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INNOVATIVE SALES METHODS

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Abstract

Companies operating in a global economy that is constantly changing and developing, especially during the financial crisis and political instability. It is necessary to adapt and develop sales methods in such environment. For large companies who base their activity on sales it has become a necessity to learn different types of sales approaches because their knowledge enables them to grow the number of customers and therefore the sales and the turnover. This paper aims to examine the most effective sales methods used on the highly sensitive economic and social environment – the insurance market. In the field of insurances, the sales process is even more important because sellers need to sell an intangible product that may materialize in the future, but there is no certainty.

Introduction

Companies are operating in a global economy that is constantly changing and developing, especially during the financial crisis and political instability. In these conditions, it is necessary to adapt and develop the sales methods.

In the past 60 years, the sales methods have evolved greatly, at the same time with business development and marketing and its techniques. For large companies who base their activity on sales it has become a necessity to learn different types of sales approaches because their knowledge enables them to grow the number of customers and therefore the sales and the turnover. As Tracy (2008) says, nothing moves without sales. Vendors are among the most important people within society. Without sales our society would block. Without sales, the largest and most sophisticated companies will go bankrupt. Sales are the spark plug for the engine of the free companies.

The structure of the sales process

Every day we are engaged in the sales process: within family, at work, with friends, during a job interview. The sale process is accomplished by:

- **distribution systems**, respectively all the organizations and individuals involved in moving goods from producer to consumer, their legal and economic relations;
- **distribution channels**;
- **forms of selling**, meaning all the technical, economic, legal and organizational solutions which compete to sell the products.

One of the sales tools is **the direct marketing**, which involves all communication and sales techniques allowing a direct trade links with current and potential customers. Direct marketing lists are based on nominal internal file-free access (telephone directory) or borrowed from specialized bodies or other companies. It may include papers containing coupons - direct answer, sale by catalog. One of the great advantages of direct marketing is the ability to measure the impact it has in real time. For this reason and because it allows tracking "live" customer, direct marketing is becoming increasingly regarded as a piece that governs the marketing strategies.

In the field of insurances, the sales process is even more important because sellers need to sell an intangible product that may materialize in the future, but there is no certainty. Selling puts more emphasis on helping people to make a purchase, not actually selling because they don't sell items but possible risks. The sale is more complex and has several steps.

As seen in Figure 1, in the sales process, the insurance vendors go through three main stages: prospecting, sales and customer loyalty.

Sales force is formed by one or more persons responsible for the sale or disposal of the product to determine the company's current or potential customer contracts. It requires both sellers, heads of sales, "Technical traders" and persons providing direct assistance to the place of the sale, merchandisers, demonstrators, initiators.

Each organization, according to its objectives, establishes, organizes, controls and evaluates the sales force. As Darmon (1993) says, in general, its activities regroup in terms of commercial director in three categories:

- **Prospecting activities**: visits to potential customers (prospects) that first must be identified and then contracted;
- **Activities of visiting clients**: control routine visits for carrying out the orders; it must equally ensure that any change in the client's situation and any new needs will be satisfied, otherwise there is the risk of being overtaken by a competitor seller;
- **Activities of transmission of information**: reports by vendors, which is a rich source of evidence relating to customers, the environment, competing views on a new product or a price change.

The difficulties in managing the sales force are well known: the image of the seller is limited by prejudices and stereotypes that contribute to the devaluation of the image of a profession which, however, requires increasingly more professionalism.

To optimize the insurance sales process, vendors need to know why people buy insurance. Often, the training of the insurance sellers regarding the sales process is based on what they need to do.

For insurances, we actually talk about the sale process and preparing sellers to start with finding the answer to the question "*what does the customer expect from the seller?*" We see this decision as making steps to purchase an insurance policy.

The consumer behavior contains all the activities involved in the selection, purchase, use and disposal of the products or services. The actual purchase decision is not adopted immediately. It appears as the final result of a sequential process with a certain amount of time.

