

Chairman's Corner: Sometimes You Get a Second Chance

by Jonathan W. Hensinger, CPCU, ARM, AIS



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As I write this, I am sitting in the service area of a local car dealership. This is someplace I never expected to be. That is because when I purchased my 2002 SUV here four years ago, I had vowed I would never return. As a consumer, I had found the buying process especially exhausting and frustrating, and I blamed the dealer squarely for making it so. As I drove my new SUV off the lot, I was already committed to

taking my future business elsewhere. That being said, I know the dealership and the manufacturer would be very confused by my last statement. That is because when I responded to the manufacturer's customer satisfaction survey after I purchased my vehicle, I replied that I was "completely satisfied" in all categories. How could such a thing happen?

Let me say now that I love my SUV. The gas mileage is not great, but I knew that when I bought it. And fortunately I don't have a long commute. I have had no mechanical problems with the vehicle in four years, and it has performed wonderfully in the time I have owned it. I love my truck.

My vehicle purchase experience, however, was less than ideal. During the sales process, my salesperson advised me that after I purchased the vehicle, I would receive a customer survey from the manufacturer. He further explained that it was "extremely important" that I answer that I was "completely satisfied" in all categories on the survey. This seemed odd, since all of the dealer's actions up until that point had suggested that they were not concerned with how satisfied I was. My salesperson then asked if I would be willing to answer on my survey that I was "completely satisfied." In reality, I wasn't satisfied at all, but that did not seem to be the issue. It was merely the survey results that were "extremely important." After investing too many hours in the purchase process, being hungry, tired, and just wanting to go home, I agreed to answer the survey the way he wanted me to. When my customer survey later arrived in the mail, I thought about telling them what I really

thought, but instead kept my word and replied that I was satisfied in every way.

I am now sitting in the dealership today only because I had to bring it in for some minor recall work. I could have had the recall work performed elsewhere, but that would require too much effort on my part and I did not want to incur any out-of-pocket expenses. So I reluctantly placed a call to the dealership to schedule the recall work.

When I called the service department, I was startled by how friendly and helpful the person was who picked up the phone. I explained my situation, and was shocked when asked if I could bring in the vehicle that day. Who would expect that level of service? While discussing my scheduling options, it was stressed that they could do the work while I waited, it would not take long, and it could be done first thing in the morning. Despite my attitude prior to this phone call, I hung up the phone feeling surprisingly good about the dealership. I became intrigued. Could the service department pull off a customer recovery, change my opinion of the dealership, and win some return

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Chairman's Corner

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business? Whether it was fortuitous or not, the dealership had gotten a second chance with me.

I am always looking for new ways to attract and retain customers from other businesses. There is much we can learn from other industries that we can apply to our own. My local car dealership was lucky. It got a second chance like this at retaining an unsatisfied customer. When I think about our business, however, I have trouble imagining a situation where we might get a second chance at winning over an unsatisfied customer. Which puts all the more pressure on us to get it right for the customer the first time. We may not be lucky enough to get a second chance. ■

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How to Do Referrals the Right Way

by John R. Graham

“If salespeople should avoid asking for referrals, then how should they leverage their customer relationships to grow their business?”

—John R. Graham

Editor's note: John R. Graham's article addresses the issue of leveraging current customer relationships to grow a business. Whether they be referencable accounts or direct inquiry for referrals, Graham deftly tackles the nuances of this subject in today's marketplace. Have you followed Graham's ideas in your operation? Do you agree with his interesting observations, suggestions, and alternative systematic process? Please log on and post your comments at the Total Quality Section web site, <http://totalquality.cpcusociety.org>.

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What Sounds Good Doesn't Always Work Very Well

If referral programs were as successful as their advocates claim, there would be so much new business that the need for prospecting, marketing, advertising, or selling would disappear. It's blatantly obvious, however, that this isn't the case.

For the most part, “asking for the referral” is a con job on salespeople. Rather than give them the marketing and sales support needed to attract customers, the onus is placed on them to schlep around to find someone who will listen to their story. In other words, most salespeople who say they “work only by referrals” don't eat too well. Sure, a small percentage may actually achieve this goal, but to suggest that most salespeople should expect to have a high level of referrals is fantasy.

There may have been a time when customers were willing to give salespeople names of friends and associates, but not today. We don't want to do anything that might disrupt a relationship. What if the salesperson offends our referral, even inadvertently? Will the recommendation come back to haunt us? What if the friend buys and is then disappointed? How will that reflect on us?

Why Asking for Referrals Hurts Sales

Is there ever a good time to ask for a referral? To make it as easy as possible to understand, the answer is no. That's right. Never, ever ask for a referral. Here are the reasons why:

1. Asking for referrals harms the customer-salesperson relationship. More often than not, the salesperson asks for referrals just as the sale is concluded. “There's just one question I would like to ask you, Ms. Yeager,

who of your friends and associates could benefit from my services?” However the question is phrased, it sends a powerful message: *Am I being used?*

Worse yet, it places the customer in an uncomfortable position of having to do something *more* for the salesperson. “I have just given the salesperson the order and now she wants me to do more for her. It should be the other way.” Asking for a referral just after the deal is done is courting disaster. It sends the message that the sale is all about the salesperson, not the customer.

