A Plan for an Insurance Agency

By:

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With assistance from Dan Burke

Thesis

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Executive Summary

As part of a business class at Miami University, Dan Burke and myself agreed to evaluate a small business and provide recommendations for improving the business.

Sam Gentry was in need of consulting work for his firm, Sam Gentry Insurance Agency. Among the problems he wanted help with was the lack of marketing, office efficiency, and improved use of technology. Another problem discovered by the consulting team was a poor accounting system.

The consultants explored these problems by conducting employee interviews. They also observed daily operations and researched industry standards. After this process the team agreed with the owner that attention was needed in the areas of marketing and efficiency. Also, after conducting an analysis, the team decided that a new accounting system must be implemented.

The team developed an extensive marketing plan, broken down by month, to help coordinate marketing efforts of the Agency with the marketing efforts of the Corporate Office. In the area of office efficiency, the team recommends that all members of the staff be versed in the daily duties of the other employees. After observation the team feels that technology is at an acceptable level and any changes could hinder communications with the Corporate Office. The Agency has been successful in the past, and with these recommendations it should continue to experience increased profitability.

The conclusion discusses changes that were implemented within three months of receiving the recommendations. They include adopting the marketing plan, increasing feedback to employees, and employee turnover.
Company Background

History of Company

The Sam A. Gentry State Farm Insurance Agency has been in existence for nine years. Mr. Gentry previously had a State Farm agency in Dayton, Ohio. The Agency is now located in Van Wert, Ohio and has been there for seven years. It is currently in its second building in Van Wert. The office was moved in September 2002 because the Agency outgrew its previous space. The new building is three months old and the Agency’s space consists of four offices, a break area, a conference room, and a reception area. Mr. Gentry is part owner of this building, which is shared with the owners of Skyline Chili. The Movie Gallery, a movie rental company, is moving between Mr. Gentry’s office and Skyline Chili. The Agency is located at 547 West State Street. West State Street is a major thoroughfare in the city. His office is located on the western most side of town almost immediately as one enters the city on State Route 127. Such positioning is important with regards to locating the establishment, but it also serves as a marketing tool as well. This will be further explained in later sections. In front of the building is a large State Farm sign that illuminates at night. It is important Mr. Gentry has such a sign in front of his establishment, as he claims the State Farm logo is the second most recognizable emblem in the world.

Owner

The owner of the Agency is Sam Gentry. Mr. Gentry earned a Business Degree in Marketing and Business Management in 1989 from Mount Vernon Nazarene College. Prior to starting his agency, Mr. Gentry worked in a marketing capacity with Nestle and Xerox. In 1993 he became a State Farm Insurance Agent thanks to the help of a friend who is also an agent. He is involved in service to the Van Wert community by helping various charity groups and serving as a coach for children’s sports teams.

A consulting team of two doing work for a business class at Miami University offered to help Mr. Gentry improve his business. In the consulting team’s various meetings with Mr. Gentry, the team has come to see him as an owner who believes that enjoyment is an integral part of the job. He is often found joking and casually conversing with his employees. He also has a great belief in the value of personal contact. Mr. Gentry is dedicated to meeting and developing a good relationship with each of his customers. In the time the team has been working with him, he has known everyone’s name that has walked through the Agency’s
door. The belief that a personal relationship is key to business may be a reason for his extensive community involvement.

Products and Services

As a State Farm Insurance agent, Mr. Gentry has traditionally sold insurance policies. These policies consist of auto, fire, life, home, and health. In the recent months, State Farm has introduced new products involving financial services. These products include accepting banking deposits to the State Farm Bank, loans, and mutual funds. A brief explanation of each follows, however, a more comprehensive description can be found later in the paper:

- **Deposits** - State Farm has created its own bank. It is not a traditional bank, but rather is a virtual, on-line bank from which customers can pay bills and transfer funds over the Internet. Deposits and withdrawals are made through mail or ATMs.
- **Loans** - Through the Bank, State Farm is able to make loans to its customers. The loans are made for home and auto purchases as well as improvements.
- **Mutual Funds** - State Farm has several mutual funds in which people can invest. Each one has different risk characteristics as they invest in a variety of securities in a variety of industries. Customers can purchase these mutual funds at their local State Farm Agency.

Over the last year, State Farm has noticed an increase in the number of claims reported for its property/casualty lines of insurance. Therefore, State Farm is asking its agencies to attempt to sell more life insurance and banking products. Making this transition from fire and auto insurance to banking products is one reason Mr. Gentry is seeking the consultant's assistance.

Employees

The description of each employee’s job is based on interviews with the employees and general observation. The Agency employs three people in addition to Mr. Gentry.

- **Sarah Johansen** - Sarah started work with the Agency in February 2002 after already accumulating 26 years of experience in the insurance field. She handles any problems or questions that arise from customers whose last name begins with the letters A through K and writes any new property/casualty policies for those customers. Sarah has recently passed the life insurance test making her certified to
write life insurance policies. She is used to and comfortable with using a paper filing system and according to another employee, Sarah is not very computer proficient.

- Amanda Kreezay - Amanda started working for the Agency in the spring of 2001. Prior to that, she had 8 years of experience in the insurance industry. Amanda handles any problems or questions that arise from customers whose last name begins with the letters L through Z and writes any new property/casualty policies for those customers. In addition to these duties, Amanda is the primary salesperson of the banking products. In the area of technological proficiency, Amanda is the polar opposite of Sarah. Amanda claims to have a paperless working system where all files are stored and accessed with a computer. Amanda does not mind expressing her feelings about the business with Mr. Gentry.

- Bethany Rainey - Bethany has been with the agency since 1998. She has 23 years of experience in the insurance industry, mostly at a corporate office. Because of her corporate background, she is able to provide some unique insights regarding State Farm’s expectations of the Agency that would otherwise go unknown. Her official title is Office Manager, primarily because she does most of the scheduling needed to meet with customers in an organized fashion. She is the receptionist who greets customers at the entrance and she answers the phone. Bethany is the employee who handles most of the insurance claims. She is not certified to write insurance policies.

**Letter of Engagement**

Below is the Letter of Engagement that was created by the consultants and presented to Mr. Gentry (Appendix A):

1. Develop a marketing plan that will emphasize sales of the four products: bank deposits, long-term care insurance, life premiums, and mutual funds.
2. Investigate the possibility of incorporating new technology to improve office efficiency.
3. Evaluate the effectiveness of staff meetings and make suggestions for improvement of office communication.
4. Research and understand the functions of each member of the staff to develop a system for use in the event of a member’s absence.
The first item on the list deals with a marketing plan. The consultants decided to evaluate the aforementioned four products after talking with Mr. Gentry. Bank deposits, long-term care insurance, life premiums, and mutual funds were identified by Mr. Gentry as products that produce the most commissions for the Agency. In addition, Mr. Gentry likes to sell these items. It should be noted that these products are in line with the new objectives of State Farm: a transition from a property/casualty insurance company into more of a financial services firm. Some of these products have never before been marketed by the Agency so it is important to develop effective and creative marketing ideas.

