

CAKE & ARROW



Three Visions for Empowering Independent Agents

Cultivating an ecosystem of trust for a new
generation of small business owners

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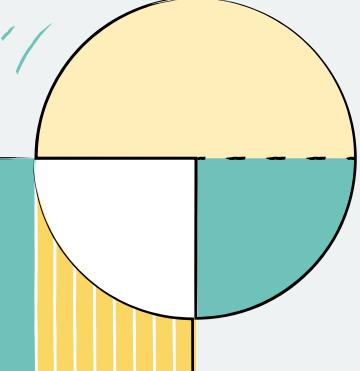
Insurance and the small biz recovery

Small businesses have a long road to recovery ahead. For some, it could take years to return to their pre-Covid baseline. Independent agents, with the inroads and infrastructure to connect small business owners, can play a vital role in quickening the recovery, rebuilding trust with the insurance industry, and creating resilience for small businesses in the future. How can the insurance industry support and enable them?

Two years into the global pandemic, it's no secret that small businesses have experienced more than their fair share of the fallout. Hundreds of thousands have permanently closed their doors, while those that have managed to survive continue to face an uncertain future. Just as things were starting to look like they might be getting back to normal, high inflation, climbing interest rates, supply chain issues and an increasingly competitive labor market have lead to mounting uncertainty (CNBC|SurveyMonkey, 2022). It's clear that for small businesses, the effects of the pandemic are far from over, and if a return to "normal" is even possible, it's not happening tomorrow. In all likelihood, the way that small businesses operate in the future will look fundamentally different; a new normal is inevitable.

If existing small businesses are to survive and new ones are to emerge and play their essential role in revitalizing local economies post-Covid, extreme changes to their operating models, to technology, to staffing models and labor practices will be imperative, requiring support and collaboration across the ecosystem of product and service companies (such as insurance) that surround and support these businesses. All of this requires time, money, and resources, of course, but also a fresh look at the vulnerabilities that existed for small businesses long before the pandemic (Dua, Mahajan, Oyer, and Ramaswamy, 2020).

In this report, we'll explore how our research with small business owners over the past several years revealed at once the failures of the insurance industry to meet the needs of these businesses when the pandemic struck, while also surfacing opportunities for the industry to help these businesses recover, deepen their networks of support, and ultimately create more resilience in the future. At the heart of these opportunities are independent agents and brokers. Stationed in communities across the country and with deep ties to small businesses, they are well-positioned to service and support owners through the recovery and beyond, while seeding trust with the insurance industry. It's up to insurance carriers to leverage their size, their resources, and their resilience to empower and enable independent agents to do so.



81% of small business owners expect the U.S. economy to go into a recession this year.

CNBC|SurveyMonkey, 2022

A MISSED OPPORTUNITY TO SUPPORT SMALL BUSINESS OWNERS

Over the past several years, we engaged in dozens of 1:1 conversations with small business owners, looking to better understand the effects of Covid on their businesses, how they navigated the crisis, and what lessons the insurance industry can take from their experiences.

What came to light in our research has as much to do with the specific impact of Covid as it does to do with the fault lines and vulnerabilities that have plagued small businesses for years, making the effects of the pandemic all the more catastrophic. Staffing problems, financial instability, operational inefficiencies, and a lack of structural and institutional support are all issues that have emerged in our research, and while worsened by the pandemic, for the most part pre-dated it. For an industry predicated on creating resilience and stability for businesses and supporting them in times of crisis, insurance largely disappointed small business owners. Most we spoke with not only felt that their insurance companies did not meet the needs of their businesses before the pandemic, but also felt abandoned by them when the pandemic struck.

