APPLICATION AND IMPACT OF MARKET CHALLENGER STRATEGY FOR THE INSURANCE INDUSTRY IN NIGERIA. A CASE STUDY OF VAL INSURANCE LIMITED

BY

MUHAMMAD BASHIR ALI
G92/BAP/7162

BEING A THESIS IN PARTIAL FULFILLMENT OF THE REQUIREMENT FOR THE AWARD OF THE DEGREE OF MASTER OF BUSINESS ADMINISTRATION (MBA) OF AHMADU BELLO UNIVERSITY, ZARIA NIGERIA.

DECLARATION

I, Muhammad Bashir Ali, hereby declare that all the contents of this study, are on findings based on the research I conducted. Materials quoted and used from books, journals, magazines and other sources have been dully acknowledged.



MUHAMMAD BASHIR ALI



MR. A. B. AKPAN

(SUPERVISOR).

CERTIFICATION

This is to certify that this project entitled "APPLICATION AND IMPACT OF MARKET CHALLENGER STRATEGY FOR THE INSURANCE INDUSTRY IN NIGERIA: A CASE STUDY OF VAL INSURANCE LIMITED" meets the requirements for the award of degree of master of Business Administration (MBA) of Ahmadu Bello University, Zaria.

SIGN: _____ 5/2/2002

MR. A. B. AKPAN

(SUPERVISOR)

SIGN: _____ 16/4/01

(HEAD OF DEPARTMENT)

DEAN OF POSTGRADUATE SCHOOL _____ DATE 16/09/02

DEDICATION

This research work is dedicated to the blessed memory of my late friend, confident and brother, Alhaji Aliyu Bala Garba (Bala Alhaj); my wife, Fatima Hussaini, and my children, Mubarak, Nasir, Husain, and Aishatu.

ACKNOWLEDGMENT

In the name of Allah, the Most Beneficent, the Most High.

I express my profound gratitude to Almighty Allah for seeing me through this project and many others.

I am particularly indebted to my Supervisor Mr. A. B. Akpan whose assistance, understanding and useful suggestions toward making this research work a success, could not be quantified. Thank you very much.

The assistance given to me by many people especially my brother Alhaji Uba Aliyu and my sister, Hajiya Shema'u Aliyu will forever be cherished. Thank you for everything.

I also wish to acknowledge the contributions of my wife, Fatima through out the period of this course. It was she who ~~she~~ always found the magic answers when things seemed stuck. I am indebted.

The contributions of my great friends, confident and brother, Alhaji Aliyu Bala Garba (Bala Alhaj) towards the successful completion of this project are so enormous that without them I am sure this work might not have been easily carried out.

Also, my gratitudes go to my friend and confidants Alhaji Usman Ibrahim (Master) Alhaji Haruna Isma'il and Dr. Auwalu Anwar, I am also greateful to Alhaji Hassan Dikko and Alh. Isa Mudi Msu Malumfashi for their numerous suggestions, contributions and being there whenever and I needed them.

Finally, I wish to place on record my indebtedness to Malam Lawal Ado who painstakingly typed this project. May Allah reward all of you abundantly.

Muhammad Bashir Ali

Zaria, Nigeria

December, 1999.

ABSTRACT

In its simplest form, marketing strategy can be explained as a technique which a given firm uses in order to achieve its set marketing objectives based on a given competitive environment. Modern business that uses it often finds it a very veritable tool for its growth, development and success, although given the nature of our economy many firms do not use it, available evidence show that in future for firms to survive, grow, and prosper, the adoption of marketing strategy is enviable.

There are several marketing strategies for firms which are at different marketing positions to choose from.

This research work attempted to examine the application and impact of market challenger strategy, using VAL Insurance Limited as a case study. It found that although the company uses some form of strategies in its marketing activities, they certainly are not market challenger strategies. It also found that despite its lack of clear-cut direction in adopting strategies, VAL Insurance Limited has been able to increase its profits, achieve some growth and witnesses fair use in market share value.

The general findings of this research have been interpreted and analyzed in chapters three and four, the fifth chapter which is the final, provides conclusions and recommendations which if adopted and implemented may assist the company in

attaining the market challenger position which no doubt will tremendously improve the firm's fortune in the highly competitive insurance market in Nigeria.

TABLE OF CONTENTS

Declaration..... i
Dedication..... ii
Acknowledgement..... iii
Abstract..... vi

CHAPTER ONE
1.1 Preamble/Overview..... 1
1.2 Statement of the problem..... 2
1.3 Objective of the Study..... 3
1.4 Significance of the Study..... 4
1.5 Scope of the Study..... 4
1.6 Hypotheses..... 5
1.7 Research methodology..... 6
1.8 Limitations of the Study..... 7
1.9 Definition of Terms..... 7

CHAPTER TWO
2.1 Literature Review..... 11
2.2 Background to Marketing Strategy..... 12
2.3 Product Marketing Entry Strategies..... 12
2.4 Types of Marketing Strategies..... 13
2.4.1 The Market Leader Strategies..... 16
2.4.2 The Market Challenger Strategies..... 21
2.4.3 The Market Follower Strategy..... 25
2.4.4 The Nicher Strategy..... 26
2.5 Competitive Strategies in Insurance Company..... 28
2.6 Major Marketing Strategies Determinants..... 29
2.61. Internal Marketing Environment..... 30
2.6.2.The External Marketing Environment..... 33
2.7 Market Opportunity Analysis..... 40
2.8 Marketing Goals..... 42
2.9 Marketing Strategies..... 42

2.10 Tactics..... 43
2.11 Strategic Control..... 43
2.12 Budgeting..... 44
2.13 Benefit of Marketing Strategies..... 44
2.14 Problems of Marketing Strategies..... 45

CHAPTER THREE

3.1 Brief History of VAL Insurance Limited..... 48
3.2 The Companies Mission..... 49
3.3 Operations of VAL Insurance Limited From 1992 - 1996 50
3.4 Objectives of the Company..... 51
3.5 The Companies Sources of Fund..... 51
3.6 Operation of VAL Insurance Ltd..... 54
3.7 Organisational Structure of VAL Insurance Ltd..... 56
3.8 VAL Insurance Treaty/Security Arrangement..... 60
3.81 The Capacity..... 61

CHAPTER FOUR

4.1 Nigerian Industry Structural Analysis..... 63
4.2 VAL Insurance Ltd: Its Competitive Market Position..... 70
4.3 Analysis of Net Premium Income By Class From 1992 - 1996..... 72
4.4 Some Other Comparisons..... 74
4.5 VAL's Application of the Market Challenger Strategies
and its Possible Impact..... 79
4.5.1 Turnover of VAL Insurance Limited From 1992 - 1996..... 80
4.5.2 Profitability..... 81
4.5.3 Earning Per Share (EBT)..... 82
4.6 Hypothesis Testing..... 85

CHAPTER FIVE

5.1 Conclusion and Recommendations..... 89
5.2 Recommendations..... 91

Bibliography 93
Appendix 96

CHAPTER ONE

1.1 PREAMBLE/OVERVIEW

In recent time the importance of marketing has become an increasingly important activity to organizations. One of the most important reasons for this, is the fact that company profits and therefore survival are intricately tied to consumer needs and wants which must be satisfied. Many people hold that some products are merely raw materials until customers derive utilities from them. Evidently therefore effective marketing forms the basis cornerstone of most successful companies in both developed and developing countries.

Marketing strategy in this regard is explained as the basic technique which a given company employs to reach its marketing objectives which could among others bring increase in turnover, profits, in market share etc.

Eventhough in many developing countries including Nigeria, where a large part of their economies are often unstructured, marketing strategies are relegated to the background. However, the fact remains that for businesses to survive competition and at the same time grow and flourish, marketing strategy is needed.

It will to great extent help them to deal with environmental forces which include uncertainty, change, competition and other unforeseen circumstances.

Marketing is desired to be the thinking and behavior of all decision markers and their followers in any organization. Where this happens, an organization is said to have adopted as its philosophy a marketing concept. Here, an organization serves its consumers for the primary purpose of profit making. This emphasizes the need for understanding and determining the needs, wants and tastes of consumers to whim the company intends to sell its products and services. It should also be noted that non profit organizations also employ other means to determine or measure their successes or otherwise.

1.2 STATEMENT OF THE PROBLEM

For the last five years many businesses in this country folded up due many reasons some of which are declining economy, very poor purchasing power, political instability, paucity of foreign exchange and others. The Insurance industry is among these industries whose performances may be affected by these unfortunate developments as volumes of sales continue to decline.

As it becomes a matter for survival first, and then that of growth, many companies are faced with the issue of how best to introduce and achieve their

marketing objectives which will lead to increase in sales volumes, increase in profits, expansion of the existing market share etc.

To meet up to the above challenges, some companies use marketing strategy as strategy which breaks a given market into smaller units of markets on the belief that different consumers will require different things and approaches. At the same time consumer income, location, educational background, religious belief, age group etc. are very important factors that affect consumers buying patterns and behaviour.

The Insurance industry is a unique arena where market strategy and segmentation can be used for effective results.

Even though this may be relatively new to some insurance companies but since different individuals and organization's require different types of insurance policies, marketing strategy segmentation can be useful. As a matter of fact even though some insurance companies only appreciate the concept but fall short of applying it, others have already started applying it take NICON Insurance.

1.3 OBJECTIVE OF THE STUDY

The main objective of this study is to attempt to examine the applicability of market strategy as it specifically relates and applies to the insurance industry.

Specifically, the application of market challenger strategy segmentation by VAL. Insurance Limited.

In addition, the study intends to:

a) Discover the most effective way in which VAL. Insurance can apply market strategy for the purpose of wooing more customers.

b) Examine VAL's strategy with a view to finding out areas that need strengthening.

c) Make recommendation for improvement on the general findings of the study.

1.4 SIGNIFICANCE OF THE STUDY

This study may be of significance to VAL. Insurance Limited management, shareholders, others related to the company, in that its workings operations, market segmentation strategy will be understood. Also areas of strengths and weakness of the company could be highlighted with a view to improving those that need improvement and upholding those which are good.

Similarly, researchers interested in studying market strategy of companies especially insurance companies may find this research work useful. Finally, other insurance companies may also benefit from this study.

1.5 SCOPE OF THE STUDY

The study specifically covers the application and market challenger strategies as applied by insurance companies. VAL. Insurance Limited is the company so studied in this regard.

Even though the study is on insurance companies marketing strategies, this study is mainly on VAL. Insurance Limited strategy. It covers the activities of the company majority from 1992 to 1996.

In the main the study is divided into five distinctive chapters. Chapter One deals with introductory aspect of the study. Chapter two touches on the literature so reviewed. Here, theoretical bases for study are discussed. This enables one to justify among other things the cost/benefits, needs, requirements, etc. of the strategy. Chapter three discusses the general history of Insurance in the country, specific history of VAL. Insurance Limited, the rationale behind its establishment, its performance operations, ownership, and its organizational structure etc. Chapter four deals with the application and analysis of data so gathered on the application and possible marketing strategies of VAL. Insurance's Limited. The final chapter gives the summary and conclusion of the whole study. It also provides some recommendations on the general study.

1.6 HYPOTHESES

This study intends to test the following hypotheses as postulated:

1. The VAL. Insurance Limited occupies market followers position even though its management may feel that the company adopts market challenger position.

