

## CHAPTER 1

### INTRODUCTION

Salespeople are important sources of revenue as well as costs for organizations (Anderson, 1985; Futrell and Parasuraman, 1984) . The determinants of effective sales performance has therefore been of enduring interest to marketing managers and researchers. The concern of practitioners has been heightened by the escalation of personal selling costs. An increasing number of studies address these concerns from a variety of perspectives. For example, a salesperson's **characteristics and role perceptions** influence the salesperson's understanding of what activities should be undertaken and how these activities should be performed. (Bagozzi, 1980; Behrman, Bigoness and Perreault 1981; Churchill, Ford and Walker, 1976; Cron, Dubinsky and Michaels, 1988; Ingram and Bellenger, 1983). **Motivation** affects the amount of effort expended performing the sales activities. (Walker, Churchill, and Ford, 1977) **Ability and knowledge base** of salespeople affects the quality of the effort expanded (Leigh, 1987; Weitz, Sujan, and Sujan, 1986; Siew, Busch and John, 1988)

According to Szymanski, (1988) though a variety of factors have been pursued as possible determinants of sales performance, several potentially important determinants of performance have been neglected. Among the factors given insufficient attention are (1) the degree of adaptiveness of salespeople when selling to clients (Friedman and Churchill, 1987; Weitz, 1981), (2) the salesperson's selling-related knowledge (Weitz, Sujan and Sujan, 1986) and (3) the moderating influence of the selling process (eg. prospecting, making sales calls, etc) on overall sales performance. These factors not only exert main effects on performance, but also interact to affect the level of sales achieved by members of the selling team. The salesperson must have sufficient selling knowledge and ability to choose the selling approach that best matches the needs of the customer. Thus, performance in each aspect of selling affects the overall level of sales achieved by the salesperson.

Research by Weitz, Sujan and Sujan (1986); and Siew et al. (1988), did address some of the issues. In particular, the authors suggest a conceptual framework for examining the interaction between salespersons' knowledge and selling. Though their work provides the necessary preliminary basis for investigations, a more thorough explication of the determinants of salesperson performance is needed. Specifically, how does a salesperson's knowledge,

attitudes and the selling stages combine to affect aggregate sales performance? To study these factors, life insurance agents were selected as a relevant population, because the selling process is necessary for effective performance in this profession.

Life insurance deals with what is generally considered to be an unpleasant subject-namely, the individual's death. Under most circumstances, the natural human tendency is to postpone discussion of one's needs for life insurance. Even if the subject is discussed, the further tendency is to postpone the purchase of life insurance. Consequently, life insurance needs to be marketed aggressively and effectively by the salesperson known as the life agent.

The life insurance agent performs the antiprocrastination function of persuading the individual to purchase insurance to create an estate, protect business and property and to replace income that might be lost through death, disability, or sickness. The role of the life insurance agent, in addition to the training required to first become an agent, requires continuous study and practice. Contrary to popular belief, the Life Insurance Marketing and Research Association (LIMRA) purports that there are no born salespeople. LIMRA was founded by Life Insurance companies in the United States &

Canada to study common problems of marketing and of agency management through original research and the development and exchange of ideas. Member companies have nearly 90% of the life insurance in force in the U.S. and Canada. Associate members are located in many countries throughout the world. Selling is a learned skill. An effective sales presentation is logical and orderly. It moves smoothly from one point to the next, gaining the buyer's agreement on each point, and leads to a successful sales conclusion.

Hence, from a managerial perspective, "whom one recruits is... probably not as important as what one does with the recruits...after they have been hired " (Churchill et al. 1985,). As making sales calls is the most frequent and central activity in the sales job, descriptions of the salesperson's task specific knowledge, or ability, seem essential in understanding sales performance. (Leigh & McGraw, 1989)

The Life insurance sales framework centers on the salesperson's ability to perform the following activities :-

- (i) Find prospects - people who are potential buyers.
- (ii) Identify the needs of prospects.



