

THE IMPORTANCE OF NEGOTIATION AND SALES TECHNIQUES ON INSURANCE MARKET

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Abstract

Most Romanian economic actors are affected by major changes in macroeconomic policy, domestic economic and financial crisis and unstable legislative and fiscal framework. In this situation, the importance of the insurance market should be reconsidered in order to properly manage the various types of risks. Market development may be key human resources and sales expertise in negotiations, and reporting to new customer needs.

The purpose of this paper is to know the quality of human resources working specialization Iasi insurance market. Objectives considered concerns: the testing of skills for implementing strategies to maintain and develop customer base, identifying strategies and techniques of negotiation and sale of the guest to remove objections and completing the sale. The expected results could not confirm that staff is sufficiently trained and that opportunities to increase turnover is lost due to a failure to apply the best techniques of negotiation and sale.

Keywords: insurance, negotiating strategies, selling techniques, turnover, market development

JEL classification: M31

1. INTRODUCTION

At a time when the Romanian economy is keen to decrease when natural disasters affect people and agriculture, the unemployment rate is increasing (6.58%) and inflation reached 7.8% we wonder if all of these represent for the insurance market an opportunity or a reason for declining a threat. We prefer to believe that we beginning to learn from mistakes and to think that the awareness of the insurance market importance would be an advantage for our customers, by transferring risk to an entity available to manage it. So, in the next few months, the loaded periods of negative events may mean opportunities between the exploited also by insurance companies. To maximize their chances of success, the professionalism of their employees must be on the forefront. Insurance agents well trained in the art of negotiations and sales will be able to attract and / or retain more customers

2. THE CURRENT SITUATION OF THE INSURANCE MARKET IN ROMANIA

Since the first months of 2009, external factors have had an impact on two other new-generation sources in the insurance business: leasing decreased activity and decreased car loans granted by banks and real estate. As a result, insurance claim experienced significant decreases especially for life insurance and the hull because of Casco because of the consumption, expenditure and income restriction. The growth rate of unemployment decreased appetite generate individuals for insurance.

Current insurance market is also facing other problems. In addition some customers unable to pay, there was an escalation of the claims ratio, the pressure to reduce costs, but also the phenomenon terminations felt very strongly compared to previous years. Another major problem, at present, is fraud. False statements and fabrications are just a few of the many examples that can be given [Luca Lia, 2010, 258-259].

All these issues require the adoption of policies of prudence in business, cost reduction and business efficiency. In this context, communication with current and prospective customers and sales force appear to be very important elements to increase performance of insurance. Transparency in dealings with customers, approaching them through various means of communication, retention policies, products diversification and a professional and dedicated sales network, are key elements for the dilution of current issues Romanian insurance market.

Sales force which is based the insurance companies: insurance agents, marketing agents, consultants, insurance inspectors, sales executives, uses communication techniques, negotiation and special sales, tailored to customers and the field. Most times, the company's staff is part of a structure like **MLM** - Multi Level Marketing and **direct selling is practiced**. MLM system, known as "**the millennium wave**" [<http://www.mlmonline.ro/multi-level-marketing-mlm.html>], is a tiered, pyramid schemes, which involves an intense team-based work which creates interdependencies between "links".

Sales force is regarded as a component of the organization's communication system due to multiple advantages offered: interactivity vendor-customer relationship and adapt quickly to the needs of the latter, active participation of the sales force until complete of sale, assuming the role of consultant sale process.

At present, organizations must give great importance to training, development and improvement of the team of insurance agents because through her it can be reached most important objectives referred to [Richard, 2003, pp.115-118]. These include: increased turnover, the effective promotion of new products to market, development strategies capable of "pushing" product to consumers, building and maintaining a favorable image and organization products, creating and maintaining strong and lasting relationships with those customers interested in various products and services to the insurance company, attracting potential customers to organization products.

3. STUDY ON PERFORMANCE OF INSURANCE AGENTS FROM IASI

Forms of negotiation and sale charged by insurance agents are varied and multiple. They are used depending on the circumstances, the personality of the seller, the habit and the updates available at training courses attended. To determine which is the sales force of

insurance agents from Iasi and which are the forms of negotiation and sales techniques used, I have made the following study. The objectives considered were:

- O1. knowledge of strategies for maintaining and developing the client portfolio;
- O2. identify negotiation strategies most frequently used by insurers from Iasi;
- O3. identify negotiation techniques charged by insurers;
- O4. determining the selling techniques used by insurers in relation with various clients;
- O5. finding the techniques to remove the objections raised by customers;
- O6. knowing how insurance agents from Iasi complete the sales;
- O7. determine the level of specialization of the agents form Iasi in the negotiation and sale field.

