

The Upper Hand *by Chris Burand*

Recent research has discovered why homo sapiens (Humans) beat out homo neanderthalis (Neanderthals) in the quest for survival. Being smarter may have played a part but physically, humans could beat out (or up) their stronger relations. The key? Human joints enable humans to use tools with handles. Humans could attach a stick to a rock and make a hammer. Neanderthals could only use a rock in their fist. By using a stick and a rock, humans could take advantage of that wonderful phenomenon of physics, leverage. By using leverage, though weaker, they could generate forces much greater than Neanderthals could.

Like David over Goliath, humans had a tremendous competitive advantage over their more powerful cousins and evidence suggests they used it successfully. So what competitive advantages do small agencies (Davids) have over large agencies (Goliaths)?

Every large company in the western world is trying to mimic small companies' number one competitive advantage--intimate knowledge of the customer. Companies are spending billions on data mining and CRM (Customer Resource Management) software trying to capture their customers' nuances. For example, where I use to live and where I was often fixing an old house, I frequented a small hardware store. Before long, the guys in the store knew my heating and plumbing system and could automatically recommend the part(s) I needed preventing me from having to make multiple trips. More valuable to them, they also got to know me enough to make suggestions for additional items and thereby, they sold even more. When I moved to a larger city, the people in the large hardware stores never stayed around long enough to know me and even if they did, they had too many customers to remember me to be a special help.

Big companies know they are missing billions in sales because they do not adequately know their customers. Small agencies should know their customers intimately. Small agencies do not usually have so many customers they cannot remember them all (or at least a vast majority), often their staff is more stable, and small accounts are important unlike small accounts at many large agencies. Yet most small agencies I visit do not know their customers intimately and if they do, they do not really use their knowledge. They waste their competitive advantage. Few use coverage questionnaires, many (maybe most) do not offer the highest limits available, most do not complete regular "needs assessments" causing hundreds of homeowners policies in each agency to remain unimproved (except the inflation factor) for years and sometimes decades, and few adequately cross-sell all P&C lines (small agencies often cannot and should not cross-sell L&H because they do not have the resources required to do it).

A competitive advantage is a horrible thing to waste. Small agencies know or have a much better opportunity for knowing their customers than any large agency could ever hope. Not using this competitive advantage is like our ancestors fighting Neanderthals with our fist instead of using our competitive advantage. If they had, Neanderthals would rule the earth today. Small agencies fighting big agencies on big agencies' terms will lose. For small agencies to succeed, they must use the leverage their customer knowledge provides just like our ancestors successfully used the leverage handles provide. Just how well do you know your clients? Are

you using that knowledge?

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