people affected by HIV/AIDS pandemic

The researcher was interested in determining if the studied life insurance companies have a brand name for their policies for those people affected by HIV/AIDS pandemic. This was done by use of a dichotomous question whereby the companies indicated whether or not they have a brand name for such people.

Table12: Brand name for people with HIV/AIDS

Brand Name	Frequency	Percentage
Yes	0	0
No	17	100
Total	17	100

From Table 12, all of the life insurance companies (100%) did not have a brand name for policies for those people living with HIV/AIDS.

Promotion

The researcher sought to determine the various objectives set by the life insurance companies.

Table 13: Promotional objectives used by Life insurance companies in Kenya

Objective	Frequency	Mean score	Standard Deviation
Inform the public about its insurance policies & HIV/AIDS	11	3.7	0.923
Educate the public about its insurance policies & HIV/AIDS	7	2.96	1.322
Persuade the public about its insurance policies & HIV/AIDS	8	3.28	0.765
To remind the public about its insurance policies & HIV/AIDS	9	3.55	0.846

It was evident from the above table that majority of the companies informed the public about their insurance policies to a large extent with a mean score of 3.7, others educated the public about their insurance policies to a moderately small extent with a mean score of 2.69 showing variations in their practice and others persuade the public about their insurance policies and HIV/AIDS to a large extent with a mean score of 3.28.

Promotion strategies used in selling Policies to people suffering from HIV/AIDS

The researcher sought to establish the various promotional strategies used by insurance companies in selling their products to the market.

Table 14: Promotion strategies used by Life insurance companies

Promotion Strategy	Frequency	Mean score	Standard Deviation
Relying on agents to market policies	11	4.05	0.973
Using insurance brokers to sell polices	8	3.5	0.798
Going directly to the customers	5	2.95	1.658

From Table 14 above it is evident that most Life insurance companies relied on the agents (mean score of 4.05) to a very large extent and thus are no major variations among the insurance companies, others use insurance brokers to a moderately large extent to sell their polices while the rest go directly to the customers which is to a small extent and this shows major variations among the companies given the standard deviation of 1.095 as a promotional strategy to sell their policies in the advent of the HIV/AIDS pandemic.

Various media channels used by life insurance companies in the advent of the HIV/AIDS pandemic

The study sought to establish the various channels used in the studied companies in promoting their policies to the public.

Table 15: Types of channels used by life insurance companies

Media used	Frequency	Percentage
Radio	4	36.4
Newspapers	7	63.6
Internet	3	27.3
Television	3	27.3
Magazines	4	36.4
Direct mail	3	27.3
Outdoor	1	9.0

It was evident from the above table that 63.6% of the life insurance companies used television to promote their products, which was the majority, followed by radio and magazines with 36.4% respectively. The least form of media channel used was outdoor advertising with 9%.

The use of message appeals when creating advertising message

The researcher sought to establish the different types of message appeals used insurance companies and the extent of use of such appeals.

Table16: Message appeals incorporated in their advertising message

Appeal	Frequency	Mean score	Standard deviation
Fear	6	3.28	0.834
Emotional	6	3.70	0.923
Rational	7	4.33	0.796
Social responsibility	5	2.95	1.191
Humorous	4	2.69	1.032

It is evident from Table 16 that most companies incorporate the rational appeal message to a large extent i.e. with a mean score of 4.33 and a standard deviation of 0.796 meaning that there were not significant differences among the respondents. Fear and emotion were also important to a very large extent among the companies with a mean score of 3.28 and 3.70 respectively and the variations among the respondents were not significant.

Effect of HIV/AIDS on the companies' budget

The researcher sought to know if there was any significant effect on the companies' budgets with the advent of the HIV/AIDS pandemic. This was done by use of a dichotomous question.

Table 17: Effect of HIV/AIDS on the companies' budgets

Increase in budget	Frequency	Percentage
Yes	0	0
No	17	100
Total	17	100

From the table above, all of the life insurance (100%) companies asserted that they had not increased their budgeting to accommodate people infected by HIV/AIDS.

Sales promotion objectives

The study sought to determine the various sales promotion strategies used by the life insurance companies and their extent of use.

Table 18: Sales promotion objectives

Objectives	Frequency	Mean score	Standard deviation
Increasing short-term sales	5	3.2	1.619
Help build long-term market share	7	3.4	0.966
Entice customers to try their new insurance policies	8	3.8	0.919
Lure customers away from competitors	4	3.35	1.268
Encourage customers to load up on matured policies	3	2.95	1.658
Hold & reward loyal customers	4	3.45	1.247

From Table 18 above it is evident that majority of the companies enticed customers to try their new insurance policies (mean score of 3.8) and a standard deviation of 0.919 to a very large extent. Increasing short term sales lure customers away from competition and hold and reward loyal customers were important to a large extent.