- (iii) Show prospects how the salesperson's service and recommendations will satisfy the prospect's needs..
- (iv) Persuade prospects that now is the best time to buy.
- (v) Maintain contact with, and provide service to, clients after the sale.

This ability indicates the degree to which the salesperson is able to take advantage of the unique communication elements associated with personal selling. "Personal selling is the only communication vehicle in which the marketing message can be adapted to the specific customer's needs and belief. Salespeople have the opportunity to do "Market research" on each customer and implement a sales presentation that is maximally effective for that customer. In addition, they can observe reactions of their customers to sales messages and make rapid adjustments" (Weitz & Wright 1978).

Heider (1958) proposed that ability is a function of task difficulty divided by effort (ability = task difficulty / effort). Thus, if two people exert themselves to the same degree, the one who performs the more difficult task is perceived to have the greater ability. Furthermore, if two people perform the same task and have equivalent performances, the one who expends the least effort would be perceived as having the highest ability. Heider further proposed that

perception of performance is a function of ability times effort, plus or minus the effects of the task difficulty. The equation may be written as :

$$P=(A \times M)\pm D$$

Where P is performance, A is ability, M is motivation, and D is task difficulty (Darley & Goethals 1980)

### **OBJECTIVES OF THE STUDY**

In Malaysia, there are few empirical studies on the Life Insurance Salesperson 's Effectiveness. It would therefore, be of interest to obtain a conceptual framework on Life Insurance Selling Effectiveness in Malaysia so that effective sales training programmes and sales strategies could then be designed.

The objective of this report is to provide a framework for research directed toward increasing our understanding of the determinants of selling effectiveness. More specifically, the objectives are as follows :

- (i) To examine the influence of the facets of the Selling Process, (eg.

prospecting, making sales calls and sales presentation) on overall Sales Performance.

- (ii) To consider the influence of demographic variables on Selling Effectiveness.
- (iii) To identify predictors of first year Sales Commission.

### **SIGNIFICANCE OF THE STUDY**

Nearly a third of all private sector jobs are in marketing related fields. The area of sales offers more jobs than any other area of marketing. Personal Selling and Sales Management opportunities are available in a wide range of product and service organizations. Every consumer is familiar with door-to-door salespersons in the form of life insurance agents, real estate agents, and salespeople in retailing and wholesaling. Every product or service one can think of has to be sold by a salesperson. Salespeople in short, are essential to a healthy, growing economy. With this heavy responsibility, it should thus be of special interest to the sales managers and trainers of companies, the authorities, and the salespeople themselves to find this study useful in terms of strategy and training purposes. Especially as tens of millions of dollars are poured into recruiting, selecting, training and supporting

salespeople. Yet it all comes down to the salesperson, their sales ability and their prospective customers. The study may well encourage further research in this area, whether in the life insurance milieu or in other industries.

The public's general image of the life insurance agent and the life insurance industry is not very high. This can be attested to by the fact that statistics show only about 15% of the Malaysian 19.5 million population is insured. It is also interesting to note that this not-so-wonderful image applies to salespeople of all types. Most of the public has little or no understanding of what an agent does. To the uninformed majority, the vision of an agent is someone with a glib tongue who-using scare tactics will extract money from their tight budget with vague promises of salvation in the dim and distant future. In short, they perceive the job to be one of fast chatter and fuzzy promises. With this study, it is hoped that a mutual understanding and respect is fostered between the salesperson and the consumer.

## **ORGANIZATION OF THE STUDY**

This study is divided into five chapters. Chapter one serves as an introduction to the study. Chapter two discusses the Personal Selling concept and the determinants of Selling Effectiveness. Next, the elements of the Sales Process is examined and the literature on these subjects reviewed.

