INTERNATIONAL JOURNAL OF RESEARCH AND INNOVATION IN SOCIAL SCIENCE (IJRISS)
ISSN No. 2454-6186 | DOI: 10.47772/IJRISS |Volume VIII Issue VIII August 2024

Effect of Social Media Marketing on the Sales Performance of Insurance Firms in Kenya

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DOI: https://dx.doi.org/10.47772/IJRISS.2024.8080288

Received: 31 August 2024; Accepted: 06 September 2024; Published: 20 September 2024

ABSTRACT

The Insurance sector in Kenya has a huge potential but remains untapped as indicated by insurance penetration, which is less than 3 percent lower than the global average penetration of 7.3 percent as per the 2021 Statista report. In the ideal situation, the insurance industry in Kenya should be performing exemplary well in terms of sales revenue and high penetration rate. However, insurance sales growth and penetration in Kenya remains low. The purpose of the study was to determine the effect of social media marketing on the sales performance of insurance firms in Kenya. The Technological Acceptance Model anchored the study. The study was guided by a descriptive survey design. The study population was 56 registered insurance firms in Kenya. Structured questionnaires were used to obtain information. Data collected using questionnaires was analysed using SPSS Version 23.0 where both descriptive and inferential statistics was used to analyse the collected data. The analysed data was presented in the form of tables and figures. Inferential statistics entailed the multiple linear regression model to determine the effect of social media marketing on the sales performance of insurance firms in Kenya. The findings of the study established that social media marketing is a significant predictor of sales volumes of listed insurance companies in Kenya (β=0.309, p-value=0.002). The study concluded that social media marketing is instrumental in fostering the sales performance of listed insurance companies in Kenya. The study recommends the expansion of social media marketing in the insurance sector. Social media is an interactive platform that requires creativity when posting promotional substances relating to the company to capture the imaginations and feelings of social media users.

Keywords: Social media, Sales revenue, Sales performance, Insurance.

BACKGROUND TO THE STUDY

The insurance industry remains a significant sector in the socioeconomic growth of organizations, governments, and social protection of individual customers (Grant, 2012). In addition, the insurance industry facilitates trade and commerce, supports businesses and economic growth, facilitates domestic savings, and fosters a more efficient allocation of capital and advancing the development of financial services (Grant, 2019; Melnychuk, Chvertko, Korniienko, Vinnitsa & Grammatik, 2019). According to Insurance Information Institute (2022), the insurance sector contributed 3.1% to the global gross domestic product in 2020 up from 2.8% in 2019 and slightly down to 2.9% in 2021. Global insurance gross premium was USD 5,672 billion in 2020 (McKinsey, 2022). Globally, insurance sales revenue performance has been dominated by American and Chinese insurance firms. In 2020, Berkshire Hathaway sales revenue was USD 245.5, Ping an Insurance recorded USD 195.5 billion in insurance sales revenue, and China Life Insurance USD 144.6 billion (Statista, 2021). Allianz Group from Germany recorded a net sales revenue of USD 136.2 billion in the same period. The U.S life/annuity insurance industry generated revenues of USD 881.2 billion a slight drop from USD 914.5 billion in 2019 (Redden, 2022).

The insurance sector in Kenya has a huge potential but remains untapped as indicated by insurance penetration that is less than 3% lower than the global average penetration of 7.3% (Statista, 2021) and lower than peer economies in Africa like South Africa (13.7%) and Namibia (7.3%) (CBK, Financial Stability report, 2020).

Sales performance is a critical financial measure of insurance firms. The sales performance defines the level of revenue premium sales sold by the insurance firms and subsequently profitability and loss ratios (Almajali & Shamsuddin, 2019). As indicated by Giné, Menand, Townsend and Vickery (2012), the financial health, growth and sustainability of insurance firms will depend on sales revenue accrued from selling various insurance products in form of insurance premiums. Insurance premium is the amount an individual or business pays for an insurance policy. Thus, the financial health and sustainability of an insurance company are much tied to quantity of sales made.

