Insurance Agent's Super Sales & Management Tips

All My Best to You by Ralph Moten

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About the Author

Ralph Moten, Marketing Director of American Southwest Insurance Managers has been involved in sales, marketing and management training since 1972. He has conducted over 2,500 seminars. If you have questions in this area he encourages you to call him personally at 1-800-856-0191 x 4078. The information in Ralph's Super Sales Tips 'n Tools booklet can be put to use THE NEXT DAY to increase your agency's performance.

"I KNOW YOU WILL FIND IT . . . RELEVANT … EDUCATIONAL … ENTERTAINING!"

………. Eddie K. Emmett, Editor / Publisher eddieemmett@windstream.net

SURVIVAL!

Agents Must Abandon Short-Term Mentality

Several months ago I attended an A.I.A.T. Dallas Chapter Meeting that featured an assemblage of company executives on the dais. After brief opening remarks the audience, consisting primarily of agents, was allowed to pose questions to the panel members. Shortly thereafter the Ft. Worth Chapter session was formatted in similar fashion, differing in that the panel of executives received a list of inquiries that had been polled from the agents prior to the meeting.

The obvious positive aspect of this effort is that it at least created an opportunity for dialogue. Due to my familiarity with the companies represented, and in addition, my personal contact with many of the agents in attendance, I was both confused and surprised at the nature of the exchange. At the Dallas session the agent's questions were pointed, adversarial, and the focus seemed to center around a multitude of company practices that made life difficult for agents. The position taken by the companies during the Ft. Worth meeting was equally confrontational. A litany of "less-than-professional" agency performance issues was batted around like a Ping-Pong ball.

Since I knew many of the combatants on each side of this battlefield this seemed ironic. The company faults the agents were wailing about were not perpetrated by these companies and the agents in attendance were not guilty of the sloppy procedural faux pas the companies were moaning about.

The association regulars, from each perspective, are the "good guys". The companies care about their agents and the agents appreciate the dedication of the major participating companies.

In our organization 65% of our agency force produces 10% of our premium. They don't come to meetings.

What is glaringly obvious to all of us is the fact that at least a dozen companies are no longer participating in the Texas non-standard market. Less obvious is the impact (immediate and long term) that this has on the agency population.

July represents our 11th birthday. In those eleven years we've enjoyed over 320,000,000 million in premium writings. Every single dollar has been written by INDEPENDENT AGENTS. You are our only source of revenue.

This past May we were discussing the uncertainty of the market place and a question came up. - - - "What would you tell a close friend or family member to do, if they were an agent, in order to survive?"

That question became the nucleus of our recent series of SURVIVAL CONFERENCES.

We conducted these conferences all across Texas. We did a combination of breakfast, lunch and dinner sessions.

The purpose was basically to focus on four essential aspects of the current market direction . . .

- A clear definition of American Southwest Insurance Managers' status and position.
- A review of the recent, significant changes that have taken place in the Texas market.
- A menu of ideas and strategies to aid our agents in preparing for the market challenges expected in the very near future.
- To listen intently to both the suggestions and concerns of our agents.

Each session reinforced our belief in the validity of relying solely on the independent agent as our market resource. To classify the response of our agents as "fantastic" is only mildly descriptive.

As soon as the "chow line" was vacant we began by introducing a letter from our reinsurer that verified that our contract is solidly in place. HART-RE is again supporting our operation with a full 100% treaty. As part of the Hartford Financial Group they enjoy an A+ 15 A.M. Best Rating.

We then provided a historical synopsis of premium production for the Texas Non-Standard industry. The "Power Point" presentation traced the premium dollars from 1996 through 2000. Included were the percentages of Companies, M.G.A.'s, and Direct Writers. We also addressed the impact of "Vacated Premium" that was created by programs that withdrew from Texas.

Additionally, we explained our decision to completely redesign our program structure last year. Separating and targeting the four distinct market segments has proven to be very effective . . . for us and our Agents.

The general "theme" of the "SURVIVAL CONFERENCE" was to illustrate that the uncertainly of industry conditions Demands that agents abandon the Short-Term mentality of depending upon New Business Only for their success. Instead they must shift to Long-Term planning and Embrace the importance of building their agencies by maintaining their Renewals.

. . . WHY?? ? . . .

- Renewals represent lower acquisition cost.
- They create a consistent, predictable, dependable cash flow.
- They result in lower loss ratios.
- They are the primary source of REFERRALS.

Perhaps the most enthusiastic response centered on the announcement of our inter-active INTERNET WEB-SITE. Its ability to provide "real time" access to complete policy information will make processing simple and much more efficient.

We wrapped up the meetings by sharing our thoughts on what the agents should expect to see in the last half of 2001 and some ideas on how to make appropriate adjustments.

We then answered questions (both from the platform and in private) and distributed a brief survey to encourage input.

One of our agents commented "What I expected was a meeting just promoting your products. Instead I got some very valuable information on what to do and what to be careful about".

We did an extensive agent survey approximately a year ago and although this current sampling only represents the agents that attended our session, there are some contrasting indications worthy of further investigation.

	2000	2001
• Contracted with 10 companies or less	45%	65%
• Consistently placed premium with 5 companies or less	62%	71%
• Maintain 15 or more contracts	38%	23%

We still feel there are plenty of "GOOD GUYS" available to professional agents. Someone once said "Sometimes we're so busy workin' on the train, we look up and we're on the wrong track." Often we're so busy working IN our business we neglect to work ON our business.

Ralph Moten is Director of Marketing for American Southwest Insurance Managers and has been involved in sales and marketing consulting and training since 1972 and has conducted over 2500 related seminars. He developed a "SURVIVAL KIT" as follow-up piece to these conferences. If you would like a copy contact him at: American Southwest Insurance Managers, Inc. 1-800-856-0191 – Ext 4078

AGENCY BUILDING · · · THE THREE "P'S"

THE MANAGEMENT AXIOM – "Your people represent what you have taught them or allowed them to become." J. Douglas Edwards

Several years ago a golf pro attended one of my seminars. The topic was "MINOR DETAILS MAKE A MAJOR DIFFERENCE". During the break he approached me, explained what he did for his livelihood, and said "I've got an interesting statistic for you. If you consider ALL of the players that participate in the P.G.A. (those that have earned their P.G.A. card), and then tabulate their annual scores, there is only 3% difference between the rich and famous and those that we've never heard of".

Think about that · · · three percent difference between Tiger Woods and the guy who didn't make the cut. The difference in earnings, however, could be MONUMENTAL! In horse racing the outcome is often determined by a photograph · · · A "Photo-Finish". Yet sometimes the horse that wins first, wins ten times the amount of the horse that placed second. Is the winning horse ten times faster · · · Ten times better bred · · · Ten times better trained? NO! It's just better by a nose · · · a little bitty bit.

Our organization deals with hundred of agents daily. We see this very same exact phenomenon manifested on a regular basis. My intention in this article is to expose you to a number of proven, tested models and strategies that could possibly contribute to building your agency. If they appeal to you, use them. If you find them lacking, contrary to your style, too complicated, too difficult, or too labor intensive, disregard them entirely. How you run your business is · · · YOUR BUSINESS!

Now, if you're still reading this, there is a possibility that you're at least curious about the three "P's" in the title. They are · · · PRODUCT · · · PEOPLE · · · PROCESS. Each of these is foundational to the function of an agency, or any business for that matter.

We could begin by arguing about priority, sequence or importance but instead let's attempt to agree that all three of these components are necessary ingredients for our agency building formula.

First we need to determine the "Fifth Point" on our map. The compass gives us the four primary points · · · North, East, South and West, but before we can embark upon our journey we need to determine the "Fifth Point" · · · Where we are NOW! It is as difficult to get to someplace you haven't planned to go as it is to come back from someplace you "Ain't Never Been". (Pardon the dangling preposition and other grammatical flaws but it just don't read right without'em)

The point however, is painfully true. Unless we have an accurate assessment of our current position and status how can we begin to move towards improvement? Someone once said, "If you can't measure it, you can't manage it."

Once again we find ourselves constrained by the lack of space afforded us by a written format, but I think I can provide enough of a shove in the right direction so that you can establish your own momentum. I feel compelled to warn you that there is a modicum amount of tedium attached to this task. You'll actually have to sit down, get pen and paper and make a few lists. Occasionally you'll need to consult your files. In short this procedure requires some judicial self-analysis. Therefore it will involve some time and a small amount of simple mathematical calculation.

Let's take it from the top:

PRODUCT – From a basic marketing standpoint the companies with which you contract represent your inventory. Let's consider a clothing store for a metaphorical comparison. The store owner has categories that are based upon the requirements of the consumer; dress apparel, business, casual, sportswear, ad infinitum. He then must consider size ranges, such as how many smalls, mediums, larges, extra larges, etc. so he can maximize his potential sales opportunities.

An agent faces a similar challenge. While many of our agents are "Auto Only" in terms of category, others offer homeowners, motor cycles, life and health and other types of coverages. Since our focus is Auto Insurance I'll limit my comments to that portion of an agents "Inventory". Our company, American Southwest Insurance Managers, has specifically tailored our product mix to correspond with what we see as four distinct echelons in the Texas marketplace.

A recent calculation of our in-force policy count determined that less than four percent (.0385) of our business emanates from our "Monthly" product. At the opposite end of the spectrum over fifty percent of our book was found in the renewals that evolved from our entry-level programs into the safe haven of our "Preferred" program.

The reason I mentioned this is to emphasize the significance of MEASUREMENT in order to establish balance. An obvious question would be, "Why bother with a program that only equates to 4% of your book?" Good question. The answer is that our most recent survey indicated that 57% of our agents (that's you) wanted us to maintain the monthly program. When we asked "Why?" we were told that if a customer mentioned "tags" or "inspection sticker" in their conversation they could possibly have short term intentions.

We then learned that these agents monitored this portion of their book and if the policyholder made their 2nd or 3rd payment, the agent moved them to a six-month policy. Although this program is not a big premium factor for us, to 57% of our agents it is an important service consideration. It's win, win, win.

If you, as an agent, sign up with any company that walks through your front door and then always write the lowest rate, you accomplish three things simultaneously. First you spread yourself so thin you automatically become UNIMPORTANT to everyone.

Secondly you lose the opportunity to establish a bond that relates to the service level you need to function efficiently.

Poor service at the company level is a hidden cost factor. Bad service loses business at the policyholder level and takes valuable time from your sales effort.

Finally, an over abundance of contracts inadvertently results in a higher percentage of underwriting errors, uprates and cancellations. Your staff faces the unrealistic challenge of being well versed with an inordinate number of underwriting guidelines. Consequently, your error rate increases.

OK! So what is the optimum number of contracts? That takes us back to "Measurement" and "Balance". Here's where the work comes in. Pull a sampling of files, (you pick the number, but AT LEAST one month's average production is needed to accurately define your policy profiles) look at your variables; age, sex, marital status, liability only, etc. and then determine who writes what. Make note of the companies that appear most often. Consider their service level. Evaluate the relationship factor. Some of our agents operate quite well with four companies, others require fifteen. Only you can determine the current number for your agency. I'm simply suggesting that you invest the time to investigate instead of operating on guesswork.

The second "P" is for "PEOPLE." Here we encounter a paradox · · · How to OBJECTIVELY evaluate SUBJECTIVE skills and talents. We're going to dispense with the most obvious basics such as personal hygiene, dress code, work ethic, attendance, punctuality, etc. For the purpose of this article I'm going to assume your people know how to bathe and can find their way to your office. Since we're focusing on "Agency Building" let's spend our time with two issues, training and compensation.

Recruiting and selection, of course, precede the training sequence. Although we're limited as to space and therefore can't elaborate on the hiring process I do want to emphasize the importance of this initial step as it relates to the "People" factor in our "Three P's" formula.

Many of the individuals I encounter in agent's offices appear to have been hired by utilizing the "Mirror Method" of recruiting.

If you're unfamiliar with this discipline it involves placing a small mirror under the applicant's nostrils. If the mirror then fogs up . . . the person is hired. A bare bones standard might be "If you wouldn't buy something from this person, don't hire them."

The "AXIOM" that headlines this article is almost impossible to argue with. Is there an exception? Yes. The exception is if you recently inherited a staff or the people have less than 90 days of "real life" insurance experience you are then in a temporary "Safe Zone." After that they "represent what you have taught them or allowed them to become."

My personal experience has been that office personnel in the majority of agencies I visit are expected to perform multi-functional job duties. They often answer incoming calls, process policies, file, underwrite at the point-of-sale, sell, do internal administrative work plus deliver customer service. Yet the only training they receive is of the "On the job" variety. "On the job" training is better defined as "When you encounter something you haven't done before I'll stop what I'm doing and show you how to do it" training. Professionals in the training industry can verify that this is one of the least effective and ultimately most expensive training approaches.

If you really want to build a professional staff that has the potential for longevity and loyalty, take the time to structure, implement and monitor their training. You can accomplish this by determining training priorities, preparing procedural information, explaining why each element is important, showing them HOW to do these things, observe them doing them, and finally supervising their progress.

Before we leave the "PEOPLE" portion of this article allow me to address one remaining provocative issue · · · compensation. As I said earlier "How you run your business, is YOUR BUSINESS." I also said I would "· · · expose you to a number of proven, tested models and strategies" I recently visited with an agent that was concerned about cancellations and renewals. A portion of our conversation logically explored how his people were paid. They were paid on an hourly basis with incentives attached to new business and fees.

Not surprisingly, if a policyholder came in to make a payment a little late, instead of taking advantage of the E-Z start or Re-instatement options many companies offer, the C.S.R. would re-write them, often with a different company.

Of course the new down payment and an additional fee resulted in more cash outlay than their upcoming monthly payment. Consequently customers were often lost due to this additional expense.

Why would the C.S.R. take this approach? To quote Willie Sutton, the famous bank robber, when he was asked "Why do you rob banks?" his reply was "Cause that's where the money is." That's why the C.S.R. re-wrote them.

If you want your staff to show up at 9:01 A.M. and leave at 5:59 P.M. pay them hourly.

Now don't read too much into this example. I'm not recommending any particular pay basis. I'm simply attempting to illustrate a point.

Professor LeBouff of Tulane University authored a book entitled "The Greatest Management Principal." Training professionals who are proponents of this theory refer to it as "G-M-P". To summarize the entire book into one sentence it translates into "Reward the behavior you want repeated." If you want your staff to show up at 9:01 A.M. and leave at 5:59 P.M. pay them hourly.

If you want active, focused behavior that will assist in building your agency's business, develop a compensation plan that encourages their contribution.

Pay them for their productivity. I've done numerous "Sales Sessions" for agents that have such pay plans in place and also for agents that compensate solely on an hourly or salary basis.

Guess which group has the highest attention level. The incentive oriented group views the training as "an opportunity for growth." The other group thinks of it as "a meeting."

