

Television Advertising Strategy and Customer Loyalty in Insurance Sector in Rwanda

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ABSTRACT

Customers are loyal because they believe that they receive superior products or commendable services and favorable treatment from their service providers, and also because they believe they don't have a better alternative. However, these customers may not be aware of the influence or impact that their service provider's advertisements really have on keeping them hooked or bowed to their brand and customer loyalty. The general objective of the study was to analyze the contribution of television advertising to customer loyalty in insurance sector in Rwanda. Specific objectives were to ascertain the determinants that influence customer loyalty in insurance sector in Rwanda, to assess the strategies related to advertisement undertaken by insurance companies on customer loyalty and to establish relationship between television advertisement and customer loyalty in insurance sector in Rwanda. The study design was descriptive-analytical design, the population of this research was from insurance companies' customers and employees and the sample size of the study was 98 people. The researcher used Statistical Packaging for Social Sciences (SPSS) as the statistical tool. The data was presented according to the research questions and research objectives. Tables were used to present data. Data from completed questionnaires were edited, categorized and entered into SPSS and summarized using the percentage of respondents for analysis. Inferential statistics (Pearson correlation coefficient was used to analyze data). This research used SPSS program and found that the coefficient r equal to 0.969. According to Pearson, the correlation of 0.969 (96.9%) is categorized as positive correlation and this leads to confirm that there is significant relationship between television advertisement and customer loyalty. This study recommended that, to enable meaningful participation, management should focus on advertisement, customer loyalty, and corporate strategy with carefully selected representatives for the skilled employees. Successful Brand loyalty in Rwandan insurance companies requires a strong skilled local leadership through a process of leadership development, community mobilization, capacity building, education, and conscious.

KEYWORDS: Television, advertising, customer, loyalty, insurance sector

1. INTRODUCTION

Advertising has been in existence for a very long time and can be traced back to the very beginnings of recorded history. Archaeologists working in the countries around the Mediterranean Sea dug up signs announcing various events and offers. The Romans painted walls to announce gladiator fights. During the Golden Age in Greece, town criers announced the sale of cattle, crafted items and even Cosmetics (Aydin & Ozer, 2005). Today, advertising is widespread all over the world in different countries. But advertising trends vary from country to country. Cut throat competition and emergence of new marketing challenges only indicates the significant role of advertising, which is expected to play in the survival and growth of business units and insurance sector. The first television advertisement was broadcast in the United States at 14:29pm on July 1, 1941, when the Bolivia Watch Company paid \$9 to New York city NBC affiliate WNBT (now WNBC) for a 20 second spot shown

before a baseball game between the Brooklyn Dodgers and Philadelphia Phillies (Udochi, 2013).

Latif (2011) also identified that advertisers need to understand what exactly would make Prospective or potential customers behave in the way that they would like. They also found that advertising may have the potential to contribute to brand choice among consumers. It is always costly to attract new customers, so the managers always try to find ways to retain their current customers and concentrate on different factors which enhances the customer loyalty among the customers of the organizations (Bilal, 2005). The \$175 billion U.S. auto insurance industry in United State of America (USA) could be spending its marketing dollars in more effective ways: targeting consumers based on needs rather than behavior; finding the optimal balance between retention and acquisition; and reaching shoppers with the right message at the right

moment in their decision journey (McKinsey, 2012). According to Lin and Wang, (2006) two more factors which were mentioned in the loyalty model and could be considered in insurance sector are trust and commitment.

After the First World War, the Indian agencies failed because of the acute competition, mostly from the British and the American agencies. The Indian agencies had a tough time but could learn the importance of agency business as a rich source of employment and earnings. It made them to try the outdoor advertising media as many of the newspaper media were under the control of foreign agencies, during that period of scientific development serious attention was given by many agencies and organizations to various methods for testing the sales effectiveness of advertising strategy, media and copy, this was a new philosophy in the sense that it had meant subjecting the work of the creative man, the artist, the person who depended upon his own insights and intuition to some kind of performance yardsticks. As much as some three thousand years ago Papyrus sheets were used in Thebes in Egypt for announcing the reward for return of runaway slaves. The first advertisement was somewhat in the form of stenciled inscriptions. Which were found on earthen bricks prepared by the Babylonians about three thousand years before Christ (Adepoju & Suraju, 2012).

Organizations have to communicate with their existing and potential customers about what they do. This, indeed, is a herculean task in Nigeria's insurance market environment due to its characteristic nature which is further encapsulated by the vagaries of Nigeria's economic, demographic, social, political, legal, religious, cultural and environmental forces. Marketing communication is very important and at the same time challenging in the insurance sub-sector. This is because the intangible natures of insurance services play a decisively challenging role in convincing customers as to value of insurance product. The marketing communication mix elements have become important players in the life of so many businesses (Idris, et al., 2012). Insurance is easily accessible for those in the developed world, but not for the poor due to exorbitant transaction costs which do not decrease in proportion to the value of the insurance policy. Insurance companies cannot simply write policies with values below a certain floor without pricing them unrealistically. A study by Access conducted in 2009 revealed that the rate of insurance penetration is less than 3% of GDP, with only 7% of the Kenyan population having any form of insurance (Karani, 2009).

