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Transforming the Sales Process **Bridging the Trust Gap between Producers and Consumers**

Very few dates in recent memory bring to the forefront — in starkest contrast — heroes and villains more than September 11, 2001. There were obvious villains that day, but also a hidden one that was not as readily apparent but just as destructive as the others.

Consider this tale of two towers:

Laura and Jill were neighbors and best friends whose husbands had for years commuted together downtown to work at the World Trade Center. Laura's husband John worked in the North Tower, while Jill's husband Rick worked in the South Tower. Both families attended the same church and their children the same schools. So close were they as friends that both families would go on vacations together. Undoubtedly, John and Rick loved their families very much — yet, tragically, both

men died that day, leaving two widows and two fatherless children.

That is where the similarities end.

John had adequate life insurance, while Rick was underinsured. Laura started a difficult recovery period as she spent time raising her children alone. Jill was forced to find a meager job because she needed it to make ends meet. Laura and the children were able to stay in their home, in the same neighborhood, with their same friends. Jill and her children were forced to move in with her in-laws while at the same time adjusting to a new school system and struggling to build relationships with new friends. Jill also spent a lot of time worrying about the children and filling out voluminous applications for government and charitable assistance.

Unfortunately, tragedy on a personal scale repeats itself every day, in different ways, all over the world.

You can't say that Laura and her family were lucky — after all, they lost their husband and father. However, you can say they were fortunate that he cared enough to protect his family financially. John and Rick both provided very well for their families while being alive here on Earth — great homes, great schools, and great vacations. John, however, also recognized the need for life insurance and, in doing so, took some of the uncertainties out of his family's future. It didn't change the lives of John's family to pay those life insurance premiums — they didn't even notice — it did nonetheless help them enormously.

The 10th anniversary of September 11, 2001 serves as a sobering reminder that the work of financial professionals is a noble and important calling. Because John worked with a financial professional who earned his trust, John was able to protect the most important thing in the world to him. Financial professionals become heroes when they have courageous conversations with their clients and are passionate about helping them do the right thing for their families. They are heroes when they perceive selling as serving — when they believe they are filling one of society's core needs.

The hidden villain in this story is the human tendency toward inertia. The lesson to be learned is how procrastination — if not overcome — can tragically impact the lives of people we love. Rick had been meaning to speak to a financial professional, and certainly didn't intend to leave his family underinsured. But somehow he just didn't meet a professional with the right skills to help him take action.

To be effective, financial professionals need to thoroughly understand and connect with today's consumers. Most important, they must inspire trust in their clients — and only then will they earn the opportunity to become heroes in someone's life.



Increased Need, Unprecedented Opportunity

It is clear that the need for life insurance has never been greater. While two thirds of middle-market households agree all adults should have life insurance, 30 percent of

U.S. households (35 million) have no life insurance protection at all. And even among households with children under 18, arguably having the greatest need for life insurance, 11 million have no life insurance coverage. This means that too many families out there are at risk, in spite of the fact that they believe they should be protected.

What else does it mean? It means financial professionals are living at a time of unprecedented opportunity. Literally millions of people are either underinsured or uninsured. Eighty percent of American households currently do not have a personal financial professional to turn to, and most of them say they never did. The task is clear: The industry needs to do more because too many families are at risk.

Regarding retirement planning, the market opportunity is very similar. According to LIMRA, there are more than 41 million retirees in the United States. There are also nearly 47 million pre-retirees aged 50 to 64, most who could benefit from professional advice and guidance as they approach and enter retirement. Due to the economic downturn over the past several years, many will defer full retirement, allowing more time for accumulation and less time for distribution.



Further, the market opportunity is not limited to the next decade, but will continue past the mid-century mark. The number of new retirees will grow from 3.5 million in 2010 to nearly 4.5 million in 2020, and will not noticeably decline when the last baby boomer retires.

The majority of retirees enter retirement without a clear roadmap for success, especially one built on professional advice. Studies show that only 1 in 6 retirees have a written retirement plan. Despite the lack of a clear plan when retirement is near, they begin to take action right away. There is a very short window between retirement date and when retirees make decisions regarding their retirement plan balance. In fact, 66 percent of retirees reported taking action only two months prior to retiring.

Therefore, maintaining regular pre-retirement contact with consumers will be a worthwhile investment for financial professionals who want to avoid missing a very small window of opportunity. These markets meet three important criteria — they are large, lucrative, and sustainable.

Whether it is relative to life insurance or retirement planning, a significant percentage of consumers recognize the need for professional financial advice. Over 40 percent of consumers think they need more professional financial advice today compared with three years ago.

The good news is that more consumers are consulting financial professionals. But many consumers still are not being reached. To break into these major markets and achieve great results, financial professionals need to be armed with a lot more than just data, facts, and figures. In the 21st century, they need to be equipped with the knowledge and skills to transform the way they communicate with prospects and clients, to inspire trust and to move them to action.

Strong Demand, Yet Reluctance to Buy

So why is it that there is such strong apparent demand by consumers, yet such reluctance to buy? Where is the disconnect? There are two significant issues: perception and communication.