The remaining "P" represents "PROCESS." Admittedly this is a very broad category. As it relates to "Agency Building" it encompasses not only the "PRODUCT" and "PEOPLE" components, it also involves procedural aspects, structure, scheduling, training, discipline, work assignments, human resourcing, advertising, promotion, customer service, public relations, management and a number of other considerations.

On one end of this spectrum you have the overly structured "Standard Operating Procedure" mentality where everything is required to be "by the book." General George C. Patton is quoted as saying, "It's OK to fight a war by the book, as long as the S. O. B. that wrote the book has been in the war!"

On the opposite end of this same spectrum you encounter the totally unorganized, "fly by the seat of your pants", or, "management by crisis" approach. Somewhere between these two extremes lies a realistic compromise that provides enough structure for efficiency and offers an appropriate amount of flexibility for effectiveness. The obvious challenge is determining where you are on this scale and then isolating areas for improvement so you can then begin developing systems and processes that will result in our aforementioned purpose · · · "Agency Building." This take us back to "The Fifth Point on the Map", where we are now! · · · judicial self-analysis.

"OK" you're probably asking, "Where do I start? You start with pen and paper. Let's revisit the "P's".

· · · PRODUCT · · ·

- ❑ List your contracts
- ❑ Calculate your premium percentages

- Company A - 40%
- Company B - 25%
- Company C - 20%
- Company D - 7%
- Company E - 4%
- Company F - 3%
- Company G - 1%
- Companies H – L 0%

- ❑ Rate the service levels – 1 through 10

(10 being the best)

- ❑ Rate the relationships – 1 through 10

In addition, remember that what are often thought of as "intangibles" can actually be hidden cost factors. Claims handling, policyholder satisfaction and poor customer service can erode your profitability. Additional time involvement on your part subtracts from time better spent on sales and service. NOW you have a starting point!

· · · PEOPLE · · ·

This element is, without a doubt, the most exasperating. Ready for more "P's"? You need to determine, individually, if you have a PROVEN PERFORMER, POTENTIAL PERFORMER OR A PROBLEM PERFORMER. Again back to "HOW?"

RATE THEIR SKILLS 1 THROUGH 10

- PRODUCT KNOWLEDGE – Underwriting, Coverages, Etc.
- PEOPLE SKILLS – Sales Skills, Phone Skills, Service Skills, Personality, Etc.
- PROCESS SKILLS – Accurate Applications, Filing, Organization, Etc.

If they score 25 to 30 you have a "Proven Performer." Congratulate them. Thank them. Love them. Hug them. Buy them dinner. RECOGNIZE THEM! Recognition is the most effective, least expensive and most often neglected motivator. Since these people require very little supervision they sometimes receive very little attention. Express your appreciation. Better yet, involve them in training your other staff members. It creates a feeling of importance.

A score of 15 to 24 indicates a "Potential Performer." Often these people are primarily functional bodies that are "too good to fire but not good enough to keep." Ironically these same folks are often the best investments in management and training time. If they can be directed and motivated towards the "Proven" category, you'll experience a geometric increase in their productivity.

1 to 15 qualifies as a "PROBLEM PERFORMER." Usually not only are their skill levels suspect but they often exhibit punctuality and attendance problems, a lack of dedication and work ethic, plus attitudinal issues. They do, however, deserve an opportunity to pursue improvement. This is best accomplished with a serious interview that clearly defines what you expect, where they are lacking and offers a reasonable time frame for correction. One of two things usually occurs at this point. One, they secure other employment, (which is a blessing) or two; they develop the inspiration of desperation and mend their ways. Both are OK. Remember "your people represent what you have TAUGHT them or ALLOWED them to become."

PROCESS

For an eye opening experiment try this. Make a list of job responsibilities, procedures and then connect them to the appropriate staff members. This can include opening the store, emptying the trash, filing policies, answering the phone, all the way to depositing your money in the bank. Then ask your people to list their responsibilities. Compare them. Sit down before you do this. It's not uncommon to discover that what you thought was common knowledge of your required procedures didn't make it to their list. My first suggestion is to re-read "Creating an Employee Manual", written by our recently elected President, AnMarie Bozick (Flagwaver Volume 8, Issue 1, June 2003 Page 6). It's accurate. It's concise. It's industry specific and I'm not dumb enough to attempt to improve on it. It's exceptional advice from an exceptional agent.

At American Southwest Insurance Managers our internal computer system can generate over thirty marketing reports, charts and graphs. Some of these I use often, some occasionally, some hardly at all. One I often look at depicts agent productivity by individual location in descending order.

In preparing for this article I noticed that on our TOP 20 agent list, eight of those entries were single office operations. Why do I mention this? Because, if you're still reading this article and you're not a big multi-office agent you are quite possibly thinking "This doesn't apply to me", "I don't need to do all of this stuff", "I don't have time to attempt this type of analysis" or "I already know all of this." You could be right. Most of our small agents think this way also. Except for the eight that appear in our TOP 20.

If there is a common thread that runs through all of this it's evaluation and training. Like bacon and eggs they are common partners. INVEST the time to analyze the balance (or imbalance) you have in this agency building triangle comprised of PRODUCT, PEOPLE and PROCESS. Then dedicate yourself to an effort to train and direct your people. If you want a list of training resources, I have one. If you would like a one-page form that offers a quick assessment of sales ability, I have one. If you're satisfied with what you're doing and your current status you've probably just wasted ten minutes of your time reading this article. But you're probably use to that. Aren't you?

I shoot on a weekly Skeet league. One of my team members is an agent that recently left the independent agent category and joined the standard agent population. This particular company requires three weeks (120 hours) of initial training before they can begin writing business.

As part of their training regimen they bring in agents that produce in excess of ten million of premium to share with this audience of new agents the strategies and tactics that have contributed to their agency's growth.

My friend told me that after these successful agents selflessly shared their ideas with this group two things became very apparent to him. Numero uno, these proactive agents carefully monitored and managed every aspect of their agency operation with a thorough concentration on what we've described as the "Three P's". Numero Dos, many of the most seasoned agents in his group cavalierly dismissed this advice with an "I already know this" shrug of the shoulders. My compadre said "Knowing these things only remotely relates to the challenge of doing these things."

"Doing" is what ultimately separates the agent that merely survives from the agent that truly succeeds.

"COMIN' OR GOIN'?"

- ❑ "How many in-force policies do you have?"
- ❑ "What percentage of your book is liability only?"
- ❑ "What is your renewal percentage?"
- ❑ "How much do you spend on . . .
  - Advertising?
  - Public Relations?
  - Training
- ❑ "Can you answer these?"

Anyone who has lived in Texas for at least a year would recognize the title of this article as a colloquialism that describes a confused state of mind as in . . . "I don't know if I'm comin' or goin'!" Which is very similar to . . . "I can't tell if I'm washin' or hangin' out." What it really refers to is the frantic pace that keeps us "busy" but doesn't necessarily make us "productive". I'm sure the majority of us have experienced the frightening realization that "I'm not running this business. This business is running me!"

My motive for beginning the article with those five questions was to trigger a "stop and think" response. Since the last question refers to the pervious four, score yourself in 25% increments. What did you score, 75% . . . 50% . . .?

Do you have systems in place that can produce accurate answers? There is any number of questions that could be considered "more important". No doubt there is an equal number that could be defined as "less important", but all four of these are relevant to an agency's success. Let's flirt with a couple of topics that you're unlikely to find combined in the same article:

Policy Retention and Time Management.

When you research "Retention Techniques" you normally are buried under an avalanche of suggestions that involve thank you cards, gift coupons, reminder notifications, birthday cards, cross-selling promotions, tele-service ideas, ad infinitum.

Queries into "Time Management" result in verbose descriptions, of priorities, value assignments, sequences, calendar management, delegation, adjustment, implementation, evaluation, follow-up, etc. etc. etc. I don't have time to extend the list any further.

What do these seemingly un-related topics have in common? In order to begin either you must first . . . STOP WHAT YOU'RE DOING . . . SIT DOWN . . . AND SPEND TIME DOING SOMETHING THAT HAS NO IMMEDIATE IMPACT UPON YOUR INCOME!

You've no doubt noticed that "immediate impact" is in Italics. Why . . . ? you ask. Because this article is actually all about BALANCE. If I were to approach you about investing in a training program and explain that our BASIC PROGRAM ensured that for every $20.00 you spent you would create one policy sale. Then after six months we would continue the training and move you into our ADVANCED PROGRAM, which would create a policy sale for $1.00. Would you be interested? I THOUGHT SO!

Actually several years ago I had the opportunity to review and analyze a professionally prepared market proposal for a very successful multi-office operation (out-of-state) that basically reflected those numbers. Their advertising and promotional cost slightly exceeded $20.00 and their renewal expense was actually less than $1.00. They maintained retail sales offices over a broad geographic area but also dedicated a serious amount of office space to a tele-servicing effort totally focused on cancellations and renewals. Their return on investment was much greater on the "maintaining business" side of the ledger sheet.

In "THE CUSTOMER DELIGHT PRINCIPAL" by Terry Vavra and Timothy Keiningham (McGraw-Hill 2001), the authors cite Sears and Roebuck as stating it was "TWELVE times more expensive for them to win a new customer that to keep one of their current customers." Information from Business Research Labs (www.busreslab.com) suggests that retention programs should contain three essential elements:

- A Focus on satisfying current customers.
- A means of measuring way customers leave.
- A planned effort to prevent customers from leaving.

Let's consider the findings of Bain & Company about our industry . . . insurance. Their study indicated a 5% retention boost produced a 60% profit increase. A United Kingdom bank survey indicated a 5% increase in customer retention resulted in an 85% increase in deposit profits and a 75% rise in credit card profits. In the book "1001 WAYS TO KEEP CUSTOMERS COMING BACK: WOW IDEAS THAT MAKE YOUR CUSTOMERS HAPPY AND INCREASE YOUR BOTTOM LINE" (Ted Kinnni – Donna Greiner – Prima 1999) The authors point out that every market segment has a finite limitation. That alone increases the value of retention.

Allow me to abandon the statistics and the quotations from experts for just a moment. I often find myself in conversations with agents where the total focus is on the terrible, overly competitive, cutthroat business conditions they find themselves in. When I inquire about proactive procedures that are geared towards either sales or renewals I usually get responses that include such phrases as "too busy" . . . "too small" . . . "my staff can't" . . . "no budget" . . . and a myriad of others that generally indicate a negative, defeatist, surrendering mind-set.

I've mentioned in earlier articles that eight of our TOP TWENTY agents are small operations, often one or two offices. So the question then evolves from "Can the big agents do this BECAUSE they're big?" to . . . "Did the big agents get big because they DO THIS?"

Permit me to offer two examples. We have a long-term relationship with a large multi-office operation that offers the option of a "reminder" service and also has personnel that are dedicated to cancellations and renewals. Their calculations verify the financial worthiness of this "additional" effort. A one-office entity that we work with realized the added value of renewal income and hired a home based individual that did nothing but call customers close to cancellation and those approaching renewal. Most industry statistics on Non-Standard Auto Insurance renewals lock in a number close to 30% at six months. That's right . . . 70% don't make it to their 5th payment. BOTH of the agencies I used in my illustration often DOUBLE that figure. In fact the single office agent consistently reversed it. THEY RENEWED 70%! Actually that "found" revenue is proportionally more important to the smaller agent.

The reason I drug the "big vs. small" analogy out again is to hammer the importance of BALANCE. With over 700 agency doors that comprise my body of evidence I find it disheartening but undeniable that the typical agent TOTALLY DEPENDS UPON NEW BUSINESS AND FEES for his survival. Please note that I didn't select the word "SUCCCESS" because "SURVIVAL" is about all you can expect with that limited approach to agency management.

Early in my sales training career I had the pleasure of selling a training program to Sewell Village Cadillac in Dallas. My primary contacts were John and Carl Sewell. They truly did represent "The Cadillac of the Industry" in the purest definition of that cliché. In 1990 Carl wrote a book entitled "CUSTOMERS FOR LIFE" (Doubleday). In that book he calculated that each of his customers were worth $332,000.00 to his dealership due to the repeat business and referral factors, AND THOSE ARE 1990 DOLLARS. Another great read is "MAGNETIC SERVICE" (bk publishing 2004) by Chip Bell. It has a story in it about a close personal friend of mine, John Ripps, who might be the best I've ever witnessed at establishing a meaningful bond with his customers.

This author also emphasizes the multiplier effect of repeat business.

So in order to balance this message about balance I'll conclude by reminding you there are there are three ways to increase your revenues . . .

- ❑ SELL TO MORE PEOPLE

This includes closing ratios, public relations, training, advertising, signage . . . you know the rest.

- ❑ SELL MORE TO YOUR PEOPLE

Selected rates, additional coverages, cross selling (such as homeowners) AND DON'T FORGET RENEWALS. "RENEWALS" IS SELLING "MORE" TO YOUR PEOPLE!

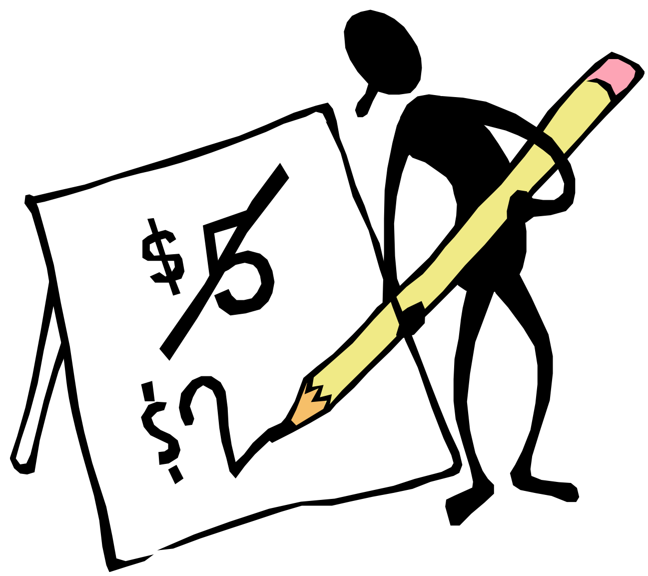
- ❑ INCREASE YOUR MARKET EXPOSURE

This is additional locations, increasing your sales and service staff, community involvement, basically its expansion.

The Greek Mathematician Archimedes is quoted as saying, when explaining the principal of the lever, "Give me a place to stand and I will move the world." I'm certainly not suggesting that you neglect your new business pursuits. I am emphasizing that with only a little extra effort (balance) you can increase and leverage your profitability.

If you can plug your cancellation leaks and increase your renewals you can be "COMIN' (building your business)" otherwise you could be "GOIN' (losing your business)." Experiment with me. Try this balancing act. It's worth the time.

Ralph Moten is the Marketing Director of American Southwest Insurance Managers. He has been involved in sales and management training since 1972. If you have questions in this area he encourages you to call him personally at 1-800-856-0191 x 4078.



