APPLICATION OF THE THEORY OF MARKETING TANGIBLE GOODS TO THE MARKETING OF INSURANCE

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The analysis in this paper refers only to Personal Insurance—Life, Health, and Annuities sold both to individuals and to groups. It is not concerned with Property Insurance—Fire, Casualty and Marine. There are great differences in marketing these two forms of insurance and these differences should be kept in mind during the discussion.

There are some who believe the marketing of life insurance is no different than the marketing of any other product offered the public. Thinking along these lines could get a life insurance sales executive into serious trouble. There may be some *similarities* in the property insurance field to the marketing of tangible goods, but in the personal insurance field a study of the *differences* should prove more rewarding.

If marketing is thought of as embracing every function that takes place from the time the product is first conceived until it is in the hands of the ultimate consumer, certainly personal insurance and a tangible product have to pass through most of the same steps. There must be consumer research, product design, packaging, pricing, advertising, sales promotion and service.

Whether one is marketing a product or personal insurance, the marketing must be productive, customer-oriented, dynamic, integrated and profitable. It is agreed that insurance companies can and should benefit from the successful marketing experience of product manufacturers.

But because of certain fundamental *differences* between marketing products and life insurance, these functions must be performed in a different manner. It is about these differences that this analysis is concerned.

First it is well to start by reviewing some of the basic facts about marketing products and life insurance.

Distributing Products

Most of the things that the American people buy are products—tangible things that are manufactured or processed or packaged—and for which there is already an existing demand. Most of these products are purchased by the consumer at *the point of sale without any person influencing the decision.* In the past few years, with more and more supermarkets and super-drugstores and with more and more self-service stores of every kind (even variety chains, such as Woolworth's), there is almost a complete absence of any personal selling.

Product manufacturers seek to induce the public to select their particular prod-

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uct through advertising, packaging, point-of-sales displays and promotion, price concessions and the like.

This point was emphasized earlier this month at a New York sales executives club meeting. The chief sales officers of five different product manufacturers joined on a panel to tell what they expected to do to boost sales in 1961. The products were tobacco, liquor, food, autos and proprietary drugs. The names of these products are brands well known to every American.

These product people frankly admitted that there was comparatively little they could do to boost the existing demand for their product. Their great problem, they agreed, is to try to influence the purchaser to select their particular brand at the point of sale.

For example, consider the man who smokes cigarettes. No one has to persuade him to buy cigarettes. He buys them on his own initiative and as a matter of habit. The tobacco companies like this. However, there is another side of the coin which they do not like. It is very difficult for them to influence one who smokes another brand to change to theirs. When a man goes into a cigar store and asks for a pack of Kents, the sales clerk gives him Kents, without trying to switch him to a different brand.

In the same way, the liquor executive agreed that most whiskies are pretty much alike, and no clerk in a liquor store is going to try very hard to push one brand at the expense of another.

Summing up, most tangible products enjoy a constant demand, with the buyer initiating the sale, but with the manufacturer almost helpless, *at the point of sale*, to influence the buyer to select his brand instead of that of a competitor.

Distributing Life Insurance

Now let us look at life insurance and how it is sold. We should start with fact No. 1: "Life insurance is sold — not bought!" In fact, there is no demand for life insurance, at least in the ordinary sense of the word.

Consider this illustration. If every life insurance agent in America, starting tomorrow, took a 3 months' vacation, there wouldn't be enough life insurance sold in the next 3 months to pay for the ink on the applications the companies would not use. The agents create the demand for life insurance. When they stop creating, the companies stop selling.

When a man is hungry, he buys food; when he needs clothes or shelter or transportation, he buys a suit or rents a house or purchases a car. Years ago, he acquired the coffee-in-the-morning habit, or the cocktails-before-dinner habit, or the cigarette habit. Now it is only a question of what brand he will buy.

The consumer must be pre-sold, predisposed towards one brand over all others, by sales promotion and advertising before he gives his order to the order-taker.

But life insurance has always been different. Here the agents create the demand in person-to-person interviews. Since no one (who can buy life insurance) really thinks *he* will ever die, or be old and penniless, the prospect feels no immediate need for the benefits of life insurance. To make the sale even more difficult, others say to the prospect for life insurance, "Enjoy now and pay later." The life insurance agent has to say to him, "Pay now and enjoy later." It is only when an agent makes a prospect feel the *immediacy* of this need that a demand is created and he becomes a buyer of life insurance. The life insurance industry has to create its own demand!

To sum it up, in this business *nothing* ever happens until a salesman makes a person-to-person, face-to-face contact with a prospective purchaser and asks him to buy. Customers seldom walk in—and when they do occasionally, they usually have an electro-cardiogram that looks like a seismograph tracing of a California earthquake.

