

Investigating the Marketing of Micro-insurance Products in South Africa

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ABSTRACT This study aimed to identify and investigate the marketing mix of the funeral Zimele-compliant micro-insurance product and its influence on business success of micro-insurance firms in South Africa. The influence of marketers' efforts to address the challenge of financial exclusion to the low-income households in South Africa with regards to microinsurance on business success were explored in the study. A convenience sample of 173 out of 200 employees completed the questionnaires at two biggest insurance companies namely; Old Mutual South Africa and Hollard Insurance, offering micro-insurance products and services in Port Elizabeth was used. The responses signified a satisfactory rate of 86.5%. The findings revealed the mean values for all independent variables generating business success unsatisfactory results (below 60%). The research is of value to insurers, micro-insurers, marketing managers, academics and researchers.

INTRODUCTION

In South Africa, financial exclusion is a challenge in the financial sector as research reveals that approximately 19% of the South Africans remain excluded from the formal financial services (FinScope South Africa 2012). For this reason, the National Treasury of South Africa has prioritised access to financial services as an important objective in the sector's reform for low-income households. The challenge of inclusion is proving to be more difficult in the insurance sector (National Treasury of South Africa 2011). Sources reveal that 53% of the adult population do not have any kind of financial product insuring risk; 30% have some formal financial product (life cover) covering defined risk, whilst 17% of the adult population rely only on burial societies (funeral cover) (FinScope South Africa 2012). The "Insurance Gap" identified among the low-income households (who are not insured), presents a huge opportunity for the South African insurance industry. As a result, the insurance industry in South Africa together with the Financial Services Board have launched measures aimed at giving low-income earners access to insurance known as microinsurance (Association of Savings and Investments of South Africa 2009). Life insurance products for low-income earners are branded as Zimele and

are classified as microinsurance products; insurance for the low-income earners (ASISA 2009).

However, the market of micro-insurance (MI) is still at a preliminary stage in South Africa compared to its commercial market which is well developed. According to Smith et al. (2011), it is not easy for insurers to market micro-insurance products to low-income earners and generate business success due to inherent challenges present in the process. Although the market of micro-insurance has a lot of potential to grow, the element of business success is still uncertain in South Africa.

In this paper, the researcherS explore how the application of the marketing mix (product, price, promotion and place) for the Zimele funeral product measures business success. The researcher limits the inquiry to the Zimele funeral MI product as it dominates the low-income insurance segment (micro-insurance market) in South Africa (National Treasury of South Africa 2011).

Problem Statement

The emergence of micro-insurance has led to a growing interest in the way in which the marketing is managed. Research reveals that there are many problems in the marketing of MI

products due to some challenges (Centre for Financial Regulation and Inclusion 2011). Although there has been a pressing concern from the government and the relevant bodies such as the ASISA and Financial Services Board to address the main challenge of financial exclusion in relation to the low-income insurance segment, very limited research has been undertaken in the field of marketing MI products and services creating scope for research in the area. Micro-insurance policies are characterized by high charges, which put pressure on the business success of the micro-insurer. High charges include the transactional costs and the costs of reaching low-income households in remote residential areas. Since 2007 until present, the R40 per month premium charged (in compliance with the Zimele standards as set by LOA) coupled with the low margins of the standard Zimele products do not meet the high costs associated with administering the product. The premium is also too low that small insurers do not have enough to offer brokers as commissions, creating a disincentive to market the micro-insurance product. As mentioned above, the nature and profile of a micro-insurance policy (such as the Zimele product), the high costs and the low premiums charged, have an impact on the business success of a microinsurer, which remains a challenge.

Despite the above problems, the full potential of business success with regards to marketing by micro-insurers is only beginning to be grasped. The aim is not just to offer good products and services across innovative channels of distribution at a low premium rate, but also to achieve business success. However, the main question is, what must insurers do to improve their business success when marketing micro-insurance products?

In line with this question, the purpose of the study is to investigate the influence of the marketing mix of the Zimele micro-insurance funeral cover policy on the business success of micro-insurers in South Africa.