In fact, when we asked small business owners about their experience with insurance and the pandemic, we found that:

01. Most had zero to little trust in their insurance companies to begin with and didn't expect much from them when the pandemic struck.
02. While initially reaching out to their insurance agents, most came up empty handed, feeling that while their insurance agents wanted to help, their hands were tied by the carriers.
03. While most trust and like their agents and brokers, they have a narrow view of what their agents can do for them, seeing agents as little more than a resource to find insurance and explain their policies.
04. Many cobbled together ad hoc support systems in the aftermath of the pandemic—turning to fellow business owners, accountants, and friends—while still feeling bereft of the guidance and support they needed.
05. The smaller the business, the more disconnected and unsupported the business owners felt, with fewer resources to turn to.

“I don't know if it's my experience or whatever, but I feel like my relationship with insurance companies is: I've paid them lots of money, for nothing, forever.”

Max, E-commerce Business Owner - Stonybrook, New York



Empowering independent agents to empower and connect their customers

As small business owners carve out a new path forward and seek to retool and remodel their businesses to be more digital, more financially resilient, and to operate more efficiently, one of the keys to their success will lie in being better connected to digitally-enabled and trustworthy support, guidance, and expertise, especially in times of need. The insurance industry can play an important role in filling this void, using some of the tools and resources already at its disposal and directing their digital transformation efforts toward repositioning the industry as a place for small business owners to connect, network, compare notes, and find the support and expertise they need for the business to thrive. The key to doing so lies with agents.

What's clear from our research is that while small businesses owners have little trust in insurance companies, they do like and trust their agents, who are, when properly enabled and empowered by carriers, well-positioned to deliver this kind of value to their customers. Covid has clearly deepened the challenges of small business owners and insurance agents are needed more than ever. Yet many remain ill-equipped to meet these challenges. Despite their essential role in distribution, the agent/broker model is deficient, and customers are the ones who suffer. As things stand now:

- **Agents and brokers lack effective digital tools for best servicing their customers**
- **Acquisition strategies for agents remain ineffective and outdated**
- **The current commission model neglects an important sector of the market - sole proprietors and very small businesses who have big needs but limited funds and access to support**

"Fixing" the customer experience in insurance isn't about technology or tools, it's about trust. And the key to building trust with small business owners is building trust with agents. Our research shows that many agents and brokers feel threatened by insurance carrier efforts to "improve customer experience" and often view things like self-servicing tools for customers as an attempt to bypass agents and cut out the middle man (ie. the agent). Building trust with agents, and ultimately with customers, demands that carriers acknowledge and respect the relationships that agents have cultivated with customers, and empower them to deepen these relationships.

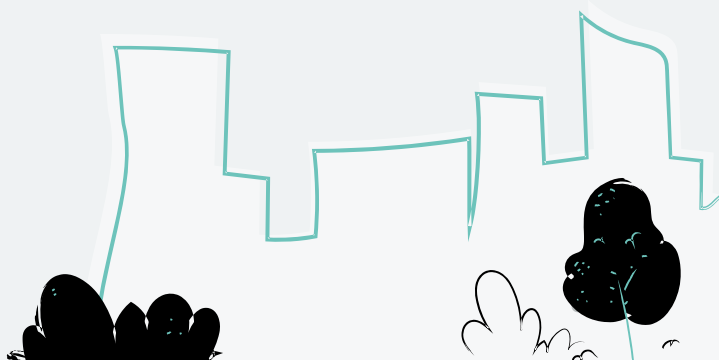
This starts by continuing to improve upon ease of doing business for agents. Our research has consistently found that a good user experience is key to building trust. The easier it is to work with a carrier, the more an agent will trust them. This requires research, not just with customers but with agents as well. Surveying, observing, and listening to agents to better understand their needs, attitudes, behaviors and mindsets will help carriers improve the agent experience, strengthening rapport and deepening trust. Finally, carriers should do everything they can to empower agents to do more for their customers—not only equipping them with the technology, the tools, and the kinds of products and services their small businesses customers need to build resilience and better run their businesses in the post-Covid world, but with tools and technology to help their customers better connect with one another. Strengthening and seeding these relationships - between customer and customer and customer and agent - at a grassroots level will not only help these business owners become more resilient, but will cultivate an entire ecosystem of trust, one that connects customers, agents, and carriers.

