

**THE IMPACT OF DISTRIBUTION STRATEGY ON COMPETITION IN THE
GHANAIAN INSURANCE INDUSTRY**

A CASE STUDY OF ENTERPRISE LIFE ASSURANCE COMPANY LIMITED

By

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KNUST

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DECLARATION

I hereby declare that this dissertation submitted towards the attainment of the MBA degree is my own and that, to the best of my knowledge, it contains no material previously published by another person nor material which has been accepted for the award of any other degree of the university except where due acknowledgement has been made in the text.

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15/10/09

DEDICATION

I dedicate this work to God Almighty, the Lord Jesus Christ, and the Holy Spirit.

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ABSTRACT

Insurance is not bought but sold. It is essential to the lives of people and until the physical exchange between suppliers of insurance and client has been completed, purchasers of insurance policies cannot derive the benefits they seek. Therefore, every service provided by insurance companies must be made available for purchase and delivery to customers through intermediaries. The primary focus of this study is to analyze and interpret empirical data on the impact of distribution strategies on competition in the Ghanaian insurance industry given the inadequacy of the existing distribution strategies in reaching out fully to target markets and its failure to fully exploit the market; examine the nature of competition in the operations of Enterprise Life Assurance Company (ELAC); assess how distribution strategies affects the competition of ELAC; and to make recommendations on critical success factors for attaining a competitive advantage in the industry. Data was obtained from both primary and secondary sources and analyzed using descriptive statistical analyses. Because of the exploratory nature of this study, the generalization of the conclusions is limited; however, the results of this study can be useful for developing more formal theories to understand management practices and business performance. The organization that was used as a case for this study is Enterprise Life Assurance Company Limited (ELAC). It was found that the distribution strategies adopted by ELAC are the captive agency force, the group marketing team, insurance brokers, and Bancassurance and that the company does not engage in traditional advertisements of its products. To achieve and sustain a competitive advantage through distribution, management must exert control over the sales and distribution teams, encourage the development of long term customer relationships, create more awareness of their products through advertisements, and maximize productivity.

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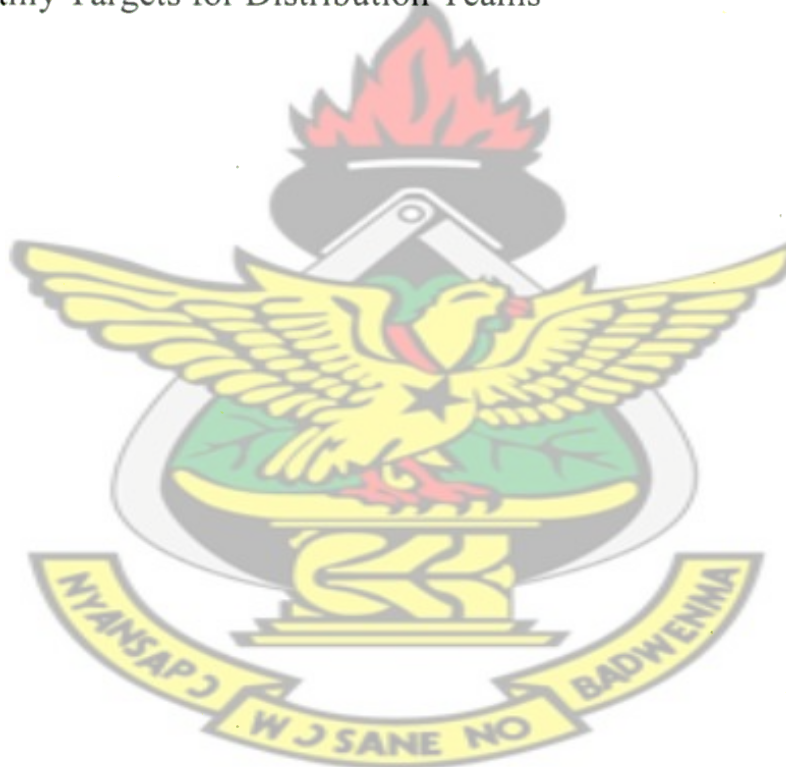
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CHAPTER ONE

INTRODUCTION

1.1 Background of Study

Companies offering products and services in the general insurance market are believed to trade under very competitive conditions under which companies are forced to pass on any increase in costs to the prices of their products and thus, their revenues will also rise should wages, underwriting costs or other expenses increase. Generally, the number of firms competing in this industry is very large (Murata, 2007).

Due to the competition in the insurance industry, it is important that insurers create an aligned, cross-channel distribution strategy that reflects their brand and satisfies their customers. Establishing the most appropriate distribution strategies is a major key to success, defined as maximizing sales and profits. Unfortunately, many companies often fail to establish or maintain the most effective distribution strategies (Distribution Strategies, 2008).

According to Porter (1996), in the wake of the dot-com shakeout, strategy is more important than ever. The essence of strategy is choosing a unique and valuable position rooted in systems of activities that are much more difficult to match. The process of obtaining an advantage over the competition is at the heart of competitive marketing strategy. Competitive strategy refers to how a company competes in a

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‘However, a competitive advantage cannot be established without a clear idea of what constitutes the relevant competitive arena. Theoretically, there are strong arguments for seeing both these processes as market-driven, but in practice their implementation may present particular problems for financial services providers in the insurance industry. The degree of complexity and intangibility which characterizes most financial services is generally thought to complicate the identification of a clear source of competitive advantage; it is also argued that these characteristics might affect the extent to which an organization may identify the appropriate competitive arena’ (Delvin and Ennew, 1997).

1.2 Research Problem

Distribution in the insurance sector is becoming increasingly complex and therefore, insurers are under much pressure to create an aligned, cross-channel strategy that both reflect their brand while at the same time taking the satisfaction of their customers into consideration (Distribution Strategies, 2008). Recently, deregulation in the financial sector has created an environment such that the number of options has expanded greatly and the breadth of choices by competitors has proliferated in parallel, creating potential instability in competitive positions for current market leaders, and areas of opportunity for others. Therefore, many companies are forced to rethink their approaches to sales and distribution (Shorey Consulting, 1997).

‘Managing a captive agency force, on the other hand, is an expensive business. Studies show that insurance companies invest heavily in training each agent. This investment often does not deliver the desired return. Besides training, there are huge operational overheads attached to maintaining a captive force. Insurance companies

are also to be competitive by cutting cost and designing better ways of serving customers by choosing and adopting appropriate distribution channels through which they can get the maximum benefit and serve customers best' (Chowdhury, 2008).

The main problem confronting Enterprise Life Assurance Company (ELAC), considering the cost involved in maintaining the distribution strategies and how much of the market is captured, is the inadequacy of the current distribution strategies in reaching out fully to target markets and its failure to fully exploit the market since the life assurance market is not saturated. This work, therefore, seeks to investigate into what accounts for the inadequacies of the distribution strategies since it is known that when there is a wider coverage of the target market, there is a possibility of a wider reach which will ultimately lead to market leadership and competitive advantage.

1.3 Objectives of Study

The general objective of this study is to determine the impact of Enterprise Life Assurance Company's (ELAC) distribution model on its competitiveness in the industry. Specific objectives of the study are:

1. To identify the types of products offered by ELAC.
2. To identify and assess the distribution strategies used by ELAC.
3. To examine the nature of competition in the operations of ELAC.
4. To assess how distribution strategies affect the competition of ELAC.
5. To recommend critical success factors in distribution for achieving a competitive advantage in Ghana's insurance industry.

1.4 Research Questions

It is incumbent on the managers of Sales and Distribution in ELAC to design distribution strategies that are far reaching and can cover an extensive part of their target markets. To achieve this, the fundamental questions that need to be asked include:

1. What type of products does Enterprise Life Assurance Company Limited (ELAC) provide customers?
2. What distribution strategy is ELAC using to create and sustain a competitive advantage in the insurance industry?
3. What is the nature of competition in the operations of ELAC?
4. How does distribution strategy affect the competition of ELAC in the insurance industry?

1.5 Justification of study

Insurance is essential to the lives of people. It enables businesses to take risks and individuals to conduct their lives in ways that would otherwise be impossible (Haddrill, 2005). 'As part of the marketing process, every service provided by insurance companies must be made available for purchase and delivery to customers. Until the physical exchange has been completed, purchasers of insurance policies cannot derive the benefits they seek. Therefore, the marketing system must include a distribution strategy that makes insurance policies available for evaluation by customers and gets them to the proper place at the correct moment for maximum customer satisfaction, and thus enhance a competitive edge to the distribution strategy adopted (Longnecker et al., 2000).

It has been observed that there is a general unwillingness to establish different distribution channels for different products because of the fear of utilizing multiple channels (especially including direct or semi-direct sales) due to concerns about erosion of distributor loyalty; failure to periodically re-visit and update distribution strategies; and the lack of creativity and resistance to change (www.infotrends.com, 2008).

Also, in Ghana, the National Insurance Commission guidelines state that all insurance policies must be sold through intermediaries but the regulation does not define how this should be achieved. This has, therefore, led to the development of various distribution strategies in the insurance industry. The purpose of this study, therefore, is to look into ELAC's existing distribution model and determine how this model can give ELAC a competitive advantage in the life assurance sub sector of the insurance industry in Ghana.

1.6 Scope of Study

The insurance industry also offers the life policy coverage as part of its product portfolio. Most life companies are now limited liabilities and distribution channels are usually the strength of such companies. This study seeks to assess the impact distribution strategies has on attaining and maintaining a competitive advantage in the insurance industry, laying emphasis on the life assurance sub sector within which Enterprise Life Assurance Company's distribution strategy is studied. ELAC has two other relationship distribution networks which are the Bancassurance with Barclays bank and the Standard Chartered bank; and the relationship with insurance brokers. These relationship networks manage their own distribution agency force. Therefore,

for the purpose of this study, only ELAC's exclusively managed distribution network will be assessed into detail. Given that the study is basically an assessment no set of hypotheses is tested. However, the conclusions from the literature review and the theoretical discussions will help in our understanding of the empirical evidence from the study.

1.7 Organization of Study

The study is in five chapters with Chapter One being the introduction. This chapter describes the background of the thesis and contains some major research questions to be answered at the end of the thesis. The purpose and demarcation of the study are also included in this chapter. Chapter Two looks at the relevant literature linking distribution strategies to competition while Chapter Three describes the methodology which embodies data collection instruments. Data processing and analysis are examined in Chapter Four and lastly, a vivid conclusion is drawn from the results obtained and recommendations are also made in Chapter Five.

1.8 An Overview of Research Methodology

This section previews the processes, principles and procedures by which investigations were made into ELAC's distribution strategies and how they impact on competition, and how answers were sought to define the research problem. The sampling technique adopted for this case study is purposive sampling. Questionnaires and semi- structured interviews were also used to obtain data relevant to the study. Also, a trend analysis was conducted on the organized data.

1.9 Limitations of Study

The main limitation is the fact that the study is based on a single organization. This prevents the results to be generalized to the insurance industry as a whole. Hence, the findings are limited to the company alone. Resources such as time and finance are two unavoidable realities that do often catch up with researchers undertaking studies like this. Regarding time, the study is expected to be complete by a certain time. This impairs a more thorough work and therefore, limits the validity of the study. Finance too was not available to stretch the study to add more value.

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CHAPTER TWO

LITERATURE REVIEW

2.1 Introduction

The overall process of selling and delivering insurance products to customers, encompasses both a company's connection to its customers and a significant portion of its total costs. Traditionally, companies select from a defined, limited set of options and most firms in the industry make similar choices and compete on those levels (Shorey Consulting, 1997). One problem with marketing long-term insurance is that, as it is often said, life insurance is not bought, rather it has to be sold. This is because very few people voluntarily approach life offices to ask for insurance. Most life assurance is taken out because someone has talked to an individual and shown them why life cover is advisable and perhaps suggested what policy might be appropriate (Marshall, 1999).

Consequently, for every industry, 'the importance of distribution has been summarized as matching segments of supply and demand. Quite simply, the purpose of a distribution strategy is to make the right quantities of the right product or service available at the right place, at the right time. What makes distribution strategy unique vis-a-vis other marketing mix decisions is that it depends almost entirely on physical location. It is believed that intermediaries provide economies of distribution by increasing the efficiency of the process. They do this by creating time, place, and possession utility- right product, right place, right time' (Pitt, et al., 1999).

Overall, 'the insurance marketplace is undergoing a transformation that may eventually lead to significant changes in how consumers purchase insurance products.

A variety of distribution strategies are currently used in this market and some insurers utilize a combination of distribution channels. These include the company-led channels, bank-led channels, agent-led channels and internet-led channels. Given its reliance on traditional channels, the insurance marketplace has only recently begun to reflect this broader growth in electronic channels. Additionally, as the financial services industry continues to consolidate, competition within the industry has accelerated. With narrower profit margins for many companies in the industry, efficient management of products, markets and distribution has become paramount to success' (Dumm and Hoyt, 2002).

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2.2 Background to the Insurance Industry

'It is eminent that organizations operating in the insurance industry are faced with working in an environment that is rapidly changing and increasing in its complexity. New market entrants, changing customer preferences and market erosion across product lines demand creative approaches to product development, and a willingness to keep up with competition and the rapid changes in technology. Also, the continuing impact of major losses, sourcing and managing capital effectively, regulatory changes, privatization, risk management and the ever-present need to enhance shareholder value are also having an impact on the general insurance industry. Many insurers are looking beyond traditional markets and distribution channels for opportunities' (PricewaterhouseCoopers, 2008).