Social media marketing involves encouraging customers' communication on company's website or through social presence (Li, Larimore & Leonida, 2021). Social media is one of the critical channels in digital marketing because firms will use social media without paying for publisher or distributor as in the case of traditional marketers (Bale, & Verma, 2018). Digital marketing is aimed at customer acquisition, and customer retention through improving customers' knowledge and offering integrated communication online that matches customer needs and meets their demands.

1.1 Research Objective

To determine the effect of social media marketing on the sales performance of insurance firms in Kenya.

LITERATURE REVIEW

2.1 Theoretical Review

This study was anchored on the Technology Acceptance Model (TAM). This model which was started by Davis (1989) postulates that the use and acceptance of a particular technology is anchored on the benefits to be derived, alongside ease and use of the technology. The theory is premised on the beliefs that influence attitude, which result in intention and eventually generate behaviour. The usefulness of a given technology generates an attitude among potential users which ultimately will be critical in the acceptance and adoption. The TAM assumes that when users perceive that a type of technology is useful and also easy to use, they will be willing to use it. This was the anchor theory of the study.

The theory is relevant because it posits how individual will transform their behaviours to conform to new technology that is geared towards improving their actions or activities such as marketing. The perception and beliefs of players to accept and to adopt a certain technology in undertaking their marketing activities is crucial in enhancing performance. This is evident when individuals use social media to undertake commercial activities such as marketing a brand or products with the aim of creating more awareness on the importance of the product or the commodity. Adoption of digital marketing requires a consistent behaviour of accepting its usage and eventually embracing it as the new platform where marketing can be conducted effectively and efficiently. The TAM was adapted by Susanti and Astutib (2019) to comprehend the digital marketing analysis. According to Susanti and Astutib (2019), the benefits and ease of use of digital marketing platforms is what enhances a firm's performance. Furthermore, Eltayib, et al., (2018) employed TAM to understand the effect of social media marketing on small business performance and acknowledged the significant importance of digital marketing on firms' performance.

2.2 Empirical Review

Sufian, Min, Murad and Aziz (2020) assessed the impact of social media marketing on the sales performance of small online businesses. The study targeted 150 respondents from small and medium enterprises by use of stratified sampling. Social media marketing fosters relationships between customers and sales people which ultimately cultivates positive relationships. The success of any business largely depends on strategic goals, the ability to communicate effectively with the target group, and establishing meaningful relationships between them. The study recommended that recommend establishment of good customer relationship through the digital platform to enhance more sales. The study focused on online businesses yet there are businesses which employ both online and offline services hence resulted to contextual gap.

Kajwang (2022) studied the role of social media on the insurance sector in Kenya. The study reviewed 12 journals that is related with social media marketing and its influence on sales from different countries across the globe. The study established that social media provides a variety of platforms that can help insurance firms facilitate the sale of their products, improve their customers' interaction and build their brand reputation. The results of most studies also revealed that social media has a positive and significant impact on the performance and profitability of insurance companies in Kenya. Facebook, one of the social media with over 2.9 billion active users globally allows insurance firms to create different kinds of advertisements in a creative way targeting different audiences in different age cohorts. The interaction of insurance agents with customers is driven by the benefits that are derived from their interaction. The study recommended more investment on various social media platforms to attract more customers. The study relied on secondary data while the current study employed primary data and hence amounted to the methodological gap.

Kandi, Balakrishnan, Sivakumar and Vijayalakshmi (2022) investigated the impact of social marketing on organizational performance using secondary data. Companies use different tactics when employing social media and take advantage of the available e-commerce platforms in marketing their products which has resulted in improved performance. Consumers tend to conform to directions given by operatives within the social media platform and close sales. It was advised that a robust social media marketing is important in realizing desired sales in an organization. The study focused on social media impact on operational performance while the current study focused on the influence of social marketing on sales and thus resulted conceptual gap.

