

A Bright Future for Small Agencies ***by Chris Burand***

Sometime ago, I read an article predicting independent insurance agencies would be gone in ten years. I doubt the author is right. However, I do believe many fewer independent agencies will exist in ten years, especially smaller agencies, because bigger agencies and banks will offer more products, probably at better prices, than many small agencies will be able to offer.

In the last ten years, independent hardware stores have faced a similar challenge. Large stores offering more merchandise, often at lower prices, have entered their market. Two success stories about independent hardware stores competing against their huge invaders are inspiring and provide a great example for independent insurance agencies.

The first hardware store probably has one-twentieth the floor space, stock, and selection of the competition. However, for those items they carry, they carry plenty of variety. For example, if a sink needs repairs, they carry parts for every manufacturer. So while I might not be able to buy a sink at my local independent hardware store, I can find the parts to fix any sink made. More importantly, someone is always available to tell me how to fix the sink, help me find the part, and make sure I buy the right part the first time. Their price is sometimes a nickel or two higher than the competition, but an extra nickel is worth the free advice and help.

They always amaze me by having the right part in such a small store. I can never find what I am looking for in the big store. That local hardware store never suffered any decrease in their sales when the competition opened. They do what they do best. They do not try to sell anything and everything like the big store. Their clients are the same as the big store's customers but, by offering tangibly better service related to a limited number of products, customers continue to buy those products from the little local store.

Small independent agencies can survive if they focus on selling specific products better than the competition. For example, if a small agency can prove they write small contractors' property coverages better than anyone else, they will write a lot of small contractors' property coverages while leaving their health insurance to someone else. Being all things to all people is impossible.

Another local hardware store also did not suffer the slightest sales downturn when the large hardware store opened. They have thrived by selling merchandise the big store is not selling. This hardware store specializes in selling hardware to ranchers and farmers rather than "city-folk." By selling to a targeted class of customers, they have also successfully cross-sold these customers clothing, hunting and fishing equipment, toys, and animals. The key is that all these other items are related to ranching and farming. The clothes are western in style or work clothes favored by ranchers and farmers. The toys are tractors, plastic animals, trucks, and the like. They have found they can sell most anything related to farms and ranches and they can sell these products to their target very well.

Small independent agencies can thrive by identifying a type of business inadequately serviced by large agencies. Identify a group of clients, become experts in those clients' industries, and sell

those clients all the coverages they need. Independent agencies definitely have a bright future, even as relatively small agencies, provided they do something special, just like these two hardware stores. Offer better service related to a specific product or offer better service to a select group of customers then sell those customers everything.

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