Sales promotion tools used by life insurance companies

The researcher sought to determine the various sales promotion tools used by the various life insurance companies in Kenya.

Table 19: Promotional tools used

Promotional tools	Frequency	Percentage
Use of samples	0	0
Issuing coupons	1	9.0
Cash refunds	3	27.3
Price packs	1	9.0
Premiums	0	0
Patronage rewards	0	0
Contests, sweepstakes and games	2	18.2
Advertising specialties	0	0

It is evident that majority, 27.3% of the companies use cash refunds of insurance policies as a sales promotional tool, 18.2% use contests, sweepstakes and games, while only 9% use price packs and issuing of coupons as promotional tools. Most of the respondents did not respond to this question.

The use of various public relations tools and their extent of use

The study also sought to determine the various public relations tools used and their extent of use by the various life insurance companies in Kenya.

Table 20: Public relations tools used

Public relations tool	Frequency	Mean score	Percentage
Speeches	5	4.34	0.921
Special events	3	3.09	0.769
News conferences	1	2.80	1.542
Press tours	2	2.96	1.322
Public service activities	2	2.38	1.721
Sponsorships	6	4.50	0.889

Majority of the companies used sponsorships with a mean score of 4.5 and standard deviation of 0.889 to a very large extent meaning that there are no major variations among the companies, while others use speeches with a mean score of 4.34 also to a very large extent, special events mean score of 3.09 as public relations tool to create awareness for people living with HIV/AIDS was used to moderately large extent. News conferences, press tours and public service activities are important to a small extent with a mean score of 2.80, 2.96 and 2.38 respectively.

Advertising frequency

The researcher also sought to know how often the life insurance companies in Kenya advertise about their insurance policies for HIV/AIDS related polices.

Table 21: Advertising frequency

Advertising mode	Frequency	Percentage
Monthly	0	0
Semi-annually	12	70.58
Annually	3	17.65
Need basis	2	11.77
Total	**17**	**100**

Results indicate that none of the companies advertises their products on a monthly basis, while 12 (70.58%) advertise semi-annually, 3 (17.65) advertise annually and 2 (11.77%) advertise on a need basis. The majority of the companies thus advertise on a semiannual basis forming 70.58% of the total (Table 31).

Various pricing determinants

The study sought to determine the various pricing determinants used by the various life insurance companies in Kenya.

Table 22: Pricing determinants

Determinant	Frequency	Percentage
Profit objectives	8	72.7
Maximizing profits	6	54.5
Target return	4	36.4
Satisfactory profits	3	27.3
Cash flow	3	27.3
Sales objectives	7	63.6
Sales growth	7	63.6
Increase share of the market	5	45.5
Maintain market share	6	54.5
Competition objectives	2	18.2
Non-price competition	1	9.0

From the table above, majority of the companies' use the profit objectives as the determinant when making pricing decisions for insurance polices in the advent of the HIV/AIDS pandemic with 72.7% of the respondents agreeing to this, 54.5% use maximizing profits as their objectives, 18.2% use competition as their objectives while 9% have non-price competition as their objective.

Loading of extra premiums to people infected with HIV/AIDS

The researcher sought to establish if the various life insurance companies' load or charge extra insurance premiums on people infected with HIV/AIDS and this was done through the use of a dichotomous question.

Table 23: Loading of extra premiums to people infected with HIV/AIDS

Load/charge extra premium	Frequency	Percentage
Yes	8	47.05
No	9	52.95
Total	**17**	**100**

It was established that 9 (52.9%) of the companies do not load or charge extra premiums to those people infected with HIV/AIDS while 8 (47.05%) do load or charge extra premium to people infected with HIV/AIDS (Table 23).

The use of Pricing in Life Insurance companies

Price communicates to the market. The study sought to find what pricing strategies have been used in pricing the insurance policies in the advent of the HIV/AIDS pandemic. The mean score range from 0 to 5 was also used.

Table 24: Pricing strategies used in insurance policies

Pricing Strategy	Mean score	Standard Deviation
A high initial premiums	3.0	1.069
A low initial premiums	3.2	1.619
Varied premiums	3.73	1.191
Standard premiums	3.4	0.966

From Table 24, high initial premiums were considered to be moderately important as the mean score was 3.0. All the other pricing strategies were namely low initial premiums, varied premiums and standard premiums are important to a large extent. It was deduced that varied premiums varied amongst the companies as the standard deviation was high; 1.619.

Distribution channels used by Life Insurance companies in distributing their policies

The study sought to determine the various distribution channels used by the various life insurance companies in Kenya in distributing their various policies.

