Effective Selling Skills in Life Insurance Sales:
The Implication on Sales Performance, Recruiting, and Retention of Producers

Benjamin K. Ofili

Participant Observation and Ethnographic Methods

Case Western Reserve University

Dr. Paul Salipante

Spring 2002
Introduction

This ethnographic study of effective selling skills in life insurance sales was conducted in Houston, Texas. The identity of the financial service company, the producer, and other participants were withheld for confidentiality. Persistent industrial problems in life insurance sales of mostly new sales producers and their inability to attain a successful sales career consequent to poor sales production spawned this study. A consequence of poor sales is low commission income, which directly impacts attrition of sales producers as well as recruiting efforts of companies. Life insurance is an intangible product with an inherent level of difficulty, hence effective selling skills are needed to be successful.

The strategic goal of sustaining a market share or gaining a competitive advantage is contingent on effective selling skills of the sales team. The producer’s perspective includes the need for continuous improvement as consumers are more informed today than in the past. Moreover, the repeal of the Glass-Stegall Act increased competitive pressure by allowing banks and other financial institutions to compete in the same market. This impairs the competitive landscape for ineffective producers.

Many prospective agents who successfully passed the selection and licensure process leave prematurely because of poor sales. The company either terminates the relationship or the producer leaves voluntarily because of insufficient income. It is known in the sales environment that “most salespeople who fail will fail within the first year. In some fields of selling, this figure can run 99 percent and even higher” (Lawhon, 1995). However, separation in life insurance occurs in most cases after six months, allowing time for
training and acquiring professional licenses. The implication of this separation is magnified in the wasted resources in opportunity costs by the company and producer during the engagement period.

The organizational structure of a life insurance company has the producer as the only member of the company with direct consumer contact. This arrangement forces the producer to perform strategic functions of distribution and production for the respective company. This relationship means that "the agent is located at the point in the organization at which the company's financial security policies and plans are distributed to the consumer, and also at the point at which services are directly produced to the consumer" (Oakes, 1990). These services are delivered by the agent in the form of consulting—providing financial security information to clients and assisting them in financial planning strategies to meet their goals.

The goal of a producer is to build a practice by growing the client base. As reported by Kimball (1994), relationships and emotions are the keys to success in selling. People buy from salespeople they like and trust. This fact makes price and the company brand insignificant when clients make a buying decision, hence increasing the importance of a producer. “The insurance company can distribute its products only if consumers buy them and consumers can be expected to buy life insurance only if agents sell it to them” (Oakes, 1990). The implication of this notion on a company's strategy is that it increases the need to maintain an effective sales force to sustain a competitive advantage. This study provides an understanding of effective selling skills and explores how these skills
can be integrated in the organizational structure to enable successful selling. This ethnographic study began with reviewing relevant literature on effective selling including skills needed for good sales performance and management of a sales force. I was cognizant of what I bring into the research as a practitioner and knew to avoid any biases, hence the "researcher experience memo" (Maxwell, 1996). According to Maxwell, this is a way to identify and take into account the perspectives that a researcher might bring to the study from the experiential knowledge of a practitioner. As a nineteen-year veteran of the industry and a manager with recruiting responsibility, I am committed to a better understanding of the problem. Thus, my experience memo accomplishes this task with the following:

- Opinion—During interviews, my opinion was not offered and I did not participate in discussions, as this might influence the results.
- Product Analysis—Product analysis in comparison to others in the industry was not done, as this is not the objective of this study and may affect the results.
- Pricing —Analyzing the cost is not the objective of this study, hence a highly competitive company was chosen to mitigate the effect of pricing.
- Compensation—Compensation is also not the objective of this study and as one of the leading companies in the industry, the expectation is that the commission rate will be competitive for a producer.
- Feedback—Feedback after a presentation with regards to how well the producer performed was not offered, as it may jeopardize the study.
Many authors in the literature reviewed acknowledged an inherent difficulty in selling at various levels, depending on the type of product or service. However, a consensus among the authors on the prerequisite of salesmanship exists. "Sales people have to master the fundamentals of selling… have to learn prospecting … [and] they have to present their products. Some sales people have to use some fundamentals more and some less. Only when these fundamentals have been mastered can they specialize in computer sales or insurance sales" (Ridge, 1995).

I began this ethnographic study after reviewing the literature on selling. The study was conducted through participant observation of an identified successful producer. The structured interviews were conducted with the producer as well as the recruiting manager. Recruiting participants for this study took several steps to ensure depth in research and value to the potential audience—the practitioners. Studying one person allows the opportunity for depth and thick description needed to understand effective selling skills. Therefore, the objective is to discern, by shadowing and through structured interviews, what makes this individual a successful producer. The structured interview with the manager explains the company’s commitment to skill developing and hiring practice. The expectation is that this interview will provide understanding on how to leverage resources to improve agents' development and selection process.
Literature Review

In the literature review phase, I considered factors that affected sales performance and examined how this could affect the producer's ability to consummate a sale. The result provides an understanding on how sales performance can be increased, how attrition rate can be reduced, and how a producer’s sales career can be extended. Salesmanship in itself is considered a skill, not a natural gift. "When a person has mastered a skill, it seems easy and natural. Professional salesmanship is a learned skill" (Kimball, 1994). This statement implies that effective skills can be taught and learned. This information is crucial especially when the workforce in life insurance sales is self-selective because of the high-risk nature of compensation—commission income. Knowing that a learned skill increases the potential of making money improves the pool of candidates that want to work as agents. The premise of practitioners is that some of the prospective agents do not have the skills required to be a life insurance agent. However, because of paucity in the labor pool, companies and managers are willing to offer opportunities to any potential candidate who meets the minimum standard and can pass the applicable licensure examination. "Many of the most difficult sales jobs are the easiest to obtain (for example, selling specialty products such as household, hardware, life insurance, or encyclopedias). They have also been the graveyard of thousands of sales careers" (Baker, 1994). This information confirms why the problems persist until now.

Though some companies have attempted to integrate the Internet as an alternative distribution channel, initial results have not met expectations. Most companies use this medium as a marketing tool to improve customer services. This inability to integrate the
Internet again raises the importance of the producer and magnifies the competitive landscape in the life insurance industry for effective sales management. The strategy of low cost, product differentiation, or both by a company does not produce a competitive advantage without stellar sales performance; this requires a sales team with effective selling skills.

