

CHAPTER V

SYNOPSIS

PROMOTING AND MARKETING TRADE INSURANCE **- THE MALAYSIAN APPROACH**

Difference Between Selling and Marketing Concept

Selling Concept

- Emphasis is on the product
- Company first makes the product and then figures out how to sell it
- Management is sales-volume oriented
- Planning is short run oriented in terms of today's products and markets
- Stresses needs of seller

Marketing Concept

- Emphasis is on the customers' wants
- Company first determines customers' wants and then figures out how to make and deliver a product to satisfy those wants
- Management is profit-oriented
- Planning is long-run in focus in terms of new products, tomorrow's markets and future growth
- Stresses wants of buyers

Difference between Selling and Marketing Functions

- Both are independent functions
- Selling is focused around the point at which the potential customer becomes convinced of the value being offered by the product and commits to buy.
- Marketing function prepares the ground for the sales function
- Marketing precedes sales
- Marketing is upstream activity

- Selling is made up of a series of individual transactions

Marketing - Preparing the Ground for the Sales Function

- Defining the product / service offer in terms of market wants and how these may change in the future
- Identifying who the market is and what it consists of in terms of different groupings
- Determining how far to go in re-specifying existing offers for different groupings or generating new specialised offers (including prices)
- Determining how the end consumer will be made aware of the offer and its relative merits compared to the alternatives available
- Determining how the product is most effectively carried to the market

Segmentation

- Traditional view - best salesman is the one who "hard sells" to persuade the other person to buy
- Marketing attempts to reverse this traditional order
- The concept of segmentation (or classification) is at the heart of marketing
- The point is to match a customer want with a product or service which is profitable to deliver

Steps in Segmentation

- Find a form of classification which acts to differentiate a group within a mass
- Determine whether it is feasible and profitable for the supplier to segment the offer
- Involves the way the offer is made, communicated and brought to the market
- R & D input will test certain possible differentiating variables among the customers (eg. size, industry, sector, and geographical location)

Public Relations

- Two key components leading to a sale transaction
 - Awareness

- Confidence
- The brand attaches the "values" of the provider, eg., "living up to market expectations"
- Values behind trade insurance are:
 - Government backed
 - Long established
 - Well informed
 - Reliable
 - Fair
 - Caring
 - Courteous
 - Quick turn around for approval

Print Media

- Newspaper
- Specialised trade magazines, journals

Other forms

- Sponsorship
- Promotional activities

Public Relations Strategy

- Define specific public relations obligations
- Set budget
- Plan, coordinate public relations activities

Listening to the customer - customer care

- Selling credit insurance is not merely selling an insurance policy - it is selling a service
- Listening to the customer is a way of obtaining the feedback necessary to provide continuous product and after-sales service
- Customer care should build customer loyalty and enhance repeat business

Environmental Change

- Marketing strategies must respond to the world environment
 - Shifts in directions of trade
 - Currency turmoil
 - Different economies prosper and slip back
 - New industries emerge and old ones fade away
 - Patterns in claims
 - Directions of government trade promotion policies ie. to non-traditional markets

Adapting to Changes

- Identify and track key external measures or trends, eg. volume, composition and destination of exports
- Develop ways of servicing information through policyholder or buyer contact or own claims experience or Berne Union members' experience
- Develop ways of synthesising such information and decide about future direction of business

Special Problem in Marketing Trade Insurance

- Trade insurance sells pieces of paper
- Perceived as expensive and complicated to administer
- Insurance salesmen are often not perceived as well-meaning professionals
- Credit insurance should position itself as selling a range of services which include:
 - Advice on credit risks
 - Collection services
 - Or a whole range of risk management services

Three Key "Pillars" for a Trade Insurer

- Awareness
- Security
- Reputation

Awareness

- Awareness of the risks associated with non-payment
- Easier done during recession than boom time
- Easier in some industries and markets than others
- Trade insurance as an appropriate reference to those risks
- Unwise to insist on insuring LC transactions all the time
- Challenge against self-insurance

Security

- Will the trade insurance pay if the insured business goes bad?
- Ex-gratia claims

Reputation

- Fairness
- Customer care

Added Value in Trade Insurance

- Provide trade insurance more efficiently or effectively - through information technology
- Speed of decision on credit limits
- Consistency
- Ease of access - on line computer
- Reduced cost
- Sell services
- Buyer information
- Country information
- Join an international networking organisation eg. Credit Alliance

SELLING TO THE EXPORTER

Introduction

- How sales are performed and organised - "marketing"
- Selling is only a small part of marketing
- Successful selling process depends on good marketing plan

Organising a Sales Department

Sales Strategy

- Prospecting
- Communicating
- Selling
- Servicing
- Information gathering
- Allocating

Two types of sales organisations:

Full Task Approach

- Prospecting
- Communicating
- Selling
- Servicing
- Information gathering
- Allocating

Narrow Approach

- Prospecting
- Selling
- Information gathering

Advantages and Disadvantages

Which sales organisation to adopt depends on:

- Market situation
- Customer segmentation
- Flexibility in the product
- Competition

Therefore, it is difficult to choose an organisational structure in advance

Controlling the Sales Representatives

- Define clearly general negotiating authority of the sales representative
- To what extent the sales representative may deviate from these general policies
- Sensible control of sales efforts:
 - Clear understanding of general policies
 - Personal authority
 - Flexibility
 - Control by management
 - Quotas
 - Activity plan vs. activity result
 - Regular formal evaluation
 - Customer feedback
 - Coordination between underwriters and sales personnel