Based on these objectives, we wanted to test several hypotheses derived from observing activity in the market of insurance from Iasi, in the idea to learn the truth about them and to achieve our objectives mentioned. Thus, the assumptions are as follows:

- I1: Currently, priority is maintaining the customer portofolio, in comparison with expand and diversify of it.
- I2: insurance agents prefer as type of negotiation strategies: cooperation and compromise.
- I3: The tactics used in negotiations are more offensive.
- I4: The most common negotiation technique is "Yes, but..."
- I5: For sale of the insurance policies is preferred especially "regards technique" and "the sale in three steps"
- I6: The strategy for remove the objections most often used is to avoid them.
- I7: On completion of the sale, companies require referrals (recommendations).
- I8: Most insurance agents from Iasi market have not studies in communication, negotiation and sale of insurance, and apply only a limited set of strategies and techniques, intuitively how.

The study was conducted in January-February 2011, on the Iasi market, that using the quantitative method based on questionnaire investigation, on a representative sample of 27 insurance agents. They come from five major companies that sharing the insurance market from Iasi: Astra, Grawe Insurance, Omniasig ING General Insurance. The questionnaire was constructed of 30 dichotomous items using both closed questions (question 1), or multiple answer (I.7, 8.19), and open questions, postcodificate (î.29, 30) and semi-open (4, 17, 25). Types of scales used for closed responses was semantic differential, Likert scale, ranking and ordering interval scale type.

4. INTERPRETATION OF THE RESULTS

As a result of the question-filter no.1 concerned to the post which owned in the insurance company and the knowledge of the field sales, 25 respondents have been validated to continue the investigation and two were rejected because respondents did not meet the necessary condition to be part sample.

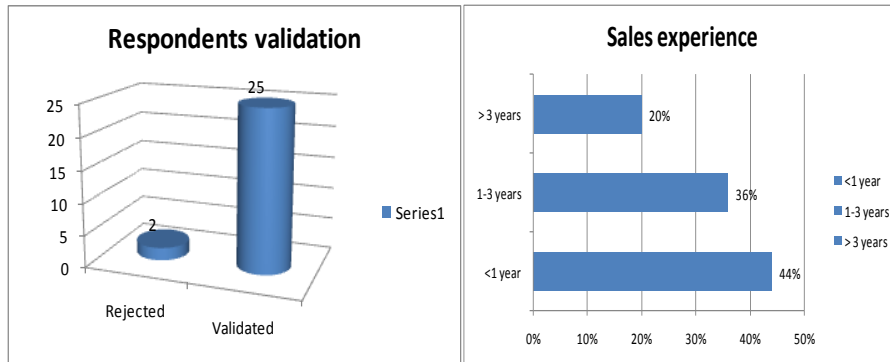


Figure no. 1 Valid people for the questionnaire

Figure no. 2 Sales Experience

Question two about the respondents experience in insurance providing the results shown in figure no. 2. We can see that 44% of respondents experience is less than 1 year, 36% of them have worked in this area between 1 and 3 years and 20% over 3 years of experience. Experience counts, but their training is very important for the performance.

The question three wanted to test the agents concern for maintaining or expanding portfolio of customers. The result obtained in figure 3 shows that only 32% of respondents are focused on maintaining customer portfolio, the remaining 68% are concerned about what it would mean developing a future orientation. The trend of development is manifested especially agents with less experience in the field, for 1-3 years (67.5%), which they still do not have a stable portfolio, comprehensive enough.