2. Asking for referrals sends the wrong message. A few days after buying a new car—but before I took delivery—a letter arrived from the salesperson congratulating me on my purchase. I appreciated the gesture—until the last paragraph. It was there that the letter lost its effectiveness—the salesperson asked for referrals. I had not even taken delivery on the car and I was being asked to make recommendations. But even if I had been driving the vehicle for a few days, asking me to be a shill for the salesperson is insulting.

How much more effective would it have been if he had sent a letter congratulating me on my purchase, expressing his personal commitment to serving as my liaison and advocate with the dealership? How would you respond if salespeople described how they were going to serve you and then did it? You'd be comfortable recommending them to just about anyone.

3. Asking for referrals can blow the opportunity to write new business. This is, by far, the major reason why

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How to Do Referrals the Right Way

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referrals fail. The customer gives you a couple of names or even contacts the people on your behalf. While this may seem to give you a proverbial leg up, it doesn't mean you're going to get the account or make the sale—or get an appointment.

The Referral Problem

Just because you receive referrals doesn't mean they are either interested or ready to buy—even though they are qualified prospects. It's the process that's the problem. Here's what happens: You give me a referral when I place the order, renew the policy, or make the purchase. Then, a day or two later, I call the person to get the appointment. In reality, it's little more than a cold call. I may get a courtesy appointment. The chances of closing the sale are diminished.

What does all this mean? The goal of the astute salesperson is to find ways to create customers—not just to find someone to make a pitch to. It's to prepare the soil properly so the seed (lead) grows into a customer—someone who places the order.

Turning Referrals into Customers

It's absolutely true that customers can be a source of new business. And implementing a process that achieves this goal can maximize their effectiveness.

Here are four suggestions for accomplishing this objective:

1. The post-sale letter. After a sale, write a letter to the customer expressing your personal appreciation for the order, and indicate you will be staying in touch regularly. If your customers don't already receive your newsletter or e-bulletin, let them know they will be receiving them.

Then add, "Most salespeople ask for referrals at the time of a sale or in the days that follow. That's not what I do. I want you to be satisfied with your purchase, with me, and with our company. I recognize this takes

time. Some months from now, I will ask you for suggestions of those who might benefit from receiving my newsletter, e-bulletin, and seminar information. My approach is to give them an opportunity to get acquainted with what I do and how I work before contacting them. I find this is a good way to build my business."

2. The prospect contact letter. After receiving the names from satisfied customers, the next step is to start the cultivation process. The first contact letter includes who gave you the person's name, the length of time the individual has been a customer (very important to show satisfaction), and how you are helping the customer. The letter then indicates that you will be staying in contact with the prospect and that he or she will be receiving information regularly. Finally, invite prospects to contact you if they have a need.

3. The 90-day call. While it might be longer, it should certainly not be sooner than 90 days. The goal is to let the prospect "get acquainted" with you and what you do before making personal contact. The call may result in an appointment; if it doesn't, let the person know you will continue to stay in touch. If an appointment doesn't lead to a sale, let the prospect know you will continue to remain in contact.

If it seems as if this process is demanding, requires careful management, good planning, and consistent execution, it does. That's what makes it work. Without it, it's just business as usual.

It's so much easier just to ask the customer for names and hope to get one or two. If you luck out, then make the calls and keep your fingers crossed, there will be a live one.

Whatever else this is, it's an inefficient way to prospect. If it were so successful, then why are salespeople always asking for leads? It doesn't work and that's a fact every salesperson knows too well.

Sure, there are exceptions. But that's the point: they are *exceptions*. Of course, what's needed is a systematic approach to prospecting, one that operates in the background day in and day out, and more importantly, one that is successful. ■

Successful Claims Practice

by Tom Frye

■ **Tom Frye** has more than 36 years of claims management experience. He attended Lincoln University and John Marshall Law School. Frye has served as a claims executive for several major insurers, as assistant regional administrator and as deputy commissioner for the U.S. Department of Labor, and has successfully launched Frye Claims Consultation and Administration. Frye Claims has been recognized by *Nations Business Magazine* and *Business Advisor Magazine*, and in 1994, the *San Francisco Business Times* recognized Frye Claims as among the fastest growing privately held companies in the San Francisco Bay Area.

With claims experience in the private sector, the public sector, and as an entrepreneur, Frye provides a unique insight into the management of claims practice, and has moved on to a second career as an author and speaker.

Editor's note: The following essays are excerpted from Tom Frye's book, *Successful Claims Practice* and are reprinted here with permission.

Secret of the Universe?

In the continuum of human behavior, identifying what compels people to peak performance has proven to be a secret for most managers.

We often look toward externals to incite performance—such externals as pay, benefits, contests, and environment. However, motivation comes from within, and the externals might impact behavior while leaving untouched the internal drive for self-motivation.

The Secret of the Universe is, in fact, no secret. On some level, we all know its truth, but few of us identify that truth and capitalize on it. The Secret of the Universe as it relates to managing people is:

"People do things for their own reasons—not ours."