First, let us review the perception problem. Before financial professionals even get in the door, consumers have a preconceived notion about life insurance



and our industry — and it is not necessarily positive. In one LIMRA study, focus group participants were asked to express their opinions artistically, by creating collages that showed their feelings about buying life insurance. Some of the words that appeared on the collages were “Confused,” “Overwhelmed,” and “Stressed.” Then there’s “Anxiety,” “Pressure,” “Guilt,” and “Confrontation.”

So, financial professionals start out at a disadvantage. They have to overcome these negative perceptions to engage consumers. LIMRA also asked these focus group participants why they did not have life insurance or a retirement plan, and the participants offered a lot of excuses. In fact, they had so many that LIMRA titled the report *Every Excuse in the Book*.

Today’s consumers are crippled by indecision, and the industry may partially be to blame. In fact, approximately 43 percent of middle-market households report being afraid of making a mistake in their financial decision making. As a result, they put off the decision to purchase a financial product such as life insurance.

They go on to state they need someone they trust who will help them understand what types and how much insurance to buy. They go even further and report they do not want to be rushed. Consumers want financial professionals to take their time with them and expect more than one contact before making a decision. It is important for financial professionals to understand how consumers think and to ensure that their presentation really answers their questions and relieves their concerns. The bottom line is that consumers find financial products too confusing and they don't know who to trust to give them sound advice.

Second, to speak to the communication issue, LIMRA research also tells us what consumers want to know. They want to really understand how much insurance they need and why. They want help making the decision about what kind of insurance they should buy. And they want to know if they are getting their money's worth for the premium dollars they are spending. And when they are done, they want to believe they made the right decision and understand why that's the best solution for them. They want their financial professional to have cleared up any confusion they had.



Unfortunately, though, this is not the way things tend to turn out. By and large, financial professionals are not resolving their clients' confusion. And to make the sale, they need to be equipped with the skills to simplify the decision-making process. You would expect that after financial professionals meet with clients, the clients would be far less confused, would you not? However, LIMRA research reveals that when clients walk out of a meeting with a financial professional, their confusion has decreased very little.

So consumers are confused and intimidated by financial products and the sales process. All the research clearly suggests that the way financial professionals communicate with their prospects and clients directly impacts how successful they are. But remember, before they can achieve success, they also have to overcome these negative perceptions in the marketplace that foster a lack of trust.

Lack of Trust in the Marketplace

It should be no surprise that trust is a major factor in consumers' decision to work with financial professionals. Or actually, maybe it is a surprise — as financial professionals do not appear to fully understand the trust deficit that exists today. According to the Million Dollar Round Table's 2010 Generational Financial Confidence Study, some 85 percent of consumers across all generations say it has become significantly more difficult to trust advisors now, versus five years ago. Yet, only 59 percent of advisors believed that to be the case — representing a gap of 26 percent. Because of recent events such as bank bailouts, financial scandals, and the Great Recession, trust is harder to gain than ever.

Speaking of gaining trust, did you know that most consumers decide whether they will trust professionals the first time they meet them? This makes it critical for financial professionals to create immediate, positive, and trustworthy initial impressions with prospects. When asked how soon they can decide to trust someone, 70 percent said they can decide in the first few minutes or after the first meeting. Financial professionals need to learn how to demonstrate they are trustworthy, as it is the most important attribute they can possess in today's marketplace.

We also know from MDRT's *Generational Financial Confidence Study* that a surprising number of younger adults who already have financial professionals have switched professionals in the last 12 months. They report wanting their professionals to know them much better than they do.

So what does that mean? It means there is an immediate opportunity for professionals to reach new clients in their thirties to mid-fifties. What professionals need to do is to get to know them, really know them, as a way to demonstrate diligence and understanding and gain their trust. Today's financial professionals need a different approach. They need to change their perspective and transform their sales process to one that fully engages prospects in collaborative discovery and decision making. They need a sales process that reduces tension, increases trust, and puts both the financial professional and the consumer on the same side of the table.

And language — or a financial professional's choice of words — is absolutely critical to gaining clients' trust. The MDRT study suggests that clients of different generations use different words to convey the same idea; LIMRA's research validates that the words a professional uses clearly influences the propensity to buy among all generations. Financial professionals should learn to listen carefully as they interact with prospects and clients so they can match their terms, language, and expressions to those consumers use. Doing this will propel them down the path of building trust with prospects and clients.

So what's the opportunity for financial professionals? First, they have to make crystal clear that the most important thing they can offer the consumer is their ability to listen and give their total attention. If people do not believe the financial professional has their best interests in mind, they are done. Since professionals want prospects to feel that they are competent, many immediately start sharing as much factual information as they can. As it turns out, that's a great way to push prospects farther away.

Conducting a collaborative discovery is not a trivial step — it is an opportunity to engage prospects in a mutual discovery process. In fact, it is the foundation of the relationship with potential clients. It is financial professionals' opportunity to get to know people at a deep

and meaningful level, not to immediately begin thinking of what they can offer them. The financial professionals' job is to listen, and the more they listen, the more they learn. The more they learn, the more they can teach.