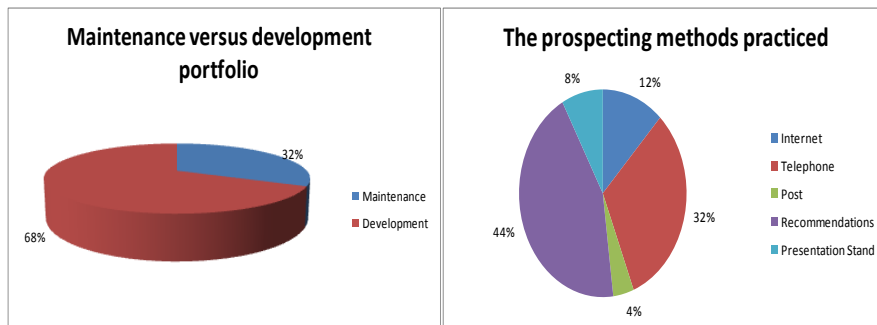


Figure no. 3 The orientation to the maintenance portfolio

Figure no. 4 Prospected methods development portfolio

Regarding the variation of potential customers to prospect for market insurance is most commonly used recommendations method in 44% of cases, because it seems safer, and the next most popular is telephone prospecting with 32% of. An interesting thing is that Internet prospect seems to be widespread in Iasi, being chosen in proportion of 12% as they will be seen in figure 4

The question 5 tested ways of maintaining the current portfolio of customers and the answers shows that: first place is held by "periodically contacting clients to inform" (20pc), the second is used "phone curtuazie (8pc) and on the 3rd place is "loyalty bonuses", "congratulations on your customer " and "wishes for Christmas" (7pc). Given the slightly rigid

price structure insurance system, the option of granting discounts to loyal customers rarely used, obtaining a small percentage (4pc).

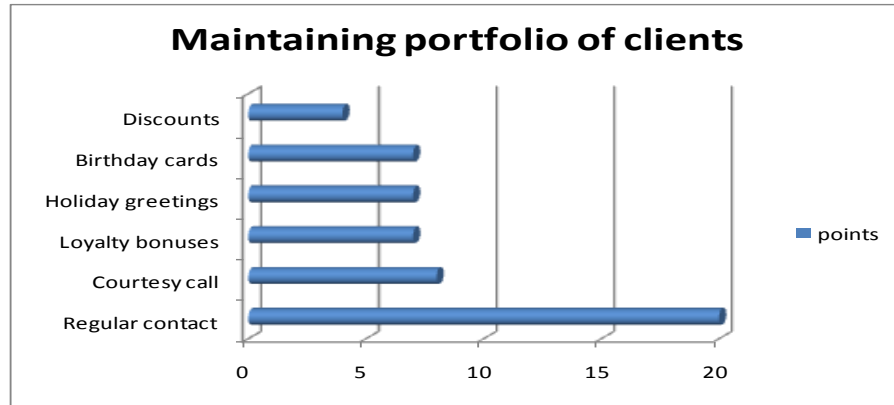


Figure no. 5 Maintaining portfolio of clients

The next question concerns the preference for a particular type of negotiation strategy often used in the insurance market. Results show that 44% is going on cooperation, 40% concession strategies and in the proportion of only 12% is going to compromise. The figure no. 6 is suggestive and detailed.

Negotiating tactics preferred by agents, tested by question 8, showing that the use of mixed type (offensive-defensive) in 76%. Only 16% of respondents indicated that they are rather offensive and only 8% are rather defensive. It can be seen in the figure no.7



Figure no. 6 Negotiation strategies

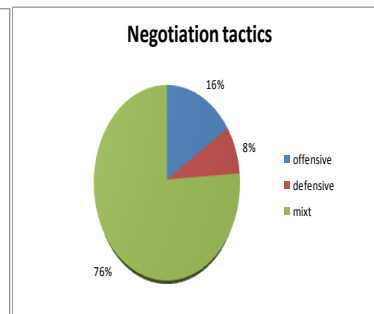


Figure no. 7 Negotiation tactics

Question 9 shows a preference for insurance agents to use some negotiation techniques learned, or improvise in the moment. The results are interesting especially if we do correlation with experience in the insurance field and specialized trainings attended by staff and presented the last part of the study.

