Value Creation Via Marketing Of Unsought Products: An Evaluation Of Life Insurance Products In Nigeria

Onigbinde Isaac Oladepo, Ph.D.,
Department of Business Administration & Marketing,
College of Social & Management Sciences,
McPherson University, Seriki Sotayo,
P.M.B 2094, Abeokuta, Nigeria.
Email: deponigbinde@yahoo.com; ionigbinde@mcu.edu.ng
Tel.: +234-8034505524, 811-993-9090

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ABSTRACT

This study evaluated the imperative of value creation via marketing of life insurance products in Nigeria. The study attempted to paint the picture of life insurance policies as unsought products; and simultaneously adopted premium pricing and hierarchy of needs theories as the underpinning theories under which the study is anchored. The study revealed that the imperative of value creation via the adoption of life insurance products in Nigeria can only be appreciated in the context of organic marketing functions. The study concluded that Nigerian people generally have negative attitude to life insurance products. The life assurance companies therefore need to entrench more professional marketing practices into their operations, and as well be sensitive to the customized needs of their respective clients in order to realize the relevance of life insurance as an engine room of value creation in this contemporary dispensation of fairer trade in goods and services.

Key words: Life assurance companies, Life insurance, Marketing, Unsought products, Value creation.

1.0 INTRODUCTION

Insurance needs of individuals as well as those of corporate organizations are as different as their situations and operational circumstances. So, insurance companies often design products in various ways to satisfy different purposes. Insurance could be classified in different ways - life and non-life, long-term and general insurance, traditional and modern insurance, etc. Insurance could also be classified by the function it performs, such as insurance of the person, insurance of property, insurance of liability and insurance of rights and financial interest among others. However, for the purpose of this study, emphasis shall be placed on life insurance products which are often referred to as life assurances or life policies. According to Okhakia (2010), life assurance business is a contract on longevity of human life between the insurance company and the life assured wherein the insurer promises to pay a lump sum or agreed installment at maturity or prier death of the life assured, on the receipt of small installment payments/premiums on due date. Life assurance companies generally design and package different products to meet individual needs and these products include whole life polices (with or without profits), investment linked policies, group life polices, and health insurance scheme among others.

Life insurance is yet to become big business in Nigeria, and the services that emanated therefrom are tagged "unsought products'. The unsought products, according to Kotler and Armstrong (2006) are products that the consumers either do not know about or know about but do not normally think of buying. Meanwhile, life insurance is widely acclaimed worldwide an index of measuring the degree of sophistication and maturity of a given industrialized economy. In the United States of America, on the average, 6 per cent of disposable incomes are paid to life insurance companies as premium. A nearer example in sub-Saharan Africa is South Africa where life insurance premium is up to 9 per cent of the Gross Domestic Product (Gbede, 2003). In Nigeria, however, life insurance products are not as marketable as they ought to be in an economy that is supposed to be in ascendancy. A number of reasons have been advanced to the abysmal patronage of life insurance products in Nigeria.

The effect of the stagflation and accompanying recession in Nigeria had salutary negative consequence on insurance business in general and life insurance business in particular. According to Nwachukwu (2018), the paltry contribution of the insurance sector to the country's Gross Domestic Product is currently standing at 0.06 per cent. This performance index is abysmal when compared to the developed economy of Japan whose insurance sector accounts for 9.94 per cent of the country's Gross Domestic Product. Consequently life premium as a percentage of total premium is nothing to write home about in a country adjudged as the most populous in sub-Saharan Africa as life assurance premium accounts for a mere 9.7 per cent of the Gross Premium Income (National Insurance Commission, 2008). It is to this fact that this study is to conceptually evaluate the attitudinal disposition of consumers toward the life insurance productsin realization of value creation via marketing of unsought products in Nigeria. This is the fundamental background that informed the concepts behind the study.