OVERCOMING (YOUR) RATE RESISTANCE

"There is nothing in the world that some man can't make a little worse and sell a little cheaper, and he who considers price only, is that man's lawful prey." …. John Ruskin

In his book "Seven Habits of Highly Successful People", Dr. Stephen Covey lists "Think Win-Win" as number five. The nucleus of this concept is, simply, if both parties (agent and insured in our scenario) can't win, then DON'T DO IT!

Our query in this article revolves around the concept of "price" versus "value". When does "price" begin to erode "value"? Can "value" escape the constant constraints of "price"?

A basic scientific tenet is that electricity, fluids and sales people share a commonality . . . they always take the course of least resistance.

THE "COST" OF "PRICE"

While recently compiling some market research material I came across a list of over twenty companies that exited our marketplace during the crunch we experienced in 1999 and 2000. These companies often shared two characteristics . . . ridiculously low rates and no inspection photo requirements. Applying Covey's ". . . Win/Win" standard to this market condition eventually paints a picture that is more accurately defined as "Lose - Lose-Lose". The Companies lost because premium income could not keep pace with loss ratios, therefore no underwriting profit. Agents lost since they were forced to move their policyholders and it's virtually impossible to move 100% of your insureds into another program. The Customers lost in two significant areas.

First, they were forced into a higher rate structure.

Second, there were many instances of disastrous claims handling. These examples are easily identified, financially calculated losses.

In addition there is the "collateral damage" to consider. The companies were thrust into the reinsurance market with little or no negotiating leverage. Some did not exit with replacement treaties. Others were faced with accepting agreements that carried punishing margins that drastically impaired their ability to compete in a recovering market cycle. The agents found themselves devoting more time to their salvage efforts than to creating new business. Their relationships with companies suffered because they had randomly scattered their policies among so many companies they had become "marginal" producers to many, rather than "important" to a few. Customer relations took a hit also.

Agents were bombarded with questions such as . . . "Why do I need to change companies?" . . . "Why did my rate go up?" . . . "Why is my claim taking so long?"

This experience clearly demonstrates the dangerous disparity often encountered when "value" is blindly sacrificed for "price". Notice that I said "blindly". What I want to accomplish with you in this article, is to provide you with some additional criteria so that you can direct your policy placement based upon your agency's profit potential. Selecting by competitive rates is extremely important and always important. However it isn't ALWAYS the MOST important criterion.

Let's take a brief stroll away from our industry for a moment. Exercise your psyche for me. DO YOU consistently make your buying decisions on price alone? Most of you probably answered "yes" as soon as you completed that last sentence.

Re-read that sentence and focus on the third word, "consistently". Now I'm sure you beat up your car salesman for the last buck at the dealership and your Realtor is still in intensive care, but since we're taking an imaginary "brief stroll away from our industry" let's think about the last stroll you took through a mall. If you made an impulsive stop at Mrs. Fields, Baskin-Robbins or, heaven forbid, Starbucks then admit it, you could have bought a similar product for a lot less money! Although I'm nowhere near your offices I can now hear you screaming "Yeah, but my customers in this neighborhood . . .!" I know, I know, I'm simply attempting to make this point. Rate isn't ALWAYS the MOST important factor.

At the risk of encroaching on the territory known as "politically incorrect", I've heard agents describe their customers as active members of our society that will place their business with that ever present "agent down th' street" for a one dollar difference in the quote. I often wonder (insert "doubt" if you wish) how well agents really know their customers.

WHAT'S REAL?

Many of you are aware of the Agents Surveys we've conducted. I'm sure some of you have participated in them. We also did a "Customer Survey" that was comprised of three questions . . .

- ❑ "When you originally bought your auto insurance how many agents did you call?"

- ❑ "How did you hear about your agent?"

- ❑ "What was most important to you when you bought your policy . . .?"

  * Down Payment
  * Monthly Payment
  * Total Premium

In regard to the financial concerns 47% of the Customers selected down payment as their first consideration. Only 32% of the Agents surveyed said they sorted by down payment. You want to increase your premium production 15%? SORT BY DOWN PAYMENT!

How does this relate to "knowing your customer?" Like this . . . when I would ask agents who sorted by total premium why they chose that method they basically responded by explaining how that total premium represented the "true" cost and the "best" savings. That's accurate. I'm sure that these agents genuinely thought they were honestly and ethically doing their prospects a favor. Compare perspectives. Here is an, at least, moderately successful, independent business person presenting a financial option based upon the way THEY would make this decision. Ironically, the CUSTOMER doesn't always enjoy the budgetary flexibility to take advantage of that approach because the 25% down payment and four monthly installments place it out of his reach. Good intentions . . . wrong perspective. This customer probably doesn't have a Starbucks in his neighborhood but he does still have impulses.

Another "Non-Standard Auto-Urban Myth" our survey dissected was the shopping activity of the Non-Standard customer. I had been bludgeoned for years by agents explaining how their customers "called five to ten agents in order to get the absolute cheapest price." Guess how many called more than five? Six per cent (6%). That's right, 91% called five or less. Only 8% called five, 10% called four. 22% called three, 27% called two and 24% call one agent. 83% CALLED FOUR OR LESS!

What is the value of this revelation? It verifies that competitive comparisons generated by the buyer are at "least 60% less than most agents estimated. Plus it indicates a high probability that by only making two or three calls they haven't encountered the lowest rate available. (By the way if you're missing 3% in your calculations of the previous percentages it because the "3% didn't remember") What I'm struggling to establish is this . . . although price is important AND competition is real, neither is as important or real as we might have feared.

STORY TIME

It's time to tell a story. Once upon a time (in another life) I was involved in the oilfield business. Our company supplied the pipe that went into the well after the determination was made that there was oil way down there. My sales people were paid a commission based upon the "book price" of the product. Pipe is priced by the linear foot. We had supply storage facilities near the major drilling areas. It was not uncommon to see a wide range of competitive pricing in the various producing fields. The sales force had the option to negotiate from the "book price" (within certain parameters) in order to "make the sale." Additionally, if the market conditions were favorable, they could deliver the product at a price that exceeded the posted price. The additional price increase was referred to as "overage." The base commission was .00135%. The "overage" commission was an additional 10% of the "overage" amount. The "overage" bonus could often create an increase in income up to 75%.

I consistently had a challenge with my sales force. The majority consistently sold at the published prices. Others constantly came to me with requests to negotiate reductions because we were "priced out of the market." A small percentage wrote "overages" on over 30% of their work orders. Why?

My research and calculations determined it wasn't due to any discernible market conditions. The only measurable difference was less than six inches. The six inches between their ears.

Try as I might, I could not emphasize the importance of a "value added attitude" to an extent that had any visible impact upon the salespeople who were convinced that price was ALWAYS the MOST important factor. Then good fortune happened my way. One of my suppliers had an over supply of a size and range of product that was very basic to our operation. I purchased a large inventory at a great savings. Instead of adjusting the "book" price I decided to pay "overage" on the difference between my advantageous purchase price and the listed dollar value. I did this without the knowledge of the sales force.

We had a regularly scheduled monthly meeting and at that session we handed out the bonus checks. Listed on those checks was the amount of "overage commissions" generated the previous month.

After the checks were distributed I allowed an appropriate amount of time to pass for the usual scrutiny and perusal to take place. Then there began a sequence of nervous glances and a slow crescendo of murmurs. At that point I asked "Is anything wrong with your bonuses?" Dead silence. Then one of the more candid salespeople spoke up. "I'm showing an overage bonus and I don't recall writing any work orders at above book." He replied in an almost apologetic tone. "Anyone else have an overage entry you didn't expect?" I asked.

Reluctantly more than several hands went up. That presented me with an opportunity to explain WHAT I had done and more important WHY I had chose to surreptitiously conduct this experiment. This experience factually validated the point I was unable to make in our training sessions . . . PRICE RESISTANCE WAS FAR MORE PREVALENT IN THE MINDS AND ATTITUDES OF THE INDIVIDUALS "SELLING" THAN IT WAS IN THE MINDS OF THE PEOPLE "BUYING"!

Had they known they could have sold it cheaper, they would have. Over 70% of the sales force received "overage" bonuses that month. Usually it was closer to 20%. Did this verification exercise totally eliminate the "price conscious" approach? No, but it did consistently improve it to about 50% instead of 20%. I was able to live with that.

THE NEXT LOGICAL STEP

Price sensitivity is present in 100% of ALL marketing efforts. Yes, I know that 100% and ALL is redundant. I did that for emphasis. It's a "fact of life" . . . "goes with the territory" . . . "a given" . . . "learn to live with it". As a professional agent your decision is "Do I allow it to drive my pursuit of profit by ALWAYS quoting the lowest rate?" or "Do I consider it as ONE of the criteria in selecting the company that ultimately benefits my agency the most?" Ultimately it's your call. Sometimes.

By "sometimes" I'm describing the exchanges we often have with the people who actually field the calls. It's not uncommon for us to ask "How does your agent advise you on selecting a company for the people who call for a quote?" and then get the response "Well, he tells me to try company A first and Company B second and then go to the lowest rate. But I always go to the cheapest price first." That's a training issue. Consult my previous articles.

We previously enumerated some of the inherent dangers encountered by companies that choose to compete upon price alone. When you ALWAYS choose the lowest rate you too take your rightful place in this line of inheritance.

If you DON'T want to risk the costly inconvenience of . . . canceled contracts . . . moving your book . . . difficult customer service . . . aggravating claims processing . . . untimely policy issuance . . . consider the OTHER criteria that indirectly but positively contributes to your bottom line when you decide where to place a piece of business.

How does this play out in a "real world" scenario? Here's how . . . you've completed the application and underwriting process and you now have the rates on the computer screen in front of you. As an agent you possibly have a "comport zone" that aids you in your selection. Assuming you sort by down payment; it could possibly range from five dollars to twenty-five dollars. Within that "comfort range" you now have three companies. Who gets the app? Here are some of the factors our more productive agents have told us they consider when making this decision . . .

- ❑ Automation and ease of Processing
- ❑ Customer Service Experience
- ❑ Claims Handling
- ❑ Relationship and Loyalty
- ❑ Retention Ratios
- ❑ Commission Percentages (New & Renewal)
- ❑ Four or Five Payment Schedule

There's no specific sequence to these considerations. Different agents place different values on these factors. The question becomes "If these three quotes fall into my 'comfort zone' what is the tie-breaker?" Think "labor cost". If you have to handle an app twice, it doubles your administrative cost and infringes on the time you should be spending on your sales efforts. Poor service performance at the company level can become a significant HIDDEN COST.

THE LAST BULLET

The two questions I get most often from agents when discussing the "price only" sales approach is . . . one, "What's wrong with it?" and two, "How do you direct policy placement to your better companies without losing the sales opportunity?"

Regarding #1, I'll again risk redundancy by emphasizing that "It's your call!" WE have NO business telling YOU how to run YOUR business. If the company that appears at the top of the page on your rater doesn't result in extra work, doesn't endanger your customer relationships, or in any other way have an adverse effect on your agency's operation then, by all means, award them with the app. You might pause to ask yourself this question . . . "If this person were a family member or a valued friend would I put them with this company?"

As to question #2, there is a simple, effective closing technique that is appropriate when you are conscientiously making an attempt to direct your policy placement. It's called "THE LAST BULLET". So named because if you ALWAYS quote the LOWEST RATE first. . . YOU'RE OUT OF BULLETS. If you will call me at 1-800-856-0191 extension 4078 or e-mail me at Ralph.moten@americansouthwest.com I'll forward a copy of "THE LAST BULLET CLOSE" to you. We don't have room to include it in this text AND I'm curious just how many of you REALLY have an interest in becoming ORDER MAKERS instead of remaining ORDER TAKERS.

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"START CLOSING"

In the early 1940's Red Motley, the founder of Parade magazine, delivered a speech entitled "Nothing Happens until Somebody Sells Something". It became his signature message and he gave that speech hundreds of times throughout the English speaking business world. His point was simple but profound. No matter how good, how well designed, how effective, how efficient, how competitively priced, how well advertised, marketed and promoted your product or service might be, nothing happens until someone commits money towards the purchase of that product or service. Once the purchaser begins to experience a benefit that can be attributed to the ownership or implementation of the aforementioned product or service a mutually profitable and positive cycle begins.

The second article of this series ("Who's the Boss?") briefly alluded to how our sales program was initially developed. It also included a chart that illustrated how an 8% increase in closing averages resulted in a 32% increase in revenues. Permit me to "Flesh-out" that original story a bit. Several years ago one of our multi-office agency operations had made a significant investment in developing a "state-of-the-art" call center. In addition they had simultaneously initiated a very thorough and expensive multi-media ad campaign in an effort to "make-the-phone-ring". It worked! Their high-tech phone system could track phone calls, minutes on hold, abandoned calls, length of calls plus a number of other pertinent factors. What it couldn't do was "make sales." Just "making-the-phone-ring" wasn't the answer. By calculating incoming calls, completed calls, in-office appointments and policies issued, this call center was experiencing closing ratios that fluctuated between 12% and 21%. They asked if we could help.

We then sat down with the manager (one of the owners) and suggested a game plan. First we recorded two live sales calls with each agent. I then gave the manager a "sales skill evaluation form" and asked her to make notes relating to each call.

Then I listened to the same tapes and made notes of my own, without the advantage of reviewing the manager's notes. Next the manager and I met and, together, compared notes. We then called in each agent, and let them hear their own tapes. At that point we critiqued their calls and then provided them with a workbook outlining our "Five Step Process". We allowed them the flexibility to "personalize" their presentation but instructed them that they were to follow the five-step format and that we would continue to monitor and record their calls. We tracked the call center's group performance for about two months and saw the closing average increase to consistently over 30%.

Now I'm relating that story to you for a number of reasons . . .

It involved real agents

It involved real customers

It involved accurate call tracking

It demonstrated that very simple, basic, sales skills could create dramatic increases in closing ratios.

. . . So we are absolutely sure that this approach works.

As I glance at the bookcase behind me I have probably over two dozen books on "Selling" and "Closing the Sale". There are that many more in my office at home. I'm going to do you a huge favor. I'm going to reduce all of those books to two sentences. READY?? ?

PRESENT PREMIUM IN A POSITIVE FASHION.

IMMEDIATELY AFTER PRESENTING PRICE IN A POSITIVE FASHION ASK A CLOSING QUESTION!! !

OK, I know, you want more detail, right? "Whadda ya mean 'premium in a positive fashion' and what exactly is a 'closing question'?"

Let's take a brief sojourn back to reality. What happens most often is the "down payment" and "monthly payment" are regurgitated by the agent (usually after a long period of uncomfortable silence listening to the incessant clatter of computer keys) followed immediately by . . . NOTHING! No encouragement, no statements, no friendly exchange, just dull, dead, SILENCE! Our culture, in general, has been socially conditioned to fill any silence with words. Ironically most of the words chosen by our customers are incompatible with our intentions to create a customer. Have you ever heard . . .?

"You're the first agent I've called"

"I need to talk to my spouse"

"That is more than I'm paying now"

"I've got a cheaper quote"

"Thank you, I'll call you back"

. . . I am sure you've heard all of these . . . and many others.