2. Even though VAL. Insurance Limit's share capital may be relatively small, its performance over the five-year period to be studied would be appreciable.

3. The marketing activities of VAL. Insurance Limited are so small to allow for effective market reach.

4. The performance of VAL. Insurance Limited within the Insurance industry is fairly good, given the available resources, and if adequate capital can be injected it the company can attain market challenger's position.

1.7 RESEARCH METHODOLOGY

The major source of information of the study was information published by VAL. Insurance Limited Sulaiman & CO and its (Chartered Accountants). In addition, interviewing was conducted with some of the company's customers, shareholders and management staff. This was to supplement both the literature

reviewed as well as the major published information. Also works such as projects magazines, books, newspapers, by others on the company and the related industry serve as secondary data.

Questionnaires were designed and administered to some customers who in most cases were met personally by the researcher and/or his assistants. Overall 200 questionnaires were applied and 180 were returned.

The major focus of the methodology was on the application and impact of marketing segmentation strategy of VAL. Insurance Limited.

1.8 LIMITATIONS OF THE STUDY

This study does not pretend to discuss all methods that constitute market segmentation and challenger strategies. It only touches on a few of them. Also the study is only limited to VAL. Insurance Limited. It examined the company's application and impact of its market segmentation strategy. Other strategies open to other insurance companies were not treated by this study. The data gathered and analysed were based on the available information obtained through the primary and secondary sources mentioned in the study.

On the part of some respondents sometimes adequate information could not be obtained often for fear of what this study was actually about. Time did on both

the part of the researcher and the respondents, did allow for rigorous explanation so as to assuage the respondents suspicion.

1.9 DEFINITION OF TERMS

Terms used at different times and different situation may likely carry different meanings which if not properly understood may convey wrong meanings. For this reasons, the following terms will be defined as they apply to this research.

- Marketing
- Marketing strategy
- Marketing mix
- Marketing concept
- Product

Marketing

This is the way in which organization or individuals direct their activities for the sole purpose of satisfying the needs and wants of their customers through mutual exchange process.

Marketing Strategy

Marketing strategy is the process of matching a given organizations resources with the opportunities and perceived or identified threats in the market environment. It is a given organization's planned way of achieving

its marketing objectives from its target audience.

Marketing Mix

This refers to a firm's controllable variables. These are the product, price, place and promotion.

Marketing Concept

It refers to a given business centralization of its activities on consumer is regarded as the consumers exist around which the whole organization revolves. In this context, marketing concept goes beyond buying and selling. In broad term it stretches from policy formulation to the final consumer.

FOOTNOTES

1. Philip Kotler, Marketing: Analysis, Planning, Implementation and Control, Sixth edition, Prentice-Hall Inc. 1988.

2. VAL. Insurance Limited, 1996 Report of the Auditors to Members NEXIA International, Kano, 1997 UNISEC NOMINEES LIMITED, CANOE, 1999.

3. Corporate Profile for VAL. Insurance Limited, VAL. Insurance Limited, Kano.

CHAPTER TWO

2.1 LITERATURE REVIEW

This section will consider the following:

1) Marketing concept

2) Segmentation process (2a) Background to marketing strategy: (2b) Types (marketing strategies

3) Determinants of Marketing

4) Basis/Reasons for segmenting a consumer market

5) Advantages and disadvantages of marketing strategy

Marketing concept refers to that modern concept in marketing to mean more than ordinary conception of buying and selling. In marketing concept, the consumer is around which a given organization revolves. He is the center fold of a business activities upon which an organization's philosophy is established.

Thus, because the customer is the center for an organizations business activities, the frontier and context of marketing extends far from being a merely functional activity to do, but an everlasting and concrete influence which affects a the units of the organization perhaps starting from policy formulation down to consumer.

2.2 BACKGROUND TO MARKETING STRATEGY

Although the word strategy has been used over time in variety of ways such as in the military where it refers to the art of achieving a given objective of war through the use of arm superiority, it is a derivation from the Greek word "shategous" which means "the art of the general". In business, the term essentially refers to the methods and procedures employed to obtain set departmental objectives.

In academics the term has also been used over a long period of time for example, Alfred R. Ovenfelt has been credited with the introduction of the concept of marketing strategy in an early paper he presented. The concept in the paper stresses the importance of stressing and defining appropriate marketing targets before determining the actual marketing mix. Further developments in the field lead to the viewing of marketing strategy to be a process that among others include analyzing market opportunities, specifying objectives, developing plans, and monitoring performance(2)

Marketing strategy is also associated with key options in marketing situations while recent developments connect it more with market objectives and product market choice(3)

2.3 PRODUCT MARKETING ENTRY STRATEGIES

By product marketing entry strategies, it refers to set guidelines for the management of specific product - market relationship and it is always goal oriented. Here, the marketing action and its extent are determined. Related to the above is the market share objectives (referring to growth, hold or harvest). Kotler classified/defined different growth possibilities thus: intensive growth, integrative growth and diversification growth strategies. Even though the different levels of strategy may differ, yet they are inter related and often interwoven.

Normally, the product marketing entry strategies are the sole responsibility of a given firm. In other words, they are it carried out at corporate level where strategic decision's are taken to among other things widen the range of given products or services, or move products into new geographical areas. Here, the firm chooses the major directions to be used in pursuing its given objectives.

2.4 TYPES OF MARKETING STRATEGIES

Marketing strategies are numerous at every level. If for instance the level of marketing elements is taken, the following strategies could be identified among others: intensive promotion, product innovation and penetration pricing. In the same vein, at the level of product market entry strategies, intensive growth strategies to be adopted may include market development, market penetration and

product development each being used as a marketing strategy.

The aim of this literature review and indeed the research is not to enumerate different types of marketing strategies which are in any case numerous, but to touch on a few of them. Also, it should be noted that different classifications were used by different scholars out of whom that of Porter (1988) and Kotler (1988) suffice here. Broadly he referred to them as three generic strategies viz.: Overall cost leadership, Differentiation, and focus. This classification's strong point is that it provides a good starting point for strategies thinking while its main weak point is its lack of recognition for individual needs of different firms.

1. OVERALL COST LEADERSHIP

A firm using this strategy aims to achieve two very important thing namely: very low cost of production, and very low cost of distribution. These two will enable the firm draw a large market share from its competitors by fixing lower prices than their competitors utilizing its advantage of low cost of production and distribution.

2. DIFFERENTIATION

By using this strategy a given firm attempts to establish superiority in some areas, such as technology quality, utility, style etc. which are regarded as extremely customer benefit areas. If this is achieved it is expected that the firm can woe a

good number of customers.

3. FOCUS

Focus in this context refers to that firm which focuses on such one or more narrow market segments riches and leave others to concentrate on the whole market. The strategy here is that the firm identifies given target segments and concentrates in achieving some differentiation within them. It could also be an attempt to achieve cost leadership.

This classification in itself is good but its major weakness are:

1. That the classification assumes sometime wrongly that all firms should employ generic strategies because it is the desire of each to achieve a leadership position.

2. that even if every firm's aspiration is that of leadership, won't it need different strategies if it should remain in that position?

3. that some firms have it as deliberate policy to occupy either the follower position or that of the nitcher in which case different strategies will be needed.

The second classification which perhaps attempts to avoid the above

weakness is that Kotler and Little (1988). According this classification of marketing strategies, there are four main groups of marketing strategies each with its individual characteristics, advantages and focus. These are:

1) Market Leader Strategies

2) Market Challenger Strategies

3) Market Follower Strategies, and

4) Market Nitcher Strategies.

2.4.1 THE MARKET LEADER STRATEGIES

According Kolter, each industry in most cases has what is called a market leader which other firms acknowledged. This firm which may not necessarily be respected or admired by others, has the largest market share in given products. It leads other firms in promotional intensity, price changes, new-product introductions, and distribution coverage.

Because of its dominant position it gives an orientation for competitors to "either challenge, imitate, or avoid". Unless its leadership is proceed by law for it to enjoy monopoly, market leader does not always have it so easy. While some firms capitalized on its weaknesses others continuously challenge its dominance and a little mistake here and there could easily cost it its dominant position.

As its strategies Kotler suggests that the market leader should expand the

total market through looking for "new uses, and more uses of its products". It is pertinent to look at these strategies even if briefly.

a) New Users: According to Kotler, a given product class may be able to attract three distinct groups of buyers who hitherto have not been using it either because they resist because it lacks certain feature or because of its price or because they are unaware of its existence. He gave an example of a perfume manufacturer who can use market-penetration strategy by convincing women who do not use perfume to start using it (which he calls new-market strategy) or engage in geographical-expansion strategy by selling the perfume in other countries.

b) New Uses: What is advocated is that a given firm can expand its market through the discovery and promoting the new use of the same old product. In case. In some cases customers themselves are credited with the discovery of the new uses of as given product. For example, Vaseline petroleum Jelly was initially meant for lubricating machines but with time, customers started reporting many other uses of the products

c) More Use: Another market expansion strategy is that which convinces customers to use greater quantity of the product than is being used at the moment. An example given is that in which a cereal manufacturer justifies

and convinces those who eat half of bowl of cereal to go all the way to eat a full bowl. Here if it the strategy successful, total sales will definitely increase.

The market leader must not only expand the size of its total market but it should at the same time protect itself against enemy attacks. It is necessary for it to protect all its fronts and where necessary it may have to launch some offensive assaults against the enemy. As a strategy to protect itself the market leader engages in "continuous innovation" in distribution, customer services, cost cutting, new-product ideas etc.

On the other hand the market leader may not have to launch an offensive against its 'enemies' but instead guard its forts through providing constant pricing, plugging holes, keeping its costs down producing its brands in several sizes and the like. As a matter of fact Kotler enumerated six military defence strategies that a market leader can adopt. These are the position defence, flanking defence, preemptive defence, counter-offensive defence mobile defence and contraction defence.

I) **Position defence:** In the case of this strategy, the leader fortifies his territory to the extent that it could not be accessible to the other challengers. However, the most viable idea as far as this strategy is concerned is not to build a

defensive around a given product which may bring financial collapse, but to diversity and develop other products for future growth and profitability.

ii) **Flanking Defence** - A company that engage in a flanking defence guards its territory very well but at the same time erects "some flanks or outposts to serve as a defensive corner to protect a weak front or possibly an innovation based for counter attacking if necessary. But Kotler warns that 'if this position is lightly held it will be of little value because an enemy could easily use a small force to pin down the leader forces with its major formation passing untouched and unharmed. He therefore suggested a careful analysis of a given situation before hand and where a real threat is found, a serious commitment should be made to flank the attack.

iii) **Preemptive Defence**- This type of defence which is often more aggressive is launch against an enemy even before he attacks the leader. It comes in several forms and types. A company that engages in this strategy believes that prevention is better could engage in guerrilla action across the market putting companies off-balance through its attacks here and there. A non physical attack which may be waged by the market leader is that in which it sends out signals that it tends to make certain attacks. For example, Kotler cited a given pharmaceutical company which any time hears about its

competitor intending to build a factory to produce certain drugs, sends signals that it is considering building another plant and also cutting price costs. This psychological attacks succeeds in intimidating the competitor to the extent of withdrawing its decision to produce the drug in questions. Still, big companies that have large brand loyalty, technological leadership etc. may find a broad preemptive strategy very costly because the enemies withstand the attack, yet others leaders sometimes even encourage attacks from challengers particularly when the attacks are expensive to the challengers and of less effect.