Furthermore, 'the important issues in the insurance industry are maintaining a low level of risk, managing risks of financial cyclicity, developing new distribution channels, balancing sales of traditional products and annuities, matching company

strategy with demographic trends, maintaining financial soundness and reacting to regulatory issues. Managing risks of financial cyclicity is important because the financial markets move through cycles, and companies must be able to withstand downturns in order to take advantage of upturns in the markets. Developing new distribution channels affects the ways that companies do business, and some noninsurance financial institutions (such as banks) are now entering the insurance industry, and balancing sales of traditional products and annuities also helps companies maintain a strong competitive profile' (lotsofessay.com, 2008).

2.2.1 The Structure of the Insurance Market

'The market place for insurance consists of the suppliers, the consumers and the distribution channels. The consumers are the members of the public and businesses who buy the various types of financial services and the suppliers are the financial institutions and businesses who offer the immense variety of financial services. The buying and selling of insurance takes place every hour of every working day and contracts are arranged as and when required, at a place convenient to the individual parties concerned. It is a service industry in the sense that insurance companies provide support to the industries producing goods or services (Marshall, 1999).

2.2.2 Insurance Services Provided

Insurance companies offer a number of services including the following:

- Insurance of physical assets against loss or damage;
- Insurance of a person's liability to others;
- Insurance of people's lives – life assurance;
- Insurance of people's health;

- Pension arrangements;
- Savings contract;
- Lump sum investment plans.

The first two categories are called short term or general insurance but the last five are categories of long term insurance' (Marshall, 1999), one of which is the subject of this study.

2.2.3 Life Assurance

Life assurance refers to the coverage of an event that is certain to happen. Assurance is similar to insurance (and sometimes the terms are interchangeable) except that insurance protects policyholders from events that might happen (Investopedia, 2008). 'Life assurance is different from insurance in the sense that life assurance will always result in a payment. This is achieved by combining an investment element along with an insured sum. This means that over time the value of the policy can increase as the investment bonuses are added (Green, 2005). Technically, 'life policies are based on the life of a particular person, the life assured, and become payable on the death of that person. At the very commencement of negotiations, therefore, the person on whose life the policy is to be based must be named and the risk of death during the term of the life policy assessed. The assured is the name given to the person who effects the policy and is the original owner of the policy (Marshall, 1999).

If the assured were to die, then the insured sum would be paid out, alongside the investment bonuses which would have accrued over time. If it is necessary to cancel the policy prior to the end of any designated term period, or the death of the assured, then once an investment bonus has been added, the life assurance policy will have an encashment value. It is, therefore, possible to cash in a policy earlier than its usual

termination date in order to collect on the investment portion. It should be noted that many insurance companies place penalties for cashing in policies early' (Green, 2005). In fact, 'life policy may be divided into the following categories:

- **Own life policies;** in which the assured and the life on which the policy is based are one and the same.
- **Life of another policies;** in this case the policy is effected on the life of another named person, provided there is insurable interest in the life of the third person.
- **Joint life policies;** another type of life cover which may be effected by two assureds and is commonly effected by married couples on their joint lives. These types of joint life contracts are either based on the first death or the second death. The joint life first death policy pays out on the death of the first of the two lives assured. A joint life second death policy, sometimes called a joint life survivor policy, is often used to plan for provision against inheritance and tax and sometimes for investment. This pays out on the death of the second life assured to die.

The marketing department of any life office is continually looking at the range of products it has to offer and adapting them or developing new ones in response to the changing demands of the market' (Marshall, 1999).

2.3 Strategies for Achieving Competitive Advantage

'Michael Porter has described a category scheme consisting of three general types of strategies that are commonly used by businesses to achieve and maintain competitive advantage. These three generic strategies are defined along two dimensions: strategic scope and strategic strength. Strategic scope is a demand-side dimension which looks

at the size and composition of the market one intends to target. Strategic strength is a supply-side dimension and looks at the strength or core competency of the firm. Porter simplifies the scheme by reducing it down to the three best strategies. They are cost leadership, differentiation, and market segmentation (or focus). Market segmentation is narrow in scope while both cost leadership and differentiation are relatively broad in market scope (Porter, 1980).

2.3.1 Cost Leadership Strategy

This strategy emphasizes efficiency. By producing high volumes of standardized products, the firm hopes to take advantage of economies of scale and experience curve effects. The product is often a basic no-frills product that is produced at a relatively low cost and made available to a very large customer base. Maintaining this strategy requires a continuous search for cost reductions in all aspects of the business. The associated distribution strategy is to obtain the most extensive distribution possible. Promotional strategy often involves trying to make a virtue out of low cost product features. Low costs will permit a firm to sell relatively standardized products that offer features acceptable to many customers at the lowest competitive price and such low prices will gain competitive advantage and increase market share. If the low cost base could be maintained for longer periods of time it will ensure consistent increase in market share and stable profits which is consequent in superior performance. However, all writings direct us to the understanding that sustainability of the competitive advantage reached through low cost strategy will depend on the ability of a competitor to match or develop a lower cost base than the existing cost leader in the market (Porter, 1980).

2.3.2 Differentiation Strategy

Differentiation is aimed at the broad market that involves the creation of a product or services that is perceived throughout its industry as unique. The company or business unit may then charge a premium for its product (Porter, 1980). To avoid the commodity trap, markets must start with the belief that they can differentiate anything (Kotler and Keller, 2006). This specialty can be associated with design, brand image, technology, features, personnel, dealers, distribution network, or customer service. Differentiation is a viable strategy for earning above average returns in a specific business because the resulting brand loyalty lowers customers' sensitivity to price (Porter, 1980).

2.3.3 Focus Strategy

In this strategy the firm concentrates on a select few target markets. It is also called a niche strategy. It is hoped that by focusing your marketing efforts on one or two narrow market segments and tailoring your marketing mix to these specialized markets, you can better meet the needs of that target market. The firm typically looks to gain a competitive advantage through effectiveness rather than efficiency. It is most suitable for relatively small firms but can be used by any company. As a focus strategy it may be used to select targets that are less vulnerable to substitutes or where a competition is weakest to earn above-average return on investment (Porter, 1980).

Combining multiple strategies is successful in only one case. Combining a market segmentation strategy with a product differentiation strategy is an effective way of matching your firm's product strategy (supply side) to the characteristics of your target market segments (demand side). But combinations like cost leadership with

product differentiation are hard (but not impossible) to implement due to the potential for conflict between cost minimization and the additional cost of value-added differentiation' (Porter, 1980).

Treacy and Wiersema, (1997) have modified Porter's three strategies to describe three basic "value disciplines" that can create customer value and provide a competitive advantage. They are operational excellence, product leadership, and customer intimacy. 'Some commentators have made a distinction between cost leadership, that is, low cost strategies, and best cost strategies. They claim that a low cost strategy is rarely able to provide a sustainable competitive advantage. In most cases firms end up in price wars. Instead, they claim a best cost strategy is preferred. This involves providing the best value for a relatively low price' (Wikipedia, 2008).

2.4 The Concept of Supply Chain

'Whereas the marketing channels connect the marketer to the target buyers, the supply chain (SC) describes a longer channel stretching from raw materials to components to final products that are carried to final buyers. It represents a value delivery system. Each company captures only a certain percentage of the total value generated by the supply chain (Kotler and Keller, 2006).

According to the model below, every firm is a synthesis of activities performed to design, produce, market, deliver and support its product. This chain identifies nine strategically relevant activities that create value and cost in a specific business. These nine value-creating activities consist of five primary activities and four support activities. The primary activities cover the sequence of bring materials into the

business (inbound logistics), converting them into final products (operations), shipping out final products (outbound logistics), marketing them (marketing and sales), and servicing them (service). It is marketing and sales that is of high importance to this study. The support activities- procurement, technology development, human resource management, and firm infrastructure- are handled in certain specialized departments, as well as elsewhere. Several departments, for example, may do procurement and hiring. The firm’s infrastructure covers the cost of general management, planning, finance, accounting, legal, and government affairs’ (Kotler and Keller, 2006).

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Fig. 2.1 The Generic Supply Chain by Kotler and Keller, (2006).

‘Simchi-Levi et al. (2004) as cited by Mehrjerdi (2009), have defined Supply Chain Management (SCM) as a set of approaches used to efficiently integrate suppliers, manufacturers, warehouses, and stores so that merchandise is produced and distributed at the right quantities, to the right locations, and at the right time in order to minimize system wide costs while satisfying service-level requirements. In many cases, SC is a key for making profit while in other cases it is a tool for being

presented in the market to generate business. Companies considered to be the best in the class for their SC performance must be able to operate their network efficiently at 4-7 percent of revenue less than the average company in their industry (Crum and Palmatier, 2004) as cited by Mehrjerdi (2009).

According to Sezen (2008), 'some of the strategies used with SCM are competitive strategy; product development strategy; marketing and sale strategy; SC strategy; strategic fit; global freight management strategy; customer focus strategy; and strategic sourcing. Supply chain performance and effective management of supply chains have been increasingly recognized as critical factors in gaining competitive advantage for firms. SCM is widely used by companies to improve their ability level with the objective of being flexible and responsive to meet changing market requirements. Flexibility is the ability to respond to changes. Supply chains should be evaluated based on their ability to respond to any changes in products, delivery times, volume, and mix. Therefore, flexibility measures include new product flexibility, delivery flexibility, mix flexibility and volume flexibility. Resource measures are concerned with the efficiency in using the resources in a supply chain system. Resource measures include the costs of using several resources, inventory levels in the supply chain, and the return on investments. Output measures include customer satisfaction (in terms of on-time deliveries, order fill rate, and response times), sales quantities, and profit' (Sezen, 2008).

'In today's competitive business environments, firms in a supply chain compete with other supply chains and, therefore, should manage their supply chains effectively. While integration and information sharing are the well-known manners for increasing

the performance in supply chains, design of a supply chain also has a critical role in the achievement of desired performance levels. Well-designed supply chains can meet the changing needs of customers through sufficient capacities, optimally located suppliers and distributors, and good channel members relationships' (Hoole, 2005). The firm's task is to examine its costs and performance in each value-creating activities and to look for ways to improve it; and estimate its competitors' costs and performances as benchmarks against which to compare its own costs and performance (Kotler and Keller, 2006).

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2.5 Distribution Strategies for Competitive Advantage

Distribution is one of the classic "4 Ps" of marketing (product, promotion, price, placement, which is also known as distribution). It is a key element in the entire marketing strategy — it helps expand the company's reach and grow its revenue' (www.marketingmo.com, 2008). Distribution encompasses both the physical movement of products and the establishment of intermediary (middlemen) relationships to achieve product movement. The activities involved in physically moving a product are called physical distribution while the system of relationships established to guide the movement of a product is called the channel of distribution (Longnecker et al., 2000). In addition, it is an organization or set of organizations (go-betweens) involved in the process of making a product or service available for use or consumption by a consumer or business user. Frequently there may be a chain of intermediaries, each passing the product down the chain to the next organization, before it finally reaches the consumer or end-user. This process is known as the 'distribution chain' or the 'channel.' Each of the elements in these chains will have

their own specific needs, which the producer must take into account, along with those of the all-important end-user (Wikipedia, 2007).

There are managerial concerns of the distribution strategy decision because this is very important. In theory at least, there is a form of trade-off: the cost of using intermediaries to achieve wider distribution is supposedly lower. Indeed, most consumer goods manufacturers could never justify the cost of selling direct to their consumers, except by mail order. Many suppliers seem to assume that once their product has been sold into the channel, into the beginning of the distribution chain, their job is finished. Yet that distribution chain is merely assuming a part of the supplier's responsibility; and, if they have any aspirations to be market-oriented, their job should really be extended to managing all the processes involved in that chain, until the product or service arrives with the end-user (Wikipedia, 2007).

The motivation of those who carry out the distribution strategy should also be of grave importance to managers. It is difficult enough to motivate direct employees to provide the necessary sales and service support. Motivating the owners and employees of the independent organizations in a distribution chain requires even greater effort. There are many devices for achieving such motivation. Perhaps the most usual is 'incentive': the supplier offers a better margin, to tempt the owners in the channel to push the product rather than its competitors'; or a competition is offered to the distributors' sales personnel, so that they are tempted to push the product (Wikipedia, 2007).

At this point, the distribution density considerations are also made by managers to cover as much of the target market as possible, based on the company's mission. There are three broad options - intensive, selective and exclusive distribution.

- **Intensive distribution** aims to provide saturation coverage of the market by using all available outlets. For many products, total sales are directly linked to the number of outlets used. In intensive distribution, the manufacturer distributes the products through the maximum number of outlets.
- **Selective distribution** also involves a producer using a limited number of outlets in a geographical area to sell products. An advantage of this approach is that the producer can choose the most appropriate or best-performing outlets and focus effort (for example, training) on them. Selective distribution works best where consumers have a preference for a particular brand or price and will search out the outlets that supply. Here, the number of retail outlets in a location will be greater than in the case of exclusive distribution and fewer than intensive distribution.
- **Exclusive distribution** is an extreme form of selective distribution in which only one wholesaler, retailer or distributor is used in a specific geographical area' (Tutor2u, 2008). 'In exclusive distribution, the number of distribution channels will be very limited.

Distribution management is of strategic importance to any organization as distribution plays a crucial role in the success of the product in the market and also helps to maximize profits. Organizations can have strategic systems that help them to examine the current distribution system and decide on the distribution system that can be useful in the future' (ICMR, 2007).

