

# Topic 1 :

## Agency Planning

### Overview

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#### Introduction

Agencies that plan outperform those that don't.  
(People who plan outperform those who don't.)

You, the agent, need to know the value of planning and the sequence of steps in planning.

Agency planning first determines the agency's current stage of growth and then decides how to move to the next stage.

You, the agent, must know the stages of strategic planning and the steps of business planning.

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# The Value of Agency Planning

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## Introduction

A recent survey found that *two out of three property and casualty agencies had decreasing revenues!*

An even higher percentage had decreasing profits.

Almost all those agencies had no formal business plan.

The vast majority of the rest had flat growth.

Of the few reporting increasing revenues, 75% had a formal business plan.

Simply, a failure to plan is a plan to fail.

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## Purposes of a business plan

A business plan has these four purposes:

1. **Goals** - Identify your business goals.
  2. **Trends** - Identify internal and external economic and demographic changes that will affect your business.
  3. **New opportunities** - Create and prepare for opportunities by anticipating changes in your external business environment.
  4. **Resources** - Create and coordinate your organization's resources to meet your business goals.
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## Critical factors to consider in planning

Your business plan should identify and prioritize these critical factors that contribute to your agency's success:

1. new business development,
  2. retention of existing business,
  3. improving personal and technical staff skills,
  4. developing more effective agency management,
  5. strategic business planning,
  6. ways to increase profitability,
  7. ways to increase productivity,
  8. use of automation, and
  9. ways to increase quality of client services.
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## The Value of Agency Planning, Continued

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**SWOT analysis** Competitive analysis assesses the internal and external factors that influence your agency's ability to compete successfully.

SWOT analysis, a form of competitive analysis, analyzes your agency's competitive situation by assessing its

1. **Strengths** - internal characteristics that increase its competitiveness.
2. **Weaknesses** - internal characteristics that decrease its competitiveness.
3. **Opportunities** - external conditions that increase its competitiveness.
4. **Threats** - external conditions that decrease its competitiveness.

Generally, any business (like any person) reaches a higher level (or the pinnacle) of success by enhancing its strengths and exploring its opportunities than by eliminating its weaknesses and evading its threats.

Simply, do what you do best, but do it better.

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# The Stages of Agency Development

**Introduction**

Agencies pass through five stages of growth.  
 To plan, you must identify your agency’s current stage of growth and understand how to move on to the next stage.  
 Your current stage of growth affects your agency’s financial, market, and operational planning.

**Stages of agency growth**

The table below describes the five stages of an insurance agency’s growth:

| Stage            | Description  |
|------------------|--|
| <b>Existence</b> | The agency focuses on staying in business.<br>Its business plan emphasizes selling to increase revenues to at least a subsistence level.   |
| <b>Survival</b>  | The agency focuses on ensuring revenues continue to meet expenses.<br>To grow, the agency begins to focus.   |
| <b>Success</b>   | The agency is increasing in net worth.<br>Its business plan redefines employees’ roles and delegates authority.<br><br>At this stage, an agency must choose between two alternatives:<br>1. <b>Stability</b> - The agency is comfortable with its existing clientele.<br>If so, emphasize service.<br>2. <b>Growth</b> - The agency wants to increase sales and develop sales opportunities.<br>If so, emphasize growth.   |
| <b>Expansion</b> | Sales increase rapidly as it develops new markets.<br><br>To meet new demands, your plan must address three needs:<br>1. <b>Staffing</b> - Staff must increase in number to meet the demands of additional sales.<br>New staff must have the skills needed to sustain growth.<br>Existing staff must be developed to meet higher service demands.<br>2. <b>Organization</b> - Resources must be coordinated effectively to continue growth.<br>3. <b>Money management</b> - Money must be managed to yield acceptable returns on investment. |
| <b>Maturity</b>  | Mature agencies tend to be large with fully developed structures and systems.<br>Mature agencies focus on creativity, sophisticated systems, and decentralization.<br>Their organizational structure emphasizes professionalism and team work.   |

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