Again, a preemptive offensive could take the form of head-on counter attack which in its could take several forms but the most effective of them is that which attacks the challengers (attacker's) main territory which will force it to withdraw some of its forces in order to protect its attacked territory.

iv) **Mobile Defence**: In this kind of defence the market leader strategies its territory to include new ones which may be used as centers for future offences and defences. The major areas of spreads into new territories are through market diversification and market broadening. The former refers to venturing into unrelated industries while the latter refers to a shift in focus into the area of research and development in the area of needs covered by technology in that field for example, petroleum companies may conduct research in the areas

of chemical industries, hydroelectric, coal oil etc. However, Kotler advised that the market broadening should not be too much concentrated upon otherwise the company may spread too thinly and thus fail to achieve its goals or concentrate its efforts at one place.

v) **Contraction Defence:** As part of a given firm's strategy contraction defense comes in a situation where large company finds that it can no longer defend all its territories. Since the firm's forces are spread too-thinly and in this way allowing for easy attack by competitors an several fronts, the company tactfully gives up weaker territories so as to concentrate on stronger ones. This strategy is also called strategic withdrawal.

2.4.2. MARKET CHALLENGER STRATEGIES

The market challenger strategies are normally aimed at among others, achieving given its set marketing objectives, or increase market share or sales volume or some form of combination of the elements. As far as the market challenger is concerned, its opponents and therefore which are subject to attack can be the market leader do as to get some market share off it. It could also be its fellow market challenger whose market share could be taken over by crushing it. This also applies to smaller firms which may be less economically buoyant.

The market challenger attack strategies as illustrated by Kotler (1988, Pp.

401 - 405) are:

1. Frontal Attack
2. Flank Attack
3. Encirclement Attack or Ambush
4. Bypass Attack, and
5. Guerrilla Attack

1. FRONTAL ATTACK

When the market challenger sizes and identifies the market leader's strengths (product, price, promotion and place) and weaknesses, it attacks its strengths and not the weaknesses. This types of attack is a two-edged sword. If the challenger has some advantage over the leader in its chosen area, it pays off but if it is the reverse then that amounts to a small- motion suicide.

However, since, an instant counter attack by the competitor the market leader may mean instance death, a more moderate option may be a subtle frontal attack such as in price cut so that its offers match these of the opponent. Where the market leader ignores this move, it pays, other wise it may lead to price war.

A frontal Attack may also be in form of the challenger now putting substantial amount in its Research and Development. The importance of this move is to enable the firm find new ways of cutting production costs so that it can now

use its opponents price as object of attack. Here, it is also hoped that the opponent, does not an equally have similar plan in its Research Development.

2. FLANK ATTACK

This type of attack is more prominent where the challenger as the oppressor has lesser resources than its opponent. The basic principle is for the challenger to marshal and concentrate its strength against its opponents weaknesses. The frontal attack for instance is said to be effective in geographical dimensions. The oppressor in this situation identifies areas say in the country where its opponent's performance is low. Frontal attack can also take segmental dimension where the aggressor identifies some market needs which the leader is not satisfying or serving.

Because of its subtlety vis-α-vis frontal attacks, flank attacks have greater chances of succeeding.

3. ENCIRCLEMENT ATTACK OR AMBUSH

This type of attack is more potent in a situation where the challenger's resources are by far superior than those of the opponent. Here, the challenger offers to the buyers or markets all the opponents offer and even goes further to make an offer that could not be refused. It should however be noted that the attempt here is not to capture the opponent's whole market but just some small parts of it. For encirclement attack or ambush to be useful, it must be quick and effective.

4. BYPASS ATTACK

As the name suggests, bypass attack here refers to bypassing the enemy who may more potentially dangerous and attack other potentially less dangerous markets so as to consolidate its resources. A firm may use bypass attack by diversifying into entirely or relatively new geographical markets not covered by its opponents. It could also be in the form of diversifying into unrelated products or concentrating or breaking new grounds in the new technology and once its superiority over other technology being used by the opponents, is established, the challenger launches, its attack on the areas where in that area where its technology has distinctive advantage.

5. GUERRILLA ATTACK

Rather than attacking specific territories of the opponents, the guerrilla attack involves small random attacks on the different territories of the opponent with the hope of establishing a foothold. The main strategies include occasional legal actions, selective price cuts and intensive promotional activities. Guerrilla attack is particularly more prominent with under capitalized nitcher components.

It can be concluded that based on the terminologies and methods used in marketing strategy, there is an established pattern of similarity between marketing strategy, and the military strategy. But strategies are dynamic in nature and it is

hardly surprising when in competitive market situations military terms such as tactics, logistics, attacks, maneuver etc. are freely used. Others are boarder clashes, price war, arms budgets of companies etc. are freely used. As a matter of fact in recent developments military models are used in illustrating marketing strategy options. Kotler (1988 P401) made effective use of an illustrative military attack strategies.

2.4.3 THE MARKET FOLLOWERS STRATEGIES

The market-followers also have their strategies which if carefully followed may help them in holding their current customers and at the same time win some new ones. A market challenger may attempt to bring to the fore its products/services advantages to its target market. These may be in form of financing, services, location etc.

It is pertinent to note that often market followers do not challenge market leaders for fear of retaliation by the latter. Thus, the market followers do not attempt to lower their prices or include additional feature to their products or improve services as their attack strategy. They avoid this strategy as it may attract a more decisive response from the leaders who may have more staying power, instead they merely avoid area that to price warns and concentrate on copying the leader and presenting similar offers to buyers.

Although the market followers normally have lower shares than the market leaders, they may, given the circumstances, be as profitable or more profitable than the market leaders.

According to Kotler, the market- follower has three distinctive strategies at its disposal. These are: following closely, following at a distance, and following selectively.

A market follower may follow the leader very closely in many areas such as marketing mix, market-segmentation etc. One major factors that distinguishes it from being a market challenger is that the follower does not attempt to substantially block the leader.

Another strategy for the market follower is to follow the leader but keeping some distance. It follows the leader in general price levels, product innovations and distribution etc. but at the same time maintains some differentiation's. Where this strategy is adopted , the leader may not really bother with the followers little interference because it more than compensates it in avoiding charges of monopolization.

The third broad strategy open to the market follower is to follow selectively. A company that adopts this strategy may sometimes follow the leader very closely

and at another time follows its own distinct way. The company may follow the leader's advantageous strategies and at the same time innovates but avoiding direct competition with the leader.

2.4.4 THE MARKET NICHER STRATEGIES

The market-nitchers are small and normally avoid coming into conflict with the bigger firms by specializing in those areas which are either overlooked or ignored by the major firms. The market-nicher also called foothold firms or market-specialists or threshold firms, may be more effective if the niching is carried out in more than one area because a market niche may easily be attacked or even dry up. In contrast a multiple niche increases the firms chances of survival.

Specialization is the key factor in niching and Kotler enumerated many specialist roles open to a market nicher. These are:

* End-use specialist: This refers to a firm that specializes in only one type of end-use customer.

* Vertical - level specialist: A nicher could special at vertical level of production - distribution cycle.

* Customer - specialist: A firm that specializes in this area may sell to different sizes of customers ranging from small size to large size customers.

* Specific - customer specialist: Here, the company limits the marketing of its products to only one or a few major customers.

* Geographic specialist. A company that uses this specialization sells its products to only a given locality, area, region etc.

* Product or product line specialist. A firm may restrict its production to only one product or product line.

* Product-feature specialist. Rather than producing the whole product, a company produces either a product feature or a given type of product.

* Job-shop specialist. The firms here produces customized products as ordered by customers.

* Quality/price specialist. A firm may decide to operate either at the low or high side of the market.

* Service specialist. A firm that specializes in this area offers a service or services not offered by other firms.

2.5 COMPETITIVE STRATEGIES IN INSURANCE COMPANIES

The competitive insurance strategies are numerous but whatever strategy is adopted, it must consider and do the following.

i. **IDENTIFY THE MARKET AND THE NEEDS**

A good insurance strategy should be able to effectively segment a given market by geographical locations, risk, customers, occupation and like. In addition the clear needs of each segment should be identified.

ii. **PLANNING THE MARKET**

It is necessary for the competitive strategies of the insurance companies to clearly define marketing objects which may include sales revenue, customer satisfaction, profit, return or investment etc., Also, the objectives and the marketing must be able to appeal to target market without loosing sight of the internal circumstances.

iii. **PAY ATTENTION TO EXTERNAL FORCES**

It is also pertinent that the competitive strategies of insurance industries consider very carefully both controllable and non-controllable variables. Among the latter variables, the environmental factors such as social, political, technological, and other equally important factors must be considered. Where these and other factors stated above are carefully taken into consideration according to Abdullahi, (1997 Page 42) a given insurance firm can

effectively formulate its chosen strategy by:-

a. Identifying opportunities and threats to the insurance environment.

b. Estimating the risk of various alternatives

c. Appraising the insurance company's strength (and weaknesses)

d. Matching (c) with (a) above, while considering (b).

2.6 MAJOR MARKETING STRATEGIES DETERMINANTS

Perhaps it is not over exaggeration to state that there are probably as many factors that influence firms marketing strategies as there are the firms themselves. If this assertion is tenable then it is, only logical to accept that it is impossible to enumerate all these marketing strategies or firms. However, these factors can broadly and loosely be categorized into two viz. internal marketing environment and external marketing environment. It is therefore pertinent here to briefly look at these two important factors.

2.6.1 INTERNAL MARKETING ENVIRONMENT

This simply refers to the company's resources which to a large extent determine a given firm's choices of its marketing strategies. A firm's resources stand plays very crucial role in its ability to adopt a given strategy so as to meet up

the rigorous demands of continuous changes in macro economy of its environment.

Numerous resources pool together to give a given firm the much needed capabilities which refer to its ability to source internal and external marketing resources which can include tangible and intangible. Although it is almost impossible to enumerate all the resources, the following may be regarded as among the most important areas:

1. A firm's marketing objectives
2. Managerial values and aspirations
3. Technological prowess
4. Product Life Cycle (PLC)
5. A firm's competitive market position
6. Financial position/strength of the firm.

1. A FIRM'S (CORPORATE) MARKETING OBJECTIVES

Somewhere in this research it has been stated that different firms have different expectations which reflectively are the shareholders' and management expectations. In the same vein, the desired end results of a given company are defined as its corporate objectives. The specific objectives such as increase in market share, growth in turn-over, market penetration and the like are the specific formal objectives.

In view of the above therefore, a given management may have different objectives at different times depending upon the needs. Also, in the case of all firms, different objectives play different roles based on management needs. Be that as it may, objectives can be used as measuring point while choosing between and or among alternative strategies. For instance, if a given firm's objective is an increase in market share, say in 1998, matching strategies will have to be chosen so as to achieve the objectives.