The second item discusses technology. Currently, the Agency has a computer for every office. There is a centrally located network printer that all computers can use. There is a printer in Mr. Gentry’s office for his own exclusive use. All computers are networked and have a 56K modem connection to the Internet. The Agency has requested a T1 connection, but must wait for State Farm to install it. There is one master calendar in Microsoft Outlook that can be accessed and adjusted from every computer, so each employee knows if and when another is available. This calendar is used to identify when employees are not in the office or when they have a client appointment. Missed phone calls are currently communicated through e-mail messages.

The third point on the list concerns staff meetings. Every Wednesday the Agency closes for one hour starting at noon to have a staff meeting. This is a time Mr. Gentry sets aside to communicate his expectations to the staff. It is also a time to get everyone caught up on the firm’s current position. It has been brought to the consultant's attention that very little is accomplished at the staff meetings. A recommendation on how to better make use of this time can be found in the Recommendations portion of the paper.

The final item in the Letter of Engagement focuses on job descriptions. Currently, there is no official listing of each employee’s responsibility. This creates problems when an employee is on vacation or takes a sick day. Without an official and accurate job description it is difficult for the remaining employees to complete the tasks normally performed by the absentee. A method of how to record each employee’s role is included in the Recommendations portion of the paper.
Customers

The majority of Mr. Gentry’s clients are from the Van Wert, Ohio area; however, Mr. Gentry does have a few clients from outlying regions such as Dayton, Toledo, and Cleveland. The reason for such distant customers is that he previously worked at a State Farm agency in the Dayton area and has retained customers due to a strong relationship.

In total, Mr. Gentry reports: 2,884 auto policies, 1,528 fire policies, 892 life policies, and 138 health policies as of September 11, 2002 (Appendix B). Recall that State Farm is moving away from its traditional property and casualty insurance products and is now refocusing itself on being a financial services provider. In fact, State Farm's home office in Bloomington, Illinois has instructed its agents to restrict the growth of property and casualty policies to a modest 2.4% per fiscal year. Thus, the agents and agencies must also refocus their efforts on this new line of business. Some of the financial instruments they now offer include: checking accounts, savings accounts, money market accounts, certificate of deposits, and IRAs. To better understand the challenges facing State Farm and its agencies, the products must be fully understood.

Company Products

Checking Account

The minimum opening balance is one hundred dollars; however, the minimum monthly balance can be as low as zero dollars. An account holder may have unlimited transactions and his or her account can be accessed online. One convenient feature of the account is the fact that one can pay their bills online once a list of payees has been created. Also, the first fifty checks are free. Another added benefit is the opportunity to turn this account into an interest bearing one. This can be achieved with a minimum monthly balance of $2,500.

Savings Account

Similar to the checking account, only one hundred dollars is required to open a savings account. Each account comes with a free ATM card and one can make unlimited transactions with it. A particularly interesting feature of the savings account, that the standard checking account does not necessarily offer, is the ability to earn interest. Not only
does it compound interest daily, but currently the account is yielding a very competitive rate of 2.63% (October 15, 2002). Individuals under the age of 18 need only ten dollars to open an account, thus making it available to children as well as adults.

**Money Market Account**

The money market account requires a larger upfront investment of $1,000, but the attractive feature is tiered interest. Different interest rates are yielded depending on the account’s balance. For example, a balance between $100 and $999 is yielding 1.80% whereas a balance over $25,000 is yielding 2.56% (October 15, 2002). Also, as the name implies, these rates go up and down with market rates.

**Certificate of Deposit**

Both fixed rate and market rate certificates are offered. As with the aforementioned savings accounts, State Farm is offering very competitive rates on these deposits. Also, having State Farm Bank located online and not as accessible as a local bank will encourage individuals to keep their money in CDs for an extended period of time. This can be assumed because it will take more effort on behalf of the customer to liquidate the asset. At the same time, this difficulty might discourage individuals from initially investing in the CD’s.

**Individual Retirement Account**

Similar to the certificate of deposit, both fixed and market rates are offered. Both traditional and Roth IRAs are available and interest is compounded daily. One disadvantage to such an investment is that the money must be kept within the account until the individual is 50½ years old. Early withdrawal results in a significant penalty.

**Mutual Funds**

Currently, State Farm offers mutual funds to its clients. The mutual funds are indirect investments in other companies. These include small cap and international firms as well as some bond investments. An attractive aspect of this investment product is the ease of purchasing additional shares. One can purchase shares online or they can have a minimum of fifty dollars wired from a bank account.

The financial services side of State Farm was implemented in May 2002. Thus, agents have to be trained to sell and market such services to their existing and non-existing customers. State Farm provides the necessary training and testing for those specified agents. At the Agency, several banking products have been sold including bank deposits and mutual
fund accounts. Most of the customers were informed of these banking services through conversation with the employees. This is an adequate form of marketing for the present, but it is the consulting team's goal to formalize this type of marketing. For example, the agents have brochures on their desks concerning the new banking services. If a client comes in for a meeting, the employee quite often mentions the banking products to them. Additionally, Gentry Insurance is in a smaller town and the employees know the majority of their customers. By knowing whom their clients are they can better tailor their sales strategy. Currently, the firm has seven bank deposits (October 15, 2002). These seven accounts are comprised mostly of small denomination deposits made for minors by their relatives.

Geography / Make-up of Community

Van Wert, Ohio is located in northwest Ohio. It is positioned between Lima and Fort Wayne, Indiana. The area can be generally classified as agricultural with flat lands, however, in the last five years the area has experienced a significant increase in residential construction.

Based on the 2000 census, the population of Van Wert is 8,746 people (Appendix C). It was not until 1971 that the city's inhabitants surpassed 5,000 and reached “city” classification. Over forty-five percent of the total population is twenty-five to fifty-four years old and the median age is thirty-one years. With regards to racial composition, ninety-eight percent of the total population is classified as being "White." There are a total of 3,189 housing units of which seventy-four percent are owner occupied. Only nine percent of the inhabitants of Van Wert have a bachelor's degree while eighty-five percent have graduated from high school. The largest industry in which Van Wert residents are employed is within manufacturing. This specific industry represents thirty-two percent of those in the labor force. The single most contributing factor to the large number of workers in manufacturing is the city's proximity to Eaton Corporation located in nearby Lima. Forty-nine percent of the total households have an income between $35,000 and $74,999. Finally, the median household income is $50,933.

Competitors

There are two agencies in Van Wert with which Mr. Gentry has to compete. The first is Metropolitan Insurance (commonly called MetLife). Mr. Gentry informed the consulting
team that the agent is rarely present. The consulting team attempted to visit the establishment. The Metropolitan agency in Van Wert is located within a residence and has very little identification or markings to distinguish it from a typical residence. The only advertising that lets one identify the residence as an agency is two small, white signs attached to a white picket fence that surrounds the home. The consulting group visited the agency at approximately four o'clock in the afternoon and it was closed. Additionally, no hours of operation were posted or visible.

The second competitor within Van Wert is Mel Peters Insurance. The consulting team did visit the establishment. Unfortunately, no one was present at the office. Mr. Gentry did mention that Mr. Peters is difficult to find in the office. The consulting team did not attempt further contact with Mr. Peters. The agency is also located on West State Street next door to a Subway eatery.

