SEEKING THE HOLY GRAIL OF MARKETING

MAXIMIZING AGENCY VALUE IN SUCCESSION OR PERPETUATION
PART ONE – IDENTIFYING YOUR AGENCY TYPE

Would you like to Maximize your agency value in your Succession or Perpetuation? Here is Pt 1 of three that will help you ID the type of both the seller and of the buyer (agency or individual):

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MEETING CUSTOMER EXPECTATIONS VS.
INCREASING AGENCY EFFICIENCY

Are you trying to control expenses to make more money or are you growing because you are meeting and exceeding your customers’ expectations. This article will differentiate between the two and show you how to make changes leading to greater profits.

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The CLIENT BILL OF RIGHTS

Do you or your clients know what they should expect from you? If not, how do they know if you’re doing a good job or not as their agent? This article defines how to measure up to the clients’ expectations…

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Find new ways and tried and true ways of adding qualified prospects to your agency by seeking the Holy Grail of Marketing.

For as long as I have been in the insurance business agents have sought ways to promote themselves to their marketplace to get people to know them. The agents believe that if they were allowed access to prospects, the sales would follow.

Yellow pages, billboards, magazine, newspaper, radio and television advertising yielded to mass marketing and mass marketing yielded to target marketing. Now the Internet has evolved our search for the Grail into blogging and social media marketing. Through all of the marketing methods attempted the good agencies were able to sell insurance and the weak agencies have failed.

The obvious fact is that many agents are not salespeople. This is evidenced by the decades-long trend away from selling a trust relationship between producer and prospect and toward offering quotes, hoping to sell because of price.

Of course every agent claims that he sells by building relationships. Yet a cursory review of the marketing approach of producers in most agencies make it evident that they are in the business of getting prospects to accept a quote and hoping that the quote is sufficient to sell the account. These agencies are selling quotes, not selling relationships to convert new customers.

In the past ten to twenty years it has become clear from continuously declining Sales Rates that selling on price is not working. Closing rates have dropped from 40% to nearly 10% on the most competitive market segments (auto in personal lines and BOP policies in CL) proving that there is always a lower price available in the marketplace.

So, instead of looking back to the strategies that actually worked in the past, we continue to look for new products, services and sales methods, the “Silver Bullets” and “Snake Oil” of our generation. Buy a silver bullet and your aim will get better. Try the new elixir and all of your ills will get better. Use “Social Media” and you will access prospects that you couldn’t otherwise reach.

Seeking The Holy Grail

The answer to the question, “How Do I Get More Prospects” will not be revealed through new technology alone. New technology may be used as a tool to find the prospects, but it, in itself, will not increase your conversion rate. Nor will it cause prospects that have been deluged with other agency offers to consider your offer different from the others.

Watching the most successful agencies in the country continue to grow by double digit rates have proven to us that doing what has worked historically to allow independent agents to build businesses is more important than finding new ways of selling.
1. Pick the right people – This speaks more to the motivation and initiative of a potential producer than it does to his history (or lack of one). If you were to offer your producers as many leads as they can handle each of them would still have vastly different closing rates and retention rates based on their own skills and personalities. Sales Management is more important than the individual sales people themselves. Sales is a technical skill that incorporates personality dynamics as well as technical skills. We’ve all seen many insurance ‘gurus’ unable to close a sale because his personality doesn’t mesh with the clients. Similarly we’ve seen people capable of selling snow to Eskimos by promising more than their knowledge base (or ethical behavior) should permit.

**Sales Management is path to the Grail.** You pick the Sales Manager. Let them pick the sales people. Eliminate those who can’t perform to your standards and replace them until a cadre of thoroughbreds are identified and then pay them very well with a downside as well as upside compensation program to avoid the RIP (Retired In Place) syndrome.

Be aware that no social media or marketing method will work if your producers aren’t capable of selling beyond price.

2. Support Sales with target marketing prospecting – Use our Asset Protection Model (APM) of Sales as the template for relationship selling at your agency. It is a proven system that, if managed properly, will provide a steady stream of prospects to a 15-Step, 36 month Sales Funnel for each producer during which a prospect is either disqualified or becomes a client.

   A. We at Agency Consulting Group, Inc. have partnered to bring a new company to the market in support of the APM, www.mondaymorningmarkets.com. This program will provide hundreds of specialty programs to agents with exclusivity that prohibits other agents within your territory from having use of Monday Morning Markets. Each featured program can be marketed to the prospects in the agent’s selected area to provide a steady flow of contacts for an agency’s producers.