Objectives of the Study

The primary objective of this study was to identify and investigate the influence of the marketing mix as independent variables (product, price, place (distribution), and promotion) on the business success of micro-insurers in

South Africa. In order to do so the following secondary objectives were pursued, namely to:

- ♦ investigate literature on the variables influencing the business success of South African micro-insurers;
- ♦ investigate two large micro-insurers in Port Elizabeth;
- ♦ conduct an empirical investigation regarding the marketing of microinsurance products; and to
- Give recommendations concerning what micro-insurers should do in order to improve their business success.

Literature Review

Micro-insurance or “insurance for the poor” has been considered as “the next revolution” in addressing risks and vulnerabilities in low-income countries (Morduch 2006). With a Gini index recorded at 63.6 in 2012, South Africa is considered as one of the low-income countries and with the highest income disparity in the world (Flores 2013). With the economic turmoil impacting on the country resulting in stagnating financial markets and the risk of more consumers dropping below the poverty line should only be taken as a lesson by insurers to adapt micro-insurance schemes to increase insurance adoption and drive growth for the low-income households which represents a huge insurance gap for the country.

It is evident that micro-insurance is important in South Africa. However, research shows that firms providing micro-insurance products and services experience some problems specifically in the field of marketing the products and services to low-income consumers to achieve business success (ASISA 2009).

In the context of this study, the product is a service (micro-insurance) and therefore is intangible. Product includes all the features and combination of goods and related services that a firm offers to its consumers (Kotler et al. 2010). The first product offered by life insurers in 2007 under the Zimele brand was funeral cover, still dominates the microinsurance products of South Africa (National Treasury of South Africa 2011). Research by LOA in 2007, (taken over by ASISA since 2009) reveals that the Zimele product had some limited features to attract and retain customers for a long time. This has further been substantiated that the micro-insurance market

in SA is dominated by life products only (McCord et al. 2012). Creating a successful product depends on understanding the market (McCord 2011). However, with only life and credit life MI products in South Africa whilst the low-income households have more pressing needs for other MI products for instance HIV related MI product, question the element of business success in the industry. Therefore product being an independent variable of business success is investigated in this study.

The purpose of price is to “quantify and express value of the product or service in a market exchange” (Kotler et al. 2010). According to a research report by Angove and Tande (2011), Old Mutual South Africa has been facing a challenge resulting from a number policies sold by burial societies lapsing as premiums were too expensive. Further, this has been supported by various authors, Churchill and Matul (2012), Leftley and Mapfumo (2008) and McCord (2008), that the most important attribute of a MI product is that it has to be valuable and affordable for it to generate success. A micro-insurer must thus charge an affordable price to low-income earners compared to its competitors, based on the protection and benefit that the insurer provides to ensure business success. Price being an independent variable of business success is investigated in this study.

Place (distribution) under the marketing mix involves all companies’ activities that make the product available to the targeted consumer (Kotler and Armstrong 2004). The distribution strategy by insurers in marketing the Zimele micro-insurance funeral cover in South Africa is generally and traditionally done through insurance brokers and agents (ASISA 2009). However, distribution of these products could be a challenge, particularly in the remote areas not serviced by the industry, especially that the low-income segment is unfamiliar with the low-income household insurance cover (ASISA 2009). According to Smith et al. (2011) in order to achieve scale in the low-income insurance segment that is micro-insurance and generates business success, new innovative models of distribution are needed. Therefore place distribution an independent variable of business success is investigated.

For the purpose of promoting micro-insurance in South Africa, the insurance industry does not have a uniform and coordinated branding or promotion to position the Zimele products for its audience (LOA 2007; ASISA 2009). The Fin-

Mark Trust in 2007, which studied the awareness and usage of financial products in South Africa, found that the recognition of the brand was negligible. This was the main reason behind the lack of Zimele visibility in the market in 2007. This situation has not changed much until present as 53% of the low-income household adult population still do not have any kind of financial product insuring risk (FinScope South Africa 2012). Designing appropriate promotion strategies for low-income earners should be the main focus for insurers to enhance business success (Joubert 2007).