Three visions for the future independent agent

Empowered, digitally enabled independent agents have the opportunity to be at the heart of the post-Covid small business recovery. While some carriers have made substantial progress on their digital transformation efforts and on improving EDB for agents over the course of the past year, all insurance leaders should explore innovative ways to leverage the bonds of the trust independent agents have with their customers and customers have with one another. To do so is to deliver more value to customers and ultimately rebuild trust in the insurance industry. In this section we'll review three visions of independent agents that can help the industry reimagine the agent-broker paradigm for the modern age and better serve small business owners as they seek to rebuild their businesses after Covid.

Our Research

Throughout 2020, Cake & Arrow set out to explore the impact of Covid on small business owners and gig workers and to unearth opportunities for the insurance industry to better support these customers and aid in their recovery. Over the course of the year, our team conducted qualitative research, including surveys, 1:1 interviews, and concept evaluations with hundreds of gig workers and small business owners from across the United States. The visions shared below are ideas inspired by what we heard from customers in our research.



Influencers

authentic and respected advisors who leverage their experience and expertise to make recommendations, offer advice, and inspire their customers.

While the term “influencer” may bring to mind fitness gurus and fashion mavens unboxing free merch on their Instagram stories—and thus may seem far afield from the world of insurance—the key to being a successful influencer isn’t about being fit or fashionable, it’s about being authentic and trustworthy.

Our research found that small business owners are eager for trusted advice and recommendations, looking to friends, colleagues, life coaches, and fellow small business owners who understand their businesses to help them make better decisions. Independent agents, with their knowledge and experience of small business risks, operations and insurance requirements, yet still one step removed from the insurance company itself, are in a perfect position to play this trusted advisor role. While much has been made in the insurance industry of the advisory role that agents can and should play for their customers, few have done so by embracing the principles of content marketing and social media in a meaningful way that positions them as go-to influencers and thought leaders for small business owners who are seeking guidance.

