

Effectiveness of Promotional Tools to Influence the Purchase Decisions of Unsought Products: A Study on Life Insurance

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Abstract: Selling unsought products is one of the toughest jobs for a company. It usually takes an aggressive marketing campaign including sales efforts by well-trained sales forces and aggressive sales professionals as well as other forms of promotional tools. The present study tries to find out to what extent the purchase decision of life insurance product in Bangladesh is influenced by advertising, sales promotion and personal selling. To achieve the research aim, data were collected from 100 respondents who are currently giving the premiums of their life insurance. The results showed that advertising is positively correlated with the purchase decisions of unsought product and sales promotion is found to be negatively correlated with purchase decision of unsought product while personal selling is statistically significant and positively correlated with the purchase decision of life insurance product. So, managers involved in selling unsought products can emphasize on advertising and personal selling as the techniques to promote and sell their products.

Key words: Unsought products, life insurance, advertising, sales promotion and personal selling, respondent

INTRODUCTION

An unsought product is a product that customers usually do not think of buying or unaware of the products. Unsought products may include life insurance, accident insurance, funeral plans, blood donation campaign, new products when they first come out and so on. These unsought products can be categorized into two types; products that are unknown to customers and products consumers do not see a need for or have a desire purchase. For selling such types of products, aggressive promotional campaigns like heavy advertising and sales techniques are necessary due to consumer unawareness of the products or no real desire to purchase the products. Another severe difficulty with the unsought products is that there is often no immediate tangible benefits realized at purchase, so there is sometimes an incentive to defer the purchase. Different types of promotional tools are used by insurance companies to promote and sell their products as promotion is one of the marketing activities together with product design, development and pricing. Promotion means using the informative, monetary and persuasive efforts in order to increase the product sales or to ease the acceptability of an idea. Promotion is to make a product, an institution, a person or an idea known and accepted by the public, particularly by the target market. The power of branding

and brand loyalty require intensive promotional efforts in any industry. For all these above mentioned reasons, the promotional activities for insurance companies are gaining importance as being one of the marketing mix elements in very intensive competitive business environment. As the life insurance business in Bangladesh is highly competitive, companies are adopting various types of communication tools to boost up their sales. But so far there is hardly any research that could identify which promotional tools are significantly influencing the purchasing decision of consumers of this market. From that ground the present study aims at identifying the roles played by some of these promotional tools in selling life insurance product in Bangladesh.

Literature review: Selling unsought goods is one of the toughest jobs for a company. It usually takes an aggressive marketing campaign including sales efforts by well-trained sales forces and aggressive sales professionals as well as other forms of promotional tools like advertising, sales promotion and direct marketing. Companies selling unsought goods are using different tools of communication to promote their products and services for achieving their promotional objectives (Okoye *et al.*, 2011). Peter and Donnelly (1998) gave importance on three marketing communications tools that were: advertising, sales promotion and personal selling.

Etzel *et al.* (2001) noted advertising, personal selling, sales promotion and public relations. In addition to these, Kotler and Armstrong added the fifth which is direct marketing. In other related studies, sponsorship was propounded as the sixth mode or channel of marketing communication mix (Jobber, 2004; Fill, 2005; Kotler and Keller, 2009). Other than some commonly used tools, companies are now leaning to sponsorship programs. Since, traditional media have become more expensive, sponsorship is viewed by marketers as a cost-effective alternative (Lee *et al.*, 1997). According to Arens (1999), sponsorship is a cash or in-kind fee paid to a property in return for access to the exploitable commercial potential associated with the property. Firms are getting involved in sponsorship events in order to achieve objectives such as increased awareness levels, enhanced reputation and thus build company's brand image (Palmer, 2005). To complement Osoka (1992), sponsorships which portray a company as a good corporate citizen no doubt enhance understanding of the company's role or business. He posited further that for sponsorship to be meaningful, it has to be backed by adequate planning which will include selecting what is to be sponsored, publicity for the sponsorship, time, duration and cost. Companies often use publicity to disseminate information by personal or non-personal means which is not directly paid for by the organization, nor is the organization the source. Grasby *et al.* (2000) describe publicity as the use of the media to provide free coverage in their stories related to their product. Unlike advertising that relies on purchasing power to get a message across, publicity relies solely on the quality of content to persuade others to get the message out. On the other hand, with the help of public relation activities, firms try to create goodwill and raise the public's consciousness about a product, an individual or issue while deleting bad images exist in the market about companies' offerings (Okyere *et al.*, 2011). Bruning and Ledingham (2000) explain public relations simply as the management of the relationships between organizations and their stakeholders. However among these different forms of promotional tools, life insurance companies in Bangladesh are mostly using advertising, sales promotion and personal selling as the techniques for promoting and selling their products. For this reason, the present study mainly focuses on these three variables and tries to identify their roles in influencing customers to buy life insurance.