In view of the limited research on MI in SA and the challenges in marketing the MI products and services mentioned above, the business success element has been a matter of concern for micro-insurers in the new low-income insurance segment. The National Treasury of South Africa in 2011 also reports that a significant number of low-income people are either financially excluded or simply not informed about MI. Insurance firms and the authorities are only now beginning to recognise the future potential of the low-income market and the longer-term benefits of building a customer database in this new market segment in South Africa. However, in order to maintain the involvement of commercial players in the market, MI needs to contribute to the overall profitability of the insurer, enhance value for its investors, satisfy clients and ultimately generate business success by means of: an increase in the sales; better earnings per share; improved return on equity; and increased shareholder wealth. However, MI has low premiums and high transaction costs. Role-players experience pressure on profitability and the continued development of the low-end MI market is uncertain. It is evident that role-players in the MI need to know how well they are performing in the industry. However, uncertainty exists on how to define business success in the MI industry. Resultantly, it is also uncertain how to measure business success in this industry of South Africa.

The questions formulated with regards to the variables were extracted from the literature review. Table 1 illustrates the variables/items and their respective source.

RESEARCH METHODOLOGY

The research was undertaken at two insurance firms, namely Old Mutual South Africa

Table 1: Determining questions/variables and source

<i>Variables/Items</i>	<i>Source</i>
<p>Product - The firm I work for... Provides information to the clients about the Zimele funeral product promptly, issue policies in a simple language, provides an increased awareness of the Zimele product, provides an increased awareness of the Zimele product, provides a more attractive Zimele funeral cover product design and product features to the clients compared to the banks, burial societies, other insurers, retailers, fast food outlets and complies with the standards of the LOA in the market place.</p>	McCord et al. (2012) ASISA (2009) LOA (2007) Kotler et al.(2010) National Treasury of South Africa(2011)McCord(2011)
<p>Price - The firm I work for... Uses a predatory pricing, Uses low penetration pricing, provides a more affordable premium rate than banks, burial societies, other insurers, retailers, fast food outlets in the market place for Zimele.</p>	Kotler et al.(2010) Kotler et al.(2010) Angove and Tande (2011) Churchill and Matul (2012), Leftley and Mapfumo (2008) and McCord(2008)
<p>Place (distribution) - The firm I work for...Uses a call centre, cell-phones, brokers and agents, banks, retailers, fast-food outlets, to sell the Zimele product and reviews its distribution as and when needed.</p>	Smith et al. (2011) Mafu (2007) Kotler and Armstrong (2004) ASISA(2009)Dercon et al. (2008).
<p>Promotion - The firm I work for... Conducts an intensive campaign seminars, uses direct mailing, grants special discounts, sends brochures, uses direct communications, organizes special events to offer the funeral Zimele product to new clients.</p>	Joubert (2007)LOA (2007) ASISA (2009) FinScope South Africa (2012)
<p>Business Success - The firm I work for...Has successfully been achieving sales targets, decreasing its transaction costs, increasing its market share, increasing its profit margin, increasing its number of clients, increasing its earnings per share, increasing its return on equity and achieving growth rate.</p>	Researcher's own construct

(OMSA) and Hollard insurance firms. The employees were employed in either a full-time or part-time basis at these firms. The respondents comprised employees in general positions (such as agents), managers and even directors. In addition, it is noteworthy that Old Mutual was the pioneer to launch the Zimele-compliant funeral cover successfully into the low-income market and as a result their employees were more likely to be aware of the concept of MI (Old Mutual Insurance Annual Report 2007). Furthermore, two of the firms, Old Mutual and Hollard, are the largest insurers in South Africa, and both already offer micro-products and services to the low-end markets in South Africa (Business Monitor International 2010).

A convenience sample was used and a total of 173 out of 200 completed questionnaires were collected, signifying a satisfactory 86.5% re-

sponse rate. Data were personally collected by the researcher who, on appointment and with permission of the companies, requested the employees to complete the questionnaire. The completed questionnaires were gathered after completion to ensure a better response rate.

Each one of the factors has also been individually researched. This research identified the measuring criteria pertaining to each one of the factors. These criteria form the basis of the measuring instrument of the independent variables.

