

The Importance of Service

By Chris Burand

After interviewing and meeting hundreds and hundreds of producers, I've concluded that 80+% focus on price first, service second, and quality of coverages third. Most producers fall into the trap of seeing insurance as a commodity (which only mirrors and enhances their clients' misconception of insurance). So it follows then that when I ask producers for the #1 reason they lose clients, their response is almost inevitably, "Price."

If the producer's primary focus is price and if the producer is selling a commodity, their conclusion is absolutely correct. However, the IIABA's FutureOne Study showed the real reason customers leave is an agency's service is not good enough to justify paying extra money. In other words, they did not leave just because the price was too high. They left because the price was too high for the level of service provided.

On the flip side then, if better service was provided, clients would not only have stayed, but they would be effectively willing to pay more. Think about that. Think about the customers that left your agency last year. Since it usually takes at least a 10% price difference for most customers to leave, those customers that left would likely be willing to pay 10% more for better service. Even if half had stayed because your service was better, how much more revenue would you be making? In a \$2 million revenue agency with a 90% retention rate, the loss is \$200,000 of commission per year that must be replaced.

Even in personal auto insurance, which is as close to a commodity as any type of insurance, customers are still willing to pay for good service. An August 16, 2006 article in the *Wall Street Journal* described a study of personal auto carriers by J.D. Powers and Associates which showed service was still more important than price.

In other words, good service RULES! The next time a customer leaves you for a 2% to 15% better price, think first about service. Do not think about whether your carriers are adequately competitive. Think about how you can improve service. For example:

- Do your customers know who to call with a problem? (Based on my interviews of dozens and dozens of agency receptionists, most clients, especially personal lines clients, do not know who to call.)
- Do your employees return calls quickly?
- Are you sure?
- Are your staff and producers adequately knowledgeable?
- Are endorsements processed quickly?
- Are claims followed-up or do you wait for the insured to call you with a problem?
- Do your producers take the time to really learn their clients' businesses? The truth of the matter is most do not. They think they do, but they don't. Consider these questions:
 1. Do you use a coverage checklist at new and renewal?
 2. How many renewals are renewed "as is" without even contacting the client?
 3. Do you physically visit your commercial clients' locations?

4. Do you survey your clients regarding what they think of the agency, producer, CSR, and carrier? If not, how do you know whether they think your service is good?
5. Do your producers work renewals far enough in advance to help clients address changes? (Commercial renewals should be worked at least 90 days in advance.)

How did you do on the list above? Can you improve your service at a cost of less than 10% of revenues? Of course you can and probably for a cost of less than 1%. With improved service, you have an opportunity to significantly increase revenue and profitability. Over time, revenue and profitability will increase even more, all else being equal, because customers will shop you less and less and buy more and more coverage. Additionally, with less shopping, producers have more time to find new accounts and generate even more sales.

In a very soft market, price alone is rarely adequate. To thrive in a soft market, agents must offer valuable and real service advantages. What real advantages is your agency consistently offering?

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