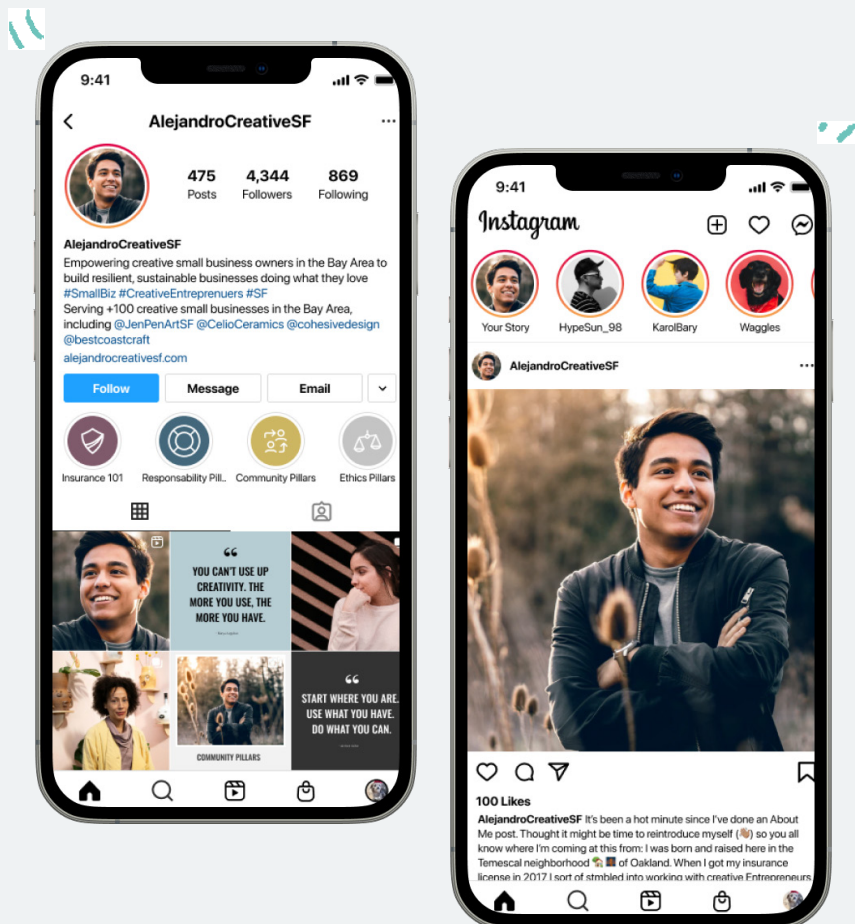
Emma, the Influencer Agent

Emma is an independent agent working in the San Francisco Bay Area. Over the years, she has carved out a niche for herself as the insurance agent for artists, artisans, and craftspeople in the area. When a bespoke furniture maker or a ceramicist is first getting their business off the ground, they will likely hear Emma’s name as the go-to-insurance-person for businesses like theirs. In fact, they may already be subscribed to her popular Substack newsletter, follow her on TikTok, or have heard her give a talk at BestCoast Crafts, San Francisco’s premier artisan trade show.



WHAT IF?

One of the top carriers used by agents like Emma applied their co-marketing budgets to create branded templates for agents to use on social media and offered agents social media consulting services to help them more effectively use social media to reach their customers.



LOOK TO:

Real estate agents/brokers who become go-to experts on neighborhoods, using social media to do things like recommend restaurants, offer rental tips, and generally expound their neighborhood knowledge and expertise.

A well-tended Instagram profile can be used to share tips, advice, and motivation that creates value for business owners while also helping the agent build a following and name recognition that can translate into new business.

“Our accountant has become our main source of professional advice. She has helped a ton of small businesses so she's ended up with tools in her tool bag that maybe a normal accountant wouldn't have. She just has so much experience so she's able to give us a lot of insight on a wide range of subjects, beyond just accounting.”

Michelle, Float Tank Studio Owner - Park City, Utah

What can you do now?

01. Provide Support

Use co-marketing budgets to help your top independent agents produce relevant top-tier content

02. Model Success

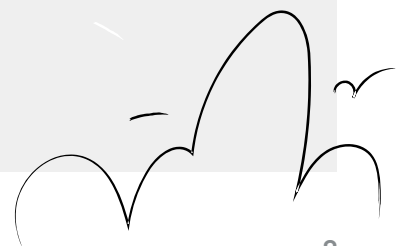
Identify agents that are already seen as influencers; learn from them and work to systematize what they are doing

03. Reward Progress

Develop an agent “influencer” program that recognizes agents who go above and beyond and incentivize them

04. Look & Learn

Look for “influential” small business owners to learn how they are influencing other small business owners



Empower independent agents to be ...

Networkers

connectors of people who bring together like-minded customers to create authentic connections, share information and resources, and support one another.

Deep community ties and connected networks have long been key to the survival of small businesses, who look to these networks for support, guidance, advice, and ways to partner. While these networks remain intact for many brick-and-mortar businesses, our research found that sole proprietors and owners of small digital-first businesses often operate in silos, disconnected from their local communities and lacking strong professional networks. They often see themselves as mavericks and their businesses as unique and/or one-of-a-kind, and therefore feel like no one quite understands them. While they are open to and even eager to connect with like-minded business owners for advice and support, they are wary of the existing channels for doing so; they find traditional networking to be a waste of time and are distrustful of social media.

Independent agents, who typically have strong networks of their own, are perfectly positioned to play the networker, bringing together and connecting like-minded customers who might mutually benefit from knowing one another.

