

## The Effects Of Customer Prospecting Methods On Sales Force Performance

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### ABSTRACT

In recent years various insurance firms have set up shop in Eldoret town. This study therefore was aimed at studying the relationship between the insurance firms, their customers and sales teams. This research was carried out with an attempt to investigate effects to determine the effects of customer prospecting methods on sales force performance within Eldoret Town. The study adopted explanatory research design in the research whereby questionnaires were used to collect data from a sample of 267 respondents who were working as sales persons for various insurance firms within Eldoret. Data was analyzed by use of descriptive statistics and inferential statistics especially multiple regression and Pearson product correlation. The regression results showed that customer prospecting had a positive effect on Sales force Performance of the firms and was statistically significant ( $\beta=.506$ ,  $p\text{-value}=0.000$ ). This study recommends that insurance firms should at all times strive to put emphasis on customer prospecting methods by keeping good track records of potential customers as it will make the work easy when it comes to locating customers, put in place guideline policy of attracting prospects and translating them to customers and getting a sales lead and qualifying it as sales. Also the study recommends that firms should develop a good relationship with the customers through referrals by existing clients as it has greater and lasting effect on sales force performance, firms should develop a well managed customer relations through incentives which leads to repeat purchasing and lay emphasis on customer value management and regular interaction with loyal customer and prospects as a strategy that will mend relations and reflect on the overall sales and finally maintain a cordial relationship with the clients so that they can receive feedback from the clients on its products and ways of doing business. In conclusion, the findings of the study suggest that insurance companies should at all times strive to practice customer relationship management activities' that emerged from the study.

**Key words:** Customer, prospecting, sales force, performance, insurance, firms

### Introduction

The term customer prospecting refers to all the various means employed in business to track, locate, and attract new customers (Reinartz & Kumar, 2003; Shultz, 1995). Many firms have developed databases that contain detailed interaction data on prospects as well as customers (Thomas, 2001). In the process described by Payne (1994), the concept of CRM is understood in terms of a loyalty scale leading from the customer prospect, through customer, client, and supporter, to partner. According to Payne (1994), customer prospecting plays a key role at the beginning of the CRM process. Thomas (2001) has examined a methodology for linking customer acquisition to customer retention. He found that customer acquisition and retention are not independent processes.

The sales force performance can be evaluated in terms of how many new customers were acquired and how many customers were lost during a specific period. The expense of a sales-force can be measured by monitoring the sales-force to-sales ratio, or sales force cost as a percentage of total sales (Walker et al., 1990). The sales force relies on sophisticated marketing data to make a convincing presentation to the prospect in order to achieve its sales and marketing objectives. In measuring the relations with customer, researcher look into the components of customer's relations on sales force performance such as reliability of customer commitments, referrals, joint strategy for new opportunities and engagement in social events. The relations with customers component of CRM concerns the extent, to which firms initiate, develop, maintain, and improve relationships with other firms (Berry et al., 1991; Gronroos, 1990; Heide, 1994; Jackson et al., 1985; Morgan et al., 1994; Nevin, 1995; Peterson, 1995; Reinartz & Kumar, 2003).

Customers require the assistance of customer service or sales force during the claims handling process, which can be considered the seed of an insurance company's success. For the customer, a negative experience during claims

handling can result in a loss of faith or loyalty. This can be extremely detrimental to the insurance company, as the majority (70 to 75 percent) of insurance costs is affiliated with settling claims (Wolf, 2011). In addition, poor claims management and inaccurate reporting can take away from opportunities for experience-based premiums and competitive rates, thus resulting in a poor reputation for the insurance provider (insurance journal by wolf, 2011) and in return performance of both the sales force and organization may decline. There is a great deal of confusion what constitutes CRM. The definitions and descriptions found in the literature vary considerably, indicating a large variety of CRM view points. The researcher defines CRM as cross-functional process that focuses on initiating, maintaining, and retaining long-term relationships to achieve a better economic performance (Day and Van 2002). CRM is carried out across the customer life cycle with the help of customer information technology (Day and Van 2002; Reinartz et al., 2004). On this basis therefore, without proper exercise of CRM then many organizations may face insurmountable competitions.