According to Gordon (2008) relationship marketing and advertisement are not a wholly independent philosophy but draws on traditional marketing principles. This view suggests that the basic focus upon customer needs still applies, but that it is the way marketing is practiced that is changing, with a greater emphasis on customer value, establishing and maintain a relationship over a long period of time (Christopher & Payne, 2005). If RM is indeed a descendant of traditional marketing then a good starting point in developing a definition of relationship marketing would be to look at how marketing has traditionally been perceived.

Insurance industry performance has improved since the adoption of new legislation in 2009. Further refinement of the regulatory regime was introduced to foster its development, including completion of the separation of life

and non-life businesses, and revisions to capital, solvency and investment rules. Rwanda-specific mortality was developed to foster development of life insurance and annuity products.

In 2007, the Government of Rwanda developed a comprehensive and detailed insurance sector assessment plan based on the 2005 insurance sector assessment program (Ministry of Finance and Economic Planning [MINICOFIN], 2013). The plan for the insurance sector reform focused on five areas; building financial structure infrastructure for instance legal framework, increasing access to finance mainly in rural sectors, strengthening the pension and insurance industry and developing the payment system.

2. PROBLEM STATEMENT

Customers are loyal because they believe that they receive superior products or commendable services and favorable treatment from their service providers, and also because they believe they don't have a better alternative. However, these customers may not be aware of the influence or impact that their service provider's advertisements really have on keeping them hooked or bowed to their brand and customer loyalty (McIlroy & Barnett, 2000). Therefore, on one hand advertising has lots of components and its resulting effects; on the other hand there are many factors which influence a customer's loyalty. The Rwanda Financial Sector Strategy is a long-term development strategy that governs the entire financial sector of Rwanda. It is obvious that the strategy will definitely help in the achievement of the financial sector objectives as set out in Vision 2020, Economic Development and Poverty Reduction Strategy (EDPRS II.) Seven years Government Program, and Strategy for Rwanda becoming an international service centre (Ministry of Finance and Economic planning [MINICOFIN], 2013). A recent review of Rwanda's insurance sector highlighted that although the sector has made remarkable achievement, it still faces major challenges that need addressing to enable the financial sector to contribute meaningfully to the overall performance of the country's economy. The key challenges identified include; Rwanda's low savings rates as a result of low savings culture, limited access to insurance products and services, and low incomes that translates into low savings. Therefore, this research found out the contribution of television advertising to customer loyalty in insurance sector.

3. OBJECTIVES OF THE STUDY

The general objective of the study was to analyze if there is a contribution of television advertising to customer loyalty in the insurance sector in Rwanda Specific Objectives are:

- I. To ascertain the determinants that influence customer loyalty in insurance sector in Rwanda;
- II. To assess the strategies related to advertisement undertaken by insurance sector on customer loyalty;
- III. To establish relationship between television advertisement and customer loyalty in insurance sector in Rwanda

4. RESEARCH QUESTIONS

- I. What are the determinants that influence customer loyalty in insurance sector in Rwanda?
- II. What are the strategies related to advertisement undertaken by insurance companies on customer loyalty?

III. To what extent does television advertising is relate to customer loyalty in insurance sector in Rwanda?

5. RELATED STUDIES

Nha, André, and Gaston (2013) analyzed the mediating role of customer trust on customer loyalty in Canada. Mao, Customer Brand Loyalty (2010) assessed customer brand loyalty in China. Sri, Christina, and Tetty (2013) analyzed factors influencing customer loyalty toward online shopping in Indonesia. Mohammad, Seyyed, and Nima, (2013) analyzed Factors and elements influencing brand loyalty in Iran. Mukhiddin, Dileep and Jalal, (2012) analysed impact of relationship marketing on customer loyalty in the banking sector. Faizan (2011) analyzed the impact of customer satisfaction on customer loyalty and intentions to switch: evidence from banking sector of Pakistan. Ekrem, Hasan and Bünyamin (2007) analyzed effects of image and advertising efficiency on customer loyalty and antecedents of loyalty in Turkish. Ogechukwu (2012) analyzed if relationship marketing an acceptable marketing strategy to be used by anigerian commercial banks. Adepoju and Suraju (2012) analyzed the determinants of customer loyalty in Nigeria's GSM market. Yusuf (2014) analyzed determinants of customer loyalty among subscribers of global system for mobile (gsm) communication in north-western Nigeria. Kofi and Mark (2014) analyzed the influence of advertisement on customer loyalty in the telecommunications industry in Ghana. Arvinlucy, Moses, Isaac and Willis (2012) focused on implications of service quality on customer loyalty in the banking sector. Allan and Gordon (2014) analyzed factors influencing customer loyalty in telecommunication industry in Kenya.