Chapter three outlines the research methodology; that is, the sampling and data collection procedures, the selection of measurement scales and the analysis of the survey data. Chapter four discusses the analysis of the results of the survey. Finally, chapter five concludes with a summary of the study, implications of the findings, limitations of the study and suggestions for future research.

## **IDENTIFICATION OF NEEDS AND THE SELLING PROCESS**

Salespeople must function in a complex environment that necessitates the processing of much information on sales leads. To perform the many functions associated with selling, salespeople might be viewed as using categories to classify subjects at each phase of the selling process. In effect, salespeople can be perceived as having prospect, sales call, sales presentation, and sales closing categories stored in memory (Szymanski, 1988)

The network of categories might be depicted generically in figure 2 (Szymanski, 1988) The number of categories branching out from any node reflects the heterogeneity of selling situations likely to be experienced by salespeople in any one firm or industry. The more heterogeneous the encounters, the more categories salespeople are likely to use to identify the different client types and their associated product and selling requirements.

At each stage of the sales encounter, the salesperson matches the subject's characteristics with the attribute information associated with the selling

categories. The category for which the overlap in characteristics is greatest then is accessed. Since in most instances the salesperson must choose from among categories the one that best matches the subject, the key to selling success resides in the salesperson's ability to categorize subjects accurately at each stage of the sales process.

In essence, the salesperson must engage in a qualification process at each stage. For instance, when initially confronted with a sales lead, the salesperson must decide whether the subject should be classified as a prospect or a suspect (Grief, 1974). In this preliminary determination the salesperson must ascertain whether the potential client has a need for the product being sold. Through research activities, the information needed to make this judgment is obtained and an appropriate classification decision is made.

For sales leads classified as prospects, the salesperson next must decide whether the subject is a prime prospect (someone very likely to buy large quantities of the product being sold) or a prospect of lesser purchase potential. This secondary classification of prospects is necessary for two reasons. First, the number of prospects identified is likely to exceed the number the salesperson can call on at one time. Second, the potential clients are likely to

differ in purchase probability and purchase size. Therefore, to maximize returns to selling efforts, the salesperson must identify and devote immediate attention to prime prospects. Only if time permits are sales calls made to prospects of lesser quality (Futrell, 1984)

Concentrating efforts on prime prospects, the salesperson then must examine the subject's sales related wants and desires. This procedure is necessary to ensure that the selling approach that best matches the particular selling situation is chosen and applied in the sales encounter. The procedure must be performed at each stage of the sales process. For example, to be effective, the salesperson must decide sequentially on the sales call (eg., in-person vs telephone or personal letter), sales presentation (eg., emphasis placed on product vs financial considerations in the purchase), and closing technique (eg., close immediately or give the client time to discuss the issue with associates) that will enhance customer purchase intentions. (See figure 3) These determinations are based on an examination of client characteristics.

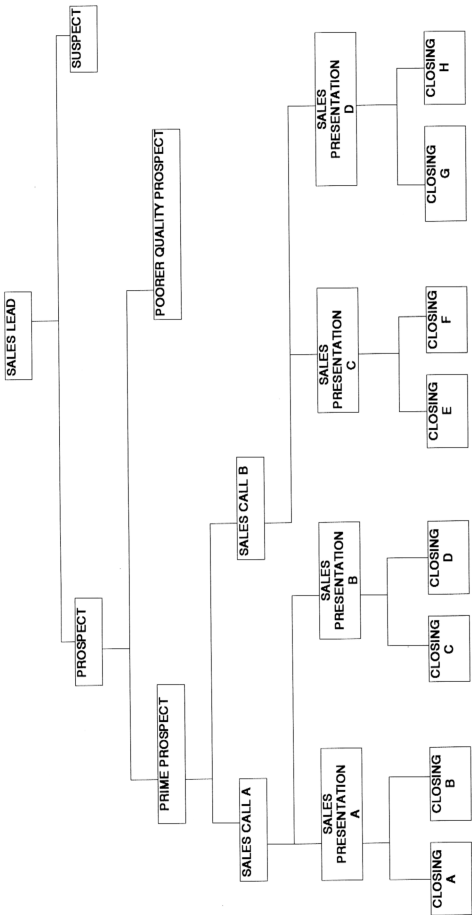
Only at the later three stages of selling is adaptiveness critical to selling effectiveness. When the salesperson is simply qualifying prospects, information often is gathered from published sources, acquaintances, or relatives of



