

Chairman's Corner

by Richard C. Lambert, CPCU, ARM, AIM, ARP



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Time keeps on moving along. As I write this, I am contemplating the other deadline I am facing: the Agent & Broker Section submission for the annual Circle of Excellence Award. In the first year of this recognition award, 2001–2002, we didn't have the depth to submit for an award. In 2002–2003, we put together a submission, and received the Bronze level of recognition. Last year, 2003–2004, we achieved Silver. We have upped the bar one more time . . . the Gold level is a stretch for us, but we are giving it the old college try! We should find out how our progress is perceived by the end of August. We will let you know how it goes.

For those of you who don't know, the Circle of Excellence for sections patterns itself after the recognition awards the local chapters vie for. All criteria support the CPCU Society's Strategic Plan. The three goals are:

1. Make CPCU the most widely recognized, valued, and highly respected professional designation/brand in the property/casualty insurance industry by CPCU employers, key segments of the financial services industry, and other important audiences.

2. All Society members have access to continually increasing number of programs and services that position them for success.

3. Stewardship

Our concentration has been on goal #2, although we do have activity in each of the other two goals.

I brought this up in the last newsletter, but I do want to repeat the information. We are hosting a dinner on Monday, October 24, 2005, at the Annual Meeting and Seminars in Atlanta. This dinner is for all CPCUs in attendance, but the concentration is expected to be on the agent and broker side, especially the new designees. We have lined up a guest speaker for the dinner. **Alex Soto, CPCU**, president of Insource, Inc., of Miami, Florida, will be addressing us on his experiences. It should be extremely interesting listening to him. Lastly, please see the special advertisement elsewhere in this newsletter on our planned seminar for the Atlanta Annual Meeting. It will prove to be a good one.

Until next time . . . ■

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Dealing with the New World of Sales

The Story of Desperate Salespeople

by John R. Graham

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"I just don't understand it," said the frustrated president of an employee benefits firm. "We get good, solid appointments and our prospects like our proposals, particularly since we almost always save them money or improve their coverage. Often both."

What didn't he understand? "When we follow up," he said, "We wind up in voicemail and our calls are not returned. This is happening with increasing frequency. I just don't understand what's going on."

While the antics and urges of "desperate housewives" have captivated the mind of the public, what about all those "desperate salespeople" who are constantly being blown off by customers and prospects? Whether they're selling insurance, cars, medical supplies, software, or health care policies, the story is the same—getting the order is getting far more difficult. Everyone is frustrated and confused, including sales managers.

One clue as to what's happening may be found in the seemingly endless array of sales techniques, seminars, courses, systems, lead programs, books, and web offerings. Each one comes with

the "100 percent guarantee" being *the* sales solution. Taken together, they're a barometer of the desperate state many sales organizations and individual producers find themselves in today.

Salespeople are looking for *the* answer that will make them superstars. That's the dream and the reason why both individual salespeople and their companies reach for the latest and greatest gimmick as if it were a magic amulet. As business conditions continue to tighten, there will be even more fantasies to feed the hopes of desperate salespeople.

The major problem facing every salesperson and sales organization today is the same: an extended and unpredictable sales cycle. Buying decisions are made at the convenience of the customer. Nothing happens until the customer is ready or forced into making a decision. More often than not, this occurs at the last possible minute.

What happens occurs in three stages.

Stage One: The initial meeting is friendly and the prospect welcomes proposals. This leads salespeople to conclude that a buying decision is imminent.

Stage Two: Once the prospect receives the proposal, there is a period of prolonged silence and no action. E-mails are ignored and phone calls go unanswered. Based on all this, salespeople conclude that the order went to someone else or the prospect wasn't serious. Either way, they move on. In most cases, neither conclusion is correct.

Stage Three occurs when, all of a sudden, the client makes a buying decision. At that point, the purchase is almost a crisis and whoever is last in line gets the business.

If this is the new reality of sales, what can salespeople and their managers do to cope with it?

1. Take the sales cycle seriously. Of course, there are exceptions but they are not the rule. Everyone looks for ripe fruit—the prospect who must make a buying decision now—but that's the exception and it's mostly the result of luck, not sales skill.

Although there *are* the lucky sales, they should never be thought of as the norm. The extended sales cycle is the standard working environment for everyone in sales.

