



SOCIETY OF ACTUARIES

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# Strategic Planning Issues (Part Three of Three)

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The marketplace is more competitive and less forgiving, which challenges everyone to face the issues and challenges head-on. The fact is, we are part of a global industry, one in which we have both mature and emerging markets. There are three major types of companies emerging:

- World-class, truly international companies
- National or regional companies
- Niche players

As we move to the late 1990s and into the next millennium and within the context of this conference,—“Professionalism and Profitability, The Equation for Success”—this presents all of us with a challenge and a great opportunity to move our great industry forward. I would suggest that in your role as leaders in your company and leaders in your country, consideration should be given to six guidelines for the future.

First of all, you need a clear and concise picture of what you want your company to be. A vision, simply stated is “a vivid picture of an ambitious, desirable future state that is connected to the customer and better in some important ways than the current state.” Here are three vision statements:

- The Ford Motor Company—“Quality Is Job One”

- L.L. Bean (the largest, most successful catalog mail order business in the United States and perhaps the world) in Freeport, Maine—“Sell good merchandise at a reasonable profit, treat your customers like human beings, and they will always come back for more.”
- McDonald's—“Quality, Service, Cleanliness, Value”

Their visions are simply stated, inspiring and consistently repeated and applied in every business situation.

On signs in the home office and field offices, at meetings and conventions of Northwestern Mutual, State Farm, USAA, there are flags and banners with one-liner statements reflecting the vision of the company—customer service, respect for each other, teamwork—the values of the company. I recently asked the president of a company in Taiwan, “What's the vision for this company?” His answer was, “My vision for this company is to have a large number of professional agents, with integrity and a high sense of ethics working 50-60 hours per week, like any other professional serving the best interests of our clients and policyowners.” Now, that's not a bad vision; and I would add, “Say it over and over at meetings, correspondence/communications with the field, at conventions, until it becomes embedded in everyone's thinking.”

I would also strongly recommend consideration be given to the development of a code of ethics for your company and the industry in your country. Here is the code of ethics of the Million Dollar Round Table:

- Always place the best interests of my clients above my own direct or indirect interests.
- Maintain the highest standards of professional competence and give the best possible advice to clients

by seeking to maintain and improve my professional knowledge, skills and competence.

- Hold in the strictest confidence, and consider as privileged, all business and personal information pertaining to my clients' affairs.
- Make full and adequate disclosure of all facts necessary to enable my clients to make informed decisions
- Maintain personal conduct which will reflect favorably on the life insurance industry and the Million Dollar Round Table.
- Determine that any replacement of a life insurance or financial product must be beneficial for my client.
- Abide by and conform to all provisions of the laws and regulations in the jurisdictions in which I do business.

Next, we need to relentlessly pursue customer value. This is, again, a corporate responsibility, not just the responsibility of one department. Customer value is about quality and service, and these are the most basic shared values in a company, and you can compete on quality. But everyone has to be involved—a total corporate commitment. It means measuring key result areas—training, retraining, employee involvement and customer satisfaction. From the research we have done at LIMRA International, when you boil it down, the customer is saying they would like three things:

- Provide me with an adequate solution to my problem
- Give me someone I can trust and
- Give me value-added services, where value is in the service, not the price! It's about staying in touch, responding on a timely basis, being accessible at times convenient to our customers, and helping them deal with the company.

The bottom line is that customers want a relationship, not a hit or miss operation. They want contact; they want

you to stay in touch. It's about having the agent, when confronted with an issue involving a customer, saying, "Don't worry about it. I'll take care of it. You relax." The bottom line is, fall in love with your customers, not your products.

I would next include continuous people development and an effective distribution strategy together, because in our business the two are inextricably linked. To take advantage of the growth opportunities here in Asia will call for creativity and internal innovation, and focusing on the basics of training and retraining; and the selection of quality people will become the driving force. The goal is a quality distribution system with quality home office people.

The skills of our people will be the difference between success and mediocrity—as compared to other strategies such as those that are based on product, price, investment, commission or market. This is a more viable, long-term and sustainable strategy, as compared to the others that are more temporary. However, it will only be successful if well managed. As we have said so often, it is not the distribution system you choose, but the management of that system that makes the difference. With a career agent distribution strategy, the quality of people is the difference that really makes a difference.

Fundamental to the system is quality, value-added field management at the local level. In this regard, a greater investment simply has to be made in field management development if your goal is to be a major player in our global industry.

As you focus on developing the knowledge and skills of your field force and enhancing the professionalism of your distribution system, I would present the following for your consideration—that you move from the present approach of everyone being a prospect to identifying specific market segments, from recruiting anyone to having a specific profile of whom you are seeking, from recruiting as many as possible to being more precise in your selection, with the aim of exceptional retention. You must move from a hit-or-miss approach in training to a well-thought-out, comprehensive, disciplined

plan.

You must move from a "sell 'em and forget 'em" approach, to a specific client development plan, with consistent contact and service. You must change from a non-financial responsibility approach to field managers with business skills. Management development must change from being a cost to being one of the best investments the company can make. Companies must cease being product-driven, and become customer-driven, and go from pencil and paper to high tech. Finally, focus on the net, not the gross, as this will deliver profit, success and growth.

At the risk of sounding like a broken record, let me repeat once more the four basic economic fundamentals of distribution profitability—agent retention, productivity, persistency, and expense control. If we can make a positive impact in one or all of these, profitability will be significantly enhanced and will make for pleasant board meetings.

The fifth guideline is, "Build quality products and services." The operative word in that sentence is quality, and this relates to customer value, but focuses specifically on products and services.

I would add that as markets in each country mature and as equity-linked and equity-based products are developed, and as products are sold on the basis of interest rates continuing to rise, that you be vigilant to ensure that you learn from the experiences encountered in the U.S., U.K. and Australia, where class action lawsuits have been brought against some of the major companies for unethical sales practices in the selling of these types of products. I would recommend you secure a copy of the LIMRA International research report, "Market Conduct—A Global Tidal Wave."

Finally, we have market segmentation and an understanding of the marketplace. To my mind, this will separate the winners from the losers. This has moved out of the textbooks and into practical application at the field level, where perhaps the true marketing is really taking place. In the competitive environment of the '90s with banks, the global marketplace will call for facts,

facts and more facts. The basic principle is that the tighter the fit between the market, the distribution system and the products and services, the greater the chance for success.

Just consider the massive changes taking place in the demographics of your marketplace and the huge opportunities that are surfacing:

- The pre-retirement market
- The mature market
- The family market
- Singles and single head of household
- The affluent
- The ethnic market
- Small businesses
- The youth market
- The women's market

These markets represent a multi-billion dollar opportunity. However, it also means continually adjusting and fine-tuning your sales and marketing strategy to realize this potential.

Remember that management and leadership make the difference—not a 5% or 10% difference, but a 50% to 100% difference. Opportunities come to companies in only two ways, either through crisis or from leadership. Tomorrow's marketplace will be too unforgiving to allow those who react to crisis to survive. The survivors will be those who act from leadership—your leadership. Your leadership is also critical in bringing the entire corporation into marketing, because every marketing decision is influenced by the actuarial, investment, policyowner service, administrative, medical, legal, data processing and underwriting disciplines.

The undeniable fact is that the winds of change will constantly blow. For the company that is willing and able to embrace change, the future is bright and the possibilities are limitless. It is not the change, but how we adopt and adapt to change that is the key.