Dodokh, and Al-Maaitah, (2019) investigated the impact of social media usage on organizational performance in Jordanian. The study targeted 169 managers from 23 insurance companies in Jordan where stratified sampling was employed and quantitative approach method of analysis was adopted. There is a strong positive impact of implementing and using social media on organizational performance in terms of rapid adaptation, cost reduction, and innovation. Also, social media usage is different among the companies' characteristics in terms of type, age, and size. Organizations are now building and maintaining social media public pages to improve their social network salience, enhance interest in their organizations, and build relationships with the online public. It was recommended that more engagements of customers are supposed to be done on social media to ensure that more networks are created. The study focused on the influence of social media on organizational performance while the current study narrowed the investigation into how social media affect sales and thus resulted to conceptual gap.

RESEARCH METHODOLOGY

The study adopted a descriptive survey design. A descriptive survey design helps a researcher to respond to questions sought. The study population was 56 registered insurance firms in Kenya (IRA, 2021). The unit of analysis was section managers in charge of digital marketing in each of the insurance firms in Kenya. The study adopted a census where all the 56 section managers in charge of digital marketing were targeted. Census was adopted because the population is not large hence it is manageable. Also, because the census method is more accurate and reliable. This is in tandem with Singh and Masuku (2014) who indicated that a population of less than 200 items should be included in the study in entirety. Structured questionnaires were used to obtain information from the respondents. The pretesting of the questionnaire study was ascertained in Machakos Town. Data collected using questionnaires was analysed using SPSS Version 23.0 where both descriptive and inferential statistics analysis techniques were employed to analyse the collected data and the findings presented.

DATA ANALYSIS AND PRESENTATION

4.1 Introduction

The section presented the response rate of the study. It also analysed descriptive and inferential statistics of the study that entailed mean, standard deviations, and correlation and regression analysis. The study undertook discussions on these findings and comparative analysis was done with respect to previous empirical investigations.

4.2 Response Rate

The study targeted 56 marketing managers of insurance companies. The questionnaires were distributed to the

ISSN No. 2454-6186 | DOI: 10.47772/IJRISS |Volume VIII Issue VIII August 2024

respective offices. The mode of distributing questionnaires was drop and pick. It was established that 52 of the questionnaires were returned dully filled, 2 were not properly filled and 4 were not returned. Thus, 50 questionnaires were properly filled, representing an 89.3 percent response rate.

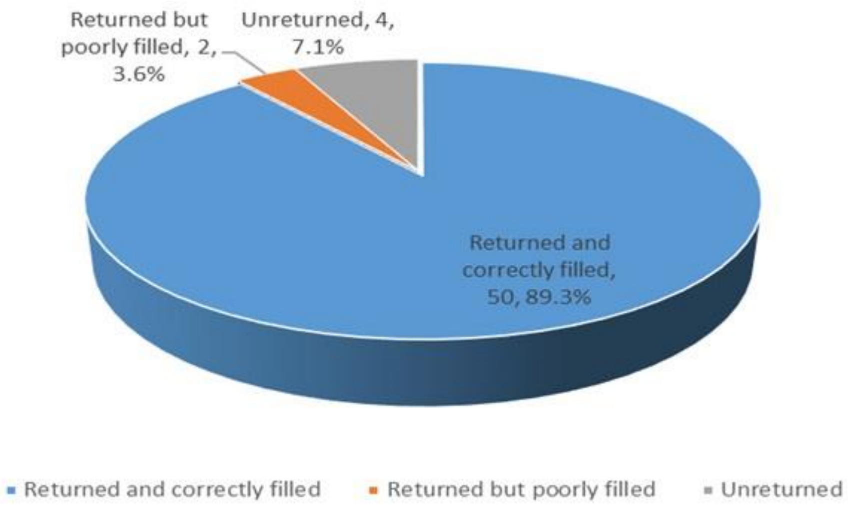

Figure 1: *Response Rate*

4.3 Effect of Social Media Marketing on Sales Performance

Social media marketing has been a game changer in the insurance sector because many young people have been the biggest consumers and it is increasingly overtaking traditional communication channels. The study sought the opinions of the insurance managers on this and the findings are presented in Table 1 below.

