

Go **WIDE** *and* **EXPAND** into New Channels *A Distribution Battle Cry*

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From an early age, soccer players are taught to “go wide and get deep” as they attack the opponent’s goal. Moving away from the center of the field spreads out the defense and opens up passing lanes. By advancing the ball deep into the opponent’s territory, the shots on goal are closer which improves the likelihood of success.



When teams combine the strategies of going wide and getting deep, scoring improves.

In business, there are two ways to achieve growth — increase sales force productivity (sell more) or increase sales capacity (hire more). For the past decade, the life insurance industry has relied on increases in sales productivity to fuel growth, as efforts to strengthen sales capacity have stalled. Improvements to technology, greater use of collaboration, advances in underwriting, stricter contract maintenance requirements, and a wider variety of product solutions bolstered the performance of sales representatives.

However, this growth strategy is unsustainable in the long run. Future expansion depends on companies increasing sales capacity.

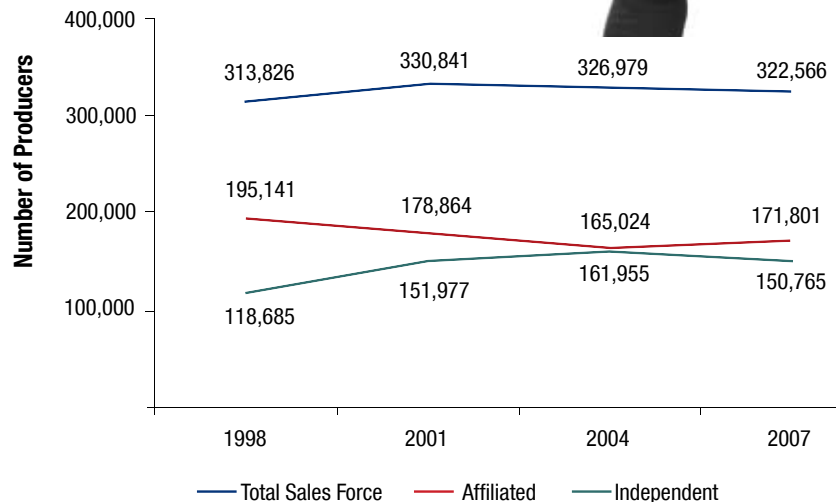
In this, the first of our two-part series adapted from LIMRA’s 2011 Strategic Issues Series report *Go Wide and Get Deep: Increasing Sales Capacity*, we identify strategies for organizations to “go wide” by increasing sales capacity through channel expansion. In the next issue of *LIMRA’s MarketFacts Quarterly* we will provide ideas to “get deep” by changing business practices and using succession planning as a recruiting tool.

The Numbers Are Troubling

Over the past decade, the U.S. industry saw virtually no growth in distribution capacity. The size of the traditional sales force in the life insurance industry has been relatively flat (Figure 1). The affiliated sales force — those who hold full-time contracts and sell primarily or exclusively one company’s insurance products — has eroded. At the same time, the independent sales force — those who do not have exclusive contracts with a single carrier and may represent multiple companies — has grown slightly. LIMRA estimates that the financial services field force totals about 427,000, including all financial services sales professionals such as broker-dealer representatives and registered investment advisors (Table 1).

Figure 1

Traditional Sales Force Trends



*The affiliated sales force includes career agents primarily affiliated with one insurance company, and multiple-line exclusive agents who exclusively sell the products of one insurance company, with the preponderance of sales coming from property-casualty products. The independent sales force represents sales professionals who are not affiliated with any one insurance company and sell the products of several companies. These representatives include independent agents, full-service brokers, independent broker-dealer representatives, bank financial advisors, and independent financial advisors.

Source: LIMRA’s Census of U.S. Sales Personnel

Table 1

Estimated Number of Reps and Advisors by Channel

Channel	Total
Insurance carrier direct sales force (MLEA and Career)	171,801
Independent agent	150,765
National full-service rep	56,143
Regional and independent broker-dealer rep	75,377
Bank financial consultant	15,250
Independent financial advisor#	15,000
Total*	426,941

#Estimate includes only advisors serving retail markets

*Adjusted for: Independent agents registered with independent broker-dealers or independent registered investment advisors; and individuals dually registered as registered representatives and registered investment advisors.



Source: LIMRA (2009)

The U.S. industry — and to some extent the securities industry — relies on a small number of companies to do the bulk of the recruiting. LIMRA's sales force recruiting research shows that in 2010, the 10 largest recruiting companies hired more than 80 percent of total recruits, while the five largest recruiting companies accounted for over 60 percent of the total.

