

**Evaluation of Microinsurance Distribution Strategy at the Bottom of the  
Pyramid by Liberty Life Swaziland**

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## INTERGRATIVE SUMMARY

This is a qualitative study which seeks to understand how Liberty Life Swaziland distributes microinsurance to the bottom of the pyramid. This research report has three sections, namely; (1) the academic paper which has a summarized review of literature, the research method, findings, discussion, recommendations, limitations and value of research before conclusion; (2) an extended literature review; and (3) the research methodology. It is vital to state that all three sections of this study are related and not exclusively independent.

In response to the need for financial protection targeting the bottom of the pyramid, numerous institutions have responded by developing and distributing various products and services. Liberty Life Swaziland has also identified microinsurance as a strategic growth area; hence this study seeks to answer the following research question; how does Liberty Life Swaziland distribute microinsurance to the bottom of the pyramid within Swaziland?

To answer the question above, this qualitative study was conducted to explore the perspectives of management as insiders and distribution partners as outsiders. Using stratified purposive sampling, this study identified 5 managers within Liberty Life and 4 managers from brokerages and affinity partners who had a minimum of 3 years' experience in distribution of microinsurance. Semi-structured and in-depth interviews were conducted by the researcher. To induce emerging themes from the data, open-coding and constant comparison technique was used for analysis.

Findings in this study reveal that to distribute microinsurance to low income households, Liberty Life seeks to; (1) provide relevant solutions in a cost effective manner, thus keeping premiums as affordable as possible, (2) provide simple products which are easy to understand by customers, (3) make services accessible, and (4) make doing business easy. In this regard, Liberty Life distribution strategy is to partner with bulk retailing entities that have a client base they already service and benefit from nationwide presence and infrastructure. Lastly, this study is valuable to critically understand the current distribution strategy from internal and external perspectives, and also pinpoint how practical efforts to achieve microinsurance distribution objectives can be enhanced. It also has implications on micro insurance distribution to the bottom of the pyramid market.

Lastly, the study recommends that; a selection criteria be set for distribution partners, partnership with mobile network operators, investment in continuous training of distribution partners and knowledge sharing between Liberty and intermediaries to cease the opportunity at the bottom of the pyramid.

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## Table of Contents

INTEGRATIVE SUMMARY.....	2
ACKNOWLEDGEMENTS .....	3
1: ACADEMIC REPORT .....	8
1.1    ABSTRACT.....	8
1.2    INTRODUCTION.....	9
1.3    Literature review.....	12
1.3.1    The Concept of Distribution .....	12
1.3.2    Microinsurance .....	16
1.4    Research Methodology.....	18
1.4.4    Ethical Issues.....	21
1.5    FINDINGS.....	21
1.6    Discussion.....	32
1.8    Limitations of the Research .....	36
1.9    Value of the Research .....	37
1.10    Future research.....	37
1.11    Conclusions .....	38
References .....	39
2    SECTION 2: LITERATURE REVIEW.....	43
2.2    DISTRIBUTION .....	43
2.4    CHANNEL DESIGN.....	46
2.5    CHANNEL MIX .....	49
2.6    Managing Channels.....	51
3.0    SECTION 3: DESCRIPTION OF RESEARCH METHODOLOGY .....	68
3.1    INTRODUCTION.....	68
3.2    RESEARCH PARADIGM .....	68
3.3    DESCRIPTION OF INTERVIEWEES .....	69
3.4    SAMPLING .....	70
3.5    DATA COLLECTION .....	70
3.6    DATA CAPTURING .....	71
3.7    DATA ANALYSIS PROCEDURES .....	71
3.8    ETHICAL CONSIDERATIONS FOR RESEARCH.....	73

3.9	LIMITATIONS OF THE STUDY .....	73
3.10	SUMMARY .....	74
	REFERENCES .....	75

## LIST OF TABLES and FIGURES

Figure1:	Levels of distribution channels	14
Table 1:	Role of marketing channels	45
Table 2:	Distribution intensity strategies	47
Table 3:	Trade relations mix	48
Table 4:	Strategies to improve demand for microinsurance	60
Table 5:	Comparison of microinsurance distribution strategies	27

## **1: ACADEMIC REPORT**

### **1.1 ABSTRACT**

This is a qualitative study which focuses on how Liberty Life Swaziland distributes microinsurance to the bottom of the pyramid within Swaziland. Using stratified purposive sampling, this study identified 5 managers within Liberty Life and 4 managers from brokerages and affinity partners who had a minimum of 3 years' experience in distribution of microinsurance. Semi-structured and in-depth interviews were conducted by the researcher with these managers. Interviews were stopped when there was data saturation. To induce emerging themes from the data, open-coding and constant comparison technique was used.

Findings in this study reveal that to distribute microinsurance to low income households, Liberty Life objectives are to; (1) provide relevant solutions in a cost effective manner, thus keeping premiums as affordable as possible, (2) provide simple products which are easy to understand by customers, (3) make services accessible, and (4) make doing business easy. In this regard, Liberty Life distribution strategy is to partner with bulk retailing entities that have a client base they already service and benefit from nationwide presence and infrastructure.

Lastly, the perspectives of both internal and external stakeholders in microinsurance are discussed to evaluate the challenges and successes experienced in implementing the distribution strategy. This study is valuable to critically understand the current distribution strategy from the viewpoint of key intermediaries, but also pinpoint how efforts to achieve microinsurance distribution objectives can be enhanced.

Lastly, the study recommends that; a selection criteria be set for distribution partners, partnership with mobile network operators, investment in continuous training of distribution partners and knowledge sharing between Liberty and intermediaries to cease the opportunity at the bottom of the pyramid.

## 1.2 INTRODUCTION

The vulnerability of the poor citizens especially in developing countries has been the persistent cause of poverty (Faber & Matul 2014:3). As a result of uninsured risks, poor households have been forced to undertake costly strategies to manage their losses, thus making their welfare costs substantial (Dercon 2004:9). By protecting the low-income groups from the vulnerability of loss shocks, microinsurance has been increasingly touted as a risk management solution to world poverty and key driver of economic growth and entrepreneurial development in low-income countries, such as those in sub-Saharan Africa (Oyekan ca. 2013). However, Chikweche & Fletcher (2012:508) observed that there are risks common (e.g. diseases, death, losses on property and agriculture) in the bottom of the pyramid markets (technically meaning those living at less than 1 dollar a day) which poses distinct marketing challenges for firms conducting business to them.

In response to the need for financial protection targeting the bottom of the pyramid (BoP), numerous institutions have responded by developing and distributing various products and services. The BoP concept stems from Prahalad (2010:25) observation that more than 4 billion of the global population, captured in the form of economic pyramid, live at the bottom of it. Hence the concept BoP market considers how business can serve the poor through innovation and co-creation (Brahmah, Quaye & Buane 2014). Moreover, what is needed is a better approach to help the poor, an approach that involves partnering with them to innovate and achieve sustainable win-win scenarios where the poor are actively engaged, and at the same time, companies providing products and services to them are profitable (Prahalad 2010:27-28).

Microinsurance is among the services which target low income consumers (Churchill 2006:13). In this regard, microinsurance is a vital financial instrument to protect the poor against risks by using community-based mechanisms that were characteristic of developing countries (De Bock & Oativeros 2013:2). It is very important to underscore that innovations in services and distribution have

also led to more people having access to microinsurance (Faber & Matul, 2014:3).

Studies covering Africa, Latin America and the Caribbean, and Asia and Oceania (McCord et al 2013; Microinsurance Centre 2013; Oza et al 2013) identified microinsurance products in 82 countries. The findings showed that 17% in Latin America and the Caribbean, 17% in Africa and 66% in Asia and Oceania were covered on microinsurance (Faber & Matul 2014:3).

Swaziland is an example of a developing country of just about 1.1 million population, of which 63% lived below the poverty line, that is, less than \$1 per day (UNDP 2011). In his study, Analytics (2003:8) confirmed that only 4.6% of the adult population were using financial services through banks and non-banking institutions in Swaziland. In particular, this invoked interesting questions on how insurance as a financial service was being distributed in Swaziland, especially to the poor.

The Financial Services Regulatory Authority (FSRA, 2013) in Swaziland reported that 4 of 10 insurance companies provided microinsurance services. In addition, among distribution channels, there were 32 brokers, 23 corporate agents and 87 individual agents registered (FSRA 2013:20). Liberty Life Swaziland (LLS) is one of the insurance underwriters' who have segmented the market to serve middle to high income population and also the poor who form the bottom of the pyramid in Swaziland (Gobie 2013). To distribute microinsurance, LLS does not use its own agents or direct channel, but instead uses multiple channels such as brokers, agents, affinities (such as post offices, churches, funeral parlours and savings & credit cooperatives), and bancassurance through the relationship with Standard Bank.

As the bottom of the pyramid is characterised by low disposable income (living on less than one dollar a day), it is very valuable that an organisational search for new ways to gain competitive advantage also involve innovative distribution strategies. To the affirmative, Chamberlain et al (2011) as quoted by Churchill & Matul 2012 concur that the high penetration rate of microinsurance in South

Africa was due to the insurers' entrepreneurship factors and innovative distribution of policies. Concisely, innovation in service design and distribution is needed to address some of the priority risks that low income people faces on a daily basis (Faber & Matul 2014:3).

Distribution of micro insurance is very important not only to enhance access of the insurance by the poor, but also impact on geographical reach, level of distribution intensity, types of distribution partnerships, and cost of distribution which is reflected in premiums. In particular, this study focuses on the distribution strategy by LLS. In this vein, this study seeks to particularly evaluate how the microinsurance distribution strategy by LLS was working or not in distributing microinsurance to the bottom of the pyramid (Prahalad, 2005) in Swaziland.

In this vein, this study brings together the insider perceptions upheld by management in the service principal organization which is Liberty Life; and the views of intermediaries outside the organization who are microinsurance service deliverers to the final users in the bottom of the pyramid.

Succinctly, this is a qualitative research which seeks to understand multiple perspectives on distribution strategy of micro insurance by privileging the views of management as insiders; and intermediaries as outsiders of an insurance firm in Swaziland. Aptly, the key research question is: "how does Liberty Life Swaziland distribute microinsurance to the bottom of the pyramid within Swaziland?"

In exploring this key research question, the following are the research objectives;

1. To identify microinsurance distribution objectives and strategy as perceived by executive and senior managers at Liberty Swaziland.
2. To identify and evaluate strategies used by Liberty Life Swaziland in distributing micro insurance services to the bottom of the pyramid as perceived by their intermediaries.
3. To identify any successful strategies for distributing micro insurance to the bottom of the pyramid.

4. To make recommendations of strategies that Liberty Life Swaziland may adopt to enhance distribution of micro insurance services to the bottom of the pyramid.

More importantly, it is hoped that the findings and/or recommendations' of this study will help Liberty Life not only to critically understand their current distribution strategy from the viewpoint of key intermediaries, but also pinpoint how efforts to achieve microinsurance distribution objectives can be enhanced or modified at different levels of distribution.

In pursuit of the research question and objectives, the paper will focus on literature review of key concepts and research methods used in this study. Thereafter, the paper will present findings of the study before concluding with a discussion of findings.

### **1.3 LITERATURE REVIEW**

This section seeks to unpack the concept of distribution and microinsurance.

