

Train those Customers!

By Chris Burand

A vendor who supplies services to insurance agencies had a problem. Many of their customers would only buy their services once. This vendor's cost for constantly developing new clients was very high so their profits would substantially increase if they sold repeat services to the same clients. After investigating their poor repeat service, I discovered their customers did not understand or know how to use their services successfully.

The vendor had two options. They could mandate customers take their training program and/or create new, easy-to-use services or products that do not require any special knowledge or training. It was critical for them to adapt one or both of these strategies. The alternative, dissatisfied customers, was destroying their business.

Do insurance agencies ever need to train their customers? Many customer believe insurance is a no-brainer: just choose the lowest price. This in itself tells us that customers do need training. Insurance is complex. Not all insurance policies or agents are the same and price is definitely not the only distinguishing factor. Some customers, though, simply don't want to hear this. They do not want to be taught, they do not want to take the time to learn, and they simply do not care about anything but price. These are the price shoppers. They do not value agents so they are more likely to move their business. They are unlikely to buy all the coverages they need which leads to them being more likely to file an E&O claim if they have inadequate coverage. They will also likely complain louder if something goes wrong, even if it is because they did something wrong. An agency can either avoid these customers or sell them a simple product with a lot of detailed disclaimers.

Another group of customers exists, though, that do want to learn. They want to learn the best way to limit their risks through the appropriate coverages, alternative risk management, and safety. They just need someone to teach them. These customers will be much more loyal. They will be more likely to buy additional products and services. They are also more likely to refer additional customers. But first they must be educated. Every agent I know that has educated its customers has realized considerable gratitude and this gratitude has translated into greater success for the agency.

Why even worry about training customers when 87%-92% of all insurance customers renew with the same agency year after year? Retention is high so most customers are obviously satisfied with their agent. Right? Wrong. High retention in insurance agencies is not necessarily indicative of satisfied customers. It only means they have been not been offered something better. There is a difference. After visiting hundreds of agencies across the country, I have discovered retention rates are relatively the same regardless of the quality of service. Additionally, very few agencies tangibly track their retention rates so most really do not know their true rate of repeat business. Therefore, every agency, regardless of their retention rate, has an opportunity to improve their customer satisfaction by offering to educate those customers with the desire to learn.

Competition in our industry is getting stronger. More and more entities are vying for our customers. Strengthen the bond with your best customers by helping them better understand their risk management options and opportunities. Your customers and your agency will reap the benefits.

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