Mr. Gentry has been informed that he has thirty-five percent of the total market share in Van Wert as calculated by State Farm. The number of Mr. Gentry’s clients divided by the total population of Van Wert arrived at this number.

It is also important to realize that there is increased pressure from insurance companies outside of Van Wert. National competitors such as Nationwide, Progressive, and Allstate also have market share in the area despite not having a physical building or agency nearby. These insurance carriers pose the biggest, most direct threat to Mr. Gentry.

Mr. Gentry also has additional competition as State Farm moves further into the financial services sector. As the transition toward banking and investment products continues, the firm will compete with other banks and financial advisors in town. These include Towne Bank, 5/3rd and other independent financial advisors and retirement planners.

**Current Marketing Techniques in Use / Used Previously**

Currently there is no marketing plan in place as the firm is in a transition on two fronts. First, the company has to adapt to the directives of becoming more of a financial services organization. Second, the firm recently moved into a new location and it has taken some time to reorganize. However, there has been marketing in the past.

The last attempt at marketing was about one year ago. It was a postcard sent to both current clients of Mr. Gentry and also people with other insurance carriers. The postcard was
sent to these homes with simply "35%" written on one side of the advertisement. The other side detailed how the individual could save thirty-five percent by switching their insurance to State Farm. The notion of simply having the percentage on one side was to attract the reader's eye. Additionally, the postcard saved postage and also was less likely to be put in the garbage because the recipient did not have to open an envelope. He or she simply had to turn the card over to see the significance of the number on the front. The success rate of this endeavor was estimated to be roughly one percent.

**Call Outs**

The company has done "cold calling" in the past and has recently (late October) started to do it again. Mr. Gentry and his employees stay after work usually once a month and call people’s homes in an attempt to get clients to set up appointments with Mr. Gentry. He can pick and choose the product he specifically wants to market through a State Farm database. Mr. Gentry identifies the clients that he wants to target and then gives his employees their contact information. He calls these sessions “call outs” and they begin when the Agency closes its doors at 5 p.m. Before the calling gets underway, Mr. Gentry holds a meeting to remind the employees whom they will be calling and what they will be marketing. During this meeting, food is often ordered. The calling does not end until the employees set up ten combined appointments. To motivate them, small cash prizes are often given away after each appointment is set up, however, this is not done every time. While the consulting team has been working with Mr. Gentry, the Agency has had two call out sessions. They have been very successful with ten appointments established each time. Also, Mr. Gentry reports a one to one ratio for these call outs sessions. For every appointment that is arranged, one insurance product is written. This is not to say that everyone that comes in purchases a product. On the average, one policy is written per set appointment. This form of marketing has been beneficial to the Agency as a whole in meeting its goals.

Another marketing idea previously used was a thirteen-question questionnaire (Appendix D) that was placed in the office for visitors to fill out as they waited to speak with an employee. The "check-up," as it was called, contained questions that when answered would identify where people had their money allocated. For example, one question asks how much the client has in a certificate of deposit and when it matures. The answer to such question would enable the employee to specifically talk to the client about investing in State
Farm's certificates of deposit. Mr. Gentry commented that this data gathering technique worked so well that he discontinued its use; he got too many responses to process them all. It was estimated that the Agency contacted about ten percent of the respondents and set up appointments with them.

**Billboard**

Mr. Gentry has also expressed interest in renting a billboard on the eastern edge of town along West State Street. The billboard is located on State Route 127 as one enters Van Wert from the east after crossing the Great Miami River. Having an advertisement on both sides of town would effectively enable any passerby to acknowledge such advertisement. However, the design and implementation of a billboard are still in the planning stages. The consulting team has contacted Sable Advertising who negotiates on behalf of State Farm across the country. They negotiate with the different companies that own billboards and report to the agent how much it will cost and they assist in the implementation of such advertisement. Mr. Gentry filled out and faxed the form to Sable. However, the estimate that Mr. Gentry received was $850 per month. State Farm does assist its agents in designing their billboards by providing a Website with templates to choose from. Mr. Gentry wants to have an advertisement with his kids on it and a message that reads: “See our Dad about your insurance.” This idea is not in accordance with State Farm regulations so the sign could not bear the State Farm logo on it. No decision has been made by Mr. Gentry to date.

**Internet**

Gentry Insurance also has a presence on the Internet, which is a cheap and effective way to reach non-existing customers. First, he has his own Website that can be accessed at the following address: www.SamaGentry.com. Second, he has a link through the Mid-Miami Valley Chamber of Commerce's Website located at: http://www.mmvchamber.org/.

**Marketing Software**

If and when any marketing occurs, the firm will have two important assets. First, Mr. Gentry has a CD-ROM with all the streets and addresses of homes in Van Wert. Therefore, this tool will be useful especially if it is decided to target non-current customers. Second, the company is able to use State Farm Corporate, which aids its agencies with marketing related issues. For example, State Farm has "form letters" and brochures that it can assemble and
mail on behalf of its agencies. Both of these tools can be used later on if such a marketing ploy is undertaken.

**Agency Scorecard**

As mentioned previously with regards to the Letter of Engagement, it has been decided the main task for the consulting team is to spend the majority of its time on marketing related issues. Specifically, it was determined bank deposits, long-term care insurance, life premiums, and mutual funds were to be the focus. Mr. Gentry chose these four specific financial products because they provide significant commissions. They were chosen from a possible eight. The other choices included:

- Bank loans
- Fortis IMIC
- Medical supplements
- Credit Cards

Collectively, these nine products represent the firm's "Scorecard" (Appendix E). The Scorecard is an internal tracking sheet that identifies the number of products sold throughout the fiscal year. The card has certain milestones on it that represent the levels that all agencies must reach. Any amount of sales above the milestones represents additional rewards for the firm.

**Corporate Marketing**

State Farm Corporate markets the company as a whole, but the individual agents can also do their own marketing. Thus, the consulting team will put together a local marketing plan for Mr. Gentry that will be in accordance with what will be done on the national level. State Farm made available its “2003 Sales and Marketing Plan” to its agents in the middle of November. This document outlines what the company plans to target on a month-by-month schedule and the mediums through which the products will be marketed. These mediums include but are not limited to: radio, television, Internet, and magazines. Unfortunately, the exact Marketing Plan cannot be reproduced within this paper due to its confidential nature. Not only does the plan outline what will be marketed, but it also identifies mailings available to agents that can be sent to their clients in conjunction with the national campaign. State Farm on a whole plans to make the general public more aware of its expanded services of
banking and investing. A more detailed, month-by-month marketing plan can be found in the Recommendations section.

**Referral Database**

The Agency has a database (Appendix F) in place that keeps a record of how customers became aware of the Agency. Bethany Rainey is in charge of updating the database that is located on her computer.

A referral program is also currently in place. The program rewards clients for referring their friends and relatives to Gentry Insurance. Once people are referred, the people's names that sent them are placed into a pool regardless of whether an account can be opened for them. Then, when a certain number of referrals have been collected, one name is drawn from the pool for a prize. Past prizes have included mountain bikes and video game systems.