prospective clients without personal contact with the subjects. The salesperson is simply trying to identify individuals or entities to whom further sales attention might be devoted. Once a subject has been classified as a prospect (in particular, a prime prospect) however, a personal contact typically is made.

In these personal interactions, the ability to match the selling strategy to the individual assumes importance. By properly qualifying (ie. categorizing) the prospective client into the appropriate selling strategy category, the salesperson can access and apply the influence approach that maximizes the probability of a sales.

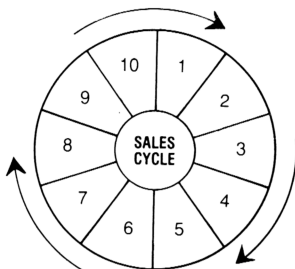
A final consideration in overall selling effectiveness is the moderating impact of the selling stages. The sales process is conditional. That is, success at each stage depends on success at preceding stages. For example, effectiveness at the sales presentation stage cannot totally compensate for an improper qualification decision at the prospecting stage, especially if the subject has no need for or cannot afford the product being sold. Selling effectiveness therefore can be viewed as contingent on the salesperson following the sequence of categorization (see figure 3) decisions that maximizes returns to selling efforts.



Because the salesperson's initial selling efforts are directed toward prime prospects, only the category network emanating from the prime prospect node is depicted. The potential presence of a network of categories for poorer quality prospects, however, is suggested by the dashed lines emanating from the poorer quality prospect category.

Source : David M. Szymanski (1988)

**Figure 3**



**1. PROSPECTING**

The continuous process of finding, qualifying and selecting a sufficient quantity of high-quality prospects.

**2. PRE-APPROACH**

The technique of using the telephone, direct mail, personal letters or face to face call to obtain appointment for interviews under favourable circumstances.

**3. APPROACH**

Making contact with prospects to create a favourable impression and to establish the credibility of the agent.

**4. FACT-FINDING**

Using sound questioning and listening skills to identify pertinent facts and feelings to discover needs and wants.

**5. DESIGNING THE SOLUTION**

Analysis and evaluation of the data obtained to facilitate choosing appropriate solutions and alternatives.

**6. PRESENTING THE SOLUTION**

Offering appropriate alternatives and solutions to solve prospects' problems with the best product application emphasizing features and benefits.

**7. CLOSE**

Techniques of handling concerns, overcoming objections and completing the sale by showing how solutions meet prospects' wants and needs.

**8. SALES FOLLOW-THROUGH**

Steps to expedite issuance of the policy and products, and satisfactorily meet underwriting requirements.

**9. POLICY DELIVERY**

Properly delivering the policy, reselling the need, reconfirming the decision, explaining benefits and cementing longterm relationships.

**10. COMMITMENT AND SERVICE**

Providing ongoing service and assistance to policyholders to maintain loyalty, making additional sales and securing referred leads.

The correct series of classification decisions in a hypothetical sales encounter might be to classify the subject as prospect, then as a prime prospect, for whom sales call A, sales presentation A, and closing procedure A best meet the product and sales requirements (see figure 2). By following this series of classification decisions, the salesperson maximizes returns to selling efforts. Any deviation from this path results in a lower level of sales from the customer-salesperson encounter because of a poor match between the customer's need and the salesperson's approach. The customer is not adequately satisfied. This dissatisfaction in turn causes the quantity of goods purchased, either in the short or long run, to be smaller than it would have been, had the salesperson met the client's product and selling process needs.