It has been said that "There are just 3 things in this life that people won't do unless somebody personally takes them by the hand and leads them into it: make a will, join the church, and buy life insurance."

That's why so many people die intestate; that's why there are religious missionaries and revivalists; and that's why the personal services of the life underwriter are indispensable in the marketing of life insurance.

Now let us consider fact No. 2. This is a corollary and follows from fact No. 1 as a natural consequence. Here it is, "Life insurance companies do not sell life insurance,—only life insurance agents sell life insurance!"

One who reads some of the advertisements and sales literature of life insurance companies might think that people could be persuaded by the printed word alone to come to the home offices and agency offices and make application for life insurance.

All this was tried in the early, formative years of the business, and at periodic intervals ever since, always with the same, complete lack of success. Many times during the past hundred years life insurance companies have tried to sell life insurance without personal salesmen, and always without any real success.

This brings consideration of fact No. 3. "It is the service of the agent that needs to be sold to the public, not the product, or the prestige of the company!" The public is sold on the value of life insurance today; they just don't do anything about it! This is true even though the life insurance companies of America have great prestige in the eyes of the public.

Today's Agents

Does this also apply to the agent? He is far superior to his counterpart of 25 years ago or of even 10 years ago. He has been more carefully selected, much better trained and is doing an excellent job of protecting the families and businesses of the United States and Canada.

Today many life underwriters have become trusted consultants on family financial problems, experts on business continuance problems, respected advisors on employment benefit programs. Generally, the agents today are well prepared to render a valuable service to their policyholders and clients, a service which can be obtained nowhere else.

It is not implied that every agent is doing a magnificent job but, by and large, the career life underwriter of today is a dedicated and well-trained man. 75,000 of them have completed one or more parts of L.U.T.C. and 35,000 of them have completed one or more parts of C.L.U. Members of this Association have taught C.L.U. classes and have made a major contribution to this fine educational program.

Someone, years ago, defined a good public relations program as 90 per cent doing a good job and 10 per cent getting credit for it. The life underwriter today *is* doing a good job but he is not always getting proper credit for it.

On the other hand, some progress has been made in improving the status of the life insurance salesman in the eyes of the public. For example, in a major address before the New York Sales Executives Club, Jack Minor, marketing director of Plymouth, recently stated that the life insurance companies were doing a much better job than the automobile companies in attracting high grade college men into their sales ranks. Mr. Minor congratulated the life companies on the outstanding job being done through training and educational activities such as C.L.U., to give their salesmen professional status in the eyes of the public. Despite these complimentary remarks, the battle is far from won.

Life underwriters are the only group

of people in America who are calling on people in their homes and offices and shops to help them with their financial problems—banks are not doing it—savings and loan associations are not doing it—trust officers and lawyers can't do it under their codes of ethics. The life underwriter of today is the only one in the community who is trained and skilled as a family financial consultant and who is going to the people with this service. But his unusual and valuable services need to be sold to the public.

Conclusion

In marketing products for which there is a constant demand, less and less personal selling and more and more self service is seen. Even where there still are sales clerks in stores, they are usually just order-takers. They seldom try to switch customers from one brand to another. The manufacturer can do very little, *at the point of sale*, to influence buyers to select his product, rather than that of a competitor.

Marketing life insurance is quite different. There is no life insurance sold until a personal contact is made by an agent. The companies enjoy great public acceptance. The agent of today is almost unique in his ability to help families and individuals solve their financial problems. The best way for companies to promote sales is to motivate buyers to want to get together with agents.

It would seem that there is some sort of parallel here with the marketing problems of the ethical drug industry. Squibb and Upjohn and Parke-Davis have used much of their advertising and sales promotion in past years to sell the public on the services of their family physician. They did this because they knew that the only way they can sell their antibiotics and prescription drugs is to encourage ill people to go to their family physicians. Then the physicians, based on their training and skills, will prescribe the proper drugs and sales will be made.

The similarity with life insurance is indeed striking. The life insurance companies manufacture the policies in hundreds of sizes and shapes. The agent is a trained specialist in life insurance services. The agent prescribes for the buyer the right combination of policies and settlement options so that the buyer and his family receive maximum benefits from their purchases. No sale is made by the company until the agent and the buyer get together—just as no ethical drug sale is made until the physician and the patient get together and the physician prescribes.

The difference between the marketing of ethical drugs and of proprietary drugs (such as toothpaste, shaving cream and the rest) is as great as that between the marketing of life insurance and the average tangible product.

It appears that life insurance marketing executives have two big objectives:

(1) Educating and training salesmen to the point where they are fully capable of counseling individuals and business owners regarding their financial problems and offering them sound solutions, and

(2) Educating the public through advertising, sales promotion and example, on the desirability of using the services of these salesmen.

Certainly these problems are vastly different than those involved in marketing a tangible product.