Selling is defined by John Lidstone as a personal, individual persuasive two-way communication aimed at achieving planned sales objective. "Selling is a high-pressure job, filled with emotional highs and lows" (Smith, 1987). Its shortcomings among others include: "It's a lonely job, much like that of an athlete or a performer" (Smith, 1987). Life insurance selling is a creative specialty that needs to be complemented with consultative selling to achieve the desired result.

Selling skill is the ability the agent employs to consummate a sale successfully. This skill "can be developed through essentially two broad means: formal training…and sales experience gained through exercising the selling job over time" (Darmon, 1992). These skills are product or service knowledge, communication, organization, and interpersonal skill. Other traits and characteristics are trustworthiness, self-confidence, enthusiasm, empathy, persistence, desire to grow and improve self, patience, and motivation. A comprehensive list of characteristics of successful salespersons may not exist; however, these successful individuals are believed to share attitudes, behaviors, and characteristics.
Product and Service Knowledge Skills

Product knowledge forms the selling foundation, so agents should have in-depth facts about the products and services they sell. Clients "buy to satisfy their needs. These needs are satisfied by the benefits of the product or service; these benefits are derived from technical features of the product or service" (Baker, 1994). The client is expected to decline the offer if the benefit of the product fails to meet the expectation of the client. The dilemma is when a sale is lost solely because the agent fails to show the benefit of the product to enable the client to make a buying decision.

Interpersonal Skills

An agent must be amiable and affable since this job requires interaction with people. The producer must love to work with people and be comfortable talking in public. Strong interpersonal skills lead to better client relationships and help increase client base through referrals.

Communication Skills

Communication is a key factor in the success of a producer; it is, among others, the ability to listen to clients’ needs and present the solution clearly. Salespeople often feel the only way to sell is to coerce the client to buy. Rather than give the client a personal opinion, salespeople should "get the prospect to talk. Listen! Then point out how your product will enable your prospect to attain existing wants and needs" (Kimball, 1994). Through active listening and encouraging clients to talk, a producer can meet clients’
expectations. This communication process begins with an overture of greetings and
dressing that set the tone of the sales meeting.

**Organizational Skills**

Organizational skills enable the agent to perform various activities in the selling process.
These include profiling, prospecting, and soliciting prospective clients and planning and
presenting life insurance sales. Profiling allows agents to choose the types of clients they
want to sell to and prospect this group by soliciting their business. The criteria include
income, age, professionalism, or marital status. This skill enables producers to design
effective ways to market their services and provide quality service to keep the current
clients.

**Characteristics and Traits**

*Trustworthiness*—The fiduciary responsibility of the industry makes it important for
producers to have this quality. It helps build relationships between the producer and
client.

*Enthusiasm*—Critical to the success of a sales professional, enthusiasm is a trait
embedded in the satisfaction of being an agent and the desire to help people.

*Empathy*—Empathy enables the producer to react to the experiences and emotions of
clients without an actual commitment. It shows that the producer cares about the client,
which solidifies the agent-client relationship.
Persistence—As a result of the inherent difficulty in selling, producers must learn to deal with rejections and persevere to be successful.

Patience—Producers are expected to be patient to sell; the delayed benefit in life insurance products make clients take longer to make a buying decision.

Desire to improve self—The expectation of clients and the competitive industrial environment make it imperative for producers to continue to learn to sustain a competitive advantage.

If successful selling requires simple greetings and the other characteristics listed previously, the inability of these agents to use this information to improve their sales performance confirms the intricate nature of this interaction. Motivations for being in this line of business may be analyzed for possible answers. Motivation is a critical component of performance because it provides the basis for "the amount of effort the sales representative desires to expend on each of the activities or tasks associated with his or her job" (Walker, Churchill, and Ford, 1979). These factors include:

- Unlimited income
- Time autonomy
- Recognition and power
- Personal satisfaction
The unlimited income from a potential high commission rate that ranges from 50% to 100% of first-year premiums serves as a good incentive for producers. The high income potential compensates for the hardship of the sales process since producers are paid mainly by commission. This commission method of compensation gives the producers control of when and how much work is performed. The companies in the insurance industry provide the incentive for high production by public recognition and awards to high producers. This success often leads to promotion and power for this individual in the organization.

Although much of the literature reviewed in the study was based on anecdotal experience of selling and characteristics of successful salespeople, the literature did not discuss effective selling skills; none of the literature involved rigorous studies like the ethnographic method used in this study.

**Summary of Literature Review**

The literature review illustrates how a producer's personal characteristics, skills, and motivations for being in life insurance sales can have a direct impact on the level of performance. A unique characteristic studied is a producer's enthusiasm. This enthusiasm reflects excitement and love of the work, which leads to self-confidence and the ability to influence people. Empathy shows how caring the producer is toward the client, even if no actual service was performed. Persistence and patience are intangible attributes needed because of the inherent difficulty of persuading a client to buy an intangible product. The public expects agents to be trustworthy because of the fiduciary responsibility to the
public. The desire to grow and improve oneself is important for producers because of the public’s expectations of product knowledge. This characteristic enables the agent to stay competitive in the life insurance business. Interpersonal skill is necessary as insurance sales involve interaction with people. Communication skill enables the producer to convey the benefit of the product and services to client. Product knowledge gives producers the facts about the product and services they are selling. Organization skill enables the agent to work effectively by selecting the type of clientele and soliciting their business. It also includes planning and presentation abilities.