Firms that build relationships over time should interact with customers and manage relationships differently at each phase (Srivastava et al., 1987). Thus, CRM should focus on a systematic and lifecycle- congruent management of specific activities to develop customer relationship across the lifecycle phases with the most profitable customers. While relationship marketing has been developed mostly for business-to business markets, CRM refers mostly to business-to-customer markets with large customer bases.

Roles variables, selling skills, motivation, personal factors, aptitude, and organizational factors

The findings from Churchill et al., (1985) indicates that selling skills were the second most important variables, both in terms of average size association with reference and in terms of real variations. However, Churchill et al (1985) and Rents et al; (2002) observed that few studies on individual characteristics relating to the selling skills dimensions of sales force were convicted before the meta-analysis since these studies of Churchill et al. (1985). Other studies named on research focused on specific aspects or the micro-skill stream of selling skills which are based on individual sales skills (Rents et al., 2002). Those micro-streams selling's skills can be divided into three dimensions-interpersonal, salesmanship's and technical skills. Buyer-seller relationships literatures argue that, little attention has been paid to the role played by the sales force in the adoption and implementation of the relationship approach with the customer. This is quite surprising, because "...sales people play a key role in the formation of (Moller and Wilson, 1995) long-term buyer seller relationships. As primary link between the buying and selling firm, they are considerable influence on the buyer's perceptions of the seller's reliability and the value of the seller's service's and consequently the buyer's interest in continuing the relationship.

## **RESEARCH METHODOLOGY**

### **Research Design**

In carrying out this study, the researcher used explanatory research design. An explanatory study because not much is known about the situation at hand or no information is available on how similar problem or research issues have been solved in the past (Padilla, 2005). In essence explanatory studies are undertaken to better comprehend the nature of the problem since very few studies might have been considered in that area.

Padilla asserted that explanatory studies are necessary when some facts are known but more information is needed for developing a viable theoretical framework. Descriptive type of using this method is to illustrate the information on the present existing conditions. Kerlinger (1969) pointed out that descriptive studies are not only restricted to fact findings, but may often result in formulation of important principles of knowledge and solution to significant problems.

Orodho (2003) view descriptive survey as a method of collecting information by interviewing or administering a questionnaire to a sample of individuals. It can be used when collecting information about people's attitude, opinions, habits or any of the variety of education or social issues ( Orodho and Kombo, 2002). The major goal of using this method is to describe the nature of situation at the time of the study and explore the cause of a particular issue (Sevilla et al., 1997).

According to Kirlinger (1964), 10-30% of the target population forms a representative sample; Mugenda (1999) asserts that 10-50% of the total target population forms a representative sample, while, Kothari (2003) indicate 30% of a target population which is homogeneous is adequate to use as sample for a study. A small sample can serve the purpose "if the items of the universe are homogeneous. However, for this study, the researcher had no constrain of being restricted

to this kind of target population since the firms earmarked for this study are concentrated in a similar locality that is easy to access.

#### Study Area

The survey site involved all the insurance firms in Eldoret town – Uasin Gishu County, about 350 km North West of Nairobi, the capital city of Kenya. This town is known to be attracting more Insurance companies because of the many infrastructural facilities in place due to the increased volume of business in recent years.

#### Target Population

The study targeted all the insurance companies within Eldoret municipality with a total work force of 927. The population that is being studied is called the target population (Mann, 1995). The target population in this research consists of managers and sales persons working for all the 17 insurance firms operating within Eldoret town. The study chose these individuals as the respondents because a preliminary visit for some firms indicated that the firms have only two types of staff- managers and sales persons who deal with sales directly.

#### Limitations

The limitations faced in this study included the pressure from the work duties of the researcher in the midst of carrying out the study. Though some sensitive information pertaining to the measurement of performance (especially sales output in shillings) required much convincing and assurance from the researcher to the Insurance firms that it is only needed for study, some respondents thought it is a study by a prospective competitor to know of their strengths. This prompted delays in receiving this kind of data for analysis. The other challenge in this research was the respondents who are working as sales personnel in the firms visited. As much as they were willing to supply information useful for this study, they were at times found and approached to fill the questionnaires while in the field. Similarly, at some moments, trade-offs had to take place, responding with a condition of sales lead. All in all, the limitations were well manageable as the firms in question are concentrated in the expanse of Eldoret Town.