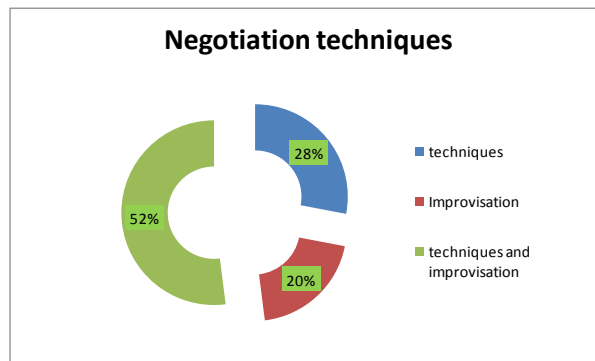


Figure no. 8 Negotiation techniques

The results to question no.10 on the negotiation techniques Agents agree shows 92% of them prefer the technique of "Yes, but ...", while 4% disagreed with it. Technique "contradict client is approved only 16% of the respondents. Technique "statistical poisoning" is used 60% of practitioners in insurance sales, and "rumbling mill" is used by 84% between them. Thus a ranking of preferences on techniques used in negotiation looks like this: I "Yes, but", II "die croaking", III "poisoning statistics", IV "contradict the client".

The questions 11 and 12 shows that for winning customer trust, staff use as technique: "the personalizing speech" in 80% of cases, and in 20% of situation prefer more distant issue. 54% of them are based on a confidence that the customer agrees with him so as to raise awareness and convince.

Question 14 shows that personal style has a great influence in the choice of negotiating techniques. Here we can detect a problem serious enough in sales, 68% of agents said they tend to talk more during the negotiations, and only 32% are more concerned to listen. A good adage that "silence is golden, and the talk it is silver", what that would mean listening to the customer would be an advantage for salesman, because he could shows the details on its preferences and needs, very helpful in persuading him to buy

Responses to the question "How do you react when a customer pressures, forcing the note?" brought interesting responses as can be seen in the figure below:

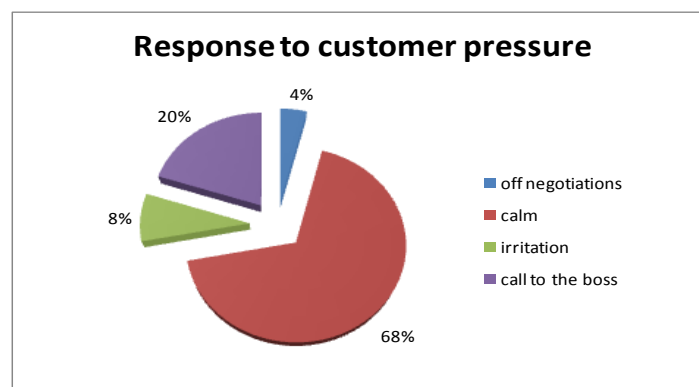


Figure no. 9 Response to customer pressure

Another question is testing the sale technique in three steps, and the responses show that it is applied correctly by 48% of respondents, they recommending first an insurance expensive an then another one cheap. It goes on the idea of contrast: "white is whiter, near black", which means "cheap next expensive is cheaper", so undeniable. This technique gives an expensive insurance possibly the first to sell if it is presented properly, or to make insurance of average value, very attractive. Other respondents tend incorrectly first to recommend cheap insurance (20%), or average prices (20%) and then the expensive insurances (12%) and they will have very little opportunity to sell in this way.

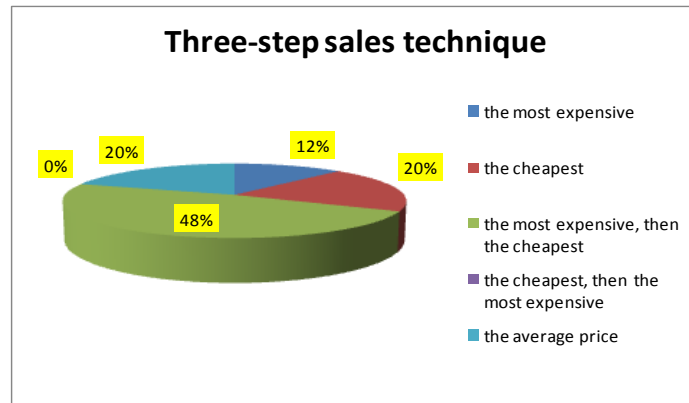


Figure no. 10 Three-step sales technique

Compliance with the rules of sale is one of the basic rules in any transaction. Responses to question 17 show that only 48% of the agents first identify customer needs. The remaining 36% shall, wrong in presenting the product and its benefits, wasting several chances to capture the customer attention by reporting to his needs.