Table 1 : *Social Media Marketing*

Statement	Mean	Standard Deviation
Through social media marketing, more clients have been reached	4.08	0.94
The increase in clients reached via social media has enhanced the company's net sales	3.88	1.21
The interactive social media platforms have enabled the company to promptly address customer queries	3.72	1.26
The ability of the company to promptly address clients’ queries has enabled it to tailor its products and services to the needs of the customers	3.64	1.21
The use of social media to market the company products has built close rapport with the customers	3.50	1.27
The marketing content shared via social media platforms has helped in reaching more specific customers by sharing tailored content with potential customers	3.74	1.18
Average	**3.764**	**1.178**

The study sought from the respondents, how social media coverage had reached clients and the findings of the study revealed that the majority of the respondents concurred that the use of social media had led to a wide coverage marketing as depicted by the mean of 4.08 and standard a deviation of 0.94. This is evident by the increased number of clients which led to sales increment as signified by the mean of 3.88 and standard deviation of 1.21. This enabled companies to promptly address clients’ complaints as shown by the mean of 3.72 and standard deviation of 1.26. Addressing clients’ complaints promptly led to the innovation of services and products tailored to their preferences as shown by the mean of 3.64 and standard deviation of 1.21. This was backed by the use of social media that strengthened rapport among customers as depicted by a mean of 3.50 and a standard deviation of 1.27. In addition, the average mean was 3.764 and standard deviation 1.178. This imply that many of the respondents agreed that social media marketing is vital in increasing sales in the insurance sector. The standard deviation depicted that many of the responses are not varied.

Social media marketing is instrumental in fostering the sales performance of listed insurance companies in Kenya. This is because social media is crucial in addressing complaints affecting businesses. It is also a crucial tool for creating rapport between the organization and customers thus fostering relationships which is important in marketing. Understanding customer needs is key in building a long-term relationship which increases customer retention and enhances loyalty thus increasing the customer base which positively affects the performance of sales volumes. Social media enables businesses to understand the needs of customers which is important in building an effective relationship. Social media is marketing using online communities, social networks, blog marketing, and more. Several companies have acknowledged the potential of social media as an innovation platform that can be used for product advertisement efficiently and effectively. This finding concurred with a study by Kajwang (2022) that concluded that social media provides a variety of platforms that can help insurance firms to facilitate the sale of their products, improve their customers' interaction, and build their brand reputation.

4.3.1 Correlation Analysis

The study conducted correlation analysis to establish the nature and strength of the association between the independent variable and the dependent variable. Correlation is measured by (r) which ranges from -1.0 to 1.0. When r is close to zero there is no correlation between the variables and when (r) is negative and close to -1 it means that the movement in one variable would cause a reduction in the other. The correlation analysis results are shown in Table 2 below.

Table 2: *Correlation Analysis Results*

Correlations						
		Sales performance	**Social media marketing**	**Search engine optimization**	**E-mail marketing**	**Website marketing**
Sales performance	Pearson Correlation	1	.464**	.543**	.549**	.513**
	Sig. (2-tailed)		0.001	0.000	0.000	0.000
Social media marketing	Pearson Correlation	.464**	1	0.001	.342*	0.227
	Sig. (2-tailed)	0.001		0.992	0.015	0.114
** Correlation is significant at the 0.01 level (2-tailed).						
* Correlation is significant at the 0.05 level (2-tailed).						

Based on the results indicated above, social media marketing has a positive and moderate influence on sales performance ($r=0.464$, $p=0.001<0.05$). The association is statistically significant. It implied that increased social media marketing is likely to foster sales of insurance products.

Insurance companies can utilize these advertisement channels to promote their products digitally to a wider audience and increase their competitive edge (Saxena, 2019); digital marketing strategies also allow businesses to target specific customers with specific marketing strategies depending on their age, social status, preferences, and financial capabilities (Nimbargi, 2021) Marketers increasingly take brands nearer to the people every day.

The shifting role of consumers as co-producers of value is becoming increasingly significant in the competitive market (Vargo, & Lush, 2014). Technology has a significant role in improving and enhancing the quality of services provided by businesses. Digital marketing is widely considered effective because of its nature that features reduced costs at the expense of a wider reach (Chaffey & Smith, 2013).

4.3.2 Regression Analysis

The study carried out the linear regression estimation and the finding of the study is presented in Table 3, Table 4 and Table 5. The model summary findings is presented in Table 3.