### RESULTS

#### 4.2 Demographic profile of the respondents

The demographic profile of the surveyed respondents is presented in Table 4.1 which includes gender, age group and highest level of academic qualification. The total sample for the survey consists of 267 respondents. The gender distribution of the survey respondents is 67 per cent males and 33 per cent females. The results also indicated that the samples have age predominantly between 26 and 35 years, which is 55.4 per cent. Majority of the respondents are diploma holders: 48.3 per cent and 31.8 per cent have certificate level of education. Only 3.4 per cent of respondents have attained post graduate level of education.

**Table 4.1: Demographic information of the respondent**

Variables		Frequency	Percent
<b>Gender</b>	Female	89	33.3
	Male	178	66.7
<b>Age category</b>	Below 25 years	83	31.1
	26-35 years	148	55.4
	36-45 years	33	12.4
	Above 45 years	3	1.1
<b>Highest level of education</b>	Certificate	85	31.8
	Diploma	129	48.3
	Bachelors Degree	44	16.5
	Post Graduate	9	3.4

Source: Survey Data: 2011

#### Descriptive Statistics Analysis

##### Customer prospecting methods

Different insurance firms adopt different methods of customer prospecting. This is mainly the case due to the different insurance that are in the market. In certain cases firms can adopt the same customer prospecting methods. It

is worth to note that a likert of 1-5 was used as here under in soliciting respondents' opinion based on variables that were used. This section was studied as outlined below.

**Customer prospecting methods**

	Strongly Disagree	Disagree	Undecided	Agree	Strongly Agree	Mean	SD
<b>CUSTOMER PROSPECTING</b>	1	2	3	4	5		
Our firm has got good track records of potential customers.	0	7	27	151	82	4.15	.701
Our firm has a guideline policy of attracting prospects and translating them to customers.	0	7	27	151	82	4.15	.701
The most difficult part of customer prospecting is getting a sales lead and qualifying it as sales.	0	14	25	110	118	4.24	.830

**Source: Survey Data, 2011**

The results on table 4.2 show that 82 of all the respondents strongly agreed and 151 agreed that by having good track records of potential could make the work of a firm easy when it comes to locating them. This result outline a common understanding of what customer prospecting methods are to sales force performance given that the outcome is drawn in a likert scale of 1-5 with all valid cells giving a Mean average of 4.15 and Std. Deviation of .701. The results are the same on the question on whether the firms had a clear guideline policy of attracting prospects.

The respondents were also asked if the most difficult part of customer prospecting is getting a sales lead and qualifying it as sales. This difficulty is compounded by staff in the offices, gate-keepers, personal assistance and potential decision maker. The result shows that 118 of all respondents strongly agreed with the statement. This is significant because it points to the conclusion that getting a sales lead and qualifying it as sales is a factor affecting sales force performance.

**Correlation Analysis**

Before regression analysis was conducted on the data from the survey, the strength of the relationship between performance and the independent variables (Customer Prospecting, Customer Relations and Customer Expectations) was examined. This was done by the use of correlation analysis.

Since a single construct in the questionnaire was measured by multiple items, the average score of the multiple-items for a construct was computed and used in further analysis such as correlation analysis and multiple regression analysis (Wang and Benbasat, 2007). Pearson correlation was conducted to examine the relationship of the variables (Wong and Hew, 2005; Jahangir and Begum, 2008). As cited in Wong and Hiew (2005) the correlation coefficient value (r) range from 0.10 to 0.29 is considered weak, from 0.30 to 0.49 is considered medium and from 0.50 to 1.0 is considered strong.

From table below the coefficients of correlation for Customer Prospecting( $r=.813$ ,  $p=0.000$ ) and Customer Relations( $r=.793$ ,  $p=0.000$ ) indicate the existence of a strong positive relationships between the two variables and Sales Force Performance. The correlation in both cases is significant at both  $p=0.001$  and  $p=0.005$ .