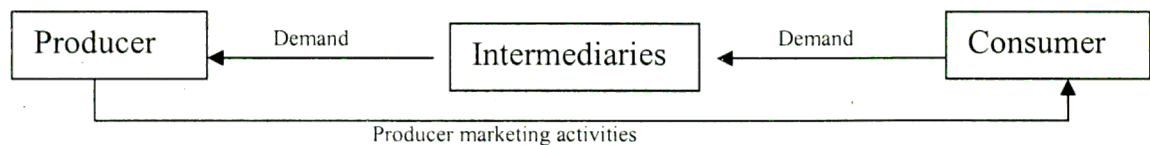
2.5.1 Push Versus Pull Distribution Strategies

Communication of the distribution strategy in use by a company is as over important. According to Micu et al., (2008), once the distribution strategy is being developed, managers have two options to communicate value to their target customers: push and pull.

Push strategies. The focus of communication is on the supplier's next immediate customer. Push strategies are aimed at propelling the supplier's offerings through the channel. Channel firms that carry a variety of competing products may favor push strategies because they permit promoting products that are most profitable to the channel firm (the channel firm's customers frequently do not have strong preconceived preferences). These strategies depend on channel intermediaries to carry the value message through the rest of the channel. Suppliers often find push strategies less expensive to implement (Micu, et al., 2008).



Pull strategies. The focus of communication is on the end customer or a channel member closer to the end customer. Such strategies are aimed at pulling the supplier's offering through the distribution channel. Channel members benefit from pull strategies when customers are ‘presold’ for particular brands. Suppliers gain some control over channel firms because it is more difficult for channel firms to switch customers to competing brands. Pull strategies ‘presell’ the offering to the target customers, who then go to channel intermediaries with brand-specific demands (Micu, et al., 2008).



Under the pull strategy, consumer demand ‘pulls’ the product through the channels (Kotler and Armstrong, 2008).

The selection of the appropriate channel communication strategy (push or pull) has a strong impact on successful pricing-strategy implementation. This impact is manifested in the ability of suppliers to communicate their value delivery to target customers. Push strategies are essential when the supplier's product and its differential value are not apparent to target customers, or when its value delivery cannot be easily made salient to target customers. The main drawback to push strategies is they depend on the distribution channel to convey the value message to ultimate consumers. In some cases, push strategies may require managers to invest in developing the value-marketing skills of the entire distribution channel or risk having the channel not convey the value theme’ (Micu, et al., 2008).

2.6 Distribution Strategy Choice and Management

‘To reach a target market, the marketer uses three kinds of marketing channels: communication, distribution, and service channels. Communication channels deliver and receive messages from target buyers, and include newspapers, magazines, radio, television, etc. Beyond these, communications are conveyed by facial expressions and clothing, the look of retail stores and many other media. Marketers are increasingly adding dialogue channels (e-mail and toll-free numbers) to counterbalance the more normal monologue channels (such as ads). The marketer uses distribution channels to display, sell, or deliver the physical product or service to the buyer or user. They include distributors, wholesalers, retailers, and agents. The marketer also uses service channels to carry out transactions with potential buyers. Service channels include warehouses, transportation companies, banks, and insurance

companies that facilitate transactions. Marketers clearly face a design problem in choosing the best mix of communication, distribution, and service channels for their offerings' (Kotler and Armstrong, 2008).

'In most contemporary markets, however, mass production and consumption have lured intermediaries into the junction between buyer and seller. These intermediaries have either taken title to the goods or services during the flow from producer to customer, or in some way facilitated this by specializing in one or more of the functions that must be performed for such movement to occur. These flows of title and functions, and the intermediaries who have facilitated them, have generally come to be known as distribution channels (www.marketingmo.com, 2008).

'For most marketing decision makers, dealing with the strategy for a product or service ranks as one of the key marketing functions. In many cases, there is frequently no real decision as to who should constitute the channel. Rather, the question is how best to deal with the incumbent strategy. Marketing channel decisions are critical also because they intimately affect all other marketing and overall strategic decisions. Distribution strategies generally involve relatively long-term commitments, but if managed effectively over time, they create a key external resource. Small wonder, then, that they exhibit powerful inertial tendencies, for once they are in place and working well, managers are reluctant to fix what is not broken' (Pitt, et al., 1999).

However, Mullins et al., (2005) suggest that 'marketing executives consider these key objectives when choosing a distribution strategy:

- a) First, the channels and intermediaries that will provide the best coverage of a target market. That is, increasing the availability of the good or service to potential customers. Achieving this requires attention to the density- that is, the number of stores in a given geographical area- and the types of intermediaries to be used at the retail level of distribution. Three degrees of distribution density exist: intensive, exclusive, and selective.
- b) A second objective in strategic channel design is gaining access to channels and intermediaries that best satisfy at least some of the interests buyers must have when they purchase a firm's products or services. There are four categories:

- **Information:** This is an important requirement when buyers have limited knowledge or desire specific data about a product or service. Properly chosen intermediaries communicate with buyers through in-store displays, demonstrations, and personal selling.
- **Convenience:** This has multiple meanings for buyers, such as proximity or driving time to a retail outlet or hours of operation.
- **Variety:** This reflects buyers' interest in having numerous competing and complementary items from which to choose. Variety is seen in both the breadth and depth of products carried by intermediaries, which enhances their attractiveness to buyers.
- **Pre- or postsale service:** services provided are an important buying requirement for products such as large household appliances that require delivery, installation, and credit.

- c) Finally, the channels and intermediaries that will be the most profitable. Profitability is determined by the revenues earned minus cost for each channel

member and for the channel as a whole. Cost is the critical factor of channel profitability and these costs include distribution, advertising, and selling expenses. The extent to which channel members share their costs determines the profitability of each member and of the channel as a whole' (Mullins et al., 2005).

Also, 'intermediaries routinize transactions so that the cost of distribution can be minimized. Because of this, transactions do not need to be bargained on an individual basis, which would tend to be inefficient in most markets. Additionally, intermediaries support economies of scope by adjusting the discrepancy of assortments. Producers supply large quantities of a relatively small assortment of products or services, while customers require relatively small quantities of a large assortment of products and services. Therefore, through the process of exchange, intermediaries create possession utility, in addition to creating utility of time and place' (Pitt, et al., 1999). The distribution channel design objectives also include satisfying customer requirement by providing high levels of service, ensuring promotional effort, and maintaining flexibility (McDaniel et al., 2006).

'In addition, there is also the need to evaluate how the end-users need to buy the company's product. The chosen distribution strategy should deliver the information and service the prospective customers need. For each customer segment, consider how and where they prefer to buy; whether they need personalized education and training, additional products or services to be used alongside; and whether the offered product needs to be customized or installed or serviced (Mullins et al., 2005).

After the aforementioned have been taken into consideration, there is also the need then to match end-user needs to a distribution strategy. This can be achieved through the following:

- If the end-users need a great deal of information and service, the company can deliver it directly through a sales force. A channel of qualified resellers or consultants can also be built. The size of the market and price will probably dictate which scenario is best.
- If the buying process is fairly straightforward, the company can sell direct via a website/catalog or perhaps through a wholesale/retail structure or use an inbound telemarketing group or a field sales team.
- If the company needs complete control over the product's delivery and service, adding a channel probably may not be the right choice.

As sales networks are the main point of contact with customers, choosing the best possible distribution structure is vital. Selling channels have become a distinctive feature of insurers, together with their products and services. Financial institutions must consider consumers' preferences with regards to distribution channels in order to reach as many consumers as possible' (Mullins et al., 2005).

2.7 Distribution Strategy Development and Design

'There are a variety of environmental influences on channel-structure strategy formulation. These influences may be technological, social and ethical, governmental, geographical, or cultural' (Smith, 2007). This notwithstanding, marketing managers still have to strategize on how best they can use their distribution strategies to their advantage amidst the competition. As sales networks are the main point of contact with customers, therefore, choosing the best possible distribution structure is vital.

Distribution channels have become a distinctive feature of insurers, together with their products and services. Financial institutions must consider consumers' preferences with regard to distribution strategies in order to reach as many consumers as possible' (Perissinotto, 2003).

'In designing a distribution strategy for an organization, there are mainly three steps – identifying the functions to be performed by the distribution system, designing the channel, and putting the structure into operation. When deciding on the kind of distribution strategy to be used, there are various considerations to be kept in mind – considerations on middlemen, customers, product, price, etc. The middlemen should have the necessary financial capacity to carry out the task effectively. Customers should be able to get the products conveniently. Product features to be considered include durability, toughness etc. The price of the product also requires consideration in deciding the distribution strategies' (ICMR, 2007).

'Unfortunately, there are channel relationships- conflict and cooperation- to be considered as well in channel design. Because channels consist of independent individuals and firm, there is always potential for disagreements concerning who performs which channel functions, how profits are distributed, which products or service will be provided by whom, and who makes critical channel decisions. These channel conflicts necessitate measures for dealing with them. Channel conflicts arise when one channel member believes another channel member is engaged in behaviour that prevents it from reaching its goals. These conflicts can have destructive effects on the workings of a marketing channel, so it is necessary to secure cooperation among channel members. One means is through a channel captain- a channel member that

coordinates, directs, and supports other channel members. They can be producers, wholesalers, or retailers. They can set policies and terms that the other channel members will follow. A firm becomes the channel captain because it is the channel member with the ability to influence the behaviour of the other members' (Kerin et al., 2004).

2.8 Life Assurance Distribution Strategies

'Life assurance providers use a number of different ways to distribute their products.

There are basically five different distribution strategies available:

- **Direct sales forces**; may be an employee or a self- employed agent of the life office. Mostly, they are paid on a commission only basis. The life office has to train and manage the direct sales force. Most offices with a direct sales force have a management structure which rewards the various layers of management according to the total sales of the representatives for whom each manager is responsible. The more salespeople a manager has the more sales their team will probably make and the more they will get paid. Even if the direct salespeople are self- employed, the sales managers will almost certainly be employed although the remuneration structure may still be heavily commission oriented. Often, sales teams have a degree of loyalty to their branch manager as well as to the life office and it is frequently the case that if the branch manager moves to another life office, most of their team will follow them (Marshall, 1999).
- **Appointed representatives**; an appointed representative of a life office may be a corporate body, a partnership, or an individual who is not employed by the life office but for whose conduct the life office has accepted responsibility.

This means that appointed representatives can only sell the product of the life office to which they are tied. The life office is responsible for ensuring that its appointed representatives are fit and proper persons and are adequately trained. The appointed representative is remunerated by commission from the life office and will usually be supervised by a local employee of the life office (Marshall, 1999).

- **Independent intermediaries;** as the name suggests, an independent intermediary is independent of all life offices and does not represent them. An independent intermediary is the agent of the client and their job is to select the best product from all of the life offices on the market to meet their clients' needs.
- **Advertising;** life offices do get business from advertisements but this is less important than the previous three channels. Many advertisements issued by life offices are not aimed at selling specific products but designed to promote name awareness. Other advertisements do seek to promote specific products but are designed as sales aids for direct sales forces, appointed representatives and independent intermediaries rather than as a sales medium on their own. Examples would be the product brochures which virtually all life offices have for all their products (Marshall, 1999).
- **Telephone operations;** a number of life offices are now starting telephone operations to sell business direct to the public. The hope is to establish this method as a low cost way of selling products' (Marshall, 1999).

Any of these distribution strategies can be used or combined to achieve a sustainable competitive edge over the competition in the insurance industry.

2.9 Types of Distribution Channels

‘A channel of distribution can be either direct or indirect. In a direct channel of distribution there are no intermediaries- the product goes directly from the producer to user. An indirect channel of distribution has one or more intermediaries between producer and user. Channels with two or three stages of intermediaries are probably the ones most typically used by firms with geographically large markets. It is important to note that a firm may use more than one channel of distribution- a practice called dual distribution and firms that successfully employ a single distribution channel may switch to dual distribution if they determine that an additional channel will improve overall profitability’ (Longnecker et al., 2000). Insurers market various insurance covers either directly or through various distribution channels—individual agents, corporate agents (including Bancassurance) and Brokers. The marketer in the distribution network is in direct interface with the prospect and the customer (Perissinotto, 2003).

2.10 Evolving Trends in Channel Choice

‘The growth of the Internet has led to a great deal of speculation and discussion regarding its potential impact on traditional distribution channels. Some trade publications (for example, Eberhart, 2000; Friedman, 1998) during that time period included articles suggesting that insurance agents were faced with the strong possibility of being replaced with a more efficient and less-costly Internet-led distribution channel. Interestingly, the experience of insurance agents has been very different (Dumm et al., 2002). ‘Today, insurance carriers face a changing business landscape, stiff competition, rising consumer demands, growing mergers and acquisitions and constant regulatory changes.