All variables was empirically validated and subjected to reliability analysis to determine which of the identified factors of MI are reliable (using the Cronbach alpha coefficient), because only reliable factors could be employed in the measurement of business success. Although a Cronbach alpha coefficient of 0.70 is preferable, Field (2007:668) indicates that a lower reliability

coefficient of 0.58 should be employed as cut-off coefficient when ratio or interval data (such as a Likert scale) is employed in data collection. The data was analysed using descriptive statistics, that is, mean values. The mean values are presented in percentage format after the responses on the 5-point Likert scale were converted to percentages (dividing the mean score per criterion by the maximum score of 5). Interpretation of the results, according to research done by Bisschoff and Hough (1995:11), could then be applied by using the following guidelines, as successfully applied in research by Haasbroek (2007), Moolla and Bisschoff (2010) and Bisschoff (2011):

- ♦ Under 60% = Unacceptable/Unimportant;
- ♦ Between 60% and 75% = Acceptable/Important,
- ♦ 75% and higher = Excellent/Very important

RESULTS

Reliability of Data

The data collected by the questionnaire showed a highly satisfactory reliability coefficient with Cronbach alpha exceeding 0.70 for two variables; product (0.83) and business success (0.85). The reliability coefficient for price also signified a satisfactory reliability coefficient of 0.70. However, the variables place and promotion showed lower reliability coefficients (0.62). In defence of the lower Cronbach Alpha value (in this study reliability coefficient of place and promotion is each 0.62), Cortina(1993) (in Field, 2007:668) states that even a reliability coefficient of 0.58 is satisfactory, while the borderline value of 0.28 can still be regarded as significant, especially if reverse scores (negative scores) are present within the factor (Field 2007:669). It simply indicates that the factor is less likely to present itself if the study is to be repeated when subjected in a different application setting. The lack of reliability does not discard the factor. Table 2 summarises the reliability coefficients of the factors to measure the business success of MI.

Demographic Profile

The majority of respondents were female (65%) followed by male (35%). Most of the re-

spondents fall in the age group of 40-49 and a smaller percentage in the range of less than 20 years of age and above 60 years of age group. The majority of the respondents were employees from the Old Mutual Insurance firm followed by the Hollard Insurance firm respondents (77% and 23% respectively). The population group that represents the majority of respondents was black 35 percent, followed by white 24%, coloured 24%, and Asians 15%. 2% of the respondents were not willing to say which of the population group they belong to. Further, the mean number of years that an employee has been working at a firm is 13 (ranging from a minimum of 2 years and a maximum of 34 years). This number therefore indicates that employees generally prefer to stay with their respective firm, than to completely switch to another firm.

Table 2: Reliability coefficients of the variables

<i>Independent Variables</i>	<i>Cronbach</i>
<i>Alpha</i>	
Product	0.83
Price	0.70
Place	0.62
Promotion	0.62
<i>Dependent Variable</i>	
Business success	0.85

Table 3 depicts the responses received from the questionnaire items on a five point-likert scale from strongly disagree (1), disagree (4), neutral (3) to agree(2) and strongly agree(5).

From Table 3, it can be concluded that although most respondents agree that their respective firm they work for are making good efforts to market the Zimele branded microinsurance product in South Africa, the majority also disagree that business success in the MI industry is not promising to the extent that their respective firm are struggling to achieve business success.

Further, the mean values of each of the factors to measure business success are shown in Table 4. The mean values are summary mean values of the respective business success services marketing factors of MI. This means that the mean value of a factor portrays the calculated mean values of the respective measuring criteria that pertain to that factor.