2.0 REVIEW OF LITERATURE

2.1 Conceptual Clarification

Insurance companies often design and package different products to meet individual needs. Therefore, insurance products are not exhaustive as insurance companies are always ready to come up with tailor made products to meet customer needs in line with changes in the society. However, it is important to state that for any individual or group to take a policy of insurance, there must be insurable interest. According to Okhakia (2010), the categories of people having insurable interest include husband/wife, creditor/debtor, mortgagor/mortgagee, employer/employee, club/members, trustees and administrators among others. The principle of insurable interest states that for insurable interest to arise, the individual or organization concerned must stand to benefit as a result of the continued existence of preservation of the subject matter of insurance or loose as a result of damage to it (Okhakia, 2010). Therefore blood relation such as brothers and sisters cannot insure one another.

Meanwhile, under the term 'insurance', the sum assured is payable in event of death occurring within an agreed period of years. It is a short period policy which is required for different purposes. If the insured survive till maturity, nothing will be paid. The intention is to protect the assured against premature death and is often taken by travellers, people with disability, to secure a loan, etc. In a nutshell, the policy is intended to benefit the dependents of the life assured and not to benefit the life assured directly (Falegan, 1991; Oluoma,2006). Besides the direct 'dependants', a man may take a term assurance to cover a loan. For instance, Mr Chukwuemeka Ademola Danjuma takes a four-year loan facility from Union Homes Savings & Loans Plc. and obtains a mortgage term assurance for four years so that in event of death within the four years his policy will pay the loan balance to Union Homes Plc. By this, Union Homes is guaranteed repayment of the loan in event of death of the borrower or mortgagor. However, the term assurance may be convertible term assurance, decreasing term assurance or constant term assurance. It is a very cheap form of cover (Okhakia, 2010).

Whole life assurance on the other hand, pays the benefit to the dependent or beneficiaries of the life assured upon his death (Barnette, 1998). It is a long-term policy as premium are usually paid throughout the life of the assured person or for a limited period for example, 65 years at which the premium payment ceases, but the policy continues to be in force till death occurs. The reason why premium payment might stop at old age, according to Okhakia (2010), is because the policy holder or the assured person would have retired and income dropped. The policy could be written on with-profits basis in which case the sum assured will be increased by the addition of bonuses every year by the life assurance company-depending on the profit made by the insurer (Idemudia & Edeko, 1999).

Endowment assurance policy, however, provides payment of the sum assured on maturity or death, whichever that occurs first. According to Okhakia (2010), the term of the policy is such that where the life assured dies before maturity, the full sum assured is paid to his beneficiary but if he lives till maturity of the policy, he collects the benefits himself. This differentiates endowment assurance from whole life and term assurances where the life assured will never collect the benefits himself; because, if he does not die, the polices will not pay the benefits. An endowment policy could also be written on with - profits basis so that the policies could have bonuses added to it as the life assurance company declares bonuses. Declaration of profits depends on actuarial valuations of the life business which might take place annually, bi-annually, and monthly among other options (Idemudia & Edeko, 1999).

Generally, individuals and corporate organizations become customers of an assurance company when they "buy" or "enjoy" the products or policies of that particular insurance firm (Aigbiremolen & Aigbiremolen, 2004). However, there is no gainsaying that the life insurance products are traditionally classified as unsought products. According to Kotler and Armstrong (2006), unsought products are consumer products that the consumer either does not know about or knows about but does not normally think of buying. Most major new innovations are unsought until the consumer becomes aware of them through marketing promotions. Apart from life insurance, other classic examples of known but unsought products and services are preplanned funeral services, and blood donations to the hospital blood banks. By their very nature, life insurance as an unsought product requires a lot of advertising, personal selling and other marketing efforts (Kotler& Armstrong, 2006).

2.2 Theoretical Framework

The underpinning theories under which this study is anchored are the premium pricing and hierarchy of need theories. The premium pricing theory states that insurance companies cannot always target high premium receivable as they have to consider the problems of adverse selection and moral hazard since it is very difficult to forecast the nature and characteristics of the associated risks involved at the start of the business relationship between the insurer and the insured (Diatchavbe, 1981). If insurance companies target high premium receivables, they may induce adverse selection problem because high-risk clients are willing to pay these high premium rates. This is called client moral hazard since they are likely to take on high risk projects or investments (Snider, 1978). There is no gainsaying that financial resources are mobilized and channeled to economic activities by financial services institutions (such as insurance firms) from surplus units to deficit economic units. In doing this, appropriate strictures are evolved to deliver on the financial intermediation functions. Various studies have established that there is a strong and positive relationship between the financial services sector and economic development (Nwaobia, Kwarbai&Ajibade,2015).