Recruiting inexperienced candidates acts as a feeder system for independent distribution and often provides a stepping stone to a career as an independent financial advisor. Over the past four years, the number of inexperienced recruits has been somewhat unchanged — approximately 20,000 new sales reps, on average, have been hired each year.

Today there are not enough new sales representatives entering the business to replace those who will retire or leave. Companies with affiliated distribution invest heavily in new talent, hoping to see a return on their investment in the form of an established, successful practitioner; yet 1 of every 2 new recruits leaves in the second year of their career.

Over time, retention rates improve, but the stakes become higher. Losing even a small number of successful representatives costs the company even more as it can take up to 10 years to recover the investment. A successful on-boarding strategy is critical, and should provide new reps with the opportunity to learn the business in

an environment that gives them the best opportunity for sales success. Once reps get past their critical “learning” years, there is a high probability that they will become long-term successful practitioners.

Organizations that utilize an independent distribution channel feel the pain when new talent does not enter the industry. These independent companies routinely expand their sales capacity by recruiting affiliated sales professionals who are moving to the next

chapter of their careers. With an eye to a more independent environment and the opportunity to offer more product solutions, many affiliated agents migrate to the independent channel.

A similar model exists in the securities space. Big, national wirehouses actively recruit new entrants to the industry. These recruits receive training, mentoring, and skills pertaining to building their businesses. As observed in the life insurance industry, wirehouse financial advisors often seek greater independence as their level of experience and book of business grow. In turn, they migrate to firms that provide more autonomy, such as independent broker-dealers or registered investment advisory (RIA) firms.

The Image Problem

The overall image of the life insurance industry further hampers efforts to grow capacity through recruiting. According to LIMRA's 2007 report *Competing for Sales Talent: Mirror, Mirror on the Wall*, prospective job candidates describe life insurance agents as “boring,” “annoying,” and like “that obnoxious guy from *Groundhog Day* (Ned Ryerson).” In contrast, they view financial advisors more positively, as represented by the character Gordon Gekko of *Wall Street* fame. (We should note, however, that the study was conducted prior to the 2010 sequel, *Wall Street: Money Never Sleeps* in which Mr.

Gekko stole \$100 million from his daughter.)

People have little contact with financial sales professionals. LIMRA's *Consumer Sentiment Tracking Study: April 2010 Update* reports that nearly 80 percent of Americans do not have a personal professional financial advisor. Many prospective job candidates learn about insurance agents from their parents, with views developed a generation ago (or longer). Is it any surprise, then, that the image of life insurance agents has not changed much over the years?

Nonetheless, as a result of the recession, the public's perception of financial and insurance sales professionals has changed. The image of the financial sales representative has been tarnished and its attraction diminished. Conversely, while people still see life insurance professionals as relatively conservative, they now consider this a positive. Prospective job candidates are also starting to look at life insurance sales. A career in life insurance appeals to them because of the potential for unlimited income, a flexible work schedule, and the level of independence.

You can be a prestigious, respected financial advisor who also sells life insurance without being a "life insurance salesman." . . . Personally, I would call myself a financial advisor who sells life insurance. I wouldn't say I'm a life insurance salesman who also does financial advising, because financial advising is much more respected.

— Prospective Job Applicant
Competing for Sales Talent: Mirror, Mirror on the Wall (LIMRA, 2007)

While the economic downturn has provided the industry with more candidates, it has not strengthened the quality of the candidates. Organizations that are

A successful on-boarding strategy is critical, and should provide new reps with the opportunity to learn the business in an environment that gives them the best opportunity for sales success.

more selective in their recruiting and have higher standards, have not seen an increase in recruiting despite the larger number of available candidates. Finding quality candidates remains the biggest challenge for recruiters.

The most successful sales professionals gained status and were rewarded as a result of the financial crisis. For example, the compensation wars witnessed in the wirehouse channel in late 2008 through early 2009 were unprecedented. It was common to see retention bonuses for top producers equal to 100 percent of annual production. Recruiting bonuses of 300 percent or more of trailing 12-month commissions were also available during this period as Wall Street firms tried to capitalize on the very real game of musical chairs that was being played by the strongest advisors.

During this time, wirehouses also took the opportunity to shed dead weight and incented low-level producers to find new opportunities by offering minimal, or in some cases, no retention bonuses. Wirehouses were not the only sales organizations that retooled. Other organizations strengthened their sales forces by culling the lower performers. Consequently, individuals with poor sales skills were added to the ranks of those looking for a job, which created a larger, yet less-talented pool of sales candidates.