#### **1.3.1 The Concept of Distribution**

In particular, distribution of microinsurance services is about the; type, number, and also service to intermediaries (e.g. insurer, broker, and agent) through whom insurance passes, but also how insurance products and services reach the actual policy holders (Zieniewicz 2014:23). Literature on distribution of services assert that this concept was mainly about getting right services to the right people, in the right way at the right time with special consideration for profit and effectiveness (Munsamy & Chelliah 2011:1). Qureshi & Reinhard (2011:4-5) were specific that affordability and service were some of the key issues on microinsurance distribution in developing countries.

From a structural viewpoint, distribution was about the “pathways a product or service followed after production, culminating in purchase and use by the final end-user” (Kotler & Keller 2012:46). Also referred to as “marketing or trade channel,” distribution defines the structure of independent but interdependent

firms, which ran from the point of origin of services to the final consumer (Lamb et al 2010:300). This definition by Lamb et al (2010) is suitable to the microinsurance context especially when there are many independent intermediaries involved. In this vein, the study adopted the definition of Lamb et al (2010) to evaluate how microinsurance was distributed through a business structure of independent but many interdependent firms in Swaziland to ultimately serve the poor as the final users of service.

It is noteworthy that the definition by Lamb et al (2010:300) focuses on loosely knit network of independent producers and intermediaries which is relevant and suitable not only to the microinsurance context in Swaziland but also that of LLS. Liberty Life Swaziland is an originator of microinsurance and the services which are delivered in a form of many independent intermediaries who sell directly and interact with the end customer. Thus, the intermediaries perform *transactional functions* which include contacting potential customers and soliciting new business, making services locally available in a timely and convenient way for customers to use; and also *facilitating functions* such as making services attractive to users (e.g. providing information and competitive conditions etc.) and fulfilling service principal's promises to customers.

Within the service sector, it is noteworthy that intermediaries serve as the glue between the brand or company name and the customer by building trusting relationship required in more technical and complex offerings such as insurance. In a nutshell, service principals may depend on intermediaries to deliver service to their specifications. This requires the service principal to motivate and manage intermediaries to meet company goals and standards. On the other hand, it is also vital to consider mobile technology as a potential source of disintermediation which arises when a channel members bypasses another member and sells or buys products or services directly.

Hitherto, any endeavour to design and manage distribution channels and networks is likely to be inadequate if it only focuses on understanding distribution objectives. It is also significant to understand the design of channels (e.g. channel objectives and constraints, type and number of intermediaries, rights and

responsibilities of channel members; channel management decisions (e.g. how channel members are selected, motivated, coordinated and evaluated to achieve distribution objectives) and also channel dynamics (e.g. distribution of power in the distribution channel, managing conflict, cooperation and competition). Furthermore, there is also need to consider the implications of multichannel systems especially with the emergence of internet and mobile technology which is being used by the poor as well. Notably, the notion of distribution as “business structure of independent but interdependent firms” calls for greater attention to ethical issues in channel relationship to engender trust among channel members (Kotler and Keller, 2012:240). Thus, distribution relates not only to structure but also the human (e.g. interaction, and trust of channel members) and instrumental dimension (e.g. to intensify own coverage; promote service). Equally important is the performance assessment of distribution channel members in terms of three basic functions. Generally, these are transactional, facilitating and logistical functions to ensure commitment to similar distribution goals and reduction of cost (Mehta et al 2002:430).

### Distribution Channels and Levels

Choosing a distribution channel and channel members is very critical as there is a range of choice in terms of channels that an organisation may adopt to distribute services. Figure 1 below shows the various options in terms of levels of distribution channels available to an insurance organisation.

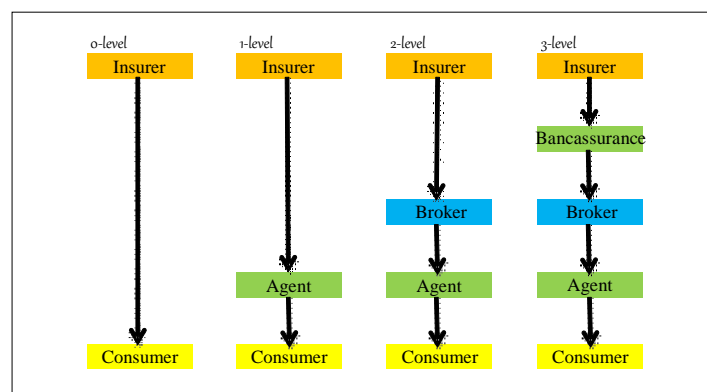


Figure 1 – Adapted from *Consumer Marketing Channels: Kottler & Keller (2012:442) Marketing Management*

With this model in mind, it is notable that Liberty Life Swaziland, which is the focus of this study, uses a 3-level channel strategy which entails use of multiple channels and unique channel members or partners ( e.g. churches,

funeral parlours, and savings and credit cooperatives) to distribute micro insurance products.

It is noteworthy that a study in Ghana by McCord (2006:143) concluded that finding the right distribution partner was the most crucial factor in microinsurance provision. For example, a study in Zambia by Manje (2005) recommended distribution of microinsurance through a partner-agent model. Reliance on company agents and partnership was criticised for not only limiting penetration rate and client value, but also making the sale of policies expensive and ineffective. Conversely, Cheu & Chang`s (2010) study in Taiwan suggested that direct distribution strategy performed better than a non-direct distribution strategy in terms of efficiency and productivity.

A quantitative study of 25 Kenyan insurance companies which explored factors causing low insurance uptake, challenges faced by insurers in marketing their products, and strategies to enhance insurance uptake concluded that improved service and distribution channels were vital strategies to alleviate low insurance uptake (Gitau 2012). Gitau`s (2012) findings provide insights into the value of evaluating distribution strategy adopted by an insurance company. As many businesses either lack the financial resources or expertise to sell directly on their own, they find it is easier to work through privately owned distribution networks (Kottler & Keller, 2012:440).

It is in this regard that Steinmann (2012:149) asserts that lowering costs, depth in reaching more remote people, quality of financial services, and speed in settlement of claims are key issues regarding distribution of microinsurance. With microinsurance as a unique service, it is critical that a potential microinsurance partner should have (1) sufficient capacity and access to critical mass which the insurer cannot access easily on his or her own, (2) trust by potential customers of the partnering organisation in the community, 3) low operational costs to offer more benefits to customers at affordable rates, (4) convenient to avoid long trips to distant outlets and long queues, (5) speed to respond to claims and queries on policies, and (6)

outreach to rural communities by usage of mobile technology and partner networks (Steinmann 2012:150).

### **1.3.2 Microinsurance**

Microinsurance has evolved dramatically over the last decade as one of the solutions to mitigate risk (Faber & Matul 2014:3). Recent evidence show that microinsurance products and services could provide financial protection, reduce vulnerability, and improve access to critical services for low-income households (De Bock & Outiveros 2013 cited in Faber & Matul 2014).

### **1.3.3 Definition of Microinsurance**

The origins of microinsurance as a distinction from life insurance dated as far back as 1955 (Morduch 1955, Morrah 1955). As compared with life insurance, microinsurance distinguishing feature is the manner in which premiums are paid with the modification being introduced solely for the convenience of the small income-earners for which it is designed (Morrah 1955). While prior to the introduction of microinsurance, the prevalent use of financial services was the mainstay of the privileged members of society (Fin Scope Swaziland, 2011).

According to ILO (2009), the term microinsurance appeared in the literature for the first time in the 1990s, derived from microfinance, with which it shared a similar target public. As microinsurance is a relatively recent concept, it is less surprising that there is yet no consensus on what is the meaning of this term. Nevertheless, several descriptions and definitions of the concept have been offered in the literature. For example, Chandani (2008:5) assert that microinsurance is the delivery of insurance services to people of low-income who usually do not have access to insurance policies or adequate social security services. With emphasis on protection of low-income people, Consultative Group to Assist the Poorest Working Group (CGAP) on microinsurance quoted Churchill (2006:12) who suggested that "microinsurance was the protection of low-income people against specific

perils in exchange for regular premium payments proportionate to the likelihood and cost of the risk involved."

Churchill (2006:12) added that microinsurance was provided to the poor, especially in developing countries. Churchill's definition of microinsurance has two main components. These are; (1) the target group, and (2) insurance. This definition is clear that insurance is the provision of financial protection against the occurrence of a pre-defined risk in exchange for a premium payment (Radermacher & Brinkman, 2012:64). More importantly, 'micro' is often used to specify that the insurance primarily targets the poor. Consequently, this is often characterized by limited benefit packages, and effort to keep premiums as low as possible.

Like any type of insurance, microinsurance is characterized by risk policies being underwritten based on insurance principles funded by premiums (International Association of Insurance Supervisors (IAIS) (2007). In this way, the IAIS (2007) excluded social welfare and emergency relief assistance offered by governments and other relief organisations, "as these were not funded by premiums relating to the risk, and benefits were not paid of a pool of funds which were managed based on insurance and risk principles" (Smith et al 2010:3).

While the definitions varied, insurance generally denotes a contract whereby an insurer, in return for a premium undertakes to provide specific benefits (Smith et al 2010:3). Cohen et al (2005:319) stated that poor households had for a long time managed risk by forming informal groups based on self-insurance mechanisms' such as borrowing and saving. Furthermore, Chen et al (2010) noted that microinsurance is a type of formal insurance mechanism that protect people against specific perils, and like all insurance, microinsurance policyholders have to pay regular premiums proportionate to the likelihood and cost of the risk involved.

Lastly, Njeogomir & Rihter (2013:68) view is that microinsurance provides financial indemnification in the case of loss event; provide avoidance of other

cost-ineffective mechanisms of loss protection, which as a final result reduces poverty. Common to most definitions of microinsurance is the intended focus on the poor, unemployed or employed in the informal sector and those who previously had not access to conventional insurance. In their research paper on innovations of insurance companies and investment funds, Njeogomir & Rihter (2013:68) observed that, “from the point of view of insurance companies, microinsurance was essentially a business model innovation that provided insurers’ access to people that previously had not been served. The tremendous potential of the bottom of the pyramid segment was evident and that it was particularly important for insurance companies which operated in mature markets.” The observation of Njeogomir & Rihter (2013) has particular significance to this study for its relevance to the case of Liberty Life Swaziland as a conventional insurer that also operates in a mature, saturated, and competitive market in Swaziland.

#### **1.3.4 Microinsurance at the Bottom of the Pyramid**

Prahalad (2005:26) assert that low-end consumers could be serviced profitably and consequently eradicate poverty and enhance sustainability. Microinsurance in the recent years has attracted considerable interest from international insurance and reinsurance industry, economic development organisations, charitable bodies, legislators, and other stakeholders (Oyekan ca. 2013). The motivation has been profit maximisation as the strategic objective for insurers in new growth opportunities away from saturated conventional insurance markets. However, some researchers have questioned the viability in the long term of microinsurance in developing countries.

### **1.4 RESEARCH METHODOLOGY**

This qualitative study uses an interpretative paradigm (Guba & Lincoln 1994:107). In this view, knowledge and information are accessible to the researcher (Guba & Lincoln 1994:107). Therefore, in engaging in the research

process, the researcher simultaneously engaged in a process of knowledge construction (Guba & Lincoln 1994:107). The study sought to understand the multiple perspectives on distribution of microinsurance by privileging the views of management as insiders and intermediaries as outsiders of an insurance firm in Swaziland.

