



THE AGENCY BUDGETER

As many readers already know (from all the calls coming in asking about our new offerings), Agency Consulting Group, Inc. tries to bring agents at least one new product or service each year to help agencies make more money or grow faster.

Last year we introduced the *Agency Valuer*, a software package based on Agency Consulting Group, Inc.'s own copywritten valuation process, that permits insurance agencies to conduct their own valuation of their own (or other) agencies. The *Agency Valuer* has been well-received and our greatest surprise is that many agencies use it to learn how agencies are valued and to help them with their due diligence in mergers and acquisitions.

Later this year we will be bringing you a method of securing your network to avoid problems and to solve those that arise on occasion at a moment's notice 24 hours/day, 7 days/week for pennies per day. This is VERY exciting and can save agents tens of thousands of dollars a year currently being spent on systems support.

But first, we again draw on a process that we have been using for 20+ years to help agencies understand growth, expense trends and planning profit to produce "**The Agency Budgeter**" – our initial product for 2005.

Most agency management systems provide a rudimentary tracking device in the form of Operating Statements that track revenues and expenses. Some even have basic comparative budget reports. Most do not have the flexibility to put that information into a form useful enough for agency owners to help manage their businesses. "**The Agency Budgeter**" addresses the need for

- flexible budgeting – you can change budgets any time during the year and **The Agency Budgeter** will convert to report on the revised budget.

- ability to change category titles – We begin with the Operating Statement revenue and expense categories normal to an insurance agency. But you can easily add lines of revenue and change titles of expenses.
 - comparing Budget to Actual on a Monthly Basis
 - comparing Budget to Actual on a YTD Basis
 - comparing Current Year performance by line to prior year on both a monthly and YTD basis.
- Creates a Year-End Forecast of every line of revenue and expense to alert you to income and expense projections every month.

Best of all, reporting is done on a single page for each month (and an overall Budget page to publish the Year-End Forecast at the end of each month).

Why is budgeting important?

Because judging your success by whether you have enough money in your checking account to pay your bills is a survival mechanism, not a success track. You can certainly use this Budgeter to figure out if you're going to survive to the end of the year without borrowing money (and it will tell you through the forecast WHEN you will need to borrow). But it is much more useful to the agent who is doing things (marketing, advertising, hiring, acquiring) to grow the business and needs to track the expenses concurrent with the growth to determine if the efforts are bearing fruit.

Planning agencies understand the need for budgeting and forecasting. Budgeting involves the expected revenue generation and the expenses (compensation, sales, operating and administration) needed to support that revenue. As you identify marketing, advertising and sales costs associated with planned campaigns, the budget reflects how the expense are expected to be offset

by expected revenues from those efforts.

Forecasting, the major part of the Agency Consulting Group, Inc. budgeting process, automatically calculates the projected revenues and expenses at the end of every month based on actual income and expense to date and budgeted income and expense until the end of the year. With an active planning process (and Agency Consulting Group, Inc. can help you plan your agency) and **The Agency Budgeter** analyzing your budget vs. actual vs. historical performance and forecasting results, you will be able to know early in the year if you will have a strong or weak fiscal period.

Best of all, you don't have to be a CPA to operate **The Agency Budgeter**. The instructions are simple enough to fit on one page. If you can read your operating statement, you can operate The Agency Budgeter. The initial setup will take about an hour to input historical data (for comparison purposes). Subsequent data entry for monthly reporting takes about 15 minutes per month.

Please call us (800-779-2430) to order **The Agency Budgeter** or visit our website (www.agencyconsulting.com) to see what the product looks like and to order on-line (secure ordering through Paypal).



DRIP MARKETING

Many agents and producers mistake a marketing letter for a marketing campaign. A marketing letter is just that – a letter sent to prospects (in letter, card, brochure, fold-out or in any other forms) meant to elicit a response and generate interest in doing business with the entity doing the solicitation.

Most marketing letters are ignored – never read – never even opened. They comprise the “junk mail” that you and I get in our mailboxes every day. Imagine how you respond to that junk mail when you review your mail every evening. Now, imagine your piece coming into a business, large or small, in which the recipient isn't usually the first one to see the item (or may NEVER see it) as the mail is reviewed, opened, scanned and sorted before the desired recipient is given those few pieces that are appropriate for him to pursue.

On the other hand, a marketing campaign is a process of getting your message out to your intended market strongly enough and frequently enough to a) get them familiar with your name and identity, and b) to get them interested in doing business with you.