**Industry Analysis**

**Agency and Brokerage Overview**

According to *Information, Finance, & Services USA 2001*, in 1997 (only year of data available) there were 120,392 insurance agencies and brokerages across the country (Appendix G). These establishments employed 557,670 individuals with a payroll totaling over $19 billion. The average number of employees per agency or brokerage was 4.6 and the average payroll per employee was $35,026. The average revenue per establishment was $491,511.

More specifically, the total number of establishments in Ohio in 1997 was 5,434 and this number represented 4.5% of the total number of agencies and brokerages nationwide. The average number of employees per institution was four and a total of 23,042 people were employed by agencies and brokerages. Ohio's payroll at such businesses was below the national average. The average salary at agencies and brokerages in Ohio was $31,798. Overall, revenues were $400,044 per firm in Ohio.

Also according to *Information, Finance, & Services USA 2001*, for the same period of 1997, there were 11,406 direct life insurance carriers in the United States (Appendix H). These carriers employed a total of 561,385 individuals that amounted to a total payroll of over $21 billion. Revenues generated by such establishments totaled over $460 billion. The State Farm Corporation had two of its divisions recognized as being among the 75 leading
life insurance companies. State Farm Mutual Automobile had total sales of over $75 billion in 1997. This private company employed a total of 76,300 individuals. State Farm Life Insurance Company, a subsidiary of State Farm Mutual Automobile, was also recognized as a leading direct life insurance carrier with sales over $21 billion and employment of 2,200. Ohio had the fifth largest number of establishments among all the states. There were 508 direct life insurance carriers in Ohio representing 4.5% of the total number in the United States.

**Life Insurance Industry Analysis**

A weakened stock market and sluggish economy coupled with the terrorist attacks of September 2001 created a dynamic life insurance industry in 2001. Despite the enormity of the disaster, the industry lost a little less than $3 billion. In the wake of the disaster, life insurance sales have increased. While these sales have increased, variable annuity sales have declined.

It was widely thought that following the attacks on America that life insurance sales would likely increase. This would logically occur as people moved from an investment and savings mindset to one of guarding and protecting their assets against another disaster. However, according to the MIB Life Index, life insurance activity only rose fractionally during 2001. An 11% decrease in the first quarter was offset by increased activity in each of the following three quarters. In addition, life insurance sales have increased in each of the months following the September 11th attacks. The untimely deaths of the victims in the attacks will no doubt influence many people to reassess their life insurance and long-term financial planning needs. On the whole, the State Farm Group was the eleventh largest writer of ordinary life insurance in 2000. Its premiums totaled $2.483 billion.

Another blow to the life insurance industry in 2001 was the collapse of the Enron Corporation. The losses of the energy-trading giant cost the entire insurance industry $5 billion. As of the yearend 2000, Enron had $5.5 billion in long-term debt outstanding. Insurance companies held approximately 20% of that debt. State Farm was spared somewhat as John Hancock Financial Services had the most exposure to the loss.

According to Information, Finance, & Services USA 2001, life insurance in the United States at year-end 2000 totaled $23.1 trillion, up 8.5% from a year earlier. Also, approximately 60% to 70% of United States households own some form of life insurance.
According to data from A.M. Best, the average ordinary life insurance policy issued equaled $133,270 in 2000, up from $113,206 in 1999.

Finally, the life insurance industry is experiencing a number of trends. The largest and most important factor shaping and reshaping the industry is demographic changes. The well-publicized aging of the U.S. baby boomers is affecting demand for life insurance products. According to U.S. Census Bureau data, some 82 million people were born between 1946 and 1964, the period of the postwar baby boom. As these boomers plan for their retirement, they are doing so with a much lower level of faith in the Social Security system. Thus, many are turning to life insurers to provide not only traditional death benefits, but also savings oriented life insurance products and annuities to ensure a more comfortable retirement.

Another yet significant factor influencing change in the industry is the breakdown of the barriers that once separated the various sectors of the financial services industry. Banks and brokerage houses now sell more annuities than do life insurance agents. In turn, life insurance agents now sell investment-oriented products including mutual funds. The piece of legislation that enabled this shift to occur was the Gramm-Leach-Bliley Act of 2000. The House of Representatives and the Senate finally resolved their differences of the reform and on November 12, 1999, President Clinton signed into the law the Financial Services Modernization Act of 1999. The key provision of the Act repeals part of the 1933 Glass-Steagall and the 1956 Bank Holding Company Act. As a result, the barriers that had separated the insurance, banking, and securities industries were removed. Thus, firms in those industries could affiliate with one another and enter one another's businesses. Contrary to what many observers anticipated with the passing of the legislation, there have been very few mergers and acquisitions and the industry as a whole remains mature and relatively slow growing.

**Property and Casualty Insurance Industry Analysis**

Just as the life insurance industry experienced a tremendous impact from the September 11th attacks, the property and casualty industry also did not dodge the bullet. Insurers will likely pay between $30 billion and $70 billion in claims arising from property damage, business interruption coverage, and aviation losses, to name a few. It will take years for insurers to tally exactly how much they will have to pay. Even before that tragic day, the
property-casualty insurance industry was dealing with deteriorating underwriting volume coupled with a sharp rise in catastrophe losses.

According to the A.M. Best Company, collectively, the ten largest property-casualty insurers accounted for 45% of the industry's net written premiums of approximately $302.9 billion in the 2000 (latest available data). The five largest firms together wrote approximately 31% of all industry premiums in 1999. State Farm was the largest property-casualty underwriter for 2000 as it was in 1998 and 1999 as well. Net premiums written in 2000 for State Farm totaled $33.294 billion. Together, the two largest insurers, The State Farm Group and the Allstate Corporation, captured an 18% share of the property-casualty insurance market in 2000. However, many factors are changing the industry today.

One key condition is excess underwriting capacity. Put another way, too many insurers with too much capital are chasing too little business. To better understand this, as of June 30, 2001, insurers were writing $1.05 worth of premiums for every $1 of surplus. Traditionally, the benchmark is $2 of premiums written for every $1 in surplus. Another development is the landscape for property-casualty insurers. With the passing of the aforementioned Gramm-Leach-Bliley Financial Services Modernization Act, insurers can anticipate more competition from banks and brokers as they can now compete with them.

Another changing force within the industry is the role of the agent. Historically, insurers have relied on agents as their primary distribution channel. However, the converging financial services marketplace coupled with technological innovations, have forced insurers to rethink their strategy. According to research conducted by Tillinghast-Towers Perrin, 76% of property-casualty chief executives cited "distribution effectiveness and productivity" as a key issue affecting the industry.