Melina, the Networking Agent

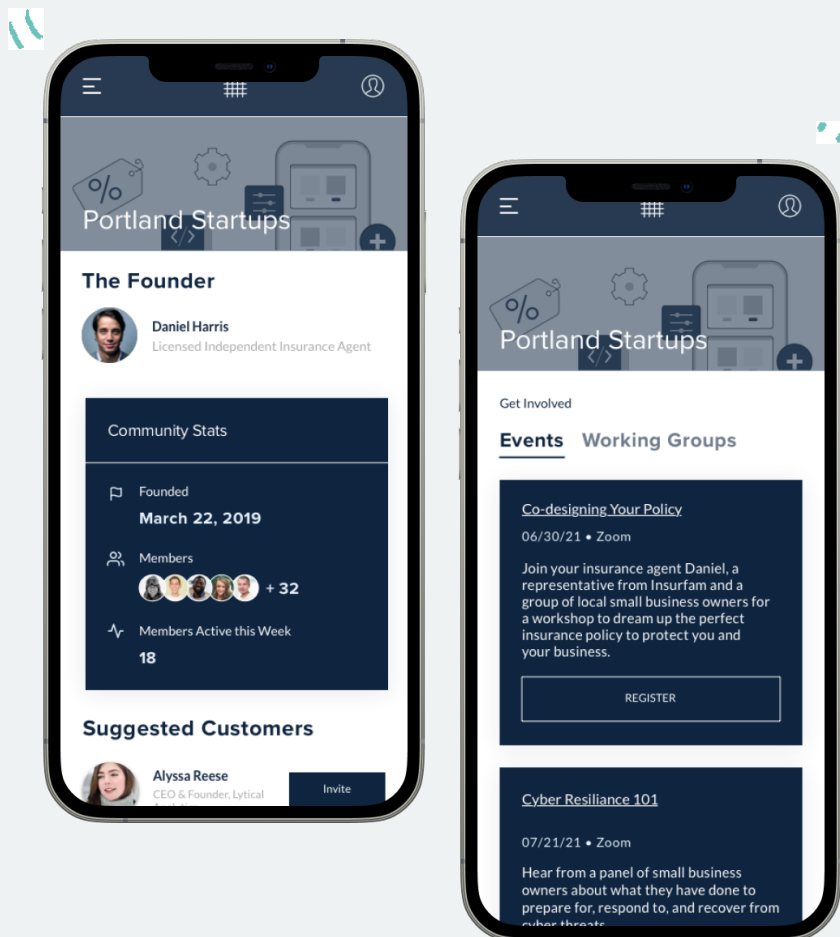
Melina is a well-known and deeply respected independent agent in Portland, Oregon who works with many small tech startups in the area. She specializes in Cyber Insurance and occasionally brings her customers together for webinars and meetups on the topic. During one of these sessions, a Q&A turned into a lively group discussion between two of her customers who were running into similar issues with their businesses.

Melina realized that her customers could benefit just as much from talking to one another at these meetings as they could from listening to her talk. She soon started organizing “user groups” where she’d introduce like-minded business owners and encourage them to meet together as groups to share war stories and business advice. Startups in the area became aware of these groups and now seek Melina out as their agent in hopes of accessing the network she has built.



WHAT IF?

A top carrier designed an API-based digital tool that integrated with an agent's Agency Management System and used customer data to create smart customer affinity groups that agents and their customers can use to communicate, schedule meetups and events, compare notes, and share ideas and resources with one another.



LOOK TO:

Private Facebook groups, formed around affinities—like running, cooking, neighborhoods, jobs or schools—and curated and moderated by trusted experts.

Providing agents with data and tools to facilitate meaningful relationships and interactions between their customers cultivates trust, not only between agents and their customers, but between customers as well.

“I feel like a company can really tell you, for example, what a product is used for and how it’s going to work and everything, but it doesn't really mean anything until you hear about other people’s experiences with it.”

