Why Focus on Retention

For any business, retaining customers is key to maximizing profits. But for insurance agencies, there are two key challenges that make retention even more critical. First, the insurance industry has the highest customer acquisition costs of any business. Secondly, the industry is averaging just 2% new entrants into the P&C market each year. So not only is it more expensive to acquire new customers, it is harder to find them! That is why it is so important to hold on to those you have. Even if you think your agency’s retention rates are pretty good, consider this: Say you retain 90% of your existing customers each year. If you do not keep replacing those who leave, over five years you would discover that you had lost one-third of your starting customer base, as the chart below illustrates.

<table>
<thead>
<tr>
<th>Year</th>
<th>Number of Customers</th>
<th>Retention Rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>Year 1</td>
<td>100 Customers</td>
<td>90%</td>
</tr>
<tr>
<td>Year 2</td>
<td>90 Customers</td>
<td>90%</td>
</tr>
<tr>
<td>Year 3</td>
<td>81 Customers</td>
<td>90%</td>
</tr>
<tr>
<td>Year 4</td>
<td>73 Customers</td>
<td>90%</td>
</tr>
<tr>
<td>Year 5</td>
<td>66 Customers</td>
<td>90%</td>
</tr>
</tbody>
</table>

Here are a few other reasons it pays to focus on retention:

**It’s more effective to reduce customer defections than to cut agency expenses.** Increasing your retention rate by just 2% each year has the same effect on your bottom line as reducing expenses by more than 10%.

What You Can Do to Retain More Clients

Travelers has reviewed the best practices of a number of leading agencies around the country. Here are a few of the things we consistently find they do to retain more customers.

- **Round out accounts.** Today’s most successful agencies have integrated a disciplined, ongoing account-rounding effort into their operations. There is no doubt that the more solutions you provide for your customers, the more loyal they remain to your agency.

- **Stay in touch on a regular basis.** One of the best ways to build loyalty is to build relationships. So rather than limiting your outreach to renewal time or claim issues, create a program of regular customer touchpoints. Offer them value-added safety tips. Share other timely information via social media. Simply connect regularly to cement your customers’ loyalty.

- **Encourage customers to sign up for EFT.** The less customers have to think about paying bills, the less they will think about shopping for policies. In fact, some studies have shown that policies with EFT bill plans tend to stay with an agency longer than policies with traditional bill plans.
Switch from split limits to single limits. Historically, we have seen that agents who encourage customers to enroll in single liability limits rather than split limits could see a lift in retention.

Schedule annual coverage reviews. These are a great opportunity to reaffirm the consultative value of having an independent agent on your side. They also offer you the chance to spot upsell and cross-sell opportunities within your existing book of business.

How Travelers Can Help You Boost Retention
Travelers is truly committed to helping independent agents grow — and keep — their market share. As part of that commitment, we offer comprehensive sales support and marketing tools specifically designed to help you retain more business. Here are just a few of the resources we can put to work for you.

Let your Travelers Sales Executive customize a prepackaged campaign for you. We have created complete retention campaigns with multiple touchpoints using different types of communication vehicles. Not only can we customize these materials with your contact information, we can schedule automatic distributions of these materials. Our Sales Executives would be happy to set up a campaign for you.

Take advantage of our mailPlus service. Either as part of one of our pre-packaged campaigns or as a separate initiative, you can also take advantage of our powerful mailPlus program. This turnkey service takes care of everything for you, from customizing your marketing materials to printing and mailing your ongoing direct mail campaign. Plus you can choose from a variety of creative options designed specifically for retention marketing, including account rounding programs.

Access all of our retention tools on toolkitPlus. If you’d prefer to manage your own retention campaigns, you can still choose from a variety of marketing materials available through our easy-to-use toolkitPlus website. Simply log in to Travelers Agent HQSM, select Personal Lines and click on the toolkitPlus icon. You can sort by topic and by format to find just the retention marketing tools you want.

Share safety tips from our Prepare and Prevent site. A great way to reinforce your value on an ongoing basis is to regularly share valuable information. In the Travelers Prepare and Prevent section of our public website, travelers.com/prepare-prevent, you will find a wealth of valuable information based on Travelers’ extensive claim experience. From any article, you can simply click the icons to email to your customers or post to your social media sites.

For more information, please contact your Travelers Sales Executive.

1 The Independent Insurance Agents of Dallas, “Customer loyalty and retention primer” http://www.iiadallas.org/page-75

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