2. Connect with what counts.

Relationships are critical, to be sure, but because of the Internet, buyers are much better informed and they can spot incompetence quickly. Customers know when someone is just trying to sell something. The other side of blowing smoke is being blown away by prospects who demand knowledge and expertise from their suppliers and who are unwilling to settle for less.

The goal is to impress the prospect with what you know, not where you take him or her to dinner.

3. Focus on the prospect. Even though the question seems basic to sales, salespeople rarely ask, "What do you want to accomplish?" And even if it is asked, it almost always comes across in a less than genuine way, as if the salesperson isn't really interested and wants to get on with his or her presentation.

Finding out what the customer wants to accomplish is the key to the sale. How can there be a meaningful, compelling presentation that fails to take that into consideration?

The test is how the prospect feels after the presentation. Was the focus on what the salesperson wanted to get across or was it on obtaining the necessary information to make an informed proposal?

4. Patient follow-through. The anxious salesperson says, “I need sales now.” Of course, who doesn’t? But the question misses the essential issue. ***What salespeople really need is customers. And customers don’t come quickly.*** Rather, they occur by patient, careful, thoughtful follow-through over time.

Those who say they need to make a sale are letting the cat out of the bag. They’re announcing to the world that they haven’t identified and cultivated prospects. They fail to see sales as one component of an overall marketing strategy.

Like too many of today’s hunters, they want to be driven in a Hummer to the spot where the animals gather, bag the game, and then return to the lodge to share their “exploits” at the bar.

That isn’t hunting and it isn’t sales. Both require careful planning, enormous persistence, and extraordinary patience.

5. Communicate competence. Salespeople like to talk about how their products or services are innovative, cutting-edge, and far ahead of the competition. While that may resonate with some customers, ***it’s far more important for the customer to see the salesperson as innovative.***

The marketing consultant was asked to prepare a new brochure. “Why do you want a brochure and how do you plan to use it?” he asked.

By drilling down further, he found that the sales force was actually looking for support with prospecting and the one tool that came to mind was a brochure. Needless to say, the brochure was scratched and a prospecting program was developed and implemented.

The key to making sales is displaying competence in coming up with the right solutions.

6. Plan for the long term. “Making the numbers” is a Damocles sword hanging over every salesperson’s head. Translated it means this: ***the urgency of the immediate demands total attention.*** Today, that’s something that ***never*** changes.

When CSO Insights surveyed 1,300 sales professionals, only 49 percent of the reps met or exceeded their quotas for the year (2003) and for firms with less than 50 employees, it was 46.6 percent. There are good reasons for this abysmal performance. If salespeople must spend most of their working time attempting to find willing prospects, they will certainly come up short at the end of the month, the quarter, and the year. This is what creates desperate salespeople.

The solution is to identify, carefully cultivate, and manage a substantial number of prospects over the longer term. The more precise and efficient this process, the greater the flow of sales.

7. Pull rather than grab. Desperate salespeople make every effort to grab customers—by the throat, if necessary—failing to recognize that sales is a matter of finding ways to pull the customer ever closer to them.

In a *Financial Times* interview, Michael Keane, one of the founders of XOU Solutions, talks about “seeing the light,” of having a solution for many businesses but not recognizing it. “What customers often tell you, in fact, all the time will tell you, is what they actually want. But if all you are focused on is flogging them with what you want to sell . . . you tend to miss those things.”

“Flogging” is another way to describe desperate salespeople. It’s in the discovery process that sales are actually made, while salespeople who lead with a presentation, don’t make sales.

8. Counsel the customer. The president of a life insurance agency called in an insurance marketing specialist to help promote a new business initiative. After working on the project for about a month, the marketing person was less than enthusiastic about the assignment. “Why do I feel this way?” he asked himself. The answer was easy: the president was clearly only interested in pushing product. The shortcut to success ended in a short circuit for the operation.

The sales task is to covet the customer relationship more than the order. The privilege of being able to provide helpful, valid, and valuable assistance to a customer is what creates sales.

9. Stay on track. Staying on track is the key to long-term sales success. It’s easy to fall prey to the latest quick-fix sales gimmick and when that fails to go looking for the next one.

The answer is staying with sound principles—understanding the sales environment, focusing on prospects, communicating your competence, planning for the long term, and being the customer’s trusted advisor.

The discipline of staying on this track separates the top producers from the wanabees.

