

A dramatic, dark sky filled with heavy, grey clouds dominates the upper two-thirds of the image. Below the sky, a coastal scene unfolds. In the center, a white lighthouse with a dark top stands on a rocky, elevated island. To the right, another smaller lighthouse is visible on a distant hill. The foreground shows dark, choppy water with white foam from waves crashing against the rocks. The overall mood is somber and ominous, reflecting the 'threat' mentioned in the text.

**The single biggest threat facing
insurers and brokers in 2018...**

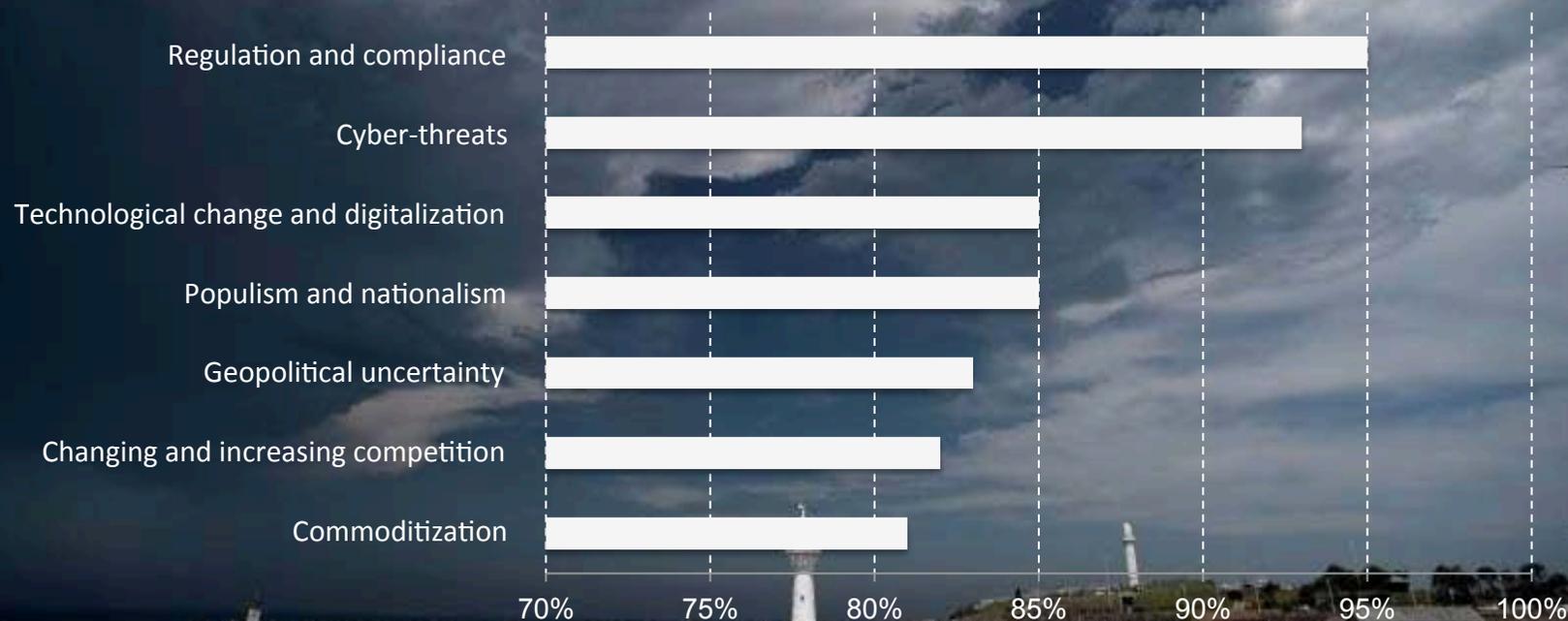
...that they don't recognize yet!

Since 2005, RPMG has been tracking and studying how effectively and efficiently organizations convert their marketing and sales opportunities into revenue.