Table 25: Extent of the use of intermediaries in distributing policies

Intermediary used	Mean score	Standard Deviation
Insurance agents	4.33	0.796
Insurance brokers	4.24	0.179
Both agents & brokers	4.05	0.973
Direct marketing/selling	3.45	1.247

Most of the companies used intermediaries to distribute their life insurance policies to a very large extent as shown in the table with only a few using direct marketing to a large extent with a mean score of 3.45. Most of the insurance companies used insurance agents to a very large extent with a mean score of 4.33 and a standard deviation of 0.796 meaning that there were no significant differences among the respondents (Table 25).

People concept

The study also sought study the level of adjustment the listed companies had made in relation to training of its employees on its insurance policies in the advent of the HIV/AIDS pandemic.

Table 26: Levels of training

Level of adjustment	Mean score	Standard Deviation
Training programs for company staff on HIV/AIDS insurance policies	3.35	1.268
Training agents on HIV/AIDS insurance policies	4.00	0.949
Training staff in handling people living HIV/AIDS	2.95	1.658
Training brokers in handling people with HIV/AIDS	3.24	0.889
Training of brokers on HIV/AIDS insurance policies	3.09	1.513
Training agents in handling people with HIV/AIDS	3.4	0.966

From the table above it is evident that life insurance companies train agents on HIV/AIDS insurance policies to a large extent with a mean score of 4.00, while the training of brokers in handling people with HIV/AIDS, training, training of brokers on

HIV/AIDS insurance policies and training agents in handling people with HIV/AIDS is important to a moderate extent.

Process

The study also sought to determine that level of adjustments life insurance companies have made in relation to the process of issuing, delivering and monitoring delivery of policies.

Table 27: Levels of adjustments in relation to process

Level of adjustments	Mean score	Standard Deviation
Time taken to process policies	3.8	0.919
Delivery time of policies to customer	3.73	0.966
Monitoring of quality in the delivery process of policies	3.4	0.845

All the companies have adjusted levels in relation to the process moderately to as shown in the above table. The time taken to process policies is important to a moderate extent with a mean score of 3.8 and a standard deviation of 0.919 meaning that there were no major variations among the respondents. The monitoring of quality in the monitoring process of policies was important to a moderate extent (Table 27).

Increase of prominence of insurance policies displayed on aisles and shelves.

The researcher also sought to find out if the listed companies had increased the prominence of their insurance policies on aisles and shelves in the advent of the HIV/AIDS pandemic and this was done by the use of a dichotomous question.

Table 28: Prominence of insurance polices

Increase of prominence	Frequency	Percentage
Yes	7	41.17
No	10	58.83
Total	**17**	**100**

Results indicated that 10 (58.83%) of the studied life insurance companies had not increased their prominence of their insurance policies display on their shelves and aisles, while 7 (41.17%) have increased prominence of their insurance policies.

4.4 Factors influencing the various marketing mix elements

The researcher also sought to study the factors that influence the various marketing mix elements.

Product

Various factors cited as being critical in influencing the choice of polices that companies' sell to the public in the advent of the HIV/AIDS pandemic among them: Affordability; Relevance to the needs; Availability of prospects; Concentration (critical mass); Mode of premium payment collection; Product features; Trust

Table 29: Factors influencing the choice of policies

Factors	Frequency	Percentage
Affordability	6	54.5
Relevance of the Needs	7	63.6
Availability of prospects	8	72.7
Concentration (critical mass)	3	27.3
Mode of premium collection	4	36.4
Product features	5	45.5
Trust	5	45.5

From Table 29 it can be observed that the majority (72.7%) of the companies used availability of prospects as an important factor influencing the choice of policies, 63.6% used relevance to the needs as the most important factor influencing the choice of policies that companies' sell to the public in the advent of HIV/AIDS pandemic with a frequency of 7 and 45.5% having product features and trust as other factors important in influencing the choice of policies.

Promotion

The respondents in the study gave the following factors as being critical to the choice of media channel to use when advertising insurance products in the advent of HIV/AIDS pandemic: Buying population; Likely number of new policies; Simplicity in sales process; Simplicity in claims process; Technology; Affordability; Premium paying methods; Persistency of existing business; Taxes; Rate of return; Commissions structure; Expenses; Mortality rate

Table 30: Factors critical to the choice of media channel

Factor	Frequency	Percentage
Buying population	4	36.4
Likely number of new polices	1	9
Simplicity in sales process	2	18.2
Simplicity in claims process	3	27.3
Technology	6	54.5
Affordability	5	45.5
Premium paying methods	1	9
Persistency of business	0	0
Taxes	4	36.4
Rate of return	7	63.6
Commissions structure	1	9
Expenses	6	54.5
Mortality rate	3	27.3

From Table 30 above, it is evident that majority of the companies under study factored in the issue of rate of return as crucial among the factors influencing the choice of media with a frequency of 7 translating to a percentage of 63.6%. The other factors are technology 54.5%, 36.4% taxes, 54.5% had expenses while 27.3% use mortality rate as factors critical in the choice of the media.