With regards to technological advances, insurers have identified some of their products like auto and homeowners' insurance to be well suited for sale online. However, one of the obstacles that must be overcome is the need for the customer to sign the insurance policy to make it binding. Also, many people find buying insurance daunting enough when done face-to-face, let alone online. As people become more accustomed to making purchases such as books and CDs online, they will be more willing to purchase insurance products via the Internet. This will certainly have an impact on the agent's role in the coming years.
According to the research firm A.M. Best, agents will likely see their share of the property-casualty insurance market slip to 48.8% by 2003, down from 56.5% in 1998. Most insurers still rely heavily on their agencies despite it being very costly. Many insurers still view them as an effective means of distributing their products. Agencies must also keep an eye turned to banks that can now sell insurance products. In fact, estimates from Data-monitor indicate that banks could account for some 23% of insurance distribution in the United States by 2003. Although this transition can be anticipated in the years to come, banks will first concentrate on personal insurance lines and eventually graduate to selling commercial property-casualty insurance. The real losers will be the independent insurance agents like Mel Peters in Van Wert. It will be increasingly difficult for an agent like Mel Peters to compete with State Farm that can now sell financial products and 5/3 Bank that can now sell insurance in the same town. Those independent agents will eventually have to find their niche possibly focusing on the high-end insurance market for wealthy individuals or selling insurance to lower-income individuals.

**Emerging Industries**

Two of Mr. Gentry’s new lines of business, financial planning and mutual funds, were recognized as being of the "100 influential and upcoming businesses and industries" in the Encyclopedia of Emerging Industries. Thus, the consulting group wishes to outline a current industry analysis of these two lines of business. In addition, when asked where Mr. Gentry saw his agency in five years, he responded by saying that he saw the agency as being more financially oriented and away from the traditional property-casualty business that State Farm has been in for many years.

**Financial Planning Services**

Financial planners analyze a person's complete financial situation and develop a strategy to optimize personal resources and meet life goals. Planners use the detailed information they get from meeting with clients to make financial recommendations, including advice on budgeting, saving, taxes, and investments. Although the definition of what a financial planner is and the laws that govern them are vague, the Certified Financial Planner Board of Standards reported over 35,400 active licensees in 2000. This number is anticipated to increase as a result of the recent deregulation and as baby boomers near
The growth can also be attributed to more people being investment savvy and the increasing accumulation of assets by Americans. For example, in 1990 21.1% of Americans owned stock compared to 1997 in which 43.2% of Americans owned stock. While the exact requirements for being a financial planner differ by state, professional associations have been the key to developing standards of ethics and raising the bar for who qualifies as a planner. The following is a list of associations that could be of use to Mr. Gentry as his agency is slowing transformed to being more financially oriented:

- **Financial Planning Association** ([www.fpanet.org](http://www.fpanet.org)). Created through the merger of two industry leaders: the Institute of Certified Financial Planners and the International Association for Financial Planning. Combined, they had 27,400 members in 2000.

- **Certified Financial Planner Board of Standards** ([www.cfp-board.org](http://www.cfp-board.org)). This organization administers the CFP exam and regulates professional behavior of those that have passed the test and are members. It also creates professional and ethical standards, which its members must uphold.

- **Registered Financial Planners Institute** ([www.rfpi.com](http://www.rfpi.com)). This organization promotes professionalism in financial planning for individuals and businesses. In addition, they hold classroom seminars and sponsor a research program.

The outlook for the financial planning services industry is healthy. According to a *US Banker* report, it is forecasted that the number of households seeking financial advice to climb from 11 million households in 1999 to 60 million households by 2015. Mr. Gentry looks well poised to take advantage of this increasing market.

**Mutual Funds**

These investments have become quite popular the last few years because of their limited risk exposure. They are particularly interesting because there is a fund for every type of investor. According to the Investment Company Institute, by the fall of 2000, about 88 million Americans invested in mutual funds. This represented a 5% increase from the previous year. On the whole, baby boomers accounted for 51% of the total mutual fund shareholders. Also, according to the same institute, the average shareholder in 1999 was 44 years old, married, employed, with total mutual fund investments of $25,000. The median household income for the average shareholder was $55,000. These numbers match well to
those of the residents of Van Wert, thus could be beneficial to Mr. Gentry. Another aspect on Mr. Gentry’s side is the fact that State Farm has their own mutual funds. Essentially, Mr. Gentry will be able to specialize in and sell a few mutual funds compared to the thousands that exist. Mutual funds are also currently attractive, as few individuals want to put all their money in one stock. Rather, they would prefer to spread the risk across many stocks compiled into one mutual fund. There almost seems to be a constant demand for such securities. When the markets are down, but investors still want to earn a higher potential return, then mutual funds are a viable alternative to saving because of their diversification. Hence, this market for mutual funds can anticipate even more growth in the coming years.

Industry Analysis Conclusions

Across the board, Mr. Gentry appears to be well positioned for the coming years. Within the life insurance industry, continued expansion will be experienced as a result of baby boomers. As they plan for their retirement, they are doing so with a much lower level of faith in the Social Security system. Also, the passing of the Gramm-Leach-Bliley Act has opened the door for life insurance agents to now sell banking products. As a result, Mr. Gentry’s agency can become a one-stop destination for insurance and banking needs. Despite State Farm still being the number one supplier of property and casualty insurance, it has recently increased its rates and refocused its attention away from this line of business. However, the company will still provide this "bread and butter" to its customers, but it is currently introducing banking and financial services. These two industries will continue to experience growth in the coming years as people are now more focused on retiring comfortably. All in all, the industries in which Mr. Gentry operates are growing and also are becoming more competitive.

Financial Analysis

Industry Analysis

The insurance agency industry is a newly defined industry, so comparative statistics are based on only a few years' data. Recall from above the financial statistics for insurance agencies: The revenues per establishment are measured to be $491,511. Employees per establishment is 4.6 with payroll per employee at $35,026. These numbers lead to revenue
per employee at $106,100 and payroll as a percent of revenue at 33%, about one-third. These numbers are based on facts from 1997, the most recent available.

**Analysis of Sam Gentry Agency**

Mr. Gentry was able to provide the consulting team with financial documents. They can be found in the appendix (Appendix I). Upon examination it was clear to the consulting team that these cash flow documents are inaccurate. Included on the income and cash flow statements were items unrelated to the Insurance Agency. There were items indicating personal expenditures, and some items relating to another business in which Mr. Gentry is part owner.

Mr. Gentry’s statements showed a net loss of $22,600 in 2000 and a net income of $3,745 in 2001. The consulting team took the liberty of adjusting these income statements to reflect the true performance of the Insurance Agency. After removing items such as the interest payments on Mr. Gentry’s personal home mortgage, his personal charity expenditures, and his investment to become part owner of a real-estate company, the income statement painted a different picture. Net income for 2000 rose to $40,188 and $102,950 in 2001.

A few other items contributing to this change are an adjustment of dollar amounts and a reorganization of some cash payments. The payroll expense reported on Mr. Gentry’s income statement did not match with the payroll expense reported on the payroll documents (Appendix J). Along similar lines, employment taxes were consolidated into one line and the amount was adjusted to match the number on the payroll documents. Also, expenditures that do not affect income, such as debt payment and equipment purchases, were removed from the income calculation. This revised income statement can be found as Appendix K.