Our previous articles addressed the importance of friendly, personable greetings, benefit statements, and professional phone skills. What we want to do NOW is provide you with a smooth, effective transition into presenting premium and closing the sale.

This article is entitled "START CLOSING". There probably should be a comma between START and CLOSING. Why? Because the closing process "starts" when you pick up the phone. The entire sequence is simply a series of small incremental "closes". A friendly professional voice answers the phone . . . A sentence or two about your agency . . . A brief benefit statement . . . Underwriting questions asked in a sincere, conversational fashion . . . and at this point . . . presenting premium instead of just quoting price . . . and finally, asking a closing question IMMEDIATELY after presenting premium.

First, I want to emphasize the importance and effectiveness of using soft, non-threatening, introductory phrases when you address the dollar amounts connected to the sales process.

OK! I know you need examples. Try these on for size:

Introductory Phrases

"OK, (name) I got some great numbers for you . . ."

"(Name), here's the answer to your problem . . ." (maybe for someone with tickets or accidents)

"(Name) we can provide you with all the coverages you need . . ." (A lienholder's requirements for example)

"Terrific (name), I've got a great rate for you with one our best programs . . ."

Secondly, I want you to consider eliminating a word from your sales vocabulary. That word is "PAYMENT". I admit this is not of monumental importance, but there are so many synonyms and phrases that get the message across in a much more positive manner why not use them instead?

. . . More Examples

"(Name), we can get you started for $110.00 and your monthly premium will be 83.00."

"OK (name), your initial amount is $110.00 and your monthly amount will be 83.00."

"We can provide your coverage for $110.00 to begin with and then $83.00 each month."

Being careful with your word selection simply adds to your professionalism. If offers the subtle advantage of the "finesse factor." Although you haven't said "down payment" or "monthly payment" the communication with the customer is there. It's lucid and it's intact.

NOW FOR THE MOST IMPORTANT INSTRUCTION IN THIS ENTIRE SERIES . . . YA' READY . . .?

IMMEDIATELY AFTER PRESENTING PRICE IN A POSITIVE FASHION

ASK A CLOSING QUESTION!! !

If that sounds familiar, it's because you've read it earlier in this article. The absolute key is the word IMMEDIATELY. That means no pause, no deep breaths, no silence, no "dead air", and no nothing. It means IMMEDIATELY. You automatically and instantly combine "presenting price in a positive fashion" with "asking a closing question."

LIKE THIS . . .

"OK (name) I've got a great rate for you with one of our best programs. Your initial amount will be $110.00 and your monthly amount is $83.00. WHEN CAN YOU COME IN?"

In our Continuing Education Class we list fifteen closes. Several years ago we did a series of four-hour Sales Development Sessions throughout the State and had over eighty closes in our workbook. I'm going to give you five in this article. Why just five? Let me allude to the title of this article once again, "START CLOSING". I intended the double entendre. I've already mentioned that closing really begins when you pick up the phone. The other equally important aspect is the widespread practice of not closing at all. That's why we're starting with five.

Time for another true story. Another multi-office agent asked us to train their sales agents. There were seven stores. I asked the owners for permission to call and "shop" the stores. Permission granted.

I also asked that they alert and inform their staff that they were to be "shopped". No problem. As I called each location it was as if they had been thoroughly schooled in all of the "how-not-to-do-its" I've cautioned you about in earlier articles.

They answered the phone too fast to allow the caller (me) to clearly understand the name of the agency. They rushed me thorough the point-of-sale underwriting inquiries. I was overexposed to "dead air" and ambient computer noise. Then I was given a price. No closes . . . none . . . nada . . . zilch . . . zero . . . nothing. At that point I made a positive comment and asked several additional questions . . .

"That's good."

"Where are your located?"

"What are your hours?"

"Do I need to set an appointment?"

"Do I need to ask for you specifically?"

Compute this. Seven locations were offered five "buying signals". That's thirty-five sales opportunities that were totally ignored. That's a lot of advertising dollars flushed down the agency toilet when they hung up the phone. Nobody attempted to close the sale. So the second interpretation of "START CLOSING" is just that . . . many of you don't even attempt to close. When you conclude with quoting the price, ASK A CLOSING QUESTION!

Here's our five for your consideration . . .

"When can you come in?"

"Will that work for you?"

"Does that fit your budget?"

"We can accept a bank card or check over the phone. Which would be best for you?"

"We're here from 9:00 a.m. till 7:00 p.m. What's the best time for you to drop by?"

Let's talk statistics for a moment. I'm personally convinced that approximately 10% of your prospects are going to buy no matter what. Unless you're so bad that you just tick them off, 10% are going to buy anyway.

So if you're currently closing at 25% you're actually only closing 15%. The other 10% are buying anyway.

OK. So what is realistic? My experience has been that, if you're closing less that 25% you and your staff have a real need for skill improvement. I consider 33% attainable for most people with adequate people skills. If you're closing at 40% or higher . . . QUIT READING THIS ARTICLE . . . NOW! . . . I'll probably just screw you up.

It might be appropriate to briefly address how "closing ratios" are calculated:

First, the phone rings. This is usually this result of your advertising and promotional expenditures, signage, location and occasionally a recommendation from a satisfied customer.

Next the agent "quotes" a price. If successful, the caller agrees to the premium, comes to the office, completes and signs an application and tenders payment.

You arrive at the ratio by dividing the number of sales by the number of calls, 5 sales ÷ 20 calls = 25% closing ratio. Some agents mistakenly consider only the prospects that darken their door. That distorts the outcome. If advertising created a call, that equates to a sales opportunity. If you're interested in determining your "sales cost" divide your 2006 advertising expenditure by the number of policies you wrote in 2006. That's what it cost you to write a policy. You can reduce this acquisition cost by either cutting your promotional expenditures (which is like trying to save time by not winding your watch) or increasing your closing averages. Your choice.

So if your question is "How can I increase my sales?" my answer would be "START CLOSING."

Before we depart from this topic let's explore two closely related issues.

First would be the reluctance to "close" that is experienced by many people. Sales managers, consultants, and marketing experts have been battling with this phenomenon for as long as salespeople have existed. Our product, Non-Standard Automobile Insurance, protects the public; the individual insured and ultimately contributes to the community. Look at it this way. Our average six-month policy premium would have an initial down payment of approximately $129.00. If an insured wrote us a check for that amount on a Monday and then experienced a policy limits claim on Tuesday we would submit payment to that customer for $55,000.00. Consequently when we ask for that $129.00 check we are doing something FOR them, not TO them. My favorite definition of selling is "Helping people learn to want what you've learned that they need."

Next let's examine the "ethics" aspect of our business. When we ask people at our seminars to define the purpose of a business, the actual reason a business exists, the answers normally relate to money, such as profit, bottom line, ad infinitum. Dr. Theodore Levitt, Senior Professor, Harvard School of Business offers a different slant. He says, "The only reason for a business to exist is to create and keep a satisfied customer." Don't dismiss this as a scholarly cliché. Think about it for a moment. In our industry successful agencies live by the three "R's". No, not "Readin", "Ritin" and "Rithmatic". Our three "R's" are "Renewals", "Referrals" and "Relationships." Honestly, "Relationships" should be listed first. If a customer does not have a comfortable, good relationship with their agent, they probably aren't going to renew with the agent, and they certainly won't refer their friends or family members to that agent. If, however, the relationship is healthy, they will renew and if the relationship is both healthy and friendly, referrals are almost guaranteed. So if your customer base stays with you and expands upon itself PROFIT IS AN AUTOMATIC BY-PRODUCT. This interesting, curious, route all begins with a "sale."

So, as Red Motley said, "Nothing Happens until Someone Sells Something." So . . . "START CLOSING"

THE TOOL BOX

A rancher was driving down a dusty west Texas county road when he came upon a pick-up parked on the shoulder with it's hood up and two work-booted feet sticking out from underneath. As he slowed to a stop he noticed the logo of an oil field drilling company on the door. A roughneck extricated himself from beneath the truck, approached the rancher and asked "You got a 24?" (in oil field jargon, a 24 inch pipe wrench). The rancher replied "Nope. But I got a 36." (A 36-inch wrench, of course). The roughneck said, "That'll do fine. I'm gonna use'er for a hammer anyway".

Your first thought might be . . . "Wrong tool for the job". Obviously correct. Let's consider the other implications . . .

The ability to use what's immediately available to get the job done. That equates to creativity.

Initially requesting the wrong tool. Indicates a lack of skill based training.

The simple fact that the truck was inoperable could possibly indicate the absence of preventive maintenance.

The possible ramifications are endless.

I consistently deal with a large number and a wide range of agents. Consequently I encounter a broad spectrum of methods, philosophies and approaches to the unique challenges of the Non-Standard Automobile Insurance business.

Show Up and Wait

If I were to attempt to illustrate these practices by utilizing a graduated, horizontal scale you would find that the agents occupying the extreme left could be accurately described as the "Show Up and Wait" variety.

They usually have been in business several years. Their computer screen is crowded with icons representing every company that offers minimum limit coverages. A full page (or double truck) ad in the Yellow Pages represents 100% of their promotional expenditure.

You'll find them opening at 9:00 A.M. (or 10:00), closing for lunch and leaving the office at 5:59 P.M. During those precious office hours they process the three policies they wrote the day before and "wait for the phone to ring". Their sales approach is "always quote the cheapest rate, 'cause if I don't, the guy down the street will." Not many tools are necessary 'cause they ain't plannin' to do much work.

The "Show Up and Wait" business plan is a study in simplicity. It is simple . . . extremely ineffective. . but very simple.

Various gradients of this approach will eventually take us to the median population of agents on our scale. I'll describe these agents as the "Occasionally Professional, Productive, R & D Agent" No. "R & D", in this circumstance, is not "Research and Development". It's "Recognize and Disregard".

These folks often own two or three locations. They regularly upgrade their computers and office equipment. The facility is well maintained and nicely decorated. Approximately half of them belong to our Association and half of those sometimes attend the meetings (usually when there's FREE continuing education). They have a vast knowledge of what's wrong with every company they write with. Often they demonstrate a high bravery quotient when an opportunity to bitch about the Association presents itself. In addition they process an impressive command of the sales process. They know absolutely everything about selling.

How do I know this? Because when I suggest an idea that could possibly improve their sales performance, they tell me. They say, "Hell, I already know that!" I'm often tempted to ask, "Then why aren't you doing it?"

The "Occasionally Professional, Productive R & D agent" has been exposed to every effective, sound, agency building concept available. Although they "recognize" these acumens they promptly "disregard" them by failing to proceed to the implementation stage. Their tool box is full . . . full of tools they've yet to use. They're "majoring in minors". They have a strong, firm grasp on mediocrity. Providing them with additional tools is futile. This is usually due to the fact that they are so focused on holding on to their attitude they are unable extend their hand to accept the very tool that could repair the damage created by this dangerous mentality.

Actually, although their tool box is full, the tools they really need are difficult to locate. They're buried at the bottom of the box. They covered by the clutter of convenient excuses. Perhaps you've had to dig through some of these. They're big, heavy, and easy to recognize and definitely get in the way. The most common are "too much competition", "the phones ain't ringin'" (for the grammatically inclined allow me to quote Will Rogers "I know 'ain't – ain't right. But a lotta people who ain't sayin' ain't, ain't makin no money"), "I can't find . . . get . . . keep . . . good people", "I don't have time to plan. I'm too busy" (explain that one to me). Basically they're so busy working IN their business they don't work ON their business. There's no real danger of "failing" inherent in this approach. Just as there is no real likelihood of a high level of productivity. Survival due to minimal profitability would be a safe prediction.

On the far right (this model has nothing to do with politics – Liberal – Democrat – Conservative – Republican. It just happens to horizontally gauge the degrees of professionalism) we encounter the agents I'll label as the "Focused, Dedicated Professional Agent". They too occupy an aesthetically pleasing work environment.

They've made a conscious decision to invest in state-of-the-art automation. They enjoy a team of friendly, personable, energetic, loyal, and well-trained people. Family members are often an important part of the management team. They subscribe to a number of industry publications. They ensure that someone attends every Association Chapter meeting.

Their bookcase not only contains underwriting guidelines, T.D.I. manuals, and reference materials, it also is crowded with books and tapes on subjects such as Agency Management, Goal Setting, Motivation, Sales Training, Closing, Telephone Skills, and Customer Service. Their walls are decorated with "Top Producer" plaques and "Certificates of Achievement" diplomas.

When you ask them a question that relates to an important aspect of their business, they seldom roll their eyes upward and sigh while they struggle to offer you an answer that is tailored to telling you what they interpret as "what you want to hear". They either answer immediately and concisely, because they truly know the correct and appropriate answer, or they consult their computer and efficiently recite what they've entered into their agency management system.

You'll usually find promotional items they've invested in to assist them in creating a connection to their customers. Be prepared to listen to excited descriptions of their latest advertising and public relation campaigns. They thoroughly understand the immense importance of relationships . . . with their people . . . with their companies . . . and, of course, with their customers. This agent's "Tool Box" is close at hand, organized and well used. There's no rust on these tools.

When I call on these agents the conversations consist primarily of questions. They are intensely curious about what is happening at the company level. What's the reinsurance conditions? What are other successful agents doing? They're sponges . . . "students of the game" . . . excited about new opportunities . . . and "seldom is heard a discouraging word".

Ironically, there is hardly any difference among these three categories of agents when you consider industry knowledge, experience or market resources.

There is a vast difference in how these components manifest themselves.

I'm not a golfer. I do, however, admire the focus and concentration that the game requires. While watching a major tournament recently with a friend of mine who absolutely loves the game, the announcer was discussing the P.G.A. rule that limits the players to a fourteen club maximum. I wasn't familiar with that restriction. Apparently, the announcer was previously at the clubhouse and, out of curiosity, counted the number of clubs in the bags of the players that were soon scheduled to go out on the course. Guess what! All of them contained fourteen clubs. In preparation for their livelihood not one of these players chose to begin play with fewer tools than their governing body allowed them. Although they might only use six or seven during their course of play, they certainly weren't going to handicap themselves by not having the availability of "the right tool for the job".

You might want to take a minute and inventory your "TOOL BOX" . . .

A Strategic (written) Business Plan

Active Advertising and Promotional Plan

Recruiting, Licensing, and Training of Personnel

Industry Involvement and Education

Accurate Business Record Keeping

New Business and Renewal Sales Plan

Relationship Focus

Ask yourself three questions . . .

Do you have them?

Do you know how to use them?

Are you using them?

American Southwest and several of our quality competitors openly offers assistance and resources in most of these areas. The FYI Express can put you in direct contact with an additional number of valuable sources.

Allow me to close with another quote from my favorite philosopher "Even if you're on the right road, you'll get run over if you're just sittin' in it." … Will Rogers

WHEN YOU PICK UP THE PHONE

THE REASON

The Carnegie Institute of Technology analyzed the records of 10,000 people, and arrived at the conclusion that 15 percent of success is due to technical training, brains and skill on the job, and 85 percent of success is due to personality factors, the ability to deal with people successfully.