Life insurance products are inherently more difficulty to sell compared to other kinds of products. Agents who are deficient in these characteristics and skills are unable to sell successfully and consequently they are forced to leave the company. Although some of these characteristics may be developed through lifetime, the skills could be taught and learned by sales producers. However, the literature did not fully explain how this transfer of knowledge could be implemented to solve the problem of ineffective producers.
Table 1. Unique Attributes of Successful Salespeople

<table>
<thead>
<tr>
<th>Characteristics and Traits</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Trustworthiness</td>
</tr>
<tr>
<td>• Self-confidence</td>
</tr>
<tr>
<td>• Enthusiasm</td>
</tr>
<tr>
<td>• Empathy</td>
</tr>
<tr>
<td>• Desire to grow and improve self</td>
</tr>
<tr>
<td>• Persistency</td>
</tr>
<tr>
<td>• Patience</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Motivation for Sales Career</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Unlimited income</td>
</tr>
<tr>
<td>• Time autonomy</td>
</tr>
<tr>
<td>• Recognition and power</td>
</tr>
<tr>
<td>• Personal satisfaction</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Selling Skills</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Interpersonal skill</td>
</tr>
<tr>
<td>• Communication</td>
</tr>
<tr>
<td>• Organization</td>
</tr>
<tr>
<td>o Profiling clients and prospecting</td>
</tr>
<tr>
<td>o Planning meetings in advance</td>
</tr>
<tr>
<td>o Presentation</td>
</tr>
<tr>
<td>• Product and service knowledge</td>
</tr>
<tr>
<td>o Information about company’s products and services</td>
</tr>
</tbody>
</table>
**Ethnography**

The objective of this ethnographic research is to probe deeper than the literature-based knowledge, since this knowledge has not resolved the current industry problem of better selection and effective skill development in life insurance sales agents. This problem persists despite the plethora of publications on selling, because many of the authors prescribe one solution for all sales problems. Therefore, this study explores an exemplary producer at work utilizing what James Emerson calls “characterization” to understand the skills used to attain success. "While a simple description of a person's dress and movements convey some minimal sense of that individual, the writer more fully characterizes a human being through also showing how that person talks acts and relates to others" (Emerson et al., 1995). Life insurance selling is mostly interpersonal, thus shadowing the producer in an ethnographic method of study becomes germane to this goal of understanding effective selling skills. The fact is, "an ethnographer most effectively characterizes individuals in context as they go about their daily activities rather than by simply listing their characteristics. Telling about a person's trait never is as effective as showing how they live" (Emerson et al., 1995). Analyzing only the characteristics of a producer is inadequate to fully understanding the effective selling skill, hence this ethnographic study.

The shadowing occurred over a six-week period, with three presentations per week. Each presentation lasted about two-and-half hours with an additional one hour for preparation and traveling. Most of the presentations occurred outside the office and we met with husbands and wives together, with the exception of one—a recent widow. There were no
interviews before meetings to avoid any possible exchange of expertise between the producer and I. However, post-sale interviews were conducted to confirm the referral source and to establish any follow-up plans. Follow-up plans are necessary if the sale was pending after a presentation. The structured interview was completed after the shadowing sessions to understand details that were not easily discerned during the observation.

After completing the participant observations and structured interviews, information corroborating why this individual was successful became evident; effective selling skills, motivation, and personal characteristics in the process were demonstrated. The prevalent themes in this study that impact a producer’s effectiveness in selling include:

- Educating clients
- Building trust
- Knowledge management
- Managing selling process
- Effective communication
- Entrepreneurship

**Description and Analysis**

**Company, Producer, and Manager**

The financial service company in this study is not affiliated with my organization and will be referred to as Gateway Financial Services. The company is an industry leader with a respectable market share and customer loyalty. Gateway has a strong commitment in resources to recruit, train, and develop agents. Its producers, including our subject in
this study, are independent agents with contractual relationships with the company. Although Gateway does not require a formal educational qualification to hire new producers, the company prefers prospective agents to have a college degree. Professional requirements of producers are similar to other companies in the industry since this is mandated by regulatory agencies. Producers are expected to pass the state life insurance license examination called group one insurance license and the National Association of Securities Dealers (NASD) securities licenses series 63 and 6 or 7.

The NASD securities examination includes series 63, which covers rules, regulations, and ethics in the industry, including consequences of violations. In addition to series 63, producers are required to obtain either a series 6 or 7 securities license, depending on how the individual wants to practice. The series 6 license is an easier examination but limits the activities and practice horizon of the holder, excluding securities in stocks and bonds. Series 7 is a more difficult examination to pass but gives the producer authority to provide more comprehensive financial services.

The producer, referred to as Adam in this study, has a formal education, holding an undergraduate degree in economics and an MBA. He also has the required group one insurance and NASD securities series 63 and 7 licenses. Adam is a ten-year veteran of the industry, with half of that time in life insurance sales, and has been with the present company for two years. Before joining Gateway, Adam was working with another leading company in the industry in the same capacity. The recruiting manager, referred to as Boyd in this study, has been in the business for almost ten years. In addition to the
required group one and series 63 and 7 licenses, he has the NASD series 24 principal license. The series 24 license is required by the regulating agency because of his supervisory responsibilities with Gateway.

Setting and Methodology

Most of the sales presentations occurred in the evenings at the clients' residences.

Recruiting participants for this study took several steps:

- Identified an insurance company with significant resources to support selling. The resources include a competitive line of products, training, and a substantial market share in the industry.
- Contacted the company for assistance in identifying prospective producers who are loyal to the company and have demonstrated consistent high sales volume for one year or more. The objective was to have someone other than the producer, preferably any company or employer, to confirm the veracity of the producer's sales record.
- Contacted three identified producers for participation in the study and Adam was pleased to participate in this study.

Though most of the observations occurred at the clients’ residences, observation began at the office to gain an insight into how this producer prepares for his meetings and other factors that contribute to his success. Adam’s office is located on the ground floor of a multistory building located on the service road of a major highway. The proximity to the entrance makes it convenient for clients coming to the office, especially for the first time.
Adam is one of four agents in the office and each agent has his or her respective office with all the necessary accoutrements to serve clients. Each producer's office is open to a hallway that extends from the reception area and Adam's office is the first on the right. Like any normal office, clients are received in the reception area by the staff. The agent is then notified of the arrival of the guest and subsequently led to the producer’s office.

Adam has two guest chairs in his office, both facing his executive desk. On one side of the desk is a laptop computer and a telephone occupies the opposite side on the executive desk. There are two credenzas in the room, each located on either side of his desk as he sits and faces the two guest chairs. Copy and facsimile machines occupy the top of the credenza on his left; while the other credenza has a stack of shelves. The shelves contain sales literature and application forms. His family picture also rests on this credenza.