With this more accurate income statement one can better analyze the status of the Insurance Agency. The first thing to look at is the comparison with the industry averages. Total revenue is only 60-70% of the industry average, but Mr. Gentry does employ fewer people than the average agency. His revenue per employee is much more in line with the industry at about 92% of the average. The most interesting numbers when comparing Sam Gentry Insurance Agency to the average is payroll per employee and payroll as a percent of revenue. The payroll per employee for Mr. Gentry was $15,467 in 2000 and $16,229 in
2001. These values are not even half of the industry average, $35,026. Payroll expense is only about 16% of revenues, again about half the industry average.

Another item that should be noted is the relatively large amount of unclassified revenue. Between 25% and 30% of total revenue is from an unclassified source. This may be fine for the short term but if, in the future, Mr. Gentry wants to look back at years 2000 and 2001 for trend analysis, he may not recall what comprised the uncategorized revenue. Without this revenue, the Insurance Agency would have had a loss in 2000.

One encouraging sign is the growth of revenue from 2000 to 2001. Revenues increased by 15% while expenses only rose 5%. It is important to realize that this is only for one year because prior information is unavailable.

The statement of cash flows is brief and attached to the bottom of the income statement (Appendix K) because there are few adjustments to income. Sam Gentry Insurance Agency makes only cash transactions thus eliminating the possibility of receivables and he received no loans during the reported periods. The only non-cash expense is depreciation and would be considered an operating activity making cash flow from operations $41,010 in 2000 and $103,839 in 2001. Purchases of equipment and furniture were the only investing activities and debt payment was the only financing activity. Net cash flow was $28,313 and $87,577 in 2000 and 2001 respectively.

The balance sheet has been omitted from the report. Mr. Gentry has integrated the Insurance Agency with his personal finances and his second business making it impossible to identify the values in many of the balance sheet accounts. Also, much of the equipment used for the Insurance Agency is property of State Farm and not Sam Gentry Agency. Some values can be reasonably estimated. Mr. Gentry estimates the value of furniture and equipment owned by the Insurance Agency to be $60,000 with about $40,000 of outstanding debt related to the Agency and an undetermined amount of payroll taxes payable. Again it is impossible to separate the total debt into the three facets of Mr. Gentry’s financial life.

**Recommendations**

**Marketing Plan for Fiscal Year 2003**

The consulting team recommends that the marketing plan (Appendix L) be implemented at Mr. Gentry’s Agency in 2003. This plan was made by the consulting team in accordance with what State Farm Corporate will be marketing on its own. Recall that this
plan is unavailable for duplication; however, it was used in creating the consultant's recommendation. A real asset for Mr. Gentry is that State Farm has mailings available to him that are free of charge, however, Mr. Gentry must tell the Corporate Office that he wants to participate in the program. The consultants kept these free mailings in mind when developing this marketing strategy. To be of greatest use to Mr. Gentry, a month-by-month breakdown will be explained:

- **January**
  - Credit Card Mailing - Current customers will be mailed pre-approved credit card offers with no charge to the agents. The cards will be sent by Corporate with the agent’s approval by signature.
  - Mature Life - There will be national print advertisements throughout the first quarter targeting the 55+ age group. Agents will receive “quality” leads of their clients in this age bracket that do not have life insurance.

- **February**
  - Auto Retention - Agents will receive every month a list of their most profitable auto-only customers. Retaining these customers will enable Mr. Gentry to cross-sell.
  - IRA Direct Mailing – These free mailings will be sent to Mr. Gentry’s clients that have other insurance lines. These advertisements will be sent to individuals ages 30-49 with the highest propensity to buy according to Corporate.

- **March**
  - Long-Term Care Direct Mailing - This free direct mail campaign will be sent from Corporate to clients that are “most likely to buy.” These specific clients must also meet household income, age, and marital status criteria.
  - State Farm Bank Leads - Mr. Gentry will receive during March a list of his clients that have the highest propensity to purchase State Farm Bank products.

- **April**
  - Credit Card Mailing - Current customers will be mailed pre-approved credit card offers with no charge to the agents. The cards will be sent by Corporate with the agent’s approval by signature.
  - The consulting team does not recommend marketing another product this month. The Agency can use this opportunity to market a product that they see fit or a certain
product that needs improvement on the Scorecard. Another option for this free period is to evaluate how the marketing plan is working to date.

-May

- Mutual Fund Direct Mailing - During May, Mr. Gentry’s existing Life customers, ages 30-49, with household incomes of $50,000 to $125,000 will receive a direct mailing. This free ad will remind them of the need to invest and the role that mutual funds can play in their portfolios.

- Young Parents Life Insurance - The consulting team recommends targeting this group during May in conjunction with the national TV and print ads. Leads of parents ages 25-34 with children 0-2 years of age without life insurance will be sent to Mr. Gentry during this month.

-June

- State Farm Bank Leads - Mr. Gentry will receive during June a list of his clients that have the highest propensity to purchase State Farm Bank products.

- Fire – The Agency will receive leads from the Corporate Office of those customers that have a high propensity to purchase this type of insurance.

-July

- Small Business Insurance – The team recommends this product during this month because Corporate will be conducting national advertisement from July until the end of October. Also, most of the businesses in Van Wert are smaller in nature. The overall goal of the campaign is to inform small business owners that State Farm sells this type of insurance. Also, Mr. Gentry can market this product reminding those potential customers that the agents themselves are small businesses.

- The consultants do not recommend any other specific marketing during July. This is a busy time of the year with employees going on vacation. Also, this will provide yet another opportunity to reassess how the current marketing plan is working.
-August

- Credit Card Mailing - Current customers will be mailed pre-approved credit card offers with no charge to the agents. The cards will be sent by Corporate with the agent’s approval by signature.

- Business in the Home – Leads will be delivered to the agent in the third quarter for this untapped market. Also, this may be of particular interest to Mr. Gentry because of the business type in Van Wert.

-September

- Youth Auto Insurance – A national ad campaign will be conducted from July until December. It is important to build relationships with this customer, as they will one day need other insurance products. Also, youths can receive a discount for being a “good student.”

- Boomer Parents Life Insurance – National TV and prints ads from September through November will target these individuals between the ages of 35 and 55 with children 2-17 years of age. Agents will be sent leads of those who qualify. Mr. Gentry should stress the importance of how different life policies can meet the needs of families at different stages.

-October

- Education Mailing – During October, Corporate will send an education mailing to Mr. Gentry’s clients that have more than one line of insurance with him. These clients will be between the ages of 30 and 49. This mailing will help to increase the awareness of State Farm financial services.

- Credit Card Mailing - Current customers will be mailed pre-approved credit card offers with no charge to the agents. The cards will be sent by Corporate with the agent’s approval by signature.

-November

- Boomer Parent Insurance - National TV and prints ads during this month will target these individuals between the ages of 35 and 55 with children 2-17 years of age. Agents will be sent leads of those who qualify. This type of insurance is in conjunction with the same marketing being done in September.
-December

- Long-Term Care - Mr. Gentry will receive a list of clients that have the highest propensity to buy this type of insurance as identified by Corporate.
- Mutual Funds – A list of clients with the highest propensity to purchase this financial product will be delivered to the Agency.