Advertising: Advertising is a paid form of non-personal presentation of ideas, facts or any other types of offerings by an identified sponsor. It involves making decisions on the five Ms-mission, message, media, money

and measurement. It is one of the influential elements of the promotional mix because of its visibility and pervasiveness in all the other marketing communication elements (Okyere *et al.*, 2011). Generally, advertising has the potential to inform the public and customers about the goods and services of a company and to encourage them to visit the company's manufacturing and distribution centers for further information and to make favorable purchase decisions. Therefore, advertisements for services should provide symbols or tangibles cues as concrete signals of the service's abstract attributes (Lacobucci, 2001). Advertising as a major social event results in key changes in values, beliefs, behavior and buying patterns of the customers as it influences the lifestyles of them (Pollay and Mittal, 1993). Norris (1984) found that the importance of advertising as an information provider leads to greater market share and a positive image in market as consumers are better able to match their needs and wants against the product offering. Product information provided through advertisements play a vital role in changing the attitude or behavior of the consumer (Pollay and Mittal, 1993) and thus the purchasing behavior by meeting their needs after getting information about that market offerings; advertised in TV (O'Donohoe, 1995). Advertising gives support in the development of consumer self-image (Richins, 1991; Usman *et al.*, 2010) and product meaning (Friedmann and Zimmer, 1988). Lastly, advertisement can serve as a source of entertainment or pleasure (Alwitt and Prabhaker, 1992; Pollay and Mittal, 1993). So, the insurance industry is a major market for the advertising industry. Osoka (1992) had earlier noted that insurance companies need advertising to support and supplement their sales force and the other promotional activities, especially in view of the intangible nature of their products. He further added that more attention should be paid to rapid advertising as one of the ways to foster insurance awareness and enhance the image of the industry as a whole. This and many other past studies revealed that radio advertising mechanism and newspaper have often been employed by a number of the insurance companies in providing information, creating awareness, building company image and enforcing brand loyalty (Ajemunigbohun, 2009). In the same way, life insurance companies in Bangladesh are also using different forms of advertisement to promote and sell their products. So, it can be hypothesized that:

- H₁: advertising positively influences the purchase decision of life insurance

Sales promotion: Sales promotions are short-term incentives to encourage the purchase or sale of a product

(Okyere *et al.*, 2011). Blythe (2006) describes sales promotion as any activity intended to generate a temporary boost in sales. This includes several communications activities pursued in an attempt to provide added value or incentives to customers, wholesalers, retailers or other organizational customers to stimulate immediate sales. Companies usually take these initiatives to stimulate product interest, trials or purchase. It is specifically designed to generate quick sales and ultimately create loyalty. Though sales promotions are adopted by many firms as a technique to increase sales, insurance companies in Bangladesh use limited arrays of these techniques because of the intangibility of their product offerings in creating values and maintaining relationship among the existing or potential customers. The intangible nature of insurance products coupled with the complex and heterogeneous nature of the customers has made it difficult for this technique to achieve its primary objective of inducing purchase, enhancing sales volume and stimulating the interest of the insuring public towards the industry. Since, the insurance companies in Bangladesh are still using sales promotion in various forms to increase the sales, it can be hypothesized that:

- H₂: sales promotion is positively correlated with the purchase decision of life insurance

Personal selling: This can be defined as an interpersonal influence process involving a business promotional presentation conducted on a person to person basis with the prospective buyer (Reid, 1981). Kotler defines personal selling as face to face interaction with one or more prospective buyers for the purpose of making presentations, answering questions and procuring orders. Jobber (2007) also describes personal selling as the marketing task that involves face to face contact with a customer. Unlike the other tools within the communication mix, personal selling permits a direct interaction between buyers and sellers. Okyere *et al.* (2011) noted that this two-way communication means that the seller can identify the specific needs and problems of the buyers and tailor the sales presentation in the light of this knowledge. Thus, communicating and convincing customers to buy service products is by far more challenging than selling manufacturing products. Personal selling in turn has the potential and opportunity to persuade those who can come to the company's office with background information about the service from company advertisement by responding to customers' questions and doubts about the service. Personal selling involves three basic sales tasks: order-getting, order-taking and supporting (Perreault and McCarthy,