Poised for Expansion

Before deploying resources to expand their sales capacity, insurance companies must fully understand the product and support expectations of the targeted channel. They must align product offerings and support requirements with the needs of the given distribution channel. LIMRA research indicates that companies interested in growing



their sales capacity should consider the following five channels:

1. Banks
2. Worksite marketing
3. Group benefit firms
4. Contact centers
5. Property and casualty (P&C) agencies

These distribution outlets should complement a carrier's primary channel(s), since sales professionals from these channels sell life insurance only on a part-time basis. Consequently, they will need more sales and product training and support than reps who sell life insurance full-time. Further, the product offerings will need to be less complex than those sold through "traditional" life insurance channels, due to the nature of the transactions and the role that life insurance plays in the sales rep's overall product mix.

Banks Most bank brokerage operations have been selling life insurance for years, with limited success. One of the reasons for the relatively poor results is that the typical life insurance sale is not transactional in nature. Financial consultants and licensed bankers are comfortable recommending investment ideas to clients with maturing certificates of deposit. These sales are fairly easy and can be executed in a single transaction. Contrast that to a life insurance sale, with a much longer sales cycle. Products are more difficult to understand, and the application may not be underwritten as anticipated.



Historically, banks have been very successful selling annuities, although, currently, interest rates on fixed annuities are low and the benefits on variable annuities are less as costs have risen. As a result, these products have become harder to sell. Because life insurance sold through banks is almost exclusively paid via a single premium, there is renewed interest in adding life insurance to the product mix as another option for maturing CDs.

Insurance companies should work closely with all levels at the bank from senior management down to the sales professionals. Because other bank management priorities get in the way of developing a successful life insurance program, it is critically important to have commitment throughout the organization. Specifically, insurance companies should focus on three areas: underwriting, wholesaler support, and goal setting.

1. **Underwriting** Underwriting is a significant issue for the bank channel. Bank reps have access to a wide range of products that compete for customer wallet share. These banking and investment offerings are much less complicated than life insurance and are also faster and easier to issue. In comparison, the life insurance sale has a longer discovery process and unpredictable underwriting results. Licensed bankers, in particular, have many demands and cannot spend a great deal of time selling a product that may not be issued at the expected rate.
2. **Wholesaler Support** Because life insurance sales are not part of their day-to-day activities, bank sales reps often need to learn the fundamentals of selling life insurance from insurance companies. Licensed bankers and financial consultants sell a wide array of products, and life insurance is not top-of-mind for most. So even if they know about life insurance, they need reminders to sell.

Consequently, an effective wholesaler strategy is critical to the success of a life insurance program. Wholesalers provide assistance to bank sales reps that includes educational and point-of-sale support. Most banks rely on external wholesalers to support their life insurance programs, since only about one third of banks have their own team of wholesalers.

3. **Goal Setting** While a sales goal at the organizational level is important, this is just the beginning. The desire to build a successful life insurance sales program must pervade all levels of the organization, from the corporate home office to the branches. Unfortunately, relatively few programs today have set goals for their life insurance sales teams.

Goals increase productivity and are most effective when given to salespeople. Research shows that financial consultants and licensed bankers that have life insurance sales goals submit more business than those without goals. Making life insurance sales a job requirement for the sales team is an effective way to reach goals.

Worksite Marketing Worksite marketing generally involves selling financial services products to employees at their place of work. These are voluntary benefits that, if purchased, the employee typically pays for through regular payroll deductions. As the LIMRA and Society of Actuaries 2011 *Guaranteed Uncertainty: Socioeconomic Influences on Product Development and Distribution in the Life Insurance Industry* study notes, access to voluntary worksite insurance products is quite good, with close to 82 million employees working for employers who offer at least one such product.

Selling insurance at the workplace can be used as a recruiting tool. As new sales reps enter the workforce, two of the biggest challenges they face are finding and meeting prospective life insurance buyers. The issue of lead generation is central to the overall retention challenge; new recruits must have a supply of quality leads to be successful. Worksite marketing may be an effective way to meet this challenge.

Compared with a traditional life insurance sale, the worksite sale is less complex and affords the opportunity to sell different products during one meeting. As a result, it may be possible to ignite a new recruit's career by providing a source of leads in a structured sales environment.

Worksite marketing further differs from the traditional individual sale because there are two customers: the employer and the employee (the ultimate buyer).



Sales professionals who operate in this segment must overcome any objections by the key decision maker (or gatekeeper) at the employer. Consequently, duties may be split with the sales manager handling the employer sale, and the new recruit functioning more like an enroller and meeting with the employees.