Marketing Conclusion

The above marketing plan is simply a recommendation from the consulting team. Mr. Gentry certainly can change if it is so desired. Above all, the team advises Mr. Gentry to take full advantage of these free mailings from Corporate. Additionally, the team believes that the above marketing plan gives the office more structure and organization compared to the "once in awhile" marketing currently in place.

Callouts

Another recommendation of the consultants is to continue to have callout sessions in association with the aforementioned marketing plan. As it was outlined in the marketing proposal, Mr. Gentry will be receiving many client lists next year. These lists will contain the names and accounts of individuals that Corporate has identified as being “high propensity customers.” However, it is ultimately at his discretion whether he calls these specific individuals or not. Regardless of whether Mr. Gentry implements the marketing strategy laid forth, the consultants recommend more callout sessions.

In employee interviews conducted by the consultants, some employees have indicated that they would be willing to give up four hours a month to have such sessions. The team does not necessarily propose having one every week, but rather when they are needed. It is understood that the employees have families to take care of after working hours, therefore these meetings should not last more than one hour. They should last, as they currently do, for an hour or until ten appointments have been made. Mr. Gentry has sometimes used money at these meetings to motivate his employees. At the most recent session, no money was used and the employees questioned where it was. The team understands the need for motivating one's employees after hours, thus the consultants suggest having some form of motivation each time. For example, Mr. Gentry could provide a meal before they begin calling or he
could give out small denomination gift certificates to Skyline Chili located next door. It is simply not in Mr. Gentry’s budget to give close to $100 each time calls are made.

Another suggestion is to always have a brief meeting before the calls are actually made. This will enable the employees to be aware of the company’s goals for that particular evening. Overall, these sessions have produced positive results when they have been used in the past. Thus, the team recommends setting aside at least one night a month on the Master Calendar in Microsoft Outlook for such calling periods.

**Dry Erase Board Scorecard**

It has been widely publicized that people or companies that put their goals on paper are more likely to accomplish them. Therefore, the consultants suggest that Mr. Gentry devote one of his dry erase boards in the conference room to resemble the Agency's Scorecard. It can be anticipated that with the new marketing plan there will be increased sales levels. Thus, this board will serve as the most up to date condition of the firm. Currently, Mr. Gentry is the only one that has the Scorecard. However, by making this performance measuring stick "public," all employees will be able to pinpoint areas where improvement is needed. Also, by the same token, making the Scorecard available to all employees will enable them to see their individual performance and how they contribute to the overall success of the Agency. The team also suggests that Bethany be the person in charge of updating this board on a day-to-day basis since she ultimately processes the final documents for new accounts.

**Networking**

Another proposal of the consulting team is to do more networking or person-to-person interaction with the Van Wert community. Mr. Gentry has shown that he likes to get involved in the community as exemplified by his current role of being on the "Christmas in Van Wert" board. Another capacity that the team recommends that Mr. Gentry becomes involved with is the Junior Achievement Program. The consulting team believes becoming involved in this program is in line with Mr. Gentry’s desire to give back to the community but also an opportunity to put a face to his business. Another reason why the consultants believe he is a match for the program is because Mr. Gentry has younger children, so he is accustomed to teaching children. The goal of Junior Achievement is to teach kids about economics and to show them how to be successful in business.
As the market leader of insurance in the Van Wert area, the team believes that this giving back will also be beneficial to business. Parents will undoubtedly ask what their children did at school and they can tell their parents that Sam Gentry came in and taught them about business. Mr. Gentry could provide the children with pens or cups to remember his Agency. Also, his commitment level to the Program is contingent upon the grade level he chooses. One possible location at which he could volunteer is Edgewood Middle School, located a few blocks from his office. His commitment could vary from a single school day to a weekly visit of one hour each for five to 10 weeks, but the Program is very flexible on the whole. The nearest office for Mr. Gentry to contact with further information on this opportunity is:

JA of Lima Area, Inc.
1131 Manchester Ave.
Lima, OH 45891
(419) 453-9736

Another networking suggestion is to establish a relationship of mutual recommendation with local accountants or lawyers. An example of this is when an accountant is helping someone with his or her retirement. The accountant could simply refer the individual to Mr. Gentry to purchase IRAs and mutual funds. This is a simple idea that could pay dividends in the form of increased business. Much like the real estate business, people go with an agent that they can trust. Therefore, a person is more likely to walk into Mr. Gentry’s office if he has been recommended. Moreover, this form of marketing is free of charge. In turn, Mr. Gentry could refer people to a lawyer if a client is involved in an automobile accident.

Feedback and Rewards

Overall, the consultants suggest that Mr. Gentry stay away from the typical pay-for-performance type of employee motivation. According to expert opinion and research results in Organizational Behavior, pay for performance often falls short of improved job performance. Experts say that roughly half the incentive plans they see don't work. More related to Mr. Gentry’s business size, researchers have found that in a survey of small
business owners, more than half said their commission plans failed to obtain extra effort from
their salespeople. Thus, the team recommends that Mr. Gentry motivate his employees
through feedback and job empowerment. Although the regular staff meetings the consultants
are recommending are a time to provide feedback to his employees, the team also suggests
that Mr. Gentry hold once a month meetings in his office to assess each employee's monthly
performance. We believe these regular meetings should take place regardless of the
employee's above or below average performance. The consulting team recognizes that Mr.
Gentry already has many day-to-day tasks to complete. Thus, it should be noted that these
meetings could be as short as five minutes. To help Mr. Gentry in giving worthwhile
feedback, the team would like to provide the following tips:

- Relate feedback to existing performance goals and clear expectations.
- Give specific feedback tied to observable behavior or measurable results.
- Channel feedback toward key result areas.
- Share feedback as soon as possible.
- Use positive feedback for improvement, not just final results.
- Focus feedback on performance, not personalities.
- Base feedback on accurate and credible information.

Another item that will aid in the overall motivation of the Agency is the "new"
breakdown of responsibility. Amanda, for example, will feel more motivated to sell her
banking products because she is the sole person responsible for selling such products. Thus,
she will have task identification with selling these accounts. Also, her performance will be
made public by way of the dry erase Scorecard. Hence, others could motivate her to reach
her goal if she is a little behind.

Financial/Accounting

The current accounting system for Sam Gentry Insurance Agency is severely
inadequate. It combines cash payments from the Insurance Agency, the purchase of his real
estate business, and personal expenditures. When looking at this system, it takes too much
effort to be able to pull out information that is specific to the Insurance Agency.
Mr. Gentry looks at the bottom line and sees a number that he is not too pleased with. It is impossible to know for certain what is causing that number to be low without breaking is income statement into its component pieces. He would have no idea where to direct efforts and resources in order to improve his overall financial position.

The consulting team understands why Mr. Gentry has this accounting system. It is easy to look at this income statement and see how Sam Gentry’s overall financial position. The difficulty lies in trying to improve his overall financial position. Without knowing which segment is causing the difficulty, he could be blindly trying to improve something that is already performing at its maximum level and not trying to change something that is greatly under-performing. Clearly, it is the recommendation of the team that Mr. Gentry makes a strong effort to segregate the various financial areas of his life.