Distribution

Factors cited as critical in the distribution process included: The market where the policies will be sold; Availability of intermediaries; whether the intermediaries have expertise or not; Geographical spread of the intermediaries

Table 31: Factors critical in the distribution process

Factor	Frequency	Percentage
Market where policies will be sold	6	54.5
Availability of intermediaries	5	45.5
Expertise of intermediaries	6	54.5
Geographical spread of the intermediaries	3	27.3

Majority of the companies under study used the market where the policies will be sold and the expertise of the intermediaries as important factors in the distribution process with a frequency of 6 translating to 54.5%, 45.5% of the companies used the availability of intermediaries and 27.3% relied on the geographical spread of the intermediaries as factors critical in the distribution process.

CHAPTER FIVE

DISCUSSION, CONCLUSION AND RECOMMENDATIONS

5.1 Introduction

This was a study aimed at determining the extent use of the marketing mix variables by Life insurance companies in Kenya in responding to the challenges of the HIV/AIDS pandemic. In this chapter discussion of the analyzed data, conclusion and recommendations are presented.

5.2 Discussion

The study sought to establish the marketing mix variables used by Life insurance companies listed by Association of Kenya Insurers (A.K.I), to what extent they used the marketing mix and the factors influencing the choice of the variables. All of the studied insurance companies were located in Nairobi. Most the companies i.e. 82.36% have been in existence for over ten years, indicating that they have been in operation for long. The study found out that 58.82% i.e. the majority of the studied companies are locally owned, while 41.18% are mixed. 47.05% of the companies studied have between 1 billion to 5 billion in terms of premiums. All of the studied companies engage both in the ordinary and group life kind of business.

The findings indicate that marketing mix elements used are product, price, promotion, place, process, physical evidence and people but the degree differs across the various Life insurance companies in Kenya. The study revealed that with the onset of the HIV/AIDS pandemic organizations have modified their policies and the group life kind of polices have been modified to a very large extent. It emerged that this class of insurance is the one that has been severely been affected by the pandemic with 12 (70.59%) of the companies confirming this. 5 companies i.e. 29.41% of the companies had their ordinary line of business affected by the pandemic. The study also revealed that most of the policies focus on the investment as the crucial needs that consumers want followed by savings and education. Most companies still do not impose or specify any conditions to those people suffering from HIV/AIDS before allowing them to buy insurance polices. The study also revealed that most companies do not have any brand name for insurance polices for those people infected with HIV/AIDS. Several factors were listed as important as they influence the choice of insurance policies among them; affordability, relevance of the needs, product features, trust, availability of prospects, concentration (critical mass) and mode of premium collection/payment.

The study further revealed that informing the public about their insurance policies and HIV/AIDS was to a large extent very important to most of the companies and in line with this most the Life insurance companies rely to a large extent on the sales agents to market their policies as promotional strategy. Promotional activities may tend to be niche i.e. is geared to the target market. Most of the companies use radio, Internet, newspapers and television to reach the target market. Several factors were listed as being important in influencing the choice of the media channel used when advertising their insurance products in the advent of the HIV/AIDS pandemic among them being; readership, extent of coverage, price of the adverts, respect enjoyed, circulation figures, effectiveness, cost, frequency, target group and reliability. It further emerged that all of the companies have not increased their advertising budget to accommodate people infected by HIV/AIDS.

Several pricing objectives were identified in the study as being important when making pricing decisions for insurance policies among them being profit objectives, sales objectives and sales growth. The profit objectives formed the bulk of the sales objectives by most of the life insurance companies in Kenya. Varied premiums are offered moderately by most of the Life insurance companies studied and this pricing strategy is line with what Kotler (2003) postulates; companies do not usually set a single price, but rather a pricing structure that reflects variations in geographical demand and costs, market-segment requirements, purchase timing, order levels and other factors. Among the factors listed as important in influencing the companies pricing decisions are: buying population, likely number of new polices, simplicity in sales process, simplicity in claims process, technology, affordability, premium paying methods, the persistency of existing business, taxes, rate of return, commission structure, expenses, mortality and HIV/AIDS assumptions, age of the client, sum assured, medical status of the client, a scheme's claims experience, risk premium amounts, loaded premium extent, free cover limit, and rate of inflation.