When the Bureau of Vocational Guidance at Harvard University made a study of thousands of men and women who had been fired, they found that for every person who lost his job for failure to do work, two people lost their jobs for failure to deal successfully with people.

The percentage ran even higher in a study reported by Dr. Albert Edward Wiggam, in his syndicated column. "Let's Explore Your Mind." Out of 4,000 people who lost their jobs in one year, only 10 percent, or 400, lost our because they could not do the work. Ninety percent, or 3,600 of them, lost out because they had not developed the personality for successfully dealing with other people!

People don't care how much you know until they know how much you care!

We include the information you've just read on the introduction page of our SALES DEVELOPMENT workbook. The most pressing problem with "people skills" is that just about everyone who is a "people" is convinced that they have them. Actually, in our industry, I've found them to be exceedingly rare.

First a caveat! I think that it is essential, even imperative, that anyone involved in the sales process should have complete command of coverages and general product knowledge. Honestly, I don't encounter that level of expertise very often either.

Even if we could safely assume that all of our staff members were human underwriting manuals, that's just not good enough. Not by it's self.

Let's focus on the first "people to people" contact experienced by your customer . . . the person who answers your phone. While waiting to see one of our agents recently I had the opportunity to hear "the person who answers the phone" handle four incoming calls. Actually, accuracy demands that I should describe what I heard as "mis-handling" those four calls.

The agent, meanwhile, was on an investment web-site and talking to an investment counselor. When he finally invited me in I asked him about the employee's length of service, quality of performance, integrity and trustworthiness. All praise! Having a general idea about his advertising expense, I then asked the agent "Why don't you give your trusted employee an investment account for about $50,000.00 and let her manage it for you?" He spent several minutes elaborating on why that might possibly be the most asinine suggestion he had encountered since he had reached voting age. I then attempted to tactfully point out that; basically, he had done the same thing by entrusting her to manage his complete advertising budget.

The last article offered several examples of the financial impact of call conversion ratios. ALL OF THIS BEGINS WHEN YOU PICK UP THE PHONE!

In this segment we're going to address the often overlooked and vastly underrated importance of the initial greeting and the call transition.

I've consistently encountered two very different but equally disastrous greeting scenarios. The first is usually delivered with what I can only describe as a "bark". It's the single word . . . "INSURANCE!" Isn't that heartwarming. Doesn't that paint a picture of a warm, caring, professional organization that genuinely wants to help you with your problems and would sincerely like to become your agent? No. Actually it invites more questions than it answers. It's abrupt, it's counter-productive. IT'S RUDE!

The second abomination can't be depicted properly due to the inherent challenges and restrictions we face by having to rely on this particular medium . . . the written word . . . but I'll give it a shot. It goes something like this . . .

"GoodmorninggenericinsurancehowcanIhelpyou". What I'm attempting to duplicate is the flat, monotone, rapid fire, staccato, unintelligible burst and traffic jam of words squeezed into less than two seconds. I've timed it! I refer to these folks as "greeting speed demons". You often encounter this same technique at the drive-in windows of fast food establishments. Maybe that's where these people received their initial training. Perhaps it's appropriate when you're dispensing a few dollars worth of artery clogging food fare, but it doesn't play well when you're offering a $1,000.00 policy to someone that you want to renew on a regular basis.

There is no "one, right way" to answer the phone. Even the experts disagree. What is agreed upon is that the greeting should be warm, friendly and personable. Make the customer glad they called YOU!

Let's pause a moment to think about the possible impact this might have from the CUSTOMER'S perspective. If they have made four or five calls and were greeted as previously described they could possibly be impressed favorably enough to select YOU, the agent that was nice enough to treat them like a person, not an interruption. OR if this is their FIRST call they might be less inclined to make additional calls. Both are positive.

"OK! Now what?" you ask. We've told you WHAT to do. HOW do you do it? We're going to offer some suggestions. These suggestions and all of future suggestions in this series of articles are only that . . . suggestions. Because of all of us and each of our customers are different, consider these as guidelines. Feel free to modify them to fit you, your customer and your situation.

WHEN THE PHONE RINGS . . . Begin with a clear, firm voice, a moderate pace and an offer to assist the caller. Here are a few examples from our workbook . . .

PERSONABLE GREETING . . . "Good morning/afternoon. Thank you for calling General Insurance. This is (name)."

{Some telecommunication consultants suggest name first and company name second. Others reverse this order. In the grand scheme of things I personally can determine no difference}

"How can I help you?"

"How can I direct your call?"

"Are you calling about your current policy or do you need a quote?"

"Do you need policy information, claims assistance or a quote for insurance?"

Since we're addressing the sales aspect, suffice it to say that policy status calls and claims related calls are directed differently. When the caller verifies he is seeking a quote the movement into the sales process offers an opportunity to separate yourself from the typical agent who immediately launches into a barrage of impersonal underwriting inquiries. We refer to this step as the BENEFIT TRANSITION. The first portion of this transition is a BRIDGE.

Again, here are some examples for your consideration . . .

"You've called the right place."

"Have we worked with you before?"

"Are you familiar with our agency?"

"HOW DID YOU HEAR ABOUT US?"

These are several reasons this is an effective technique. First, it's friendly. Second, it's investigative. Their answer can reveal important information. Third, no one else does it! I'm sure you've noticed that the final bridge is in ALL CAPS. Guess why. If they respond by saying they were REFERRED, the sale is at least 50% complete. If a friend, co-worker or family member told them to call you, you're halfway home. Muy importante. Immediately after this bridge you transition into a "brag point". There is an excellent model for this. It's been around for years and the reason it's survived this long is because IT WORKS! It's known as the . . . FEATURE - - - ADVANTAGE - - - BENEFIT process. Here's the purpose of each component . . .

FEATURE – Tells what it IS

ADVANTAGE – Tells what it DOES

BENEFIT – Tells what it DOES FOR THE CUSTOMER! Here is a quick menu of examples . . .

FEATURE: What it IS	ADVANTAGE: What it DOES	BENEFIT. . . for the CUSTOMER
Local	"Generic Auto Insurance has been part of this community for (#) years."	". . . so our customers know we'll be here tomorrow to provide the service they deserve."
Location	"Generic Auto Insurance is located at the intersection of (_____) and (______)."	"We're easy to find and there's plenty of parking."
Reputation	Generic Auto Insurance is known for great prices and superior service."	"That's why customers stay with us."

Now we've used a lot of paper and ink to cover a very small amount of territory. I just listened to a tape of an agent that uses this approach and from the time she picked up the phone to the moment she started asking underwriting questions was 21 SECONDS . . . THAT'S ALL! This first impression could conceivably be the most important 20 seconds in the quoting process. Let's reflect for a moment on what has just transpired. Your advertising dollar has successfully directed a call to your agency. The caller was welcomed politely and professionally. A sincere inquiry was offered concerning how your agency could help him. Next you told him something about your agency that was important to him. All this in 20 seconds! Or . . . you can continue to simply bark "INSURANCE!". It's your decision.

You have to OPEN a door before you can CLOSE it. The same is true in the sales arena. You must OPEN the sale before you can CLOSE it! Here at American Southwest we utilize the products and services of a company that specializes in customer service training. They offer a complete menu of skill based video training tools. As a matter of fact these people are truly a "product of their product". If you would like to experience the ultimate in telephone skills call Lana Wolff at TELEPHONE DOCTOR 314-991-5346 and ask her to forward a packet of free information to you. These videos are brief, professionally produced, educational, packaged with excellent support materials and THEY'RE FUN!

In the next issue we will examine an approach that will allow you to be casual, conversational and collaborative while you are making your underwriting inquiries. The customer should feel as if you are working with them . . . for them . . . NOT ON THEM!

Ralph Moten is the Marketing Director of American Southwest Insurance Managers. He has been involved in sales and management training since 1972.

If you have questions in this area he encourages you to call him personally at 1-800-856-0191 x 4078.

"WHO'S THE BOSS?"

We've asked that apparently simple question at a number of our agent seminars. The manner in which we asked it was designed to magnify an important, but often overlooked, consideration. We gave each attendee a small card and asked them to write down their name, their agency's name and the name of their "boss", and pass them to the front of the room. One of our marketing representatives then sorted these cards into two stacks. A "right" and "wrong" answer total was announced to the group. Usually in this fashion; "We have 47 attendees today and three of you got the right answer." Of course almost every attendee wrote the name of their agency owner, their manager or supervisor. We continued; "Everyone in this room, you, your manager, your owner, me, everyone has the SAME BOSS . . . THE CUSTOMER. Until he, or she, writes a check, no one here today gets paid." A trick question? Sure! But the point is valid.

With that as a premise, why is it that so little time is dedicated to teaching sales and service skills? Studies by training organizations indicate these reasons as the most prevalent . . .

- Don't know how
- Don't recognize the importance
- Don't have time

One of America's most respected business management experts once said, "If you think training is expensive, consider the cost of ignorance."

Several years ago we processed close to a thousand agents through an intense four-hour sales skills training session. We then condensed the material into a two-hour session. And we now have a forty-five-minute version we utilize for individual agent training. At the recent A.I.A.T. Trade Fair I was approached by several of the association executives about the possibility of further converting this message to an article format for our newsletter. This is the first in what will be a series of sales skills messages.

I seriously considered beginning this series with an introductory, explanatory listing of "coming attractions", but as I reflected on the agents that have got the most mileage out of training it was obvious to me it was primarily because they understood and appreciated the true value of training.

Before I offer an example, of the TRUE value of training allow me the latitude to address the "real world" status quo in regard to this challenge. Sadly, it falls somewhere between non-existent to the minimal basics. By "basic" I find that the typical person fielding customer inquiries is trained only on answering the phone (even this simple task is often done very poorly) and how to operate the comparative rater. THAT'S IT! That is the extent of most agency training.

During the past several years we have monitored literally hundreds of sales presentations. The sources have varied. We have called direct writing companies, independent agents, and have been invited to hear taped calls made by professional "shopping" services. Plus some of our agents have allowed us to access their phone systems in order to evaluate their sales approach. In rare instances the exchange between the agent and prospect have been good, occasionally adequate, but most often, very poor.

Typically most calls begin with a hurried, terse, greeting such as "Insurance" or "Generic Insurance, may I help you". At that point the prospect usually says something to the effect of "I need a quote". The agent then begins a rapid-fire series of underwriting questions with no explanation or personal involvement. This sequence normally unfolds as: "Name? - - - Address? - - - Zip? - - - Apartment or House? - - - County? - - - Are you insured now? - - - Liability or full coverage? - - - Any violations or accidents in the last three years? - - - Type of car? - - - 2 door or 4 door? - - - Six cylinder or eight? - - - etc. - - - etc. - - - etc." and concludes with "your down payment is $110.00 and your monthly payment is $83.00". Then . . . total silence!

This is NOT selling! When the prospect encounters that silence they become uncomfortable. They don't know what to do, or say, next. It encourages them to get off the phone. The advertising dollar you've invested to create that call HAS JUST BEEN WASTED. In a market that is as competitive as the one we're now in you can't afford to throw away sales opportunities. The lack of basic sales skills at the agency level is an industry wide MAJOR PROBLEM!

We recently asked our marketing representatives to acquire the fee structures for yellow page advertising in the major metropolitan marketing areas. The average cost for a full-page color ad was $48,000.00 annually.

Using a simple mathematical model we calculated an agent's sales costs:

Annual Expenditure	. . .	$48,000.00
Monthly Expense	. . .	$ 4,000.00
Weekly Expense	. . .	$ 1,000.00
Daily Expense	. . .	$ 200.00

If you are writing 10 policies daily your cost per sale is . . . $20.00

Now we realize that yellow page ad costs are negotiable and that your agency's cost may be much less, and in some cases, significantly more. The model, however, is static. What IS your SALES COST? As you are reading this do you really know, or do you need to calculate it? We are certainly not implying that yellow page advertising is ineffective. It is, by far, the most popular medium in our industry. For many agents it represents 100% of their promotional budget.

The point is that by making some minor changes in your customer communication, you can experience major increases in your productivity . . . without increasing your expenditures.

Previously I mentioned an example of the TRUE VALUE of training. In actuality there are two primary components. First is the FINANCIAL FACTOR.

For the sake of simplicity we've selected an example with an easy-to-follow numeric sequence.

THE DOLLAR VALUE OF SALES SKILLS

AGENT A		AGENT B
$100,000.00	AD BUDGET	$100,000.00
4,000	INQUIRIES	4,000
25%	RATIO	33%
1,000	CUSTOMERS	1,320
$1,000.00	PREMIUM	$1,000.00
15%	COMMISSION	15%
$150,000.00	REVENUE	$198,000.00

RATIO INCREASE:

25% to 33% = 8%

REVENUE INCREASE:

$150,000.00 to $198,000.00 = 32%

Agent "B", by closing 8% more of their inquiries, increased their productivity by 32%! Minor detail . . . Major difference!

The second component is the ATTITUDINAL FACTOR. Again I could cite numerous studies conducted by reputable experts in this field. Due to space limitations and the for sake of brevity, the findings indicate that organizations that involve their personnel in a training regimen experienced . . .

- Less Turnover
- Less Absenteeism
- Higher Efficiency
- Greater Productivity
- INCREASED PROFITS

In the upcoming issues of the FYI Express we plan to introduce you to ideas, techniques and systems that run the gamut from telephone skills, presentation basics, and proven closing techniques. One of our agency operations was seeing inconsistent closing ratios that ranged from a low of 12% to a high of 21%. After instituting these methods their group average rose to over 30%. You can achieve the same results.

Since the customer is "THE BOSS", and since you've spent a significant amount of your budget to encourage him to call your agency, shouldn't we approach him as an important person? He is not a policy . . . nor an interruption . . . he's your future. That's not the phone ringing . . . It's your cash register!

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MINOR DETAIL . . . MAJOR DIFFERENCE

"I don't know why they call it common sense. It don't seem to be real common" …. Mark Twain

It was recently brought to my attention that I conducted my first sales training session thirty years ago. Actually it was April, 1972. I've conducted sessions ranging from less than an hour to as long as five days. Inevitably when someone would invite me in for their national meeting or convention they would want me to talk about "Closing the Sale!" As a matter of fact one of my four hour seminars is entitled "Closing 101" which features one hundred and one closing ideas. If that's what they wanted I was always glad to oblige. It's a topic with which you can have a lot of fun. On a number of occasions I was very familiar with their sales staff because of previous classroom and field training involvement. When armed with that perspective and the insight provided by seeing their people in real live selling situations I almost always attempted to steer them towards selecting a different topic. Here's why! . . .

Most sales are not made merely by possessing good closing skills . . . Most sales are lost during the presentation process! A less than professional presentation can create an almost impossible closing environment. You've got to sell before you can close.