The seating arrangement in the office was established during our first meeting. I recall his gesture, waving his right hand to different parts of the room to indicate my choices. “Where would you like to sit?” he asked. I replied by pointing to his left, between his desk and the credenza. Adam left the room and brought a chair for me. This position gave me a good view of both Adam and clients, and allowed me to be unobtrusive in the meeting. Adam gave me the time of appointment, name, and address of the client the day before the presentation sessions. We traveled to client houses in our respective automobiles, though. We then converged at a point close to the house and proceeded to the house together. We used cellular phones to track our locations, especially when traffic became a problem or to confirm our locations. The objective of sitting unobtrusively
applied in the clients’ homes as well. In all the cases, we were offered seats at the dining area, and in most cases I sat across from Adam with my chair pulled away to indicate my role as an observer. I purposely left my jacket in my car on most of our meetings so the clients would recognize Adam as the producer. The one exception to that was when it was a business presentation. Adam always had the clients sit on either side of his seat so that he could use his laptop computer.

The methods of study included observation by sitting in on sales presentations where I discretely watched the agent conduct sales presentations to clients to understand how the producer interacts with customers. These methods are similar to research methods suggested by ethnographers Margaret LeCompte and Jean Schensul in their book, Designing & Conducting Ethnographic Research (Ethnographer’s Toolkit). The authors view the purpose of observation as a way to record situations as they happen, including the meaning of these events. Target activities, events and sequences, and procedure of data collection are written or taped. Also, an interview method suggested by Steinar Kvale in Interviews—An Introduction to Qualitative Research Interviewing was utilized. In this publication, the author suggests interviews should have a milder form: “The interviewee is an informant, not a philosophical opponent. The interviewer asks questions of the interview subject in order to obtain knowledge about his or her life situation and rarely enters into tenacious arguments with the subject about logic and truth of his or her statement” (Kvale, 1996). Therefore, this study focuses on what Adam did in the process of selling, even when it differed from experiential knowledge.
After completing the processes in my observations and follow-up interviews, I collected the entire field notes and consolidated the data into one document. This data was further studied, divided into categories, and coded. The open coding method used in this process is an approach recommended by Robert Emerson, Rachel Fretz, and Linda Shaw in their book *Writing Ethnographic Field Notes*. This approach allowed me to entertain all possibilities during field notes analysis, enabling me to capture many ideas and themes as possible, regardless of the relevancy to the observation. The result is the themes resonate in Adam’s skills and actions.

### Adam’s Skills and Actions

**Managing the Selling Process**

Managing the selling process involves effective management of all activities an agent undertakes—from prospecting, profiling, and planning the meeting to presentation. The typical sales process of an average agent begins with profiling clients in terms of the kind of clients an agent wants to service. The agent then prospects by soliciting these groups through telephone calls, sales letters, or other forms of communication. He or she secures an appointment for presentation after making contact with a prospective client; a sale is made if the presentation is successful in uncovering a client need and in leading to a buying decision. This process is echoed in the literature reviewed as the ideal way to sell. However, the process ignores the implication of specialization and division of labor. Productivity tends to be higher in an organization where there is division of labor and specialization. Adam spent more time making presentations and less time prospecting, therefore, he is selling more. Because someone else is doing the solicitation, Adam is
able to devote more time to setting appointments and making presentations. In life insurance sales, the opportunity to sell more increases with correlating presentations.

Profiling and prospecting activities allow the producer to identify a market in which he or she wants to work and solicit the group for sales. However, this study shows that Adam did not prospect clients. “The way I get my lead is that an agent calls me and informs me that a client needs my services.” With his specialty established as a financial consultant in insurance and financial planning, Adam receives sales leads from an alliance of agents who share the same objective and receive compensation from Adam for the leads if the sale is made.

One of my structured interview questions for Adam was: "How do you prepare for your prospective client in terms of presentation?" He responded, "Usually, I will get more information on the customer, ... I ask their age... what their need may be. I get the basic information so that when I get there I don't have to ask them the same information any more. Also, I need to know what type of people they are— are they drivers? Are they amiable? I need to know what to do if it is a business owner (usually driver), and the effort is going to differ than if they are a teacher.” This information is received from the referring agent. A client is termed a “driver” when he or she is very knowledgeable on what they want, hence they like to be in command of the presentation. Having this information allows the producer to mentally prepare to meet the expectation of this client, which may include the level of presentation. One of our presentations involved a typical driver. Though this was a follow-up meeting, Adam’s preparation was different from
previous ones. He did not bring out his laptop, only his calculator was on the dining table.

This was a couple who had recently purchased a home and needed a financial analysis for planning purposes. The husband and wife were college graduates, so Adam began with a probing question:

Adam: “Did you get a chance to look over and complete the forms?”

Client (husband): Yes we did, but we have some questions for you. My wife and I are thinking, instead of making any move now, if we should go ahead and pay off our high interest and college debts first. We are also looking at starting a small business within the year and capital will be coming from our savings. We are wondering which way is best.

Adam: Well, it depends on what you want to do first. These are all good alternatives.

Adam began to educate the clients, including advantages and disadvantages of each alternative. Phrases like “rate of return” and “cost of capital” were used, indicating the high level of preparation by Adam to meet the expectation. He spent the next hour reviewing the financial analysis form to determine their current financial position upon which to base his recommendation. We left about 8.30 p.m. after Adam made a future appointment date.

Arriving late to a meeting may not auger well for a producer, especially if it is the first presentation. The negative impression may adversely affect the sale. A day before each meeting, Adam provided the name and address of the next client that we were meeting.
As indicated earlier, he never failed to call me a few minutes before our arrival time to confirm where I was and to arrange to enter the house together. Adam is very particular about keeping appointments and time. This was very obvious when our first in-office client did not show up. “You know Ben, this does not happen that often to me anymore like it used to. I make a habit of emphasizing to clients how important time is to me. I tell them to call ahead if they are going to be late or something happened and they could not make it. When I was working at ——— I had a lot of no shows because of the way we marketed our products to clients. Here, it is different; I have more control on how I do my business.” This approach may explain why he provided me the new meeting a day before because he had to call to confirm the appointment.

