A MARKETING MAN LOOKS AT LIFE INSURANCE

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The trained marketing man tends to view every institution as a unit of marketing. At least he raises the question before rejecting the possibility. The church is viewed not only as a great philosophical, inspirational, and life guidance institution but as a selling organization. The person with a sales viewpoint asks whether the church leaders are able to communicate its great message to the masses in an efficient manner. A clear decision is rarely reached. Churches closed all but a few hours each week, the inability of many ministers to translate the great message of faith in an effective manner, ineffectively trained lay workers, the non-use of advertising or other aspects of mass communication all draw criticisms from marketing men. Some church units have profited from these criticisms; others maintain that their great message does not need "to be sold."

There may be a parallel in the field of life insurance. Few persons question—in the abstract at least—that insurance is a great and useful development of modern economics. Yet, just as is true of the message of the church, millions of people grant the validity of the claims of insurance in the abstract but do not accept it as a force in their lives. What does the marketing man conclude as he thinks about the sale of insurance as a case in applied marketing? Is there a place for the principles of marketing? Can the same administrative and selling skills which have been highly developed in other areas of selling be applied here?

Product Design and Price

Few markets can be developed successfully unless the products designed for each of them are sound, the price is within the financial capacity of potential buyers, and the qualities of the product or service are understood and accepted. Life insurance meets these tests. Not only is the insurance product honest and well-designed, but it keeps pace with changing consumer needs. The time which is devoted in collegiate courses in life insurance to a study of the many types of contracts issued suggests that the product is adapted to the needs of different classes of buyers. The constant stream of new covers suggests that designers of the product know that insurance contracts should be modified to meet the ever-changing needs of buyers. Thus, it may be said that the product is good; it is up-to-date, and it is adjustable to varying needs. It is only with respect to the design of the contract that a question arises. The wording is so technical that few buyers can hope to understand the exact nature of the obligations placed upon them and the rights given them. Furthermore, the format of most insurance contracts leaves much to be desired in terms of assisting the policyholder in his efforts to comprehend what he has bought.

Life insurance appears to be soundly priced since the rate is the product of exact mathematical computations. However, recent rate reductions for certain types of contracts suggest that competition is proving effective in reducing rate levels. One is forced to wonder why the quantity discounts available for certain contracts are not applied to all types of covers. Also, the variations in net cost for a particular form of insurance as between different insurers raises the question whether all companies are seeking to provide insurance to the public at the lowest possible price consistent with safety for policyholders.

The increasing use of installment purchase plans throughout the business world has an important application to the life insurance business. Although insurance companies have long offered premium payment plans whereby the insured need not pay on an annual basis, the emphasis has generally been on annual payments. Although an extra charge appears necessary for more frequent payments, might it not be more in line with current marketing thinking to establish monthly or quarterly payment periods as the norm and then offer a discount for annual payment. Increasing use of shorter premium-payment periods assists in placing insurance protection in the hands of additional thousands.

Advertising and Market Research

Another fundamental of marketing is that in most instances communication of the merits of the product is necessary. The farmer who places boxes of strawberries on a roadside stand adopts some method of attracting attention to the merits of his produce. The producer of industrial machinery who studies the needs of possible users of his machines concludes his study by communicating his findings to the management of firms in his market. Because of the high degree of specialization involved, buyers do not normally even understand the applicability of the machine to their needs without a clear communications of the merits of the equipment through oral salesmanship. Much the same situation exists with respect to insurance, as few purchasers can correctly analyze their needs and select from varied covers the ones most exactly suited to their needs.

Sellers of thousands of products use both advertising and personal selling to reach logical buyers. Advertising of the life insurance product is not often used as broadly or perhaps as effectively as it is when thousands of other products move to the market. Leaders of the insurance business are aware of this fact. Constant studies of the place of national media, such as newspapers, magazines, radio and television, and direct mail are being made. Perhaps this is all that the marketing man can ask. Vendors are aware of their problem; some are doing something about it.

Analysts of the national income suggest that an increasing amount of income is becoming available for optional spending. This is the part of the gross national product known as "consumer disposables." Some economists believe that there may be great rewards in a detailed analysis of what is happening as the great mass of family units are freed from the necessity of spending practically all of their income for necessities. It has been estimated that today as much as one-third of the national income goes f optional purchases. Many marketing executives see in this a challenge to know more about how the consumer makes choices. Some progress is being made in the analysis of consumer motivation. One cannot, as yet, point the way to what is taking place in this great area of consumer psychology; but it is clear that those who have products and services to sell—need insurance be cited—should be alert to the fact that great new markets may be opening. Does the insurance business have the ability to tap them most profitably?

