6 Secrets for Sales Performance Success in Insurance

Overview
As the pace of business accelerates, insurance companies continue the struggle to keep up with changes in strategy, markets and products. The sales and distribution leadership is finding it extremely difficult to prioritize and drive the desired sales behaviors using existing processes and platforms. To effectively align the behaviors of your sales force and the various sales channels with your corporate vision, new strategies need to be embodied in your incentive compensation plans.

From sales managers to field reps and sales operations – everybody knows salary plays a vital role in employee motivation. But is money the only reason to get up and go to work? How much should people earn? How much is salary affecting employee turnover and retention?

Though insurance sales agents can usually expect only a modest salary, with average pay of just $35K per year, most enjoy their work and report high job satisfaction, according to a PayScale salary survey. We might think a higher pay produces better results, but there is scientific evidence to indicate that the relationship between compensation, motivation and performance is much more complex.

The following secrets have been identified by our consultants in nearly 25 years of delivering innovative technologies and expert know-how to help large sales organizations and global insurance providers improve sales performance.
The 3 most powerful words other than “I love you” are “Salary is credited”. This whitepaper aims to equip insurance sales leaders with few tips to help them improve sales force motivation and performance through an easy-to-remember ‘SALARY’ structure.

START BY BRIDGING THE GAP
A lot has changed in the way management would design and administer sales compensation plans. The role of sales organizations is evolving at a fast pace and the challenge lies in aligning their incentive compensation plans to the company’s business goals. Every senior management’s pain point lies in effectively integrating the sales compensation structure into their fiscal business planning process.

Ever wondered, what do producers expect from their carriers? A sustainable, potentially high income goes without saying, as do competitive products. But besides this, carriers are also expected to excel at multiple support areas such as technology, assistance with business development, back office and sales support, as these tend to create a competitive advantage for their distributors.

Of course, compensation management is particularly critical. Carriers must make payments accurately and on time, and better manage often complex compensation and incentive program structures. But to harness the real power of these programs, insurers also need to simplify the entire incentive compensation process for their producers.

To complicate the challenge, each major distribution channel requires a different approach. Independent agents need to be enticed and motivated to sell your product rather than your competitor’s. Your captive agents won’t need any such persuading, but rather hiring the right people and retaining the best talent can facilitate the ease of doing business.
And therefore, amidst the changing regulatory environment, sales strategies, processes and roles, if your commission plans are not aligned to business goals and factors which drive the producers, the actions of your sales force could be counter-productive.

**APPLY EFFECTIVE COMMISSION SCHEMES**

A pay for performance growth plays a critical role in any sales organization, and the understanding of this culture can lead companies towards sales success. Over $800 billion per year is spent on sales compensation by U.S. companies alone, in the form of commissions and bonuses, according to a 2012 Harvard Business Review study. With the increase of sales forces companies announced this year, we can expect incentive compensation figures to reach an all-time high. Almost 75% of SPM solution buyers believe that incentive compensation management (ICM) is critical to the success of any sales organization, according to Optymyze quarterly evaluations.

One of the glaring issues of the distribution management function in insurance is sales force effectiveness and its relationship with the highly regulated incentive compensation practices in the industry. The three most critical questions carriers need to ask themselves are:

- What are the goals of pay for performance?
- Who should be paid for performance?
- What should be rewarded?

Pay for performance systems can be inclusive or exclusive. Hence, the axiom that “what gets measured, gets done” has particular relevance when measures are reinforced by monetary incentives. An essential point to keep in mind is that pay for performance is a powerful tool, which must be used wisely. Insurance organizations must be very careful when deciding what to measure and reward, because they are quite likely to get what they measure—which may not always be what they really want. In other words, agencies must be sure they are reinforcing desired behaviors associated with the most critical outcomes and not encouraging counter-productive responses.

**LET THE FOCUS BE ON AGILE SELLING**

In this highly sensitive and globally competitive world, insurance sales teams are facing increased pressure because of various reasons like falling premium, regulatory compliance, loss of existing customers to competition, and shifting loyalties of sales force. An agile selling approach will help clear the air so that insurers can provide the necessary changes in strategies and practices that reflect in the financial increment of the company. By understanding a new set of strategic building blocks and how they can trigger innovation and anticipate change, insurers will be able to explore amazing organizational capabilities.