2. MANAGERIAL VALUES

Managerial values are important in the sense that they are necessarily interpreted based on resource and environmental influences. Thus, in most cases, strategies come about as a result of several influences, perceptions, concepts which were discussed at various levels of management. It can therefore be stated that at the level of selecting and adopting marketing strategies objective and/or rational acts are considered far less than the value judgments. In other words, two different managers may have two identical environmental resources and environmental factors, yet based on their perceptions, individually, idiosyncrasies, they may differ substantially. For example, when faced with declining markets, management 'A' may choose low risk strategies such as concentrating on its area of strength while management 'B' may decide to choose innovative strategies such as market

development or re-launching the product. Here chances are each strategy may have equal opportunity to succeed or fail. However, what should be noted is that a firm's management tilt towards conservatism or adventuresome depends to a large extent on who amongst the two groups wields more power.

3. TECHNOLOGICAL ENVIRONMENT

Technology plays a very important role in peoples lives. Through it we able to have computer, E-mail, and others. It is also through technology that other negative developments are witnessed. In other words technological developments affect people's lives both positively and negatively.

Technological development also affect the economic growth of a country. However, even though technological discoveries crop up here and there, according to Kotler, they do not occur evenly through time. He cited the example of rail road industry which led to heavy investments but in-between it and the emergence of auto industry there was a heavy inactivity. It is therefore the belief of many economists that unless a good number of new innovations are made, the current economic stagnation may continue.

Kotler also pointed out that each technology creates certain problems that could not easily be foreseen citing the discovery of contraceptive pills which lead to smaller families etc. which allows for higher expenditure on vocation, durable

goods and the like and therefore urges that such trends in technology should be watched.

4. A COMPANY'S PRODUCT LIFE CYCLE

A company's product is infact the center of its marketing activities. While a firms product has several aspects as regards its strategic implications, one of the often discussed about is its life cycle. This is often referred to as product Life Cycle (PLC). Any product is expected to pass through four main stages at its life cycle. These stages are the introduction stage, the growth stage the maturity stage and the decline stage. At each stage a given product encounters clear threats and opportunities. Product strategists often use PLC to enable them assess understand, and use effective product strategies.

2.6.2 The External Marketing Environment

The other factors that influence a company's marketing strategies come under the external marketing environment. In general, they can largely be stated as follows: the public environment, the competitive environment; the task or immediate environment; and the macro environment.

Briefly stated the public environment according to Kotler is

> "any group that has an actual or potential interest in,
> or impact on a company's ability to achieve its objectives."

If this definition is further highlighted, the term publics could further be categorized thus:

i. **Internal Publics**

This essentially refers to all shades of employees of a given firm. They range from chairman, Board of Directors, down to the cleaners. Their interests need to be catered for since their attitudes, behavior etc. towards their organization affect those of the external publics.

ii. **External Publics**

These are the different groups that in one way or the other another with the company directly or indirectly. They include the other firms, governments, customers etc.

iii. **Local Publics**

These are mainly the different community organizations, neighborhood residents and others whose interests are often in conflict with those of the companies who are accused of causing environment pollution, environmental hazards etc.

iv. **Financial Publics**

All financial institutions fall within these publics. They include insurance

companies, banks and all those financial institutions that directly affect a firm's ability to obtain funds.

v. **Government Publics**

A firm which is trying to formulate marketing plans must consider government rules and regulations, policies and laws so that its plans do not come into direct conflict with the government laws etc.

vi. **Media Publics**

These types of publics are very important to all firms. Establishing and maintaining good relationships with them is essential. Under these publics are television, stations, newspapers, magazines, radio stations and others.

vii. **Citizen Action Publics**

A company's marketing policies are often challenged by these publics. Mainly among the Citizen Action Publics are minority groups, consumer groups, environmental groups etc.

The second external marketing environment mentioned is the competitive environment. This simply refers to competitive behavior of given firms in their attempts to gain and maintain market loyalty from consumers. In most cases no firm has a monopoly to operate alone in a given market. It has to compete with other related firms and its attempts to serve a given market is

usually matched by similar attempts by other firms attempting to serve the same market. Basically, there are four types of major competitors viz.: enterprises competitors, desire competitors, enterprises competitors and generic competitors. Of these four types of competitors, a given firm is more concerned with the enterprises competitors because it is with them that it occupies similar position in product-market space.

The third aspect of external marketing environment is the task or immediate environment. This environment consists of a firm's marketing intermediaries commonly referred to as middlemen, the customers and its suppliers.

The three levels of the marketing environment mentioned above are often referred to as micro environment and to a greater degree they are influenced by the organization's activities. However, the fourth level of the marketing environment is the macro environment which in contrast to the three above, influences marketing activities of a given firm. This means that a given firm's marketing objectives depend very much on its ability to manipulate its micro environment which are controllable and at the same time adapt its macro environment which is uncontrollable. Although many factors constitute the macro environment, only the following will be discussed.

These are: Physical environment, technology, political/legal force, economic force, socio-cultural force and demography.

viii. Physical Environment

A firm has to have both finite and infinite sources of raw materials. These are found from its physical environment. Included also under the physical environment are the physical features and climatic conditions. Therefore, one or more of these physical environments can affect a firm's product quality, distribution of goods, planning etc.

ix. Technology

Research and development are often a firms back-born since marketing is dynamic in nature. Technology therefore, is very vital in planning and designing products and services. It also forms the bed-rock in product development and production.

x. Political/Legal Force

Political climate is a very important component of a firm's macro-environment. Often, it dictates what to invest, what to produce, how to compete etc. Thus, rules and regulations as laid down by governments govern how businesses are promoted, how competition is executed and how consumers are protected, among others.

xi. Economic Force

Economic force refers to all those variables which determine to a large extent the economic conditions which enhance and smoothen marketing activities. These variables include savings, income, interest rates, credit facilities, foreign-exchange rates and inflation.

xii. Socio-Cultural Force

This factor is very important because it refers to a given societal norms, customs, values, beliefs and others which individually or collectively shape the way customers think and behave towards a firm's products - or services with a view to preferring and/or buying them (products/services).

xiii. Demography

Demography refers to the essential statistical study of a given human population as well as its distribution. Demography enables us to know about a given population's birth/death rates, density, sex, marriage pattern, and the like. Through demographic studies, a firm can locate its market, its buyers, and their preferences, time of their purchase, their concentration and the like.

As it is mentioned above, a firm's external environment is indeed very wide

in perspective. Therefore because to a large extent it holds the key to a firms success, growth, survival and prosperity, the competitive environment or the industry forms the major aspects of the larger environment. For instance, it is the industry that provides the firm with the basis for competition for the available resources, revenues and profits. For this and many other reasons discussed earlier, it is absolutely necessary for any firm to first of all identify, determine and understand the basic competitive forces within its related industry so as to be able to effectively put in place result-yielding marketing strategies.

2.7 MARKET OPPORTUNITY ANALYSIS

Often, strategic planning of a given firm starts with market opportunity analysis which among others involves careful assessment of the firms performances as well as those of its competitors. Here, long term opportunities as well as threats are methodically analyzed in line with its earlier stated purpose and objectives. If a firm's opportunities are in line with its purpose, then chances are, they are acceptable and may likely move forward that firm's objectives. If they are however in conflict with the firm's purpose, then negative results will likely be obtained. Further, each opportunity is evaluated on the basis of its sales potentiality.

Market opportunity analysis enables a firm to segment its markets according to different needs and wants as well as on available differing buying habits of the different segments. Based on the result available, a firm may decide to either select some segments or the whole market to serve its products or services. At this level a firm's competitive positioning and its resources determine to a great extent what to choose in forming its decision. Also the firm's resources plus the nature of the country's economy determine its entry timing.

The Boston Consulting Group (BCG) portfolio market, one of the commonly used techniques in the determination of a firm's competitive position suffices here. Briefly, BCG's portfolio matrix gives the firms products domain and also show its cash needs and cash flows of the product entries.

The portfolio matrix among others discusses four essential product entries viz.: stars, question marks, cash cow and dog. Briefly these are discussed below:

1. STARS

The stars are the market leaders flourishing in a fast moving market. These require huge investments even though their cash flows may be negative or even abit positive. The stars require careful nurturing and if successful they metamophose into cash Cows and in this way provide the company with

the much needed cash.

2. QUESTION MARKS

Question marks are also called Mild cats or problem children. These are so called in the sense that even though they belong to a very fast market share, their shares in the market are low. The Question Marks could be transformed into stars if a substantial investment is injected to increase their market shares.

3. CASH COWS

The cash cows occupy high share business units but they have low growth. They generate and provide the much needed cash for the support of business units.

4. DOGS

Dogs are also referred to as cash Traps. In their own case they have low share and low growth. The funds they generate are barely enough to maintain themselves and therefore others do not hope to obtain assistance/life line from the Dogs.

2.8 MARKETING GOALS

Having taken the first step, the second one is setting the marketing goals

which state/define the market positions a company intends to seek. Goals here are carefully selected so that they could be obtained in a less expensive fashion. Care is taken to ensure that while attempting to attain these goals, the company does not incur loses. They (the goals) must be specific, operational and achievable.

2.9 MARKETING STRATEGIES

This is the third step and it also includes tactics and budget for implementing the two earlier on mentioned. Goals usually define and explain the direction where the business intends to move while the marketing strategies provide the answer on the plans. In this regards, concrete action programme enables a firm to achieve both marketing objectives as well as marketing strategies. Hence strategic ideas are really needed even right from competitive position and decision stages.

2.10 TACTICS

According to Edward Schleh (1982, p82) it is tactics that really do things and that even though "strategy is useful up to a certain points, but only tactics get things done".

This is because while strategy statement gives a broad outline of how a given firm intends to achieve its stated goals, tactics is specific on the

actions to take for the achievement of these goals. Thus, strategic statements could be made specific when individuals are made responsible for individual strategic-elements with a given deadline.

2.11 STRATEGIC CONTROL

At this stage, the overall marketing game plan is thoroughly re-examined. Strategic control enables a firm to determine whether its plan is relevant or that it needs amendment or that an entirely a new one needs to be made in the light of new developments in one or more areas. Marketing audit is the instrument used in the periodical re-assessment of the marketing effectiveness of a given company. The marketing audit concentrates in the systematic, independent and careful periodic review of the firms objectives, strategies, environment etc.

2.12 BUDGETING

Budgeting is a vital aspect of a firm's strategic planning process. Through it, certain amount is set aside for the purpose of achieving given firm's marketing objectives. Different companies may use different approaches for budgeting. For instance, while some companies set aside a given percentage of sales goals as their marketing budgets, others especially those entering the market spend normal ratio on the basis of marketing budget-to

FOOTNOTES

1. David L. Sills, Encyclopedia of Social Sciences, Vol 15, Macmillan, New York 1968.
2. Keith K. Cox and Vein J. NcGinnis, end. Strategic Market Decision, A Reader, Prentice-Hall Inc, New Jersey, 1982.
3. Phillips Kolleer, Marketing Management: Analysis, Planning, Implementation and Control, Six Edition, Prentice-Hall Inc 1988 pp 135 – 36.
4. Michael E. Porter, Competitive Strategy Techniques for Analysing Industries and Competitor, Free Press, London, 1980, pp 34-35.
5. Op cit No. 3 P335
6. Apcit No. 3 P.331.
7. Apcit No. 3 P331
8. Op cit No.3 P135.
9. Edward C. Schleh "Strategic Planning, No cure for corporate surprises", Strategic Market Decision: A Reader end, K. Cox and V.J. McGinnis, Prentice-Hall Inc, New Jersey, 1982 P,82.
10. B.A. Abdullahi, the Marketing of Insurance service in theNigerianEconomy: Challenges, Problems and Prospects, (1997) an unpublished MBA project, BUK (page 42).