The mean values in Table 4 portrayed a general dissatisfaction with regard to the performance of the marketing mix on business suc-

Table 3: Respondents reactions to items n=173

<i>The firm I work for...</i>	<i>Strongly Disagree</i>	<i>Disagree</i>	<i>Neutral</i>	<i>Agree</i>	<i>Strongly Agree</i>
B1.1 Provides enough information to the existing clients (standards and features) about the Zimele	1 (0.6%)	9 (5.2%)	1 (0.6%)	156 (90.2%)	6 (3.5%)
B1.2 Delivers information to the client about the Zimele funeral product promptly	1 (0.6%)	16 (9.2%)	81 (46.8%)	63 (36.4%)	12 (6.9%)
B1.3 Issues the policy contract of the Zimele funeral product in a simple and informal language	1 (0.6%)	10 (5.8%)	3 (1.7%)	147 (85%)	12 (6.9%)
B1.4 Provides an increased awareness of the Zimele product to the market niche and segment targeted (the low-income earners)	1 (0.6%)	4 (2.3%)	7 (4%)	156 (90.2%)	5 (2.9%)
B1.4 Provides a more attractive Zimele funeral product design and product features to the clients compared to the banks in the market place	1 (0.6%)	97 (56.1%)	39 (22.5%)	31 (17.9%)	5 (2.9%)
B1.6 Provides a more attractive Zimele funeral cover product design and product features compared to the burial societies in the market place	2 (1.2%)	95 (54.9%)	42 (24.3%)	20 (1.6%)	14 (8.1%)
B1.7 Provides a more attractive Zimele funeral cover product design and product features compared to the other insurers in the market place	0	46 (26.6%)	85 (49.1%)	35 (20.2%)	4 (4%)
B1.8 Provides a more attractive Zimele funeral cover product design and product features compared to the retailers (for example, Shoprite) in the market place	1 (0.6%)	43 (24.9%)	88 (50.9)	30 (17.3%)	6 (6.4%)
B1.9 Provides a more attractive Zimele funeral cover product design and product features compared to the fast-food outlets (for example, McDonalds) in the market place	40 (23.1%)	47 (27.2%)	47 (27.2%)	30 (17.3%)	5 (5.2%)
B1.10 Provides information to the client about how strict the firm is in complying with relevant standards and regulations of Life Offices Association (LOA) in respect of the Zimele product	3 (1.7%)	1 (0.6%)	5 (2.9%)	48 (27.7%)	116 (67.1%)
B2.1 Uses a predatory pricing (a price that drives competitors out of the market) using the Life Offices Association (LOA) budget as subsidies	10259%	4526%	137.5%	74%	63.5%
B2.2 Uses low penetration pricing of R40, which is the minimum price of the Zimele product	1 (0.6%)	3 (1.7%)	1 (0.6%)	39 (22.5%)	129 (74.6%)
B2.3 Provides a more affordable premium rate for the Zimele funeral cover than the banks in the market place	103 59.5%	49 28.3%	15 8.7%	6 3.5%	0
B2.4 Provides a more affordable premium rate for the Zimele funeral cover than the burial societies in the market place	1 (0.6%)	103 59.5%	38 22%	13 7.5%	18 10.4%
B2.5 Provides a more affordable premium rate for the Zimele funeral cover than the other insurers in the market place	0	47 27.2%	95 54.9%	25 14.5%	6 3.5%
B2.6 Provides a more affordable premium rate for the Zimele funeral cover than the retailers (for example, Shoprite) in the market place	3 1.7%	46 26.6%	89 51.4%	29 16.8%	6 3.5%
B2.7 Provides a more affordable premium rate for the Zimele funeral cover than the fast-food outlets (for example, McDonalds) in the market place	45 26%	44 25.4%	52 30.1%	26 15%	6 3.5%
B2.8 Thinks that the R40 per month for the Zimele product should be discounted	3 1.7%	2 1.2%	6 3.5%	52 30.1%	110 63.6%
B3.1 Uses a call centre in selling the Zimele funeral product	2 1.2%	2 1.2%	1 0.6%	142 82.1%	25 14.5%
B3.2 Uses cell-phones in selling the Zimele funeral product	3 1.7%	1 0.6%	2 1.2%	138 79.8%	29 16.8%
B3.3 Uses brokers and agents in selling the Zimele funeral product	0	0	2 1.2%	65 37.6%	106 61.3%
B3.4 Uses banks in selling the Zimele funeral product	2 1.2%	1 0.6%	2 1.2%	143 82.7%	25 14.5%

Table 3: Contd..