An alternative strategy is to offer seminars at the worksite. In this scenario, the employer agrees to have a sales professional conduct a seminar (typically during lunch time or after hours). Any sales that result are made on an individual basis. This concept is not worksite marketing, per se — since premium payments are not typically made through payroll deduction.

In LIMRA's 2010 *What Is \$1 Billion an Hour Worth? Employee Perspectives on Benefits* study, a nationwide survey of U.S. employees indicates that 62 percent would prefer to purchase financial products and insurance coverages at their place of employment. Prospective life insurance buyers await.

Group Benefit Firms A strategy related to worksite marketing is to create alliances with group benefit firms (GBFs). These organizations provide employee benefit brokerage and advisory services to employers. Similar to independent life insurance producers, GBFs have relationships with a number of service providers. This allows them to design plans specific to the employer by negotiating with multiple carriers. GBFs also help with administrative functions such as enrollment and payroll deduction.



With the economy struggling to regain its footing, employers managing expenses closely, and U.S. unemployment above 9 percent, sales of group insurance products continued to erode during the first three quarters of 2010. In addition, the future costs related to health care reform remain uncertain, which may further curb the revenues generated by GBFs. As a result, these organizations may be receptive to introducing individual life insurance sales to their product mix, as a way to regain lost income.

Adding individual life insurance to their stable of offerings provides GBFs with the opportunity to communicate with their clients throughout year, rather than on an annual basis when delivering the news of the latest premium increases or benefit changes. In addition to leading to new sales, these contacts should also help with retention efforts.

Contact Centers In today's environment of dual-income households, increasingly active lifestyles, and "do not call" lists, it is more difficult than ever to reach prospects by phone. Prospects, however, reach out to insurance companies every day through contact centers.

As individuals call into a company, client relationship management (CRM) technology can recognize these as potential customers, and provide business information to manage them. Based on the apparent need and qualifying criteria, the customer is routed to the appropriate company representative. If the customer has a profile that points to a sale — then the contact is routed to a sales-oriented rep. In addition, CRM technology can also suggest which products to offer. If the profile instead suggests a service call, then the customer is forwarded to a service-oriented rep.

With this ability to segment sales and service calls, contact centers have two types of reps. Within the sales area, companies employ licensed insurance sales professionals to work with the prospects identified as most likely to buy. Taking it one step further, a tiered prospect approach can also be employed. Using CRM — in addition to a question template — the contact center sales

rep can determine if the case is better suited for a sales professional in the field. In these cases, the prospect will be referred to a more seasoned field rep who will meet with the prospect and make the appropriate sale.

Using this combination of technology management and personnel practices will not only generate increased sales and greater sales capacity, but also will provide a career path for new recruits who start in the contact center. These individuals can learn firsthand if a career in sales is a good fit and, after spending time working from the contact center, they can move out into the field. For insurance companies, it is a way to develop new talent at a relatively low cost and with less time. Because life insurance sales made through the contact center are less complex than traditional sales, basic training on only a few selected products is required.

Property and Casualty (P&C) Agencies Establishing strategic alliances with P&C insurance agencies is akin to the relationships with GBFs. Independent P&C agencies represent a number of carriers and market their products to commercial accounts of various sizes, as well as to individual clients.

In the current environment a coordinated effort may be mutually beneficial to life insurance companies and P&C agencies. According to the 2010 *Agency Universe Study* — as reported in the December 20/27, 2010 edition of the *National Underwriter Property & Casualty* — there are approximately 37,500 independent P&C agencies in the United States. Throughout the industry, the impact of the economic downturn combined with soft market conditions has led to a decline in revenues, particularly for larger agencies. Further, the level of satisfaction that P&C agencies have with their carrier partners eroded as commissions were cut and workloads grew.

While there has been limited success in past attempts to have P&C sales professionals cross-sell life insurance products, the appeal of adding an additional revenue stream may spark interest. P&C agencies that market commercial products have an already established market niche — business owners. Insurers may consider slowly attracting P&C agencies at a grassroots



level by encouraging their existing local sales offices to educate local P&C agencies on the advantages of doing joint work.

Increasing the Talent Base

While there will still be productivity improvements going forward — particularly from advances in technology — much of the industry's growth will come from an increase in sales capacity. We have reached a certain inflection point at which we have to start turning our attention to increasing the talent base.

Regardless of the type of company — a product manufacturer or a distributor — there are many possible ways to build sales capacity. Product manufacturers can go wide and expand into new channels or strengthen existing ones such as banks, worksite marketers, group benefits firms, contact centers, and P&C agencies. Each channel has its own unique support and product needs. This provides flexibility for manufacturers to pick and choose the channels that best fit their strategies for growth. 🌐



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