On the other hand, the hierarchy of need theory is the most popular needs classification platform developed by a renowned managerial psychologist – Abraham Harold Maslow. In his hierarchy of need theory, Maslow developed five (5) major layers of needs, which he listed in order of importance, namely physiological needs, safety and security needs, social needs, esteem needs, and self-actualization needs. According to Maslow (1970), these needs are generally experienced by people.Self-actualization is the highest level of Maslow's hierarchy of need theory. The theory states that at this point, individuals have the desire to achieve their full potentials and skills. Unlike the lower order needs, this need is never fully satisfied. As individuals grow psychologically, new opportunities to grow tend to emerge. Only a small percentage of the population attained this level of self-actualization (Maslow, 1970).Physiological needs, however, are the ones required in order to satisfy the basics of life, such as food, shelter and water. The lower order needs have to be satisfied in order to pursue higher level motivators along the lines of self-actualization. Following the achievement of physiological needs, one's attention shifts to safety and security needs in order to overcome the threat of physical and emotional difficulties. Such needs may be met by protection against threats, risks and uncertainties which life insurance products certainly guaranteed. In his theory, Maslow (1970) argues that if a person feels threatened, perhaps by risks and uncertainties of life, then the desire to satisfy safety and security need might increase, while all other needs above it in the order hierarchy might not be desire until the need to mitigate risks and uncertainties is met.

3.0 LIFE INSURANCE: AN UNSOUGHT PRODUCT

The policy inconsistency in the arena of fiscal and monetary policies, dwindling productivity and shrinking purchasing power of the populace among other accounted for the decline in the growth of life insurance business in Nigeria. Gbede (2003) states that the Nigerian public is still very naive about the benefits and attraction of life insurance products, especially when compared with those of its compatriots in South Africa and Zimbabwe where the patronage of life insurance products are relatively higher. It is against this backdrop that Hassan-Odukale (2018) observed that:

"Insurance is one of those things Nigerians do not like to hear about. Many people neither know much about insurance nor do they know about what is being done. When you talk about insurance, the average Nigerian position is "not for me!" It has become the general perception that insurance is a luxury. In addition, the average Nigerian is of the opinion that having insurance does not exactly translate to a better life. Majority of them cannot be bothered and most people who understand the need get to see the benefit a little too late after their uninsured assets have been damaged. Sadly, this notion about insurance does more harm than good to Nigerians."

Meanwhile, low level of education among Nigerian populace also makes the concept of life insurance and its associated benefits more difficult to grasp by them. According to Gbede (2003), the average Nigerians perceive life insurance as another ploy by insurance companies to deprive them of their hard-earned income. They therefore invest in savings and fixed deposits accounts more than life insurance products. This low rate of patronage of life insurance products makes some of the assurance companies to resort to unwholesome, unethical and unprofessional marketing practices to snatch clients away from their competitors at the expense of the stability and growth of the industry (Cornejo, 2007).

Morever, the Nigerians generally had been suffering from the erosion of their purchasing power due to inflation, devaluation of the naira, over dependence on imported goods, high cost of living and sky-rocketing children education fees among others. These usually leave their pockets nearly empty at the end of every month and in such a situation, life insurance products/policies will be the last thing they will ever think about. Even some of those that start paying the premium often stop midway as their purchasing power usually fail to take care of the periodic life insurance premiums (Idemudia & Edeko, 1999). Furthermore, with low remuneration packages especially among the employees in the Nigerian civil services, it becomes a mirage for such employees to afford life insurance premiums. It is in line with the assertions in the preceding sentences that Nwachukwu (2018) observed that:

"The low market penetration rate as a result of wide financial protection gap among many operators in the Nigerian insurance industry; low level of insurance sector's contribution to the country's Gross Domestic Product; and the general poor perception of the Nigerian public towards insurance constitute serious setbacks to the development of life insurance market in the country".