2002). The interactive nature of personal selling also makes it the most successful promotional method for building relationship with customers; so, personal selling is the most useful communication tool at certain stages of the buying process, particularly in building buyer's first choices, certainty and proceedings. This is most imperative especially for service companies particularly in developing and underdeveloped countries (Stevens and Keane, 1980). Like other countries, personal selling has become one of the most effective promotional tools in the life insurance industry of Bangladesh and it is due to the socio-cultural forces which influence the attitude and behavior of the insuring people. The level of ignorance as to the benefits of having insurance is still on its increase, therefore, many of the insurance companies' marketers are left with the option of getting close regularly with the insuring public in a bid to educate them on the need to have insurance cover. So, it can be hypothesized that:

- H₃: personal selling positively influences the purchase decision of life insurance

MATERIALS AND METHODS

The present study collected the data from primary sources using a structured questionnaire. The questionnaire was developed using previous literature reviews and research works. The questionnaire so developed contains items regarding the dimensions of promotional tools and purchase decision of unsought product. Respondents were asked to give their opinions on a five point likert scale ranging from 'strongly agree' to 'strongly disagree' regarding items incorporated in the questionnaire. The dimensions of promotional tools contain 12 items and 4 items in the purchase decision variable that are tapped from previous studies. For understanding the roles of promotional tools in influencing the purchase decision of unsought products, questionnaires were sent to 100 respondents who have purchased life insurance. They have been chosen as the samples of the study because they have experienced the role of communication tools while taking the purchase decision of life insurance. The collected data were analyzed by using SPSS Software Version 16.0. The reliability of the variables is measured by Cronbach alpha. The hypotheses of the study were tested by structural equation modeling using AMOS Version 16.0. The adequacy of the structural model is measured by a number of indices such as normed χ^2 , RMSEA, GFI and CFI with their minimum threshold values taken as being <5, 0.08 and >0.90, respectively (Hair *et al.*, 2010).

RESULTS AND DISCUSSION

Respondents' profile: In the present study, out of 100 respondents, 89% were male and remaining 11% were female. Total respondents' 44% are below 35 years, 46% from 36-45 years and the rest are above 46 years. The 18% of the respondents have education up to higher secondary level, 38% are graduates and 44% have post graduate education. Total respondents' 84% are service holders, 10% are business men and 6% are housewives.

Validity and reliability analysis: Table 1 showed the validity and reliability test for each construct to measure the internal consistency of the data. Cronbach alpha with a value of 0.7 or above is considered adequate in measuring the internal consistency of an instrument. Since, all alpha values are found to be above the

threshold point of 0.7, reliabilities of the measurement instruments are considered adequate. Based on Table 1, each composite reliability of the construct are ranging between 0.670 and 0.839 which demonstrate a good result as suggested by Hair *et al.* (1998). According to researchers, average variance extract should be accounted for at least 0.50 but it is acceptable if the composite reliability for that construct is adequate. Based on this finding, all AVE are in the acceptable range of at least 0.50 except for the sales promotion construct yet this result does not influence the overall test on internal consistency. So, the values are representing a good reliability and validity of the data.

Structural equation modelling (testing of hypotheses):

Structural equation modelling was employed to test the proposed three hypotheses of the study. Figure 1

Table 1: Validity and reliability test

Variables	Indicators	Factor loading	Cronbach's alpha	Composite reliability	Average variance extracted
Advertising	q1	0.513	0.728	0.744	0.530
	q2	0.527			
	q3	0.744			
	q4	0.790			
Sales promotion	q5	0.510	0.702	0.670	0.468
	q6	0.421			
	q7	0.750			
	q8	0.620			
Personal selling	q9	0.868	0.829	0.839	0.635
	q10	0.712			
	q11	0.585			
	q12	0.826			
Purchase decision	q13	0.564	0.796	0.805	0.592
	q14	0.733			
	q15	0.787			
	q16	0.756			