Also, under the accounting umbrella is the issue of accurate financial numbers. During the team’s analysis, a few discrepancies were discovered. The payroll expense reported on the income statement did not match the payroll expense reported on the payroll documents. Similarly, payroll taxes did not match. In the future these discrepancies should be investigated and resolved. Accurate financial numbers should also include detailed descriptions. It would be beneficial to record the source of all uncategorized revenue.

**Staff Meetings**

One major part of selling insurance is the motivation and desire of the salespeople to make sales. Having consistent and productive staff meetings will help that. During such a meeting, the boss can inform the employees about how sales have been going, the financial position of the firm, and give recommendations on how to improve sales. The meeting can also serve as a discussion opportunity where the employees can share their thoughts and ideas with the group.

At Sam Gentry Insurance Agency, staff meetings are scheduled to take place every Wednesday during the lunch hour. While this is the schedule, the consulting team has been informed by the employees that these meetings are sometimes unproductive. Much of this lack of effective productivity is due to the recent move. During the move, often the hour designated to be meeting time was used for organization related to moving into a new building. Also, another contributing factor is that most of the time set aside for the weekly
meeting is spent on getting lunch. Therefore, it is suggested that lunch be preordered and delivered at noon when the Agency closes for the meeting.

The consulting team recommends that steps be taken to insure a productive staff meeting every week. It may be helpful to establish a standard agenda and make only minor modifications on a weekly basis. Every week sales goals should be clearly identified and feedback on the prior week should be given. It is essential for the continued productivity of the employees that they know what the next week’s target is and how close they came to achieving last week’s goal. In this way they will know if any adjustments need to be made in their selling style. If adjustments do need to be made then it can be discussed at the meeting or in private with Mr. Gentry.

**Off-Hours**

Mr. Gentry usually stays until 7 p.m. on Tuesday evenings to accommodate any clients who are not able to meet during normal business hours. Having one day each week during which a client can meet with Mr. Gentry without missing any work is a fantastic idea and its effectiveness should be evaluated. The consulting team does not suggest removal of the day if appointments are sluggish; rather the team recommends expanding into another day if appointments are full. In the future it is probable, due to an expended marketing program, that the Agency will have more customers than it does now. If this causes Mr. Gentry to have a full schedule on Tuesday evenings, then some potential customers will be forced to meet during normal business hours. It would then be beneficial to have another day for after-hours appointments.

**Employee Roles**

When the consulting team was first asked for help, one of the key issues was office efficiency. After conducting interviews and observing operations it has come to the team's attention that the staff does not know what everyone else does. This does not mean that Sarah needs to know that Amanda sold a certain number of products between 9:00 and 9:18. It means that the staff members should know the subtleties of each other’s position.

The difficulty arises when one of the employees takes a day off or is too ill to come to work. The rest of the staff has a very difficult time covering the absentee's responsibilities. Overlooked things like changing the voice mail message or putting paper in the printer are left uncompleted because no one knows that the absent person normally performs that task.
This can lead to office inefficiency. Some inefficiency is expected when missing a staff member, but it can be minimized.

The best way to inform the staff of each person’s duties is to develop a manual. Simply asking each person to keep a journal detailing what she does during the day can lead to a manual. Over the course of one week the journal should contain all tasks normally performed by one employee. Deleting any day-to-day duplication would leave a perfect manual for her job.

**Technology**

The issue of technological efficiency is another at which the consultants were asked to look. Mr. Gentry felt that the office could run more efficiently if the staff was able to perform more tasks on a computer. After analyzing the technology available to the office and the way it was used, the team has decided that efficiency was not a problem.

The office makes use of a Master Calendar that details the daily meetings of each staff member. This calendar is accessible from any computer in the office. Technology is also used in recording phone messages. The staff members do not write phone messages on paper, instead they type an e-mail message and send it to the appropriate person’s electronic mailbox. This helps reduce the possibility of losing a message and important phone numbers. Also, the e-mail will automatically record the date and time the message was sent.

The Agency has the benefit, and perhaps the drawback, of using software provided by State Farm Corporate. It is beneficial because the software is designed for use with an insurance agency and is completely understood by the Corporate Office. It aids in the speed and efficiency of understanding and processing claims and policies on the corporate level. This in turn will allow to Mr. Gentry’s agency to better serve their customers with better speed. The process would be slowed if the Agency decided to change software.

**Billboard**

As mentioned earlier, Mr. Gentry is considering purchasing a billboard advertisement. The consulting team inquired to determine a price for this billboard and found it to be $850 per month. This price, coupled with the fact that State Farm does not endorse the type of advertisement Mr. Gentry is interested in, forces the team to recommend against this idea.
Conclusion

So far, this paper has documented the findings and recommendations of the consulting team. The rest of the paper will leap forward in time and focus on the changes that have been implemented by the owner, Mr. Gentry. This section is being written only three months after the preceding report was given to Mr. Gentry, so results should be judged accordingly.

The recommended marketing plan has been adopted by the Agency. Mr. Gentry has overseen the development of a database of names and addresses to which he can send information. The Agency is using a State Farm specialist who takes care of the mailings. Mr. Gentry says business is improving, but it is unclear if it is solely due to the increased mailings. He notes that spring is a season in which houses are purchased more often than other times of the year, so people will be in the market for homeowners insurance. Also, other major competitors such as Nationwide and Allstate have raised rates causing their customers to compare rates with State Farm. In addition to the mailings, the callout sessions are still a reliable way to increase sales.

Another key area that has seen improvement over the past few months is office efficiency. Amanda Kreezay left the Sam Gentry Insurance to take a job as office manager at another insurance agency. Her reasons for leaving were purely monetary. Mr. Gentry has noticed an increase in efficiency and better employee attitudes since losing Amanda. This is unexpected, but he thinks it is one of those situations where “you don’t know how difficult she made it until she’s gone.” Her replacement is already licensed to sell all types of insurance and so far has been able to step in with no problem.

With the addition of a new employee, the definition of each employee’s responsibility is even more important. Mr. Gentry understands this and has had both individual conferences and group meetings to discuss each person’s role at the office. In the individual meetings he makes sure the employee knows how to do the specific tasks and then describes the procedure for handling an absence with the group.

The final noticeable change since receiving the team’s recommendations has been in the area of feedback from Mr. Gentry to the employees. One clear example of improved feedback occurred during the transition period when Amanda left the Agency. During the period when the Agency was short one employee, Sarah was able to increase her level of
performance. Mr. Gentry has given her praise both publicly and privately as well as a raise in pay and an increase in vacation time. Sarah’s performance has maintained at a high level even after the arrival of Amanda’s replacement.

That concludes the discussion of changes that have already been implemented. More changes will be made in the near future. As with anything else, there are a number of external factors that will affect the performance of the Agency, but hopefully any changes that are made will help in achieving greater profits.
Appendices

A. Letter of Engagement
B. Policyholder Statistics
C. 2000 Census Data
D. Confidential Client Questionnaire
E. Scorecard
F. Database Tracking Sheet
G. Insurance Agency Statistics
H. Direct Life Insurance Statistics
I. Sam Gentry Cash Flow Reports
J. Sam Gentry Payroll Summary
K. Revised Income Statement
L. Marketing Plan 2003