Hopefully you've developed a file for your copies of the "Flag-Waver". Our intention with this series is to provide you with the blueprint, the materials and the tools to construct a sales process that is customized, by you, for you, your agency, and your customers. There are inherent challenges when you're attempting to do this (as we are) in a written format over a period of several months. First there is retention. How about an illustration?

Stop for a second and try to recall the primary message of the first article. How did you do? The real test is . . . Did you implement any changes? . . .

Now, how did you do? The second challenge is the tendency to visualize, (metaphorically speaking) the sales approach as a staircase or ladder.

Step one - phone answering skills, step two - benefit bridging, step three - information gathering, etc., etc., etc. The true sales professional, in any industry, creates, not a staircase, but instead an escalator. It's smooth, continuous and requires less effort to reach the destination. Which is, by the way, not "making a sale" but "creating a customer". If you haven't maintained a file, or if this is your first exposure to this information, call me, Ralph Moten at American Southwest Insurance Managers 972-398-4100 and we'll send you copies of the previous articles. The first article addressed the importance of, and the value of, training. The second installment emphasized the importance of phone-answering skills.

Now let's get back on our "escalator". Once the prospect has been greeted and received in a warm, friendly, professional fashion and has informed us that he is interested in a "quote", what's next? In the previous article I described a "benefit transition". This gives you the opportunity to both involve the customer and offer a brief "brag point" about your agency. Now let's examine what the vast majority of agents launch into at this next juncture. Prompted by the screen entries from their comparative rater the agent literally "runs through" the underwriting inquiries. It unfolds thusly . . . "Name? - - - Address? - - - Zip? - - - Liability or full coverage? - - - Type of vehicle? - - - Two door or four? - - - Model? - - - V 8 or six? - - - Tickets or accidents in the last three years? - - - V.I.N.? - - - etc., etc., etc. This isn't selling . . . It's grilling! This is the way a cop talks to you as he is writing you a ticket!

Let's pause for a moment. Of course we have to gather this information and we must do so in a timely manner. If, however, you do this in the aforementioned fashion, you are totally by-passing an excellent opportunity to build rapport, bond with the caller and separate yourself from your competition.

All you need to do to elevate this portion of your customer communication to a more professional level is to ask the underwriting questions in a casual, conversational, collaborative format. Talk to them as if you were talking to a good friend! Involve them instead of interrogating them!

I'll give some examples in a moment. First, I'm going to suggest an additional "bridging" technique. It connects (bridges) the question you'll be asking to a benefit - - - saving money! We refer to this as a "question benefit statement."

Example

"(Name), I'm going to ask you a quick series of questions. You'll probably notice that some of them are totally unrelated to auto insurance. The reason I'm asking them is that we represent several companies and they all offer different types of consumer discounts. The more discounts I can qualify you for, the more money I can save you. Does that make sense?"

This simultaneously accomplishes two things. First, it's not uncommon to ask "Do you own or rent?" To which the caller often replies, "What's that got to do with car insurance?" This introductory question kills that type of objection before it occurs. Second, and far more important, it clearly demonstrates to the customer, up front, that you are working for him not on him. DON'T DISMISS THIS TECHNIQUE. It's short, simple, and super effective.

I promised you some examples of casual, conversational collaborative, information collection techniques. Here we go . . . .

This . . .

"My name is Ralph Moten and yours is . . .?"

Instead of . . .

"Name?"

This . . .

OK (name). I'll need your address.

Instead of . . .

"Address?"

This . . .

"(Name), what's the zip code there?"

Instead of . . .

"Zip?"

Get the picture?

Now let me demonstrate my physic powers. You're thinking, "I don't have that much time! I've got another phone ringing and two customers waiting to make payments and one wanting an endorsement!" Right? WRONG COMPUTER BREATH!

I've personally timed, with a stopwatch, a large number of actual calls and there is virtually no time difference between these two totally different approaches. How can that be? It obviously takes more time to word a complete sentence that it does to say "zip?" The missing factor in this mathematical equation is what is known in the world of radio as "dead air". At our Sales Development seminars I play a cassette with several examples of this clumsy phenomenon. It's absolutely amazing to experience how much time the customer spends listening to nothing but the distant, distracting clatter of the computer keyboard and other extemporaneous background office noises. Often this situation is exacerbated by the agent muttering unintelligible comments directed to the computer.

Think about that! The agent is talking to a machine that can't respond and totally ignoring the customer! It's uncomfortable for the caller and it's just plain rude. You can effectively use the time it takes to scroll down the screen to the next inquiry by only slightly modifying your approach.

First, use the customer's name often in complete, interrogatory sentences. "Rosa, what kind of vehicle will we be insuring?" Experience will dictate that the following questions will be related to the year, model, motor size, etc. You can then ask those questions in a more effective, conversational tone and at a much more pleasant, professional, relaxed, moderate pace. Also you can further involve the customer by inserting casual, but related, questions . . .

"How do you like your Taurus?"

"Are you originally from Austin?"

"When will your wife need to place her insurance?"

This contributes to building a better bond with the customer because they don't feel as if you are rushing them. Plus it demonstrates a sincere interest on your part.

I began this article by talking about "Closing the Sale". My reason for doing so was to emphatically illustrate that most of your missed sales opportunities are lost not because you couldn't close but because they were never sold. Developing a positive, caring interaction with your prospects during the quoting process can have a dramatic impact on establishing a more effective closing environment.

The opening quote concerning common sense by Mark Twain deserves a follow up by a more modern author.

"Common sense does not always equate to common practice." … Dr. Steven Covey

DON'T JUST READ THIS STUFF. USE IT!

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What Now?

Ralph Moten, of American Southwest Insurance Managers, is a featured speaker at many agents' conventions. He has been involved in sales and management consulting since 1972 and has conducted over 2500 sessions throughout the United States and Canada. He has spent a great deal of time researching our industry within the past years. He and American Southwest developed a sales system tailored specifically for non-standard automobile insurance. He has delivered this training to hundreds of agents in Texas and other states.

In addition, he has provided management advice to agents throughout the United States.

One of his most popular seminars was entitled "What Now?" I have taken the liberty to summarize many of his most relevant points from an AIAT interview as though asked by FYI EXPRESS.

FYI EXPRESS: If you will, please give us a summary of some of the main points of your presentation. First, what was your presentation entitled?

MOTEN: It was entitled "What Now?" The reason is probably self-evident. I talked to a number of agents both large and small, and researched industry publications. The basic concept was to outline the most significant challenges that face our industry. Perhaps, more specifically, how to deal with these challenges.

FYI EXPRESS: What did your research reveal, Ralph? What are <u>the</u> most significant challenges in the insurance industry?

MOTEN: There are a great number of them. But based on the research I did, the most significant ones are a much higher level of <u>competition</u> and <u>low sales ratios</u>. Another challenge that I noticed everywhere was <u>low retention numbers</u>. Then, of course, there was a tremendous amount of interest in <u>basic business management practices</u>. Agents are also seriously interested in how to improve their <u>customer service</u>. Another challenge we all face are the <u>technological issues</u>. The computer is the heart of the communication system in agencies. Finally, there is a serious interest in what might happen in the area of <u>restrictive legislation</u>.

FYI EXPRESS: Ralph, let's talk about those issues one at a time. What did you learn about competition?

MOTEN: I learned that the market direction indicates that the competition will, without a doubt, get worse before it gets better. More agents will be competing for the same business, and we will see more activity from direct writers and standard companies.

FYI EXPRESS: What should we be doing, as agents, to adjust to that competitive environment?

MOTEN: The successful agents I talked to are, first of all, flexible. They consider all the alternatives available to them. One example is advertising. Standard practice has been to run a large yellow page ad, go to the office and wait for the phone to ring. Now, allow me to emphasize, I am not suggesting that agents abandon their yellow page advertising. But, I would encourage agents to consider some other options. Evaluate your advertising. Look at your percentages. Be open-minded about considering other avenues. How can you improve your PR? Are you sponsoring a local youth program, such as a little league team? Have you seriously looked into the proper way to approach direct mail? What about radio, TV and especially cable? Look at local publications, especially in suburban and rural areas. Research specialty publications. Most major cities now have weekly papers that directly address issues that involve the African American community, the Hispanic community, the Asian community and many others.

The advantage of this approach is flexibility. It allows you to respond faster. In today's business environment, planning properly is more important than ever. However, planning is more difficult because things change so quickly.

Next, agents should consider proper market selection. Agents need to align themselves with competitively positioned companies. Companies that value the agency system and provide support, service, and training. Then, establish active relationships and consistent communication with the selected markets. The successful agents I talked to, stressed the fact that it is often counter productive to be active with a lot of markets. That results in not being important to any of the markets.

In a nutshell, you've got to be more pro-active when competition increases.

FYI EXPRESS: You mentioned sales ratios. Define that. What, exactly, are you describing?

MOTEN: What I'm describing is the number of people that actually purchase a policy compared to the number of people that call. In other words; closing ratios. When you think about it, there are three ways to increase revenue in this industry. One is to create a larger audience, more exposure. Two, is to convert more of the people that respond. Three, is to provide more to the people that respond. When the phone rings, the advertising dollar is spent. Sixty six and two thirds percent of your revenue is related to people skills and sales skills.

I'm not naïve enough to suggest that agents spend sixty six percent of their advertising budgets on training. I am suggesting that the agents take measures to ensure that once someone calls the agency, they are handled properly and effectively. Dedicate a portion of your budget to training.

We had the opportunity to visit many offices within the past year. I have also listened to audiotapes that a shopping service did for an agent. They called the individual offices and asked for a quote. Another agent allowed me to tap into their phone system. I could punch in the different extensions and actually hear presentations as they were developing.

What I found, in the vast majority of cases, was that the sales staff simply collected factual data and underwriting information from the prospect; name, address, zip code, tickets and accidents, discounts, all of the things that relate to rating a policy.

But ironically, at the end of the interview they gave the prospect the monthly payment amount and their down payment amount and then lapsed into total silence. This encourages the prospect to respond by saying, "I've just started shopping", "Your rate is too high", "I'll call you back", or "I've got to talk to my spouse". Absolutely no attempt was made to close the sale.

When talking to individual agents, one of the most common comments I got was, "I know how to read a customer. If they are not a serious buyer, I've got another light flashing, I'm going to get them off the phone and catch the next call."

They were only reading what they had written. If you give a flat, robotic, uninspiring presentation to a prospect, they will respond in a flat, uninspired manner by saying anything but "yes".

I encourage agents to call their competition. Call the 800 numbers. The direct writers have trained their people with very basic, but effective, sales techniques. Call your offices, or perhaps have a friend do it. See what is actually happening on the phone. I'm afraid most agencies would be unpleasantly surprised.

A survey by the Certified Insurance Counselors indicated that sixty to seventy four percent of agency expense is employee compensation. You pay these people to communicate withy very valuable prospects. It only makes sense to invest in improving their skills. Then they can recognize the ineffective techniques they are using and replace them with more productive methods.

A wealth of excellent sales materials is available. There are books, audiotapes, videotapes and seminars.

We, at American Southwest, are investing a tremendous amount of time with our agents to provide service in this area. If anybody would like to call me, I would be more than happy to forward a resource list of organizations that can supply this type of training and information.

Good training doesn't cost. It pays.

FYI EXPRESS: What did you find out in regard to customer retention?

MOTEN: Sadly, the numbers that I was able to obtain indicated that across the board, retention ratios is our industry are consistently below forty percent. Very often they are closer to twenty-five or thirty percent.

A number of agents that I've met consistently reverse these figures. They retain in excess of seventy percent. When I visited with these agencies, I found that they did some simple, effective things on a regular, focused, basis, to help them maintain these numbers.

Industry surveys also indicate that it is approximately three hundred percent more expensive to create a new customer than to maintain a current insured. There is a large agency in California that maintains a tremendous amount of business; it literally spends hundreds of thousands of dollars on advertising, just to get the phone to ring.

My calculations indicated their advertising dollars resulted in almost twenty dollars to get the phone to ring and almost eighty dollars to convert that phone call to a policy. They've made a concentrated effort, not just to make sales, but to create clients. First, they use their systems to track and keep in touch with their insureds. They have their agents proactively contacting their insureds when there is a pending cancellation. They work re-starts and their renewals.

Another thing I've found, among agents that have high retention factors, is they are a part of the community. They are involved with their customers. These agents contact their customers on a regular basis and talk to them about additional coverages. Often, other vehicles are in the family that their agency is not writing. They offer homeowners, or renters insurance.

The banking industry found out years ago that the more services a customer has, the less likely they are to move their account. It simply becomes too difficult.

You can't just concentrate on the front door. If it cost twenty dollars to make the phone ring, it only makes sense to make calls that cost less than one dollar to maintain that customer.

FYI EXPRESS: That does make sense. You also mentioned Business Management.

MOTEN: Many agents have a very simple business plan. Run ads and answer the phone. The survey that I mentioned earlier, conducted by the Society of Certified Insurance Counselors, determined that only fifty five percent of personal lines agencies have a plan. Seventy four percent of that fifty five percent (which equals to forty one percent of the total) have a written plan. Two thirds of the fortune five hundred companies that were listed in 1956 were gone in 1996. The primary reason they failed was poor planning.

The purpose of a business is to create a satisfied clientele. The only reason someone will renew with you and refer their friends, colleagues, and co-workers is because they have a relationship with you. The real purpose of your agency is to create that level of satisfaction. When you have that, profit is the by-product.

Another aspect of planning is production. Analyze your files, your customer base. Involve your staff. Improve your staff. Remember that you hire potential, you manage performance, and then if you are lucky, you inspire excellence. If you can't measure it, you can't manage it. Take a serious look at your demographics, and your training. Be sure there is a consistent effort to communicate with your clientele. That alone will tremendously increase your bottom line.

FYI EXPRESS: You also mentioned service. This is one of those things that everyone talks about, but no one really understands. What did you discover about customer service?

MOTEN: That was an interesting exercise. One agent said something to the effect of "You can't make a sale with service." Although I agree that we are a price sensitive industry and price is always an issue (sometimes a major issue), it is never the only issue.

Industry information indicates that most insured in our industry are quoted over the phone, come into the office, write a check, and receive no communication except the bill. Then, perhaps next year they receive a written invitation to renew.

Agents should seriously consider actively listening to their customers. Contact them. Listen to what is important to them. Determine what they find frustrating or annoying. School your people to treat your insured, not as a policy number or a claim file, but as a person.

Another vastly untapped resource lies in your companies. We, and many other companies, maintain our own customer service departments. Currently at American Southwest, we provide customer service training to our staff on a regular basis. We also make this same training material available to our agents.

Communication is a sales process. Consistently communicate. Nurture those premium dollars. I am convinced of this; you can lose a sale due to poor service.

FYI EXPRESS: Technology was a topic, Ralph. What is the direction of the industry in regard to technology?

MOTEN: It is not going to surprise you to know that it is absolutely necessary to be functional in this area. The agent and the agent's staff have to be functional with basic computer technology. They do no have to be fluent, but they do have to be functional.

