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RESEARCH ARTICLE

THE IMPACT OF ADVERTISING ON THE SALES OF INSURANCE PRODUCTS IN SUB-SAHARAN AFRICA

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ABSTRACT

Marketing goes beyond developing a good product, pricing it attractively and making it accessible to target consumers. The effectiveness of advertising as a marketing tool depends on good planning and control of advertising media. The effectiveness of advertising leads to an increase in the sales of the products advertised based on the awareness and the promotion of the products to target consumers. Insurance as a service product has its characteristics which makes it consumable. A random sampling technique was adopted in administering one hundred questionnaires to insurance consumers. Statistical and descriptive methods of data analysis were employed.

INTRODUCTION

The goal of every business organization is to maximize profit. In order to do this, an organization engages in the use of marketing mix. Marketing mix consists of four variables-the product, price, place and promotion. These marketing variables are also known as 4ps. For an organization to succeed, such organization marketing plan must integrate the four variables of the marketing mix into a single comprehensive program designed to achieve marketing objectives. More so such objectives should be clearly measured. Adiran Palmer (1997). Marketing objectives should be clear and acceptable to all the departments that make up the organization in order to achieve organizational objectives through combined and integrated efforts of all the departments. Sales are part of marketing department in some firms and separated from marketing in others. Beri, G.C. (2006) marketing and sales should be highly coordinated because their functions are closely related. Both are concerned with providing the right products to customers in the most efficient and effective manner. Sales act as the eyes and ears of marketing while marketing develops the promotions and products that sales people sell. Some of the factors that determine sales apart from promotional mix are placement, commitment of sales force, goodwill, activities of competition, nature and acceptability of the product, price of the product, knowledge of the people about the product etc. However, concentration will be placed on advertising as a major component that affects sales of an organization. Bagavathi Pillai (2007), advertising which is one of the components of promotion mix which involves communicating information about a product, service or idea and thus stimulates demand is one of the factors that determine the sales of an organizational product. The insurance industry is characterized by competition in such a way that only the fittest can survive. The economic viability of any business oriented organization is largely dependent on the ratio of profit made to investment capital at any point in time. Generally defined, profit is the margin between all income accruing to a business and all expenses of the same business. Sales could be explained simply as the act of exchanging products for money, More so, sales provides the most suitable and realistic spruce of revenue which a firm uses to survive as well as expand. This parameter is so important that a firm keeps on devising means of maintaining a particular level of sales or increasing it, if it falls and vice-versa.

Barton *et al.* (2004) marketing communications are attempts by organizations to influence the behavior of the market for its products or services. The sales force, advertising, and sales promotion are the three principal means of persuasion that is available to an organization. The effective use of one or the combination of the above is assumed to have positive results on sales. The insurance companies have different products that they sell like marine, aviation, motor, life insurance policies just to mention a few which are fully advertised for acceptance by the public. The message is passed on to customers through the use of various media such as television, radio, newspaper, journals, bill boards etc. It is an undisputable fact that one of the main aims of advertising insurance product is to increase the sales of the products.

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Rotimi Osho (2003) and Shiva S. Ramu (2003) say advertising works around the clock to sell, persuade us to buy or accept assorted products or services in a marketing business practice. However it is alleged that it does this deceptively. This explains why some marketers and customers are even more suspicious of its intentions and have started accusing it of hidden motives. This study is essential in that it will afford organizations who market insurance products the opportunity of determining the importance of advertising in promoting the sales of their products. The sales of the products will determine the efficiency and effectiveness of advertisement. Lastly, it is a tool used by the marketing department in order to increase sales which in turn increases the profit of the organization.

