

Build your agency

Establish a niche

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When we work with professional, independent insurance professionals who want to build their agencies, we meet partners and owners who want to grow their agencies in specific ways. One practice-development tactic that can be successful is to build a niche. This is a good way to grow your book of business when you do it in the right way.

Why build a niche?

There are excellent reasons to build and secure a specific niche for your agency. These reasons include the following:

If you are perceived as an expert, you can get more opportunities than others may receive. Typically, experts in every field and every line of work garner more opportunities because of their expertise. They are presumed to possess some inside knowledge or to have access to the “movers and shakers” of the industry. This can lead to greater opportunities to learn more detailed knowledge and nuances, thus helping them to become more of an expert. In total, this leads to making more money with less effort—an ideal way to improve profit margins.

If you are an expert with a niche, business will come to you more readily. This alone is a great reason to become an expert who serves a specific niche. You

can reduce the amount of time and money you must invest in sales and marketing activities. Word spreads in the industry when you are recognized as an expert. The years of cold calls to try to drum up business will be distant memory. New customers will find you. You still need to market your agency and you still need to search for prospects, but more of the right opportunities will seek you out and find you.

Once you are an expert, you can differentiate yourself in the market.

You compete with other agencies and direct writers every day. However, a niche can position your agency as a recognized expert, which can set it apart from the competition. Instead of being lost in the crowd, you will stand above the crowd. Differentiating your agency can be a critical component of a well-defined marketing strategy.

These are strong reasons to build a niche. However, a word of caution: Some agencies have fallen into the trap of declaring a niche before they are positioned to serve it.

Before you jump ...

Frequently, we come across agencies that may have as little as four customers in the same industry. These agencies post an announcement on their website about their specialization in serving the needs of the niche. Too many insurance professionals believe this is all it takes to build a niche for their business. While it is a good start, it is only a beginning. Building a niche involves more than a simple declaration.

One major challenge for professional insurance agents is to know how to maximize the opportunity. Carefully think through the steps needed to claim the niche and to expand your presence in the specific industry. What will insureds need to see or experience from you and



your staff to believe you are the expert you claim to be? How do you determine how much growth potential the niche offers? Then, how do you maximize the opportunity?

Determine your expertise

The next challenge is common to many insurance professionals: How do you market your expertise? How much expertise do you claim? How do you tell those in the targeted industry you understand them and their specific needs? How do you differentiate your agency from all of your competitors that would like to provide service to the same niche?

The first rule of business is: *Never over-promise and under-deliver; always under-promise and over-deliver.* Your marketing efforts will need to walk the line between over-promising and under-valuing the professional services you offer or your agency's expertise.

The struggle for many smaller professional insurance agencies is the *perceived* competition between various options for the niche you are trying to develop. While many articles have been written on niche-selection criteria, most focus on choosing a niche that interests you (e.g., a particular industry or a hobby). While this may be true, often *the world tells us where we excel.*

If you have a 10-year-old agency, consider reviewing your book of business to see where you have a large cluster of customers. Then carve out your niche by building upon a market where you already are recognized as an expert.

Get started

As an agency, the first thing you need to do is to sit down and review your book(s) of business. Identify the clusters of customers. Where do they live? What industries are they in? Do you have a particular strength when it comes to understanding the needs and wants of a particular ethnic group in the area? How about other demographic characteristics and psychographic profiles? Are the clusters served by individual producers and customer service representatives or does everyone in the agency have some special focus on customers in a specific industry?

It certainly is possible that your agency will have more than one significant cluster of customers in different industries who are representative of the various producers in your agency. You might do well to develop one niche at a time. Or, you could decide it is time to develop a presence in more than one niche.

Having differentiated your agency and determined your niche, you are ready to start the work to build a niche, which includes the following:

Identify how big the niche is. In addition to the actual size of the niche, you also should determine how much it is growing or declining. Are business development and warm-call opportunities available to you? How will you maximize those opportunities?

Identify how much of the niche you can hope to own. How many businesses in the chosen niche are located near you? How many of those businesses can you hope to bring into your agency? Can you do business with others in the niche outside your city? How many prospects can you expect to make your customers? In other words, how much can you maximize the opportunity to grow your agency?

Conduct a SWOT analysis of the competition. How many competitors are there? What are the Strengths, Weaknesses, Opportunities and Threats of each? How does your agency compare to the competition? How can you differentiate your agency from your competitors? What competitor weaknesses can you capitalize on to grow your place in the niche? What marketing tactics will be necessary to do so?

Plan your messaging and your marketing. It is important to start with the message. Clarify what you want to say before you distribute the message. To some degree, the message determines the medium. How do you begin to differentiate your agency and your expertise versus your competitors? How do prospects in this niche want to hear your message? What marketing tactics will enable you to reach them with the right message in the right medium in the right place at the right time? How will you spread the word?

Think about the needs of customers and what you can do to offer them additional value. How can you meet specific customer needs? What emerging needs can you identify and meet? How can your expertise provide greater value?

Grow your niche. Get busy, get out there and get the customers. If you accomplish each step, you will have everything you need to build your niche and grow your agency.

Admittedly, growing an agency is not rocket science. However, it does require some thought, planning, process development and commitment to success. You will be on your way to grow your agency in a profitable direction and in a way that makes you so more than a commodity if you can clarify how you can serve a niche; consider what you hope to accomplish by building a niche for your agency; and follow the basic steps to build a niche.

Growing the agency is like anything else in life: If you do your homework, focus your attention in the right ways and step out knowledgeably, you can earn your right to claim expertise in a particular industry or segment. ■

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