Last year's Revenue Performance Index (to view or download the 2018 Index report, go to www.rpmgi.com) revealed that corporate pipeline conversion had reached a new low of 1.92%. For every one hundred opportunities developed by marketing at the start of the pipeline, less than two now make it to the end of that journey. In 2005 when the Index was first published, that figure was 3.7%, which means that in the past twelve years and in spite of nearly a trillion dollars invested in everything from CRM and marketing systems to data analytics, recruitment and training, corporate revenue performance – the ability to convert sales opportunity into revenue, has declined by nearly 50%.

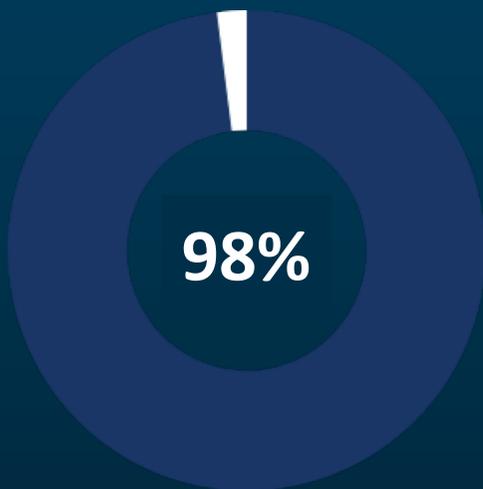
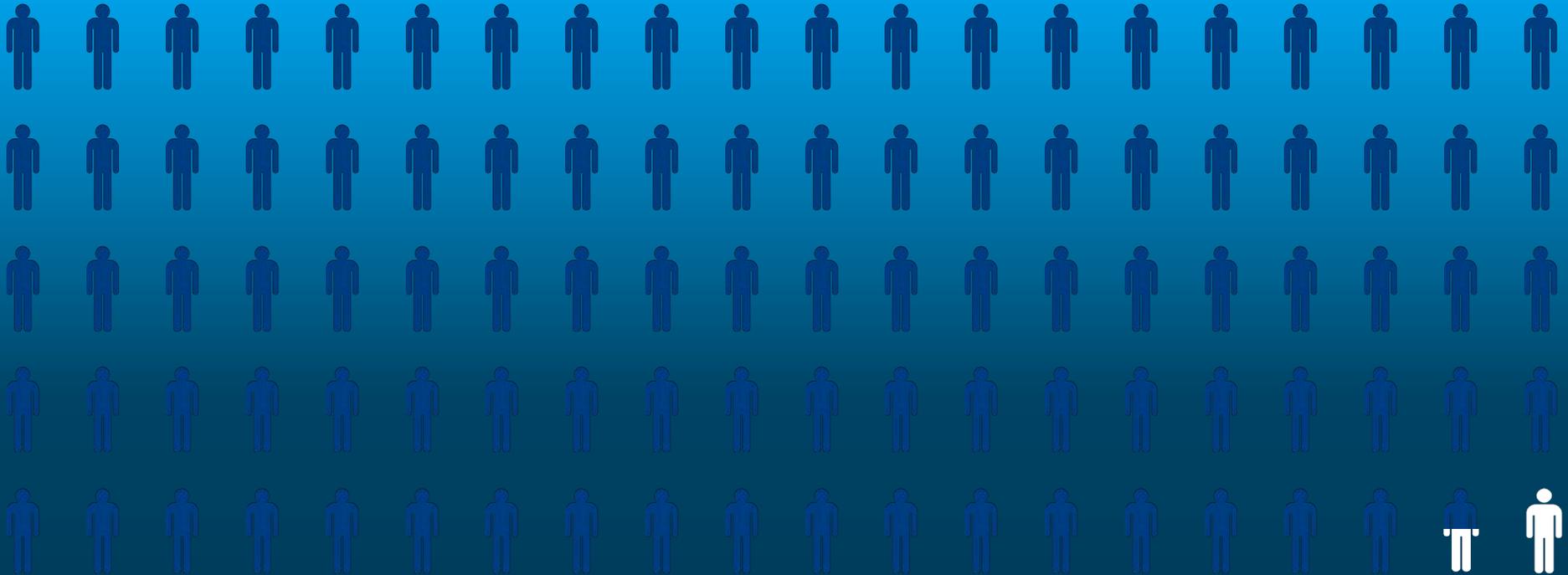
Our 2017/18 data set included a total of 588 organisations across 16 different vertical industry segments on four continents. Twenty eight respondents were insurers or brokers – all of them with operations in Australia, with seven being recognised global players. Drawing twenty eight companies from a population as large, complex and diverse as the global insurance industry, is hardly a statistically significant sample, and we do not pretend otherwise. However, what those 28 companies revealed courtesy of their survey responses is worthy of further research and study. If the directional conclusions suggested by their data are even close to being correct, the global industry faces a problem much bigger and potentially more threatening than any of the risks highlighted in recent industry reports published by the Big Four accounting firms or other industry analysts.