Table 3: *Summary Model Results of social media marketing and sales performance*

Model	**R**	**R Square**	**Adjusted R Square**	**Std. Error of the Estimate**
1	.464a	0.216	0.199	0.3463
a Predictors: (Constant)Social media marketing				

The study conducted a coefficient correlation(R) and coefficient of determination (R^2). Coefficient determination (R^2) was (21.6%) and adjusted (R) square of (19.9%). This means that social media marketing explain the 19.9% of the variation in sales performance of listed insurance companies in Kenya. The study further, conducted an analysis of variance to establish the significance of the model, and the findings are presented in Table 4.

Table 4: *ANOVA results of social media marketing and sales performance*

Model		**Sum of Squares**	**df**	**Mean Square**	**F**	**Sig.**
1	Regression	1.584	1	1.584	13.204	.001[b]
	Residual	5.756	48	0.12		
	Total	7.34	49			
a Dependent Variable: Sales performance of insurance firms						
b Predictors: (Constant), Social media marketing						

The finding in Table 4 above depicts the F-critical finding which was estimated to be 13.204 and a p-value of 0.001<0.05. This depicts that the overall model is statistically significant. This indicates that the model was significant in predicting independent and dependent variables. The regression model was sufficient in studying the effect of social media marketing on the sales performance of listed insurance companies in Kenya. Moreover, specific regression coefficient findings are examined in Table 5.

Table 5: *Regression Coefficient Results of social media marketing and sales performance*

Model		**Unstandardized Coefficients**		**Standardized Coefficients**	**t**	**Sig.**
		B	**Std. Error**	**Beta**		
1	(Constant)	2.183	0.437		5	0.000
	Social media marketing	0.425	0.117	0.464	3.634	0.001
a Dependent Variable: Sales performance of insurance firms						

ISSN No. 2454-6186 | DOI: 10.47772/IJRISS |Volume VIII Issue VIII August 2024

Linear regression analysis was conducted to establish the relationship between social marketing and the sales performance of listed insurance companies in Kenya. As per the SPSS-generated regression coefficient model, the equation of

$S = \beta o + \beta_1 X_1 + \varepsilon$

produced the regression coefficients of;

$S = 2.183 + 0.117\ X_1 + \varepsilon$

According to the regression analysis, it was established that taking all factors constant (social media marketing) sales performance was 2.183. This model assisted in testing the relationship between the variables. The analysed data shows that taking holding other variables constant, a unit increase in social media marketing will increase sales performance by 0.117.

SUMMARY OF FINDINGS, CONCLUSIONS AND RECOMMENDATIONS

5.1 Summary of Findings

The objective of the study investigated the effect of social media marketing on the sales volume of listed insurance companies in Kenya. Both inferential and descriptive findings established that social media marketing is a significant predictor of sales volumes of listed insurance companies in Kenya. Inferential results showed that social media marketing has a positive impact on sales performance. Social media has been the platform where many customers express their feelings and preferences for certain products. This is because social media embraces reasonable freedom which gives customers more opportunity to express themselves. This, therefore, presents an opportunity for the insurance players to understand customers' preferences and this in turn fosters sales in the company.

5.2 Conclusion

The study found that social media marketing has a positive impact on the sales performance of insurance companies. Social media marketing is instrumental in fostering the sales performance of listed insurance companies in Kenya. This is because social media is crucial in addressing complaints affecting businesses. It is also a crucial tool for creating rapport between the organization and customers thus fostering relationships which is important in marketing. The finding of this study concurs with previous investigations that concluded that the adoption of social media marketing has significant influence on the sales performance of many commercial entities.

5.3 Recommendations

The finding of the study established that social media is instrumental in fostering the sales of insurance firms in Kenya. The study recommends the expansion of social media marketing in the insurance sector. Social media is an interactive platform that requires creativity when posting promotional materials relating to the company to capture the imaginations and feelings of social media users. The innovativeness of the tool is also quite entertaining and can attract many people, which makes it an ideal channel for advertisement. It can also reach a larger number of people at a lower cost provided the internet coverage is sufficient.

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