In one of our meetings, Adam showed how well he does in setting appointments to make a sale when he said to the client, "I would like to come back to look at other benefits like disability, retirement, and college funding for your child since you are self-employed.” He continued, "I would like to set appointment for next week if that is okay with you." The client and spouse politely replied, "Wednesday will be fine, same time as today.” Managing the selling process skill continues to generate better sales performance as well as enable Adam to sustain valuable relationships with his clients. An average producer would have been content with the sale already made and quickly walked out of the house. An author in the literature reviewed even suggested that salespeople should quickly leave after a sale so customers will not change their minds and undo the sale. This is contrary to what is uncovered in this study. As evident in Adam’s work, after a producer uncovers a need for a client and presents a product that can fill that need, a valuable relationship
begins from that point. According to Burr Ridge (1995), no prospect will purchase from you unless the following elements are present: a real concern that the prospect is facing or exposed to, a noticeable financial and personal impact, and a solution from the producer’s company that will produce benefit for the client. Adam worked with these principles and with his empathetic overtone, he successfully scheduled another meeting for a future sale with the same client as he did in many of our meetings.

**Knowledge Management: Educating Clients and Building Trust**

Since a producer is a consultant in life insurance business, knowledge management is the ability of the producer to pull from the available resources to meet the client’s expectation. The need of clients vary, as shown in the questions they ask the financial consultant during a presentation. The objective of the producer with a knowledge management capability is to increase client’s level of utility by employing expertise to answer all questions in a satisfactory manner. Having knowledge management skill helps the producer educate clients and contributes to building trust with the client. At the beginning of one of our presentations, a client asked Adam, “Where do you think the economy is heading now?” Although this was not an unusual question, it was not a commonly asked question in a life insurance sales presentation. The answer to this question may not be found in a company manual or answered from an old publication. Adam’s answer was based on his ability to synthesize recent information on the economy that comes from financial journals, news, and articles on the subject. Adam responded and showed his ability to manage knowledge: “The Wall Street Journal of ——— states...
that inflation is still under control which means we will be fine on the short run.”

Responding to this kind of question helps Adam build trust in the relationship as he has the knowledge to educate his client. Educating clients and building trust are actions that are interwoven and essential in effective selling skills.

Product or service knowledge is a skill identified in the literature, as well as in many company-training modules, as a very important salesmanship skill. However, this study shows that product knowledge by itself is not enough for an effective selling skill without the essential trust and the ability to educate clients of the product or service. Adam’s perspective of product knowledge was clear during the structured interview. He discounted the high belief that product or service knowledge is key to sales; rather, he stressed earned trust as the most important to him. “Product knowledge is important, but it is less important than others—if product knowledge matters, that means all you are selling is product. I believe successful selling is selling oneself. The client has to believe in you, feel comfortable with you.” My interpretation of this perspective is that people buy from a producer on the basis of trust and not necessarily on how knowledgeable the producer is on the products or services.

One definition of trust according to Webster’s dictionary “is a firm belief in the honesty, reliability, etc. of another.” Others include, “One trusted, responsibility resulting from confidence placed in one and confidence expectation.” Since it is unrealistic to seek honesty in a first meeting between an agent and a client, a subjective perspective of reliability, responsibility from confidence, and expectation become the barometer to
measure trust. Life insurance is an intangible product, hence trust in this study is when
the client is comfortable to begin a relationship with the agent. This point occurs when
the client is able to identify what he or she is looking for in an agent. As a practitioner,
often my client will interrupt my presentation and say words indicating they have reached
the point of trust—words like: “How much will this cost me? Which of the plans do you
think is better?” A good statement that also leads to a referral is, “Can you come and talk
to my —— about this benefit also? I believe this is great.”

With the Internet, people can access any information they want, hence product
knowledge may not be as an effective selling skill as claimed in the literature. The current
trend in the insurance industry is to make information about products and services
available to the public. According to Boyd, “Before the Internet customers used more
professional help. With the Internet, customers have turned to do-it-yourself and do it on
your own. However, with the recent volatility in the market, they are seeking our service
again.” From experiential knowledge, financial services clients have information on what
they want; what they need is someone they can trust to implement their objective. The
business is earned in this case by a display of expertise, actions, and characteristics
during presentation that meet or exceed the client’s expectations. Like Adam, Boyd’s
perspective is, “Believe it or not, once you have the trust, then for the most part,
whatever you say, so long as it makes sense and logical to them, there would be a sale.”

The producer’s ability to answer questions and concerns about products or services
transcends the current presentation session, thus affecting the confidence level of the
producer and increasing the opportunity to consummate the sale. The argument is that the product knowledge or service is useful only if the producer can use it to educate client. This again contradicts the literature assumption of product and service knowledge as the key to selling effectively. According to Boyd, “Effective selling involves giving educational training to client—teaching the client about the product and how the customer would need the solution.” Adam’s display of effective selling could be seen throughout every presentation process. The most interesting part was his approach to answering questions and the effort he expended in educating the clients in the presentation process. He probed for the client’s level of financial knowledge and began to educate them. I believe this also contributes to trust building. Some of his phrases include: “Have you been involved in the markets before?” “Do you participate in your company’s 401k and chosen funds?” and “Is there a particular reason why you wanted this amount of coverage?”

Adam tried at the beginning of every presentation to establish trust with a client by first offering a resume in addition to his business card. The resume includes his educational and professional background, which is always impressive in many of our meetings. From experiential knowledge, the perception of many insurance consumers of an agent’s qualifications before now was limited to “high school graduate”; very few think of a college degree. To see an agent with an MBA gave the client another reason to be objective during the presentation. Earlier in my career I would include MBA beside my name on my business card to indicate my level of competence and educational achievement to gain trust.
In Adam’s case, clients acknowledged his expertise each time he presented his resume.

Presenting a resume to clients is not something many producers do in this business, including myself. In one of our meetings, this was followed by a friendly discussion between Adam and the client’s spouse that I believe created a good rapport that preceded trust:

*Adam: Here is my resume and business card.*

The spouse was the first to read through and ask the question with a smile and excitement.