Desperate salespeople are made, not born. They live and work in crisis because they fail to take the time and make the effort to set in motion a process that results in a stream of business. ■

Learning About New Markets' Requirements

by John Gilleland, CPCU

■ **John Gilleland, CPCU**, is manager of underwriting at USAgencies Inc. in Baton Rouge, LA. USAgencies serves what is traditionally referred to as the "non-standard personal automobile insurance market" in Louisiana, Alabama, and Illinois. He works to improve underwriting by helping underwriters be more consistent, quick, confident, and comfortable. This article is based on market requirements as of July 2004. Gilleland received his CPCU designation in 1995.

Here's a list of questions to *consider* asking whenever someone needs to learn more about a new insurer's products, services, and underwriting requirements. It is set up so you can either:

- Print the document, check which questions are relevant, and mail it to the marketing representative or underwriter.
- Copy the relevant questions and paste them into a letter or e-mail to send to the marketing representative or underwriter.

Either way, this effort will help you learn markets' requirements before you are frustrated or disappointed when applications are rejected for reasons you should have been aware of before submitting them. These can be used when being approached by a new market to learn how easy it will be to work with in comparison to existing markets and competitors.

With regard to serving our clients and prospects:

- Where do your insurance programs' pricing and products fit into our markets?
- How much effort will it take to get your policies issued?
- How much effort will it take to get endorsements processed?
- How competitive are you priced in our markets?

With regard to commissions:

- What is your commission for new business?
- What is your commission for renewals?

With regard to documentation:

- Are we to complete ACORD applications, worksheets, or a combination of both in order for you to give us quotes?
- Do you require wet signatures or can you accept faxed signatures?

- Where will answers to these questions be kept for access by our team? Who will update the information that gets stored?

With regard to geographic locations:

- What states are you able to place business in? Will you do all filings and fees in all states you can write in?
- Are you filed differently for states you place business in? (e.g., Are your products and eligibility requirements the same for all states you place business in?)
- Has someone in your company confirmed that we are licensed appropriately for the states you place business in?
- What are your Protection Class (PC) code requirements? Under what circumstances can an applicant with an unacceptable PC code be accepted?

With regard to eligibility:

- What coverage amount ranges are you interested in?
- What types of occupancy do you require?
- What types of claims and losses can you accept? What types of claims and losses must you reject?
- Do your guidelines vary from state to state? If so, how can I learn each state's variations?
- Do you have a decision tree or table that can be used to help us make decisions quickly and consistently?
- If your underwriter determines a risk is ineligible, how do we ask for an exception to your guidelines if there are mitigating circumstances?
- Are your requirements spelled out in enough detail that we will know what you need? (e.g., Does "need statement by plumber" mean a plumber has to do a pressure test or can visual inspection satisfy your requirement?)



With regard to acceptability:

- What types of circumstances might make an eligible applicant unacceptable?
- If I submit an application that meets your guidelines per your response to this request for information and it is rejected, can I use the information you send me to get the decision to reject reversed?
- How will your reinsurer's requirements affect our working together? What limitations will we encounter?

With regard to issuance requirements:

- What is your application process? How do we increase our chances of getting quotes from you quickly?
- If a quote is accepted by our prospect, what requirements do we have to meet to get policies issued? (e.g., requirement of signed application, photos, and drawings)
- Do you have a diagram that shows the steps we should take to obtain quotes and you take to issue a policy? How much time will it take us to get quotes and paperwork?

- What coverages should be added to most policies in order to reduce our E&O exposure and anticipate what insureds will need on their policies?

With regard to roles and responsibilities:

- Who is our underwriter? Who is our underwriter's backup?
- Who is our underwriter's assistant and supervisor?
- Who is our marketing representative?
- How often will we receive updates concerning changes in your requirements, processing, staffing, etc.?
- Who is our technical/systems representative?
- What manager is responsible for our connection to your company?
- Who will follow up with the market in the future to learn if any answers to these questions have changed? Will that person be informed by our team members when they learn the market has changed operations, guidelines, etc.?

With regard to renewals:

- What are your renewal underwriting guidelines? Are they less stringent than your new business guidelines?
- Are we, as agents, to participate in your renewal process? Are insureds ever required to participate in your renewal process? Are renewal applications required? If renewal applications are required, do you require payment in full for renewals?
- If we or insureds do not meet a deadline for a policy's renewal, is there a grace period before non-renewal is created?