Another major problem afflicting the life insurance market in Nigeria is the obsolesce of the life insurance products being offered which in most instances looks like old wine in new bottle (Gbede, 2003). A cursory look at some life insurance policies will reveal that no bonus had been paid to the policyholders in some cases in the last one or two decade(s). This may not be unconnected with the fact that most life assurance companies do not have innovative investment savvy to earn enough returns from which bonus can be paid to their policyholders. Due to the shortage of investment specialists and associated problems, most of the life assurance companies in Nigeria do not have access to sophisticated investment schemes with manageable risk. Low level of investment practice therefore accounted for some of the problems being faced by life insurance companies in the country (Asenuga, 2008).

The government had also contributed to this situation through various legislations passed to ensure that life insurance funds are invested in relatively risk free or low risk assets with very low returns. For instance, the Insurance Decree of 1997 clearly enforces the investment of insurance funds in specified investments like securities specified under the Trustee Investment Acts. These investments are usually characterized by low returns. As much as this may be true, the intention of the regulatory authorities must not be misconstrued as conservatism must be used to guard the funds associated reserves upon which the confidence of the people rests in terms of assurance of cover promised them whenever the insured events occur. However, mismanagement of these funds or poor investment decisions on them can be extremely dangerous. Importantly, there is no gainsaying that the dearth of high yielding and relatively low risk investment avenues constitute a serious setback to the general acceptability of life insurance products in Nigeria.

4.0 VALUE CREATION VIA MARKETING OF LIFE INSURANCE

One of the greatest hallmarks of marketing as an organic business function is embedded in its capacity to serve as the engine-room of value creation for consumer empowerment and society's development. According to the National Institute of Marketing of Nigeria (NIMN), marketing as a dynamic business activity engenders enduring and distinctive value for all stakeholders through the development, promotion and application of world-class marketing fundamentals (NIMN, 2014). It is to this fact that this study is to embark on the conceptual evaluation of value creation via marketing of life insurance products in Nigeria.

There is no gainsaying that poor marketing tactics on the part of many life assurance companies in Nigeria had continued to undermine the growth of life insurance business in the country. Despite the proliferation of the insurance firms in the country, the Nigerian public is still very naive about the advantages of life insurance products. This is a result of poor enlightenment campaign and low level of advert creation among the life assurance companies in the country. These had consequently led to poor public patronage and low premium earnings among other. According to Gbede (2003), the problem of inadequate awareness creation about the attractions of life insurance is so chronic that there are quite a large number of people that can afford life insurance but who are not patronizing it due to lack of awareness.

To make the matter worse, most of the marketers of life insurance products in Nigeria are so used to cold calling methods which seem to be offensive in approach and usually put off customers who with sophisticated scientific selection and approach would have patronized life insurance products. Similarly, the unwholesome, unethical and unprofessional marketing practices that make some of the companies that engage in the life assurance business to snatch clients away from their competitors at the expense of the stability and growth of the industry should be mitigated or totally discontinued. These unwholesome, unethical and unprofessional marketing practices, according to Roff (2004) and Ozioko (2007), include making false claims in advertisements to attract patronage, unethical and tricky reduction of amount due on claims, and cheating the insured out of what is due to them under policies incorporating profits plans among others.

5.0 EVALUATION AND CONCLUSION

Life insurance as an unsought product came into being as a 'child of necessity' since the art of modern living is associated with various kinds of risks. These risks are expected to be managed by firms so defined by objectives. In this sense, life insurance has been described as a business that exists in order to ensure the success and survival of the beneficiaries whenever the insure events occur to the policy holder(s). The purpose of life insurance is to indemnify the beneficiaries for the financial or material loss to be suffered as a result of sickness, death and other risks of life that could befall the policy holder(s). In other words, this type of insurance softens the 'blows' of life hazards in a purely financial sense by offering monetary compensation to the beneficiaries, thereby placing the insured on the status quo as much as possible and within the terms of the agreed policy.