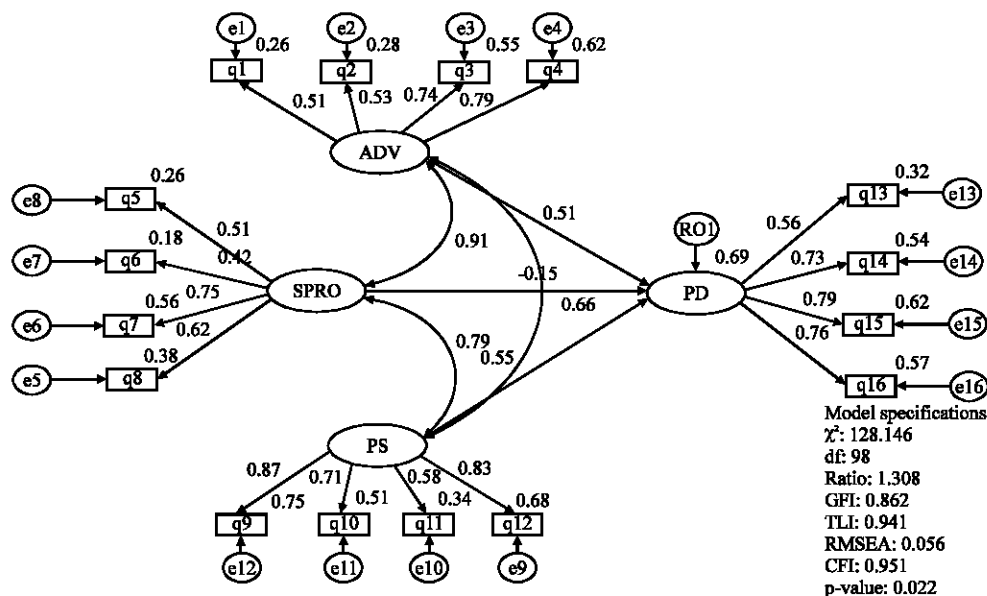


Fig. 1: Hypothesized research model

Table 2: Goodness of fit indices

Goodness of fit indices	Results	Minimum threshold of fit indices
Normed χ^2	1.308	≤ 5.00
RMSEA	0.056	≤ 0.08
CFI	0.951	≥ 0.90
TLI	0.941	≥ 0.90

Table 3: Relationship between exogenous and endogenous variables

Hypotheses	Relationship between			Critical	Results
	exogenous and endogenous	SE	ratio		
H ₁ →	ADV	PD	0.509	1.024	Supported
H ₂ →	SPRO	PD	-0.147	-0.233	Not supported
H ₃ →	PS	PD	0.553	2.162***	Supported

illustrates the full-fledged structural model demonstrating the impact of the three antecedents (advertising, sales promotion and personal selling) on the purchase decisions of the life insurance. Figure 1 displays sufficient fit with the sample data as manifested by all the values of the fit indices. The model highlights the fact that the three antecedents (advertising, sales promotion and personal selling) together explaining 69% of the variance in purchase decisions of unsought product (life insurance). Figure 1 and Table 2 displayed the hypothesized model and goodness of fit indices.

Table 3 discussed about the relationship between exogenous and endogenous variables. The results showed that H₁ is supported as advertising is positively correlated with the purchase decisions of unsought product ($\beta = 0.509$). H₂ is not supported as sales promotion is found to be negatively correlated with purchase decision of unsought product ($\beta = -0.147$) while personal selling is positively correlated with the purchase decision of unsought product and this finding indicates that H₃ is supported ($\beta = 0.553$).

CONCLUSION

The study finds that the promotional tools considered in the study are responsible by 69% to explain the variation of dependent variable (the purchase decision of life insurance product). The first variable, advertising is positively correlated with the purchase decision of unsought products. It may be due to the aggressive advertising campaign done by life insurance companies of Bangladesh in different forms. In Bangladesh, life insurance companies are promoting their products by giving advertisements in electronic, print and other forms of media. And the present study gives the evidence that various types of advertisements are motivating the customers to buy life insurance product. So, advertisements in different media can be an effective promotional tool to sell life insurance. The second variable in the present study is the sales promotion techniques used by insurance companies in Bangladesh.

This variable is negatively correlated with the purchase decision process of unsought products. Though this finding is somewhat inconsistent, it is not rare because selling life insurance is a tough job and sales promotion can hardly motivate the customers of life insurance. So, this promotional tool is not effective in motivating the customers to buy unsought products. Finally, personal selling was found to be the most effective promotional tool in motivating customers to buy life insurance in Bangladesh. It is statistically significant ($p = 0.05$). It is because of the fact that in personal selling, sales personnel have the opportunity to make face to face communications with the prospective customers. The sales people can convince the customers by demonstrating the benefits of unsought products in an appealing way which is not possible in other forms of communication tools. So, it can be said that personal selling is the most effective promotional tool to promote and sell unsought products. However, out of the three variables considered in the present study, two were positively correlated with the purchasing decisions of life insurance in Bangladesh. The other promotional tool, sales promotion was negatively correlated with the purchase decision process of unsought products. So, managers involved in selling unsought products can emphasize on advertising and personal selling as the techniques to promote and sell their products. However, the present study has some limitations such as it considered only three tools of promotional mix and there are some other tools that are also commonly used by companies to sell their products. Researchers hope that future researchers will address the issue.

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