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*July 24, 2020*

## **Do you know your customer?**

To our friends and clients,

As the COVID-19 pandemic spread around the world, economic activities screeched to a halt and many industries are now struggling to survive in this unpredictable marketplace. Given the current state of affairs, understanding your book of business and knowing your client base has never been more important to manage your agency.

To best navigate today's environment and find new business opportunities, it's critical to pause and assess your client base and growth drivers, understanding how you can best maximize your current strengths and avoid any potential pitfalls. Is your agency heavy in certain industries? What parts of your book are thriving/struggling during the pandemic? Are there any significant concentrations in your book of business?

In other words, how well do you know your customers?

Below are a few practical ways to better understand and proactively manage your business and client base:

affected by COVID-19 (hospitality, retail, restaurants, etc.)? Perform a full audit on your customer base over a specified account threshold that will cover at least 80% of your total book.

Below is a snapshot from Reagan Consulting's [2019 Best Practices Study](#) showing the percent of agencies with a specialty concentration in the hospitality industry.

Best Practices Agencies by Revenue and Hospitality Concentration						
Revenue Category	<\$1.25M	\$1.25-2.5M	\$2.5-5M	\$5-10M	\$10-25M	>\$25M
% Hospitality Concentration	5.4%	2.6%	8.3%	10.6%	18.2%	30.2%

As illustrated in the table above, a large number of firms have revenues tied to the hospitality industry, which has been significantly impacted by the current pandemic.

Do you know how your customer base may be affected? Within your agency management system, you can enter your client's Standard Industrial Classification (SIC) or North American Industrial Classification System (NAICS) code to identify your client's industry. Make this a required field when submitting new business. As this becomes common practice for your agency, you may find exposures that you were never aware of.

**2. Look for trends in your line of business:** Will hardening rate environments, legislative changes, or other market trends impact your agency's biggest lines of business? Identify how potential large-scale market forces might affect your agency's performance and start thinking about how you can create plans that will either leverage or mitigate the effects of potential changes.

**3. Determine your account profitability:** Do you know how much money you make on certain accounts, factoring in producer splits, support payroll, and other selling and operating expenses? Review your accounts to determine which are the most profitable based on size, business lines, etc. The results may surprise you. In a recent private study conducted by Reagan on approximately 50 independent insurance agencies across the country, we found that commercial lines margins were actually higher for firms with smaller accounts while there was an indistinguishable difference for employee benefits. Information like this can be used to inform future strategy.

**4. Implement a CRM system:** Are you tracking producer activity? Do you actively communicate with clients and understand industry concentrations? Implement a new CRM system or effectively use your existing CRM system to monitor your communication efforts and track progress. Over

**5. Create consistent client touchpoints:** How often do you connect with your customers? How have they been performing during COVID-19? Schedule periodic conversations/check-ins with your clients to assess new or existing risks to help mitigate against future ones.

Focusing on your current account performance prepares you to weather the shifting economy. Armed with the in-depth knowledge of where your agency is working, how it's succeeding, and where potential risks or gaps exist, you will be able to best navigate any continued changes with data-driven decisions that support your business. Knowing and actively communicating with your clients builds and strengthens relationships, enabling future growth. As the pandemic continues to pause activities, this is a unique opportunity to reconnect with your business fundamentals – use the time wisely.

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