

Segmented Customer Development and Contact Program

Many agencies have a great deal of unlocked sales potential sitting right in front of them in their existing books of business. Effectively tapping that potential requires an unsentimental categorization of your customers, defining specific and measurable objectives for individual customer categories, and setting up a customer communication program to achieve those objectives. And as always, if your customer development - communication program is to be successful, it must be systematic.

One unsentimental way to categorize customer segments means evaluating account profitability and then dividing customers up according to the Pareto Principal. Many of us know the Pareto Principal by another name: The 80/20 rule. That is, the 20% of your accounts that produce 80% of your agency profit. In fact, if you examine accounts by profit center, the 80/20 rule may be 65/35 in personal lines or small commercial, and it may be 90/10 in large commercial

Account profitability is the correct dimension to use when ranking accounts, but account data available to you may make gauging true profitability more art than science. High revenue accounts can also be demanding of agency service capacity. Likewise, high revenue accounts may be 'owned' by a producer to whom you pay a commission split. These expenses should be deducted from account revenue to determine actual profitability.*

One risk of categorizing customers solely in terms of account income is that you may not properly slot other high-value customers. For example, customers who refer a lot of prospective business to your agency are very high value. You may also not recognize high potential accounts because they currently generate little income. If your agency tracks and documents referrals, you should have no problem identifying and accurately categorizing customers using this value component. Similarly, if your agency were to complete some type of 'available' insurance policy inventory when new accounts are booked, account potential could easily be quantified and categorized.**

The next step after accounts have been segmented is to define objectives for each segment, by profit center. For the moment, let's assume we have identified and tagged all personal lines agency accounts, this way:

- A Accounts – the 30% most profitable
- B Accounts – the 25% next most profitable
- C Accounts – the 25% of accounts that are marginally profitable
- D Accounts – the 20% of accounts that are unprofitable

Then, a reasonable set of objectives for each segment might be:

- A Accounts – retain as many as possible, and get maximum referrals
- B Accounts – retain a high level, maximize referrals, sell more coverage/policies
- C Accounts – develop more coverage/policies and convert to B Accounts or better
- D Accounts – determine if accounts can be upgraded, guard against E&O

Your agency may or may not have a quarterly newsletter in place now. Irrespective of that, each customer segment should be receiving certain messages, corresponding to both segment needs and segment objectives. A message mix by segment might look like this:

A Accounts (10 - 12 contacts per year)

- Annual Review - see the [Reinventing Annual Reviews Best Practice Session](#) for alternatives - this segment should probably be getting one-one-one reviews
- Managing Costs - article or video; can be part of newsletter
- Safety - article or video; can be part of newsletter
- Promote Structured Referral Program
- 2 – 3 hard copy mailings a year
- Holiday gift

B Accounts (8 - 10 contacts per year)

- Annual Review - see the [Reinventing Annual Reviews Best Practice Session](#) for alternatives - live group webinars may be most appropriate for this segment
- Managing Costs - article or video; can be part of newsletter
- Safety - article or video; can be part of newsletter
- Promote Structured Referral Program
- 2 – 3 hard copy mailings a year
- Holiday Gift

C Accounts (4 - 6 contacts per year)

- Annual Review - see the [Reinventing Annual Reviews Best Practice Session](#) for alternatives - recorded webinars may be most appropriate for this segment
- PPW – message to homeowner – schedule; message to auto - homeowner
- Managing Costs
- Safety

D Accounts (4 contacts per year)

- Annual Review - see the [Reinventing Annual Reviews Best Practice Session](#) for alternatives - the Annual Review Wizard, or other online tool, may be best for this group
- Email newsletters only

Commercial lines could be segmented in a similar way, with a similar mix of annual contacts.

*Reports on manual transactions by account, which are available from most agency management systems, is one way to assign an expense load to individual accounts.

**Account potential is often unknown to most agencies. The average household has over 7 insurance policies. The best way to assess account potential is through a survey, either as part of the sales process or as part of an update, that will capture information about lifestyle, income, and other insurance policies in force.