MATERIALS AND METHODS

Many insurance companies do not see the need for advertising because to them, it increases the cost of production which will in turn increase the price of products to final consumers. More so, marketers are becoming aware of the increasing rate of competition in the environment, hence the marketing tools to be adopted in promoting the sales of their products. Insurance as a service product has these aforementioned characteristics:

1. *Intangibility*: services are intangible and insubstantial: they can not be touched, gripped, looked at, smelled, tasted or heard. Thus, there is neither potential nor need for transport, storage or stocking of services. Furthermore, a service cannot be (re)sold or owned by somebody, neither can it be turned over from the service provider to the service consumer nor returned from the service consumer to the service provider. Solely, the service delivery can be commissioned to a service provider who must generate and render the service at the distinct request of an authorized service consumer.
2. *Perishability*: services are perishable in two regards. The service relevant resources, processes and systems are assigned for service delivery during a definite period in time. If the designated or scheduled service consumer does not request and consume the service during this period, the service cannot be performed for him. From the perspective of the service provider, this is a lost business opportunity as he cannot charge any service delivery; potentially, he can assign the resources, processes and systems to another service consumer who request a service. Examples: The hair dresser serves another client when the scheduled starting time or time slot is over. An empty seat on a plane never can be utilized and charged after departure. When the service has been completely rendered to the requesting service consumer, this particular service irreversibly vanishes as it as been consumed by the service consumer. Example: the passenger has been transported to the destination and cannot be transported again to this location at this point in time.
3. *Inseparability*: The service provider is indispensable for service delivery as he must promptly generate and render the service to the requesting service consumer. In many cases the service delivery is executed automatically but the service provider must assign resources and systems and actively keep up appropriate service delivery readiness and capabilities. Additionally, the service consumer is inseparable from service delivery because he is involved in it from requesting it up to consuming the rendered benefits.
4. *Simultaneity*: Services are rendered and consumed during the same period of time. As soon as the service consumer has requested the service (delivery). The particular service must be generated from scratch without any delay and friction and the service consumer instantaneously consumes the rendered benefits for executing his upcoming activity or task.
5. *Variability*: Each service is unique. It is one time generated, rendered and consumed and can never be exactly repeated at the point in time, location, circumstances, conditions, current configurations and or assigned resources are different for the next delivery, even if the same service consumer requests the same service. Many services are regarded as heterogeneous or lacking homogeneity and are typically modified for each service consumer or each new situation.

It is not an understatement that advertising is one of the components of promotional mix. In order to increase awareness of an organizational product, there is the need to advertise such product which will definitely lead to increase in sales.

In view of the above, the study sought to do the following:

1. To determine the impact of advertising on the sales of insurance products.
2. To determine the relationship that exists between advertising and sales.
3. To determine the impact of advertising expenses on the sales revenue of the company.

Sharon Dobson (2005) made attempt at describing both *Customer focus and Sales Orientation,* saying "Many companies today have a customer focus (or market orientation). This implies that the company focuses its activities and products on consumer demands. Generally there are three ways of doing this: the customer-driven approach, the sense of identifying market changes and the product innovation approach. In the consumer-driven approach, consumer wants are the drivers of all strategic marketing decisions. No strategy is pursued until it passes the test of consumer research.

Every aspect of a market offering, including the nature of the product itself, is driven by the needs of potential consumers. The starting point is always the consumer. The rationale for this approach is that there is no point spending R&D funds developing products that people will not buy. History attests to many products that were commercial failures in spite of being technological breakthroughs. A formal approach to this customer-focused marketing is known as SIVA (Solution, Information, Value, Access). This system is basically the four Ps renamed and reworded to provide a customer focus".

Sales orientation

A firm using a sales orientation focuses primarily on the selling/promotion of a particular product, and not determining new consumer desires as such. Consequently, this entails simply selling an already existing product, and using promotion techniques to attain the highest sales possible. Such an orientation may suit scenarios in which a firm holds dead stock, or otherwise sells a good that is in high demand, with little likelihood of changes in consumer tastes diminishing demand. According to William Stanton (1997), advertising can be considered as consisting of all activities involved in presenting to a group a non-personal, oral or visual openly sponsored messages regarding a product, services, idea etc and is usually paid for. Also, according to Kotler and Keller (2006), advertising can be used to build up a long time image for a product or trigger sales. Advertising can effectively reach geographically dispersed buyers. The presence of advertising has an effect on sales. According to Kotler and Keller (2006), advertising is any paid form of non-personal presentation and promotion of ideas, goods or services by an identified sponsor. Advertising can be a cost effective way to disseminate messages, to build brand preference or to educate people. According to Adrian Palmer(2004), advertising is mass paid communication which is used to transmit information, develop attitudes and induce some form of response from the audience. According to Peter Drunker (1958), the purpose of business is to create customers. Customers must be aware of the products or services being offered. In an attempt to create this awareness, advertising takes place in different forms. A company that manufactures products and services seems to generate awareness for its products and services. He further went on to say that the purpose of advertising is for effective and efficient communication, which message must be acceptable to its target audience. According to Kotler and Keller (2006), advertising objectives can be classified to whether their aim is to inform, persuade, remind or reinforce.