Greene and Caracelli (1997:6) stated that, “paradigm frames the world into a set of interrelated concepts and assumptions that guides understanding about the world and how it works.” In a similar vein, Babbie (2011: 32) added that, “paradigm is a model for observation that allows researchers to assess reality so that they understand the reality that they see.” To understand reality in the world, three world logical questions which are part of a paradigm are key and very helpful. The three pertinent questions pertain to ontology, epistemology and methodology.

Ontology addressed the question of ‘what is the form and nature of reality’, while the question of epistemology referred to the nature of the relationship between the researcher or the knower and what can be known about reality (Guba and Lincoln, 1994:108). Then the methodology question sought to understand how the researcher could go about finding out about reality (Babbie, 2011:4).

The interpretative paradigm was used in this research to understand subjective ontology (Guba and Lincoln, 1994:107), and in this view, knowledge, and information was accessible to the researcher. Then the researcher, in understanding reality, took a subjective epistemology which entailed interaction with interviewees (Babbie, 2011:34).

#### **1.4.1 Sampling**

Remenyi (1998:113) suggests that the choice of participants is a key aspect of research as it affects the outcome of that research.

In this study therefore, purposive sampling was used to identify 5 members of senior management (e.g. General Manager, Head of Business Development, Marketing Manager, and Chief Operations Officer) who participated in this

study. These provided their understanding of the espoused distribution objectives and strategy, and how they thought the strategy was working (or not) to achieve intended distribution objectives.

Additionally, a total of 4 brokers and managers of affinities who have been intermediaries in the distribution of Liberty Life microinsurance to the final users were purposively recruited to get their evaluation of the implemented distribution strategy. At least 3 years' experience of dealing with Liberty Life Swaziland microinsurance and distribution of financial services was considered sufficient for these participants to make an informed evaluation of the actual and emergent distribution strategy backed or illustrated by their real-life experiences. As the sample was small, the researcher focused on gaining deep and multiple perspectives of reality.

#### **1.4.2 Data collection**

A total of 9 semi-structured (5 face-to-face and 4 telephone) interviews were conducted with Liberty Life managers and owners/managers of distribution partners as a means of gathering data to the point of where their perspectives or responses were repetitive. Data collection ceased when new perspectives were no longer evident as interviewees were being repetitive. Each interview took approximately 25 minutes. Data collection stopped when interviewees were repetitive so that no more new data was being collected.

An interview guide was used in these interviews, which was based on the key research question "how does Liberty Life Swaziland distribute microinsurance to the bottom of the pyramid within Swaziland?" The questions used related to three key areas; microinsurance distribution objectives and strategy, evaluation of the distribution strategy, and recommended strategies.

The first set of questions sought to identify microinsurance distribution strategy as perceived by Liberty Life Swaziland and also distribution partners to the bottom of the pyramid. The second part of the guide concentrated on the interviewees' evaluation of strategy or strategies pursued by Liberty Life Swaziland to distribute microinsurance. Lastly, the interviewees' views were

sought on other strategies that Liberty Life Swaziland could implement to increase the success of distributing microinsurance to the bottom of the pyramid.

Each interview was audio-recorded with the permission of the interviewee. All individual interviews were thereafter transcribed by the researcher.

### **1.4.3 Data analysis**

The analysis of the data collected was based on an inductive approach to identify emerging themes. Data analysis was based on open coding and constant comparison technique between the different interviews with the view to categorise similar and recurrent themes together (Babbie, 2011: 299).

### **1.4.4 Ethical Issues**

The researcher requested permission from Liberty Life Swaziland in writing to conduct the study. Anonymity and confidentiality were not just assured to interviewees but also adhered to at all the time during data collection. Moreover, the researcher gave an introduction, explaining the intent of the requested appointment and also seeking voluntary informed consent from the interviewees, and outlining the nature of the study.

## **1.5 FINDINGS**

In presenting findings of this study, it is vital to recollect that the objectives of this study were: (1) identify micro insurance objectives and strategies as perceived by executive and senior managers at liberty life Swaziland; (2) to identify and evaluate

strategies used by Liberty Life Swaziland in distributing micro insurance as perceived by their intermediaries; (3) identify any successful strategies for micro insurance to the bottom of the pyramid; and (3) make recommendations of strategies that Liberty Life Swaziland may adopt to enhance distribution of micro insurance services to the bottom of the pyramid.

Liberty Life Swaziland only sold death immediate expense policies to the BoP market which were in categories of E3, 000; E5, 000; E10, 000; E15, 000; E30, 000 and E50, 000. Customers had the option of purchasing individual member only insurance cover or family cover. The company served 140, 000 customers with the major broker having 76% of the customers. In total there were 9 intermediaries for Liberty Life Swaziland, which subsequently had distribution branches and agents, e.g. the post office had 32 branches and 63 sales agents.

In the light of this, the findings of micro insurance objectives and strategy as perceived by executive and senior managers at Liberty Life Swaziland will be presented first. This will be followed by results on strategies identified and evaluated by intermediaries. This will be followed by any successful strategies for distributing micro insurance to the bottom of the pyramid.

### **1.5.2 Micro insurance distribution objectives and strategies as perceived by executive and senior managers, Liberty Life Swaziland**

This study reveal that managers at Liberty Life Swaziland consider the following as the objectives for distribution of microinsurance; (1) provide relevant solutions in a cost effective manner – thus keeping premiums as affordable as possible, (2) provide simple products which are easy to understand by customers, (3) make services accessible, and make doing business easy with Liberty Life.

#### **Provide Cost effective and relevant solution**

In terms of distribution objectives, managers at Liberty Life Swaziland emphasize not only delivering relevance of a solution, but also the cost of the solution from the perspective of the customer. One of the manager illustrated this distribution objective by focusing on affordable premiums associated with relevant solution as follows:

*“Liberty Life objective to distribute microinsurance is to provide relevant solutions which meet the needs of the customers in a cost effective manner, for example, by keeping the premiums as affordable as possible.” (Manager #1)*

### **Provide Simple, Easy to understand products**

Others managers focused on how insurance as a complex service would be distribute in a manner that was simple and easy to understand by those in the bottom of the pyramid. In this regard, one manager had this to say:

*“The objective has been to meet the needs of the customers by providing simple and easy to understand products, for example funeral cover.” (Manager #3)*

### **Make services accessible and doing business easy with Liberty Life**

In a slightly different way, some of the managers considered accessibility of service by customers, and also simplification of business process as key micro insurance distribution objectives. Focusing both at consumer and microinsurance agent level, one manager echoed the issue of travel distance to pay claims and submit claims and also how short travel distances made sense to partners as well. E.g. by partnering with the post office, customers no longer needed to travel to town in order to find a bank to deposit premium payments because the post office foot print countrywide, whereby customers accessed them within walking distance. Hence previously customers would had had to pay E50.00 on public transport while depositing E52.00 premium payment for a policy per month.

*“Another distribution objective of Liberty Life is to make services accessible, i.e. not to have customers travel long distances to pay for premiums and submit claims.” (Manager #1)*

*“Liberty Life distribution of microinsurance objective to the market is to make it easy for distribution partners to do business with us. This is important and also makes business sense for partners because of the size of the market and quick speed to gain market share.” (Manager #3)*

Another manager had a contrasting view about the distribution objectives of microinsurance by Liberty Life.

*“I don’t think initially Liberty had an objective to distribute microinsurance but rather to partner with entities in Swaziland to increase market share, which eventually turned out that these entities were reaching customers at the low-income levels.” (Manager #2)*

## **1.5.2 Micro-insurance distribution strategy as perceived by executive and senior managers**

### **Bulk selling through partnerships**

The study reveals that management view was that distribution strategy for Liberty Life was to do bulk retail selling through partnership with affinities and not direct selling to consumers. The intention was that the partners engage with the individual customers while Liberty Life managed them as intermediaries. The variety of partners, and rationale for bulk selling through partners was aptly illustrated by one of the managers as follows:

*“The objective for Liberty was not to do direct selling but rather bulk retail selling through partnership with affinities. The bulk retailing partners for Liberty were intended to engage with the individual customers in the administration and queries on their policies.” (Manager #5)*

The strategy of bulk selling microinsurance services has also met a variety of challenges primarily from customers, as observed below;

*“The challenge in selling funeral type of insurance within the churches has been a negative attitude by some church members. The other challenge has been on timely remittance of premiums as some customers felt it was acceptable to pay as and when they were able to rather than on a monthly basis. Another challenge is the understanding of insurance as a concept itself. Some customers were also forgetful after they have been taught what they needed to do to maintain their policies and keeping them up to date because they are still new to dealing with insurers.” (Manager #4)*

### **Diversification of distribution channels**

With primary emphasis on bulk channel, managers at Liberty Life Swaziland noted that the use of different channels such as post offices, to reach the bottom of the pyramid was exclusive to this mass market. One manager illustrated how the strategy not only to focus on brokers has unfolded and led to diversified distribution channel as a way to keep costs and premiums low.

*“There are different distribution channels, e.g. brokers and agents, but this model is limited for the mass market as you need mass distribution to achieve high sales volumes and to keep costs low. To keep low costs, the commission also needs to be low. How Liberty has achieved this has considered different distribution models; (1) direct channel dedicated call centre or personal selling through agents, and (ii) affinity model – e.g. selling through retail stores, post offices, mobile telephone operators, though mobile operators model could be a different study on its own given the different aspects of process design that need to be thought through to make it a success.” (Manager #3)*

*“Liberty’s objective has been to diversify distribution channels selling its products rather concentrating on the usual brokers, e.g. partnership with churches.” (Manager #4)*

Another manager revealed how the opportunity to sell insurance to the informal market through partners eventually became a distribution strategy; but also how relationship management as a way to enhance market reach and increase market share became a very important part of that strategy.

*“Distributing microinsurance has been more of an emergent strategy rather than what was initially planned. This was as a result of partnership with affinities, which are standalone institutions which have their own client base that they were already serving. The affinities then brought the opportunity to sell to the informal sector and unbanked market. Liberty has been keen on partnerships to increase market share with criterion being the worth of the partner in terms of size and reach. The other internal issues within the affinity on administration, product and processes were then dealt with as part of relationship management with the partners.” (Manager #4)*

### **Entrepreneurial response to opportunity**

Other managers were of the view that micro insurance distribution was not planned given the history of Liberty Life of focusing to the formal sector and reliance on traditional approach of distribution through brokers. One manager illustrates how micro insurance distribution strategy was more of an entrepreneurial response on the market.

*“Predominantly, Liberty has been targeting entities that are closer to the people or target market. From a government policy point of view, Liberty has also aligned itself with financial inclusion to reach the unbanked market....this is an opportunity... whereby before, the target was to reach the affluent market only.” (Manager #4)*

### **1.5.3 Micro insurance distribution strategies as perceived by intermediaries**

Alternatively, intermediaries predominantly conceived that (1) innovation to meet customer needs; (2) affordable premiums; (3) close proximity to customers; (4)

customer education; and (5) ease of remittance of premiums, were the central distribution strategies behind microinsurance by Liberty Life Swaziland.

