Manufacturing Accounts: Prepare for Change
by Chris Burand

Many independent insurance agencies, especially in the upper Midwest, are largely reliant on manufacturing accounts for their revenue. These agencies need to think about whether they need a new strategy because manufacturing jobs are decreasing significantly. I've heard the blame for this placed on a variety of causes. Some argue the American consumer is not "Buying American" enough, or the government should do more to protect our manufacturers, or the government should reduce some of the uncompetitive regulatory burdens, or curbs should be applied so law suits must have more credibility before being brought. The plain truth is that manufacturing jobs are decreasing worldwide. Productivity is the real culprit. Manufacturers simply do not need nearly as many employees to build the same product as they did five years ago, much less 15 years ago. Other countries' competitive advantages are accelerating these losses.

If your agency is heavily reliant on manufacturing accounts, be prepared for these accounts' headcounts to shrink. Also be prepared for a reduction in the number of accounts being available to write as competition eliminates the least productive firms. If your agency finds itself in this situation, consider the following opportunities for tempering your risk.

- Begin targeting the best firms rather than just any firm. We all recognize that it does not really benefit an agency to write an account one year and then lose it to someone else the following year. The same applies if the firm goes out of business the second year, regardless of whether it is sold or just shuts down (of course, if it shuts down the agency has the additional risk of not getting all the money the account owes). The good firms will remain.

- Make a determined effort to write more non manufacturing accounts. Non manufacturing accounts are often not as profitable in the short run. If the alternative though is not having anything to write, non manufacturing accounts are not such a bad option.

  Many carriers really like writing manufacturers, so writing non manufacturing accounts may pose a carrier problem and the agency may have to realign its company representation. This sounds like a lot of work, and it is. However, if manufacturing is declining and an insurance carrier is heavily reliant on writing manufacturers, what is that company's future? Sooner might be better than later to find alternative markets.

- Consider too that you are not alone. Lots of agencies are in the same boat. If lots of agencies like writing manufacturing accounts and fewer manufacturing accounts exist each year, what is the competition going to be for the remaining accounts? I have always believed that it is easier to make a sale wherever competition is less.

The loss of manufacturing accounts and manufacturing jobs is a gradual process. In one sense this is bad for agents because it does not cause enough immediate pain to change tactics quickly. This is similar to the frog in boiling water story. If the water is at first lukewarm and only very gradually increased, the frog never realizes it is being boiled. On the other hand, for those agents

smart enough to feel the warmth and begin taking actions now, the slow decline gives them time to create a winning strategy.

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