<i>The firm I work for...</i>	<i>Strongly Disagree</i>	<i>Disagree</i>	<i>Neutral</i>	<i>Agree</i>	<i>Strongly Agree</i>
B3.5 Uses retailers (for example, Shoprite) in selling the Zimele funeral product	4 2.3%	1 0.6%	3 1.7%	136 78.6%	29 16.8%
B3.6 Uses licensing third parties such as fast-food outlets (e.g. McDonalds) in selling the Zimele funeral product	116 67.1%	32 18.5%	15 8.7%	6 3.5%	4 2.3%
B3.7 Will launch new methods of distribution in selling the Zimele funeral product	3 1.7%	13 175.7%	28 16.2%	11 6.4%	0
B3.8 Thinks that there is an immediate need to review its distribution methods of the Zimele funeral product	4 2.3%	1 0.6%	32 18.5%	69 39.9%	67 38.7%
B3.9 Has already reviewed its distribution methods and is implementing new distribution methods for the Zimele funeral product	1 0.6%	18 10.4%	145 83.8%	9 5.2%	0
B4.1 Conducts an intensive promotion campaign to offer the funeral Zimele product to new clients	2 1.2%	11 6.4%	96 55.5%	42 26%	19 11%
B4.2 Provides early success stories of the Zimele funeral product to the clients (for example, approval of claim within time limits) to promote the product	1 0.6%	6 3.5%	148 85.5%	18 10.4%	0
B4.3 Organises seminars to promote the Zimele funeral product to the low-income earners	20 11.6%	89 51.4%	8 4.6%	38 22%	18 10.4%
B4.4 Uses direct mailing as a promotion method for the Zimele funeral product	3 1.7%	1 0.6%	146 84.4%	23 13.3%	0
B4.5 Grants special discounts to clients paying the premiums on the due dates to promote the Zimele funeral product	100 57.8%	55 31.8%	5 2.9%	8 4.6%	5 2.9%
B4.6 Organises special entertainment events to promote the Zimele funeral product to the clients	3 1.7%	3 1.7%	3 1.7%	144 83.2%	20 11.6%
B4.7 Increases individual (one-on-one) communications to prospective clients to promote the Zimele funeral product	8 4.6%	12 6.9%	1 0.6%	134 77.5%	18 10.4%
B4.8 Provides brochures to promote the Zimele funeral product	1 0.6%	0	0	74 42.8%	98 56.6%
C.1 Has successfully been achieving sales targets for the Zimele funeral product	44 (25.4%)	124 71.7%	3 1.7%	2 1.2%	0
C.2 Has gradually been increasing the year after year sales for the Zimele funeral product	56 32.4%	113 65.3%	4 2.3%	0	0
C.3 Has decreased its transaction costs when selling the Zimele funeral product	39 (22.5%)	52 30.1%	53 30%	12 6.9%	0
C.4 Has successfully been increasing its market share for the Zimele funeral product	5 2.9%	135 78%	33 19.1%	0	0
C.5 Has increased its profit margin, due to the Zimele funeral product	21 12.1%	137 79.2%	12 6.9%	2 1.2%	1 0.6%
C.6 Has increased its number of clients, due to the Zimele funeral product	45 26%	0	125 72.3%	1 0.6%	2 1.2%
C.7 Has shown an increase in the growth rate of the Zimele product	26	15%	145	83.8%	10.6%
C.8 Has successfully been increasing its earnings per share (EPS), due to the Zimele funeral product	45 26%	94 54.3%	33 19.1%	1 0.6%	0
C.9 Has gradually been increasing its return on equity (ROE) for the shareholders of the firm, due to the Zimele funeral product	33 19.1%	45 26%	95 54.9	0	0

cess in the MI industry. According to the mean values calculated for the criteria, all of them were well below 60%. The criterion relating to price and product has even deteriorated to below 35%. This signified catastrophic failure in the marketing of MI products and services with regards to

business success. Even more so, as price was regarded to be one of the core marketing mix elements. Failure at one of these core elements inevitably resulted in a breakdown of sales, and resultantly there can be no business success. The results signified that respondents were

Table 4: Mean values of success factors

<i>Factor</i>	<i>Mean</i>
Product	34%
Price	31%
Place	37%
Promotion	35%
Business success	39%

aware that reaching business success in the MI industry of South Africa is not easily attainable and that the low-end market is not a lucrative insurance market. None of the criteria achieved the highest merit of exceeding the 75% margin. Although the MI industry is still at its preliminary stage of business development, respondents working for different insurance firms offering MI products and services believe that business success due to the poor performance of services marketing in the MI industry is neither promising nor good in South Africa.