Earlier this year, PwC, EY, KPMG, Deloitte and several other insurance experts each published research studies on the challenges facing the commercial and general insurance industry. While they ranked the risks differently, they all identified the same ones.



Sources: PwC, EY, KPMG, Deloitte, DLA Piper,

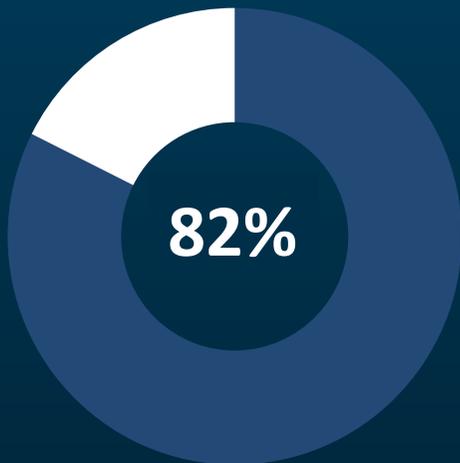
But the biggest challenge insurers and brokers face and will face in the coming years, particularly in Australia, isn't on this list.



The insurers and brokers who responded to the 2017/18 Revenue Performance Index, converted fewer than two out of every 100 new business opportunities into new clients. Another way of saying that, is they **failed 98% of the time**. Before dismissing that because of the small sample size, note that the sample included global three global insurers and four of the world’s largest international brokers.

It’s important to understand the RPMG data measures the new client’s **full buying journey**, from raw lead to closed sale. Most organizations only measure part of that process – usually the part that starts when the prospect has become visible (from Contact to Win on page 4). Many CEO’s are surprised to learn that their new clients’ buying journeys are already well underway by the time they become visible to their marketing or sales people. If they ever become visible.

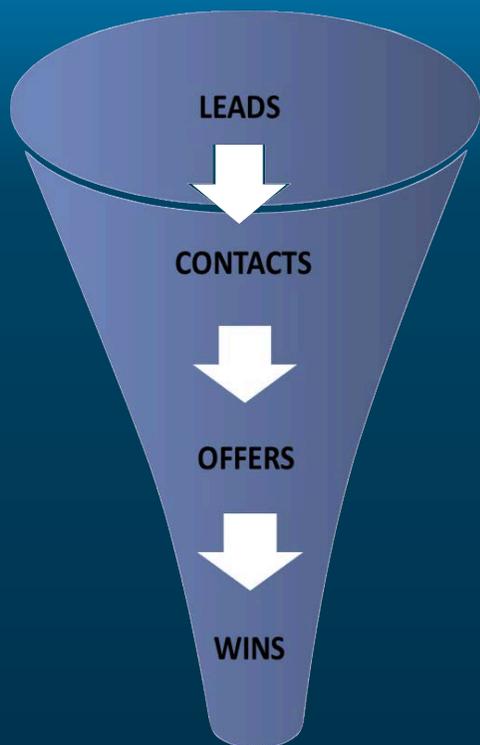
Brokers marginally outperform insurers and smaller brokers outperform larger ones (see data on page 4). On the RPMG data, the insurance industry as a whole **underperforms the benchmark Australian revenue conversion index by a whopping 17%**.



The strike rate on converting cross-sell and up-sell opportunities is better, but nowhere near as good as many expect it to be. The data excludes annual renewals i.e. re-signing the same coverage for the same client from the previous year, ideally at an increased premium.