The sale process is carried out through:

- individual sales persons - representatives of the insurance company
- legal sales persons (insurance brokers) - representative of the client

Figure 2 shows graphically the evolution of the number of insurance and reinsurance brokers during the period 2008-2013. Their number increased as a result of customer orientation because of the large variety of insurance solutions from many insurance companies. The number of authorized brokers at the end of 2010 was of 567 insurance/reinsurance brokers, at the end of 2011

there were 584 insurance/reinsurance brokers, at the end of 2012 the number of insurance/reinsurance brokers remained the same - 584 - and at the end of 2013 a number of 596 insurance/reinsurance brokers were authorized.

From the analysis above, we observe a significant increase of the sales of insurance products through insurance brokers. If in 2008 there were 403 registered brokers at CSA (Insurance Supervisory Commission), only 381 were active and intermediated 30% of the total gross written premiums in the insurance market. By the end of 2011, it significantly increased the number of registered brokers to CSA to 584, but only 503 were active and intermediated approximately 40% of the total gross written premiums in the insurance market. In 2013, the insurance brokers and/or reinsurance brokers intermediated 48.3% of the total gross written premiums in the insurance market and the percentage increased with 4.7 points compared to 2012.

In Figure 3 it can be seen that the total gross premiums intermediated has continuously increased. In 2013 the gross premiums intermediated reached 3,928,511 thousand lei, with 324,848 thousand higher than in 2012.

The insurance companies empower the sales people to sell their products based on an agreement with an agency, agreement that represents the will of the two parties - instead, brokers have written agreements with their customers (buyers of the insurance products) only if the client explicitly requests it. If the terms of the insurance contract change, the insurance brokers must have the written consent of the client. The broker represents the interests of the buyer of the insurance product, but a broker who works frequently with an insurance company may conclude an agreement regarding some specific issues such as the payment of the insurance premium. This agreement contains clauses which outline the fact that the broker is not the agent of the insurance company.

From the analysis of the data related to the insurance field, it seems that in the coming years, the trend will be to use primarily the sales through insurance/reinsurance brokers, therefore the percentage of their sales will register a slight but steady increase.

The evolution of the sales methods

There are several methods, regarding Badea et al (2008), which have been used by the sellers from the insurance field in Europe and the USA:

➤ *The sale based on the product sale.* In the years after the Second World War, the seller was a friend, a trustworthy person who often came home to sign the insurance papers and collect the money. This period, called "cronyism" was characterized by low product differentiation and the lack of

emphasis on the consumer needs.

➤ *The sale based on offering discounts.* From the 50s to mid 60s the sale is made especially by reducing the price. The product differentiation was also low and in order to sell there were offered discounts, fact that led to a price war. The sellers were always working under pressure to increase the sales because it was necessary to drop the price all the time.

➤ *The sale based on brand.* During the period between the mid 60s until the late 80s the professional marketers appeared and they were able to create brands and show the public the differences between products. Their goal was to educate the public about the "features and benefits" of a particular product, creating enthusiasm and desire to purchase that product. This sale has allowed sales people to get away from the approach of the smallest products price, being able to ask higher prices with higher insured limits due to the brand awareness and the emergence of more sophisticated buyers. Thus this marks the beginning of the professional selling, it is not yet taken into account the unique and differentiated customer needs. Although the probability to increase the sales was high within a certain segment of buyers, not all buyers obtained the desired success, therefore it appeared the need for a new emerging approach through a new sale method.

➤ *SPIN selling method - identifying the insurance market needs.* The model was developed by the Englishman Neil Rackham who was intrigued by the large number of failures in the sales of high and complex values and decided to study them. After studying more than 35,000 sales meetings, he captured the consultative sales methodology - Spin Selling in 1988.