**Table on Bivariate Correlations Between Sales Force Performance, Customer Prospecting, Relations and Expectations**

Variable	Performance	Prospecting	Relations	Expectations
Performance	1.000			
Prospecting	.813	1.000		
Relations	.793	.384	1.000	
Expectations	.381	.242	.426	1.000

**Source: Survey Data, 2011**

**DISCUSSIONS**

This study was on the effects of Customer prospecting methods on sales performance. The background of the study noted that Customers are becoming more demanding leading to increased competition and a number of ways that customers will want to interact will continue to multiply. Companies that are thinking about attracting and keeping

customers need to implement Customer relationship management. Social exchange emphasizes relationships development over time, and indicates that a successful social exchange circle involves trust and uncertainty. Social exchange behavior generates an expectation of some future return of joint improvement and positive contribution to the relationship, Mintzberg and Waters (1985)". Mintzberg and Waters further note that managers through their strategic decisions play a key role in shaping organizations. In shaping organization relationships, trust becomes a key component and a valuable management approach to positively or negatively affecting the organization's performance.

According to Faulkner and Tides well (1997), the most valuable contribution to the development of a theoretical analysis of variations is the response to customers within communities has come from Ap's (1992) adaptation of social exchange theory. The theory views the relationship between customer and the sales force in terms of trade-off between costs and benefits on both sides. The central premise associated with social exchange theory (Blau, 1964) is that relationships are based upon the exchange of values between two or more parties. Blau asserted that the nature of an exchange between the participants, equality or satisfaction must be felt as a result.

This study was to establish the relationship between customer prospecting methods and sales force performance. In these regard the study formulated the first hypothesis which specified that customer prospecting methods did not affect sales force performance. This hypothesis was negated by the coefficient of correlation value of 0.813 between Customer relations and Sales force performance. In addition, the coefficient value of  $\beta=0.506$  was statistically significant showing that there was a relationship between the two variables.

#### **Conclusions of the study**

Achieving the full potential of each customer relationship should be the major goal of every business (Boxwell, 2000). Particularly customer relationships play a major role in service industry (Skaates & Seppanen, 2002). Insurance firms are embracing CRM as a major element of business strategy. It is very obvious that insurance industries in Eldoret have a deep gap to understand customer expectations from any segments. Eldoret as a smaller town needs a greater portion of insurance industries. In this study by reviewing literature of CRM and using statistical methods, the researcher tried to find some effects of CRM on sales force performance. The researcher also focused on critical factors influencing the SFP upon implementation of CRM and the most barriers for implementing CRM in insurance industries.

On Conclusions, firms that had a good track record of their potential clients had an easy time in locating them. Having a guideline policy of attracting prospects and translating them to customers has an effect on sales force performance in the insurance firms. The major challenge on customer prospecting was a sales lead and qualifying it as sales. There was a strong positive linear relationship between customer prospecting and sales force performance of the firms.

Customer relationship through referrals by existing clients had greater and lasting effect on sales force performance. Well managed customer relations through incentives led to repeat purchasing in the insurance firms. Customer value management was a key aspect of customer relation and affected sales force performance. Regular interaction with loyal customers and prospects was a strategy which when used by firms repaired relations and this reflected on the overall sales. Customer relations had a strong positive linear relationship with the sales force performance of the insurance firms in Eldoret town.

When the firms adopted tailored product (s) /services to customers' tastes through innovation by organizations affected sales force. Well planned and aggressive marketing by the sales force created an opportunity for understanding customer needs and expectations which positively affected sales force performance. The adoption of one on one customer feedback system enabled sales force to understand what customers expected from them and in return had an effect on the sales force performance. In general, customer expectations had a weak positive linear relationship with the sales force performance of the insurance firms in Eldoret town.

#### **Recommendations**

One of the limitations of this study is that, the researcher only gathered data from the internal customer's side because the study focused on CRM and sales force performance. In this way, the researcher only studied the internal customer's perspective on CRM and not what the external customer think of. To paint a more complete picture one opportunity for future research is to broaden the research scope by including views from both sides of internal and external customers. The researcher is also aware that the ceteris paribus way of studying relationships (Anderson et

al, 1998) only allows a partial image of the relationship; the decision is a consequence of lack of constructs to measure effects of other CRM on focal performance. This limitation has in part been overcome by using relative scales where sales and commissions were compared with three independent variables. Nevertheless, future research could also examine the focal relationship in network of performance (Tikkanen and Alajoutsijarvi, 2002). Further research could also provide a cross-validation in other sectors (e.g. services). Although the measurement scale for CRM components used in this study were developed by likert scale, future studies could check whether these scales and the study model are also applicable to the service sector. Another opportunity for future research would be to test the model with variables (Wangenheim, 2003; Paulssen and Birk, 2007).

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