Direct Channel

Indirect Channels

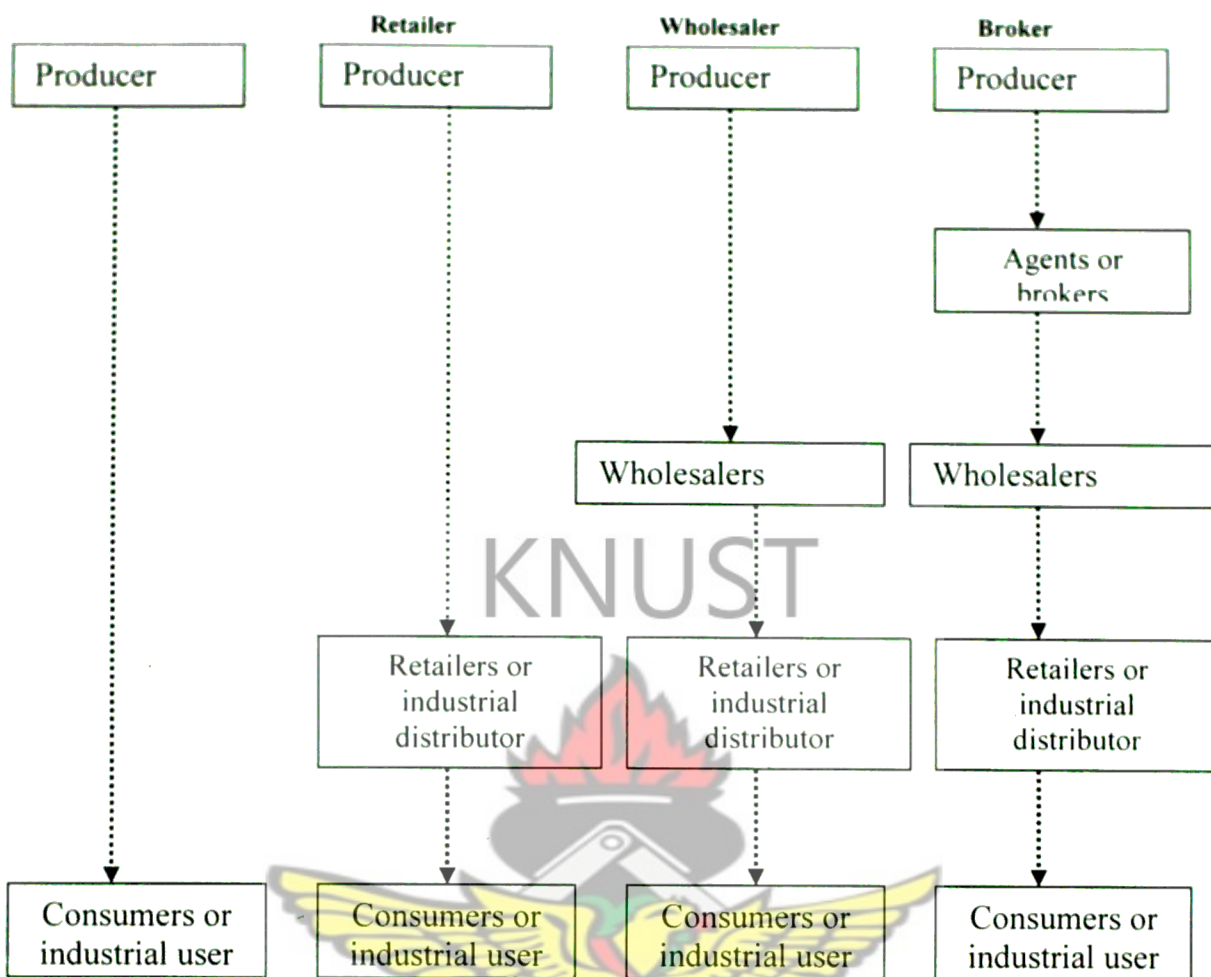


Fig. 2.2 Alternative Channels of Distribution by Longnecker et al., (2000)

In response, aggressive carriers must launch new innovative products, be faster to market than the competition, cultivate new distribution strategies, and improve customer service. Existing systems of previous insurance business models often lack the agility necessary to support the current demands of the newer business models' (Weitz et al., 1995). 'Again, the way consumers look at insurance products today is completely different from how they looked at them a few years ago. Insurance products are no longer about just covering risks and lives. Since the 1980s insurance in many markets has increasingly become a wealth-management product. Consumers are seeking variety and customizability in their investment portfolios' (Chavan, 2007).

‘The demographics are also in favor of insurance companies. The average lifespan is increasing and so are standards of living. This is creating demand for products that not only offer protection but also double up as investments. Insurance companies have an opportunity to bring innovation into their product mix. They can gain a competitive advantage by quickly launching innovative products that are aligned with evolving consumer needs.

To do this, insurance companies must be able to understand consumer needs better and have agile systems that let them launch products quickly. To capitalize on these opportunities, however, insurance companies must get closer to the customer by expanding their distribution network. They have to incorporate new and alternative channels, arm the sales forces with effective sales tools and position themselves as preferred partners with their channels. Independent producers and institutional channels are likely to bring new efficiencies into the distribution framework and corner a larger percentage of the policies written. For instance, banks and large broker-dealers already have huge networks in place, existing relationships with customers and brand equity. If insurance companies are able to position themselves as preferred partners with these channels, they could quickly increase their market share and at the same time bring down their cost per business acquisition’ (Chavan, 2007).

2.11 Competition and Competitive Advantage

Competition in the financial sector matters for a number of reasons. As in other industries, the degree of competition in the financial sector can affect the efficiency of the production of financial services, the quality of financial products and the degree of innovation in the sector, and more importantly, it has also been shown, theoretically

as well as empirically, that the degree of competition in the financial sector can affect the access of firms and households to the company's services through its distribution networks (Claessens, 2003).

2.11.1 Identifying and Analyzing Competitors

It would seem a simple task for a company to identify its competitors. However, the range of a company's actual and potential competitors can be much broader. And a company is more likely to be hurt by emerging competitors or new technologies than by current competitors: Once a company identifies its primary competitors, it must ascertain their strategies, objectives, strengths, and weaknesses. After the company has conducted customer value analysis and examined competitors carefully, it can focus its shots on one of the following classes of competitors: strong versus weak, close versus distant, and 'good' versus 'bad' (Kotler and Keller, 2006).

'It is a common practice of many companies to focus their attention on grabbing market share from their competitors. But such efforts can actually be detrimental to the company's profitability. Business has long been likened to warfare so it is hardly surprising that companies want to beat their competitors. To see how well they are doing, companies compare themselves to competitors in their industries. However, evidence shows that the more managers try to be the biggest in their market, the more they harm their own profitability. Companies offering products and services in the general insurance market are believed to trade under very competitive conditions (Murata, et al., 2007).

Merriam-Webster defines competition in business as "the effort of two or more parties acting independently to secure the business of a third party by offering the most

favorable terms"(Wikipedia, 2008). It is also a situation in which people or organizations try to be more successful than other people or organizations (Longman Dictionary, 1987). 'Seen as the pillar of capitalism, in that it may stimulate innovation, encourage efficiency or drive down prices, competition is touted as the foundation upon which capitalism is justified. According to microeconomic theory, no system of resource allocation is more efficient than pure competition. Competition, according to the theory, causes commercial firms to develop new products, services and technologies, which would give consumers greater selection and better products. The greater selection typically causes lower prices for the products, compared to what the price would be if there was no competition (monopoly) or little competition (oligopoly). However, competition may also lead to duplicated effort and to increased costs (and prices) in some circumstances (Wikipedia, 2008). Three levels of economic competition have been classified:

- The most narrow form is direct competition (also called category competition or brand competition), where products which perform the same function compete against each other. For example, one brand of a company competes with several other brands of other companies. Sometimes, two companies are rivals and one adds new products to their line, which leads to the other company distributing the same new things, and in this manner they compete.
- The next form is substitute or indirect competition, where products which are close substitutes for one another compete.
- The broadest form of competition is typically called budget competition. Included in this category is anything on which the consumer might want to spend their available money. For example, a family which has two Ghana

cedis (GH¢2) available may choose to spend it on many different items which can all be seen as competing with each other for the family's expenditure.

Competition does not necessarily have to be between companies. For example, business writers sometimes refer to internal competition. This is competition within companies. The idea was first introduced by Alfred Sloan at General Motors in the 1920s. Sloan deliberately created areas of overlap between divisions of the company so that each division would be competing with the other divisions. For example, the company was organized around different brands, with each brand allocated resources, including a dedicated group of employees willing to champion the brand. Each brand manager was given responsibility for the success or failure of the brand, and compensated accordingly. This is known as intra-brand competition. Finally, most businesses also encourage competition between individual employees. An example of this is a contest between sales representatives and the sales representative with the highest sales (or the best improvement in sales) over a period of time would gain benefits from the employer' (wikipedia, 2008).

2.11.2 Assessing Competitive Behaviour

'Over time economists have approached the measurement of competition in industries in a variety of ways. The earliest studies attempted to infer the competitive conduct and performance of firms from the market structure of the industry. This approach is mainly associated with Bain (1956). 'The number of firms and any concentration of market share are believed to determine the competitive conduct. Fewer firms with more concentrated market shares are more likely to engage in anti-competitive behaviour than when the industry is populated by numerous small firms. Alternatively,

a small number of large companies may form a cartel and dictate prices and conditions. Furthermore, one or two dominant firms may act as price setters while the many smaller peripheral firms accept the formers' price leadership. This structure-conduct-performance approach provides regulators with a convenient yardstick when they rule on the competitive impact of mergers in an industry (Murata et al., 2007).

'An alternative approach to competitive behaviour examines the revenue and cost structures of companies, using the framework of perfect competition as the reference position. Firms in an industry operating under conditions of perfect competition are unable to absorb any of the cost increase. They are forced to pass on the entire rise of input costs in output prices and revenue, leaving output unaffected. Of course, not all firms survive. By contrast, under monopolistic conditions in equilibrium, a rise in input prices, such as wages or administrative costs, results in a reduction in output and a rise in prices by a smaller amount than the increase in costs, leading to a shrinking of total revenue. Marginally profitable firms may have to leave the industry' (Murata, et al., 2007).

'A little competition can be a healthy thing. It can also be both costly and disastrous if the company is not up to par with others in that particular business or industry. Before a company can accurately identify its competition, it is crucial to first define and analyze its target market How competition is handled can be a direct link to the success or the failure of the company which can, however, significantly increase chances of coming out on top by creating a competitive edge. Having a competitive edge means possessing an advantage over your competition. This takes some solid strategic planning' (www.virtualadvisor.com, 2002).

However, sustainable competitive advantage allows the maintenance and improvement of the enterprise's competitive position in the market. It is an advantage that enables business to survive against its competition over a long period of time (www.1000ventures.com, 2008). A firm possesses a sustainable competitive advantage when its value-creating processes and position have not been able to be duplicated or imitated by other firms and results, according to the Resource-based View theory, in the creation of above-normal (or supranormal) profits in the long run. The primary factors of competitive advantage are innovation, reputation and relationships (wikipedia, 2008).

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2.12 Achieving Competitive Advantage through Sales and Distribution Strategy

Today's dynamic markets and technologies have called into question the sustainability of competitive advantage. As managers push to improve on all fronts, they move further away from viable competitive positions. Michael Porter argues that operational effectiveness, although necessary to superior performance, is not sufficient, because its techniques are easy to imitate. In contrast, the essence of strategy is choosing a unique and valuable position rooted in systems of activities that are much more difficult to match (Porter, 1980).

'There is significant over capacity in the life and pensions industry both on the retailing and the manufacturing side. There have also been new entrants, principally the bancassurers. These will soon become significant operators. The effect of this is to squeeze the existing traditional companies with comparatively high cost bases and to increase the already extensive level of competition for customers. In addition to competition at the strategic level life companies are experiencing greater competition at the product level. In order to survive this, traditional life companies will need to:

reduce costs by at least 20 percent with particular attention paid to distribution costs; develop a policy for customer relationship management to maximize market targeting and minimize cost of customer acquisition and retention; review and redesign as appropriate processes and methods of operation, with the customer at the forefront of the process and not at the back; increase the accessibility of the organization to all customers and distributors through more effective servicing – effectively raising the base level of service and delivery. The implications of this for distribution strategy are significant.’ (Shelton, 1995).

The process of establishing a competitive advantage is at the heart of competitive marketing strategy. However, a competitive advantage cannot be established without a clear idea of what constitutes the relevant competitive arena. Theoretically, there are strong arguments for seeing both these processes as market-driven, but in practice their implementation may present particular problems for financial services providers. The degree of complexity and intangibility which characterizes most financial services is generally thought to complicate the identification of a clear source of competitive advantage; it is also argued that these characteristics might affect the extent to which an organization may identify the appropriate competitive arena (Ennew, 1992).