CHAPTER THREE

3.1 BRIEF HISTORY OF VAL. INSURANCE LIMITED

The company was incorporated in July 1970 and was initially named as Nigerian Victory Assurance Limited. The Nigerian Victory Assurance Limited (now VAL. Insurance Limited) started its operation in April, 1971 with only one branch in Kano. Predictably the company started transacting nearly all types of insurance business except life insurance because of the Islamic nature of Kano and the negative position of life insurance in Islam.

With the passage of time and in order to meet up with numerous challenges, the company which started with an authorized and fully-paid share capital of N5,000,000.00 (Five Million Naira) found that it needed not only to inject more capital but also a change of name. In this regard, on the 14th December, 1995, and in accordance with the Companies and Allied Matters Decree of 1990, the company changed to VAL. Insurance Limited and by December, 1996, the company had a Net premium of N16,487,544.00.

VAL. Insurance Limited has its corporate Head Office at Post Office Road, Kano and now with branch offices at Katsina, Jos, Kaduna, Lagos and Maiduguri. Fairly recently the Lagos branch office has been upgraded to a southern Regional Office while plan is afoot to establish more offices all over the country.

The Company is jointly owned by Kano State Investment and Properties Limited, some businessmen, and institutional investors. It is also a member of the Nigerian Insurers Association and the West African Insurance Companies Association and it also seems it hold to a market challenger's position in the state.

3.2 THE COMPANY'S MISSION

According to its corporate profile, the company stated that its mission is to:

a) Create simple, effective and efficient insurance products or services

b) Pursue the policy of client - centered services

c) Entrench the concept that "INSURANCE" is a contract of 'TRUST' through prompt claim settlement.

d) Extend the market penetration of our existing products and services while launching new ones.

e) Simplify and computerize insurance services to ensure fast operation and prompt settlement of claims

f) Render other auxiliary insurance services

g) Create a friendly relationship with our clientele in order to promote mutual respect and cooperation.

h) Provide optimum returns to the investor's fund

I) Combine humility with productivity to create a worthy home for employees, shareholders, clients and the entire business community (mission statement).

3.3 OPERATIONS OF VAL. INSURANCE LIMITED FROM 1992 - 1996

In the year 1992, the company's turnover was N5,970,533 while its profit before tax was N1,167,197. This contrasts with the company's 1993 turnover of N9,085,445 with profit before tax of N1,637,778.

In the year 1992, the company's Net premium was N5,656,762 and its profit after tax was N795,850.00. In the year 1993, VAL. Insurance's Net Premium was N5,862,302 while its profit after tax was N949,867. This contrasts with the 1994 Net Premium of N4,922,693 with a profit after tax of N707,536.00. In 1995 the company's Net Premium rose to N8,449,524 with a corresponding profit after tax of N1,851,391. Contrastingly, in the year 1996, the company's Net Premium jumped to N16,640,413 with a corresponding profit after tax of N1,614,509.

However, the figures mentioned for the various years not withstanding, if Earnings/share (EBT) and the working Capital Ratio are considered for each year, the Net Assets/Ordinary Share capital for the year runs as follows:

Assets/Ordinary Share Capital

1996 - 6.60

1995 - 4.97

1994 - 3.88

1993 - 3.63

1992 - 8.96

3.4 OBJECTIVES OF THE COMPANY

The company's objectives are many but the main one is to earn a good return on investment which will satisfy the shareholders and others. This way the company may attract additional capital when or where required so as to finance the company's future expansion plan. Other equally important objectives are:

1) To achieve a specified service target, or to increase market share

2) To increase dividends to shareholders

3) To maintain its responsibility for maintaining good reputation in the industry

4) To handover a viable and efficient company to future policy holders,and staff in sound financial state.

3.5 COMPANY'S SOURCES OF FUND

VAL. Insurance Limited has as its source of fund its share capital, financial institutions, assets disposal and revenue reserves. These sources can be broadly categorized into internal and external. When further divided, each of the sources could have the following under it:

I INTERNAL SOURCES:

1. Disposal of Assets
2. Equity (Share capital)
3. Retained Earnings

II. EXTERNAL SOURCES:

1. Long term debt financing (Long-term liabilities)
2. Short-term debt financing (Current liabilities)

I. INTERNAL SOURCES

1. **Disposal of Assets:** Here, it refers to the fund which is mostly generated through sales of depreciated assets and/or unprofitable fixed assets which include machineries, building, equipment and others. Although this may be a small source of fund it is still important.

2. **Equity:** It is the complete or part of the company's assets which are owned by the common and preferred stock holders. This type of source is very

important to VAL. Insurance Limited.

3. **Retained Earnings**: It is also called undistributed profits and they are essentially the excess of a firm's Post-tax income over all dividends distributed to shareholders. The Retained Earnings are excellent sources of financing long term growth and are preferred to external equity because they do not involve floatation. Also, a portion of Retained earning could be used for the purpose of expansion or operation financing.

II. EXTERNAL SOURCES

One of the of External Sources is the short-term debt financing which refers to debts whose schedule of payment does not exceed one year. There are many types of short-term debt financing which VAL. Insurance Limited uses. These include:

1) **Commercial Papers**: These basically refer to promissory notes which are sold to other banks, business firms, insurance companies and pension boards. Commercial papers are very important sources that provide more funds at

relatively low rates to big firms more than any source under short-term debt financing.

2) **Commercial Banks**: The banks provide life saving line of credit so that the company (VAL. Insurance Limited) could draw money greater than what it has as its balance.

3) **Trade Credit:** A firm uses this type of fund source to purchase on credit, materials and other supplies from other companies. This transaction is regarded as accounts payable. The company uses it where it replaces machineries, vehicles, etc.

The second category of debt-financing is the long- term Debt Financing. In essence, this type of financing refers to a situation where a firm could obtain loans from financial institutions including banks, for a period of maturity exceeding one year.

3.6 OPERATIONS OF VAL INSURANCE LIMITED

OPERATIONS

Insurance could be defined on legal or financial basis. On the financial terms it is "financial arrangement that redistribute the cost of unexpected loss. Legally, insurance is a contractual agreement where one party (Insurer) agrees, to compensate another party for losses. The party that agrees to compensate is called the insurer and the party that agrees to be

compensated is the insured.

On the basis of this, the company with its seemingly limited resources provides services in the following areas with appreciable success. Variety of customer services could be obtained in the following areas.

1. Fidelity guarantee insurance
2. Goods in transit insurance
3. Personal accident insurance
4. Motor insurance
5. Burglary insurance
6. Fire insurance
7. Bonds insurance
8. Cash in transit/safe insurance
9. Contracts all risk cover
10. Marine insurance
11. Household comprehensive insurance
12. Aviation insurance
13. Publicity Liability Cover
14. Workman Compensation etc.

However, because of the risky nature of insurance, the risks undertaken by

the company are themselves re-insured with the following re-insurance companies:

1)	Continental Re-insurance Company	30%
2)	Nigerian Re-insurance Company	20%
3)	Globe Re-insurance Company	20%
4)	Universe Re-insurance Company	20%
5)	African Re-insurance Company	20%
6)	West African Insurance Company Association	5%

3.7 ORGANIZATIONAL STRUCTURE OF VAL INSURANCE LIMITED

Organizational structures of organizations/companies could take several forms ranging from geographical to functional, from product based to customer based or some combination of the above. Thus, the organizational structure of VAL. Insurance Limited is presented below based on what the company felt is most suitable.

First on the hierarchy is the Board of Directors which is represented by the legal representation of the shareholders interest. This Board of Directors meets at least once a year to deliberate on vital issues related to the company. According to the Registration of members, the following companies and individual Directors

hold the accompanied number of ordinary shares of N2.00 (Two Naira) as at 31st December, 1996:

		No of N2.00 Ordinary Shares
1.	Kano State Investment and Properties Limited	625,000
	25%	
2.	Alh. Mustapha Danlami	441,960
	17.68	
3.	Alhaji Isyaka Rabi'u	397,737
	15.91	
4.	Buhari Properties & Investment Limited	322,665
	13.00	
5.	Alhaji Malam Nasidi	176,739
	7.07	
6.	Alhaji Garba Bichi	92,700
	3.71	
7.	Alhaji Ibrahim Suleiman	10,000
	0.40	

In general terms the major responsibility of the Board Directors of VAL Insurance Limited is in the area of the interest of the shareholders comprising of customers, shareholders, creditors, staff and management of the company and

KASIIM

others. Equally, it is the responsibility of the Board of Directors to see to it that the company operates at efficient level so that return to shareholders is maximized. In the same vein, it confirms retirements, appointments and promotion of officials at high level. It also exercises other corporate powers as stipulated by laws.

THE GENERAL MANAGER

He is the regarded by law as the Chief Executive as well as the chief accounting officer of the company. All administrative matters are handled by him or other sub-ordinates who act on his behalf. Because he is directly responsible to the Board of Directors, he is the coordinator of all activities of the company.

Under the General Manager's office are three distinctive offices viz.: Controller (underwriting), Controller, Southern Regional Office , and Office of the General Manager (Finance and Administration).

Basically, there are two controllers under the General Manager's office. These are the controller, Head office and the controller Southern

Regional office. The controller, head office is the head of technical department and he supervises the underwriting staff. He sees to the smooth passage of claims and re-insurance.

The controller, Southern Regional office on the other hand heads the southern operation of the company. His basic functions include among others, the marketing and other public relations jobs as they affect the re-insurance market. He also liases with other supervisory authorities on matters affecting the company which do not have to go to the head office.

Under the controller Technical, is the Manager, underwriting. He directly reports to the controller, Technical. The underwriting manager is responsible for the initiations and inspection of insurable items. In addition, he also assess risks involved in a given insurance and determines premium rates.

Below the underwriting manager, is the Marketing Manager who works side-by-side with underwriting superintendent. While the former helps in the initiation and inspection of insurable items, the latter is responsible for the initiation and execution of the marketing activities of the company. He also coordinates all the marketing activities of the Head Office and the branches. Under the superintendent (underwriting) are the underwriting clerks who help in the practical aspects of the initiation, inspection and obtaining of the insurable items.

Under the Marketing Manager are the Re-insurance Marketing Clerks, Messengers and drivers. These categories are assigned tasks in accordance to their job descriptions.

On the other part of the organization under the General Manager, is the Assistant General Manager Finance and Administration. This officer is generally in charge of the financial matters of the company. He is responsible for all financial matters such as expenditure control, payment of salaries, wages, company taxes, preparation of budgets, costing of labour and energy. He is also in charge of all the investments as well as the accounting aspect of the company. In addition, the AGM is also responsible for the day-to-day administration of the company which includes personnel matters.

Under the AGM Finance and Administration is the Assistant Manager (Finance and Administration) who directly reports to the AGM. He is in charge of financial as well as administrative matters under his schedules.

He keeps adequate accounts of the finances from and to the company and at the same time takes care of the general administrative matters especially

those that do not require the immediate attention of the AGM Finance and Administration.