Our Auto Link Program is specifically tailored for the non-standard automobile insurance industry. Many of the other companies have similar systems in place. In the near future, all the markets will have this type of software. Many markets are limiting their appointment to only those agencies that have good, up to date, high capacity computer equipment.

This is a trend that we see as increasing. Technology allows you to properly plan and then implement your plans. There is information available on your computer screen about renewal dates, re-starts, cancellations, and claim information. And the pro-active agents use this customer information to send something as simple as a birthday card. The increase the service level we were talking about earlier by utilizing their technology. Being in front of the insured is very effective. You must lead them to renewal instead of reacting to them and pushing them in that same direction.

One of the most common concerns I heard is related to the cost factor. I would simply like to suggest that there are two costs to technology. The first cost you can calculate on paper. That is the cost to have it in your office. The second cost is a dangerous factor because it doesn't show up on your balance sheet. That is the cost not to have it.

I'm convinced that the second cost is much higher and it will become even more expensive. In every major metropolitan area, there are colleges, computer vendors, and a number of other organizations that have excellent computer skills training available. There are also videos, audiotapes, books, and classes. Agents should look at technology training as an investment. It will result in a tremendous return.

FYI EXPRESS: The last challenge you mentioned, Ralph, was legislation. How can an individual agent realistically address that issue?

MOTEN: Perhaps you've heard about the kamikaze pilot in World War II. He flew twenty-two missions. He was involved, but he wasn't committed.

Sadly, that seems to be the general state of our industry. An agent needs to be actively involved in the industry. The FYI EXPRESS has contributed tremendously to voicing the perspective of the industry to our legislators. An outstanding example would be the stance the Association took on fees.

An agent needs to invest time in learning about the industry. This can be done by subscribing to industry publications, reading them, responding to them, and learning from them. Of course, I would recommend active participation in the association. Not only attending the meetings, but also recruiting other agents. Agents, you know, respect and value their opinions. Talk to the officers of your local chapter and the state chapter. Get involved with the legal advisors of the association. Research the legal ramifications of pending bills. Don't be bashful. Call your congressman. The only way we can have an effective legislative voice is, first, by creating larger numbers and second, by taking an honest, ethical, position in regard to policing the ranks of our industry.

I think agents need to truly appreciate the value of the service that they render in their community. We provide a tremendous service to the insureds. We do the insureds a favor. That directly affects your immediate area and ultimately the entire state.

I was lucky enough to have an interesting conversation with the late Texas Governor John Connally. I don't know where he acquired this quote, but I got it from him and wrote it down. Are you ready? Here it is: "You can let things happen to you, or you can make things happen for you." In one word: INVOLVEMENT.

FYI EXPRESS: Ralph, I think that every agent in the state can benefit from the research that you've done and the suggestions you've made. Can you provide us a quick recap?

MOTEN: I can certainly make an honest attempt.

The first challenge we talked about was competition. Relax. Realize that it is going to get more competitive. What that simply means is that you need to be more pro-active and be more flexible. Research alternatives. Learn to move faster.

Then, there were low sales ratios. There was a time when you could increase your sales by increasing your advertising or opening a new location. That no longer exists. Hire good people, and train those people.

We also mentioned retention ratios. Become active in your community.

Treat your customers like customers. Get involved. Use your technology.

Contact your customers sixty days ahead of their renewal, then forty-five days, then thirty days, then fifteen days. Do this in writing. Do it verbally. Do both. It is less expensive to maintain a customer than to create one.

Business management is going to become more important in the future of successful agencies. Take a serious look at your planning. You do not have to re-invent any wheels. There is a wealth of information available through industry related associations that will help you do this. Take advantage of that information. If you are failing to plan, you are planning to fail.

Next, we mentioned the importance of increasing your level of service. You need to provide consistent, outstanding service. Listen to your customers. Ask your markets for help. Become involved. The insured writes the check that ultimately pays everyone in your agency.

Technology is not only the future, it's now. In west Texas, they've got a saying, "You are either making dust, or eating dust."

Be serious about improving you agency in regard to proper technological support.

Last, and certainly not least, is legislation. Learn about your industry. Become active. Involve your peers and colleagues. Involve yourself in FYI EXPRESS.

After one of my seminars an agent approached me, took a look around the room and said, "I'm gonna get rich." I said "Congratulations. What makes you think that?"

He looked around the room again and said "Look at my competition." His attitude was positive, energetic, and optimistic. The agents I have met that were struggling and whining, were doing very few of the things that are so basic to any business' success. The agents that are growing, adding people, and opening new locations, are the ones who look at these challenges as a way to increase their expertise, their skill level, their customer involvement.

Define, face, and conquer these problematic realities. Be a survivor in this industry.

Agents need to construct a serious C-Y-A plan.

And we all know what that means...CHANGE...YOUR...ATTITUDE!"

FYI EXPRESS: Ralph, thank you for the update.

About the Author

Ralph Moten, Marketing Director of American Southwest Insurance Managers has been involved in sales, marketing and management training since 1972. He has conducted over 2,500 seminars.

If you would like additional information regarding any of these topics or training resources, please feel free to contact Ralph at American Southwest Insurance Managers, 1-800-856-0191 ext. 4078. There is no cost for this service.

PESOS's = DOLLARS

The title for this article came from a recent conversation with Eddie K. Emmett of Atlanta based FYI Insurance Views and News, (www.fyigeorgiaviews.com). Eddie is definitely one of the "good guys" in our industry. I consider Eddie a friend primarily because, as Wyatt Earp (Kurt Russell) said of Doc Holiday (Val Kilmer) in the movie Tombstone, "He makes me laugh." The actual purpose of my call was to tell him about a couple of books that address marketing concepts for our Hispanic agents and consumers (more on this later). As our conversations usually do, we drifted from topic to topic and we finally landed on the frustrating phenomenon of training at the agency level.

Eddie related how he had invested untold hours in developing programs and manuals designed to assist agents in becoming more skilled, effective, efficient and ultimately more professional. Plus he, in many cases, offered these services and manuscripts to agents for FREE and still, there was limited interest. To which I replied *"Damn! That sounds familiar."*

That's when I began to reflect upon my personal background in this area, both as a *"TrainER"* and a *"TrainEE."* Honestly demands that I disclose that, as a *"Trainee"*, I wasn't very receptive to training because, although management wasn't aware of this, I already knew everything! I didn't know . . . that I didn't know. Management eventually bridged that gap. Then as a *"Trainer"* I experienced the baffling challenge of trying to train individuals who actually through *"they"* knew everything. That takes us back to *"Sounds Familiar?"*

Let's begin by posing some questions . . .

- WHY SHOULD WE TRAIN?
- HOW DO WE TRAIN?
- HOW DO WE KNOW IF OUR TRAINING IS EFFECTIVE?

"WHY SHOULD WE TRAIN?" I was once told that *"Training is meant to supply a basic competence level up to and including the point that experience supersedes the impact of the training."* Sounds very scholarly. Think about learning to ride the proverbial bicycle . . . verbal support . . . physical assistance . . . training wheels . . . spaced repetition . . . all of a sudden you EXPERIENCE balance. Off come the training wheels and you began gathering EXPERIENCE, including the exhilaration of speed and the trauma of skinned knees. From that point forward you identify with your bank of experiences and the training becomes a memory. Realistically it is a *"Training Experience Transition."* The usual and most prevalent purpose of business training is efficiency. Management Guru Peter Drucker is quoted as saying *"If you think training is expensive, compute the cost of ignorance".* In a previous article (Who's the Boss?") I offered an example that illustrated that an 8% increase in closing skills could create a 32% increase in revenue. So the TANGIBLE reason for training is skill building and becoming more effective. Numerous studies also list a number of important INTANGIBLES that directly relate to training. These include; less turnover, decreased absenteeism, improved co-worker relationships. So that's WHY we should train.

Next, *"HOW DO WE TRAIN?"* Here where we convert PESOS into DOLLARS. I'm assuming that we can agree that becoming more professional and improving the attitudinal aspects of our work environment are worthy goals. If so, what's the process, the steps, the A-B-C's, the 1-2-3's? It's P–E–S–O–S. Let's lay it out . . .

PREPARE – Select the subject matter, organize it, format it, in short, plan your session.

EXPLAIN – State your training goal to your audience. Especially how *they* will benefit from the training.

SHOW – Demonstrate to them the SPECIFICS. Provide concrete examples, scenarios, scripting, role playing. Be lucid.

OBSERVE – This is where training actually begins. Here the participants demonstrate their grasp (or lack thereof) of the lesson.

SUPERVISE – There are two primary components. First supervise DURING the training. Fine tune, correct, adjust, compliment until the student thoroughly understands and can repeat and deliver the technique EXACTLY as you want it to be delivered. Secondly, supervise the application of your training. At first you might be doing this daily. Eventually it evolves into *"occasional"* supervision.

Seems simple. One highly paid trainer simplified it even more by suggesting . . . "You show them. Have them show you. And then drill for skill." That's three steps. What I normally see (when I see any training at all) is ONE STEP. TELL them what to do and then continue doing whatever you were doing before you noticed that they were doing whatever they were doing WRONG. That's not training. It could be categorized as *"correction."* Your employees usually define it as an *"Ass Chewin'."* It's very often counter productive. You've probably heard *"tellin' ain't sellin'!"* Tellin' is also certainly NOT TRAINING!

What are the reasons most of us resort to this methodology? First *we* were probably trained this way. The "School of Hard Knocks" is a revered institution but the tuition is exorbitant. Often we've never been *"trained to train"*. If you will discipline yourself to LEARN and USE P–E–S–O–S, I will wager a month's pay it will equal DOLLARS!

"HOW CAN WE KNOW IF OUR TRAINING IS EFFECTIVE?" – Dr. Donald L. Kirkpatrick P.H.D., professor emeritus, University of Wisconsin developed a four level measurement standard in 1959, that is legendary among trainers for both it's simplicity and it's accuracy. The actual model is . . .

1. REACTION
2. LEARNING
3. BEHAVIOR
4. RESULT

Later there was more research on a fifth factor, the *"return-on-investment"* consideration. Basically does it *"cost us"* or *"pay us"* to dedicate money and resources to the training effort. Begging Dr. Kirkpatrick's forgiveness for reducing his body of work to *"street talk"* it really translates to . . .

1. DID THEY LIKE IT?
2. DID THEY LEARN IT?
3. ARE THEY USING IT?
4. IT IS WORKING?

Wanna' play a game? Let's play connect the dots. If you will adopt, adapt and use P-E-S-O-S your staff will probably *enjoy* the training. That increases the likelihood of an advanced *learning* curve. Making the *use* of the ideas, techniques and strategies more likely and finally, assuming the tactics are fundamentally sound, all of a sudden - - - *TRAINING WORKS!*

DOS PESOS

UNO - If you'll learn and use **P-E-S-O-S** it will convert to **DOLLARS.**

DOS – I mentioned the original purpose of my call to Eddie K. Emmett was to make him aware of a couple of new books that focus on Hispanic Marketing. I introduced Eddie to *"The Americano Dream"* by Lionel Sosa (of San Antonio) several years ago. He totally absorbed it. The two I recommended on this recent call were *"Marketing to American Latinos"* by M. Isabel Valde[illegible]s and *"The Whole Enchilada"* by Juan Faura. I strongly recommend all three books to ALL of our agents. We *"Gringos"* will learn about things we do with good intentions that can negatively impact our relationships with Hispanic consumers. Our *"Latino"* amigos can accelerate their success ratios by better understanding how to balance the dual business cultures they inhabit.

Either way . . . **PESOS's = DOLLARS**

THE "LAST BULLET"

This closing technique is appropriate only for the agent that actually makes a serious attempt to direct and balance his book of business. An alarmingly high percentage of agents continue to take the path of least resistance by selecting and presenting the lowest rate first. This is normally due to paranoia about missing an opportunity to "make a sale." In actuality they hardly ever "make a sale", although about 10% of the time someone occasionally "buys a policy." Quite often the unexpected and unfortunate result of this mentality is the placement of an inordinate amount of business with companies that have historically poor service reputations. Poor service can be a very expensive, hidden cost factor.

The more professional agent realizes the importance of selective policy placement. Methods of directing company selection include training **sales skills** (imagine that) and targeting incentives. Since we're offering a **sales skill** for your consideration by developing this very document, allow me to cite one example of a targeted incentive.

Let's assume that the agent enjoys doing business with company "A" because their customer service is exemplary, their automated processing is simple and she has a long-standing relationship with the management of that company. However they seldom show up at the top of the comparative rater's screen, thus encouraging her "less-than-skilled" staff members to consistently select company "B". As part of her incentive pay plan the staff members receive a percentage of the $30.00 agency fee. If they choose company "A" they get $7.50, for company "D" they get $5.00, company "C" is $3.00 and the company with poor service and low rates, company "B", earns them $1.00. By the way, I didn't come up with this approach. One of our agents taught it to me. It works.

Now for the technique training.

Here is the concept . . .

IF YOU ALWAYS QUOTE THE LOWEST RATE FIRST . . . YOU'RE OUT OF BULLETS!

Often you would rather place your customer with a company because of considerations **OTHER THAN PRICE.** Such as customer service level, better automated processing or the relationship factor you enjoy with a particular company. Permit me to emphasize that we outline and explain ***five steps*** in our **SALES DEVELOPMENT TRAINING.** **"*CLOSING*"** is the fifth step. Ask your Marketing Representative to review the entire five step process with you.

Time and space doesn't allow us to revisit the preceding four steps. The **KEY FACTOR** in the closing step is to **IMMEDIATELY ASK A CLOSING QUESTION AFTER QUOTING THE INITIAL AMOUNT AND MONTHLY AMOUNT!** No pause. No deep breaths. No **"DEAD AIR."** Consult our workbook for closes that appeal to you.

OK, HERE'S HOW IT WORKS!

AGENT - "OK Rosa, you've qualified for one of our best programs. I can get you started for $111.00 and your monthly amount is $83.00 . . .

WILL THAT WORK FOR YOU?"

(Always close immediately after presenting the premium amount)

Now at this point you have selected a company with which you want to place more business. You may possibly have several less expensive options available.

If the customer says anything OTHER THAN YES . . .

- "You're the first agent I've called."
- "I have a cheaper quote."
- "I've got to talk to my spouse."
- "That's more than I'm paying now."
- "My dog just got ran over by an ice cream truck."

ANYTHING OTHER THAN YES! CLOSE IMMEDIATELY ON PRICE! AGAIN! Like this . . .

AGENT - *"Rosa, is it the money?"*

ROSA - *"Yes."*

AGENT - "Rosa I have another company that I'm not quite as comfortable with but sometimes they're less expensive. Let me check their rates. OK, Rosa with them your initial amount will be $97.00 and then $78.00 monthly.

DOES THAT FIT FOR YOUR BUDGET?"

(Close **immediately**!)

Continued on page 39

This close is predicated on several assumptions . . .

- You understand that no ***"close"*** works 100% of the time.

- You really know what a ***"closing question"*** is.