The use of both agents and insurance brokers is used by most of the life insurance companies to a very large extent in distributing its policies with most the companies studied having increased the number of agents and location of outlets in order to capture a large market. The companies in the study also indicated the pricing strategies they are using in pricing the insurance products. The companies also indicated the distribution channels they use in their insurance products and these are in line with Gundersen (2003) belief that the distribution channel a company chooses for her product will be based on several factors that include the channels being used by the company, the pricing strategy and the internal resources of the organization. Among the crucial factors listed as influencing the choice of the distribution channels are: the market where the policies will be sold, availability of intermediaries, whether the intermediaries have expertise to distribute, geographical spread, market size, commission rates (cost/expenses), loyalty and registration with the relevant authorities.

The companies have embarked on training their agents on HIV/AIDS insurance polices as they are the people on the ground and hence in constant contact with the clientele. The process of issuing policies has increased among the companies, so is the delivery time of the policies to the customers though the monitoring of the quality in the delivery process of policies is still not impressive. Most of the companies have not increased the prominence of insurance policies displayed on the aisles and shelves in the advent of the HIV/AIDS pandemic.

5.3 Conclusion

This study is important to insurance companies in Kenya as it aimed at providing an insight for assessing and offering solutions to the HIV/AIDS pandemic through use of marketing mix. From the findings it is evident that group life policies are most affected and ravaged by the pandemic and this is to a large extent. Companies though have recognized this fact and most the companies are using various promotional strategies to reach out the public and informing them about the seriousness of the problem. Most of the companies studied embark on the use of agents and brokers in a bid to distribute their products. Most of the companies have embarked on training their employees (though to a small extent) about the pandemic and their insurance policies. With the recognition and use of the marketing mix most of the insurance companies will be able to be in business and will manage to keep afloat.

5.4 Recommendations

Based on the findings of the study, the following recommendations were made:

i. It is clear that not all the Life insurance companies use marketing mix in their operations. More life companies should embrace this concept in a bid to respond to the HIV/AIDS challenges.
ii. With the onset of the HIV/AIDS pandemic, insurance companies should come out with policies specifically catering with the needs of people suffering from the disease as HIV/AIDS is now a reality and they should not shy away from it.
iii. The insurance industry and the government should intensify their campaign to fight the pandemic i.e. information should disseminated more frequently to the public in an effort to fight the pandemic.
iv. The insurance industry and the government should introduce the subject of insurance to schools as a large proportion of the Kenyan population still do not understand what insurance is all about.

Limitations of the study

The study was constrained by the fact that not all the listed companies responded to the questionnaires presented to them. Many of them had to be persuaded to respond as many of them viewed it as a probe into their operations.

Suggestions for Further Research

The researcher suggests the need for a similar study to be conducted in the realm of insurance companies and the effect of the pandemic on their profitability. This will help determine financial consequences of the pandemic on life insurance companies in Kenya.

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APPENDIX 1:

Introduction Letter to the Respondents

Muthenya Benjamin Kyeva,
C/o University of Nairobi,
Lower Kabete Campus,
P.O. Box 30197,
Nairobi.

29 December 2004,

Dear Sir/Madam,

I am a Post Graduate Student in the Faculty of Commerce, University of Nairobi. I am conducting a Management Research on "A Survey of the Marketing Mix used by Life Insurance Companies in Kenya in responding to the challenges of the HIV/AIDS Pandemic".

Your organization has been selected to form part of the study. This is therefore to request your assistance in filling the attached questionnaire. The information you give will be treated with strict confidentiality and is needed purely for academic purposes. Even when a name has been provided, it will not under any circumstances appear in the final report.

A copy of the final report will be made available to you upon request.

Your assistance and co-operation will be greatly appreciated.

Yours sincerely,

....
Muthenya Benjamin Kyeva
(Student)

....
Margaret A. Ombok
Lecturer Dept. of Business
Administration (Supervisor)

APPENDIX 2: QUESTIONNAIRE

Please respond to the questions as directed against each.

PART A: General Information.

Would you kindly give the name of your organization?

____

1.) Please indicate your primary functional responsibilities.

a) CEO (Chief Executive Officer) ( )

b) Underwriting Manager ( )

c) Marketing Manager ( )

d) Other (specify)...................

2.) How many years has your organization been in the insurance business?

a) Less than a year ( )

b) 1 – 5 years ( )

c) 6 – 10 years ( )

d) Over 10 years ( )

3.) What is the ownership of your organization?

a) Local ( )

b) Foreign ( )

c) Mixed ( )

4.) What is the size of your business in Kshs.?

a) Less than 100 million ( )

b) 100 – 499 million ( )

c) 500 – 999 million ( )

d) 1 billion – 5 billion ( )

e) More than 5 billion ( )

5.) What lines of business does your company engage in? Tick all that apply

a) Ordinary life ( )
b) General business ( )
c) Group Life ( )
d) Composite ( )

PART B: Market mix elements used by Insurance Companies.