Below the Assistant Manager (Finance and Administrative) is the Superintendent (Finance and Administrative) who among others keeps the financial dealings and records of the organization. He supervises claim payments, and general financial dealings and obligations of the company. In addition, the Superintendent also oversees the day-to-day administrative duties of the company.

Finally, there are the Clerks (Finance and Administration) whose schedule include cash payments, receipts and deposits. They are also responsible for the preparation of payment vouchers, preparation of salaries, and allowances, lodging and cash withdrawals.

3.8 VAL. INSURANCE TREATY/SECURITY ARRANGEMENT

In order to meet its financial obligations and meets its liabilities, VAL Insurance has entered into treaty/security arrangements with the following Re-insurance Securities through Edu Clarkson & Company

Insurance Brokers:

A.		
i	Continental Reinsurance Company Limited	30%
ii.	Nigerian Reinsurance Corporation PLC	20%
iii.	Universe Reinsurance Company Limited	15%
iv.	Globe Reinsurance Company Limited	15%
v.	African Reinsurance Corporation	10%
vi.	WAICA Reinsurance Pool	10%

3.8.1 The Capacity

CLASS OF BUSINESS	RETENTION TREATY	TREATY CAPACITY	TOTAL TREATY	RETENTION
FIRE	2 Million	40 Million (20 lines)	42 Million	
GENERAL ACCIDENT				
Burglary	0.5 Million	15 Million (30 lines)	15.5 Million	
Group Personal Accident	0.5 Million	15 Million (30 Lines)	15.5 Million	
Workmen Compensation	0.5 Million	15 Million (30 Lines)	15.5 Million	
All Risks	0.5 Million	15 Million(30 Lines)	15.5 Million	
Contract All Risks	0.5 Million	15 Million(30 Lines)	15.5 Million	
Cash in Transit/safe	0.5 Million	15 Million (30 Lines)	15.5 Million	
Goods in Transit	0.5 Million	15 Million (30 Lines)	15.5 Million	
Fidelity Guarantee	0.5 Million	15 Million (30 Lines)	15.5 Million	
Engineering	1.0 Million	30 Million (30 Lines)	31.0 Million	
Bond	0.5 Million	5 Million (10 Lines)	5.5 Million	
Marine	0.75 Million	22.5 Million (30 Lines)	23.5 Million	

FOOTNOTES

1. "VAL Insurance Limited" Corporate Information, 1996.
2. "Problems and prospects of Insurance Marketing in Northern Nigeria: A Case Study of VAL Insurance Limited", 1997. An unpublished National Diploma Project, School of Management Studies, Kano State Polytechnic, 1997.
3. Corporate Profile for VAL Insurance Limited.
4. Philip Kotler, Marketing Management: Analysis, Planning, Implementation and Control, Sixth edition, Prentice/Hall Inc. New Jersey, 1984

CHAPTER FOUR

4.1 NIGERIAN INSURANCE INDUSTRY STRUCTURAL ANALYSIS

There are many ways of analyzing the marketing performance of a given firm and one of the ways is through the structural analysis of the industry to which that company belongs and therefore competes with others. One advantage of the structural analysis is that it enables the researcher to identify and analyze those competitive forces that determine the general competitive nature of the industry in question. As a matter of fact knowledge of the underlying competitive pressures, as postulated by Porter, clearly shows both the critical strength and/or weaknesses of a given firm and also shows:

> its positioning in its industry, clarifies the areas where strategic changes may yield the greater pay off, and highlights the areas where industry trends promise to hold the greatest significance as their opportunities or threat.

Based on Porters postulation which is shared by this researcher, it is pertinent therefore to analyze insurance firms in the country structurally, so that once competitive forces are known, VAL Insurance Marketing strategies could be examined. In Porter's method at least five criteria could be used. These are the

Entry Barriers, Power of Buyers and Suppliers, Threats of substitute Service, Exit Barriers, and Rivalry Among Existing Competitors.

ENTRY BARRIERS

Insurance business requires both specialized skills and adequate capital for it to thrive. In addition, it deals with unknown risks which pervade the industry. To obtain the services of skilled professionals, a given firm needs to set aside large sum of money to pay them good salaries, wages and the like. In additional, the firm will need a fairly large capital to even start the business which may not readily provide profit in good time. Also, investment climate in the country where it operates needs to be conducive. No foreign or local investor will be willing to inject the required capital when he or the organization feels that its investments may not be safe.

Related to the above is the repatriation of profits where local and foreign partners may be viewing each others action with mutual suspicion. For example, in the case of Nigeria the foreign partners, may view the exchange rate of Naira to be an advantage to them especially when one compares the Naira exchange rate to the Dollar in the 1970s to early 1990s which was between N1.00 - and N20.00 to the Dollar. Now the exchange rate is between N90.00 and N95.00 to $1.00. This means that an investor may need to inject a few thousand Dollars to invest

substantially in Nigeria. However, to exchange his Naira profit into Dollars the purpose of repatriating his profit will give him just a few Dollars which may not be worth his efforts. On the other hand, the Nigerian investor needs to inject alot of Naira into a business which many regarded as risky and which may not readily provide profit as in the case of executing government contracts.

In the same vein, a new insurance company will be entering into an industry where other related companies have already acquired experience over years. These insurance companies have over time gained alot of experience in the areas of sales and marketing their insurance products, while their various staff have also over years acquired the much needed skills and knowledge of the Nigerian markets.

Perhaps very peculiar to the home base of VAL. Insurance Limited, Kano, is the issue of religion. Indigenous of Kano are predominantly Muslims the majority of whom regard the issue of insurance with suspicion. As a matter of fact, it is the general belief of most Muslims that Islam prohibits insuring one's life, property and the like.

Based on the above enumerated factors any prospective entrants into the field of insurance may have to weigh them (factors) very carefully before venturing into the field. In other words the factors are regarded as serious barriers by the new entrants.

POWER OF BUYERS AND SUPPLIERS

In Nigeria today, the power of buyers has been tremendously reduced by inflation, low Naira value, joblessness etc. In a large number of cases the issues of insurance is the function of literacy or knowledge. Unfortunately many be of the elites who may interested in the insurance, are themselves reduced to lower class whose salaries and wages are not enough for them to satisfy their most basic needs namely food, clothing and shelter. Under this condition, it is highly unrealistic to expect civil servants and other middle income earners to insure themselves or their property.

Related to the above is the country's economy. For several years, the country has been under the military rule long enough to scare away investors. What obtains is a slow moving economy that heavily relies on mono product. Profits/gains from the products are used to pay salaries and wages, pay off foreign loans, engage in projects and the rest of it stolen. Under this dispensation, the much needed condition necessary for investors may not be regarded as adequate. Thus, rather than insure themselves and their property a large number of potential insurers resort to fortifying their houses, securing their vehicles and properties and generally taking extra-care to protect the little they have.

Not helping matters are the non-challant attitudes of the insurance

companies while settling customer claims which often takes months and sometime years to settle. However, not all insurance firms are weak or financially weak. There are those whose 1996 Gross Premium Income reached hundreds of millions for example Allco Insurance had N1,051,110,000; Industrial and General Insurance, N7724,807,000; Leadway Insurance, N718,887,000; and Nicon Insurance, N10,214,116,000. These figures compared to the VAL Insurance's GPI of N22,119,000 show lowly, the latter stands, and yet they operate successfully in the Nigerian Market. Also, if it is considered that government, the private sector and many others rely heavily on insuring their investments, products and services etc. it is not surprising that the industry is very much thriving despite some negative factors mentioned above.

Naturally, power of buyers in this country has really been reduced by the devaluation of Naira, poor economic climate and weak purchasing power of Nigerians. Of course, this in turn affects the performance of insurance companies in general and VAL Insurance Limited in particular. This may be more appreciated if the Naira rates of different times (years) are compared to the Dollar value of the corresponding years.

THREATS OF SUBSTITUTE SERVICE

As far as VAL Insurance Limited is concerned this is a formidable threat. In

this country a lone there were 135 insurance companies as at 31st December, 1996, with over 30 branches spread all over the country. Some of these insurance companies have branches and/or headquarters in Kano. Each of these companies is a potential substitute to VAL Insurance Limited. Infact insurance companies like Great Nigerian Insurance Co. Limited, Crusader Insurance (Nigeria) Limited could not only pose threats to the existence of VAL Insurance Limited but could also use their positions to provide much better services to the insurers in Kano due to their highly skilled personnel, market reach, sound economic base and perhaps fantastic offers.

EXIT BARRIERS

Under the Entry Barriers it was stated that insurance industry in Nigeria has a high entry barriers just like other insurance industries the World over. The capital needed is almost always on the high side. Also since the area is a specialized one, personnel with specialized skills are required. Also, the risks involved are profound and to the novices especially inhibiting. Here in the case of insurance industry exit barriers are moderate. Although there are almost no heavy machineries and plants to heavily invest upon, there are the manpower, equipment and other resources required. Also, there is the problem of conversion. For example, where a given insurance firm is constantly operating at a loss, it could not

easily be converted into a bank or another financial institution. Despite these., the exit barrier is moderate vis-α-vis other industries such as manufacturing, production etc. especially those where conversion possibility is nil.

Thus, although the exit barriers are moderate, vis-α-vis others, in VAL Insurance Limited's case, the exit may be low particularly as the firm is small and its operations are concentrated mainly in Kano and a few states and its investment is fairly small.

RIVALRY AMONG EXISTING COMPETITORS

There is no doubting the fact that this factor affects VAL Insurance Limited like other insurance companies. Economic recess in the country not withstanding, there are very good insurance companies in the country which offer similar and related services and products at perhaps better conditions. In Nigeria today, there are about 30 insurance companies which controlled over 70 per cent of income of the insurance market. Certainly these companies have better financial base, easy accessibility to and the customers. Some of these insurance companies such as Confidence Insurance PLC, Crusader Insurance and Great Nigeria Insurance may be providing more essential products and services right in Kano State than VAL Insurance Limited, Kano being its home base not withstanding.

CONCLUSION

The seemingly gloomy picture painted above not withstanding, the Nigerian Insurance Market is said to be one of the most major single markets in the Africa today. In 1996 alone, it generated an annual premium income of over N20 billion.

Also, although it was stated that the country's down-turn economy has seriously affected the insurance industry which fortunately has to some extent rely on its past gains, indications are that the country may be moving towards gradual economic recovery, what with the recent move to entrench true democracy. With this in focus, it is to be expected that in a few more years the economy will improve, investors will invest, and insurance in business and health developed, and of course the possibilities of take over, mergers and wind-ups will higher than ever before.

4.2 VAL INSURANCE LIMITED: ITS COMPETITIVE MARKET POSITION.

Ideally one of the best ways to determine the competitive market position of a given firm within its industry, may be through its market share (Sales Revenue) total assets, profit before tax, return on assets and dividend per share all as

compared to those found in the other related firm's with in the industry. However, since it is difficult to use this method using 135 insurance companies, this research employs the analysis of the companies' Gross Premium Income of all Insurance companies by class (1996) Total Premium Income 1992 - 1996, Net Premium Income 1996, profit B before Tax, Return on Assets, Turnover, Profitability Earning per share (EBI) and Net Assets per Ordinary Share.