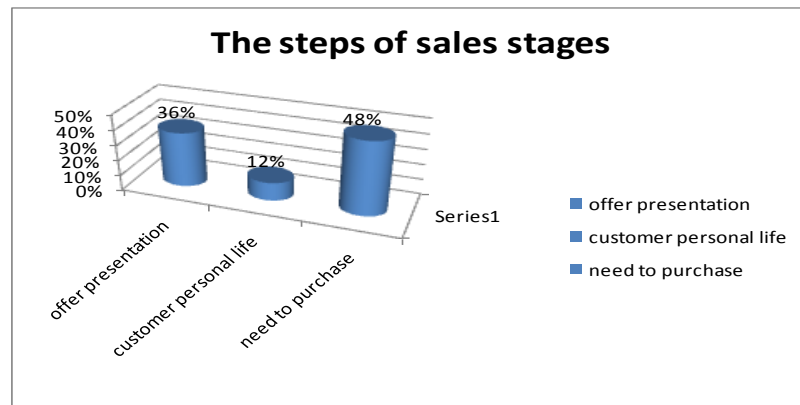


Figure no. 11 The steps of sales stages

The indecision of the customers is treated differently in the sales process. As the following figure presents, the situation of sales agents in this chapter is quite good because

resort to any means other than to stop selling the product. This can be seen in the next figure.

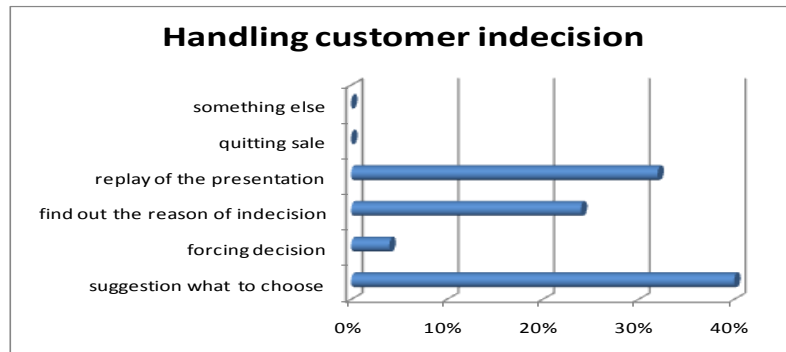


Figure no. 12 Handling customer indecision

Among the techniques to remove the objections, according to the responses obtained, "dealt with in the timing" is preferred by most respondents (52%), as can be seen from the chart below.

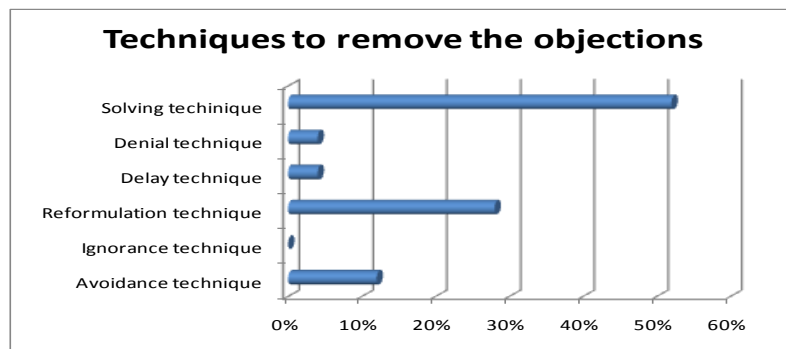


Figure no. 13 Techniques to remove the objections

In the case of specific objections about the price and necessity, those who sell insurance appeals to interesting solutions. When a customer claim that price too high, 36% of agents suggest another product, and another 36% want to know the real reason of complaint, to know whether the complaint is real, or is artificially created; the remaining 20% prefer to give an unhappy customer bonus price. If the complaint relates to non-need, the sales agents or waive time (44%), or find out more details about customer choice (44%), more rarely ignored calls (4%), or use the technique "mill croaking"(4%), or quit (4%).