Even though, other studies found that customers are loyal because they believe that they receive superior products or commendable services and favorable treatment from their service providers, and also because they believe they don't have a better alternative. Mclroy and Barnett (2000) said that these customers may not be aware of the influence or impact that their service provider's advertisements really have on keeping them hooked or bowed to their brand and customer loyalty. Therefore, on one hand advertising has lots of components and its resulting effects; on the other hand there are should be many other factors which influence a customer's loyalty. The above studies focused on banking sectors and telecommunication industry, the reason why this study need to assess television advertising and customer loyalty in insurance sector in Rwanda using both descriptive and inferential statistics.

6. RESEARCH METHODOLOGY

The study design was descriptive-analytical design, this design mainly focused on both qualitative and quantitative approaches to a certain extent. Qualitative method was concerned with qualitative phenomena that relates to quality and kind, which include views, opinions, feelings, perceptions, and intentions of different respondents. Quantitative method was based on the measurement of quantity or amount, applicable to the phenomena that was expressed in terms of quantity, it allowed the researcher to focus on variables that was expressed mathematically which enabled researcher to analyze and get exact information required with minimum errors.

The population of this research was 5340 responds including 5215 insurance companies' customers and 125 employees.

The level of precision or sampling error was 10 % and 90 % confidence level, total population will be $N = 5340$, the sample size was calculated using the Yamane formula $n = \frac{N}{1+N(e)^2} = \frac{5340}{1+5340(0.1)^2} = 98$, and then, $n = 98$. The sample size of the study was 98 people. The researcher used SPSS as the statistical tool, this involved presenting findings in a logical and sequential way so that conclusions was drawn from them. The data was presented according to the research questions and research objectives. Tables were used to present data. Data from completed questionnaires were edited, categorized and entered into SPSS and summarized using the percentage of respondents for analysis. The data processed was analyzed according to the research objectives one by one with the consideration of the variable. The first and second research objectives were analyzed using descriptive statistics, whereas the third was analyzed using inferential statistics (Pearson correlation coefficient). The researcher did a pilot research, whereby, she used five employees from insurance companies and found that Croanbach Alpha was $0.90 > 0.7$, this confirmed that, the questionnaires were reliable.

7. SUMMARY OF FINDINGS AND CONCLUSION

According to the first research question, this study found that the determinants that influence customer loyalty in insurance sector in Rwanda are corporate social responsibility, corporate image, pressure of the form of legal regulation, legal protection of shareholders, board leadership structure, managerial risk, significant price, product differentiation, competition, sales promotion tool, consumer preferences, consumer buying behavior, product protection and add value of product. The study also concluded that, customer loyalty plays a more and more important role in the modern global marketing. In order to maximize profit, people try different strategies, among which, loyalty is recognized by a large amount of businessmen. On the other hand, some may assert that it is a challenge to achieve it.

According to the second research question, this research concluded that improvement of accountability is among of roles played by corporate image in insurance companies. Therefore, accountability is one of the cornerstones of corporate image; however, it can be difficult for practitioners alike to navigate the myriad of different types of accountability. Accountability ensures actions and decisions taken by public officials are subject to oversight so as to guarantee that companies initiatives meet their stated objectives and respond to the needs of the community they are meant to be benefiting, thereby contributing to better governance. Well-functioning legal institutions and governments bound by the rule of law in insurance were, in turn, vital to corporate image. Laws are not enforced, practitioners in the development field have increasingly turned their attention to reforms to improve legal and judicial institutions and promote the rule of law and corporate image.

According to the third research question, this research concluded that the strategies related to advertisement undertaken by insurance on customer loyalty are corporate reputation strategy, customer retention strategy, employees' retention strategy, product competitiveness at the market strategy, product innovation strategy, enhance product marketing strategy, company meet the market demand

strategy and products development strategy. Corporate strategies improve governance. Therefore, through present research the researcher analyzed the statements regarding the corporate strategy in customer loyalty and concluded that corporate strategies represent all the approved policies and procedures used by the insurance management in order to achieve an effective management of customer. In relation to the relationship between television advertisement and customer loyalty using Pearson correlation coefficient. This research used SPSS program and found that the coefficient r equal to 0.969. According to Pearson, the correlation of 0.969 (96.9%) is categorized as positive correlation and this leads to confirm that there is significant relationship between television advertisement and customer loyalty. In relation to the third research question, this study concluded that there was significant positive relationship between television advertisement and customer loyalty in insurance companies. Therefore, to build customer loyalty and sustain it, relationship television advertisement can play a key role to influence positively customers' perceptions of the organization and to enhance customer trust. Loyalty is not determined exclusively by the intrinsic characteristics of service offer. It can also depend on external traditional activities, such as advertising and public relations, well known to those in charge of marketing. So, the choice of elements for positioning and communication strategies must reflect the reality and ability of the organization to keep the promises of quality and benefit made to its customers in order to bridge the gap between action and rhetoric.

8. RECOMMENDATIONS

The study findings yielded the following recommendations in view of the contribution of television advertisement to the customer loyalty in insurance companies. To enable meaningful participation, management of insurance companies should focus on advertisement, customer loyalty, and corporate strategy with carefully selected representatives for the skilled employees. Successful Brand loyalty in Rwandan insurance companies requires a strong skilled local leadership through a process of leadership development, community mobilization, capacity building, education, and conscious.

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