Also, since VAL Insurance Limited does not involve in Life Insurance, the analysis excludes this area in terms of sales, profit, loss etc. The major areas involved are fire, motor, General, Accident marketing and Aviation, and others, Gross Premium Income of All Insurance Companies by Class (1996).

Of the 129 Insurance companies studies and analyzed by the National Insurance Commission Abuja and Nigeria Re, Abuja, the figure for 1996 for Fire, Motor, General Accident, Marine and Aviation, and others excluding Life insurance, the total income was N18,778,159,000. To find the market share of VAL Insurance Limited, the company's total sales is placed over the total and multiplied by one hundred - This was represented thus: 22119,000 x 100

$$\frac{1}{18,778,159,000} = 0.1177848$$

$$= 0.12\%$$

Based on the figures obtained, the Gross Premium Income of VAL

Insurance Limited of 1996 was 0.12%. This is less than 1% of the whole figure for the year. This figure is very small for the company to be an effective market challenger. For example if, Allco Insurance's Premium Income is taken, it can be found to have up to 5.60% of the whole premium. This is more than VAL Insurance premium by 47.52 times. This may be too low for VAL Insurance Limited. Again, even if each of the 129 insurance companies is given 1%, each will get much more than what VAL Insurance Limited got.

The total Net Premium Income of all the insurance companies in 1996 minus life insurance was N7,376,413,000. The percentage of VAL. Insurance for this year was 0.23%. This figure is small vis-α-vis that of Allco's Net Premium for the year which was N775,055,000.00 which translates into 10.51% of the total Net Premium of 1996. This is 45.7 times the figure obtained by VAL Insurance Limited for the year stated.

The performance by VAL Insurance stated above vis-α-vis the highest performance among the insurance companies in the year stated, did not put the former in good stance. It could not therefore be said to be a market challenge considering the performance of most of the other insurance companies.

4.3 ANALYSIS OF NET PREMIUM INCOME BY CLASS FROM 1992 - 1996.

This part will deal with insurance net premium income classes Viz: Fire, Motor, General Accident Marine, and Aviation and others.

In 1992 the total Net Premium Income of all classes excluding Life insurance was N253,680,000 during the corresponding periods, the Net Premium Income of VAL Insurance Limited was N5,656,762 which translates into 2.84% of the total Net Premium Income of 1992.

In 1993 the Net Premium Income of all insurance companies in the country was N289,708,000. In the corresponding year, VAL Insurance's Net premium Income was N5,862,302. This figures translates into 2.02% of the total Net Premium Income of the Industry. The Next Premium Income of the firm slide a little while that of the industry increased a little.

Also, in 1994 VAL Insurance Limited had a Net Premium Income of N4,922,693 while the whole industry had N364,284,000. Here, VAL Insurance Limited's percentage of the Net Premium Income was 1.35%. This figure represents a down-turn from the 1993 Net Premium Income of the firm even though there was a tremendous increase in the Net Premium Income in the industry for the year.

The Net Premium Income of VAL Insurance Limited for the year 1995 was

N8,449,524 while that of the whole industry for the year excluding Life Insurance was N513,297,000. The percentage for VAL Insurance Limited for the year was 1.65% representing a slight increase from that of the 1994 figure. Significantly however, there was an upsurge in the Net Premium Income for both VAL Insurance Limited and the whole industry.

Finally, in the year 1996, the New Premium Income for the classes of the insurance industry excluding Life Insurance was N7,769,391,000 while as a firm, that of the VAL Insurance Limited was N16,640,413. The company's percentage for the year was 0.21%. Here, it can be seen that although the firm's Net Premium

Income for 1996 was greater than any of the two previous years put together, its percentage for the industry fell down drastically to below one percent. This is due to the astronomical increase in the industry figures while that of the firm merely doubles.

4.4 SOME OTHER COMPARISONS

This factor includes both fixed assets and the capital employed in a given firm's operation. Also when considered, this factor which is also called capital employed, will enable one to investigate and arrive at a given company's position in a related industry. In the case of VAL Insurance Limited its total assets in 1992

was (N5,655,762, Five million, six hundred and fifty six thousand seven hundred and sixty Naira) only; in 1993 it was N5,862 (Five million, eight hundred and sixty two thousand, three hundred and two Naira) only. In 1994 the firm's total assets was N4,922,693 (Four million nine hundred and twenty two thousand, six hundred and ninety three Naira) only. In 1995, it was N8,449,524 (Eight million four hundred and forty nine thousand five hundred and twenty Naira) only. In 1996, the figure was N16.640,413 (sixteen million, six hundred and forty thousand, four hundred and thirteen Naira) only.

For the purpose of this research, the total assets of 1995 and 1996 will be looked into vis-α-vis total assets of other insurance firms because while those of VAL Insurance Limited are available for the five years, only for 1995 and 1996 are available for others.

It is true that with the exception of the year 1994, the total assets of the firm have been continuously increasing. However, if the total number of insurance companies is taken, the performance of VAL Insurance Limited could be said to be dismal. Out of 145 insurance companies as at December, 1995, the firm's total assets ranked 115 beating only 30 other insurance firms with its total assets of N8,449,524 only.

At the end of December, 1996, there were only 135 insurance companies in

Nigeria with total assets of N9,295,790,000. Out of this figure, VAL Insurance had N16,640,000 only.

At the end of December, 1996 there were 135 insurance companies in Nigeria. Out of this number, only 94 insurance provided information on their assets which totalled N9,295,790,000 only. Out of these companies VAL Insurance ranked 69th with a total asset of N16,640,000 only. The first among the companies was National Insurance Corporation with total assets of N2,046,005,000. only while the second was industrial and General Insurance with total assets of N724,807,000 for the year. Thus, this is how far VAL Insurance Limited was left behind despite its fairly good position vis-α-vis some insurance companies.

PROFIT BEFORE TAX

Profit before tax refers to a given company's excess in revenue after it has taken away its operation expenses and before corporate tax is paid.

The profit before tax for Val Insurance for the years in question were N1,167,197 for 1992, N637,178, 1993; N626,849 for 1994; N2,116,087 for 1995; and N1,748,450 for 1996 respectively. Although figures obtained by other insurance companies are not readily available for comparison, using the figures above for other companies one may safely state that the company's profit before tax just like its premium Net Income for the years stated were lagging behind and a lot

needs to be done to improve its position.

RETURN ON ASSETS

Return on assets is the ratio obtained by placing profit before tax over the total assets employed. The ratio obtained is referred to as return on assets. For the years in question, it was 1.75 for 1992 0.00 for 1993; 0.25 for 1994; 0.85 for 1995; and 0.70 for 1996. Although the total assets employed may not be much, the return on assets for VAL Insurance company for the years in question were very much appreciable. It started with very high points in 1992 but slide down to zero in 1993 and rose to over 0.80 in 1995 through 0.70 in 1996. The ratios in these cases with the exception of the year 1993 were appreciable enough because they showed some elements for profits in the years in question.

DIVIDEND PER SHARE

The dividend per share (ordinary shares of N2.00) as recommended by the Directors in 1996 showed that even though VAL Insurance Limited's capital base may not be as superb as those of the other leaders or challengers, the proposed dividend of 50k per N2.00 ordinary share was relatively good. However, it should be noted here that based on the status of the industry the mentioned dividend per share could hardly make VAL Insurance Limited a market challenger. At best, it could be said to be a market follower.

In order to verify the actual position of the firm which some customers and the management staff said is as market challenger, it is pertinent to review its strategies within the scope of the generally accepted market challenger strategies viz. frontal attack flanking attack and guerrilla attack.

1. FRONTAL ATTACK

As a market challenger, it is expected that VAL Insurance Limited would launch as its strategy, frontal attack against the market leader(s) in the area of promoting its services, products, promotion, price and claim settlements, and innovation. However, what seems to be on ground is far different.

A firm's resources will to a great extent determine the type of strategy or strategies it can adopt and to some extent its success. Perhaps the company's seemingly meager resources have not helped it in reaching the market challenger position. Thus, the firm's lack of grasp on the major areas of frontal attack clearly shows its serious weakness as a market challenger if at this point it could still be regarded as such.

FLANKING ATTACK

In its general form a flanking attack is launched in form of geographical invasion where a firm ventures into areas where its competitors are not performing at high levels. Unfortunately in the case of VAL Insurance it is yet to do so because

it is still struggling to even compete in its home front. Admittedly, it ventures into some states like Plateau, Katsina, Kaduna and Lagos but apparently there is no geographical invasion noted. If anything, it seems to be swallowed by other insurance firms in almost all the states,, including its home base Kano

GUERRILLA ATTACK

The guerrilla attack often comes in form of occasional promotional programmes which take place in time of some occasions. As a mater of fact, apart from such promotional outbursts during trade fair in Kano and Kaduna states, one hardly notices such attacks. Often many events such as the company's AGM, other trade fairs in the country., sallah, Christmas and new year events., could have been used by the company to launch its attack. The guerrilla attack as a strategy may help the firm in demoralizing and harassing its competitor.

Thus, from records available, VAL Insurance Limited has not been using this strategy as it perceives itself as a challenger. There is no doubting the fact that the insurance industry as it is today has reached maturity and competitive stages and therefore the use of such attacks may be important and required.

4.5 VAL'S APPLICATION OF THE MARKET CHALLENGER STRATEGIES AND ITS POSSIBLE IMPACT.

Somewhere in this chapter it was hinted that although many of VAL

Insurance Limited's customers, management and staff feel that the firm adopts market challenger strategies, the truth may be, at best it adopts a nicher's strategy. It is pertinent here to examine the firm's performance with a view to ascertaining the strategies and their impact. These are:

1. Turnover
2. Profitability
3. Earning Per Shares (EBT)
4. Market standing
5. Efficiency

4.5.1 TURNOVER OF VAL INSURANCE LIMITED FROM 1992 - 1996

The turnover of VAL Insurance Limited over the period has been represented by the table below:

YEAR	TURNOVER	INCREASE/DECREASE OVER THE PREVIOUS YEARS	
1992	13,892,150	-	-
1993	15,691,585	1,799,435	12.95
1994	14,701,812	(989,773)	(6.30)
1995	5,897,541	1,195,729	8.13
1996	21,749,362	5,851,821	38.81

Based on the table above, one can say that with the exception of 1994,m the turnover (sales) of VAL Insurance Limited had been rising appreciably. For example, while increase or decrease for the year 1992 could not be computed due to lack of adequate information, the turnover for 1993

had increased by N1,799,435 or 12.95 per cent over that of 1992, However, in 1994, there was a decrease in turn over below the previous year by N989,773 or 6.30 per cent. But in 1995 the turnover of VAL Insurance Limited increased over that of 1994 by N1,195,729 or 8.13 per cent while that of 1996 rose astronomically over that of 1995, by N5,851,821 or 38.81 per cent. Here it could be said that despite the economic recession and political uncertainty during the period in question, the firm had almost consistently been improving its turnovers.

PROFITABILITY

In the five year period from 1992 to 1996 VAL Insurance Limited recorded a mixture of fortunes in terms of profitability. The table below highlights the profits obtained during the years.