- That you actually attempt to ***"close"*** at the conclusion of the quoting process.

In the not too distant past a number of companies exited the Texas Non-Standard market place. Many of those companies had the "cheapest rates". Many of our agents told us how they lost a large percentage of that business when they attempted to move it.

American Southwest Insurance Managers is not presumptive enough to think that we are the **ONLY** company left with a history of stability, a great service reputation, and that **TOTALLY** depends on independent agents for premium production. Several of our friendly, professional competitors continue to offer Texas agent's good viable options. If you can't choose us, choose them. Avoid choosing the ones your worried about. They often compete directly with you. So could they possibly be worried about you?

Ask yourself this question, *"If this person was a relative or a close personal friend would I place them with this company?"*

Thanks,

Ralph Moten

Ralph Moten

Marketing Director

TEN THINGS YOU MUST KNOW ABOUT TRAINING!

We recently conducted an Agent Survey (which we do regularly) with a slightly different approach. We asked our Marketing Representatives (3) to personally contact and interview their TOP TWENTY agents. Surveys conducted in this fashion are usually more thorough and consequently often more accurate. If an agent doesn't understand the inquiry he can ask for clarification. That option is eliminated when the survey is a fill-in-the-blanks format. We then included the survey in the envelope that contains the commission check we mail to our agents. Agents normally open this piece of mail.

It was printed on a brightly colored piece of paper, in an anonymous format, and was accompanied by a postage paid envelope. The TOP TWENTY agents did not receive these surveys in order to avoid duplication. Our return was a noteworthy 34%.

One of the survey questions we asked was; "Does your staff receive ANY compensation (bonuses / commissions, etc) for their sales performance?" 32% of the TOP TWENTY said *"Yes"*. The general agency population's *"Yes"* response was 50%.

Being of a basically curious nature I called several agents from both groups. The only statistical anomaly I could excavate was a higher percentage of *"family operations"* (mom / pop, parent / child) in the TOP TWENTY than was in the general population. Their incentive could possibly be to create profit and then share that profit among the members of the family.

Is this *"- - - A riddle, wrapped in a mystery, inside an enigma"* (Winston Churchill – 1939)? Perhaps. It seems to suggest that one half to two thirds of our agents see no value in paying for "SALES PERFORMANCE"

Due to my previously described *"curious nature"* I decided to call a representative number of agents from each group and *"shop"* them. This was done totally surreptitiously. I called ten of our TOP TWENTY group (actually representing 60 agents, 3 reps X 20 agents) and twenty of our general population. I selected these by randomly scrolling through our producer codes. Obviously not a laboratory controlled scientific experiment because 66% of those numbers did not respond to our survey. SO WHAT! Out of the thirty calls I made, TWO agents attempted to close the sale. That means 94% didn't know how to close a sale or (for some reason) had chosen not to. Maybe they *"chose"* not to because whether that person bought a policy or not had zero impact upon their pay check. But as I've said before . . . HOW YOU RUN YOUR BUSINESS IS . . . YOUR BUSINESS!

It is the time of the year (mid to late summer) I encounter that state wide, almost harmonious moan *(whine?)* "The phones just ain't ringing". Generally thirty to forty percent of non-standard automobile insurance is written during the first quarter. That leaves sixty to seventy percent for the remaining nine months. Without dragging out the calculator, simple math would indicate than when there are FEWER calls they carry a HIGHER COST FACTOR. I would suggest that this slower period offers an opportunity to accomplish two things. And they can be done almost simultaneously.

WHAT . . . PRAY TELL . . . ARE THESE TWO THINGS?

☐ **ORGANIZE AND IMPLEMENT A PRO-ACTIVE SALES CAMPAIGN. . .**

This can be cross-selling, cancellations, renewals or any of those things that you were too *"busy"* to do during the first quarter when people were waiting in line to shove a check at you.

☐ **DEDICATE SOME TIME TO TRAINING . . .** I've probably reversed the order on these suggestions. Shouldn't you train your people to sell before you involve them in a sales campaign? Well . . . yes and no . . . It provides an easily recognizable goal and most agencies also need to train in areas such as underwriting, policy processing, other support functions, in addition to sales training. It's your call.

NOW IF YOU DON'T CARE IF THE PEOPLE WHO ANSWER YOUR PHONE SELL ANYTHING OR NOT QUIT READING THIS ARTICLE . . . RIGHT NOW!

We are now going to provide the information alluded to in the title of this article. Conceivably there are a hundreds of things you could learn about training. Also there is no perfect priority sequence to the ten I've selected. Different circumstances dictate different concerns. Therefore #1 on this list could be #6 on yours. These are the ten things I think all trainers have a need to know about.

☐ **1. TRAINING IS WORK! . . .** *"I don't have time to train. I've got work to do!"* Most agents can aptly describe what they do on a daily basis and how each activity contributes to and supports the management of their agency towards the pursuit of profit. Make a list of the REQUIRED daily activities and you'll see that they will easily compact into two categories. The first is *"The completions of these tasks create income. Some directly, the others create income indirectly".* Second is *"If I don't complete this task it could cost me money"*. Obviously, there is occasional overlap. Training can create income because it increases effectiveness and efficiency. It can also prevent the loss of income. Most notably, lost sales opportunities. When the phone rings the promotional investment you made has done its job. Accept the fact that training **IS** work. Missed sales opportunities don't show up on the balance sheet.

☐ **2. THERE IS NO "GOOD" TIME TO TRAIN! . . .** How do I know this? Suggest a time and I'll tell you why it's a *"bad"* time. I know this because when my livelihood depended upon selling training I heard excuses for absolutely every hour of the day, day of the week, week of the month, month of the year. Wanna hear a few? OK . . .

- *"Let's start before the office opens. Around 8:00 A.M. while everybody's fresh. We'll get some Krispy Kremes. Ralph will pay for'em"*

- *- - - "NO WAY! With all the traffic and day care drop-offs we'll never get started on time"*

- *How about a 7:00 P.M. right after we close. Everyone is already here and we'll order in some pizza. Ralph will pay for it".*

- *- - - "NO WAY – Everybody is tired and burned out and who's gonna pick up th' kids?"*

I could go on. Believe me; I could go on and on and on. The point is every time has its pluses and minuses. Any time you select will be a compromise. This is ONE of the TWO more often asked questions of training professionals. You can be a democracy, decide on consensus, or be a dictator. Do some homework, ask you staff members, but make it clear that training is an IMPORTANT part of their job. If you are curious, we asked this question once on a survey here's the results:

45% Evenings 6:00 PM – 8:00 PM

29% Saturdays 4:00 PM – 6:00 PM

26% Weekdays 9:00 AM – 11:00 AM

Pick the BEST compromise. That's ALL you can do. Someone once suggested if you conduct your training at the end of the day, you'll get fewer arguments.

☐ **3. TRAINING IS LIKE EXERCISE! . . .** Every year I fall off of my exercise regimen. Usually right around January 3rd. On the 1st I sleep in. Don't ask why. The 2nd I fire-up the treadmill and dust off the free weights. On the 3rd I can hardly get out of bed. I tell myself I'll start again when the soreness disappears. A week later the soreness is gone and so is my self discipline. Am I any better off? Definitely not! Not only Am I physically still out of shape, but I've got to deal with the unsavory aspect of failing to pursue a worthwhile goal. So now I'm a flabby mess with a guilty conscience. An occasional workout doesn't result in physical fitness.

A well structured regular exercise regimen, however, can improve your cardio-pulmonary function, build muscle mass and reduce body fat. That's a good thing.

There's absolutely nothing wrong with reading a self-help book, buying DVD's or attending an occasional motivational seminar. Just realize that, like exercise, to become a stronger agent you have to have a REGULAR well structured training regimen. An important part of training is repetition. Spaced repetition is how you learned the alphabet, the multiplication tables and its how you learn to sell.

☐ **4. IF YOU CAN'T MEASURE IT, YOU CAN MANAGE IT! . . .** In a recent article ("PESOS's = DOLLARS") I mentioned Dr. Donald L. Kirpatrick's pioneering work in 1959. He developed a measurement model with four steps . . .

1. Reaction
2. Learning
3. Behavior
4. Results

In less academic language it simply calculates to. . .

1. "Did they like it? Was it fun?"
2. "Did they get good ideas?"
3. "Did they use them?"
4. "Did it increase sales?"

The agency we originally worked with to develop our sales process was experiencing **"ACCURATELY MEASURED"** closing ratios from 12% to 21%. The reason **"ACCURATELY MEASURED"** is in bold capital letters, is because, prior to converting to a sophisticated call center phone system, they we're keeping manual call records. Wanna' guess the closing ratios? The group average was normally in the low 40% range. I guess they were so busy they forgot to enter all of the incoming calls. Realistically, it was half of that (21%) on the high end. Now you have at least two elements to measure . . . Your staff's reaction to training and the ultimate effectiveness of the training.

☐ **5. TRAINING DOESN'T COST . . . IT PAYS . . .** This topic is a first cousin to the prior one. With the agent in the example I used, we were able to raise the *"group average"* from a high range of 21% (basically selling 1 out of 5 calls) to a 30+% ratio for the same group. That's a 42% increase in the closing ratios. In my article "WHO'S THE BOSS" I used an example of how an 8% gain in closing could create a 32% increase in commission income.

I just got off the phone with a small family agent (three stores) that sent me a nice letter describing a 25% increase in sales after involving his staff in our training.

I realize I've used Peter Drucker's quote *"If you think training is expensive, compute the cost of ignorance"*, several times but it is the most concise and complete summary of this subject I've ever encountered.

I've often been accused of taking some cheap shots at *"On-The-Job"* training. Allow me to clarify. "REAL" O-T-J can be very effective. There should be a topic designation, skill building list and a schedule. What most agents define as O-T-J is simply *"We'll-handle-that-as-it-comes-up"* training. That format removes it from the *"training"* category and places it under the heading of *"correction".* That *"training"* approach does *"cost".* First a mistake is made. Then the effort of at least two people is focused upon the same task . . . Again! . . . Therefore doubling the administrative cost and subtracting from time that could be invested in selling. Training is work! (See #1)

☐ **6. IF YOU DON'T OWN IT . . . YOU CAN'T SELL IT! . . .** While recently conducting a C.E. class I asked the audience to give me examples of down payment amounts, from low to high. The numbers ranged from about $30.00 upwards to over $400.00, I then pointed out that if the consumer had a legitimate policy limit claim as they exited the parking lot the insurer is legally obligated to tender a check for $55,000.00. Who won? In that case the consumer, the customer. But because insurance companies are willing to take chances on thousand of similar customers, they also have the opportunity to win. The actuarial mathematics of frequency and severity prepare them for calculating sound business practices.

When I say *"If you don't own it, you can't sell it"* I'm talking about YOUR attitude about what YOU do to earn your livelihood. SELLING (the honest, ethical variety) is not something you do TO someone, is something you do FOR someone.

If you don't have pride in what you do, if you don't have faith in your policies, products and services, if you wouldn't sell those same products to a friend or family member . . . DO US ALL A FAVOR . . . GET OUT OF THE BUSINESS!

The agent that enjoys his career is convinced that he offers quality policies and coverages exudes a level of confidence that is very apparent to his customers. Because he *"owns"* that confidence his customers can *"buy"* with that same confidence.

☐ **7. UNDERSTAND THE TWO TRUE MOTIVATORS . . .** If you really want to learn about human behavioral motivation, you could study Abraham Maslow, Alfred Adler, Viktor Frankl, David McClelland and dozens perhaps hundreds of others. You could literally spend the rest of your life to the study thereof.

If, however, you simply want to manage, inspire, train, lead and motivate your staff I'm going to provide you with the only two inarguable, inescapable motivating components.

READY? . . .

"Human Behavior is driven by - - - The pursuit of pleasure OR the avoidance of pain."

I'm assuming you want a healthy, positive agency environment, if so; I would place my emphasis on the first factor. (Maybe like pay them for selling)

☐ **8. P-E-S-O-S EQUALS DOLLARS . . .** This was the title of my last article so excuse the brevity. Let's begin by re-visiting the acronym . . .

P – LAN – Prepare your lesson. Avoid *"Wingin' it".*

E – XPLAIN –To your people the purpose, content and importance of the message. Do this from THEIR perspective.

S-HOW – Actually demonstrate the technique, approach or system you'll be training. Don't just TELL them about it. SHOW them how to do it.

O-BSERVE – Have you ever held a meeting and closed by asking *"Does everybody understand*? *Any questions?"* They reply *"Nope. Nada. We got it boss"* Two days later you observe specific situations where the training you did has perfect, hand-in-glove application. Your first thought is *"Wasn't he at the meeting?"* Part of *"spaced repetition"* is . . . *"repetition"*. Until they can feed it back to you to your complete satisfaction you haven't trained them. You've talked TO them.

S-UPERVISE – Probably the most neglected step in the formula. We're almost back to the exercise example. Except now YOU'RE THE COACH! Ensure that they stay in shape. Involve them. Have fun.

☐ **9. CONSIDER TRAINING AS INSURANCE ON YOUR ADVERTISING. .** J.C. Penny is quoted as saying *"I know that fifty cents of each and every advertising dollar I spend is wasted. My problem is . . . I don't know which fifty cents."*

Let's do a little experiment. You can probably do this in your head. How much did you spend on advertising and promotion last year? How much did you spend on training? Which is more important to the success of your agency? Getting a prospect to call or converting that prospect into a customer?

In preparation for meetings I've had several opportunities to calculate closing ratios for agents. I can't surprise you at this point, by describing 10% closing ratios. I'm past being surprised myself. What I did find surprising is how many agents were TOTALLY SATISFIED with that percentile. I'm absolutely, totally, 100% convinced that 10% of your incoming calls are going to buy no matter what you do! Unless you're so obnoxious you just run them off. Calculate what impact a 15% (from 10% to 25%) increase would do to your commission income. I'm also pretty comfortable in saying that almost anyone with BASIC conversational, people skills can be trained to perform at a one out of four (25%) sales level. Insure your promotional investment by focusing on the skills needed to convert calls into closes.

☐ **10. YOU MUST FIRST LEARN, BEFORE YOU CAN TECAH . . .** I've learned to consider this as a hidden benefit of training. This quote is most often credited to Confucius, the Chinese philosopher; although I've seen others listed as the originator, including Marcus Aurelios. The point is quietly valid. In my personal experience when I've been asked to train on a topic that is not part of my platform repertoire I can't help but get excited and enthusiastic about the treasure trove of information that's available. If you were to attempt to select a topic of only remote interest or application to the insurance industry, you are quite likely to find an amazing number of studies, surveys, statistics and even books by people who have literally dedicated their lives to the study of what you consider to be an item of moderate interest.

If you will mix these ingredients, invest your time, (very little cash), by making training a part of your world, you will not only build a more effective sales base you will, almost accidentally, become a more proficient, more profitable business person.

YOU CAN IGNORE SALES OR EXPLORE SALES . . . YOUR CALL!

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