a) *Informative advertising:* aims to create brand awareness and Knowledge of new products or new features of existing products.
b) *Persuasive advertising:* aims to create liking, preference, conviction and purchase of a product or service.
c) *Reminder advertising:* aims to stimulate repeat purchase of products and services. It is intended to remind people to purchase organization's product.
d) *Reinforcement advertising:* aims to convince current purchasers that they made the right choice.

Boyd Harper et al (2002) said the objective of advertising is to increase the sales of an organization's products and stimulate more usage. Proper service marketing requires creative visualization to effectively evoke a concrete image in the service consumer's mind. From the service consumer's point of view, these characteristics make it difficult, or even impossible to evaluate or compare services prior to experiencing the service delivery.

Research Methodology

This involves data from the questionnaires, company's records, company's publication and company's sales records. A sample of 100 consumers of insurance products was used.

Hypothesis

In order to achieve the purpose for this study, the hypothesis will be tested and analyzed.

H_o: There is no significant relationship between advertising and the sales of insurance products.

H_1: There is a significant relationship between advertising and the sales of insurance products.

Questions

1. Do you consume any insurance product?
2. Have you ever come across any advertisement of insurance products?
3. In which of the advertising media have you seen or heard insurance advertisement?
4. Does the advertising of insurance products stimulate demand of the products?

Data Analysis

For the purpose of this research work, statistical and descriptive methods of data analyses were employed. The statistical method of analysis involves the use of correlation coefficients which explains the relationship between the advertising expenditures sales of insurance products. The descriptive analysis involves the use of (proportions) percentages to analyze data collected from questionnaires administered. Bereon L.k. (2004), correlation coefficient is one of the statistical tools used in analyzing data. It is used in measuring the strength of the relationship between two variables. It is appropriate in this research work because we have the dependent variable which is sales and the independent variable which is advertising expenditures.

RESULTS AND DISCUSSION

Data Presentation and Analysis

$\sum X=23$, $\sum Y=29.6$, $\sum X^2=79$, $\sum Y^2=110.76$, $\sum XY=89$

Note: (Y)= Sales , (X)= Advertising Expenditures

$$r = \frac{n\sum XY-\sum X\sum Y}{\sqrt{\{n\sum X^2-(\sum X)^2\}\{n\sum Y^2-(\sum Y)^2\}}} \qquad r = \frac{8(89)-23(29.6)}{\sqrt{\{8(79)-(23)^2\}\{8(110.76)-(29.6)^2\}}}$$

$$r = \frac{712-680.8}{\sqrt{[(632-529)(886.08-876.16)]}} \qquad r = \frac{3.12}{\sqrt{(103)(9.92)}}$$

$$r = 0.976068, \quad r = 0.976 \text{ (approx)}$$

From the above calculation, the relationship between advertising expenditure and sales of insurance products is not only positive but also has a correlation coefficient of 0.976. Considering the table above where the value of correlation coefficient is 0.976, the test for significance of this coefficient is as follows:

H_o: $r=0$ H_1: $r\neq 0$

Note: this is a two tail test

Test of Hypothesis:

$$r = \frac{\sqrt{n-2}}{1-(0.976)^2} \qquad 0.976r = \frac{\sqrt{6}}{0.047} \qquad 0.976r = \sqrt{127.66}$$

$$0.976(11.2987) = 11.03$$

Using 2 tail test of 0.05 level of significance
n-2 under 0.05
8-2 under 0.05
6 under 0.05= 2.45