*Spouse: So you worked for —— company, that is good.*

*Adam: Yes, thank you.*

*Spouse: Can you tell me about ——?*

She named a product I believe she was used to or she knew of and proceeded to ask if Adam could sell the same product. At this time the husband interrupted.

*Client: Honey, he said he used to work for them.*

*Spouse: Okay.*

Adam was able to avoid answering the question; however the client’s perception of Adam could be seen as high as the meeting continued.
In another meeting, he began his presentation with a question to understand the need of the client: “I understand you currently have a policy with us but you want to enhance it?” The client nodded and Adam continued first by comparing the current policy to the features of the proposed policy. In an attempt to encourage client participation he asked the client, "Are you familiar with this kind of policy?” The client answered no. Adam brought out his laptop computer and turned it on. "I will run the illustration now based on two hypothetical figures to see what the funds will do on each assumptions." It was interesting to watch the client’s interactions based on Adam’s persuasion. This included asking the client to pick a price and with the aid of the laptop, the benefit appeared and the customer was able to choose the level they liked and were comfortable with—an indication that trusts has manifested to give the producer the sale. An example follows:

*Adam: The minimum premium of this policy will be $100 and that will give you these amounts of death benefit and withdrawal at distribution age. What would you like to see in terms of amount or benefit and premium?*

*Client: Let us try $150.*

*Adam: Okay.*

This particular client at the end chose a premium of $200 to get the benefit he desired. At another meeting, Adam started the presentation after the introduction with “You said you wanted $200,000 policy, may I asked why $200,000—any particular reason?” The client answered, "No, I just felt that is what I would need." Adam responded, "Let us go through all the options available." Adam engaged the client and spouse in the following minutes
with the aid of his computer, delineating the different policies and the benefits of each including amounts. His systematic approach during the presentation made it a learning process for the clients. Again, in these cases, he showed why having the knowledge is not enough; being able to educate client while simultaneously building trust becomes more effective in selling.

Attaining that level of trust was reached in yet another meeting that confirmed the findings in this study. In this presentation, the client interrupted the presentation and asked Adam: "How do you know what you will get in the future?" An average agent would have replied with a dollar amount based on future value and rate of return. However, Adam is not an average agent. He showed why he is good at what he does; he replied, "Do you know something about mutual funds?" Both the husband and wife answered no. Adam spent the next few minutes educating the couple on how the funds work as this is tied to the future value of the policy. The following are excerpts from Adam’s discussion:

*Client: Can I get it only in a lump sum?*

Adam answered using the illustration from the laptop computer to show amount at each future period.

*Client: So I have options when it comes time for distribution?*

*Adam: Are you participating in the market now?*
Client: No.

Adam: *I understand your fear of the market especially in this time of market volatility.*

Here again, he displayed empathy, a characteristic of salesmanship that is used beneficially in this case to build trust. Unfortunately no similar examples are featured in the literature explanation of empathy and sales. Conversation continued:

*Spouse: No, he is ready to do something, but he has not found someone to explain it to him.*

Adam: *I will be happy to work with you on that.*

*Spouse: What are bonds?*

Adam's presentations went well with impressive answers of knowledge management.

Effective Communication

Communication is one of the most important skills because of its profound implication in the selling process. Elements of greetings, listening ability, body language, and impression permeates the process to effect a sale. The importance of first impressions cannot be over emphasized in sales, especially in life insurance. “Your appearance can be as important as dealing with the customer’s personality. Customers have an idea or image of how a successful salesperson should appear” (Ridge, 1995). In this line of work, clients expect to see a male agent in a shirt with a tie but preferably a suit. Women are
also expected to dress in business attire. Suspicion of professionalism arises if the producer’s dressing is below expectation. This may have a profound effect on trust later in the presentation. In all our meetings, Adam wore suits with matching shirt and tie that showed him as a professional financial consultant.

As a manager, I often use a practical example when covering dress code with a new agent. My famous example is what the reaction will be when you call for a plumber and a man wearing a three-piece suit, a tie, and tools answers the call. Another example is when you walk into Bank of America in downtown New York and see a bank manager or employee wearing a t-shirt, a pair of blue jeans, and a baseball cap on a Monday morning trying to serve you. The reaction to both situations will be mixed. There is a public expectation of every profession with regard to dress code and insurance agents are not exempted. In one of our meetings, as we began to ascend the stairs to the apartment we were visiting, we noticed two ladies chatting by the door and as we came closer, one of the ladies said in a friendly voice directed toward us but looking at Adam, “You must be ———.” Adam answered, “Yes,” followed by greetings. Adam could be easily identified because of his suit attire. As previously noted, I purposely left my jacket in the car to draw less attention on me.

Adam’s greetings with client were courteous, polite, and in every case generated a positive countenance that runs through the presentation. During the presentations, his skill of active listening became obvious by not filtering during conversation and remaining cognizant of selective perception. This area was missing in the communication
section of the literature. The literature encourages salespeople to listen to clients’ needs but fails to indicate how or what to look for in the process. In active listening, Adam listened to the clients without making premature judgments or demanding all the attention for himself. The advice often given in sales literature and training manuals is for a salesperson to take control of the presentation. This is contrary to what was uncovered in this study. In one of the presentations, the client wanted to insure himself only; Adam did not make an argument for him to consider insuring the spouse. The average agent would have done so to gain more sales. Adam did not deliberately manipulate information to make the client view it more favorably—filtering. He did not see this as an opportunity to exploit the client in selective perception when the client said, “I am the only one working so the insurance should be on me only.” The average agent gives many reasons why the wife should also be on a policy in the event she dies. One reason is that the client would need to pay someone, such as a housekeeper, to take over the wife’s responsibilities if the wife dies since he has to work. However, Adam is giving the client what he wants and not what Adam thinks he needs. This is how Adam uses active listening to stay true to the client’s needs. This leads to trust and a better relationship with the client. Following is an excerpt of Adam’s listening ability in meeting with a recently widowed lady who wanted to analyze her current policy:

Adam: What is your major concern now?

Client: My child’s college education. I want to make sure he does not have to work 40 hours a week to pay his school fees.

Adam: Do you feel that you do not have enough?
Client: I do not, and I have an elderly ill parent that I support partially.

Adam: Let us talk about your child. Have you decided what school you want him to go, private or public, because that will determine how much we need to put aside.