Kylie, Artisan and Business Owner - Ketchum, Idaho

What can you do now?

01. Leverage Platforms

Use existing platforms like Slack to build reusable workflows so agents can organize their customers into Slack channels for easy communication

02. Mine Data

Using data, create agent-facing dashboards for agents to gain better visibility into their customer's demographics and possible affinities – ie. region, size, LOB, age, technology, etc.

03. Create Dashboards

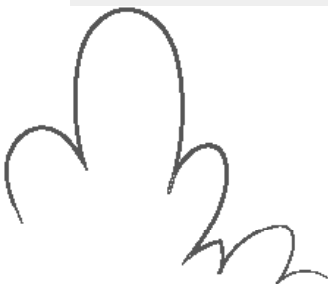
Using data, design customer-facing dashboards that customers can access, creating transparency into insurance policies and pricing for like-minded businesses

04. Make Connections

Develop marketing and programming for independent agents interested in holding “user groups” or “meetups” with their customers with overlapping affinities

05. Look & Learn

Identify agents that are already facilitating connections between their customers; learn from them and work to systematize what they are doing



Organizers

bringing together small proprietors and owners of very small businesses to create more purchasing power and access to discounts, group rates, and benefits.

Professional organizations, trade unions, franchises, and chambers of commerce have all traditionally operated as networks, resource hubs, and advocates for business owners and workers with shared interests, doing everything from lobbying on their behalf to forging relationships and negotiating discounts with vendors and service providers. While many more established small business owners and those working in more professionalized fields continue to participate in and benefit from organizations like these, sole proprietors and the owners of very small (and often digital-first) businesses are less familiar with and less likely to take part in these types of formal organizations and don't necessarily find them relevant to their businesses. This can leave these business owners feeling adrift, lacking access to the kinds of discounts, benefits, and resources available to larger businesses or owners who are a part of larger networks.

As well-connected networkers and small business experts, independent agents are in a unique position to help small business owners band together to negotiate discounts on services and products, whether insurance or otherwise, thus delivering more value to their customers.

Alex, the Organizer Agent

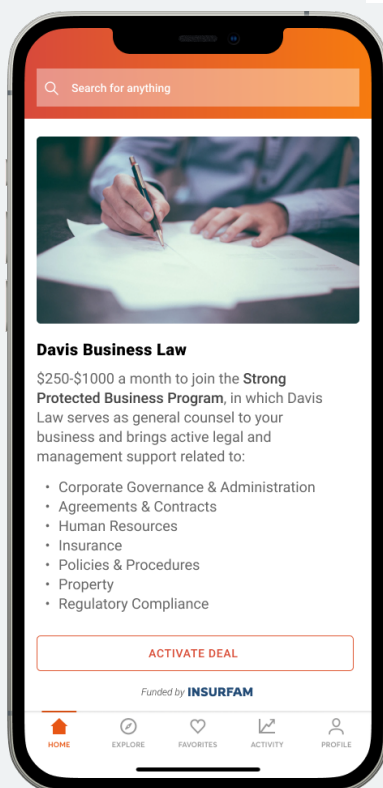
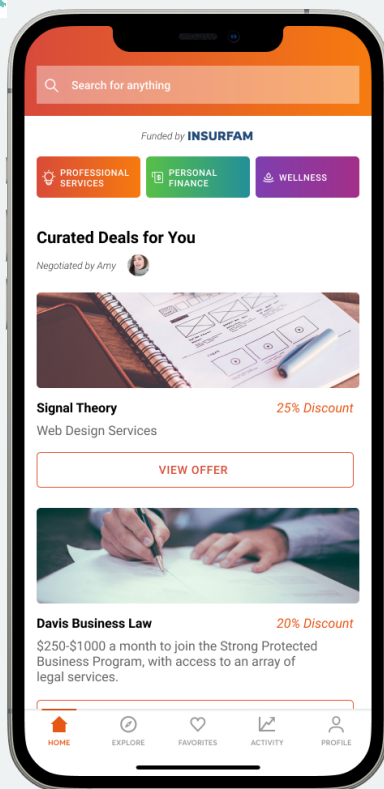
Alex is an independent agent in Grand Junction, Colorado. A fitness guru and a health nut, he has lived in the area his entire life and is well-known and well-connected in the fitness community, teaching fitness classes and coaching runners on the weekends. He is also the go-to agent for sole proprietor personal trainers, nutritionists, and other health consultants in the area.