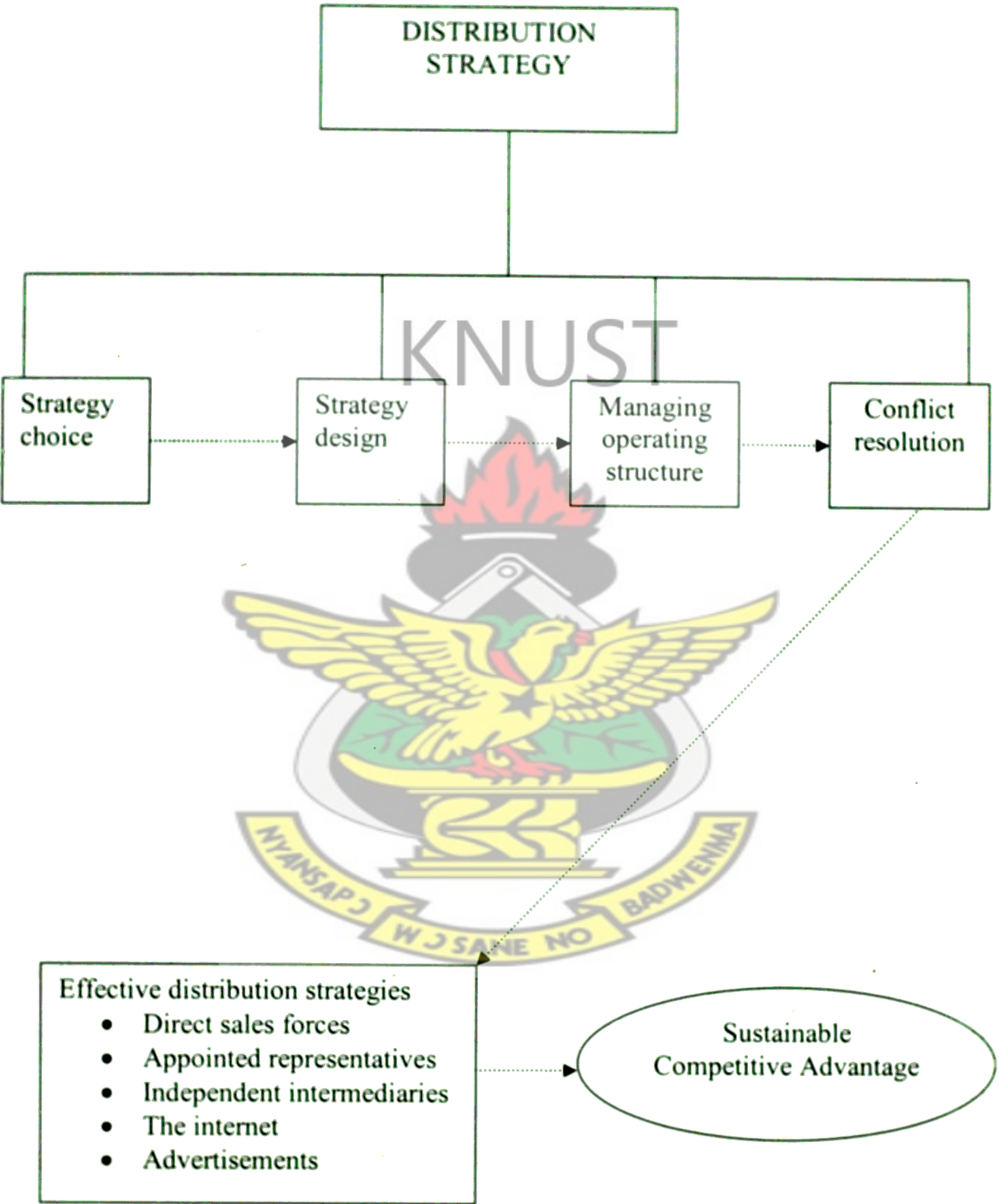
Ultimately, remaining number one in the industry calls for action on three fronts. First, the firm must find ways to expand total market demand by looking for new customers or more usage by existing customers. Second, the firm must protect its current market share through good defensive and offensive actions such as product development, customer service, effective distribution, and cost cutting. Third, the firm can try to

increase its market share, even if market size remains constant, for higher profitability (Kotler and Keller, 2006).

2.13 Conceptual Framework of the Impact of Distribution Strategies and Competitive Advantage

Distribution strategy decisions are an important part of the marketing function and therefore, managers need to pay critical attention to the strategies they adopt (Pitt, et al., 1999) by conducting customer value analysis and examining competitors carefully (Kotler and Keller, 2006). To choose a strategy, identifying the functions to be performed by the distribution system (mainly the density or area to be covered), access to good intermediaries, and the channel that is most profitable are considered. Once considered, the strategy is then designed to deliver the information and service the prospective customers need (Mullins et al., 2005). The distribution structure or strategy is then put into operation (ICMR, 2007) and 'channel relationships- conflict and cooperation- are managed. Because channels consist of independent individuals and firms, there is always potential for disagreements concerning who performs which channel functions, how profits are distributed, which products or service will be provided by whom, and who makes critical channel decisions' (Kerin et al., 2004). Once these conflicts are resolved, operating the chosen distribution strategy for efficiency and effectiveness becomes easier and this can therefore, lead to a competitive advantage (Kotler and Keller, 2006).

Fig. 2.3 Conceptual Framework of the Impact of Distribution Strategies and Competitive Advantage adopted from Kerin et al. (2004) and ICMR (2007).



CHAPTER THREE

RESEARCH METHODOLOGY

3.1 Introduction

The purpose of this chapter is to discuss the main methods adopted in conducting the study: that is the research design, process, sources and mechanism for data collection and analysis. Methodology has been defined as the process, principles and procedures by which researchers investigate and seek answers to define research problems. It is the approach adopted by the researcher to tackle problems and also seek solutions (Frempong, 2004).

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3.2 Research Design

This study seeks to explain the relationship between distribution strategies and competition in the life assurance subsector of the insurance industry of Ghana. The main sources of data for this study were the company's records on its distribution strategies used and how these strategies are maintained; and the information derived from the administration of questionnaires to the national sales manager who is responsible for designing and managing the distribution strategy in place, and the distribution channel members who carry out the strategy. The sales managers to whom the sales force report were also served questionnaires since they are the direct link between management and the sales force.

3.3 Population of Study

According to Saunders et al. (2007), the population is the full set of cases from which the sample is taken. Therefore, the population for this study is limited to the sales managers (including the national sales manager in Accra) and their sales

representatives. There are five (5) branch offices and three (3) sales offices. Each sales manager at ELAC maintains at least, fourteen (14) sales representatives (agents).

3.4 Sampling and Sampling Techniques

A sample is a subgroup or part of the population on the assumption that the sample is representative of the whole population (Saunders et al., 2007). The sampling technique adopted for this case study is purposive or judgemental sampling that enables the researcher to use her judgement to select cases in the population that will best answer the research questions and meet the objectives of this study. The national sales manager was interviewed while the channel members were selected carefully due to the fact that some of them had been working with the company for only a couple of months. The information these newcomers would provide may not help answer the research questions and meet the research objectives so they were excluded from the research process. Data was, therefore, collected from the Kumasi, Sunyani, and Koforidua offices, which were randomly chosen. There are currently four (4) sales managers in the Kumasi office, three (3) in the Sunyani office, and one (1) in the Koforidua office. Six (6) of this number were interviewed on the strategies they have in place for their agents and how they motivate them to sell more.

3.5 Research Instruments

Questionnaires and semi- structured interviews were used to obtain data relevant to establishing the impact of ELAC's distribution strategies on how competitive the company is in the life assurance sub sector.

3.6 Data Collection

The questionnaires were administered by the researcher. These data were carefully collected and every effort was made to eliminate every discrepancies resulting from forged information. Interviews were also conducted with management responsible for sales and distribution. As mentioned earlier, the other data important to this study were collected from ELAC'S database.

3.7 Data Analysis

Since the researcher was examining the impact of distribution strategies on competition, a descriptive analysis of the primary data collected through questionnaires was conducted using the Statistical Package for Social Sciences (SPSS) software. Data collected through interviews were also assessed and analyzed through editing and coding, using the SPSS software. Secondary data in numeric form was also analyzed using Microsoft Excel 2007. Quantitative data collected includes figures on the performance of the various strategic distribution options over a period of time. A trend analysis was conducted and the results are represented by tables and bar charts.

3.8 A Brief Description of the Study Area

'In the year 2000, ELAC was incorporated through a partnership between Enterprise Insurance Company (EIC) and African Life brought together with the International Finance Cooperation (IFC). In September 2001, ELAC had its Life Assurance License and started operations with nine (9) members of staff and thirty two (32) Sales Reps. Enterprise Insurance Company (EIC) is known to be the first insurance company in the Ghanaian market The company has enjoyed a first mover advantage

over the competition for some time now. The ELAC brand is based on the concept of the 'The Thoroughbred'. The Thoroughbred is a horse of outstanding pedigree with an inherent disposition to be the best. Born of outstanding parentage, excellence is the company's nature' (Enterprise Life Assurance Company Limited Profile, 2007).

3.8.1 Sales Force

Over the years ELAC has built and developed a distribution model, which is one of the most effective in the insurance industry. The Sales Force has been developed through a strict selection process, intensive training and well-structured performance management system. The agency force remains the dominant distribution channel for new individual business. 'The sales department at the head office in Accra is responsible for recruiting and managing the sales force and deciding matters such as the level of commission to be paid to appointed representatives and independent intermediaries. There are no regulatory limits on the level of commission and thus the exact rates paid are a matter of negotiation between the appointed representatives or independent intermediary and the life office' (Marshall, 1999).

3.8.2 ELAC'S Alternative Distribution Channel

ELAC has introduced the following initiatives in distributing life assurance as a form of diversification of the risks associated with running only the sales force. In 2003 they signed the first broker contract to sell individual life and have since signed on three more brokers. The church based funeral scheme to sell products to churches was also introduced in 2005 and the administration of the scheme is handled by Castellum of South Africa. Lastly, the first Bancassurance contract in the country was signed by

ELAC and Standard Chartered Bank in 2007 (Enterprise Life Assurance Company Limited Profile, 2007). Recently, another Bancassurance contract was signed with Barclays bank, Ghana in March, 2009.

Bancassurance is basically selling insurance products and services by leveraging the vast customer base of a bank and fulfilling the banking and insurance needs of the customers at the same time (Chowdhury, 2008). 'A mixture of critical factors interact to favor or hinder the level of success of Bancassurance and they are the integration of global financial markets, the regulatory framework, the structure of the particular market, and the public's preferences towards products/services. Banks and insurance companies enter into this game when they both judge it is advantageous. They both seek increased profitability, which they expect to spring from the wider range of financial products marketing, the more efficient use of their distribution networks, the strengthening of their market image, and the improved services provided to their customers' (Artikis et al., 2008).

3.8.3 The Growth Rate of ELAC

ELAC has had impressive growth since 2001 and currently is the third biggest Life Assurance Company. ELAC has five (5) branch offices in Accra, Tema, Takoradi, Kumasi and Sunyani and three (3) Sales Offices in Koforidua, Tarkwa and Tamale. ELAC has established pay point relationships through which it distributes its products with over three hundred (300) companies in Ghana including most of the top hundred (100) companies (Enterprise Life Assurance Company Limited Profile, 2007).

3.8.4 ELAC's Operations

ELAC's efficient operations have been built around high standards, robust technology and quality staffing. All branches are on the company's Wide Area network. The human resource development process over the years has resulted in capable and dynamic young people with a passion for what they do. This has been the source of improvement in operational efficiency. Members of staff have continuously been placed on management development programs both local and international. Lastly, the company's enhanced operating system- Orfeo- adds effectiveness and efficiency to its success portfolio. This has given ELAC the critical mass to offer quality management of its operations (Enterprise Life Assurance Company Limited Profile, 2007).



CHAPTER FOUR

RESEARCH FINDINGS, ANALYSIS AND DISCUSSIONS

4.1 Introduction

This chapter looks at the analysis and discussions of data collected from sales managers and their teams and from the company's database to answer the research questions asked about Enterprise Life Assurance Company's (ELAC) policy offerings, the distribution strategy in use, competitors, and the challenges that arise due to the different cost structures of the different distribution channels and different degrees of face-to-face interaction.

According to Stern and Sturdivant, (1987); Stern et al., (1996) as cited by Mols et al., (1999), life offices should identify profitable customer segments attracted to the available channels or combinations thereof. Based on this knowledge, ELAC has to decide which distribution channels they want to offer their present and future customers. Hence, they have to predict both the consumer acceptance of these distribution channels and the dominating distribution channel strategies of their competitors and how these impact on competition. This creates an interrelationship of distribution channel strategy and the other elements of ELAC's marketing mix, such as pricing, level of personal service, and the array of services offered' (Mols et al., 1999).

4.2 Response Rate

Analyzing the impact of distribution strategies on competition in the life assurance subsector requires the views of those who design and carry out ELAC's distribution strategies. These include the national sales manager answering technical questions on

the development and maintenance of distribution strategies, the sales managers who directly manage the sales force, and the sales force that actually carries out the strategic policies.

All of the 44 responses were valid and none rejected. Therefore, there was a 100% response rate. However, a few of the questions asked were not responded to by a negligible percentage of the respondents and these are indicated by NR (no response).

4.3 Demographic Characteristics of Respondents

ELAC's sales force seems to be in favour of males. 40 out of the 44 who answered the questionnaire are males with only 4 being females. The gender ratio here is 11: 1 and this bias towards males could either be as a result of their general willingness to be sales representatives or that the company prefers males to females for sales and distribution. Calculated attempts have to be made to tilt this ratio towards a balance if it is deemed important to the distribution strategy by management.

With the exception of one respondent who was over 40 years of age, the rest were youthful and exuberant. Besides, the youth are more flexible and resilient and can quickly adapt to the changing business environment. Grooming, developing and inspiring younger people (according to the learning theory) with corporate values is much easier. All of the respondents speak more than two Ghanaian languages (see appendix 4) with the least being English and Twi and the respondents rarely or do not encounter clients who do not understand any of the languages they speak. This implies that almost every Ghanaian has a chance of understanding the policy offerings of the company. This could be an opportunity that management should take advantage of to promote the company's products.

On the part of the 6 sales managers who answered the questionnaire, 5 of them were males with only one being a female. This again, reflects a bias towards males. The minimum education level for all managers is the university. Only one manager had been with the company for less than 2 years. All the others had served the company for between 2- 10 years. 3 of them started their teams and have continued with them to date while the others took over teams from the previous managers. The bearing this has on the distribution strategies can be positive when there is a long standing relationship of trust between the managers and their sales teams.