**Table 5: Comparison of micro insurance distribution strategies** of Liberty Life Swaziland as perceived by Managers and Intermediaries

<b>Micro insurance distribution strategies as perceived by Managers</b>	<b>Microinsurance distribution strategies as perceived by intermediaries</b>
Bulk selling through partnerships	Innovate to meet customer needs
Diversification of distribution channels	Affordable premiums
Entrepreneurial response to market opportunity	Close proximity to customers
	Customer education
	Ease of remittance of premiums

While managers at Liberty Life Swaziland perceived their microinsurance distribution strategy in terms of partnership, diversification of channels as means of reaching a new market, they also focused on how they were responding to the opportunity in a market. This study reveals differences on what outsiders such as intermediaries and managers as insiders within Liberty Life Swaziland perceived as the microinsurance distribution strategy for Liberty Life Swaziland. Predominantly from a customer focus, intermediaries thought that Liberty Life Swaziland was not responding to an entrepreneurial opportunity on the market, but rather trying improving internal processes and services to be more customer centric (e.g. affordable premiums, close to customers, ease of premium remittances etc.).

As presented in the table above, the following is how managers in intermediaries working with Liberty Life Swaziland construed the customer centric strategy of distributing microinsurance to the bottom of the pyramid.

## **Innovation to meet customer needs**

Intermediaries of Liberty Life inclusive of brokers and agents were of the view that the distribution strategy was inspired by innovation to meet the needs of the customers. As strategy tailored to individual needs, it is complemented by transparency, which all were good attributes for microinsurance distribution.

*“Liberty has identified gaps in the market and been innovative in developing products that meet the specific needs of the desired target group. I will also add that Liberty’s terms and conditions are clear and this affords the customer understanding of the benefits on their policies and conditions in which the claims can be made or even declined. This is being transparent with the customers by the insurer.” (Intermediary – Broker #3)*

## **Affordable premiums**

*“Liberty’s premiums vary to accommodate individuals with low income and are affordable. This is because the premiums are from as low as E11.00 for E3,000 cover on individual member joining at maximum age of 85 years on the Sichwaga funeral plan. This is affordable for most people, especially in rural areas. While on the other insurers will charge relatively higher premiums for a similar benefit cover, e.g. E36.00 for a person who is E65 years and above.” (Intermediary #4 – Agent)*

## **Close proximity to customers**

*“The agents selling microinsurance have been going to where the clients are, e.g. as far as Nkonjaneni in northern Hhohho region, than waiting for them to come to agents’ offices in Manzini. Liberty through its partnership with the Swaziland Conference of Churches has been able to make cover accessible to rural communities. As a result, the customers have reduced travelling costs for long distances in order to pay premiums. Instead of paying E20.00 for transport to make E11.00 premium payment, the local Alliance church accepts and remits the premiums on behalf of the individual customer.” (Intermediary #4 – Agent)*

## **Customers' education**

*"..., Liberty has been educating customers to understand the need and importance of financial services, particularly for insurance, such as the voluntary funeral cover, and simple life cover policies." (Intermediary #4 – Agent)*

## **Ease of remittance of premiums**

*"I will also mention that Liberty has been working with the agents to find safe means of remitting premiums and sending proof of payments in cost effective ways, e.g. after depositing premiums in the nearest bank, the customers will then post the proof of payment thus reducing travelling costs for customers in remote areas. Using the post office to purchase policies, send data, update policies has also saved customers costs." (Intermediary #4 – Agent)*

While acknowledging that brokers still remain the main distributors of insurance which has been the traditional way of working, another intermediary echoed how new or innovative ways of distributing microinsurance were vital to penetrate the informal retail insurance market.

*"The brokers remain the main distributors as the standard way how insurance companies have worked in the past. But the environment which we are in needs other ways of distribution to penetrate the market. Distribution through brokers is the traditional way and there are new others such as bancassurance which has penetrated the retail market, however the informal sector has still been left out. All the insurance companies in Swaziland have been focusing in the formal sector and not just Liberty Life. The formal sector is also well covered by the brokers." (Intermediary - Broker #1)*

### **1.5.4 Successful strategies for microinsurance distribution to the bottom of the pyramid**

Liberty Life has been successful to distribute microinsurance by; identifying distribution partners, offering simple products, and variety of options (e.g.

provision for both group schemes and individual voluntary policies to distribute to the bottom of the pyramid).

### **Identifying distribution partners**

In reflecting on the strategies used by Liberty Life, one manager highlighted how the identification and recruitment of partners has been vital to enhance access to mass, rural market in Swaziland.

*“Liberty has been successful in identifying distribution partners, such as, Swazi Post which has 34 post offices in Swaziland, Swaziland Conference of Churches with 137 affiliating members churches whose membership is over 200, 000 nationwide. Swazi Post in particular, has infrastructure presence in the rural areas where the post offices are still a main business center and thus reach to masses of retail customers.”*  
(Manager #5)

### **Simple products**

The intermediaries also observed that Liberty was offering services with simple terms and conditions for the customers.

*“Besides naming the products simple, e.g. the ‘simple life cover’, the products terms and conditions are indeed simple to understand because they are written in plain English and others translated to Siswati. This has been positively accepted by the customers especially the older population because of relevance and ease to understand the product features and benefits that they are covered for, e.g. loss of sight in both eyes, loss of a limp, loss of speech, stroke or diagnosis with cancer among others.”* (Intermediary #2 – Broker)

### **Variety of options to offer customers**

In the view of one broker, the variety of options available to customers was a critical aspect which made distributors of microinsurance happy as they are able to meet a variety of customer needs. Nonetheless, the observation that there is room for improvement reflects some degree of dissatisfaction by brokers, as illustrated below:

*“The distributors are happy because they have a variety of products that meet the needs of the different consumers. However, there is still room for Liberty to improve in the products offered.” (Intermediary #3 – Broker)*

Some intermediaries revealed how group schemes and voluntary individual policies were meaningful and useful when prospective clients were faced with slow decision making mechanism. In particular, one broke spoke about the slow decision making process in the churches and how individual opted for individual rather than group scheme in order to remain insured.

*“Within the member churches of Swaziland Conference of Churches, for example, group schemes were encouraged but due to the slow pace of decision making, individual members in the congregation who have shown interest and willingness to join on their own, have the option to do so.” (Intermediary #4 – Agent)*

Management at Liberty Life also conceded that it was successful in educating customers before selling them products. Liberty Life had also earned trust and confidence from its customers; such was evident in the partnership established with churches, farmers associations, and savings & credit cooperatives. Success has also been achieved in assisting partners to comply with the requirements of the regulator and thus receiving certification to trade on microinsurance.

*“The greatest challenge to potential partners, especially the informal affinities or ‘friendly societies’ we have had to overcome has been explaining the need for insurance. Secondly, with our partners e.g. Vusa Savings & Credit Copperative, we have successfully brought to the mainstream of insurance informal organisations that were previously self-insured to understand the risk of some of their members not being able to claim if disaster was to. Thirdly, there we have been successes with explaining the legal compliance requirements as the distribution partners in the low income sector now understood why compliance is necessary since it was not a requirement before the regulators office was set-up.” (Manager #4)*

At the consumer level, educating clients on micro insurance has not been a success as evident by people who still do not understand the need for regular payments (e.g. not pay when they feel like and not consistently) and frequency of paying premiums.

Another weak element of the distribution strategy is the lack of partner selection criteria. Whilst the strategy of working with a variety of target partners is clear, partnership roll-out was hampered by lack of clear criteria for their selection e.g. retail partner such as post offices; and community partner such as churches. One manager echoed how the roll-out of partnership and finalisation of partnership was taking long, partly due to lack of selection criteria, as illustrated below:

*“I would say at this stage, it has been more of a learning curve for Liberty to distribute microinsurance. One of the lessons being that, due to not having defined partnership criteria, it has been taking longer to finalise the partnerships and taking longer to take products to market. (Manager #5)*

## **1.6 DISCUSSION**

According to management of Liberty Life, the distribution of microinsurance services to low income households made business sense because of saturated and limited growth in the affluent market. The mass retail market has potential for growth and reaching more people with financial services who were in the informal sector and previously unbanked.

Hence, Liberty Life Swaziland made a strategic decision to grow market share by distribution of microinsurance to the bottom of the pyramid beyond the conventional affluent formal sector which was saturated and highly contested. Such a decision by Liberty Life resonates with Prahalad’s research that the bottom of the pyramid could be serviced profitably and consequently eradicate poverty and enhance sustainability (Prahalad 2005:26). The findings from the distributors’ point of view showed that Liberty Life’s approach was perceived as innovative in providing; relevant solutions,

non-complex products, easily accessible to customers, and making it easy for intermediaries to do business.

Therefore, Liberty Life is on the right path in its growth aspirations given that the global trend of more conventional insurers now were using microinsurance to gain foothold in the world's emerging markets (Toops 2012:35).

The provision of relevant solutions in a cost effective manner and thus keeping premiums affordable as found in this study, is supported by Cohen et al (2005). In their study in Kenya, Tanzania, and Uganda, Cohen et al (2005) recommended that for microinsurance to be viable, it required innovation in design for products and services that were appropriate in terms of coverage, timelines, accessibility and affordability. Clearly, the findings in this study illuminate the focus of Liberty Life Swaziland on enhancing coverage, affordability and accessibility. More importantly, the variety of simple products offered to the bottom of the pyramid reflects efforts to address accessibility rather than strategic innovation. While mobile technology is increasingly accessible in rural areas and also used to innovate in the financial services sector, it is apparent that this is not the case with Liberty Life Swaziland. In the view of Prashad et al (2014:72), mobile phones provides an innovative way to address challenges faced by insurers in distributing microinsurance services e.g. high transaction costs, poor infrastructure, lack of awareness and demand from clients;. Studies conducted in Kenya, Ghana, Zimbabwe, Pakistan, and India, Prashad et al (2014) highlight that mobile network operators could assist to reduce costs of underwriting, selling, and administration of claims in proportion to value of microinsurance policies. Furthermore, the study found that mobile phones would increase efficiency of transactions across the value chain, improve processes such as enrolment, premium collection and claims settlement Prashad et al (2013:73).

While this study has also revealed that the distribution strategy for Liberty Life centred on partnership with affinities for bulk retail selling, it is not clear how this has educated and communicated to the low-income target market about microinsurance services and their requirements. This is very interesting mindful that some people do not yet understand the need for regular payment of premiums to remain insured. With the intention that distribution partners engage with individual customers, it is evident that distribution partner are not fulfilling their role of facilitating insurance

transactions. This raises question on how a principal may support a partner to ensure that facilitating and transactional roles of intermediaries are execute efficiently and effectively in a bottom of the pyramid market for micro insurance. Additionally, the perceived emphasis on being entrepreneurial to exploit a new unsaturated market upheld by managers at Liberty Life Swaziland is very different from that of intermediaries which focuses on the customers. There is a danger that this difference may either make managers within Liberty Life Swaziland to focus channel motivation programmes at the level of the trade channels as a tool to the market or fail to support intermediaries in their efforts to fulfilling the customer needs. It is necessary that there is a seamless support between the principal and the agent in pursuit of the common goal of distributing microinsurance to the bottom of the pyramid in Swaziland.