PRODUCT

6.) With the onset of the HIV/AIDS pandemic please indicate by ticking in the appropriate box to what extent your organization has modified your insurance policies to cater for people suffering from the disease; Use rating of 5=Very large extent, 4=Large extent, 3=Moderate extent, 2=Small extent, 1=No extent

	5	4	3	2	1
a) Ordinary Life Policy	( )	( )	( )	( )	( )
b) Group life policies	( )	( )	( )	( )	( )

7.) To what extent has the HIV/AIDS pandemic had on the insurance policies offered by your company? Use rating of 5=Very large 4=large extent 3=Moderate 2=Small extent 1= No extent (please tick)

	5	4	3	2	1
a) Ordinary Life policies	( )	( )	( )	( )	( )
b) Group life polices	( )	( )	( )	( )	( )

8.) What special needs do your insurance policies focus on in the advent of the HIV/AIDS pandemic? (Please tick all that apply)

a) Education ( )
b) Medical ( )
c) Savings ( )
d) Investment ( )
e) Health ( )
f) Hope ( )

g) Others (specify)...

....

....

9.) To what extent does your company use the following features or characteristics when designing your insurance policies in the advent of the HIV/AIDS pandemic in order to deliver a convenient, high quality product? Use rating of 5=Very large extent 4=Large extent 3=Moderate 2=Small extent 1=No extent (Please tick one box)

	5	4	3	2	1
a) Quality level	( )	( )	( )	( )	( )
b) Features	( )	( )	( )	( )	( )
c) Design	( )	( )	( )	( )	( )
d) Brand name	( )	( )	( )	( )	( )
e) Packaging	( )	( )	( )	( )	( )

f) Others (specify)...

10.) Does your company impose or specify any conditions to those people suffering from HIV/AIDS before allowing them to buy insurance policies? (Please tick one)

a) Yes..

b) No...

If yes please specify the conditions...

....

....

11.) What additional services and benefits does your company build around your insurance policies in order to encourage customers to purchase in the advent of the HIV/AIDS pandemic? (Please tick all that apply)

a) Toll free line to call if they have problems or questions ( )

b) Discounts on premiums ( )

c) Refunds ( )

d) Premiums offered either free or at low cost ( )

e) Others (please specify)..

....

....

12.) How does your company ensure that there is repeat purchase by those who have bought your insurance policies and in turn encourage others to purchase your policies in the advent of the HIV/AIDS pandemic? (Please tick all that apply)

a) Patronage rewards i.e. cash awards for the regular use of the company's policies or services ( )

b) Issuing coupons ( )

C) Advertising specialties i.e. useful articles imprinted with ( ) the company's name and given as gifts to customers e.g. pens, calendars, key rings, T-shirts e.tc. ( )

d) Price packs i.e. premiums that are marked for buying of insurance policies ( )

e) Others (specify)..

....

....

13.) Which product line have you witnessed having most HIV/AIDS related cases? Please tick any

a) Ordinary life ( )

b) Group Life ( )

14.) Does your company have a brand name for insurance policies for those people infected with HIV/AIDS under the different lines of business? (Please tick in the appropriate box) if Yes please give the name

a) Yes ( )

b) No ( )

15.) What factors influence the choice of insurance of policies that your company sells to the public in the advent of the HIV/AIDS pandemic? Please list them down:

a)..
b)..
c)..
d)..
e)..
f)..
g)..
h)..

PROMOTION

16.) To what extent does you company set the following promotion objectives when selling its insurance policies to people infected with HIV/AIDS? Use rating of 5=Very large extent 4=Large extent 3=Moderate 2=Small extent 1= No extent

	5	4	3	2	1
a) To inform the public about its insurance products & HIV/AIDS	( )	( )	( )	( )	( )
b) To educate the public about its insurance products & HIV/AIDS	( )	( )	( )	( )	( )
c) To persuade the public to purchase insurance products & HIV/AIDS	( )	( )	( )	( )	( )
d) To remind the public about its insurance products & HIV/AIDS	( )	( )	( )	( )	( )

17.) To what extent does your organization use the following promotion strategies in selling your insurance policies to people suffering from HIV/AIDS?
Use rating of 5=Very large extent 4=Large extent 3=Moderate 2=Small extent
1=No extent (Please tick one box)

5 4 3 2 1

a) Relying on the agents to market the policies	( )	( )	( )	( )	( )
b) Using insurance brokers to sell the policies	( )	( )	( )	( )	( )
c) Going directly to the customers to promote sales	( )	( )	( )	( )	( )

18.) What media does your company use when advertising your insurance policies in the advent of the HIV/AIDS pandemic?

Tick all that apply.

a) Radio ( )

b) Newspapers ( )

c) Internet ( )

d) Television ( )

e) Magazines ( )

f) Direct mail ( )

g) Outdoor ( )

h) Other (specify)..

....

....

....