Client: Child wants to go to —— university. Do you have something for college also?

Adam: Yes, however due to the limited time, it is not feasible but we will talk more on this later.

Adam: Are you participating in an Individual Retirement Account (IRA)?

Client: No.

Adam began to educate the client on how this could be another instrument she could use to fund the college education for her child; since she has only four years before the son starts college. Conversation continued:

Client: This interests me.

Adam: How is your 401k at work? How much are you contributing and how much is your employer paying?

Client: I am doing 3% although my employer is matching 6%.

Adam: You need to increase your participation and take full advantage of the remaining 3% your employer is giving. This will help with the college expense also.

Adam: I am going to review your old policy and call you tomorrow and set up another appointment to review and make recommendation. I will leave some literature for you to read on what we talked about today.
Adam left without coercing a sale or taking advantage of the widow because “successful salespeople understand that effective communication consists of both facts and feelings, logic as well as emotion. Management of all these communication cues can help you convey the intended message and project the desired impression” (Kimball, 1994). His active listening allowed him to explore all sources of money including the 401k contribution. She will now take advantage of the 401k and increase her participation to 6% to help with her son’s college need. Of course, this did not result in an immediate income for Adam; however, I believe this will build trust and relationship between Adam and the client with many referrals to follow. Adam definitely made a profound impression on this client and the second visit has a high probability of a sale.

**Motivation**

Motivation in this study is described as what drives the individual to want to sell successfully— incentives. Some examples of incentives given in the literature include financial freedom, time autonomy, personal satisfaction, power, and recognition. However, this study suggests that motivation goes beyond the incentives listed and it is embedded in the spirit of entrepreneurship. Louise Boone and David Kurtz in their book, “Contemporary Business,” defines entrepreneurship as the willingness to create and operate a business; an entrepreneur, as someone who sees a potential profitable opportunity and then devises a plan to achieve success in the market place and earn that profit. The fact is that sales producers are entrepreneurs, so their motives must be parallel to that of entrepreneurs in other industries, which include:
• Self direction
• Financial success
• Improved quality of life
• Job security

As in any other entrepreneurial businesses, life insurance sales require capital investments to cover operating expenses until the inflow of commission income. Like profit in other businesses, a sales producer’s income is from commissions, made only if products are sold. In most cases, producers are responsible for their business expenses, which are tax deductible like any other business.

Doing whatever it takes to be successful is the entrepreneurial spirit, which may include working longer hours for clients’ convenience, self-improvement, and so on. Adam displayed the spirit of entrepreneurship in life insurance sales. His daily working hours are not fixed but dependent on the time the clients are available. Adam’s perspective on self-improvement is that “Gateway has classes that we can attend on a voluntary basis. However, I do a lot of readings myself to keep abreast of things that are happening both inside and outside the industry.” His readings include the Wall Street Journal and various insurance publications. Adam’s response to the question of motivation was, “It is my business, it pays well and I get to help a lot of people.” This reminded me of how I got into the insurance business. I wanted to go into business and the insurance business was one opportunity I could find to begin with less capital. Like any other agent, Adam saw a potential profitable opportunity and then devised a plan to achieve success in the market place to earn that profit in commission income. Incentive is inevitable in sales, especially
in life insurance. However this cannot be an isolated benefit like financial freedom, power, or time autonomy as treated in the literature. As evident in Adam, it should come as ownership with incentives in the benefits of being an entrepreneur.
Table 2. Essential Attributes for Successful Selling in Life Insurance Sales

- Actions
  - Building trust
  - Educating client

- Motivation
  - Entrepreneurship
    - Self direction
    - Financial success
    - Improve quality of life
    - Job security

- Effective communication
  - Active listening
  - Avoiding filtering
  - Being aware of selective perception
  - Encouraging client to talk and seek feedback
  - Being cognizant of body language

- Managing selling process
  - Delegating less tasking activities—prospecting
  - Planning meeting in advance

- Knowledge management
  - Consulting client on individual need
Conclusion

This study on effective selling skills was prompted by an industrial problem of mostly new sales producer’s inability to attain a successful sales career in life insurance sales as a result of poor sales performance. The resulting low commission income forced these agents to leave the industry. This has a profound effect on companies’ recruiting as attrition became unusually high compared to other comparative industries. This problem is magnified in terms of wasted resources for both the company and prospective agent as the few candidates that made it through the selection and licensing process left the company after spending as few as six months with the respective companies.

Life insurance is an intangible product that promises delayed benefit, which makes it imperative for sales producers to have effective selling skills to be successful. Since there are successful sales producers in the business, an ethnographic study was conducted to analyze effective selling skills and to see how these skills could be integrated to alleviate the sales performance problem. Effective selling skill in this study is defined as the activities that facilitate a sale transaction and selling is a personal, persuasive two-way communication with the purpose of making a sale.

The study started with a review of literature on selling, including skills that could contribute to a better sales performance. A consensus among the authors is that salesmanship requires mastering selling skills. Salesmanship is not genetic, hence it is a skill that could be learned and taught. The basic characteristics identified in the literature as common to successful salespersons are: empathy, enthusiasm, desire to grow,
persistency, patience, trustworthiness, and self-confidence. Skills identified include interpersonal skill, communication, organizational, product, and service knowledge. Motivation, according to the literature, plays a critical role in the success of a salesperson. Some of the motivating factors include financial freedom, time autonomy, need for recognition, power, and personal satisfaction.

- The literature knowledge, however, failed to provide a solution to this persistent problem of interesting knowledge and personal characteristics to close sales. This ethnographic study explored beyond the literature-based knowledge and sought knowledge to improve the selection and agent skill development in life insurance sales.

**Challenges to Current Literature**

The findings in this study show why the selling problem persisted, despite various articles and publications on effective selling in life insurance sales. A key reason for failing is that knowledge from literature attempts to treat the symptoms of poor selling instead of the problem itself. Many literature articles elaborated on the difficulties in selling, including experiential knowledge of selling and proposed a one-size-fits-all solution, despite different type of sales and levels of difficulty. “Many sales managers believe that if a person can sell, say, grocery products they will be equally successful selling industrial products or intangibles such as insurance. While all sales mangers can quote success stories to prove their point, there are nevertheless, dangers in taking this
assumption (or wishful thinking) too far” (Baker, 1994). The implication here is that many of these managers eventually become authors of selling skill publications. Therefore the problem is never resolved. The problem has to be identified before it can be successfully treated.

