

# **Business Plan Basics**

## **Introduction**

Most agency leaders are well aware of the value of a good business plan. Besides the importance of knowing what you want to accomplish with the agency and how to accomplish it, business plans are essential for attracting and maintaining relationships with most insurance companies. A business plan is especially important for a new agency that does not have a documented track record. Much has been written on the subject of business plans in agency trade literature and there is no shortage of planning guide references that can help you create a very detailed and elaborate business plan. However, the purpose of this is to simplify the process and lay out the elements a business plan should address in a straightforward way. As you create your business plan, write it as if you were going to pitch it to investors. When you think about it, insurance carriers are investors in your agency.

## **The Four Elements Every Business Plan Should Address**

### **People Profile**

At its core, the fundamental value of any agency resides in the capability of its people to execute its objectives. Therefore, your business plan should include information about the people who are responsible to execute it. At a minimum, include resumes on each of the key players that describe the professional and personal background relevant to the agency business as well as the knowledge, skills and abilities possessed by each. For start ups, a lack of a demonstrated track record may inhibit your ability to attract prospective employees, customers and carriers. To mitigate this uncertainty, include an explanation of who you know and how you may be known in the community and/or industry.

### **The Business Opportunity**

Obviously, a key to agency success and of interest to all current and potential stakeholders is how the agency plans to acquire customers including with what products and services and with what advantages over competitors. This section should demonstrate that you know who your customer is, what your products and services are and how you will position your products and services to be selected over those of your competitors. While numbers have a place in this section, the emphasis should be on the elements of your particular model for success. However, carriers will be interested in growth projections and you will need a budget for sources and uses of funds necessary to execute your plan.

### **The Business Environment**

Your business plan should demonstrate that you have a keen awareness of the external business environment in which you operate, that you understand its impact on your business prospects and how you will navigate and exploit it. The discussion should encompass regulation, the economy, labor supply, customer markets, suppliers,

competitors and in what way the status of these factors are relevant to the operation of your agency.

## **The Risks**

Many business plans, especially those that will be used outside the agency to attract other stakeholders, often make the mistake of painting only a rosy picture. However, risk is inevitable. The best business plan readily identifies and confronts the risks to be faced. Potential stakeholders, especially prospective carriers, will develop confidence in those agencies who pose them and provide strategies to resolve them.

## **Summary**

The basic purpose of any business plan is to address the ingredients necessary for success: the people, the opportunities, the environment and the risks. Too often, business plans paint an overly optimistic outlook. Instead, your business plan should demonstrate that you have fully considered both the opportunities and risks. The agency business is dynamic and the business plan should be amended as needed to address the changing landscape. The following is an outline for a typical business plan.

## **Business Plan Format**

### ***Executive Summary (One page overview the plan)***

#### **Situational Analysis (Where we are now?)**

- External in terms of:
  - Environment ( political regulatory, economic, social, technical, and other relevant areas)
  - Prospects and markets
  - Labor
  - Suppliers
  - Competition
- Internal
  - Clients
  - Carriers
  - Organization
- Problems and opportunities

#### **Business Plan Goals (Where do we want to go?)**

- Competitive standing
- Financial results
- Market share

#### **Strategies (How are we going to get there?)**

- Positioning
  - Target Segments

- Unique selling position or source of competitive advantage
- Usage incentives
- Marketing mix
  - Product/service
  - Distribution & delivery
  - Price
  - Marketing communication: advertising, personal selling, promotion, etc.
- Contingency (back-up) strategies

**Budget (How much is needed, where should we allocate it?)**

- Resources (money, people, time)
- Competencies
- Amount and allocation

**Action Plan (What do we need to do?)**

- Detailed breakdown of activities required.
- Responsibility by name
- Activity schedule in milestone format
- Tangible and intangible results expected from each activity

**Monitoring systems (Are we moving toward our destination?)**

- Ongoing situational analysis
- Intermediate and final measures of performance
- Gaps between goals and performance triggering changes