Sales Management

Few products are sold by advertising alone. Exceptions are found in the case of certain highly-specialized items which are so desirable yet so remote from the local market as to induce consumers to buy by mail. Repeated failures to sell significant amounts of life insurance by mail would seem to prove that advertising alone sells but little of this form of insurance. The place of the flesh and blood salesman seems to be established. His contribution is so personal as to defy any substitute for him, assuming he provides an intelligent analysis of the covers needed by the prospect. What picture of the effectiveness of the salesman of life insurance comes to the marketing man who looks at him with a critical eye?

When the marketing student considers variations in the productive records of life insurance salesmen, he finds just about the same picture as in other businesses. Perhaps one-third of the men make two-thirds of the sales. Not more than 10 per cent of the salesmen may be considered as really good producers, i.e., men who can be relied upon week after week to carry on productive selling. If this is true, there must be a reason for it. What accounts for these variations in production?

The sale of life insurance involves many of the same administrative problems and uses many of the sale methods which are used in administering the sale of tangible products. Certain of the striking parallels are worth consideration at this point.

Studies of the work of salesmen in general show that an effective salesman must meet certain personal tests. One is knowledge of his product. The day of the "glad hand" man who sells by personal influence, by glossing over objections with the result that sales do not stick, and, in the case of insurance, by selling almost by a single method known as "backing the hearse up to the door," is over. Buyers demand skilled salesmen who know their product and its application and who can sell through a logical presentation of pertinent facts. The marketing man as he looks over the field of insurance may not be criticized if he concludes that in this field—as in many others—much needs to be done to train salesmen to meet the tests of full service to the consumer.

Considerable progress is being made in the sale of tangible products in the assignment of the type of salesmen needed to fit into particular sales situations. The question must be raised whether similar progress is being made in insurance. This marketing man doubts it. Is there still not too easy an assumption that no special qualifications, other than appropriate age, educational background, and surface aspects of personality, are needed? Is the man fitted to the particular sales situation, or is he permitted to just drift into specialization in the sale of particular coverages since it is assumed that if he sells he has the qualifications? It is suggested that ability and special training are relative and that drifting is not a good policy. Often agency heads have been appointed because of a high production record whereas they have had but little training for administrative leadership; and, moreover, sad experience leads one to conclude that they had but little aptitude for leadership.

Many market executives are using tests as one aid in selecting salesmen. Many years ago certain insurance men took the lead in weighing and analyzing the usefulness of tests. Yet many have not even yet learned that tests are not a magic tool but only one aid in good selection.

Problems of the interview as a tool of selective salesmen are being studied with great care in many companies. Comparisons are being made as to the relative value of the guided versus the unguided interview technique. The search has as its broad purpose the finding out of just what kind of a man the candidate is and "what makes him tick." It may well be that many insurance executives have gone as far in selecting techniques as have other marketing men. But the study is still in its infancy. The tremendous losses which follow poor selection are so obvious as to demand continued study of how best to select a salesman. It may be that there should be more exchange of findings between the insurance world and leaders in other areas of marketing. Many years of observation lead this writer to conclude that too often insurance men say that their problems are so different from those of other sales executives that time spent in knowing what great sales leaders in industrial and consumer products, in securities and in real estate are doing to improve their marketing methods is not profitable. It may be that this assumption is just not so.

Supervision of salesmen has sometimes been referred to as the "great desert" in good sales management. Some progress is being made in selling in general, but the best techniques are yet to be developed. It is thought that perhaps insurance leaders in many cases have been doing a relatively good job in supervision, but complacency might be fatal. The same general thinking applies to compensation methods.

One of the underlying principles of marketing is that when a market institution is needed it arises; when it is no longer needed it disappears. Multiple instances prove the validity of the principle. An example comes from the history of the general store. It was a vital institution in pioneer days and still exists when market conditions justify it. But specialization in retailing gives so many gains to the consumer that the old country general store is just about gone. This thought might be applied to life insurance. So long as the real service of insurance is needed, insurers will be here to give it. So long as any type of marketing agency is needed in this field, it will continue to thrive. When it no longer proves to be the most effective channel of distribution of the insurance service, it will be supplanted by other devices. The challenge of the alert home office executive is to be able to so analyze the trends as to minimize the delay in making inevitable changes in distribution methods.