Comparing the skills in the literature with the effective selling skills identified in the study shows the differences between these two views and reasons why poor sales are a perennial. The assumption of literature is that product or service knowledge will be beneficial for the agent to fully understand all the products and services the company sells. What the study showed is that it is acceptable to be knowledgeable about a company’s product, but by itself, it cannot be an effective tool if the client is also knowledgeable in this area. According to Adam, “People come to us inquiring about a product they read about in news media and it is becoming an overload.” The fact is, it is challenging for a producer to master all the insurance products and services including updates. “A visit to a customer can be a mixture of many different situations: some simple—others involving high-level complicated negotiations. The person who can adapt to and gain business in such variable situations can be regarded as professional salesperson of the highest order” (Baker, 1994). Therefore, the knowledge management skill becomes a better skill than product and service knowledge to meet client expectation in this regard. With this skill, the agent becomes an effective consultant providing clients with current knowledge based on their need.
In the literature, the producer is encouraged to listen to clients’ needs and allow customers to speak. However, the publications failed to show agents how to listen. It is like telling a new customer service person what to do with the telephone if it rings, when what is needed is a detailed script of how to handle a customer. The situation becomes complicated for the agent when some of the literature and sales trainers teach agents to apply pressure during the presentation—telling the clients only what is necessary to sell the product. This study showed that the value of effective communication is in building relationships. Active listening enables the agent to listen without making a premature judgment or controlling the presentation process, avoiding filtration, which is deliberate manipulation of information to favor the sale. The term “lowball” comes to mind when agents give a lower rate to get the account and later the premium is increased accordingly. Clients in this situation become understandably angry and eventually give the business to another producer they can trust. Being cognizant of selective perception ensures that an agent will not find himself or herself in the process of taking advantage of the client, giving clients what they need and not maximizing the commission income by selling unnecessary product and services. These are key in building relationships for successful sales performance, as the clients tend to be loyal to the producer and refer friends.

In organizations, the literature recommended that agents profile and engage in continuous prospecting and soliciting as a way to sell. It is true that prospecting is part of selling; however, the job of the producer is meeting clients and giving presentations. Furthermore, prospecting can be done by someone else to allow the agent to focus more
on selling. The more presentations given, the higher the number of opportunities to increase sales production. This study showed that by focusing more on an area, Adam was able to make more presentations because prospecting and soliciting were handled by others. Thus, he spent more time with clients and subsequently increased his sales production.

Building trust and educating clients, two critical actions exhibited in the study that led to successful selling, were not addressed in the literature. It is established that people buy from whom they trust. The value of effective communication and knowledge management skills are magnified by the producer’s ability to educate the client and evoke trust leading to a buy decision. Product knowledge is ineffective if a producer is unable to educate clients with this knowledge, hence there is no basis to build trust and subsequently there would be no sale.

**Implication for Practice**

The key skills and essential actions identified in this study could be taught to new agents with the basic characteristics enumerated in Table 1 to improve their selling skill. Earlier in my career as a fledgling producer, my district manager wanted to help me improve my selling skill, so he gave me a book titled “Go Getter” to read. In retrospect, the book was more inspirational than practical. One reason why life insurance is difficult to sell is its high rejection rate. It becomes imperative to guide against apathy among new agents as a result of constant rejections during sales calls. Proper training based on skills and
essential actions uncovered in this study must be afforded new agents to avoid discouragement and attain a successful career. It is particularly important for new entrants into the business of life insurance to be cognizant of the expectations and difficulties identified in this study. This includes working longer hours as necessary and to the convenience of clients as Adam did. Other self-improvement activities that help grow the client base and knowledge management are reading financial publications including insurance journals and the *Wall Street Journal*.

The hiring managers should integrate the findings in this study in their screening method to select prospective agents with characteristics including the willingness to learn the effective selling skills. Managers should make the effort to understand the incentive or motivation prospective an agent brings into the business. Care in the hiring process will prevent the inevitable costly separation that comes when an agent proves to be an ineffective sales producer. The requirement and expectation in production should be explicit in the selection, thus the right candidates will be attracted through self-selection.

According to Boyd, “*What I look for when I am trying to hire—I look for someone who is well rounded in knowledge—coachable, someone that can take care of little details as well as big projects. Someone that will take ownership and give no excuses.*” My interpretation of Boyd’s ideal candidate is one with entrepreneurial spirit who is willing to do or learn to be successful in the business.

Management skills are important in any business and insurance sales should not be an exception. Operating on a vertical integration model is a waste of resources. Therefore,
agents must delegate or outsource less technical tasks to enable them to concentrate on what they are in business to do—selling. Many sales-led marketing companies provide this service for a fee.

The agent can also hire an assistant with telemarketing experience or form an alliance with other professionals for leads like Adam. This allows the producer to leverage time management and make more presentations for more potential sales.

For communication to be an effective skill, the agents must listen to clients’ needs and not to attempt to coerce a sale or sell what they think clients want. Knowledge management skill could be achieved by knowing where to research information when needed and reading publications that are germane to the producer’s area of specialty, hence learning should be a continuous process for producers in life insurance sales. Integrating the ability to educate with effective communication and knowledge management skills begets an atmosphere of trust in the presentation with which the producer can consummate a sale.

The following framework depicts the model of this study. The actions and motivation have a reciprocating influence on each other. The synergy from these two impacts the presentation session and magnifies the value of the skills; which leads the client to a buying decision. Producers with more positive results become successful in their career as life insurance producers; ineffective producers will have a deficiency in the process and thus choose to leave the business.
Limitations of the Study

This study examined the sales activities of one life insurance sales producer. This individual was identified by the insurance company representative as an exemplary producer with a successful sales record with the company. One limitation to this study is that there is no data to confirm the sales figures or income of this exemplary producer in the last twelve months. This information is beyond the scope of the study; the company representative has confirmed the high sales performance of this individual.
Bibliography