That basic statement might not sound profound at first, but think about it. People do not do things because they think they should—they do things because they believe they are in their own best interest.

An understanding of basic human motivation is critical to the success of a claims manager. People listen to and follow managers who provide insight to process; people like and respond to managers who provide space by empowering them; and people like and respond to managers who make them feel good about themselves.

In fact, people will always positively respond to the manager who makes them feel good about themselves. Allow me to share a story that illustrates this point:

"Alice married Bob instead of Bill. Bill is very intelligent and has a degree from a prestigious university. Bill is handsome, articulate, and successful. In fact, Alice thought Bill was probably the most wonderful person in the world—but she married Bob because he made her feel like the most wonderful person in the world."

People also respond to, or are motivated by, fear: the fear of consequences, such as an unhappy manager or the loss of employment. However, such motivation has proven to have a short life span—usually the time it takes for the employee to find another job.

Empowering staff and then following up only at strategic points is the profile of managers who are most successful at motivating staff.

Now that you know the Secret of the Universe, here are some tips you can use to motivate your staff:

- Celebrate small or almost-there successes.

- Acknowledge success on a personal level—learn and use the words "thank you"!
- Encourage staff participation through a suggestion program and participatory management.
- Trust staff to "do it right."

In the final analysis, the Secret of the Universe is common sense, but Samuel Coleridge's comment applies: "Common sense to an uncommon degree is what the world calls wisdom."

The Complaint Department

Are our caseloads too high? Have we come to rely on the computer more than on the claims professional? Do we fail to reward creative problem-solving? Have we controlled expenses to the point that service has deteriorated? Do we defer too many of the claim decisions to counsel?

I cannot answer those questions for your firm, but I can offer some trends I've seen in the past decade.

Most consumer reports in our industry, including the Auditor General's report, indicate an increase in customer complaints. Our turnover rates and expense ratios, as well as the rising costs of claims, suggest we could improve our results.

As one approach, we should reappraise the fundamental style by which we manage people. If we turn our vision inside out, we can catch a glimpse of a successful claims manager in the next decade.

The following steps will help claims managers achieve high-yield organization performance in the 2000s:

First Step—Encourage a sense of self-worth and pride and a reason to make a commitment by creating a sense of purpose for you and your employees.

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Successful Claims Practice

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Some great entrees are the significance of serving injured people and/or the rewards of controlling their own workloads or of breathing life into an already overburdened court system by using their good judgment in concluding claims.

Second Step—Trust your staff by believing in their ability to contribute to the decision-making process. Create an environment with some autonomy along with team problem solving.

Third Step—Challenge yourself and others to be the best. This approach promotes an acceptance of responsibility and honest feedback.

Fourth Step—Eat, sleep, and drink teamwork. Involve every employee in the process of management.

Fifth Step—Applause, Applause, Applause (from *A Passion for Excellence* by Tom Peters and Nancy Austin). We should remember to reward the behavior we want, and become less tolerant of poor performance.

Sixth Step—Understand, analyze, and apply the numbers. If we know what went on in the past and why, we can make adjustments to create a rosy future. This approach should be understood by all employees at all levels. Self-management is the goal.

Seventh Step—Know your people and help them know you. Commitment is fostered in an environment where people connect with each other as well as with the leader. “Transformational management” will become the term of the new millennium. It means integrating the personal and professional needs of staff and encouraging growth. It means empowering people to lead.

Eighth Step—Be honest with your superiors and with your staff. Frank feedback is essential to performance enhancement.

Ninth Step—Create opportunities to be close to customers and to problem-solve within the organization. Moreover, avoid tasks that take you away from those activities.

We should prepare if we are to ready ourselves for the future. We must be confident and consistent in developing teams. We must remove inhibitors to performance by envisioning the leader as a servant. And we must integrate these nine steps into our style of management if we are to unleash the ocean of discretionary effort available to us. ■



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Online registration will begin in early spring.



Retired FDNY Battalion Commander Richard Picciotto will speak at the CPCU Society's Annual Meeting on September 10, one day before the fifth anniversary of 9/11.



Photo courtesy of Nashville CVB and Heavenly Perspectives.

Annual Meeting Seminar Encore

by Kent W. Schaum, CPCU, AIC



If you missed the highly acclaimed seminar "Maximize the Value of Generational Differences in Your Workforce," presented by the Total Quality Section at the CPCU Society's 2005 Annual Meeting and Seminars in Atlanta, you will have a second chance to attend an updated, interactive symposium on May 25 in Philadelphia.

Presenters **James R. Jones, CPCU**, director of the Katie School of Insurance and Financial Services at Illinois State University; **Christopher DiDomizio**, assistant vice president, Recruiting & Staffing, ACE INA; and **Linda C. Wingate**, founder of Wingate Consulting, will enable attendees to:

- Understand generational differences in the modern workforce.

- Differentiate between how generational groups are commonly perceived, and how they really are.
- Interact with your workforce in ways which improve organizational performance.

Log on to the Total Quality Section web site <http://totalquality.cpcusociety.org> for upcoming details. ■

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