4.5.2

YEAR	TURNOVER	INCREASE/DECREASE OVER THE PREVIOUS YEARS	
1992	795,850	-	-
1993	949,867	154,017	19.35
1994	707,536	242,331	(25.51)
1995	1,851,391	1,143,855	161.67
1996	1,614,509	236,886	(12.79)

From the table above it could be seen that VAL Insurance Limited's profitability over the five years discussed was a mixture of ups and downs. In the case of 1992, the increase/decrease could not be determined because profit after tax figure for 1991 was not readily available. However the 1993 profit showed an

increase of N154,017 or 19.35 percent over the 1992 profit. In 1994, the profit after tax had decreased by N242,331. This translates to decrease of 25.51 percent. But in 1995 the profit after tax figure had tremendously increased over the previous year by N1,143,855 or by 161.67 percent while the figure had a decrease of N236,882 or 12.79 per cent below that of 1995.

Although factors leading to the above fluctuation may be several, one of them may be the economic recession in the country while others may also include lack of definitive push by the company's management. Be that as it may it should be noted that the years 1995 and 1996 saw tremendous increase of profit after tax over the previous years, the slight slide in 1996 not withstanding.

4.5.3. EARNING PER SHARE (EBT)

YEAR	STATUTORY	PROFIT	BEFORE EARNING (EBT PER SHARE
1992	1500,000	1,167,197	0.78
1993	1500,000	(637,178	-
1994	250,000,00	626,849	0.25
1995	250,000,00	2,116,087	0.85
1996	250,000,00	1,748,450	0.70

Earnings per share (Earning Before Tax) for the five year period under study shows a mixture of fortunate for VAL Insurance Limited. In the year 1992, the firm's statutory deposit was only N1500,000 and its profit before tax was N1,167,197 with the earning per share of N0.78. This contrasts with the year 1994

where the statutory deposit was N2,500,000 but with a profit before tax of N626,849 with an earning per share of N0.25 only. The 1995 statutory deposit was still N2,5000,000 and the profit before tax rose appreciably to N0.85 while in 1996 with the same amount of fixed statutory deposit the profit before tax slide down a little to N0.70. In the case of the year 1993, the company operated at a loss.

Although the statutory fixed deposit of the firm was small in all cases especially considering those of other insurance firms, it is worthy to note that the firms earnings per share for four years were very high and appreciable. In this vein, if the statutory deposits could be increased and the company's strategies vigorously pursued, it will be a worthwhile venture.

The fourth and final aspect (strategy) of checking the impact of VAL Insurance Limited is through the investigation of the Net Assets per ordinary share capital. This will enable us to state whether or not the strategies adopted made any impact. Table below indicates the impact for the years in question.

4.5.4

YEAR	CAPITAL EMPLOYED	STATUTORY DEPOSITS	NET ASSETS/ORDINARY SHARE CAPITAL
1992	5,970,553	1,500,000	3.98
1993	9,085,455	1,500,000	6.06
1994	9,707,913	2,500,000	3.88
1995	12,416.082	2,500,000	4.97
1996	16,487,544	2,500,000	6.60

In the five year period studied, the Net Assets per ordinary share capital also showed a fairly good ratio in almost all cases. In 1992, and 1993 the statutory deposits were N1,500,000 in each case while in the reminding three years it was N2,500,000 in each cash. The capital employed in each case differed and it looks as if the greater the capital the higher the Net assets per ordinary share capital and what looks like the exception was the year 1994 in which the ratio fell to 3.88.

This can be explained bearing the fact that the statutory deposit which formed the basis for determining the ration was increased from N1,500,000 in 1992 and 1993 to N2,500,000.

Thus, considering the fact that the company's capital employed in each case was relatively small, one can say that the net assets fetched fairly good ordinary share capital. Therefore, if more capital can be incepted, efforts intensified in all directions, strategies improved or modified, VAL Insurance Limited could succeed as an insurance company.

4.6 HYPOTHESIS TESTING

In a simple term hypothesis refers to that preposition stated which needs to be proved or disproved as a result of a given research finding. In case of this study, four hypotheses were postulated and what remains now is to test each of them,

HYPOTHESIS NO: 1

The VAL Insurance Limited occupies market followers position even though its management may feel the company adopts market challenger's position.

This hypothesis is correct putting into consideration the stated market challenger strategies commonly adopted by challengers but which have not been effectively adopted by VAL Insurance Limited. Also the company's share capital, resources and standing among other insurance companies in the country proved the above hypothesis.

HYPOTHESIS NO: 2

Even though VAL Insurance Limited's share capital may be relatively small, its performance over the five-year period studied would be appreciable. This hypothesis is also correct given the fact that the company's turnover, profitability, and earnings per share kept on rising despite the small share capital employed.

HYPOTHESIS NO: 3

The marketing activities of Val Insurance Limited are so small as to allow for effective market reach.

Again, this hypothesis is true given the fact that the company's activities are more or less restricted to Kano State. Other areas covered by the company Lagos,

Jos, Kaduna, Katsina and Maiduguri are yet to really feel the impact of the marketing activities of the company. Sales are almost entirely restricted to Kano State.

HYPOTHESIS NO: 4

The performance of VAL Insurance Limited within the insurance industry is fairly good given the available resources, and if adequate capital can be injected the company can attain a good market challenger's position.

This hypothesis is true because the company's performance in four out of the five years studied showed rises in profitability, turnover, Earning Per Share and the like. Therefore, if the number of shares could be increased, and more capital injected, the company maybe able to improve its branch offices and even establish new ones. Thus, with its current strategies improved or modified, the company may reach its greatest height. Also, new capital will allow the company to effectively marshal its resources, make innovations and in this way reach the ever expanding insurance market in the country.

FOOTNOTES

1. Micheal E. Porter, Competitive Strategy, Techniques for Analyzing Industries and Competitors, Free Press, London, 1980, P.4

2. Nigerian Insurance Year Book, Nigeria Reinsurance, Lagos, 1997, Pp. 114-120.

3. Op cit. No. 2, P.5

4. Op cit. No, 2 Pp. 114 - 139

5. VAL Insurance Limited Auditors Report, 1996, P.7 - 14

6. Nigerian Insurance Year Book, Nigeria Re-insurance, Lagos, 1996, P.5.

7. Corporate Profile for VAL Insurance Limited.

CHAPTER FIVE

5.1 CONCLUSION AND RECOMMENDATIONS

From the foregoing, it can be concluded that the insurance industry in Nigeria has come a long way with an annual premium income of over N20 billion in 1996. During the year in question, there were 135 insurance companies operating in the country with about 30 of them controlling over 70 percent of the market income.

Of the companies stated above when their assets and operational capital were rank ordered, VAL Insurance Limited came 69th showing that the firms is far lagging behind with its assets worth N16,640,000. However, this may be a remarkable performance over its 1994 ranking where out of 145 insurance companies in the country it ranked 115th thus beating only 30 companies.

Also, based on the interview conducted with some management staff of the company and some of their customers, the general belief among them was that the company was occupying a market challenger's position in the country. The truth however is that despite the fact the company's turnover, profitability and return on assets are fairly good, these should not be confused with the market challenger's position. Infact, it is a fact that a market leader does not necessarily have the

highest profit or that a market nicher could not operate a profitable company. Chapter four shows how ill- prepared the company is to occupy the market challenger's position, its profitability and other positive developments not withstanding.

In the same vein, this research shows that the Management of VAL Insurance Limited has not engaged in effective marketing strategies which will warrant effective market reach A re-programmed marketing strategies of the future operation of VAL Insurance Limited should make effective use of frontal attacks, guerrilla attack, flanking attack, etc. but for all these to be possible and effective, the company's capital base needs to be increased tremendously to enable the management employ the services of good and experienced staff. It should also be improved to enable the company reach a substantial part of its target audience across the country.

On a very frank note, it seems as if either the management of the insurance company does not care to employ any bona-fide strategy or that it does not know of its existence or value. This researcher has painstakingly gone into the different types of suggested strategies useful to firms but non seemed to be employed by VAL Insurance Limited.

Also based on the interviews conducted during the cause of this research, it

has been found that a good number of the company's shareholders are willing to inject new capital due to the confidence they have on their management. Also, the many company customers interviewed showed tremendous confidence in the company's staff and its image.

Finally, with the potential markets in Kano State alone, it is doubtful if the company's effort has covered all these potential markets waiting to be tapped especially considering the fact that with the exception of a few insurance classes notably the life insurance, the company engages in all types of insurance business. This will allow it to make use of different marketing strategies for its numerous products depending upon their position in the market.

5.2 RECOMMENDATIONS

With the new democratic structures on ground, it is hoped that the economic climate will improve in the country and hopefully with it, more opportunities.

As a first step it is necessary for the company to seriously look into its operations, product, services, strategies, mission, objectives etc. with a view to coming out with clearly defined and workable ones.

It is a fact that the company is certainly not a market challenger, therefore, it needs to ascertain its position and once established, be ready to accept it as its

KASHIM IBRA

actual position and not what it thinks it occupies.

Specially the following recommendations may be useful:

5.2.1 The company should expand its operations and services to cover other states and this requires more capital and resources of all kinds.

5.2.2 Perhaps more importantly, the company needs to employ more skillful and experienced staff while the ones on the ground should be trained and re-trained. Fortunately, the company's General Manager and some of his sub-ordinates are well trained professionals and in-house training and workshops for the company may not be difficult. In the same vein others should be encouraged to go for further studies.

5.2.3 It may be necessary to open up the company to other interested people and organizations who may be willing to inject more capital or give useful suggestions; and

5.2.4 The company needs to engage in rigorous sales and corporate campaign involving salesmen, media and others so as to make its presence felt more by its customers and the general public.

BIBLIOGRAPHY

1. Cliff Bowman and David Asch, Strategic Management, Macmillan, London, 1987.

2. Collaboration of Insurers in Nigeria, Nigerian Insurers Association & Dalson Publications LTD, Lagos, 1996.

3. Donald F. Harvey, Business Policy and Strategic Management, Bell and Howell Co. Ohio, 1982.

4. Gerry Johnson and Kevan Scholes, Exploring Corporate Strategy, Prentice-Hall Inc., London, 1984.

5. Journal of the West African Insurance Companies Association", Volume xix, WAICA, Accra - Ghana, 1995 - 1996.

6 Lawrence Fisher, Industrial Marketing: An Analytical Approach to Planning and Execution, Second edition Anchor Press LTD, London, 1976.

7. Micheal E. Porter, Competitive Strategy Techniques for Analyzing Industries and Competitors, Free Press, London, 1980.

8. Nicon At 25, Sahel Publishing & Printing Company, Lagos, 1994.

9. Nigeria Insurance Year Book, Nigeria Reinsurance Corporation, Lagos, 1996.

10. Nigeria Insurance Year Book, Nigeria Reinsurance Corporation, Lagos, 1997.

11. "Nigerian Insurance Today", Vol. 3; No. 11, 1997/98.

12. Philip Kotler and Keith K Cox, Marketing Management and Strategy, A Reader, Third edition, Prentice-Hall Inc. New Jersey, 1984.

13. Philip Kotler, Marketing Management: Analysis, Planning, Implementation and Control, Sixth edition, Prentice-Hall, Inc., 1988.

14. "Problems and Prospects of Insurance Marketing in Northern Nigeria: A Case Study of VAL Insurance Limited", 1997 An unpublished project, School of Management Studies, Kano State Polytechnic, 1997.

15. "VAL Insurance Limited" Corporate Information, 1996