Mehta et al (2002:43) in devising the structure of channel design recommended that the number of levels in channel, intensity and types of intermediaries, and number of channels had to be considered. Hence, the strategy to maximise market coverage has to be intensive distribution as stated by Lamb et al (2012:309).

The objectives of intensive distribution were; widespread market coverage, channel acceptance, high volume sales but lower profit margins. In addition, distribution intermediaries needed to be many in number and of different types of outlets. Hence, the variety of mass retail partners for Liberty Life, e.g. post offices, funeral parlours, churches, and microfinance institutions were appropriate for the microinsurance distribution strategy to be successful. However, Liberty Life was found to be lacking in mass advertising and therefore the brand was not visible and well known.

In agreement with the recommendation of McCord (2012:143) that finding the right distribution partner is the most critical factor in microinsurance, Liberty Life has identified and partnered with strategic partners with nationwide presence and infrastructure. Therefore, in order to meet the set distribution objectives of microinsurance, Steinmann (2012:149) assertions on; lowering costs, depth in reaching more remote people, quality of financial services, and speed in settlement of claims were key issues regarding distribution of insurance. These assertions by Steinmann were consistent with the set distribution objectives of Liberty Life.

Noteworthy from the findings in this study is the observation that Liberty Life did not have a specified criterion for choosing channel partners. However, Mehta et al (2002:431) advise that once prospective channel members were found suitable and assessed on the basis of channel member's credentials e.g., credit history, reputation, number of product lines, market coverage, and number of salespeople, they needed to be examined for congruency with the firm's marketing objectives.

With microinsurance as a unique service, it was critical that potential micro insurance partner had (1) sufficient capacity and access to critical mass numbers which the insurer cannot access easily, (2) trust by potential customers of the partnering organisation in the community, (3) low operational costs to offer more benefits to customers at affordable rates, (4) convenience to avoid long trips to distant outlets and long queues, (5) speed to respond to claims and queries on policies, and (6) outreach to rural communities by usage of mobile technology and partner networks (Steinmann 2012:150).

## **1.7 RECOMMENDATIONS**

The study made the following recommendations for Liberty Life;

- (i) To set distribution partners selection criteria as recommended by Steinmann (2012). This selection criterion should focus on; sufficient capacity and access to critical mass numbers which the insurer cannot access easily, and speed to respond to claims and queries on policies to suit the Swaziland environment.
- (ii) With the opportunity to innovate using mobile technology, there is need to explore how micro insurance distribution would be improved in various ways such as premium collection. For example, Liberty Life may partner with mobile network operators' who already have not only established agents and airtime vendors, but also coverage to enable rural people make a transaction.
- (iii) Invest in continuous training and development of distribution partners and empower them with technical skills as a competitive advantage in the market. Ultimately, this would help to educate the poor on micro insurance, its features and benefits and impact on market coverage.

(iv) To create common understanding between Liberty Life Swaziland managers who see “a business opportunity at the bottom of the pyramid” which is not saturated; and their intermediaries who see a customer expecting innovative means to meet microinsurance needs. This is important for Liberty Life Swaziland to support their intermediaries better in their service provision.

## **1.8 LIMITATIONS OF THE RESEARCH**

This study was based in only one insurance company out of nine in Swaziland. As such, the findings on microinsurance distribution objectives and strategies may not be a full reflection of the entire industry.

Another limitation is that all data collected was mainly based on interviews. Interviewees generally volunteered information and were comfortable sharing this information but this data of course was potentially subject to various weaknesses such as perceptions and misperceptions on the part of Liberty Life management and owners or managers of brokerages or affinity partners (e.g. unwillingness to disclose information). The researcher was able to assure respondents of confidentiality and anonymous capturing of data while assuring that the study was for academic purposes.

Also to be noted is that microinsurance was still at the early developmental stages. In this regard, even the by-laws for regulating microinsurance were in draft form at the time the study was conducted. Therefore, the developments on the regulatory framework will need to be factored as they will change the regulation of microinsurance and in turn distribution strategies. Hence, the landscape going forward of microinsurance and strategy development needs to be cognisant of the effects on proposed industry changes. This is a contextual limitation of this study.

## **1.9 VALUE OF THE RESEARCH**

This study provides practical empirical feedback for Liberty Life Swaziland management to understand multiple perspectives on distribution strategy of microinsurance by privileging the paradoxical views of management as insiders and intermediaries as outsiders. Therefore, the findings of this study may be used in strategy review and inform tactical changes going forward.

## **1.10 FUTURE RESEARCH**

Consideration for further research should be made to extend this study to cover the insurance industry in Swaziland, particularly microinsurance within the same parameters. The premise here would be to verify whether the findings identified are typical of microinsurance sector in Swaziland or are unique to Liberty Life Swaziland.

Future research should also be considered which would include looking at the same phenomenon but with the addition of mobile telecommunication operators as distribution partners given the wide coverage of mobile phones usage. This additional aspect of mobile telecommunications would be useful as an exploratory study.

## **1.11 CONCLUSIONS**

The review of literature conducted showed the background and preliminary studies on the concept of microinsurance and how it was different from conventional insurance. Distribution as a concept was also reviewed with a focus on (1) marketing channels giving insight into the role of marketing channels, marketing channel levels; (2) channel design, namely selective distribution, exclusive distribution, and intensive distribution; (3) channel mix, which involves decision making on vertical marketing system, horizontal marketing system, and integrated multichannel marketing; (4) managing channels which includes identifying channel partners, channel motivation, managing channel conflict and managing power relations.

Besides defining microinsurance, and the rationale of its relevance in the bottom of the pyramid, key findings from research conducted on microinsurance are reviewed which have given insight into the evaluation of distribution strategy in the case of Liberty Life Swaziland.

Lastly, this section ends by making practical recommendations to Liberty Life to consider enhancing the implementation of the strategies on distribution of microinsurance.

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## **2 SECTION 2: LITERATURE REVIEW**

### **2.1 INTRODUCTION**

This section provides conceptualisation of distribution followed by an in depth theoretical foundation on distribution channels. The concepts of marketing channels, channel design, channel mix and channel management are discussed in detail. Then microinsurance is defined followed by evaluative research studies done on microinsurance distribution and delivery channels.

### **2.2 DISTRIBUTION**

In particular distribution of microinsurance services, was about the type, number, and also service to intermediaries (e.g. insurer, broker, and agent) through whom insurance passed, but also how insurance products and services reached the actual policy holders (Zieniewicz 2014:23). Literature on distribution of services assert that this concept was mainly about getting right services to the right people, in the right way at the right time with special consideration for profit and effectiveness (Munsamy & Chelliah 2011:1). Qureshi & Reinhard (2011:4-5) were specific that affordability and service were some of the key issues on microinsurance distribution in developing countries.

From a structural viewpoint, distribution was about the “pathways a product or service followed after production, culminating in purchase and use by the final end-user” (Kotler & Keller 2012:46). Also referred to as “marketing or trade channel,” distribution defined the structure of independent but interdependent firms, which ran from the point of origin of services to the final consumer (Lamb et al 2010:300). This definition by Lamb et al was suitable to the microinsurance context especially when there were many independent intermediaries involved. In this vein, the study adopted the definition of Lamb et al to evaluate how microinsurance was distributed through a business structure of independent but many interdependent firms in Swaziland to ultimately serve the poor as the final users of service.

## **2.3 MARKETING CHANNELS**

Marketing channels were defined as the set of organisations that a firm used to achieve its distribution objectives (Mehta et al, 2002:430). Whence, a channel was the route, path, or conduit through which products or things of value flow, as they moved from manufacturer to the ultimate user (Stern, El-Ansary & Coughlan, 1996 cited in Mehta et al 2002:430). The decision for channel choices depended on the company's distribution strategy with regards to segmentation, targeting and positioning mad by management (Kotler & Keller 2012:438). However, it was not only the decision of a particular distribution channel but sometimes companies needed to make decisions on whether to add a new channel in addition to existing channels (Cai 2010:22).

In the era of increased emphasis on customer relationship management across hybrid marketing channels, there has been a concern regarding who has the responsibility for managing channel relationships (Anderson, Mehta & Strong 1997 cited in Mehta et al 2002). In addition, a concern raised by Mehta et al (2002:430) was that, success or failure for most manufacturers of products or services was determined by how effectively and efficiently their products were being sold through their marketing channel members. With this in mind, considerable literature and research studies had focused on the relationship between firms and distribution member channels management (Achrol & Stern 1988 cited in Mehta et at 2002; Anderson, Day & Rangan 1997 cited in Mehta et at 2002; Rangaswamy & Bruggen 2005; Rosenbloom 2006; Steven et al 2009; Chang et al 2010; Shea & Hu 2009; Zhang et al 2010; Yan 2011; and Bairstow & Young 2012).

### **2.3.1 The role of marketing channels**

Literature asserted that marketing channels influenced how the company interacted with its customers (Gilaninia et al 2012:2902). However, the question to ask would be why would companies' task intermediaries with the responsibility of engaging with its own customers? Kotler & Kettler (2012:440) responded to this question by stating that, "intermediaries through their contacts, experience, specialisation, and scale of operation made goods and/or services widely available and accessible to target markets, usually

offering the firm more effectiveness and efficiency than it could achieve on its own.”

Table 1 below summarises the role of marketing channels;

Table 1
<ul style="list-style-type: none"> <li>Gathered information about potential and current customers, competitors, and other actors and forces in the marketing environment.</li> </ul>
<ul style="list-style-type: none"> <li>Developed and disseminated persuasive communications to stimulate purchasing.</li> </ul>
<ul style="list-style-type: none"> <li>Negotiated and reached agreements on price and other terms so that transfer of ownership or possession could be transferred.</li> </ul>
<ul style="list-style-type: none"> <li>Placed orders with product or service producers</li> </ul>
<ul style="list-style-type: none"> <li>Acquired funds to finance inventories at different levels in the marketing channel (in the case of insurance, to perform business take on activities such as capturing of policies and transfer of policy holders information to the insurer)</li> </ul>
<ul style="list-style-type: none"> <li>Assumed risks connected with carrying out channel work e.g. collection and remittance of insurance premiums</li> </ul>
<ul style="list-style-type: none"> <li>Provided buyers' payment of their bills through banks and other financial institutions</li> </ul>

Source: Kotler & Keller (2012:441)

Mehta et al (2002:430-431) argued that the role of marketing channels in the firm's marketing objectives and strategies should be congruent with channel strategy and marketing mix.

### 2.3.2 Marketing channel levels

Channel structure has too often been considered primarily in terms of the configuration or number of the channel members involved and allocation of functions and channel flows among members (Rosenbloom 1987, Stern & El-Ansary 1988).

Based on Methlie and Gressgard (2006), four key structural conditions were considered. Market conditions related to the structure of the optimum channel

network, size of market, industry growth, competition (relating to number of vendors and distribution partners in the channel), long-term strategic trends, and the frequency of mergers and acquisitions.

## **2.4 CHANNEL DESIGN**

Channel design refers to the development of new channels or the modification of existing channel structures (Anderson et al 1997 cited in Mehta et al 2002:431). To this fact, Kotler & Keller (2012:444) added that to design a marketing channel system, marketers' analyses customer needs and wants, establish channel objectives and constraints, and identify and evaluate major channel alternatives.