19.) Please list the factors that influence the choice of media channel to use when advertising your insurance products in the advent of the HIV/AIDS pandemic;

a)...

b)..

c)..

d)...

e)...

f)..

g)...

h)..

20.) To what extent does your company use the following message appeals when creating an advertising message about its insurance policies with the advent of the

HIV/AIDS pandemic? Use rating of 5=Very large extent 4=Large extent 3=Moderate 2= Small extent 1= No extent

	5	4	3	2	1
a) Fear appeal	( )	( )	( )	( )	( )
b) Emotional appeal	( )	( )	( )	( )	( )
c) Rational appeal	( )	( )	( )	( )	( )
d) Social responsibility appeal	( )	( )	( )	( )	( )
e) Humorous appeal	( )	( )	( )	( )	( )

21) Have you increased your advertising budget to accommodate people infected by HIV/AIDS? (please tick one box)

a) Yes ( )

b) No ( )

22.) To what extent does your company use the following sales promotion objectives when promoting its insurance policies with the advent of the HIV/AIDS pandemic? Use rating of 5=Very large extent 4= Large extent 3=Moderate 2= Small extent 1=No extent

	5	4	3	2	1
a) Increasing short-term sales on their insurance policies	( )	( )	( )	( )	( )
b) Help build long-term market share	( )	( )	( )	( )	( )
c) Entice customers to try their new insurance policies	( )	( )	( )	( )	( )
d) Lure customers away from competitors	( )	( )	( )	( )	( )
e) Encourage customers to "load up" on matured policies	( )	( )	( )	( )	( )
f) Hold and reward loyal customers	( )	( )	( )	( )	( )

23.) When promoting your insurance polices which of the following sales promotion tools does your company use in the advent of HIV/AIDS pandemic? Tick all that apply

a) Use samples i.e. offering Clients a trial of their policies ( )

b) Issuing coupons ( )

c) Cash refunds of insurance policies ( )

d) Price packs i.e. premiums that are are marked for buying of insurance policies ( )

e) Premiums i.e. policies offered either free or at low cost as an incentive to buy ( )

f) Patronage rewards i.e. cash or awards for the regular Use of the company's policies or services ( )

g) Contests, sweepstakes and games with the purchase of Insurance policies ( )

h) Advertising specialties i.e. useful articles imprinted with the company's name and given as gifts to customers e.g. pens, calendars, key rings, T-shirts e.t.c ( )

I) Others specify..

....

....

24.) To what extent does your company use the following public relations tools to create awareness for people living with HIV/AIDS of your insurance policies? Use rating of 5=Very large 4=Large extent 3=Moderate 2= Small extent 1=No extent (Please tick one)

	5	4	3	2	1
a) Speeches	( )	( )	( )	( )	( )
b) Special events	( )	( )	( )	( )	( )
c) News conferences	( )	( )	( )	( )	( )
d) Press tours	( )	( )	( )	( )	( )
e) Public service activities	( )	( )	( )	( )	( )
f) Sponsorships of HIV/AIDS awareness	( )	( )	( )	( )	( )

25.) How often does your company advertise about your insurance policies for HIV/AIDS related policies?

a) Monthly ( )
b) Semi-annually ( )
c) Annually ( )
d) Others (specify)..
....
....
....

26.) Please list the factors that influence the choice of the promotional efforts/tools to use when promoting your insurance products in the advent of the HIV/AIDS pandemic?

a)..
b)..
c)..
d)..
e)..
f)..
g)..
h)..

PRICING

27.) When making pricing decisions on premiums for insurance policies please indicate by ticking which of these determinants are used by your organization? (Please tick one)

a) Profit objectives ( )
b) Maximizing profits ( )
c) Target return ( )
d) Satisfactory profits ( )
e) Cash flow ( )
f) Sales objectives ( )
g) Sales growth ( )

h) Increase share of the market ( )

i) Maintain share of the market ( )

j) Competitive objectives ( )

k) Meeting competition ( )

l) Non-price competition ( )

28.) Do you load/charge extra premiums on people infected with HIV/AIDS disease?

a)Yes ( )

b)No ( )

29.) To what extent do you use the following pricing adjustment methods when pricing its insurance policies in the advent of the HIV/AIDS pandemic for differences in customer segments and situations? Use rating of 5=Very large extent 4= Large extent 3= Moderate 2= Small extent 1= No extent

	5	4	3	2	1
a) Discount and allowance pricing on its insurance policies	( )	( )	( )	( )	( )
b) Segmented (differentiated) pricing for its policies	( )	( )	( )	( )	( )
c) Psychological pricing communicate better a policy's intended position	( )	( )	( )	( )	( )
d) Promotional pricing	( )	( )	( )	( )	( )
e) Value pricing i.e. where the company offers just the right combination of quality and good service	( )	( )	( )	( )	( )
f) Geographical pricing i.e. deciding on	( )	( )	( )	( )	( )
on how to price to distant customers	( )	( )	( )	( )	( )
g) International pricing i.e. adjusts its price	( )	( )	( )	( )	( )
to meet different conditions and expectations in different world markets	( )	( )	( )	( )	( )