The current economic upheaval highlights the criticality of agility, innovation and continuous transformation for most businesses, and insurance is no exception. The most consistent and growing force exerting itself against any business today is change. Are you keeping up with this staggering pace of change? Doing more of the same and expecting a different result is simply not working in any industry—especially insurance.

Agile selling requires companies to operate at different execution speeds and multiple levels of collaboration. When done strategically, it can provide the flexibility, accountability and responsiveness necessary to capitalize on growth opportunities in response to changing customer behaviors.

**ALLOW DISTRIBUTION MODERNIZATION**

Many insurance companies are still skeptical about modernizing their distribution because they have gotten used to working with traditional systems for a long time. Some don’t even accept that the way insurance products are distributed today has undergone a sea change. The distribution model demands investments in multiple channels, a strategic focus in their development, and the ease of doing business provided to each of the sales forces—agents, brokers and Bancassurance partners. Insurance agent/broker commissions are no longer as
simple as Excel-based compensation tables that paid everything at a percentage of the premium. The increasing complexities in multiple hierarchy management, trailing agent commission management, deferred commissions, draws, callbacks, production and persistency bonuses, audit trails and policy history have continued to push the operational costs for insurance sales organizations. The same complexity applies to many agent life cycle management processes such as on-boarding, licensing and appointments management, compliance and reporting using analytics.

“Insurance agents want transactions to happen fast and easy, and customers want the same thing,” a Novarica survey concludes. Insurance providers have indeed a lucrative opportunity to capitalize on revenue growth and achieve operational efficiency by investing in leaner processes delivered with distribution modernization.

**ROI FROM SALES TECHNOLOGY ENABLEMENT**

By 2020, 85 percent of customer relationships will be managed without customers and companies ever meeting in person, according to Gartner research. While manual spreadsheets work well for smaller organizations, they are inherently labour-intensive, error-prone, and hard to scale for more complex companies. An increasing number of insurance sales leaders are investing in agile sales enablement technologies to be able to respond to the fast growth rate of organizational change.

Sales heads have been noted to rely on several mobile applications, solution selling tools, systems with predictive analytics capability, and several other distribution modernization technologies that replaced legacy systems, helping them move away from traditional ways of doing business.

Increasing sales productivity, sales force effectiveness and continuously improving sales performance management have always been on the priority list of top sales professionals. However, only 27% of companies have dedicated sales effectiveness staff, according to a Marketeer report in 2014. On the positive side, Gartner’s January 2015 report says the SPM software market will be $1 billion in 3 years. And the SPM services business is at least two to three times the software business.

**YEARN FOR MATURE SALES PROCESSES**

In response to the complexities in distribution, the insurance leadership is constantly looking for ways to align their sales support and back office function with the central goal - another way of demonstrating the ease of doing business.

To be able to grab every revenue growth opportunity, a company needs flexibility to configure a new product. To establish a relationship with a new insurance distributor, insurers need to be creative in devising the right compensation plan. Encouraging agents to promote an underperforming product demands having a targeted incentive plan, flexibility and speed.

Hence, it becomes critical to choose standardization and apply it consistently across the distribution channels to drive desired sales behaviors. Regularly inspecting processes to find the gaps, measuring the process efficiency, benchmarking best practices, and making continuous improvement can also help strengthen the overall functioning of an insurance sales organization and contribute towards sales success.
Conclusion
The above 6 secret SALARY figures reflect insurance industry best practices and can buy sales and distribution organizations the treasure of improved sales PERFORMANCE. With the help of these secrets insurers are able to:

Proactively monitor commission plans for misalignment
Enforce a clear understanding of strategy company-wide
Remunerate and reward top achievers
Formulate standards and benchmark sales processes
Observe new opportunities for continuous improvement
Revisit strategy to adapt to any change
Modify compensation plans to align to those changes
Anticipate and embrace change ahead of competition
Nurture sales talent and improve retention
Communicate and collaborate across all sales channels
Establish clearly defined sales quotas/targets/objectives

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About Optymyze
Optymyze helps companies improve sales force and sales operations performance with enterprise cloud applications and business process management services for aligning sales goals and compensation; efficiently executing sales strategies; driving faster increases in sales results; and gaining visibility into sales performance.

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