This part of the process **only fails 82% of the time** – with clients who already know and supposedly trust their advisor.

Australian insurer and broker **new business conversion** versus each other and versus the 2017/18 Revenue Performance Index for all Australian B2B companies.

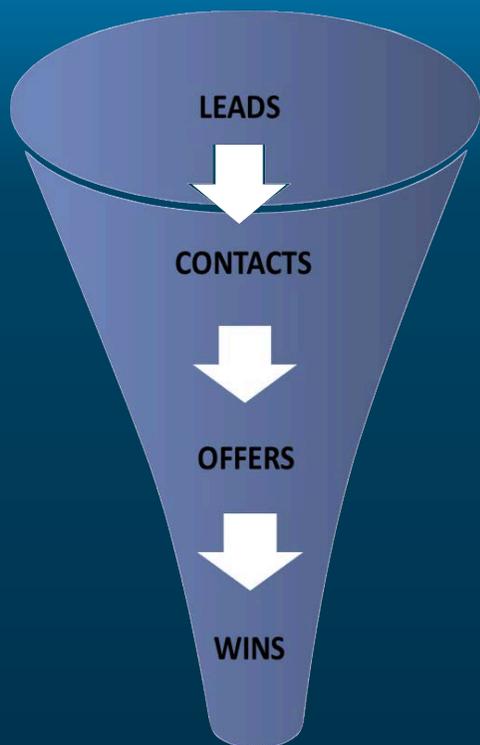


Total Aust (n=497)	Insurers (n=3)	Large Brokers (n=4)	Mid-sized Brokers (n=7)	Small Brokers (n=14)
34.2%	29.1%	29.4%	23.3%	17.1%
33.1%	29.4%	35.4%	34.4%	49.6%
17.1%	12.8%	15.7%	15.3%	25.6%
1.9%	1.1%	1.6%	1.2%	2.2%

Insurers and brokers under-perform the benchmark Australian revenue conversion indices at nearly every pipeline stage.

Of the brokers, mid-sized firms perform worst, under-performing larger and smaller brokers by 25% and 43% respectively. Ignoring competition from non-insurance sources (e.g. banks) this mean that the only competitors mid-sized firms beat with any consistency – are other mid-sized brokers.

Australian insurer and brokers **client cross-sell and up-sell conversion** versus each other and versus the 2017/18 Revenue Performance Index for all Australian B2B companies.



Total Aust (n=497)	Insurers (n=3)	Large Brokers (n=4)	Mid-sized Brokers (n=7)	Small Brokers (n=14)
62.1%	53.9%	52.1%	45.9%	38.4%
78.3%	69.4%	81.1%	79.6%	97.5%
48.1%	36.0%	42.7%	40.8%	59.0%
23.2%	13.5%	18.0%	14.9%	22.1%

When it comes to cross-selling and/or up-selling to existing clients, no group reaches the end-to-end benchmark index.

Across the board, brokers miss out on four of every five opportunities in clients where they are already incumbent to some degree.

Note this data excludes annual renewals.

What these two sets of numbers mean is that insurers and brokers of all sizes are steadily leaking revenue they should really be winning from their existing clients – while simultaneously failing spectacularly to win new business with any consistency.

The only thing keeping the whole show running is the annual premium increase. Although premiums are expected to begin edging upwards again after several tough years, relying on price increases in a hyper-competitive market being disrupted by low cost providers with alternative business models is not sustainable and fraught with danger. In any case, as premiums rise, clients will simply increase the pressure for value, and if they fail to find it, vote with their feet, accelerating the exodus to low cost alternatives.

Like the Doomsday Clock, unless something changes, by continuing to focus on other risks at the expense of winning and growing clients and revenue, the industry is sowing the seeds of its own destruction, and no amount of improvement in premiums, technology, compliance or claims processing will be enough to save it.



Twelve years of global research and work with over 150 organisations, reveals five core areas of revenue stress for companies generally, but particularly for commercial and general insurance firms.