No marketing campaign will ever be effective in a single-shot delivery of a single message. The consuming audience is too jaded with billions of pieces of advertising for any single-shot message to make a difference.

A marketing campaign is a combination of art (getting your message across effectively) and science (doing so frequently enough and in a form that will familiarize the prospect with you and your product). If either the art or the science is flawed, the campaign is useless.

The SCIENCE of Marketing

The science of marketing defines how best to reach your target market and how often in order for them to recognize you as an expert in your field and be familiar enough with you to permit you to offer them your product and concepts.

The major advertisers respond to marketing frequency with mass marketing – TV, Radio, magazines and direct mail (by the millions of pieces). They ‘shotgun’ their market because they have trouble segmenting it sufficiently to ‘rifle’ their marketing. The local insurance industry is different. We can determine that we have an excellent product and market (carrier) for business property. So we would hone our marketing to that specific target and achieve economies that are impossible for Anheuser-Busch. At the Super Bowl, Busch spent millions on a few ads for beer. But they know that only a part of their viewing audience are beer drinkers. They threw away their money by showing their product to Teatotalers. What if they could have shown their ad ONLY to beer drinkers, allowing the non-beer drinkers to view an ad for soft drinks, instead. They would have gotten much more ‘bang for their advertising buck.’

That's what we can do as insurance agents who carefully target our markets toward the products and suppliers that can best serve a market segment.

Could you imagine Busch showing a beer commercial just once? Of course, not. With their production cost, they must show it enough to get people to think of their brand when purchasing beer. That's why they hire the best creative people and design ‘cute’ ads meant to entertain as much as to sell concept.

Similarly, a “dry” letter introducing yourself, may seem stoically professional to you – but is likely to seem too dry to read to a consumer or business owner who doesn’t even like insurance. Take a hint from the ‘big boys’. Make your advertising and marketing cute and attractive to draw attention. The picture at the top of this article has been circulating around the Internet for a while. More than one agency is using a form of this picture to draw attention to their alternative message.

Many agents have bemoaned (or boasted) the result of low-cost advertising that was sent to a great many people with little response or was viewed or heard on radio and television many times – but at 3:00 AM (also with little positive response). They use these efforts to claim that advertising and marketing don’t work.

Have you ever seen the highest profile ads on TV at 4:00 AM? Probably not, because you, like most other folks, are asleep at that time of night. But the other reason you may not see the best ads at that time of night is that the advertisers know when you are likely to tune into see a show that will impact you with advertising.

If you want your advertising and marketing to work, don’t pay for off-hour advertising or use little read magazines, counting on frequency to replace high impact. It doesn’t work!

The best advertising science for the insurance industry (translated as the most effective) is multiple contacts with your prospects frequently enough to familiarize them with your name and in a variety of ways to envelope the prospects with your message.

Of course you cannot expect a marketing campaign to be constructed (or to work well) for one (or a few) prospects unless the return for writing his insurance is very high. Typically a campaign’s construction is warranted when you are going to touch at least a few hundred prospects.

A campaign is pre-constructed. This means that all parts of the campaign are finished before the first part is implemented. A good mix will include letters, brochures, newsletters, postcards, drop-in calls and appointments.

Multiple-touches in a one, two or three year period work best because it is likely that the prospect will hear from your agency many more times in that period than he hears from his incumbent agent. We have had our best results from a five-step one-year program and a 15-step three-year program. If a prospect does not respond to our effort over three years of contact, we feel that the prospect is not interested in our offer.

DRIP MARKETING

Perhaps the most important part of the Science of Marketing in the insurance business is to implement a

Drip Marketing, rather than Mass Marketing approach to advertising and marketing. This means that instead of sending 500 letters and waiting for the phone to ring, you will get much better results from sending 10 letters at a time and following each letter with a call two days after the correspondence (or any other form of contact) to elicit response, answer any questions or to suggest a meeting.

In a Drip Marketing Campaign, the timing is very important. But the timing is not evenly spaced. For instance a one-year drip campaign can look like this:

Day 1	Letter One
Day 40	Brochure
Day 100	Newsletter
Day 130	Drop-In
Day 200	Letter Two
Day 270	Post Card

With every contact followed up by telephone within two or three days to confirm the piece’s receipt and invite a meeting.

Using a skewed schedule, you are likely to hit everyone at least once or twice each year when they are thinking about their insurance.

The ART of Marketing

This concept of marketing is deceptively easy. You must make your message appealing to the audience for which it is desired to impact. That means that you can’t write about insurance from the perspective of an agent or an underwriter. The desired customer doesn’t care about your views and perspective -- he only cares about his own.