Top ways to complete the sale is as follows:

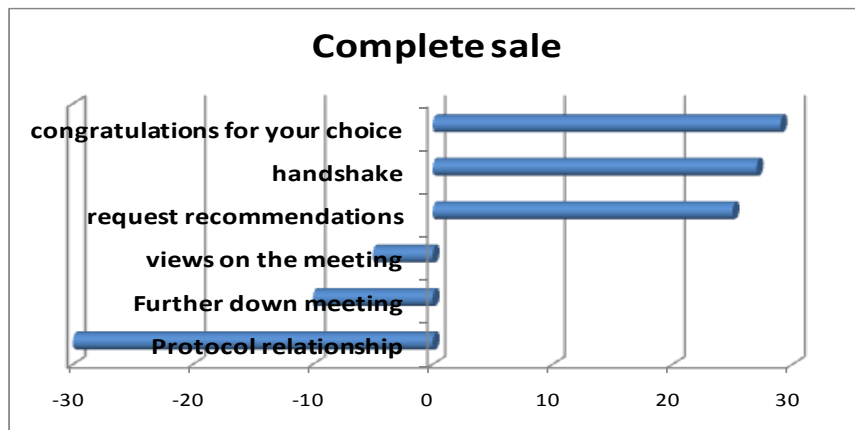


Figure no. 14 Complete sale

Unfortunately, the insurance agents are not concerned with a view to know too much about the meeting that customers have had. A feed-back could help to improve future sales and to facilitate the subsequent meetings in order to submit other insurance packages. Very few of the agents set up a subsequent meeting, and keep the customer relationship rather protocol.

Among the surveyed, only 24% manage to complete within a month insurance contracts with a value of more than 1,500 RON per month, which means too less and an inefficiency of application techniques and tactics of negotiation and sales.

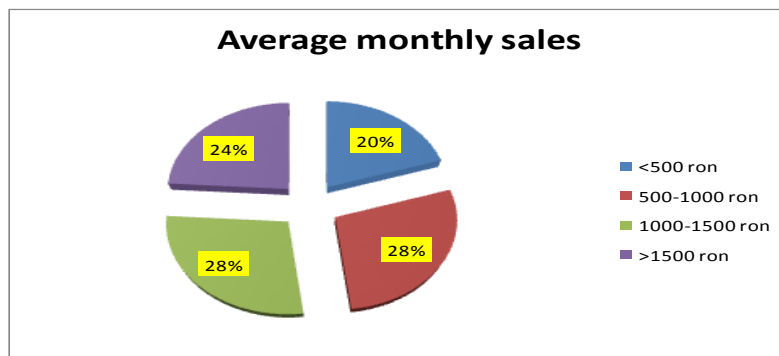


Figure no. 15 Average of monthly sales

This could be explained by the fact that most of the insurance agents have not attended courses in negotiation and sales, and the few who have followed, have not attended to the highest level in universities, but the company insurance. The graphs below are enlightening:

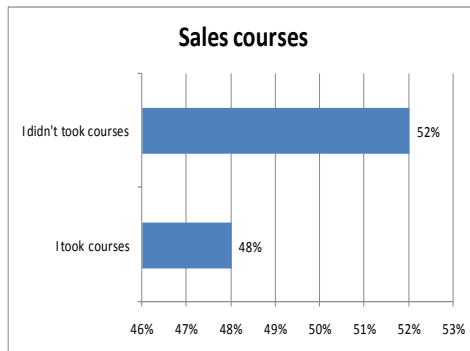


Figure no. 16 Sales courses

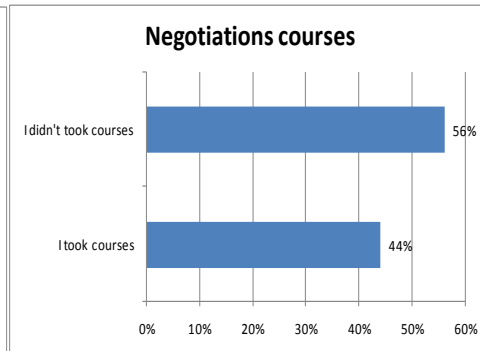


Figure no. 17 Negotiations courses

It can be seen that only 15% of those who have attended special courses went at the universities or went to training in the field. Most preferred the training made in insurance companies which often proves insufficient for a tough market.