The solution is to stand back from the noise and look at the problem from a different perspective. Not simply work harder or worse, do what everyone else is doing. Because in insurance - with only a few exceptions, everyone is doing just as poorly.

The good news is there is a solution, but it requires firms to **look a little differently at how they create revenue.**

It is neither difficult nor particularly complex. In fact, it's surprisingly close to the way they view everything else they do in their firms. But it is different to the way they currently view revenue creation. It also happens to work – really well.

Since 2005, 152 organisations – including one of Australia's leading brokers, have changed the way they go about revenue creation – and **averaged 24% year-on-year revenue growth** by doing so.



The growth equation for insurers and brokers is actually a simple one. It's all in the maths.



The median mid-sized broker in Australia converts 21% of leads into qualified opportunities, 31% of those opportunities into proposals and 14% of those proposals into wins – for an end-to-end yield of 0.9%.

By increasing those three conversion factors by just one percent each – 21% to 22%, 31% to 32% and 14% to 15%, the overall yield improves by 0.9% to 1.1%.

Which doesn't sound like much....until you consider that 0.2% is an **improvement in yield of 16%** on 0.9%.

Another set of one percent increments drives **a further 17% yield improvement – or 33% in total.**

Which in an industry desperate for improvements in the single digits, surely only leaves one question. **How?**



This RPMG Heat Map illustrates how revenue results from a complex interaction of 36 interconnected drivers. Each driver relates to - and to varying degrees is correlated with, all the others. Changes to individual drivers invariably result in flow-on effects to other drivers downstream and ultimately to the revenue outcome.

Get those changes right, and incremental improvements such as the one-percents described on the preceding pages, can multiply to drive disproportionately large improvements in end-to-end revenue yield.

Get them wrong, however, and the force-multiplier effects work just as powerfully - in reverse.

The trick of course, is knowing the difference.

Our Revenue Performance Diagnostics are about providing those insights. How are your firm's revenue drivers correlated to each other? Which ones are most critical? Which are working, and how well? Which aren't working, and how badly? What can be and should be changed and improved, and what outcomes should you expect from making changes? What can be left for another day, or ignored completely? And most importantly, **where are those "one percent incremental gains"?**

Diagnostics feature five core input elements:

- Structured interviews with you, your partners and selected other staff, key stakeholders and clients;
- Online Diagnostic Survey examining your firm's performance across 36 core drivers of revenue;
- Data extraction and review (as available);
- A half-day workshop involving you and your key stakeholders and people; and
- Predictive capability profiling of your partners and other key staff.

These enable us to compile a highly accurate, comprehensive and insightful end-to-end assessment of what's working and what is not working across your six core driver groups – BD / Sales, Marketing, People & Management, Technology, Process & Measurement, Strategy & Planning, and Products & Services. Or if your needs are more specific we can concentrate more deeply only on areas – or service lines, that you choose.

RPMG's Diagnostics provide unprecedented insights into the challenges currently facing the business while identifying specific immediate opportunities for improvement. Also our patented Telemetry Revenue Analytics software allows you to scenario model the future revenue, margin and profit impacts of any changes you might consider making.

Nearly every client has told us that the insights from their Diagnostics delivered enormous value in their own right, but the findings from the Diagnostics also form important building blocks for the creation of your Revenue Performance Blueprint should you decide to progress to that next step in the journey.

Ultimately, a Revenue Performance Diagnostic is about answering six questions, and providing an informed base from which firms can decide what to do and what not to do. Not more poorly-educated guesswork, gut instinct or worse – what other firms might be doing.

- How well your revenue “engine” is really running, as opposed to how well you think it might be running?
- Which elements (i.e. drivers) are working well, and how well are they really working?
- Which elements aren’t working well, how badly are they affecting you and why aren’t they working?
- Of all the things you could potentially improve, which 4-5 will deliver the biggest kick for the least investment and risk. In other words, **where are the “one percenters”?**
- What is the upside in turns of revenue and profitability for making those handful of changes, and how long until we see those results?
- Are there any risks in the way we’re running our marketing and business development that we can’t see, or might have under-estimated?





www.rpmgi.com