

A CASE OF SALES RESEARCH¹

REPORT ON FIRST STEPS IN A STUDY OF THE SELECTION OF LIFE INSURANCE SALESMEN

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It is extremely gratifying for anyone interested in sales research to find an organization such as the Taylor Society turning its attention to the sales problem, and I deem it a great privilege to be able to talk with you this afternoon on some of the plans and some of the results which seem to me to be of value in that field. Many of the results are partial and much of what can be said is of plans for the future rather than of actual accomplishment. But this much surely can be said: that executives in American business have come to the realization that their sales problems must be studied with more care than has been the case in past years.

The application of science to the solution of these sales problems and the establishment of scientific principles therein is a relatively recent development in American business. Individual companies and groups of individuals have put time and money into the study of factory and office management, and countless examples exist of research laboratories out of which have come results of far-reaching importance; but all the while the relations of business to the buying public and the problems of how these relations can best be handled have received little scientific study.

There seems no doubt of the need which exists. Here and there we hear comments, for example, that distribution costs are too high and that something ought to be done to reduce them. In recent months many men have endeavored to study certain angles of the sales problem with a view to assisting in the reduction of these distribution costs. As has been well said, "The problems of marketing, like factory problems, must be isolated, abstracted and analyzed after the scientific method." We have used science in securing

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solutions for our factory problems. The opportunity is at hand to use it for the solution of marketing problems. Cooperation between science and business is apparent in countless branches of American business, and the untouched opportunities in the marketing field for the operation of scientific methods have recently come to the attention of business executives with ever-increasing force.

The Taylor Society is officially described as being "a society to promote the science and the art of administration and of management." Certainly this description is adequate to cover the study of the marketing problems. You can, no doubt, assist the American business executives to see the opportunity that is theirs in studying their sales problems; and you will accomplish this end by clear thinking, by the inspiration of broad vision and by the influence of your example. Your managing director wrote me that there was in your mind this question: "Whether the principles of precise research and resultant principles of precise operation which have been developed in fabrication may not be applicable to distribution." I think that from the studies which you have already had presented to you concerning the quota, you have concluded that there are distinct and immediate possibilities for the application of precise study to the sales problem. I can do no more than hope that the work with which I have been briefly connected in the life insurance business will at least give you a further opportunity to see into the future to that day when science and management in the sales field will have been united as they have been in the field of fabrication.

Out of the gradual development of the common law there has come to be recognized as one of its cardinal principles, particularly in the law of evidence, the difference between fact and opinion. This distinction, so frequently used in legal matters, seems to me to be the distinctive point which is now being recognized in the study of our sales problems. In the

field of business, is it not science which causes the substitution of fact for opinion? A sales manager says that certain methods of operation are the best for his company, but does he actually know that they are the best? Is there any way in which he can know? Is there any way in which facts can be substituted for opinion? This seems to me merely to be another way of expressing the question which your managing director tells me has been brought before your Society.

The field of sales research seems unlimited, for the manifold intricacies of modern operations and the demands thereby made have gradually forced business into wider and wider fields of study, fields not dreamed of by executives as late as ten years ago. In the field of fabrication, there are examples of research resulting in countless new improvements, and in the field of industrial relations, there has appeared the necessity for a study of sociology and living conditions; but in the field of distribution the threshold seems scarcely to have been reached—much less passed. We have faint indications of the gradual recognition of the need in the distribution end of business, of studies in psychology, statistics and economics, but it would be a hard problem to attempt to define the limits of the field for possible sales research work.

It is unquestionably true that the opportunity for selling to the American public has been so unlimited and the factor of competition has in many cases been so small that precise methods of studying the sales problem have not been followed as they have been in other fields of American business. I recall vividly seeing the operations of a lumber company in the Northwest some years ago. The custom then was to cut a tree perhaps ten or twelve feet from the base, leaving a stump of that height which was not used. I was told that the reason was that that lumber was not of so good quality as the lumber in the upper part of the trunk and that it was not worth cutting. We have heard for years of this method of lumbering as being one which would cease as soon as the supply of lumber began to demand more careful methods of operation. It would seem that the same thing is true and has been true for many years in the sales organization of many companies. There has been no absolute demand for the study of distribution costs and for the study of distribution methods. Executives have not thought it worth while. Consequently today the study of interior or factory problems has progressed far in advance of the study of the relations of the company with the buying public.

The number of men who still say, "We keep no accounts, we are successful business men," is dwindling. Few are proud of such an assertion, and yet there are countless men in positions of direction in the matter of sales affairs who say similarly that their business has succeeded without any effort to analyze the differences between salesmen, for example, or without any effort to analyze the possibilities of the territory in which they operate. Consequently their argument is, Why should we change?

Turning now to the application of science to the life insurance business, we have an excellent example of its use, for, as you all know, the studies made for the last fifty years in the matter of selection of risks have produced thoroughly scientific results. There is one distinction between life insurance and almost every other business which is not often discussed, and that is that the life insurance business depends primarily for its success on the type of client which it accepts. In other words, the reason that an application for life insurance asks questions far more minute and of far wider range than is asked of the prospective client in almost any other business is because the client at once becomes an integral part of the company. His acceptance means that his physical and other characteristics are of vital importance to the company accepting him. With this as a foundation, it is easy to see that the life insurance business has to accept its clients with great care, and that this acceptance is based fundamentally upon the operation of the law of average. In fact, the life insurance business is nothing more nor less than a scientific attempt to pool among a group of individuals the risk which comes to one individual, and in this sense it is accurately described as substituting certainty for uncertainty. The business, therefore, has been peculiarly close to all questions of human differences, such as family history and personal history. The recognition of these human differences and the operation of the law of averages has enabled the companies to secure scientific measures such that there is today an accurately calculated premium for each applicant who is accepted by life insurance companies. Actuarial science has therefore grown up from the need to secure a scientific basis for the selection of risks, and those studies are landmarks in the use of science for the solution of business problems. We see life insurance mortality tables quoted frequently, we know that the significance of occupational differences is subject to reasonably scientific measurements as a result of these studies, and