30.) To what extent do you organization use the following pricing strategies when pricing its policies in the advent of the HIV/AIDS pandemic? **Use rating of 5=Very large extent, 4=Large extent, 3=Moderate extent, 2=Small extent, 1=No extent** ?(Please tick one)

	5	4	3	2	1
a) A high initial premiums	( )	( )	( )	( )	( )
b) A low initial premiums	( )	( )	( )	( )	( )
c) Varied premiums	( )	( )	( )	( )	( )
d) Standard premiums	( )	( )	( )	( )	( )

31.) What factors influence your company's pricing decisions when pricing your policies in the advent of the HIV/AIDS pandemic? (Please list them)

a)...
b)...
c)...
d)...
e)...
f)...
g)...

DISTRIBUTION

32.) To what extent does your company use the following intermediaries in distributing its policies? Use rating of 5=Very large extent 4=Large extent 3=Moderate 2=Small extent 1=No extent

	5	4	3	2	1
a) Insurance agents	( )	( )	( )	( )	( )
b) Insurance brokers	( )	( )	( )	( )	( )
c) Both agents & brokers	( )	( )	( )	( )	( )
d) Direct marketing/selling	( )	( )	( )	( )	( )

e) Others (specify)...

33.) Which of the following distribution strategies does your company use when distributing its insurance policies in the advent of the HIV/AIDS pandemic? Tick all that apply.

a) Increasing the number of agents and location of outlets ( )
b) Moving outlets closer to the target population ( )
c) Having one particular agent serve a given area and is granted sole rights to carry the policies ( )
d) Having several but not all agents selected to carry the policies ( )

34.) What factors influence the choice the distribution channels to use when distributing your insurance policies in the advent of the HIV/AIDS pandemic? Please list them;

a)...
b)...
c)...
d)...
e)...
f)...
g)...

PEOPLE

35.) On a scale of 1 – 5 tick the box which best describes the level of adjustments your company has made in relation to the statement on the left; **Use 5=Very large extent 4=Large extent 3=Moderate extent 2=Small extent 1=No extent**

	5	4	3	2	1
a) Training programs for company staff on HIV/AIDS insurance policies	( )	( )	( )	( )	( )
b) Training agents on HIV/AIDS					

insurance policies	( )	( )	( )	( )	( )
c) Training staff in handling people with HIV/AIDS	( )	( )	( )	( )	( )
d) Training brokers on HIV/AIDS insurance policies	( )	( )	( )	( )	( )
e) Training brokers in handling people with HIV/AIDS	( )	( )	( )	( )	( )
f) Training agents in handling people with HIV/AIDS	( )	( )	( )	( )	( )

PROCESS

36.) On a rating of 1-5 tick the box which best describes the level of adjustments your company has made in relation to the statement on the left; Use rating of 5=Very large extent 4=Large extent 3=Moderate extent 2=Small extent 1=No extent

	5	4	3	2	1
a) Time taken to process policies	( )	( )	( )	( )	( )
b) Delivery time of polices to customers	( )	( )	( )	( )	( )
c) Monitoring of quality in the delivery Process of policies	( )	( )	( )	( )	( )

37.) Has your company increased the prominence of insurance policies displayed on aisles and shelves in the advent of the HIV/AIDS pandemic?

a) Yes ( )

b) No ( )

Thank you very much for your time and cooperation.

APPENDIX 3

LIST OF INSURANCE COMPANIES IN KENYA, JULY 2003

1. Africa Merchant Assurance Kenya Ltd
2. American Life Insurance Company Ltd
3. Apollo Insurance Company Ltd
4. Blue Shield Insurance Company Ltd
5. British American Insurance Company Ltd
6. Cannon Assurance Kenya Ltd
7. Corporate Insurance Company Ltd
8. Co-operative Insurance Company Ltd
9. Geminia Insurance Company Ltd
10. Heritage A.I.I. Insurance Company Ltd
11. Insurance Company of E.A. Ltd
12. Invesco Assurance Ltd
13. Jubilee Insurance Company Ltd
14. Kenindia Assurance Ltd
15. Madison Insurance Company Ltd
16. Mercantile Life & General Assurance Company Ltd
17. Old Mutual Life Assurance Company Ltd
18. Pan Africa Insurance Company Ltd
19. Pioneer General Assurance Company Ltd
20. UAP Provincial Insurance Company Ltd
21. United Insurance Company Ltd

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