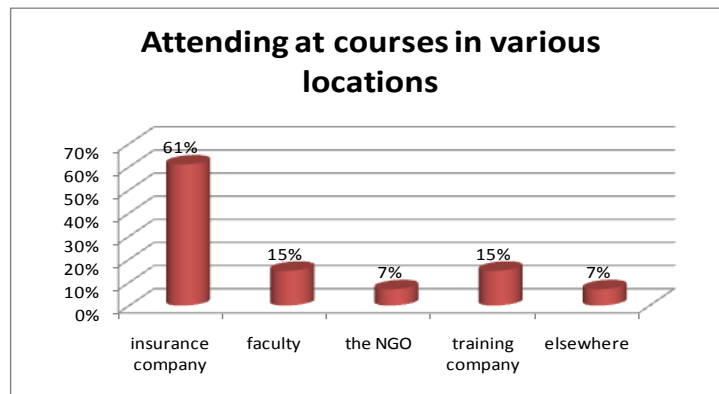


Figure no. 18 Organizers of courses

The quality of courses and applying techniques and strategies into practice, by reference to the customer are essential for insurance sales success.

5. CONFIRMATION OF THE HYPOTHESIS

As a result of research carried out we can now analyze the veracity of hypotheses. Thus we can say that the first case about the conduct of sales agents to maintain customer base is not confirmed, but only a small degree (42%). This is because 68% of them are moving towards its development because of various situational reasons.

In the preferred negotiation strategies by insurers and hypothesis 2 is only partially confirmed because they practice the strategy of cooperation and concessions, in disadvantage of strategy of compromise which was part of the supposition. Their strategies are the most fair-play in a changing society which is a harsh shift in the economy in recession.

The results show hypothesis 3 totally rule out, because the tactics used in negotiations are not totally offensive, but only a very small proportion of 16%. The tactics are mostly mixed (76%) which creates the possibility of adopting a cooperative strategy recommended by experts in the negotiations field.

The hypothesis 4 on the most common negotiation technique is confirmed in its entirety as "Yes, but.." is preferred by insurers, followed by technique "mill rumbling" and the "statistical poisoning". It should be noted that only 28% of respondents turn to pure technical, 56% of them combine them with various improvisations. Also, 68% of respondents indicated that they speak more than listen to customer preferences, or its needs. For the last reasons the sales performance are weak.

The hypothesis 5 is confirmed partly because it surveyed only 24% use "regard technique" and prefer rather "sale in three steps" (48%), but it applies largely incorrect. The incorrect application again brings to the fore the idea of not knowing mechanisms of human psychology, the relationship between needs-perceptions-solutions and the techniques listed as such.

The six hypothesis refuted in favor of the insurers. So when there are objections from the majority of customers prefer to apply the technique of resolution at a rate of 52% instead of the avoidance technique (12%). They also successfully uses the reformulation technique (28%) which helps to not lose customers, but to dismantle their objections, eventually ending the contract. If the price objections most often suggests a different product (36%) or used as an interrogation technique (36%) to determine the source of discontent. If it's complaint about lack of security needs in cheese, most insurers further practical approach (44%) and interrogation techniques (45%).

Regarding the seven hypothesis we can say that is confirmed in a large proportion, because the insurance agents require recommendations assurances regarding expand the customer base. What is the disadvantage of insurers? It comes from the fact that they do not establish subsequent meetings with clients who have contracted and does not require any feedback on a meeting, lacking such control is favorable or unfavorable aspects.

Hypothesis eight is confirmed against insurers agencies on the Iasi market because the answers to questions 29 and 30 shows that only 48% of them graduated in sales and 44% are specialized in the negotiations. The remaining acts improvising, how intuitive, or "stealing items" from those with experience. Those who have done training or courses have gone to an extent of 61% only to those held by insurance companies and have attended only a very small proportion of those held by faculty (15%), or specialized training firms (15%). For these reasons insurers do not act professionally, uses a limited set of strategies and techniques and lost opportunities. The proof is their low performance on the contract worth more than 1,500 RON per month. Only 24% of them manage this thing, which is very little of what could be done.

6. FINAL CONCLUSIONS

Although local insurance companies are struggling with increasing competition from foreign ones, they have still not invested enough in improving the quality of personnel qualifications and performance regarding to obtain net performance on scientific basis.

Decreased purchasing power of the population and the effective demand for insurers should be a signal to refocus to keep the customer portfolio and then, to develop it. Another problem existing in our country is that they lower conviction of the population about the

usefulness of insurance, especially in rural areas; even if there happened most cases requiring insurance: flood, fire, etc. In this case, communication and promotion techniques of the insurance products reported to customer needs can pay off.

Romanian insurance market outlook may be influenced by the selling of future sales and negotiation professionals, properly trained as to be able to use negotiation and sales techniques for respecting basic stages of this process which can be completed successfully.

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