Financial professionals not only have an opportunity, but a responsibility, to move consumers to action. And they need to hold them accountable by helping to align their actions with their intentions in ways that relate back to the consumer's needs. This requires a new approach to the consumer and the sales process. According to *New York Times* bestseller *Nudge* by Richard Thaler and Cass Sunstein, this approach involves helping people avoid ill-advised financial decisions by “nudging” them toward the best decision without restricting their freedom of choice.

Using Behavioral Economics to Simplify Decision Making

Behavioral economics can help financial professionals better understand how their prospects and clients make choices, so they can best choose their approach, tactics, and even the words they use. What is behavioral economics? It is a field of study that uses social, cognitive, and emotional factors to help understand how consumers make economic or financial decisions.

Behavioral economics tells us that when people are confused, they do nothing. Consumers have told us that they are confused and overwhelmed by all of the decisions involved in buying life insurance. And industry research is clear in its findings: When people feel they don't know what the right decision is, they put off critical financial decisions. If they are uncertain or fear they will make a mistake, it's just easier to say, “I'll do it tomorrow.” This is why they procrastinate.

If financial professionals do not clear up the confusion, people will do nothing and they will not buy. And it is not just life insurance — it is planning and saving for retirement, and protecting against disability and long-term care needs. This “do it tomorrow” attitude is very apparent when you look at the national savings rate. At a time when the boomers are reaching retirement age, you would think savings rates would be at an all-time high, would you not? The time to save is now. People need to protect themselves against risk and prepare for the

future, and the industry needs to be able to do a better job of helping them.

Even if financial professionals gain the trust and admiration of their prospects and clients, consumers may still have difficulty making a buying decision. *Nudge* authors Thaler and Sunstein actually coined the term “choice architecture,” which is the application of the principles of behavioral economics to help consumers make correct decisions, without being influenced by potential biases. The premises of choice architecture are:

- People choose poorly when making financial decisions.
- The immediate context of decision making matters.
- We can improve people’s decisions by controlling features that influence those decisions.

LIMRA conducted a study on choice architecture and specifically looked at how to present products and advice to potential buyers of insurance. The study uncovered seven tactics that if incorporated into a sales presentation, should influence prospects’ willingness to buy. It compared sales presentations both with and without these tactics to see if they improved the likelihood of buying. The result? Consumers reported that they were 29 percent more likely to buy from a professional who incorporated behavioral economics tactics into the sales presentation than from a professional who simply focused on facts and information.

One example of these tactics is social proof, meaning people tend to follow the masses when making decisions that have already been made by people in their similar circumstances. If consumers see or hear about many people who are similar to them doing something, they are more inclined to do it too. This is why rules of thumb or “heuristics” are so important. When faced with complex decisions, consumers want to know what most other people have done regarding a certain product or level of coverage. Anchoring the decision making process with stories and general rules of thumb can “nudge” prospects along the path to taking action.

This is where financial professionals come in. Through their willingness to work with prospects and



clients, their efforts to educate them, and their thoughtful sharing of how others have benefitted from the same products, financial professionals become the heroes who help consumers make the most informed decision – one that is tailored to their specific needs. By understanding choice architecture and behavioral economics, financial professionals are able to positively influence the decision making of their prospects and clients. That is trustworthy selling!

Trustworthy Selling

So how does this happen? Financial professionals who master trustworthy selling are those best equipped to properly serve and advise today’s consumers. Trustworthy selling is an approach to the marketplace and the sales process that engages prospects and clients on their terms. This approach breaks down the barriers and walls that have been built as a result of preoccupation and lack of trust. It is a 21st-century approach that incorporates both time-tested communication skills and cutting-edge, field-tested sales strategies, language, techniques, and tools.

It is an understanding the opportunity that exists to protect consumers and their loved ones from being at risk personally, professionally, and financially. It is recognizing the ability to protect the underserved market in the event they live too long, die too soon, or become sick or hurt along the way. But a passionate understanding of this is based on demographic and scientific research, and transforming that knowledge into a missionary zeal.

Trustworthy selling is a conscious, competent approach to understanding buyer psychology – why and how people buy based on emotional drivers. It is also a gaining a deeper understanding of why people procrastinate and tend to delay financial decisions – because of habit, and because they fear making a mistake. But most important, it is overcoming these obstacles and leading people to action by helping them through the decision-making process.

Doing so involves understanding and implementing behavioral economics and communication skills to make people feel they have made the decision on their own, but with the help of a financial professional.



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Turning Insight into Action

It is clear that the widening trust gap has had a major negative impact on productivity and retention within the industry over the past 30 years. It is also clear that a new approach is needed to serve today's consumers. That is why LIMRA and the Hoopis Performance Network have partnered to create Trustworthy Selling, a holistic sales effectiveness program designed to improve sales results.

The trustworthy selling approach has been field-tested and scientifically proven to positively impact the likelihood to buy. Never before have we had so much insight from consumers about how they want to be served. Never before have we had such a crisis of confidence. Never before has there been a greater need to reexamine our sales process, change our perspective, and transform selling to serving.

To learn more about Trustworthy Selling, visit www.trustworthysellingdemo.com or call 860-298-3821.