Through his connections with businesses in the community, he negotiated a group rate for his customers with a local attorney. As a group, his customers went in on a yearly retainer fee, guaranteeing each of them access to a certain number of legal consultation hours and services with the attorney.



WHAT IF?

Independent agents formed local partnerships with insurance-adjacent product and service providers relevant to their small business customers, and carriers empowered agents to offer group rates and discounts to cohorts of sole proprietors and other customers to create more value.



LOOK TO:

Group purchasing organizations (GPOs) who help small businesses band together to generate purchasing power and access to better benefits for their employees.

Empower independent agents to negotiate deals with the backing of the carrier - helping to strengthen the local community and relationships between agents and customers.

“We don’t buy in big quantities so it’s hard for us to get any sort of discount ever.”

Michelle, Float Tank Studio Owner - Park City, Utah

“I know for small business owners like me, discounts can kind of make or break things.”

Kylie, Artisan and Business Owner - Ketchum, Idaho

What can you do now?

01. Identify Opportunities

Equip agents with a customer survey to identify overlaps in customer vendors and service providers to help pinpoint potential partner discounts/group rates

02. Make Participation Easy

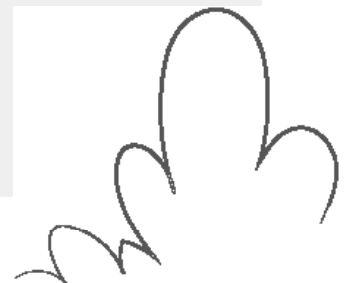
Build a customer-facing tool where customers can sign up to offer discounts, services, and barter with one another

03. Find Partners

Identify possible partners who can offer groups of small business owners relevant products and services at discounted group rates

04. Build it In

Design new small business insurance products that bake in select discounts/group rates as a part of the product



CONCLUSION

Cultivating an ecosystem of trust

For too long, the insurance industry has struggled to engender trust with their customers. In this regard, the pandemic didn't do the industry any favors, especially when it comes to small businesses. Over and over again, our research has found that trust starts small. It begins with trust in a neighbor, a friend, a family member, a colleague and grows outward and upward from there. Extending through a network of local and personal ties, via various analog and digital channels and touchpoints, trust at the individual level begets trust at the institutional level. Independent agents who can strengthen these networks—of neighbors, friends, business owners, and community members—will be rewarded with the trust and loyalty they cultivate among these networks. It's a dynamic that insurance carriers benefit from too. Trust flourishes when agents are empowered with the tools not just to relate to their customers, but to help their customers relate to one another in meaningful ways. By empowering agents in this way, insurance carriers too can reap the rewards of trust and loyalty that naturally spring forth.

The takeaway

**Trust starts small.
Strengthen your network
from the ground up.**



If you are ready to empower independent agents and cultivate an ecosystem of trust within the insurance industry, you are ready to partner with Cake & Arrow.

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About Cake & Arrow

Cake & Arrow is an experience design and innovation company that works with organizations in the insurance industry to identify new opportunities and design innovative products and services that are grounded in real customer needs. We aim to help insurance companies create authentic and meaningful relationships with their customers, policy holders, and employees.

Contact us to learn more about how Cake & Arrow can support your business.

newbiz@cakeandarrow.com

cakeandarrow.com

212-598-2800

121 East 24th Street, 3rd FL - New York, NY 10010