➤ *Sale by tender form CAB.* This technique was developed in 1920 by a Baptist minister who noted that the sale of Bibles was sold more by some and less by others. A customer noticed that some sellers presented the features of the Bible "*has hard covers, fine paper, and print quality*". Others, those who sold the most, showed the benefits of reading the Bible: "*If you want to know the secrets, you have to buy the book. If you read the Bible, you'll find the answers to your questions.*" This pastor discovered something very important, namely: buying is the default when you sell benefits.

➤ *The consultative Selling.* The term of *consultative selling* was noted by Linda Richardson in USA and then came to Europe. The consultative selling debut was in the 70s, and at that time it was a revolutionary sales method, which focused primarily on understanding the needs and motivations for buying a product and then adapted the products to these needs and motivations. This type of sale has a drawback, which is becoming more and more evident in the current times of crisis. When the focus is exclusively on the needs

of the buyer the needs of providers are neglected, especially when the business climate is suffering.

➤ *The Collaborative Selling.* The collaborative selling is a new concept of sales to which we are witnesses. As the name suggests, it is a partnership between the buyer and the seller. Both sides realize that their long-term success of the partnership is determined by how each partner is doing (for their continued business/market) - which means it must be taken into account the vendor needs. The collaborative selling is useful especially when it is conducted in a manner that helps both partners on long term. By partnering with the seller, the buyer receives greater benefits by keeping the business relationship and has the opportunity to create more value.

➤ *The sale by Cross-selling* or cross-selling means that the vendor sells also other insurance products to a customer's own data base.

➤ *The sale by Up-selling-* means that the vendor sells more expensive products to the customer by adding additional clauses.

➤ *The internet selling.* This is an increasingly widely used method because the clients are very busy people and to access the site of the insurer is the most handy. The customer can compare the prices for the same insurance product, and then submit the electronic tendering. The customer receives the insurance policy by courier or he is contacted by an insurance salesman. This approach gives the customer an active role in choosing the best price for his insurance policies and reduces the time of the insurance vendor to search for new customers.

➤ *The Call-Center-Sale* allows the insurance companies to provide call center services, so that services are accessible at any hour convenient to customers.

➤ *The Bancassurance* - sales through banks. This concept is a partnership between a bank and an insurance company. Under this partnership, the bank sells to its customers the insurance products of the insurance company. This partnership can be profitable for both companies. Banks can earn extra income by selling the insurance products, while the insurance companies are able to expand its customer portfolio without having to expand the sales force or pay commissions to the insurance agents or brokers. In Europe this sales system is very common.

To these are added some sales methods specific to the United States:

➤ *ABC (always be closing)* - the idea that a seller should seek to ensure completion throughout the sale;

➤ *5 times closing* - the idea that one should not abandon a sale before making five attempts to ensure the completion;

➤ *Close early, close often and never take no as an answer-* the refusal to leave the client without a

policy conclusion;

➤ *Sales oriented on product.* As Corcos (2008) says, the seller clarifies the prospectus, delivers the product presentations, responds to the customer complaints and then tries to close the sale by various closing techniques;

➤ *The technique "foot-in-the-door"*

➤ *The technique "door-in-the-face".* This technique is called "withdrawal after refusal" and it assumes that at the beginning you make a greater demand than actually required, followed by an apparent withdrawal. Then, the seller will return to the application required initially and in many cases, the client will accept to buy it because it has a reasonable size in relation to the first one.

As Vasile (2010) noted, the last two methods are more aggressive and have contributed to the association of persistent sellers with images of people who try to fool customers by putting pressure on them to make decisions they will regret later.

The innovative sales methods

The insurance sales system represents all the methods, processes and tools used by the insurance companies to sell their products to customers through the distribution channels.

The Romanian insurance market has had an upward trend since 2000. At the same time the sales methods have evolved and now the insurance companies have come to the conclusion that the market research and the information about the client's situation are extremely important.