With regard to cancellations, under what circumstances can a policy be canceled flat with full refund of premium?

When will we have enough of a book of business to begin managing it by finding answers to questions like:

- What 20 percent of our book of business is costing us 80 percent of our claims dollars?
- How should our guidelines be improved? Should we have a formal process or procedure to guard against inconsistent application of guidelines? ■

Marketing and Sales Strategy: Seven Ways to Differentiate Your Product or Company That Make a Difference—To the Customer

by John R. Graham

Differentiation has long been a marketing strategy used to separate one particular company from its competition. Unfortunately, there has been far more interest than action.

Line up 10 of almost any type of business and one looks just about like the other. Whether they are cars or canned goods, restaurants or reality TV shows, they all seem to become a blur.

There are exceptions, of course. George Foreman Grills and Ben & Jerry's Ice Cream are just two examples. Yet, whether it's Lexus, Infinity, Mercedes, or Jaguar, the appeal is based more on what one's friends or associates drive or the dealership location.

Differentiation works if it's based on what appeals to the customer. At one point, when a half-dozen minivans all seemed to look alike, Chrysler held an edge because of its commitment to cup holders.

So, what should you be doing to differentiate your company from the competition?

1. Get inside the customer's

head. The Pontiac Vibe was the vehicle nearest the entrance to the showroom of a Syracuse, NY, Pontiac-GMC dealership. The windshield was covered with assorted stickers and posters. To anyone coming into the showroom, it was just another vehicle on display.

It was also a lost opportunity. With gas prices driving consumers to more fuel-efficient vehicles, there was the Vibe, an all-wheel drive, near-SUV vehicle getting 26 MPG in the city and 31 MPG on the highway. Why wasn't the dealer dramatizing the Vibe's performance for customers?

With the windshield cleaned off and large signs calling attention to the vehicle's promise of high mileage, the Vibe sold in two days—after having been on the floor for weeks.

The difference that differentiates is inside the customer's head. Your job is to find it. In the case of the auto dealer, why not ask, "Is great mileage important to you?" If it is, head for the Vibe.

Greg Brenneman, who flipped Burger King from troubled to successful in short order, states the task clearly, "Focus on giving customers what they want, not what others think they should have." (*Wall Street Journal*, 4/26/05)

2. Create a sense of excitement.

Why do hard-working people with modest incomes and senior citizens with limited financial resources flock to fancy hotels in Las Vegas or gargantuan casinos? Is it the shows? The gambling? Perhaps. But chances are it's really the excitement.

At the opening of the 2,700-room Wynn Las Vegas, the owner said, "This is a level of luxury that has never been reached." Situated on 117 acres, it comes complete with a man-made mountain that includes a breath-taking waterfall, an 18-hole golf course, 22 restaurants, a shopping mall, as well as Maserati and Ferrari dealerships. It's thrilling and exciting, even for a few days. It's not just seeing the Taj Mahal. It's being part of it.

This is the appeal of "reality" TV shows. The sports industry has discovered that excitement of the teams isn't nearly enough to draw high-paying crowds. As admission prices go up, so does the entertainment. That's why it's easy for millions of spectators to drop a

couple of hundred bucks or more at a single game.

3. Eliminate doubt.

Doubt is the major hurdle to making a buying decision. If it's purchasing a home, "Will our friends and relatives like it?" If it's a car, "What will our friends say?" If it's a diamond, "Will she think it's big enough?"

Hyundai, the South Korean automaker, overcame serious doubts about its vehicle quality by making enormous improvements in the product and then tacking on a 10-year, 100,000 mile warranty.

Rather than either ignoring or debating the issue, Hyundai took action and stepped up and sent a powerful, unequivocal message to car buyers. Wouldn't it be well if General Motors and Ford took a similar path? If they believe in the quality of their vehicles, why not offer the same warranty as Hyundai and Kia?

■ Whether it's clothing, a cell phone, a car, or a vacation, the key is staying in contact with the customer after the sale.

4. Create buyer satisfaction.

"Did I look long enough?" "Will the color printer solve the problem of getting presentations out fast enough?" "Was this really a good investment?" After-the-fact worries eat away at customer satisfaction and undermine the possibility of getting referrals, just as doubt delays buying decisions.

