About this article: Generating a profitable, high-margin book of business requires a balanced approach to marketing and sales – built on processes that are sustained over the long haul. Steve lays out how an agency can achieve such a successful marketing and sales process that is both high-touch and high-tech.

A Balanced Approach to Agency Marketing
By Steve Anderson

Insurance agency marketing and sales are being transformed right before our eyes. Daniel Burrus, a technology forecaster, said in his January 2009 Technotrends newsletter:

*We are now at the dawn of a profound technology-driven transformation that will make the changes we have experienced over the past 25 years seem small and slow. We are about to transform how we sell, market, communicate, collaborate, innovate, watch TV, learn and, as you might guess, much more.*

The implications of this "technology driven transformation" for insurance agencies are significant. The marketing activities that agencies have relied on for many years to retain existing clients and generate new business are not going to continue working as well as they have in the past. The new consumer is using the Internet for researching all types of purchases, including insurance policies. New mobile computing platforms, including iPads, iPhones, and other mobile devices are redefining what it means to “stay in touch.”

Yet, even with all the new "stuff" that people are using in their daily lives, people still want to buy from people. And this is why independent agencies should not be afraid of this transformation. Agencies can take advantage of this transformation and grow their agencies, if they are willing to think differently about marketing and sales.

Six Key Elements of a Successful Strategy
The keys to building a profitable book of business are:

- A balanced approach to marketing and sales
- Fixing an agency’s follow-up failure
- Create high-touch activities using high-tech tools
- Creating processes and systems
- Commit to the long haul
- Constant attention

Ross Dik owns Knight Dik Insurance located in Worcester, MA. This independent agency focuses on personal lines and small commercial accounts. They have 12 employees and are located on the ninth floor of a downtown office building (with a security guard), which means they don't get a lot of walk-in traffic. Dik realized five years ago that in order to continue to grow the agency he needed to create processes that would generate profitable business. He started working on creating processes five years
Understanding that technology was a key component of creating these processes, we began working together four years ago and combined our skills to "crack the code" of creating a high-margin, profitable book of personal lines and small commercial business.

**A Balanced Approach**

Most agencies focus their time and resources on obtaining new business. As we began to work, we realized that a balanced approach is the key to creating a profitable book of business. A balanced approach includes these four pillars of profitability:

**Keep:** This is simply retention. Being able to “keep” the accounts you already have. Agents have heard for years that it is easier and more profitable to retain an existing client than it is to generate a new one. Yet many agencies don't have processes in place to actively retain these important clients. The renewal process should start immediately after the first policy is sold. This is very different from the renewal event, which takes place six or twelve months later. A renewal process actively builds an ongoing relationship with that new client from the very beginning of the relationship.

**UpGrade:** Every agency has additional revenue sitting in their existing book of business that is just waiting to be extracted. A simple example of upgrades would be identifying those individuals who have automobile liability limits below the agency’s recommended level. Dik created a process where individuals with lower limits would receive in the mail prior to their renewal a copy of their auto Dec Page with a big red stamp on it stating: “Your policy has coverage limits less than we suggest.” Every endorsement to raise limits represents additional profit for the agency with very little effort. It also significantly enhances the agency’s E&O protection. There are many opportunities to upgrade existing business.

**Round Out:** It's common knowledge that the more policies written per account, the longer that account will stay with you. By creating a process that identifies opportunities for additional business, this important marketing activity is not left to the whim of a CSR remembering to ask to quote a policy the agency does not yet write.

**Get More:** Generating new business is important in order to have a healthy agency. Yet, new business is specifically listed last on purpose. While most agencies focus on generating new business, it is actually more profitable to focus on the three other pillars of profitability first – Keep, UpGrade and Round Out. Creating a “get more” process helps generate a constant flow of new business into the agency. Once that new business is put on the books, the other processes will help make that new business as profitable as possible.

**Benefits**

There are many benefits to building a balanced approach like the one described above. It creates more revenue for the agency and builds a higher-margin book of business. Actively pursuing upgrades and rounding out accounts helps build a much better book profile, which generally translates into better loss ratios for that book that help increase agency contingency payments. All of this makes for happier insurance companies who are then more willing to invest in and provide additional resources to the agency so that they can continue to grow.