4.3.1 Educational Background of Respondents

Here, an item was to find out the level of education of the direct sales force to determine if it had anything to do with the amount of policies distributed. From Table 4.1, eleven university level agents, thirteen Poly graduates, fourteen of those who have done other courses responded to the questionnaire, followed by SSS and JSS leavers being five and one respectively.

Also, Table 4.1 shows how an agent's level of education impacts on the distribution s/he makes averagely on a weekly basis. The cross tabulation suggests that the highest weekly distribution made (10- 12) were made by three university level agents, one Poly agent and one JSS agent. The next highest (7- 9) sales a week seems to be distributed among the groups with SSS topping the number. Next highest is (4- 6) distribution per week averagely made by tertiary level agents. No responses were provided by six tertiary level agents about the number of distributions made a week on the average. Twelve out of the seventeen who made the highest distribution of policies have tertiary education while the remaining five have secondary education. It

can be drawn from this that one's level of education does not necessarily have any strong impact on performance when s/he is given the right training and motivation.

Table 4.1 Educational background and Average Weekly Distribution Cross Tabulation

	Educational background	Average Weekly Distribution					Total
			1-3	4-6	7-9	10-12	
	JSS	0	0	0	0	1	1
	SSS	0	1	0	4	0	5
	Poly	3	2	5	2	1	13
	University	2	1	2	3	3	11
	Other	1	1	9	3	0	14
Total		6	5	16	12	5	44

Source: Researcher’s Fieldwork

4.4 Types of Products Offered by ELAC

The products sold by ELAC as gathered from the field work of the researcher include:

- i. Funeral Finance Plan (FFP)
- ii. Life Time Needs Plan (LTN)
- iii. Family Income Protection Plan (FIPP)
- iv. Educare Plan (EP)
- v. Church Funeral Scheme (CFS)
- vi. Group Funeral Plan (GFP)
- vii. Group Life Time Needs Plan
- viii. Credit Life (CL)
- ix. Various Products Under Bancassurance Bouquet

These products are grouped into two: Group and Individual life policies. The Group life includes the CSF, GLTNP, and GFP while the Individual life includes the FFP, LTNP, FIPP, and EC. All of these products provide the same service: financial security to the assured. Other important roles of life assurance products are savings, financial intermediation and provision of social security.

These products are differentiated, in that they are sold at about the same prices as the competition but offer more services than competitors' offerings. The price of products is partly determined by the commissions paid to intermediaries because the commission build-up in the product must be adequate to compensate the intermediaries.

4.5 ELAC's Distribution Strategies

Gathering from the data collected in the study, ELAC currently has four main strategic distribution outlets namely,

- i. ***Captive agency force (direct sales):*** This comprises the direct sales agents recruited, trained, and managed by ELAC staff to distribute only ELAC's individual life policies to salary earners. These are the FFP, LTN, FIP and EC. Their cost of operation is borne by the company. Their remuneration is commission based.
- ii. ***Group marketing team.*** This team deals with managers in institutions and identified groups or associations. They are managed solely by ELAC to distribute the CFS, GFP, and the GLTN Plan. The minimum level of education required here is a first degree because of the complex process of distributing. They are currently located only at the head office in Accra.
- iii. ***Broker agents.*** These agents are managed by the brokerage firm and they distribute the policies of all the companies registered with the brokerage firm.
- iv. ***Bancassurance-*** delivery through the banks. The products distributed here are differentiated and specific to the bank's mission. The policies are distributed only to customers of the bank.

Prior to these, just the captive agency force was in use. The other three channels were added to reduce the risk the failure of a channel brings to their entire productivity. The structure of ELAC's distribution strategy is such that the individual life policies are distributed by the sales force, the brokerage firms and the banks, while the group life policies are carried by the group marketing team. The risk associated with the management of the direct sales force- which is the strongest strategic distribution group- is spread over the other three channels and it gives ELAC more opportunity to exploit the market fully.

KNUST

4.5.1 Average Individual Weekly Distribution of Sales Force

Of the number of agents asked about the number of policies they distribute in a week on the average, 36.4% of them distribute 4-6 policies a week while 27.3% sell 7-9 policies, 11.4% distribute 10-12 and 1-3 policies weekly. 13.6% did not respond to that question. This is shown in Table 4.2. Of the total number of respondents, only seventeen of them make sales on the average of between 7- 12 policies a week. Twenty one of them make sales ranging from 1- 6.

Table 4.2 Average Individual Weekly Distribution of Respondents

Distribution	Frequency	Valid Percent	Cumulative Percent
NR	6	13.6	13.6
1-3	5	11.4	25.0
4-6	16	36.4	61.4
7-9	12	27.3	88.6
10-12	5	11.4	100.0
Total	44	100.0	

Source: Researcher's Fieldwork

This implies that averagely a greater number of the agency force make lower distributions. Only a small number of agents actually distribute efficiently. This could



be due to a number of factors: over generalization of training, low quality manpower, low motivation, etc. Management should be a lot more critical when recruiting and training sales force.

4.5.2 Assessing the Effect of Training on Distribution

The cross tabulation of training and weekly distribution (see appendix 5) suggests that though all the agents are trained, only a few distribute extremely efficiently. A greater number are average distributors. This is encouraging given the cost of training each agent.

However, with reference to table 4.3 below, the number of potential customers approached daily far exceeds the distributions made. The majority of policies distributed ranges from 4- 6 followed by 7- 9. Fifteen sales agents representing 34.1%, manage to reach 10- 12 people daily but the sales recorded is slightly poor because the highest distribution by this group is between 4- 6 weekly. Thirteen also reach 4- 6 people daily with the highest number selling between 4- 6 and 4 making between 7- 9 distributions weekly. Eight respondents also reach 1- 3 clients daily but record weekly policy distribution of 7- 12.

Table 4.3 People reached daily and Average Weekly Distribution Cross tabulation

	People reached daily	Average Weekly Distribution					Total
			1-3	4-6	7-9	10-12	
	1-3	2	0	0	0	0	2
	4-6	0	0	0	4	4	8
	7-9	2	0	6	4	1	13
	10-12	0	1	4	1	0	6
	Total	2	4	6	3	0	15
		6	5	16	12	5	44

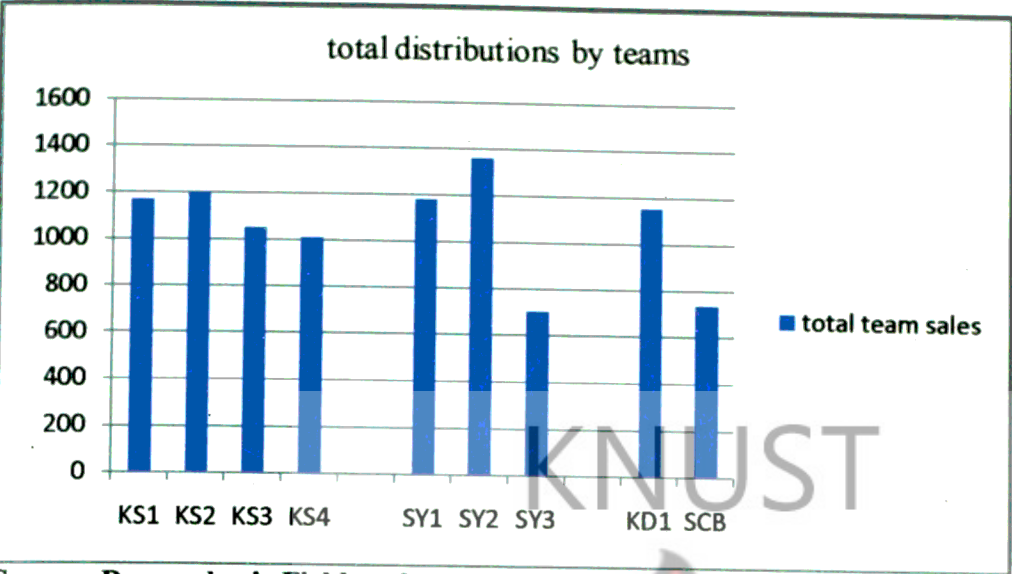
Source: Researcher's Fieldwork

This implies that the negotiation skill of some of the agents is poor and has to be strengthened. Therefore, the training and daily one- on- one sessions between sales managers and agents should be tailor made to suit the strengths and weaknesses of the agents so that distribution can be done efficiently. The more the agents approach people to share knowledge of the company's range of products, the more the people of Ghana get to know about the company. The effect of this is positive because coverage is expanded. Gradually, through the right processes, the company may become the preferred assurance company in the industry due to the efficiency of their distribution strategies.

4.5.3 *Assessment of the Performance of ELAC's Distribution Channels*

It is worth mentioning that the teams shown in each column work independent of each other and that the diagram shows figures of the Bancassurance and the direct sales force distribution channels from January to June, 2009. In comparing the efforts of these channels, it is noticed that SCB did better than only SY3 over the six months period and that is comparatively low. This indicates that the Bancassurance is not reaching as many clients as the sales force is. This can be explained by that fact that the banks are dedicated first to pushing their own products before that of indirect competitors' like ELAC. The highest performing team is SY2, followed by KS2, SY1, KS1 and KD1. The lowest performing team is also from the Sunyani office with 702 distributions whereas the highest- from the same office- made 1359 distributions (see appendix 6).

Fig. 4.1 Individual Team Distribution Efforts



Source: Researcher’s Fieldwork

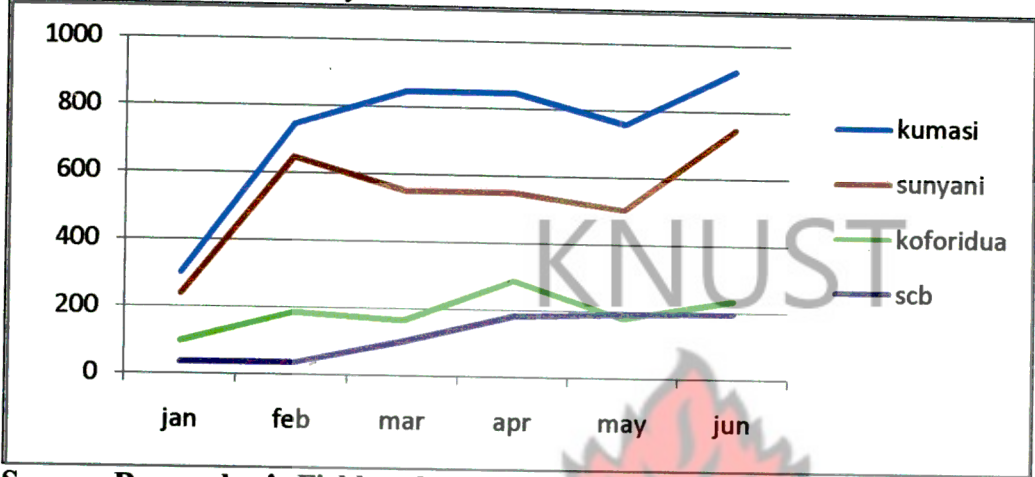
These team based efforts can be attributed to three factors: the number of members in the team, the length of time the team has been in existence, and the length of time the sales manager has handled the team. Young teams have comparatively smaller targets to meet on a monthly basis. Managers of teams KS3, SY3 and SCB have been with the teams for below 2 years. SY3 is also relatively new and has a manpower fewer than 15 which is below the required number. This explains why these distribution teams are currently performing lower than the others. Unlike the above teams, the managers of KS2 and SY2 started the teams and they are still managing the teams. This breeds loyalty and trust between manager and team and they grow more efficient as they work together. This could account for the high distribution performance of these teams.

4.5.4 Trend of Monthly Policy Distribution for the Various Strategic Channels.

The sales for Kumasi and Sunyani increased sharply from January to February and also from May to June. Between February and May, there was a steady rise and decline of sales in Kumasi

and a gradual decline in Sunyani. The pattern for Koforidua shows instability where the figure rises in one month and falls in the next month. There was a steady rise in sales at SCB from Jan to June. It is the only channel that showed no decline in sales over the period.

Fig 4.2 Trend of Monthly Sales



Source: Researcher’s Fieldwork

The data collected shows in Table 4.6 (see appendix 7) that each team has monthly targets to meet Factors such as the number of weeks in a production month and climatic conditions are considered when setting the monthly targets. If it is a 5 week production month, for instance, the target is higher than if is a 4 week month as was seen in the case of the March targets. Also, young teams are given smaller targets than older teams. This explains why Koforidua and SCB lie at the bottom of Fig. 4.2. Both teams have been in existence for less than 2 years and have lower targets to meet This implies that given the targets each office has to meet, the distribution performance is high and must be maintained. Teams must be encouraged to exceed targets with rewards.

4.5.5 Assessment of Branch Office Distribution Impact

Fig. 4.5 (see appendix 5) shows the total distribution of the various offices of the first half of the year. It indicates that the Kumasi office sold the highest number of policies and SCB sold the lowest. It is worth mentioning that the Kumasi office has four teams whereas the Sunyani, Koforidua, and SCB offices have three, one, and one respectively. However, comparing the sales of the Koforidua force and the Bancassurance, the sales force managed by ELAC did almost twice as much as SCB over the same length of time.

The impact of these teams over their target market has a direct link to the number of teams maintained in these offices. The higher the number of distribution teams the greater the impact. The implication is that more teams and offices should be incorporated into the distribution strategies adopted currently. Again, although SCB manages its own sales and distribution, ELAC still has to motivate them to sell more because the more the channel sells, the more it contributes to ELAC's profitability and competitive advantage.