However, like any other form of art, when marketing is done by professionals it looks easy. But when you sit down to write a marketing piece (a part of a marketing program), the result may look as different as the Mona Lisa next to a stick figure with a smiley face – both may have enigmatic smiles, but one reminds you of the mysterious nature of woman while the other reminds you of Wal-Mart’s sales specials.

Unless you are particularly skilled or talented in creative writing and advertising, we suggest that you use a professional to design your marketing products.

A combination of consistent and frequent drip marketing and interesting and entertaining messages and means will provide you a solid return that will add business to your agency with greater revenue than cost. Missteps will be expensive. Shortcuts always take longer. And you are personally as likely to create successful marketing for yourself as you are to successfully pull your own teeth.

Let folks who already know how to attract insurance customers help you with the Art of Marketing. Follow our advice on the Science of Marketing in order to achieve

15 STEP MARKETING PROGRAM

Most successful marketing agencies already understand that single-shot advertising or marketing efforts (whether targeted or shotgun) simply don't work. When an agency desires to penetrate either a geographic or target market area, a consistent marketing effort will gain the greatest long-term results in terms of gaining new clients.

We'd like to introduce you to one (of many) such programs. The intent of the 15 STEP MARKETING PROGRAM is two-fold; 1) Familiarize your target market with you and your agency's identity sufficiently to allow you to gain personal entry to the insurance decision-maker for those prospects, and 2) permit you to establish relationships with a select number of prospects who are most likely to purchase insurance products.

The intent of the 15 STEP MARKETING PROGRAM is simple – contact each prospect sufficiently frequently and with sufficient information to make them welcome your participation in their insurance program.

The rationale of using this system is also simple – ***PEOPLE ARE RELUCTANT TO PURCHASE INTANGIBLE PRODUCTS (like insurance) FROM PEOPLE OR ENTITIES THAT THEY DON'T KNOW OR TRUST.*** And people neither get to know you (nor certainly trust) with a single contact of any kind.

The 15 STEP MARKETING PROGRAM should be completely designed before the first step is implemented. If you write all of the text of letters (personalized from you), agency brochures (to tie into the message of your letters), specialty brochures (targeting the specific industry type of the prospect targeted), newsletter (one-page newsletter covering general insurance topics) and ALERT (one-page, one subject special bulletin concentrating on an exposure related to the prospect's industry type) at the same time, you will develop a synergy that flows from one contact to another. You may want to get assistance from a professional (we can help as can advertising agencies familiar with insurance agencies and products) if you are not comfortable designing integrated marketing programs.

The method of release of the 15 STEP MARKETING PROGRAM is through a Drip Marketing campaign. This means that you send only as many items as you can follow up two to three days after the release. This also permits you to do constant marketing, sending a few items every day with steady and regular follow-up. The result will be some invitations to visit prospects when you follow up to verify that the prospect received the item sent to him. More importantly, the more you speak to the prospect, the more familiar he will become with you and your service. The only exception to this is when prospects specifically ask you to cease contact.

The 15 STEP MARKETING PROGRAM timing is important. It was field-tested over a number of years to identify a (seemingly random) timing pattern that would result in contact with prospects at least five times over the three year period at times that they were already thinking about their insurance programs.

A final word about Cost/Benefit Analysis. Every marketing campaign should be costed out with an eye on revenue generating capabilities in excess of cost. We have an advantage in the P&C industry because of the benefit of continuous renewal commissions for new clients that we keep for an extended period. Obviously, a marketing program of this depth will be more time-consuming and more expensive than simple one-letter throw-outs or occasional print ads. But the long-term impact is much higher if pursued diligently (as much as 25% conversion rate). The cost of the program is primarily the cost of you or your producers' time in follow-up contacts. For this reason, your target market in commercial lines for this type of campaign should not be for accounts of less than \$5,000 premium. It will certainly be effective for even smaller accounts, but you may find yourself spending more in marketing than you will earn in commission for the accounts successfully sold.

The **Pipeline** is intended to provide general information and background in regard to the subject matter covered. It is sold with the understanding that neither the writers nor Agency Consulting Group are engaged in rendering legal, accounting or tax advice.

The **Pipeline** is published monthly by the Agency Consulting Group, Inc., 507 N. Kings Hwy., Cherry Hill, N.J. 08034, Copyright © by Agency Consulting Group, Inc. All rights reserved. Reproduction is permitted with the permission of Agency Consulting Group. For subscription information or reproduction orders (\$10) - call 856-779-2430. Printed in USA.