The relevance life insurance products to the national economic reality cannot be overemphasized. The primary attraction of life insurance is the assumption of the pure risks of life of many insured based on the principle of certainty (i.e., the life) to help uncertainty (i.e., the death). The insurance industry in each country of the world has devised and continues to device different types of insurance products to cater for each one of the insurable risks. The most conventional one being life, and the evergrowing and assorted types of contingencies that are being underwritten by a number of new generation life assurance companies. In many developed countries of the world, people's attitude and disposition towards insurance practice is largely positive. However, the trend is very different in Nigeria. Despite the proliferation of insurance companies in Nigeria, and the obvious benefits of insurance to the growth of her economy and the insured, many Nigerian people still fail to patronize the services being offered by these essential corporate entities. A plausible explanation of this negative attitude towards insurance behaviour among Nigerians can be explained using Abraham Maslow's hierarchy of need theory which has been used to argue and explain individuals' consumption patterns. According to Maslow (1970), individualsconstantly strive to satisfy their needs and that the satisfaction of basic needs gives rise to other important needs which dominates the individual's life.

Unfortunately, many Nigerians are poor and are therefore preoccupied with satisfying the most basic needs - food, water and shelter, and as such will not be capable of satisfying the next need in hierarchy which is safety and security needs like insuring one's properties and life. This finding is very crucial to this study, as Maslow's hierarchy of needs explain why many Nigerians are not threatened or bothered to insure their lives/products, despite the presence of perceived and actual threat of armed robbers to lives and properties because many see themselves as poor and therefore cannot be bothered by insurance behaiviour. This explains why in societies where people still scramble for food and shelter, consumptionbehaviour would be centered on these and therefore people bother less on safety needs like insurance products. This invariably justifies the classification of life insurance as an unsought product.

Finally, there is no gainsaying that Nigerian people generally have negative attitude to life insurance products. There is thus, a lesson to note by the life assurance companies that are currently in operations within the Nigerian business landscape. These corporate entities need to entrench more professional marketing practices, and as well be sensitive to the customize needs of their respective clients in order to realize the relevance of life insurance as an engine room of value creation in this contemporary dispensation of fairer trade in goods and services.

6.0 RECOMMENDATIONS

From the evaluation done and conclusion drawn from the conceptual analysis above, the following recommendations therefore become imperative:

- It is a new dawn in the Nigerian insurance industry as the regulator – the National Insurance Commission and the underwriters are strategizing to rebrand the industry for a better perception from the general public. This rebranding programme should be aimed at changing the mindset of Nigerians on the intrinsic benefits of insurance products in general and life insurance in particular, ensuring that the public understands the importance, values and benefits of insurance.

- The rebranding should also showcase the achievements made by several insurance companies in the areas of claims settlement and indemnity, while the underwriters should deliver more efficient services within the insurance sector to encourage more Nigerians to take up insurance products and propagate same as the engine that drives sustainable economic growth.

- All stakeholders in the insurance industry must walk hand-in-hand to ensure that risk protection and insurance education is readily accessible to the average man on the street. They need to look beyond making insurance product sell to reverse the negative perception that many Nigerians have about the unsought product. With increased knowledge and accessibility, the industry will increase its patronage and enhance its contribution to the country's Gross Domestic Product.

§ As the ability of the public to purchase insurance products is positively correlated to their purchasing power, a stable and growth-oriented economy that can confer economic and financial empowerments of Nigerians is a sine qua non for a boost in the patronage of life insurance products in Nigeria.

§ In the same vein, the investment opportunities opened to life assurance companies should be enlarged to enable them contribute more significantly to the nation's economy without jeopardizing the safety of the investments.

§ Unwholesome, unethical and unprofessional marketing practices likely to negate the image of life insurance should be mitigated or totally discontinued in an attempt to solve image problem facing life insurance practice in Nigeria so as to encourage more people to embrace all aspects of life insurance services.

§ Adequate and appropriate tax reductions should be given to encourage individual employees, especially those that work in the Nigerian civil services, to embrace individual life insurance as the bulk of life insurance products are group life policies usually taken by corporate organizations.

§ Finally, the assurance companies must ensure that new life insurance products to be developed must be investment-linked as nobody wants a life insurance policy that promises death benefits. Most insurance policy holders want to 'eat the fruits of their labour'.

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