Remuneration of Sales Force

Normally consists of:

- A fixed amount
- A variable amount
- Expenses
- Fringe benefits

Organisation and Structure of Sales Activity

Sales Approach

Two basic approaches:

- Order - taker approach
- Order - getter approach
- Sale-orientated approach
- Customer-orientated approach

Sales Parameters

- Advertising
- Direct mail
- Telesales
- Personal sales work in the form of meeting activities (cold / warm canvassing)
- Own information database
- Combination of the above

The Personal Sales Phases

- Marketing plan
- Sales objectives of the company
- Prospecting and qualifying
- Pre-approach
- Approach
- Presentation and demonstration

- Handling objections / negotiation
- Closing
- Follow-up

Prospecting and Qualifying

- Identify and prioritise potential customers
- Basis of identification:
 - Newspaper articles
 - Publicly available registers on companies
 - Present customers' recommendation
 - Industrial organizations
 - Yellow pages
 - Database on CD ROM

Pre-Approach

- Know the customer before approaching such as:
 - Type of business
 - Size of the business
 - Market
- Sales representative then has to decide:
 - When to contact customer
 - The convenient way to contact the customer
 - Which call objectives should be determined for a prospect

Approach

- Initial contact
 - Personal appearance
 - Opening lines
 - Follow-up remarks

Presentation and Demonstration

- AIDA Formula:
 - Attention
 - Interest
 - Desire
 - Action
- Presentation by support tools such as AV, OHP, Laptops etc.
- Distinguish between:
 - Customer benefits, and
 - Product features
- Need - Satisfaction Approach
- Influence strategies:
 - Legitimacy
 - Expertise
 - References
 - Ingratiation
 - Impression management

Handling Objections / Negotiations

- Psychological objections / resistance
- Logical objections / resistance
- Interviewing technique

Closing

- Understand signals from buyers before closing the sale
- Techniques for encouraging closure:
 - Special benefits with prompt decision
 - Offering special product characteristics

Follow-Up

- Ensure customer satisfaction
- Maintenance of lasting business relations
- Always contact customer

APPENDIX 1

SELLING TO EXPORTERS

CASE STUDY

Sales representative A of Malaysia Export Credit Insurance Berhad, has identified XYZ Bhd. as an interesting prospect. By way of credit information, a newspaper article about the company's successful expansion and the annual accounts received from the local register of companies he has obtained the following data on the company:

Total turnover	USD 20,000,000
Export turnover	USD 12,000,000
Net worth	USD 4,000,000
Terms of Payment	Normally net 60 days from date of invoice
Major export markets	United Kingdom 28% of exports
	Japan 20%
	USA 27%
	Taiwan 10%
	Singapore 10%
	Canada 5%
	France 5%
Line of business	Furniture
History	Established in 1948
Experience with credit insurance	None

Furthermore he learned from calling the company's Financial Manager that the company has had two bad debts during the past three years totalling approx. USD 30,000 (one in Germany and one in Mexico). During the conversation the Financial Manager also expressed his interest in hearing more about the possibilities of insuring the company's export debtors as the company has a current outstanding balance of approx. USD 50-60,000 on each of its 25 debtors. The solution must include

cover for both commercial and political risks. In comparison, the current balance for each of the company's other 175 debtors does not exceed USD 15,000.

He stressed however, that since the company has sustained very few losses on its debtors, they were only interested in paying a very small premium for the insurance as they had so far been quite satisfied with not having any insurance, which had proved profitable when calculated over a number of years.

The expansion they have experienced in the past few years has, however, resulted in a considerable influx of new buyers and to a certain extent, new markets (Mexico, France, Pakistan) and specifically in this area they might be interested in taking out insurance until they know these buyers better, said the financial manager. On the other hand, business conditions are improving on most of the markets for which reason the risk of sustaining a loss is assumed to be reduced considerably.

APPENDIX II

SELLING TO / VIA BANKS

FACTORING

Banks as Brokers

- Marketing - individuals and companies can go to one address for all their financial needs
- Company has good access to the clients who have only bought bank product, to sell insurance to and vice versa.
- Bank-related brokers are called "dependent" or "bank-related"

Questions

- Do you use banks as a distribution channel?
- Do you experience any difference between independent specialised brokers and bank-related brokers?
- Do you have a special incentive program for bank-related brokers?

Banks as "Influencers"

- Banks can use credit insurance as a tool
 - To provide attractive financing
 - With extra security for themselves

Questions

- Do banks in your country give a higher credit-facility if a customer has an insurance policy?
- How do banks in your country view the value of a credit insurance policy as a pledge of the accounts receivables?
- Do you use this benefit of credit insurance as an important selling argument?

Banks as Competitors

- Both banks and credit insurers offer financial services
- Different types of credit, but some overlap:
 - Bank credit
 - Sellers credit

Questions

- Do you consider L/C's as an important competitive product?
- Can you compete on price with L/C's?

Factoring

- Factoring - a credit management service
- The factor offers a range of services:
 - Cash advance
 - Administration
 - Debt collection
 - Credit insurance
 - The client is not obliged to buy the whole service, but can select parts.
- A factoring company is a rival for a credit insurer
- Factoring is more expensive than credit insurance

Questions

- What are the advantages and disadvantages of factoring?
- For which companies could factoring be attractive?
- Do you encounter competition from factoring companies?
- Do you have any experience with factoring companies as clients?