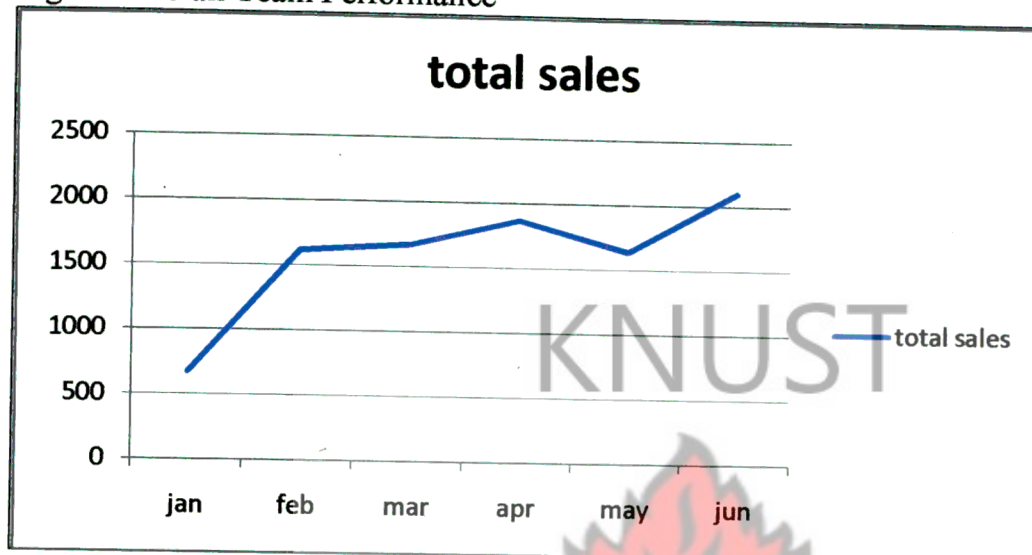
4.5.6 Overall Performance of Distribution Teams

The sum of sales of all the teams per month is shown in the figure below. With the exception of the May sales that fell by 234 from the April sales, there was a sharp increase in monthly sales with the sales in February doubling over that of January.

The chart below shows an incremental growth in the distribution of ELAC's policies. If this performance is maintained and improved upon, it can widen the gap between ELAC and its closest competitors and push the company to the top of the list of high

performing companies. This is to say that there is a relationship between ELAC's distribution strategy, its growth rate and competitive advantage.

Fig 4.3 Overall Team Performance



Source: Researcher's Fieldwork

4.5.7 Challenges Channel Members Encounter

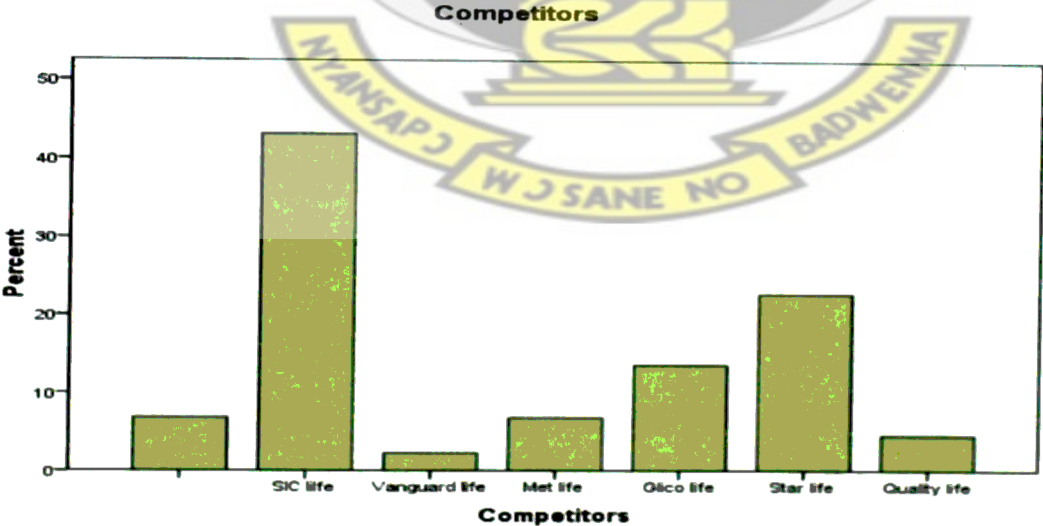
From the data collected, the challenges channel members face when carrying out their duties are a lack logistics such as projectors, computers, mobile internet facilities, transportation to remote areas, lack of finance, limited sales offices, non banking population, misinformed public, literacy level of Ghanaians, and lack of trust for insurance companies as a whole. As compared to competitors who advertise their products, ELAC is unpopular and this makes the distributors' work more difficult when closing sales. Also, the limited sales offices can discourage a client from making a buying decision although they may be willing since clients consider proximity and convenience when buying, and this affects the distribution strategies negatively. This implies that more manual work will have to be done to achieve a little. This slows down the process of distribution and gradually erodes the company's competitive advantage.

4.6 The Nature of Competition in the Operations of ELAC

In identifying ELAC’s strongest competitors on a general scale, respondents ranked competitors as follows: SIC life (43.2%), Star life (22.7%), Glico life (13.6%), Metropolitan life (6.8%), Quality life (4.5%) and Vanguard life (2.3%). Nineteen out of the forty four agents chose SIC as their strongest competitor and this figure represents 43.2% of the respondents. Ten and six respondents chose Glico and Met respectively.

However, the answered questionnaire indicates that at the regional level, there are other competitors that have a strong presence in addition to the top five and they should be considered. Quality life seems to be competing strongly in the Brong Ahafo and Eastern Regions whereas Glico life and Donewell life are also strong in the Ashanti region. Once a company identifies its primary competitors, it must ascertain their strategies, objectives, strengths, and weaknesses.

Fig 4.4 ELAC’s Competitors



Source: Researcher’s Fieldwork

The managerial implication here is that no competitor should be underestimated especially in regions where they have a strong presence. Attention should, therefore, be paid to the strategies these competitors have in place to avoid ELAC losing its market share to them. Though attention has to be paid to them, it has to be modest so that ELAC does not lose focus of its own strategies and concentrate so much on competitors’.

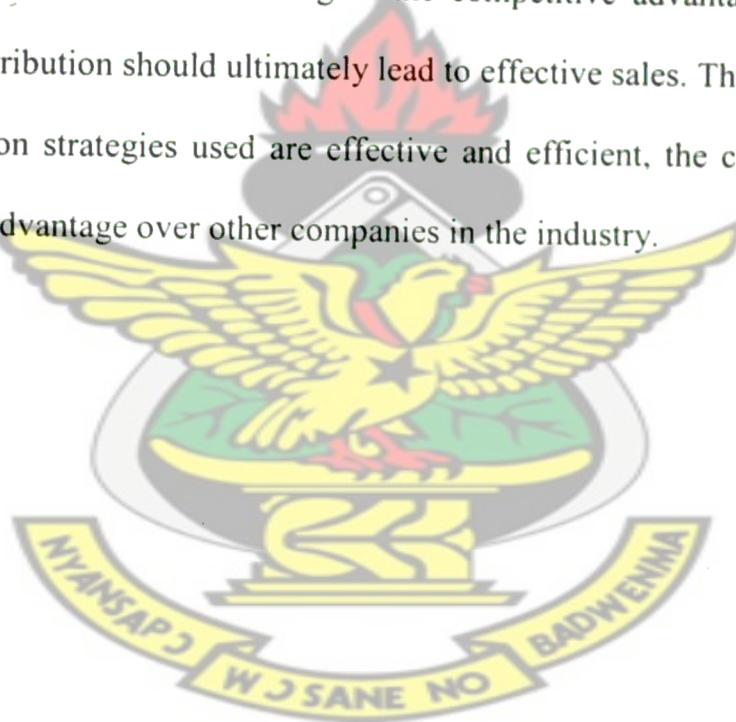
Of great importance to this discussion are emerging competitors. Emerging competitors in the industry are more dangerous to ELAC’s operations than the known ones. There is currently an emerging potential threat to ELAC by the name Express Life Insurance Company (ELIC). These two companies have similar names which can easily confuse clients. If ELIC decides to copy ELAC’s strategies, the already disoriented public would be more confused as to which of the two is preferred. This can drastically reduce the market share of ELAC whether clients decide to shift to ELIC or just to stay clear of the two to avoid confusion. ELAC should, therefore, be very mindful of the competitive strategies of ELIC if it wants to maintain its place in the market

4.7 The Impact of ELAC’s Distribution Strategies on Competition

The strength of ELAC’s distribution strategy lies within its sales force because it is the largest managed distribution team and therefore, covers a wider area of the Ghanaian population. The other three groups have different target markets and management systems which lead to effective distribution of ELAC’s policies. The role ELAC’s distribution strategy plays in giving ELAC its competitive edge can be seen in the significant contribution it makes to the growth of the company by making more products available to a lot more people at any given time. The more the

company sells, the more the premiums they receive and this leads to profitability which in turn leads to growth and market leadership. Again, ELAC is currently the only life assurance company that has signed Bancassurance with two banks in the country. This gives them a first- mover advantage over other competitors in the insurance industry in Ghana.

To conclude, the analysis indicates a link between distribution strategies and competition in the insurance industry. The tables and diagrams point to the efficiency with which two channels- the agency force, managed by ELAC and Bancassurance, managed by SCB- are contributing to the competitive advantage of the company. Effective distribution should ultimately lead to effective sales. This is to say that when the distribution strategies used are effective and efficient, the company maintains a competitive advantage over other companies in the industry.



CHAPTER FIVE

SUMMARY OF FINDINGS, CONCLUSION AND RECOMMENDATIONS

5.1 Introduction

This chapter summarizes all the findings of the study, draws conclusions, and recommends critical success factors for consideration and integration into Enterprise Life Assurance Company's (ELAC) current distribution strategies to enhance its operations and achieve an advantage over the competition in the insurance industry.

5.2 Summary of Findings

In general terms, the researcher found that there is a link between distribution strategies and competition in the insurance industry 'as has been shown theoretically as well as empirically, that the degree of competition in the financial sector can affect the access of firms and households to the company's services through its distribution networks' (Claessens, 2003). Specific findings are briefly as follows.

5.2.1 *Types of Products Offered by ELAC*

- The field work of the researcher revealed that products sold by ELAC are differentiated and include the Funeral Finance Plan (FFP), Life Time Needs Plan (LTN), Family Income Protection Plan (FIP), Educare Plan (EP), Church Funeral Scheme (CFS), Group Funeral Plan (GFP), Group Life Time Needs Plan (GLTNP), Credit Life (CL), and various products under the Bancassurance bouquet

5.2.2 ELAC's Distribution Strategies

It was found that:

- The distribution strategies adopted by ELAC are the captive agency force, the group marketing team, the use of brokers, and Bancassurance.
- ELAC has adopted the push strategy where the company depends heavily on intermediaries to take its products to consumers.
- The strength of ELAC's distribution strategy lies within its sales force because it is the largest managed distribution team and therefore, covers a wider area of the Ghanaian population.
- On the average a greater number of the agency force made lower distributions and only a small number of agents actually distribute efficiently due to over generalized training, low quality manpower, low motivation, etc.
- An agent's level of education does not necessarily have any strong impact on performance as much as training, motivation, and the general efficiency of the sales force have a positive effect on the distribution strategies and thus, the competition.
- Factors such as the number of team members, the length of time the team has been in existence, and the length of time the sales manager has handled the team affect team performance. Young teams have comparatively smaller monthly targets.
- The unprofessional behaviour of administrative staff, climatic conditions, and other challenges affect the performance of these teams negatively in the distribution of the company's products.

5.2.3 *The Nature of Competition in the Operations of ELAC*

- Again, SIC and ELIC among others pose the most serious threat to ELAC's operations in the insurance industry and that if critical attention is not paid to these competitors, a big portion of ELAC's market share can be taken by them.

5.2.4 *The Effect of Distribution Strategies on the Competition of ELAC*

- ELAC is currently the only life assurance company that has signed Bancassurance with two banks in the country. This gives them a first- mover advantage over other competitors in the insurance industry in Ghana.
- The researcher also discovered that the company does not engage in traditional advertisements of its products which can impact negatively on the distribution efforts of the distribution teams and therefore, hamper the effectiveness of the strategies adopted.

5.3 Conclusion

'Insurance products are no longer about just covering risks and lives. Consumers are seeking variety and customizability in their investment portfolios. This is creating demand for products that offer protection and double up as investments. Insurance companies have an opportunity to bring innovation into their product mix. To capitalize on these opportunities, however, insurance companies must get closer to the customer by expanding their distribution network. They have to incorporate new and alternative channels, arm the sales forces with effective sales tools and position themselves as preferred partners with their channels' (Chavan, 2007) and this must complement the established competitive approaches and create systemic advantages that competitors cannot copy (Porter, 2008).

Ultimately, competitive advantage will be enjoyed by those insurers who know how to focus on long-term revenue growth; are cost-effective; organize around the needs of the customer; attract and retain the right manpower; develop alternative distribution channels for their products; and invest appropriately in technology (Rice, 2001).

5.4 Recommendations

One of the objectives of this study is to recommend critical success factors for achieving competitive advantage in the insurance industry based on the findings and they include:

- i. **Control.** Control over the sales and distribution teams in terms of time management and customer targeting, turnover, recruitment and retention. The strength of the other channels lies in the ability to control the sales force in terms of sales management and compliance. Low turnover clearly reduces costs of training and recruitment which should lead to both improved customer relations and business persistence.
- ii. **Customer relations.** The development of long term customer relationships based on trust as opposed to short-term relationships based on single product sale.
- iii. **Improved productivity.** Players in the market will need to maximize productivity from existing customers, particularly given the fact that the cost of acquiring new customers will be increasing. It is no longer appropriate for distribution to be treated as a short-term and tactical issue because it is inextricably linked with the longer-term customer retention policies' (Shelton, 1995).