While conducting an analysis of customer needs and wants, research proved that consumers would choose the channels they preferred based on price, product assortment, and convenience as well as their own shopping goals, which were, economic, social, or experimental (Ansari, Mela, & Neslin 2008 cited in Kotler & Keller 2012:444). A study in France, Germany and United Kingdom showed three types of shoppers; (1) service or quality customers who cared about the variety and performance of service, (2) price or value customers who were most concerned about spending wisely, and (3) affinity customers who sought to purchase where it suited people like themselves or groups they aspired to join (Child, Heywood & Kilger 2002 cited in Kotler & Keller 2012:444).

To establish objectives and constraints, Bucklin (1966) recommended that under competitive conditions, channel members needed to arrange their functional tasks to minimise costs while still providing the desired level of service.

In devising the structure of channel system, Mehta et al 2002:431 recommended that the number of levels in the channel, intensity, types of intermediaries and number of channels be considered. This recommendation was consistent with Kotler & Keller (2012) who stated that in identifying major channel alternatives; the types of intermediaries, the number needed, and terms and responsibilities of

each were necessary. Number of intermediaries were based on three strategies; selective, exclusive and intensive distribution.

### 2.4.1 Selective distribution

This strategy relies only on some of the intermediaries willing to carry a particular product. Whether established or new, the company does not need to worry about having too many outlets, it could gain market coverage with more control, and less cost (Kotler & Keller 2012:447).

### 2.4.2 Exclusive distribution

The most restrictive form of market coverage which entails only one or limited number of intermediaries within a given area (Lamb et al 2012:310). The major reason for exclusive dealing is to obtain more dedicated and knowledgeable selling (Kotler & Keller 2012:447), though the pitfall may be that the exclusive network may not be large enough if demand is high (Lamb et al 2012:310).

### 2.4.3 Intensive distribution

This distribution strategy aims at maximum market coverage. Lamb et al (2012:309) argued that if buyers were unwilling to search for the product or service, it ought to be easily accessible to buyers.

*Table 2 – Distribution intensity strategies*

<b>Distribution characteristics</b>	<b>Selective distribution</b>	<b>Exclusive distribution</b>	<b>Intensive distribution</b>
<i>Objectives</i>	Moderate market coverage; solid image; some channel control and distributor loyalty; good sales and profits	Prestige image; maximum channel control and distributor loyalty; price stability and high profit margins	Widespread market coverage; channel acceptance; high volume sales, but lower profit margins
<i>Distribution</i>	Moderate in number; well-established, better	Few in number; well established, reputable	Many in number; all

<i>intermediaries</i>	outlets	outlets	types of outlets
<i>Customers</i>	Moderate in number; brand-conscious; somewhat willing to travel to shop	Fewer in number; trend setters; higher income; willing to travel to shop; brand-loyal	Many in number; convenience-oriented
<i>Marketing emphasis</i>	Lower level of personal selling; pleasant shopping conditions; good service; price of some importance	Personal selling; pleasant shopping conditions; good service; price not very important	Mass advertising; nearby location; items or service availability; buy on price
<i>Major disadvantage</i>	May be difficult to carve out of niche	Limited sales potential	Limited channel control

Source: Lamb et al 2012:310

With regards to terms and responsibilities of channel members, table 3 (trade relations mix) summarises that each channel member needs to be treated respectfully and given the opportunity to be profitable.

*Table 3 – Trade relations mix*

<b><i>Price policy</i></b>	Calls for establishment of equitable and sufficient price list and schedule of allowances or commission structure with regards to microinsurance policies sold.
<b><i>Conditions of sale</i></b>	Referred to the terms and conditions e.g. microinsurance benefit cover amount, waiting period before claiming, number of dependants on each policy, conditions to claim for, turnaround time for claims.
<b><i>Distributors' territorial rights</i></b>	Defined the distributors' territories and the terms under which the firm would enfranchise other distributors.
<b><i>Mutual services and responsibilities</i></b>	Needed to be carefully spelled out, especially in exclusive-agency channels, e.g. promotional support, training and accreditation, technical assistance and back-office support.

Source: Kotler & Keller (2012:448)

## **2.5 CHANNEL MIX**

Distribution under the marketing mix involves all companies' activities that make the products or services available to the targeted consumers (Kotler & Amstrong cited in Chummum & Bisschoff 2014:58). Rangaswaymy & Van Bruggen (2005) cited in Rosenbloom (2007:4) added that, "businesses all over the world now have many more choices in the channels they could utilise to reach their customers." In fact, numerous companies in business-to-business sector already use multiple channels to go to market their products and services (Cespedes & Corey, 1990); such as, company's own field sales force channel, the distributor channel, the sales rep channel, mail order channel, the online channel, the call center channel, and several others needed by the same company to serve its customers effectively and efficiently (Friedman & Furey, 1999 cited in Rosenbloom 2007:4).

However, the available range of channel choice and combination potential means that businesses are also faced with the challenge of formulating strategies to achieve optimal channel mix while avoiding conflict among the different channels (Rosenbloom 2004; 2006). Further to, Rosenbloom (2007:6) argued that it is the quality of the channel mix rather than quantity of the channels that make the most influence on a firm's customer base. Johnson & Selness, 2004 cited in Rosenbloom (2007:6) added that a well-designed channel mix needs to offer the firm access to a range of customer segments while achieving channel diversification.

Therefore, based on Kotler & Keller (2012:453) assertion that, "a good retail strategy offers customers a positive shopping experience and unique value, if properly adapted". This assertion is likely to find success in more than one market. The following distribution channels; vertical, horizontal, and integrated multi-channel systems need to be explored to get a better understanding of channel mix.

### **2.5.1 Vertical marketing system (VMS)**

According to Kotler & Keller (2012:453), VMS include the product or service producer, broker and agent acting in a unified system. In this system, one channel member own the others, e.g. franchise model, such that the captain of the channel has power over the others to cooperate. Wuyts et al 2004 cited in Kotler & Keller (2012:454) in a study conducted in the United States of America found that, business buyers of complex products and systems valued the extensive exchange of information they obtained from VMS, such that the VMSs has become a dominant mode of distribution serving 70% to 80% of the market.

### **2.5.2 Horizontal marketing system (HMS)**

Another channel development as stated by Kotler & Keller (2012:455) is the horizontal marketing system(HMS), in which two or more unrelated companies put together resources to exploit an emerging opportunity. An example would be a conventional insurance company Like Liberty Life creating a joint venture, such as an agency agreement, with a funeral parlour selling microinsurance funeral cover, since the funeral parlour may lack capital, insurance technical know-how, marketing resources to reach more customers.

### **2.5.3 Integrated multichannel marketing**

According to Kotler & Keller (2012:456), integrated multichannel marketing is when strategies and tactics of selling through one channel reflect strategies and tactics of selling through one or more channels. However, a critical question arises on whether multichannel marketing means access to more customers? A study on multichannel strategy in business-to-business markets by Rosenbloom in 2006, noted that, “additional channels could not reach the intended customer segments, or the customer segments that patronised the new channels could be comprised largely of customers who simply switched from the firm’s prior channels resulting in ‘channel cannibalisation’ rather than new customers.”

In addition, poorly integrated multiple-channels could also lead to dissatisfaction of customers potentially resulting to customers’ loss to

competitors (Rosenbloom 2007:6). Coelho et al 2003 cited in Rosenbloom 2007 concluded that it could be not the number of channels but the channel mix and how well the mix was coordinated and integrated that determined how the customer base was affected by multichannel strategy.

Njegomir & Rihter (2013:18) noted that insurers used a mix of marketing channels, and traditionally had used their own representatives as well as agents and brokers. Besides the decisions made on channel design and channel mix as outlined above to gain competitive advantage, managing the distribution channels requires leadership coordination to identify, motivate, manage conflict, competition, and power.

## **2.6 Managing Channels**

For a new small start-up firm, it ought not to be a challenge to manage distribution channels as the firm would likely sell directly to customers. Though, as the company grew it would likely utilise few existing intermediaries, hence identifying and managing them might not be a problem (Kotler & Keller 2012:451). However, firms' which seeking to identify, develop and maintain sustainable competitive advantage increasingly use a collaborative paradigm that look beyond their own boundaries to develop sophisticated, effective and flexible alliance strategies (Newman & Chaharbaghi 1996 cited in Holmberg & Cummings 2009:165).

### **2.6.1 Identifying channel partners**

Once the marketing channel has been designed, channel members are selected to represent a firm and resell its products or services to final customers (Mehta et al 2002:431). Once prospective channel members are found suitable and assessed on the basis of channel member's credentials e.g., credit history, reputation, number of product lines, market coverage, and number of salespeople, they need to be examined for congruency with the firm's marketing objectives (Stern et al 1996 cited in Mehta et al 2002:431).

Research has attempted to develop more specific procedures for choosing channel partners. Unlike the generic-motivation approaches, Pan (2004)

developed channel partner selection criteria based on a review of 13 published studies on the topic. His motivations and partner selection criteria included: complementary strengths, task-related and partner-related criteria; considerations of culture, economic behaviour, and other criteria; how a potential partner fitted into the value chain of a firm's partners. Notably, 30 criteria were grouped into partner and task related factors; tangible and intangible assets; trust that benefits could be achieved by both parties; criteria or resources that could be bundled and bridged to offer superior value to consumers. It is important to note that criteria varies over different market goals; coordination, commitment, communication and conflict resolution. Despite the importance of partnerships, it is a common reality that most businesses do not employ formal, sufficiently rigorous partner-selection processes (Pan 2004 cited in Holmberg & Cummings 2009:168).

However, while the papers which Pan (2004) reviews focused on the overall concepts and criteria that need to be considered, his analysis demonstrated that they did not produce a coherent strategic partner selection process, or an operationalized selection tool adaptable to individual firms (Holmberg & Cummings 2009:168). Not surprisingly, the predominant focus of prior partner selection resulted in conceptual partner selection approaches, checklists and criteria that often failed to consider critical strategic factors fully. Firms using such static, general models could realize only limited benefits from the alliances they formed (Holmberg & Cummings 2009:168).

### **2.6.2 Chanel motivation**

As independent institutions, channel members are not under the direct control of the firms they represented; consequently, they do not automatically cooperate and comply with channel requests (Mehta et al 2002:431). Thus, service producers need to take administrative actions to secure channel intermediaries' cooperation as well as to maintain and improve channel effectiveness. Therefore, motivating channel members plays a strategic role. In essence, according to Rosenbloom (1987; 1999) a product or service provider devises various motivational programs to induce channel

intermediaries to exert higher levels of effort in serving the firm's target market. Some motivational strategies commonly used by firms to induce channel member cooperation include paying higher slotting allowances, offering higher trade discounts, providing strong advertising and promotional support, training channel members' salespeople, and offering superior logistical support (Rosenbloom 1999 cited in Mehta et al 2002:431).

### **2.6.3 Managing channel conflict**

Marketing channels could be viewed as social systems influenced by behavioural dynamics such as channel conflict that are associated with all social systems (Stern & Brown cited in Mehta et al 2002:430). Conflict in marketing channels, which had been the focus of numerous channel investigations, Gaski (1984), refers to goal-impeding behaviour by one or more channel members. Thus, when one channel member take actions that another channel participant believes would reduce its ability to achieve its objectives, the conflict is present (Mehta et al. 2002:431). As conflict can have an adverse effect on channel member performance, channel managers must make conscious efforts to detect and resolve it (Gaski, 1984).