**The Long Haul**

We said above that one of the keys to profitability is being willing to commit to the long haul. This is
not a quick fix process. It takes time and discipline to implement and make sure it continues running. Those agencies, however, that are willing to commit to the process will see results – over time.

**5 by 5 Process**
We believe a reasonable goal is what we call the “5 by 5 process.” When you grow the following five areas by 5% over five years, you will then experience balanced growth. The five areas are:

**Average policy premium**: An active UpGrade process will help you increase your average policy premium.

**Average policies per account**: An active Round Out process can't help but increase your average policy per account.

**Retention (.5 each year)**: We understand that it is really hard to affect retention, so we cheated here little bit. If you can grow your retention rate by half a percent per year, you are doing well.

**New clients**: An active marketing program will help you generate new business so that you can create 5% new clients each year.

** Overrides and bonuses**: Finally, you should have at least 5% of your revenue being generated from overrides and bonuses received from your insurance companies.

**An Example**
To illustrate these points, let’s turn to Knight-Dik Insurance again. The agency began experimenting with generating new business by purchasing Internet leads. They started by purchasing 100 leads per month. They determined that they needed an 8% close ratio to break even. Ross was skeptical at first about the quality of these leads: “They are just looking for a cheap price; they won’t convert; they won’t stay.” But even with these reservations, Dik committed to working on creating a system for several months.

The marketing process Dik created was managed by individual CSRs within the agency. When a lead was received, it was immediately entered into the marketing system and an e-mail was generated automatically to tell the prospect that the agency was working on a quote. When the quote was completed, they sent an e-mail with the quote to the prospect. They then created several follow-up steps to contact that prospect by e-mail and phone. One of those follow-up steps included an e-mail with a video of the producer talking to the prospect.

They continued to track results and refine the initial contact and follow-up process. After some experimentation, they added an additional step to the follow-up process which ended up doubling the response. They printed out a form letter and mailed it with an agency brochure to the prospect. This simple step increased the number of people who responded to their follow-up requests. This is an example of how to combine high-tech and high-touch into the process.

We mentioned above that the renewal process should start immediately after the policy is sold. Every new client to the agency is started immediately on a “New Client Welcome” process. The first E-mail (or letter) goes out welcoming the new client to the agency. Eight other touches then are automatically sent to the new client over the next ninety days. That client should feel very welcomed to the agency and will hopefully not bother to shop when the policy comes up for renewal.

Knight-Dik continues to purchase Internet generated leads. Today their close ratio on this business has been as high as 20% with an average of 11-15%. They started purchasing personal auto leads but now focus primarily on homeowner leads. They have found the homeowners leads are generally better
quality and they avoid direct competition with GEICO and Progressive Direct. Because they have an active round out process, they work on picking up the automobile later.

**Conclusion**

Generating a profitable, high-margin book of business requires a balanced approach to marketing and sales – built on processes that are sustained over the long haul. Creating a solid foundation for your agency requires that you “Keep” the business you have (retention), “UpGrade” coverages so that you can extract the money sitting in that book (and provide better E&O protection), “Round Out” each account with as many policies as you can, and “Get More” business by taking advantage of the transformation that is occurring in agency marketing.

*Editor’s Note: You can subscribe to Steve Anderson’s free weekly emailed newsletter, “TechTips”, by going to [www.steveanderson.com/act](http://www.steveanderson.com/act) and subscribing. Tech Tips is a quick read and highlights one new “thing” that will help your organization increase its productivity and effectiveness.*

*Steve Anderson has been involved with the insurance industry for over 30 years and is an active participant in ACT. He is a frequent speaker before agent and industry groups, consults with insurance agencies and publishes numerous reports, as well as the monthly “The Anderson Agency Report.” Steve can be reached at [steve@steveanderson.com](mailto:steve@steveanderson.com). Steve prepared this article for ACT. For more information about ACT, contact Jeff Yates, ACT Executive Director at [jeff.yates@iiaba.net](mailto:jeff.yates@iiaba.net). This article reflects the views of the author and should not be construed as an official statement by ACT.*