Believe in your system – Relationship Sales is a ‘Get Rich Slow’ scheme. It works because you are disciplined in reaching your prospect and building a relationship over time until the prospect, himself, asks you to become his agent. It rests on three legs, a.) **making friends**, b.) **providing value before the sale**, and c.) **persistence**.

Our own consulting practice is built on these principals. We have known some agents for five years or more before they solicit our services to help improve their businesses. We keep in contact with all of our prospects, not because we are selling consulting, but because we want them to remember us when they need services. The result is a steady flow of clients built from years-long building relationships.
By all means use Social Media as part of your communications channel with your customers. It’s a great way to keep your name prominent in their minds as you share valuable information with them on a frequent basis. LinkedIn is the primary social network designed for businesses but blogging on multiple networks will gain more traction for personal lines agencies.

But this will be more valuable to you in maintaining relationships and building your brand with existing clients than with building a new client base. Social Networking as a whole has proven itself time consuming (you have to do it regularly in order to make it effective) but not valuable as a sales medium. The common complaint we have heard was that the quality of prospect derived from the Net has not been high. However, we believe that it must be integrated into your communications web to keep your clients informed and retained.

Please call us at Agency Consulting Group, Inc. (800 779 2430) for help with

1. Producer Management including compensation, management and motivation,
2. Establishing the Asset Protection Model of Relationship Selling in your agency,
3. Becoming a Monday Morning Markets agency (no cost to the agent) and using it to actively prospect for your agency.
Every agency in the country is in one of three positions, Growing, Stable, or Declining. These positions are reflected from the agency’s recent history, not its current efforts, but are dynamic and may change over time.

There are many reasons that may have put an agency into growth, stability or deteriorating mode so it is not necessarily a credit or debit to an agency owner to be in any of these categories. But both the present earnings ability for the agency and its future value when it is eventually perpetuated depends in great part on which of the three positions it occupies in the marketplace.

**Type 1 – Growth Agency** – The agency has a growth history and/or is expected to grow under new ownership. The trick here is to determine whether the agency’s growth was influenced by the selling owner (if the owner is departing) or if the growth is normal to the agency’s operation and would continue regardless of the ownership. If the owner was the ‘spark-plug’ in the agency’s growth, it should be not be considered a likely growth agency into the future. In Succession Planning a Growth Oriented successor is one who has been “itching to take over” in order to accommodate new initiatives that are expected to generate as much or more growth in the agency than previously experienced. A Growth Oriented buyer is someone who has or intends to grow through acquisition as well as through adding individual clients to their agency.

**Type 2 – Maintenance Agency** – The agency has been stable and/or is expected to remain stable after the ownership change. A maintenance agency may have a stable client base or it may write sufficient business each year to overcome retention losses to continue its revenues in a stable atmosphere. You will likely see an Operating Revenue track (Commission and Fee income) that might change slightly upward or downward in any given year but be relatively stable over a five or ten year period. A Maintenance Owner is one who by experience or by personality is not expected to motivate substantial growth upon taking control of the agency.

**Type 3 – Eroding/Declining Agency** – Unfortunately it is a fact that some agencies are in decline. For a variety of reasons the agency may have been in a steady, slow or an abrupt decline that is expected to continue. The agency’s book of business has either been in decline prior to an ownership transaction and/or is expected to decline or continue to decline in the future regardless of whether the current owner stays or leaves unless new owners re-invigorate the book of business. There are many reasons for agency decline including the ‘aging out’ of clients who are retiring, selling, and/or dying. A dissolving agency will often be valued as a declining asset because it loses its identity and folds into another business which will benefit from any growth as new business to the buyer instead of as a result of the purchased book of business that was showing declines in the past. In some cases Eroding Agencies may find it appropriate to purchase other Eroding Agencies to stem the loss of business, satisfy carriers or to enjoy the economies of scale achieved by business combination. Internally, family or staff members may acquire the interest of senior owners even though they have shown declining books of business in order to continue to sponsor a strong lifestyle after the retirement of senior owners.
The value of an agency in transition depends on the type of agency it has been but it also depends on the successor’s or perpetuator’s “type” as much as on the current agency owner. When a potential buyer (inside the agency or outside) defines the value of that purchase to the buyer, they project the earnings that they could generate from the purchased agency. After all, who would purchase an agency for more than they could potentially earn from that acquisition over a reasonable period of time?