CONCLUSION

The paper focused on investigating and applying the marketing mix to measure business success in the MI industry of South Africa. All objectives set in the study have been addressed. The marketing factors with regards to business success of MI were explored and also their relative reliability, consistency and importance highlighted. The results correlate with the current state of affairs of the marketing for MI. The industry is struggling because all of the marketing factors showed poor promise to business success according to the empirical results noted above. It is therefore important for the insurers in the MI industry to focus on the factors when marketing MI products that will contribute to and improve their business success as per the recommendations below. This information empowers academics, researchers, managers and role-players in the MI industry to identify where managerial energy should be focused to improve the marketing performance of the industry.

RECOMMENDATIONS

Price

The element of affordability is crucial in realising sales to ultimately enhance business success. For instance, according to the Old Mutual South Africa research report made 2011, a num-

ber of policies sold by burial societies were lapsing, as premiums were too expensive. A micro-insurer must therefore charge an affordable price to the low-income earners based on the protection and benefit that the insurer provides. Offering micro-insurance products on a higher scale can bring down the transaction costs and thus, price (economies of scale). The huge "Insurance Gap" in South Africa calls for microinsurance firms to target the uninsured LSM 1-5 population with affordable products, customised to the needs of these people. Therefore, affordability by the low-income earners in securing microinsurance products is more likely to enhance the business success of the firm.

Product

The product or product offering by insurers in the MI is low-cost, and usually provides a basic benefit to its customers. MI product in SA covers only Life funeral cover and Credit life (insurance policy securing the loan amount taken in case of death of the policyholder).

There is no MI product to cover accident, property loss, health and agriculture losses and yet the low-income people are the most vulnerable to these risks as they are more exposed and least covered. For instance health MI product is among the most needed as South Africa is known to have the highest prevalent of HIV/AIDS cases in the world recorded at 11.6% in 2011. Further, although good product performance is more likely to contribute to marketing success, however it has to meet customer satisfaction ultimately. In this regard, the importance of developing a successful MI product has been highlighted. For instance, composite (bundled) MI products are recommended because these products can be useful instruments to manage moral hazard and adverse selection problems and therefore offer affordable and cheaper products for the low-income households. Therefore, the MI product, for example a Zimele-compliant product range, should therefore be broadened outside the array of life cover and customised to meet the needs of the low-income earners.

Promotion

A study of the awareness and usage of financial products in South Africa by ASISA in 2009 found that the recognition of the Zimele-compliant MI brand was negligible. Resultantly, it was found out that this was the main reason behind the lack of Zimele visibility on the

market. Designing appropriate promotion strategies for the low-income earners should then be the main focus for insurers to enhance business success. The microinsurance industry is unique in the sense that there is an ongoing challenge to explain the concept and benefits to the insured. Creating awareness through use of pictorial posters, local folk arts and street theatre might be useful to explain the mechanisms of insurance for the low income insurance segment.

Place

The most effective delivery channels for microinsurance risk categories differ among countries. South Africa is no exception to this. Selling the Zimele products to the low-income groups through the traditional distribution channel has not been easy for the small insurer who does not have a well-established infrastructure and an extensive footprint nationally. For instance, the out-of-reach low-income households living in the most remote places have to be imperatively reached in order to explore the present 'Insurance Gap'. Therefore, innovative methods of distribution (place) according to risk categories will have to be launched, taking into account the low premiums and the high transaction costs of microinsurance. The researcher recommends that the MI providers visit the low-income households at their place of work and explain the role and importance and also the benefits of securing a microinsurance cover for savings, financial/mental peace and protection purposes.

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