The effective salesperson therefore is one who keys into the true optimum selling process and reaps the added success that accompanies classification accuracy. Ineffective salespeople are likely to focus much effort on uncovering the customer's product needs, but effective salespeople concentrate also on identifying the client's sales-related needs. This broader approach to client-salesperson interactions enables the effective salesperson to complete successfully the total series of classification decisions necessary to maximize

returns to selling efforts. Clearly one key overriding element leading to selling effectiveness is the qualification accuracy of the salesperson. Therefore, one explanation of observed variations in sales performance among members of any one salesforce or among salespeople in general may be differences in salespeople's ability to qualify subjects effectively. (See Appendix B for Sales Process).

## **KNOWLEDGE STRUCTURES**

The importance of sales knowledge for effective selling performance has been recognized by both researchers and practitioners. For example, Weitz, Suja and Suja (1986) proposed that salespeople's knowledge about their customers and selling strategies critically affects their performance. Several sales training programs (Ingrasci, 1981) teach elaborate knowledge structures to inexperienced salespeople in the belief that such knowledge will make them more effective. The assumption linking knowledge and performance is supported by research showing that "tacit" or working knowledge is important in enabling managers to cope competently with practical issues related to their jobs (Wagner & Sternberg, 1985).

Salesperson effectiveness in customer interaction is evaluated from a script-theoretic perspective. Differences in salesperson performance are traced to differences in knowledge of the actions and events across and within sales situations and the salesperson's ability to abstract from relevant previous experience. Results of two experiments conducted in an insurance context indicated that, as hypothesized, highly-effective salespeople provided more elaborate, distinctive, contingent, and hypothetical scripts than low effective salespeople (Siew, Busch and John, 1988)

### THE SERVICE ENCOUNTER

In his book "Understanding Customers," Albert J. Sheridan, (1991) writes that "one reason that it's so difficult to provide good service in the insurance business is that the service process itself is complicated". He notes that it is complicated because of the following reasons:

- o The difficulty in defining what "Service" means to policyowners

- o The number of people providing service.
- o The complexity of insurance products
- o The determination of who owns the client - the field or the company.
- o The various service alternatives.
- o The issue of how to deal with orphan policyowners.

Dr Sheridan goes on to say that since "policyowners differ in their needs, so they differ in the kinds of service that they want and expect from insurance companies. Also, the type of product purchased influences service needs - investment products have different service needs than do protection - oriented products" LIMRA research indicates that clients generally expect four services from their insurance agents, namely:

- o Policyowners want the sales representative to keep an open line of communication.
- o Policyowners want a periodic insurance check-up.
- o Consumers want assistance in dealing with life insurance companies.
- o Consumers want the "Little Things".

A study of relationship marketing in the life insurance industry found clients' satisfaction with their agent to be a significant predictor of overall satisfaction with the service (Crosby and Stephens, 1987). Other researchers have found the human interaction component to be of importance in evaluating professional services (Day and Bodur, 1978; Quelch and Assh, 1981). By demonstrating the importance of the human interaction component of the service encounter to service quality and satisfaction, these empirical studies provide a valuable contribution.

## **DEMOGRAPHICS**

Demographic variables have made significant contributions to the marketing and sales literature (Po, 1991) for example, gender differences continue to be a very important area for sales researchers. Women are regarded to be better listeners and better at developing interdependent and ongoing relationships (Gilligan 1982; Sean et al., 1984) Similarly, sales organizations need to be aware of the effects of age, education and sales experience on selling.



The Levy & Sharman, 1994; study examined several antecedents to adaptive selling (altering of sales presentation across and during customer interactions in response to the perceived nature of the sales situations) gender, age, sales experience and education. The results suggest that gender and education interact with age to affect the degree to which salespeople practice adaptive selling. Additionally, with increased age and tenure, salespeople demonstrate plateauing and thus have an s-shaped relationship with the practice of adaptive selling.