So if one agency expects that they will generate $500,000 of earnings (after taxes) from the purchase of their agency or another agency, would they offer more than that to buy it? It is the foolish business owner that will give up all of their potential income for an extended period of time (beyond their comfort level) to acquire a business. If you assumed that you could make an extra $100,000 each year by buying out your agency or by acquiring another agency would you pay $1 Million for that business, not yielding any benefit to you for 10 years?

Now imagine a growth oriented agency being purchased by a maintenance or declining agency. Would the assumed value of the acquired business be more or less than the value of a growth agency being purchased by another growth agency? The tendency of an agency’s future performance is less dependent upon their historical performance (driven by their retiring owner) than by their future performance expectation (driven by the personality and history of the successor owner). So a growth oriented individual or agency buying another agency (regardless of type) will evolve a more aggressive growth and earnings potential than one purchased by a “maintenance type” or “declining” agency owner. This is why identifying the type of **BUYER** is as important as identifying the type of **SELLER** when valuing a business being transitioned internally or externally.

Stay tuned for more installments of “MAXIMIZING AGENCY VALUE IN SUCCESSION OR PERPETUATION” – Next Month – “GUARANTEEING THE PAYMENTS TO A SELLING OWNER -- LIQUIDITY TESTING”
Both contingency and commission contract changes continue to squeeze agency profit margins.
The only two answers to allow insurance agencies to continue to prosper is **GROWTH** and **EXPENSE CONTROL**.

Growth is like losing weight – everyone wants it and most of us find it difficult to accomplish either on more than a sporadic basis. We’ll address that in a separate article.

But “**Expense Control**” has been the mantra for a few generations as there continues to be pressure on agency commission rates. First automation was going to answer all of our problems.

Yes, automation permits us to handle more clients more efficiently when utilized to its fullest extent. But most of us don’t use it nearly as well as we should. Whose fault is that? There is plenty of room in the Blame Corner for everyone involved including the agency owners. But the reality of life is that agency owners will only change that which is **comfortable**. So even if you pay for 100% of a system if you are like most agents you will use between 25% and 75% of the system’s capability and that means that you will still be doing things manually that could be done through your system.

The fact remains that we have spent a small fortune on our systems and converting to (relatively) paperless environments in the name of efficiency --- then we follow BOTH manual and automated procedures almost doubling our work on each client contact. The end result is that we don’t lose service staff as the result of upgrading our system and many of us actually **GAIN** automation staff and substantial IT expenses. Then we continue to be ransomed each year by the systems companies who charge us because they can instead of through an equitable transaction based method (i.e. the more transactions processed through the system, the more cost is justified). A transaction-based cost for on-going systems use would charge less for smaller agencies that use the system minimally and more for larger agencies and those who gain efficiency by fully utilizing the system for every contact and transaction.

**CLAIMS**
Next we were asked to transfer all claims activities to the carriers in the name of efficiency. Yet claims advocacy has always been one of the few primary anchors of clients to their insurance agents. Without continuing to shepherd our clients through the claims process, there is much less need for an independent agent, isn’t there?

**SERVICE CENTERS**
Then we were asked to transfer all transaction-based service work to carrier service centers, again in the name of efficiency. With that we lost the last service contact we maintained with our clients. Not only did we begin inviting our clients to call the carrier directly, but we found that we still got most of the calls, retaining the need for our service staff while taking less commission to have the Companies handle the transactions.
How many opportunities for referrals and cross-selling – how many chances to tighten our relationships with the clients are being lost to service centers every year? And do they care as much about cross-selling as we do? A service center will never discuss alternative carrier’s products if they do discuss cross-sell opportunities. They are interested only in the products their company provides (like any direct writer).

ASKING THE CUSTOMERS WHAT THEY WANT/EXPECT

When we have surveyed customers of independent agencies asking why they chose to insure with an independent agent instead of going to a carrier direct, their answers were very interesting – and common throughout the U.S.

Reason One: Customers may shop on line but they want the personal touch of an insurance professional because they still feel that insurance (like taxes) is more complex than the gecko or Flo try to make it. They want someone they can touch, feel and know on a personal basis (like their family doctor) to protect their assets properly.