### **2.6.4 Managing power relations**

Power in distribution channels refers to one channel member's ability to influence decision variables in the marketing strategy of another member at a different level in a given channel (Gaski, 1984 cited in Zhuang et al 2010:139). Power could be exercised in several different ways as suggested by those who operationalized power usage as an exercise of a power base (Brown, Johnson, & Koenig, 1995; Etgar, 1978; Gaski, 1986; Gaski & Nevin, 1985; Kumar, Scheer, & Steenkamp, 1998) and those who operationalized it as an influence strategy (Frazier & Rody, 1991; Frazier & Summers, 1984, 1986; Gundlach & Cadotte, 1994; Kale, 1986). The first group of researchers classified exercise of power into six power bases, i.e., reward, coercive, legitimate, referent, expert, and information (Zhuang et al 2010:139; Lamb et al 2012:312-313; Kotler & Keller 2012:450). The second group of

researchers, on the other hand, categorized influence strategies into information exchanges, recommendations, requests, promises, threats, and legalistic actions (Zhuang et al 2010:139).

The exercise of coercive power refers to a firm's imposition of harsh sanctions upon another firm such as using coercive and/or legitimate power bases, or using threats and/or legalistic actions as influence strategies. Conversely, the exercise of non-coercive power refers to a firm's granting of beneficial assistance to another firm such as to use rewards, referents, experts, and/or information power bases, or using information exchanges and/or recommendations as influence strategies (Gaski, 1986; Gaski & Nevin, 1985; Hunt & Nevin, 1974). The key for a source in a channel exercising coercive power is to change the target's attitude or behaviour by causing the target to lose when the target was not compliant (Gaski, 1984 cited in Zhuang et al 2010:139). On the contrary, the key for a source exercising non-coercive power is to change the target's attitude or behaviour by providing the target with suggestions or benefits when the target was compliant (Gaski, 1984 cited in Zhuang et al 2010:139). A source's power was embedded in its resources valued by the target, derived either from the target's dependence on the resource or from the source's abilities to reward or punish the target by mobilizing the valued resource (Brown, Lusch, & Muehling, 1983; Etgar, 1976, 1978; Gaski, 1986; Gaski & Nevin, 1985). A higher level of power, therefore, implies having more valued resources that the source could employ to support influence attempts on the target's behaviour. Given the nature of an exchange between channel members as bilateral benefit and mutual dependence, more valued resources, hence higher power, lead to the source to use resources more frequently as a means of supporting, exercise of non-coercive power, when influencing the target (Zhuang et al 2010:139). On the other hand, since the target could actively adopt compliance or cooperative actions based on its perception of the source's power, it is less necessary for a source having higher power to employ coercive power to influence the target. This leads to a deviation between power and coercive power usage (Zhuang et al 2010:139).

## **2.7 Microinsurance**

Microinsurance has evolved dramatically over the last decade as one of the solutions to mitigate risk (Faber & Matul 2014:3). Recent impact evidence showed that microinsurance products and services could provide financial protection, reduce vulnerability, and improve access to critical services for low-income households (De Bock & Outiveros 2013 cited in Faber & Matul 2014).

### **2.7.1 Definition of microinsurance**

Microinsurance originates as a distinction from life insurance dates as far back as 1955 (Morduch 1955, Morrah 1955). As compared with life insurance, microinsurance distinguishing feature was the manner in which premiums were paid with the modification being introduced solely for the convenience of the small income-earners for which it was designed (Morrah 1955). While prior to the introduction of microinsurance, the prevalent use of financial services the mainstay of the privileged members of society (FinScope Swaziland, 2011).

According to ILO (2009), the term microinsurance appeared in the literature for the first time in the 1990s, derived from microfinance, with which it shared a similar target public. Because microinsurance was a relatively recent concept, there was yet, no consensus on a single definition of the term. Nevertheless, several descriptions and definitions of the concept had been offered in the literature. According to Chandani (2008:5), microinsurance was the delivery of insurance services to people of low-income who usually did not have access to insurance policies or adequate social security services. The Consultative Group to Assist the Poorest Working Group on Microinsurance (CGAP) had provided the following definition, as quoted by Churchill (2006:12), "microinsurance was the protection of low-income people against specific perils in exchange for regular premium payments proportionate to the likelihood and cost of the risk involved."

Churchill (2006:12) added that microinsurance was provided to the poor, especially in developing countries. Churchill's definition of microinsurance

had two main components, these are; (1) the target group and (2) insurance. Whereby, insurance was the provision of financial protection against the occurrence of a pre-defined risk in exchange for a premium payment (Radermacher & Brinkman, 2012:64). While, 'micro' is often used to specify that the insurance primarily targets the poor. Consequently, this is often characterized by limited benefit packages, and effort to keep premiums

Distinguishing feature of microinsurance according to International Association of Insurance Supervisors (IAIS) (2007) was that risk policies were underwritten based on insurance principles funded by premiums. Hence, the IAIS excluded social welfare and emergency relief assistance offered by governments and other relief organisations, "as these were not funded by premiums relating to the risk, and benefits were not paid of a pool of funds which were managed based on insurance and risk principles" (Smith et al 2010:3).

While the definitions varied, insurance generally denoted a contract whereby an insurer, in return for a premium undertook to provide specific benefits (Smith et al 2010:3). From the definitions above, there were three distinct concepts, namely; insurance, access, and low income population.

Contrary to the definitions of microinsurance, Cohen et al (2005:319) stated that poor households had for a long time managed risk by forming informal groups based on self-insurance mechanisms' such as borrowing and saving. However, Chen et al further noted that microinsurance was a type of formal insurance mechanism that protected people against specific perils, and like all insurance, microinsurance policyholders had to pay regular premiums proportionate to the likelihood and cost of the risk involved.

Lastly, Njeogomir & Rihter (2013:68) view was that microinsurance provided financial indemnification in the case of a loss event, provided avoidance of other cost-ineffective mechanisms of loss protection, which as a final result had reduced poverty. This definition concurred with earlier definitions as it described microinsurance as being intended for the poor, unemployed or

employed in the informal sector and previously not having had access to conventional insurance. In their research paper on innovations of insurance companies and investment funds, Njeogomir & Rihter (2013:68) observed that, “from the point of view of insurance companies, microinsurance was essentially a business model innovation that provided them access to people that previously had not been served. The tremendous potential of the bottom of the pyramid segment was evident and that it was particularly important for insurance companies which operated in mature markets.” The observation of Njeogomir & Rihter (2013) had particular significance to this study for its relevance to the case of Liberty Life Swaziland as a traditional insurer that also operated in a mature, saturated, and competitive market in Swaziland.

### **2.7.2 Microinsurance at the Bottom of the Pyramid**

This study focuses on microinsurance at the bottom of the pyramid. Bottom of the pyramid resonates with the notion of Prahalad’s research that low-end consumers could be serviced profitably and consequently eradicates poverty and enhance sustainability (Prahalad 2005:26). Microinsurance in the recent years has attracted considerable interest from international insurance and reinsurance industry, economic development organisations, charitable bodies, legislators, and other stakeholders (Oyekan .ca 2013). The motivation had been for profit maximisation being the major strategic objective for insurers in new growth opportunities away from saturated conventional insurance markets. However some researchers have questioned the viability in the long term of microinsurance in developing countries.

Hitherto, noted Toops (2013:35) that more commercial insurers were using microinsurance to gain foothold in the world’s emerging markets.

### **2.7.3 Research studies on microinsurance: key findings**

Research showed that firms providing microinsurance products and services experienced some problems specifically in the field of marketing the products and services to low-income consumers to achieve business success (ASISA 2009 cited in Chummum & Bisschoff 2014:58). While specific to distribution, earlier research in trying to understand the demand for microinsurance,

Churchill (2002) discovered that the slow transition to client centeredness was due to;

- (i) The diversification of microinsurance broader market, which meant servicing the low-income communities in general and not just specific microinsurance distribution partners,
- (ii) The development of a menu of financial products designed to achieve multiple purposes, and not just to help the distributors' business growth.

Moreover, Churchill (2002:381) argued that financial transactions in low-income communities were not dissimilar from those in developed markets.

Yet Cohen et al 2005, argued that to create a viable microinsurance programme required innovation in design for products and services that were appropriate in terms of coverage, timelines, accessibility and affordability. It was discovered in a study on reducing vulnerability in Kenya, Tanzania & Uganda by Cohen et al (2005) that, the dominant mode of responding to risk was self-insurance by low income households. However, this risk management strategy was deemed costly and suboptimal compared to microinsurance. The study concluded that demand for microinsurance was high, and to respond to the demand was going to take time and would be a challenge though the pay-offs were impressive (Cohen et al 2005:325). Hence, it was going to be institutions that were professionally managed and strong that were poised to meet the microinsurance need.

Contrary to the findings of ASISA (2009) though, Chummum (2012) in his study on evaluating business success in the microinsurance industry of South Africa, measured business success on a five-point Likert scale within the microinsurance industry from a sample of financial advisers. The study's key recommendations were; (1) investment in training and development of agents, (2) financial education, and awareness directed to low income households, (3) increase in the variety of microinsurance services beyond funeral insurance, (4) affordability of premiums, (5) use of technology to communicate, (6) improved access and convenience of distributors'.

Also noteworthy was a study in Ghana by McCord (2012:143) which concluded that finding the right distribution partner was the most crucial factor in microinsurance provision. For example, a study in Zambia by Manje (2005) recommended distribution of microinsurance through a partner-agent model. Reliance on company agents and partnership was criticised for not only limiting penetration rate and client value, but also making the sale of policies expensive and ineffective. Conversely, Cheu & Chang's (2010) study in Taiwan suggested that direct distribution strategy performed better than a non-direct distribution strategy in terms of efficiency and productivity.

In addition, a quantitative study of 25 Kenyan insurance companies which explored factors causing low insurance uptake, challenges faced by insurers in marketing their products and strategies to enhance insurance uptake concluded that improved service and distribution channels were vital strategies to alleviate low insurance uptake (Gitau 2012). Gitau's findings illustrated potential insights from evaluating distribution strategy of insurance. As many businesses either lacked the financial resources or expertise to sell directly on their own, they found it easier to work through privately owned distribution networks (Kottler & Keller, 2012:440).

It was in this regard that Steinmann (2012:149) asserted that lowering costs, depth in reaching more remote people, quality of financial services, and speed in settlement of claims were key issues regarding distribution of insurance. With microinsurance as a unique service, it was critical that potential micro insurance partner had (1) sufficient capacity and access to critical mass numbers which the insurer cannot access easily, (2) trust by potential customers of the partnering organisation in the community, 3) low operational costs to offer more benefits to customers at affordable rates, (4) convenience to avoid long trips to distant outlets and long queues, (5) speed to respond to claims and queries on policies, and (6) outreach to rural communities by usage of mobile technology and partner networks (Steinmann 2012:150).