As Carnegie (2008) says, the data that the seller needs in order to build the insurance offerings vary according to the type of the insurance, but in general they are given to policyholders, beneficiaries data, data about insurance, insurance premiums/sums insured, required terms/amounts and premiums of additional insurance clauses. The sale is a good step to provide customers with different offers from which he can choose. At the same time presenting more than 3 options (offers) can increase the confusion of the client and at the same time it can decrease the chances that the customer will make a decision. A method of offering the insurance products is the **CAB** method (**C**haracteristics, **A**dvantages, and **B**enefits). As shown above, this is a method that emphasizes the presentation of the product benefits in 3 steps, as shown in Figure 4.

1. Characteristics. In this step the seller presents everything related to the insurance product, such as:

- ★ Defining the parties of the insurance contract
- ★ Defining the elements of the insurance
- ★ Insured risks/excluded risks
- ★ Period of insurance
- ★ Sum insured, insurance premiums and payment terms etc.

These are attributes of the product; they are neutral and not very convincing and have little impact on customers, so it is better to be limited in number.

2. Advantages. In this step the seller presents the competitive advantages such as:

- ★ Flexibility-the ability to combine multiple sections of the insurance policy
- ★ Ability to buy the policy in installments
- ★ Ability to add or eliminate risks or goods to the standard policy
- ★ Ability to decrease or increase the deductible (in this way you can influence the insurance premium according to the client wish)
- ★ Advantages to competing products

3. Benefits. This is the last stage, the seller shows the client how the insurance product meets his needs. The seller must identify the need or the client needs to be able to present the product benefits. The seller emphasizes safety, comfort, tranquility and protection.

It is important to focus only on those features, advantages and benefits that meet the specific needs of the client.

After the exposure of the benefits it is necessary and effective for the seller to require the direct opinion of the client, especially when the client is not very pleased.

The confirmation of the client can be expressed without words. In this case, a positive position in front of your customer could be a mark on his face, a movement of the head, hands or a certain general position of his body.

From this point, the seller goes to the next step - using the completion techniques of the contract.

As Zyağlar (2005) says, the innovative techniques used in completing the insurance sale include:

1. The technique of Ben Franklin. This is a technique that is used for customers who have another offer. The seller will draw on a paper two columns with the headings "Why yes" and "why not". We highlight the benefits of the offer. The seller will mark the pros-insurance contract and the client will note the arguments against.
2. The alternative completion technique. With this technique, the seller gives the customer two options from which to choose, forcing him to sign the contract. Ex: "*You want to end the policies without deductibles or with deductibles?*", "*Do you want to pay in two installments or in four installments?*"
3. The negotiated completion technique. This method requires the seller to make a discount to the client to determine him to sign (complete) the contract. The seller makes the final reduction in order to force the client to sign the insurance contract. Ex: "*If I make a 10% discount, I understand that you'll sign the contract now?*"
4. The Technique of the ultimate objection – it requires the seller to resolve the last objection of the client in order to induce him to sign the

contract. Ex: "*I believe this is a problem for you? It's the only obstacle to signing the contract? If I solve this last objection I understand that we'll sign the contract?*"

Conclusions

In the sales process, the insurance sellers use different sales methods. All the sales methods that they use must be adapted to the buying process, the customer's profile, the needs of the seller company, the supply-demand ratio, the type of the product and the competitive offers. In order to implement these correlations, the insurance companies organized a series of trainings for the new sales agents, but also for the old ones, depending on their career stage. The purpose of these training sessions is to standardize the method of approaching the customers by using the sales techniques.

As a result of these training sessions, there were found the following advantages related to the steps of the sale and the implementation of these steps in the sale process:

- ★ The insurance sellers have realized that in order to be successful it is necessary to follow the steps of the sale process;
- ★ If applying the correct methods of prospecting, the rate of termination of the insurance policies decreases significantly;
- ★ Using the CAB method helps the customers to choose according to their needs and therefore it decreases the number of customers who close their contracts after a short period of time.