Unfortunately, auto insurance, as an example, has become so commoditized by the marketing and advertising of the direct writers that many consumers have been ‘dumbed down’ to believe that all forms of coverage are alike and that price is the only difference. It will be a massive task to reverse this ‘brain drain’ but it can be done for our customers, one at a time, through attention paid to them by agents and their staffs showing them the difference between products and carriers, not just the difference in price.

Reason Two: People don’t trust insurance companies to settle claims in a fair and equitable manner. They believe that carriers seek to pay as little as possible, not as much as necessary to settle a claim. They count on their agents to “shepherd” the claims process. They assume (correctly) that the agents are much more familiar with the claim process and can assure fair treatment to the client.

We have the opportunity to “shepherd” our clients through the claims process without disrupting our relationship with our carriers by keeping in close contact with our clients throughout the claims process and acting as their advocate to the carriers. We are NOT trying to squeeze money out of the carriers. Our role is to make sure the carrier treats the client fairly and to have a constant flow of communications with the client to validate his belief in his agent as working to benefit the client.

Reason Three: The public believes one of the greatest benefits of an independent agent is his ability to represent multiple carriers with multiple products instead of a single carrier with a single, one-size-fits-all product. They believe that we will “shop” them to many carriers every year and place them with the carrier that will best serve their needs at a fair price.
If we don’t fulfill our charter to underwrite the specific customer and place them where they are best served and if we continue to play the price game instead of acting like the arbiter of many options for the client, we play right into the hands of the low-balling companies that can provide lower price because they cut corners in other service or claims arenas.

CUSTOMER EXPECTATIONS:

1. **Price** — Every customer want a low price. But no customer wants lower quality for that low price, whether it be in fresh meat, the cars they drive, their medical care – or in their insurance products. **You must BRAND yourself as having a wide variety of choices from the low cost basic product to tailored solutions that will keep the client from personal financial risk.**

2. **Claims** — Above all else, you customer wants to have you involved in making sure any claim they have is handled properly, quickly and to make them whole again. **Get involved with your customer claims handling again.** Recognize that this is the primary ‘touch point’ for service to your clients. Leave it to the carriers and their relationship is with them, not with you.

3. **Relationships** — Your best customers are ones with whom you (the agency, not necessarily you, personally) have a strong trust relationship. A relationship is defined as the customer believing that you and your staff are concerned more with their best interest than with selling them a product. A trust relationship is created by your meeting and exceeding the customer’s expectations of your service to them. This implies that you and the customer must have an understanding of their expectations and your services.

   We strongly urge you to create a Customer Bill of Rights (see separate article on this subject in this issue) that can be tailored to the needs and desires of each specific customer by whoever in your agency is charged with the client relationship. Try that we may, each client expects something different from you. But if you create the Customer Bill of Rights and tailor that to each customer both you and the customer will know what he wants and what you are able to do for him. Then exceed the customer’s expectations to assure he never voluntarily leaves you.

We cannot control the downward pressure on our commissions and contingency contracts. But we can maximize our retention of clients to keep our revenues maximized as rate creep continues over time. The methods above will allow you to meet and exceed your clients’ expectations to keep your retention high.

So this article tells you what you **SHOULD DO** to make your agency better. But our readers constantly call us and berate us for not telling them **HOW TO** implement change to enhance their performance and to get beyond the issues that have weakened them.
CHANGE can only be implemented by doing things differently than you have done in the past. Beating yourself up for following the industry down the spiral staircase does not help you. But if you would seriously like to re-brand your agency and are ready to finally change your behaviors to improve your efficiency, growth and operations, call us Agency Consulting Group, Inc. at 800 779 2430 and let’s discuss your particular needs and how to solve them. We are Problem Solvers and Change Agents. But we can’t help agencies that are not prepared to change.
AGENCY/CLIENT AGREEMENTS
DEFINING AND MEASURING UP TO EXPECTATIONS

How do you measure up to your clients' expectations of your agency? Do they even HAVE any expectations of the agency?

While most clients are not sophisticated enough to do more than compare your service and attention to that of their prior insurance provider, why haven’t you given them a document explaining what they should expect of you as their insurance counselor? Providing a Client Bill of Rights provides the reasons that they have selected you instead of your competitors to protect their assets through insurance products.

When designing a Client Bill of Rights be careful of what you say and how you say it.

Would you rather under-promise and over-deliver or over-promise and under-deliver?

Vague and all-encompassing promises sound good on paper, but if you can’t live up to your promises, the client may be disappointed by a level of service that you consider adequate. Beware of telling clients those things which you would ‘like to do’ but can’t really deliver regularly.