Moreover, to address the challenges faced by insurers in distributing microinsurance services e.g. high transaction costs, poor infrastructure, lack of awareness and demand from clients; Prashad et al (2014:72) suggested

that, “mobile phones provided a way to address these challenges.” From studies conducted in Kenya, Ghana, Zimbabwe, Pakistan, and India, Prashad et al (2014) argued that mobile network operators could assist to reduce costs of underwriting, selling, and administration of claims in proportion to value of microinsurance policies. Furthermore, the study found that mobile phones would increase efficiency of transactions across the value chain, improved processes such as enrolment, premium collection and claims settlement Prashad et al (2013:73). In conclusion the study recommended mobile network operators to be suitable partners for microinsurance companies to get economies of scale since they were covering rapidly majority of the population with their distribution network Prashad et al (2014:78).

Lastly, Matul et al (2013) reviewed over 30 studies with the aim of improving the understanding of factors that determined demand for microinsurance services. The research findings recommended various strategies to improve microinsurance demand. The strategies are summarised on table 4 below.

*Table 4 – Strategies to improve demand for microinsurance*

<b>Determinants</b>	<b>Strategies</b>
Understanding insurance	<ul style="list-style-type: none"> <li>• Embedded educational messages in promotion campaigns</li> <li>• Incentives for sales force to transfer information</li> <li>• Leverage government financial literacy programmes</li> <li>• Conduct financial literacy initiatives (workshops, mass media, counselling)</li> </ul>
Value proposition	<ul style="list-style-type: none"> <li>• To take holistic approach to client needs and preferences, and evaluation of value proposition of product &amp; processes</li> </ul>
Liquidity constraints	<ul style="list-style-type: none"> <li>• Offering price discounts</li> <li>• Reduced transaction costs</li> <li>• Provision of options for premium payment (increased frequency, timing &amp; usage of mobile phones)</li> <li>• Premium financing offered through credit &amp; savings</li> </ul>
Trust	<ul style="list-style-type: none"> <li>• Use of trusted distributors</li> <li>• Explain products</li> <li>• Celebrate claims paid out</li> <li>• Inclusion of value-added services</li> <li>• Increased pay-out frequency</li> <li>• Increased communication (e.g. SMS for reminders)</li> </ul>

Access to other coping mechanisms

- Bundle insurance with credit, savings, informal sharing networks and remittances
- Identify value addition of insurance

*Source: Matul et al 2013:322*

## **CONCLUSION**

This section has critically reviewed key concepts related to distribution, microinsurance and bottom of the pyramid. Furthermore, the section has also reviewed a variety of study on microinsurance in general, and in distribution of microinsurance in different parts of the world.

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## **3.0 SECTION 3: DESCRIPTION OF RESEARCH METHODOLOGY**

### **3.1 INTRODUCTION**

This section will describe the research process followed by the researcher in answering the key research question:

**How does Liberty Life Swaziland distribute microinsurance to the bottom of the pyramid within Swaziland?**

This section begins with a discussion on the research paradigm after which the research process will be described in respect of the interview guide, the sampling process, description of interviewees, data collection procedures, individual interviews, data capturing and data analysis procedures. Remenyi (1998:22) concurred with this approach and suggested that, research was not only about asking why the research was done, but it was also about asking what to research and how to conduct the research.

### **3.2 RESEARCH PARADIGM**

Greene and Caracelli (1997:6) stated that, “paradigm frames the world into a set of interrelated concepts and assumptions that guides understanding about the world and how it works.” In a similar vein, Babbie (2011: 32) added that, “paradigm is a model for observation that allows researchers to assess reality so that they understand the reality that they see.” To understand reality in the world, three world logical questions which are part of a paradigm are key and very helpful. The three pertinent questions were pertaining to ontology, epistemology and methodology.

Ontology addressed the question of ‘what is the form and nature of reality’, while the question of epistemology referred to the nature of the relationship between the researcher or the knower and what can be known about reality (Guba and Lincoln, 1994:108). Then the methodology question sought to understand how the researcher could go about finding out about reality (Babbie, 2011:4).

The interpretative paradigm was used in this research to understand subjective ontology (Guba and Lincoln, 1994:107), and in this view, knowledge, and information was accessible to the researcher. Then the researcher, in understanding reality, took a subjective epistemology which entailed interaction with interviewees (Babbie, 2011:34).

### **3.3 DESCRIPTION OF INTERVIEWEES**

According to Remenyi (1998:111) qualitative research was primarily based on the perceptions of people's reality and made it open to bias. Remenyi (1998: 113) *suggests* that the choice of participants is a key aspect of research as it affects the outcome of that research.

In this study therefore, a total of 5 members of senior management of Liberty Life Swaziland (e.g. General Manager, Head of Business Development, Marketing Manager, and Chief Operations Officer) participated in this study. These provided their understanding of the espoused distribution objectives and strategy, and how they thought the strategy was working to achieve intended objectives.

Additionally, a total of 4 managers working with brokers and affinities who have been intermediaries in the distribution of Liberty Life microinsurance to the final users were purposively recruited to get their evaluation of the implemented distribution strategy. At least 3 years' experience of dealing with Liberty Life Swaziland microinsurance and distribution of financial services was considered sufficient for these participants to make an informed evaluation of the actual and emergent distribution strategy backed or illustrated by their real-life experiences. As the sample was small, the researcher focused on gaining deep and multiple perspectives of reality.

### **3.4 SAMPLING**

Purposive sampling was used. This is a type of non-probability sampling in which units to be observed are selected on the basis of the researcher's judgement about which ones will be the most useful or representative (Babbie 2011:179). Hence, 5 Liberty Life managers and 4 owners/managers of distribution partners out of 7 and 5 respectively were identified, who had more than three years hands-on experience of dealing with Liberty Life Swaziland microinsurance. At least 3 years' experience of dealing with Liberty Life Swaziland microinsurance and distribution of financial services was considered sufficient for these participants to make an informed evaluation of the actual and emergent distribution strategy backed or illustrated by their real-life experiences.

### **3.5 DATA COLLECTION**

A total of 9 semi-structured (in-depth and 5 face-to-face and 4 telephone) interviews were conducted with Liberty Life managers and owners/managers of distribution partners as a means of gathering data to the point of saturating their perspectives. Data collection ceased when new perspectives were no longer evident as interviewees were being repetitive. Each interview took approximately 25 minutes. Data collection stopped when interviewees were repetitive so that no more new data was being collected.

One of the keys to acquiring accurate and reliable data where qualitative research is involved is to provide the informants several key assurances: (a) the researcher should not have any hidden agendas; (b) the researcher should be open and honest; (c) the researcher should declare any conflict of interest that exists that may influence the data gathered, and (d) the researcher should not gather evidence from informants that are under duress.

The researcher requested permission from Liberty Life Swaziland in writing to conduct the study. Anonymity and confidentiality were not just assured to interviewees but also adhered to at all the time during data collection. Moreover, the

researcher gave an introduction, explaining the intent of the requested appointment and also seeking informed consent from the interviewees, and outlining the nature of the study.

An interview guide was used in these interviews, which was based on the key research question “how does Liberty Life Swaziland distribute microinsurance to the bottom of the pyramid within Swaziland?” and the set of goals. The questions used related to three key areas; microinsurance distribution strategy, evaluation of the distribution strategy, and recommended strategies.

The first set of questions sought to identify microinsurance distribution strategy as perceived by Liberty Life Swaziland and also distribution partners to the bottom of the pyramid. The second part of the guide was concentrated on the interviewees’ evaluation of strategy or strategies pursued by Liberty Life Swaziland to distribute microinsurance. Lastly, the interviewees’ views were sought on other strategies that Liberty Life Swaziland could implement to increase the success of distributing microinsurance to the bottom of the pyramid.

### **3.6 DATA CAPTURING**

Each interview was audio-recorded with the permission of the interviewee. All individual interviews were thereafter transcribed by the researcher.

### **3.7 DATA ANALYSIS PROCEDURES**

The analysis of the data collected was based on an inductive approach to identify emerging themes. Data analysis was based on the constant comparison technique between the different interviews with the view to categorise similar and recurrent themes together. Open coding and constant comparison was used to analyse data.

Spiggle (1994) proposed that qualitative researchers must work systematically using a series of stages namely (a) categorization, (b) abstraction, (c) comparison, (d)

dimensionalisation, (e) integration, (f) iteration, and (g) refutation. This study did not follow all these stages, instead used only a, b, c, d, and e:

- (a) Categorization: grouping and labelling themes and trends;
- (b) Abstraction: goes beyond categorisation and involves expanding or collapsing categories into fewer more general ones;
- (c) Comparison: assess data to uncover similarities or differences;
- (d) Dimensionalisation: identified the attributes of each category; and

(g) Refutation: deliberate and robust exposure to scrutiny to identify weaknesses in the research process.

In addition, dependability focused on the process of inquiry and how the researcher provided documented details of how the processes or various steps were done in this study for ease of replication by any researcher (Schwandt, 2007: 29). In this study, accuracy and quality control was ensured by member checking and ensuring that the researcher's interpretation remained as close as possible to the data by quoting words used by interviewees where possible, and by collecting an accurate account of the data using clear procedures as detailed in a, b, c, d, and e above.

In addition, aspects of the collected data that were unclear were further discussed with interviewees to clear up any potential ambiguity. As such, the depicted findings were the interviewees' responses and have been provided by quoting passages of these responses when creating categories and themes.

In this research, the researcher also ensured that all categories and themes covered data, and that no irrelevant data was included, or relevant data was systematically excluded, thereby observing internal validity. This was done through constant comparison of data as themes emerged until no data was unaccounted for in the analysis of the research findings in this study (Zhang & Wildemuth 2009). Hence, sufficient data has been included in this study to 'allow the reader to judge whether

the interpretation proffered was adequately supported by the data (Mays & Pope, 2000:51). In this way, the study has enhanced dependability.

To ensure confirmability, the researcher used member check to allow participants to comment on the collected data and findings, and also audit trail to enhance replication of the study by future researchers.

### **3.8 ETHICAL CONSIDERATIONS FOR RESEARCH**

The following ethical considerations were also ensured by the researcher with regards to confidentiality by keeping the identity of respondents anonymous. The researcher and/or the interviewer had (i) informed consent by interviewees; (ii) openness and avoided deceit; (iii) adhered to confidentiality of identity of interviewees in order to obtain honest findings; and (iv) explained potential benefits of the research to the participants. The right to opt out or stop the interview was also explained at the before the interviews began.

### **3.9 LIMITATIONS OF THE STUDY**

This study was based in only on one insurance company out of nine in Swaziland. As such, the findings of on one company on evaluating microinsurance distribution may not be a full reflection of the entire industry.

Another limitation is that all data collected was mainly based on interviews. Interviewees generally volunteered information and were comfortable sharing this information but this data of course was subject to various weaknesses such as perceptions and misperceptions on the part of Liberty Life management and owners or managers of brokerages or affinity partners.

Also to be noted is that the insurance industry in Swaziland had been monopolised for 36 years until 2006, and that microinsurance was still at the early developmental stages. Such that, even the by-laws for regulating microinsurance were in draft form

at the time the study was conducted. Therefore, the developments on the regulatory framework will need to be factored as they will change the regulation of microinsurance and in turn distribution strategies. Hence, the landscape going forward of microinsurance and strategy development needs to be cognisant of the effects on proposed industry changes. This is a contextual limitation of this study.

### **3.10 SUMMARY**

This section discussed the methodology followed in conducting the research. The section centred on the key qualitative research views, description of interviewees, sampling, qualitative data collection and analysis used in this study.

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