When using the completing selling techniques, the sellers may determine the client's needs and respond more accurate to their insurance needs. This phenomenon has been noticed in the data reported by the insurance companies because the rate of termination of the insurance policies began to grow despite the global economic and financial crisis.

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Figure 1: Stages of the sales process

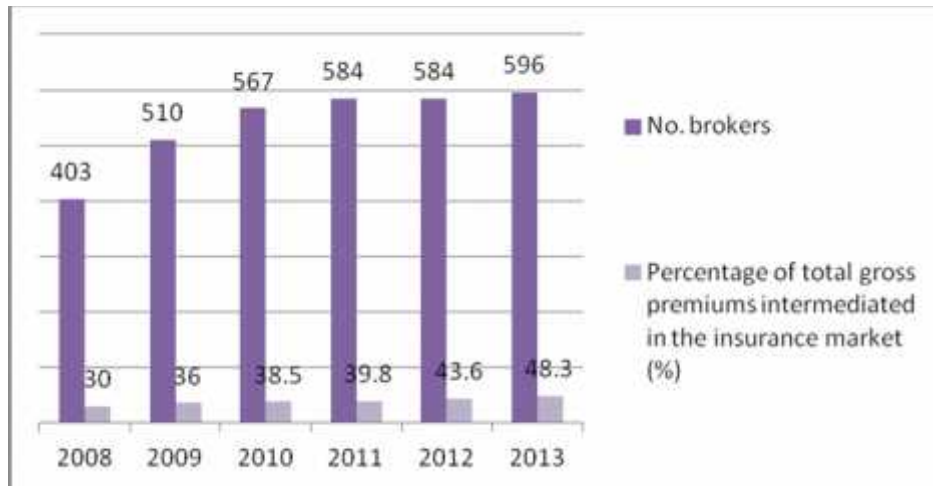


Figure 2: The evolution of the number of insurance brokers

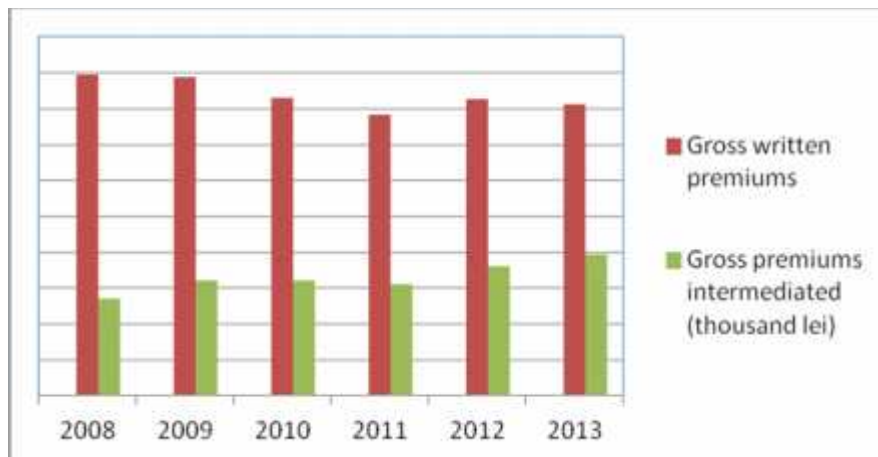


Figure 3: The evolution of the sales in the insurance market (thousand lei)

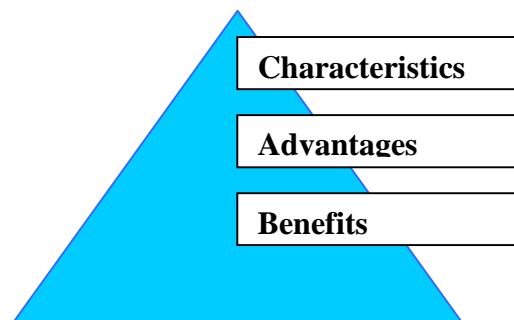


Figure 4: Method CAB