Do you know what your client expects of the agency?

Does your client even know what to expect from your agency?

When you gain a new client without an agreement of what that client should expect from the agency you are setting yourself up for a fall. If you do something well above reasonable expectations, the client won’t thank you – they will convert your action into a new standard and expect similar results as the norm. If you’ve casually mentioned all of the services and products that you COULD provide clients, don’t be surprised if the client wonders when he will be offered all of those services and products.

So you would be well to design a document that should explain to the client what he should expect and what your agency will deliver as the value received from the commission you earn. And the source of that document is not within the walls of your agency. The source of that document is a simple conversation with the clients asking him what he would like and, if he has no idea, providing him standards that you KNOW your agency can live up to on a daily basis.

Here are examples of some of the standards that should be addressed as a new client comes to you;
1. Claims handling – Regardless of the workflow desired by our carriers, we all know that our clients count on us as their advocates and their agents in the event of a loss. If your standard is to refer all claims calls to the carrier, please don’t let your client believe that you will be with them every step of the way on a claim. You are setting yourself and the client up for disappointment. In that case, provide him the proper telephone numbers and acknowledge that your involvement doesn’t include claims handling unless there is a problem.

However, if you are one of those agents who support clients by managing claims, tell them what you will do (Example: 1) take the first report of loss, 2) transmit it to the carrier on the same day, 3) follow up to the carrier on behalf of the client within X days, 4) follow up both with carrier and clients every Y days until the claim is properly settled, and 5) be available for any questions the client may have during the claim)

2. Personal Contact – **ASK THE CLIENT** how often he wants to see you during the year and establish an agreement that you will contact the client the requisite number of times every year as well as be available – on call – for any questions he may have in the interim.

3. Rotating Analysis of Client Asset Protection Needs – **APM** (Asset Protection Model) agents already understand this part of the agreement – You tell the client in your initial agreement that you are their agent for **ALL** asset protection needs, not just for the line of insurance that he has recently purchased. (If the client agrees) you will make appointments with the client on an occasional basis to analyze every risk he has that may cause physical or financial harm to him or his assets and you will determine whether his existing coverage is sufficient if he needs changes in his insurance program. You will NOT offer him products, just recommendations, unless he decides that you could provide better protection and service than his current insurance provider.

4. Specific agency services that are focused on the client’s insurance program (i.e. loss control, engineering, comp analysis, etc)

A **Client Bill of Rights** may have a template or format for your agency but please don’t use it without changing and tailoring the Bill of Rights to the needs of the specific client. The **Client Bill of Rights** is certainly used for larger, commercial accounts. But it may also be used for centers of influence and smaller or personal lines accounts (albeit with someone other than the owner as the point of contact). You may also insert different agency contacts for different functions (give the client names and contact info and, by all means, personally introduce the contacts so the client does not feel that he is speaking to an “assistant” instead of to the agent. Tell the client that the contacts being given to him are the most qualified in the agency to handle that function.
"No man will make a great leader who wants to do it all himself or get all the credit for doing it."

Andrew Carnegie
Do you want exclusive access to 200,000 prospects who need all types of insurance? Take advantage of the free adoption of Monday Morning Markets, the newest vehicle for agency differentiation and access to over 700 specialty programs.

MONDAY MORNING MARKETS

In mid-2016 George Nordhaus and I began a new company, Monday Morning Markets. He’s the Chairman and I’m the President. That means he was smart enough to think up this concept and I was asked to help make it happen. What is it?

Monday Morning Markets gives you exclusive rights to put over 700 specialty markets on your website for as many as 200,000 people who live around you. If they need a specialty program, your agency will be the only one that is permitted to have these programs available in the Monday Morning Markets concept. The concept includes featured programs for which the program manager and George develop video content explaining their program and access to the 700+ markets available on Rough Notes Marketplace.

Once at territory is granted to an agency, no other agency will be given Monday Morning Markets (as long as the Monday Morning Markets agency posts Monday Morning Markets on their website – we’ll give you all the directions you need to get that done). Please act NOW!! Link here to access Monday Morning Markets and register for the program.

We at Agency Consulting Group, Inc. have been encouraging independent agencies to show their prospects and clients points of differentiation that adds value to an association with the agency. Here is one such point of differentiation. Remember, every one of the 200,000 residents you will reach needs almost every line of insurance that you have available.