Too many companies act as if their name, size, or years in business are ringing endorsements. Whether it's clothing, a cell phone, a car, or a vacation, the key is staying in contact with the customer after the sale. Far too often, this is when the customer feels abandoned and alone. Dissatisfaction translates into complaints over minor matters.

Close, continued contact not only reinforces the wisdom of the buying decision, it helps to create a bond that can minimize possible problems.

5. **Give it a name.** In other words, make it **yours**. One regional dry cleaner personalizes its off-season clothing care service by calling it Anton's **Closet**.

It isn't just an MP3 player, it's an **iPod**, and it left formidable Sony in the dust. Almost instantly, the name became generic, such as Life Savers, Kleenex, and Blackberry.

No one wants low-priced iced coffee, but premium priced lattes sell! The name evokes a feeling of something special, a minor luxury. And so we spend \$3.95 to pamper ourselves at two in the afternoon. In the same way, it's not just a watch; it's a Rolex.

Names transform the ordinary—the generic—into the extraordinary. Wedding planners report that iPods are one of the most popular gifts for members of a wedding party. Again, not just any MP3 player, but an **iPod**—nothing else will do. The name makes the difference. Give it a name and get the business.

6. **Breathe life into the company.** How do you give life to Europe's biggest bank in the U.S.? Not an easy task, even with enormous resources. Yet, this is exactly what has happened with UBS. A *BusinessWeek* survey revealed that the "You and Us: UBS" campaign rocketed UBS into 45th place of the top 100 brands worldwide. As someone noted, "It came out of nowhere."



While few people may really know much, if anything, about UBS, the "You and Us: UBS" campaign has created a positive and personal feeling. It has brought the company to life and separated it from the competition.

In the same way, whoever heard of AFLAC before the adorable duck? What's more valuable than having a warm, positive feeling about an insurance company? That's differentiation at its best.

7. **Practice creative destruction.** New York's famed landmark hostelry, The Plaza Hotel, was on life support for years. The cost of delivering legendary service to the rich and famous became too costly. So the Plaza is transformed into condos for the rich and famous. It's called creative destruction and it's driven by market forces. Rather than lamenting the loss of a great old hotel, the customers applaud the new possibilities.

With telecommunications deregulation came the breakup of century old AT&T and the spawning of a string of Baby Bells. Now, one of the energetic offspring

has acquired the parent. It's creative destruction at work.

Salespeople talk about how "hungry" they are, but studies show most spend little time actually selling or developing new business. Most reach an income comfort level and simply "maintain accounts." Performance indicates that new accounts are often a low priority. Salespeople are not alone. Creative destruction applies to people, too.

Business survival, however, demands different values and different performance standards in every area of business.

Creative destruction—whether it be personal performance or the way companies do business—demonstrates a daring, innovating quality that sets companies apart from the competition and attracts customers.

In a word, what's dangerous is staying the same.

It isn't just smaller companies that need to learn these seven strategies for differentiation that makes a difference to the **customer**. They apply to Fortune 100 firms, too. GM stayed on course building gas-guzzling SUVs even when gasoline prices skyrocketed, blinded perhaps by their even bigger profit margins on these vehicles. What made Ford think its "new" Ford 500 sedan was anything special? What made Buick think the "new" LaCrosse would to attract crowds of new buyers? Customers have cast their ballots by ignoring the car. Why not? It may be quiet inside but it **looks** dull.

What applies to cars, applies to clothing, kitchens, and vacations. If we don't bring to the party something that sets us apart from all the other parties the customer is invited to, the party is over. ■

Agent & Broker Section and Ethics Committee Develop Annual Meeting Seminar

To "B" or Not to "B": An Interactive Discussion on Agent and Broker Quoting Practices and Compensation Plans

Sunday, October 23 1 - 3 p.m.

This timely seminar will discuss fraud, ethics, collusion, and antitrust activities, within the context of agent/broker duties, compensation, responsibilities, and relationships with clients and insurance carriers.

Presenters:

Peter R. Kensicki, D.B.A., CPCU, CLU, FLMI, Eastern Kentucky University
Millicent W. Workman, CPCU, CPIW, Baptist Memorial Health Care
Corporation

Kenneth R. Auerbach, Esq., E&K Agency, Inc.
Howard Mills, New York State Insurance Department



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