Table 1. Advertising Expenditure and Sales Records from 2002 to 2009

Year	₦('000,000) Advertising Expenditure (X)	₦('[000,000) Sales (Y)
2002	1	3.1
2003	2	3.2
2004	2	3.4
2005	2	3.6
2006	3	3.8
2007	4	4.0
2008	4	4.1
2009	5	4.3

Sources: Author's Survey 2009

X	Y	X^2	Y^2	XY
1	3.1	1	9.61	3.1
2	3.3	4	10.89	6.6
2	3.4	4	11.56	6.8
2	3.6	4	12.96	7.2
3	3,8	9	4.44	11.4
4	4.0	16	16.00	16.00
5	4.3	25	18.49	21.50
23	**29.6**	**79**	**110.76**	**89.00**

Sources: Author's Computation 2009

Analysis of Responses

Q1. Do you consume any insurance product?

Table 3: Percentage of consumers and non-consumers
Data Presentation and Analysis

Response	No. Of Responses	%
Yes	100	100
No	0	0
Total	100	100

Sources: Author's Survey 2009

From the Table III it can be seen that all the respondents consume insurance products. This therefore indicates that the products of the company are very popular and well accepted among consumers.

Table 4: Have you ever come across any advertisement of insurance products?

Response	No. Of Responses	%
Yes	100	100
No	0	0
Total	100	100

Source: Author's Survey 2009

This shows that Insurance Company frequently advertises her products. According to Aduloju *et al*. (2009), to It was found that advertising had effects on sales volume and improved public image. However, the choice of advertising medium, the message, and the format are critical ingredients of a successful advertising program in the insurance industry.

Table 5. In which of the advertising media have you seen or heard insurance advertisement?

Media	No. Of Respondents	%
Television	12	12
Radio	12	12
Posters/Bill Boards	48	48
Magazines	20	20
Newspaper	8	8
Total	100	100

Sources: Author's Survey 2009

It shows that Posters/Bill Boards have the highest audience coverage.

Table 6: Does the advertising of insurance products lead to more sales of the products?

Response	No. Of Responses	%
Yes	100	100
No	0	0
Total	100	100

Sources: Author's Survey 2009

This shows that the advertising of insurance products leads to more sales of their products. Based on the results obtained from the correlation coefficient performed on the sales figures and advertising expenditures obtained from the insurance companies, it can be inferred that advertising expenditures and sales are positively correlated. This means an increase in advertising expenditure will lead to an increase in sales. From the simple percentage analysis, it was discovered that the insurance products enjoy high degree of patronage from consumers. It was also discovered that out of the various advertising media employed by the company, posters and bill boards offered the highest degree of exposure for the products. Consumers also attested to the fact that the advertisement of insurance elicits a feeling of warmth and cheerfulness towards the products, hence encouraging them to consume more of the products. All the respondents are also of the opinion that advertising of insurance products leads to more sales of the products.

Conclusion and Recommendations

Advertising is a marketing strategy commonly employed by company operating in a competitive environment. No other promotional tool offers such a large audience advertising. The cost of reaching people through advertising is very reasonable. In addition, advertising can also be valuable as a means of familiarizing buyers with the products or reminding them of its existence, thus, it is a worthwhile activity and should be made a core aspect of the company's marketing programme. It can be said to be agreed that there was a positive correlation between advertising expenditure and sales of insurance products which implies that an increase in the advertisement of the products lead to an increase in sales. Having completed the study on the impact of advertising on the sales of consumer goods, the research recommends the following: Advertising should be a regular programme because of its continuous impact on consumers especially in the area of awareness creation. In addition, the insurance companies in order to maintain their present market share or possible further increase, they should not relent in their advertising activities. The company should take a positive step in making its advertising efforts more interactive. This allows for more dialogue between the company and its customers during the selling, consuming and post-consuming stages. Finally, it is recommended that further research work on advertising effectiveness especially in relation to sales should encompass other elements of the promotional mix such as sales promotion, personal selling, public relations, etc. This is because all these elements also have a reasonable degree of influence on the sales level attained by the company at the end of the day.

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