Quite apart from the critical factors listed above, there are other recommendations based on the researcher's field work. These are other media through which the distribution of ELAC's products can be enhanced to improve sales, profitability, and the company's public image and they are discussed below.

- ***Combining the push versus pull strategies***

ELAC can use some combination of both strategies: the use of mass media advertising to pull its products and a large sales force to push its products through the channels. This way, the benefits are derived from both strategies. Advertisements most especially promote the company's product and enhance its image (positioning) in the insurance market 'For sustainable competitive advantage there is a need to integrate all marketing communications especially, advertising which offers greater benefits. The company's executives should realize that their activities do not end with producing good services. A careful blend of print and electronic media is very essential in order to properly serve each market segment. The image problem and the poor sales of insurance products are not necessarily the result of the bad economy but the failure to engage in marketing communications. Emphasizing other roles of insurance as financial intermediation and supplement to government's efforts in providing social security will make it more attractive' (Aduloju et al., 2009).

- ***Attachment of importance to excellent customer service***

Allen and Meyer, 1990; Jones, 1986 as cited by Joseph et al. (2003) suggest that when developing strategy, the needs of the customer should be taken into consideration. Customer perceptions of service quality in most service

organizations generally begin with company employees at the lowest levels of the service train, whether the employees have been inculcated into the organizational philosophy or not.

Furthermore, the merging of the insurance, banking, and brokerage industries into one composite financial service industry has created confusion in the minds of many customers who were once able to delineate neatly company product lines. In order to remain competitive this industry, management has to reevaluate their traditional methods of attracting and keeping customers by taking a closer look at just how they treat their customers. Most clients believe that their individual agent is performing at an above average level (Joseph et al., 2003). However, the administrative staff in charge of customer service at the branch offices may not instill such confidence in clients who visit the office. Therefore, they need to have periodic training to emphasize the importance of maintaining quality standards to the growth of the company. 'Agents and employees must aim for 100 percent customer satisfaction in critical areas such as responsive replies to questions of cost, benefits, and adequacy of coverage; availability of agents locally to address claims issues; and quick return of phone calls and fast turn-around times on requests for information' (Joseph et al., 2003).

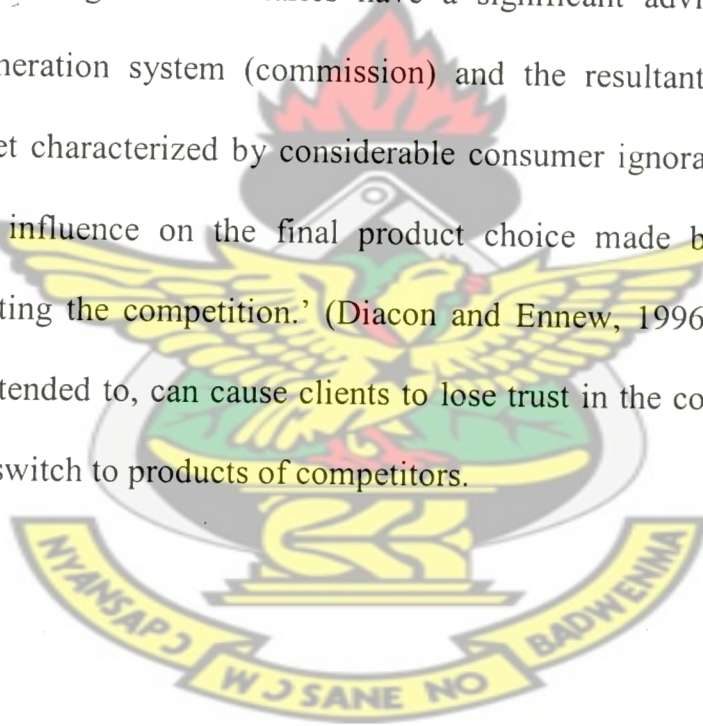
- ***Provision of logistics***

The organization of services and supplies that will enhance the work of the sales managers and their teams is also of grave importance. The supplies include vehicles to take sales reps to remote areas where the company has no

presence; projectors, computers, and mobile internet facilities to facilitate training by sales managers; and more sales offices to expand ELAC's reach. Again, provision should be made for the non-banking population of Ghana so that they are not excluded from life assurance.

- ***Considerations of ethics***

'It is in relation to distribution that some of the most serious issues of marketing ethics arise. Ethical problems in relation to distribution are concerned primarily with problems relating to the ways in which products are sold. Though intermediaries have a significant advisory role to play, the remuneration system (commission) and the resultant pressure to sell in a market characterized by considerable consumer ignorance can cause them to exert influence on the final product choice made by the consumer thus, distorting the competition.' (Diacon and Ennew, 1996). This ethical issue if not attended to, can cause clients to lose trust in the company's offerings and thus, switch to products of competitors.



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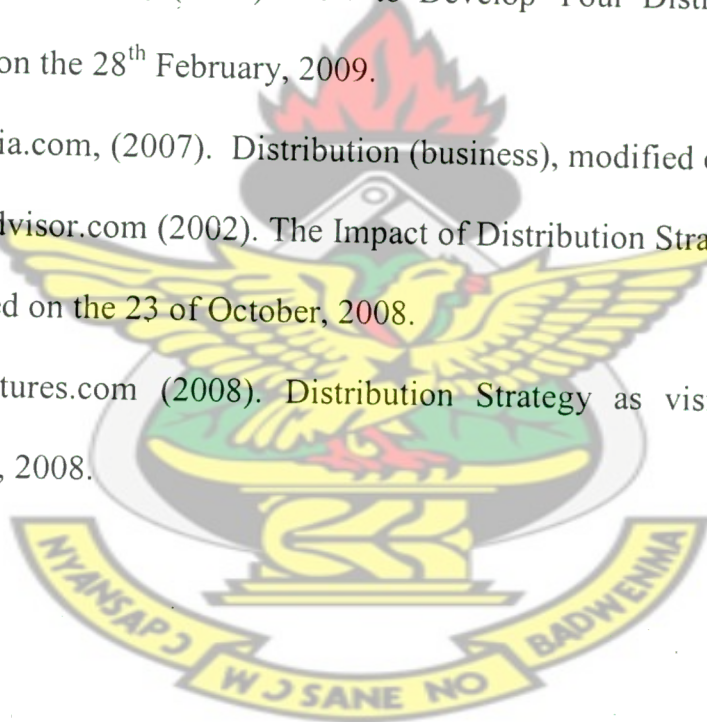
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Appendix 1
Questionnaire for National Sales Manager

The primary purpose of this study is to determine the impact of distribution strategies on Enterprise Life Assurance Company's (ELAC) competitive advantage in the assurance industry and how the company's strategies contribute to this advantage.

Please answer the question as objectively as possible. It is the university's policy that all information given in connection with this study be treated as confidential. You will be required to simply write or tick the correct answer.

Data on ELAC's Competitive Position.

1. How many product or services does ELAC provide its customers?
.....
2. Kindly list the services.
a.
b.
c.
d.
e.
f.
g.
h.
3. Are your products differentiated or standardised?
4. How many distribution outlets are being used to provide these services?
5. Kindly list the outlets being used?
a.
b.
c.
d.
e.
6. What informed the choice of distribution strategy?
a. Cost ☐ b. Coverage ☐
c. Other.....
7. What distribution strategies have been used before the current one?
.....
8. What advantages does the current distribution strategy provide over the former?
.....
9. Which distribution channel has proven to be more successful and why?
.....
10. Do you consider the price of the product when deciding the distribution strategy to use?
a. YES ☐ b. NO ☐
11. If yes, how does the product price affect the distribution channel chosen?
.....
...
12. How does your company's distribution strategy help maximize profit?
.....
13. Are there any systems in place to help examine the current distribution strategy?

a. YES ☐

b. NO ☐

14. If yes, what systems are in place?

.....
15. Do you encounter any problems when managing the system?

a. YES ☐

b. NO ☐

16. If yes, what problems do you encounter?

.....
...

17. What are ELAC's core competences regarding its distribution channel?

.....
19. In what terms would you define competition in the Life Assurance sub sector?

a. Growth ☐

c. Both ☐

b. Market share ☐

d. Other ☐

19. What role has ELAC's distribution strategy played in its competitiveness in the Life Insurance Market?

.....
...

20. What is the size of ELAC's target market?

21. What is the composition of this market?

.....

22. Is there any relationship between ELAC's position in the life insurance industry and its distribution strategy?

a. YES ☐

b. NO ☐

23. If yes, what is the relationship?

.....

24. Does ELAC have any distribution partners?

a. Yes ☐

b. No ☐

25. If yes please list.

- a.
b.
c.

26. In your opinion which other life assurance companies are ELAC'S direct top five competitors? Please state.

- a.
b.
c.
d.
e.

27. Please comment on the competition in the Life Assurance sector.

.....
.....

28. What advantage does ELAC have over the competition?

.....
.....

29. How has the internet affected ELAC's distribution strategy?

a. Positively ☐

b. Negatively ☐

30. Does ELAC view the internet as a threat or an opportunity?

.....

31. How is ELAC using the internet to its advantage?

.....

Thank you.

Appendix 2

Guide for Conducting Interviews with Sales Managers

What is your Position in ELAC?

Kindly describe your job duties?

Are you required to make personal sales in addition to what your sales does?

What work relationship do you have with the National sales manager?

What relationship do you have with your team?

How do you manage the relationship with your team effectively?

Do you have targets to meet?

In what time frames are you expected to meet targets?

How do you motivate your sales force?

Do you personally train your task force?

How often?

Kindly list some of the courses/ topics involved in the training.

How do you manage the performance of your sales force?

In your opinion, who are ELAC's top five competitors?

- a)
- b)
- c)
- d)
- e)

Do you think your products are cheaper than those offered by competitors?

In your opinion, what do competitors do that ELAC is not doing?

What challenges do you face in the line of duty?

Appendix 3 **Questionnaire for Sales Force** Section A General Information

- a. Gender
Male ☐ Female ☐
- b. Educational background
JSS ☐ Polytechnic ☐
SSS ☐ University ☐
Other
- c. What is your Position in ELAC?

Section B

Data on ELAC's Competitive Position.

- How many languages do you speak?
- Which language do you frequently speak with clients?
- How often do you encounter clients who do not understand any of the languages you speak? a. Always ☐ b. Sometimes ☐ c. Rarely ☐ d. Never ☐
- Briefly describe how you handle this.
- Do you undergo training? a. YES ☐ b. NO ☐
- How often?
a. Annually ☐ b. Quarterly ☐ c. Monthly ☐ d. Weekly ☐ e. Daily ☐
- How does the training help u do your work?
- Do you work in teams ☐ or as individuals ☐ in the field? Please state number.
- How many people are you able to reach in a day?
- How many policies do you sell weekly on the average?
- In your opinion, what accounts for that?
- Do you always make sales when you approach people? a. YES ☐ b. NO ☐
- If not, what do you do?
- Do you follow up on people who do not buy the policy? a. YES ☐ b. NO ☐
- Do you take different policies to people who already hold other policies?
a. YES ☐ b. NO ☐
- Do you set personal targets? a. YES ☐ b. NO ☐
- What happens when you do not meet your target?
- What is your job description?
- Which geographical areas are you limited to in your sales?
- In your opinion which other life assurance companies are ELAC'S direct top five competitors? Please state.
a.
b.
c.
d.
e.
- In your opinion, what do competitors do that ELAC is not doing?
- Do you think your products are cheaper than those offered by competitors?

What are some of the challenges you face when selling ELAC's policies?
 In your opinion what are the possible solutions to these challenges?

THANK YOU.

Appendix 4

Table 4.4 An Indication of the Languages Spoken by Respondents

Languages Spoken		Frequency	Valid Percent	Cumulative Percent
Valid	five	2	4.5	4.5
	four	10	22.7	27.3
	three	26	59.1	86.4
	two	6	13.6	100.0
	Total	44	100.0	

Source: Researcher's Field work

Appendix 5

Table 4.5 Training and Average Weekly Distribution Cross tabulation

Training	Average Weekly Distribution					Total
	NR	1-3	4-6	7-9	10-12	
yes	6	5	16	12	5	44
Total	6	5	16	12	5	44

Source: Researcher's Field work

Appendix 6

Table 4.5 Assessments of the Trend of sales of Channels

TEAM	Jan	Feb	Mar	Apr	May	Jun	total team sales
KS1	86	223	209	210	189	252	1169
KS2	78	207	249	233	173	255	1195
KS3	49	154	212	228	192	216	1051
KS4	88	162	177	177	206	198	1008
SY1	101	250	189	187	211	243	1181
SY2	100	285	246	246	179	303	1359
SY3	38	113	118	118	113	202	702
KD1	98	186	166	287	180	234	1151
SCB	34	34	102	181	190	195	736
Total	672	1614	1668	1867	1633	2098	9552

Source: Researcher's Field work

KS: Kumasi

KD: Koforidua

SY: Sunyani

SCB: Standard Chartered Bank

Appendix 7

Table 4.6 Monthly Targets for Distribution Teams

Teams	Jan	Feb	Mar	Apr	May	Jun
Old	118	191	221	206	221	250
New	88	118	176	147	147	176