

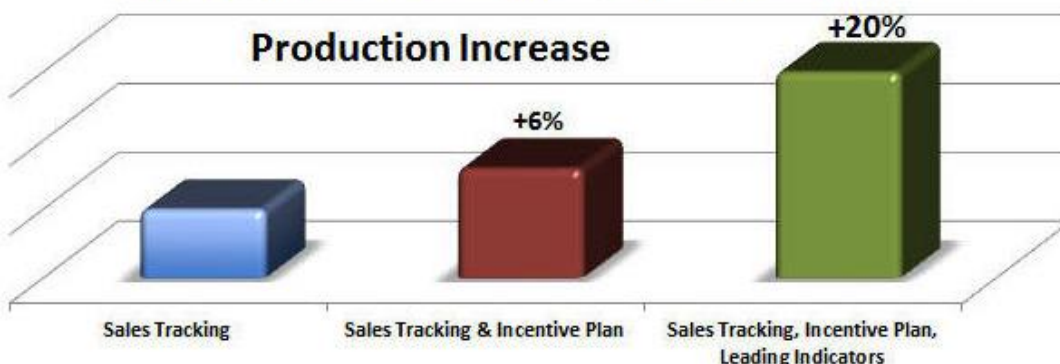
## *Business Intelligence for Intelligent Business Decisions*

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### **Executive Summary**

As the insurance industry becomes increasingly competitive, insurance companies are searching for ways to increase sales and revenues, decrease expenses, and streamline their operations. These companies employ sophisticated underwriting algorithms, comprehensive sales and marketing projection models, and teams of actuaries, accountants, and sales managers to ensure that the organization is doing the right things at the right time and in the right manner. Most insurance companies still rely upon agencies to generate the bulk of their sales. These agencies, many as independent businesses, are feeling the same pressures for revenue growth and expense reduction as the insurance companies, BUT they rarely have access to any of the sophisticated data analysis tools available to the insurance company. In fact, most agents have no idea regarding the profitability of either their marketing mix or their sub-producers. Few have established agency and sub-producer goals, and fewer still are evaluating daily production against those goals. Many have simplistic sub-producer incentive plans that provide little motivation for increased production, and it is exceedingly rare for an agency to track and manage the leading indicators that ultimately result in sales. Why does this matter? Because agents who track their sales production, utilize a goal-centric incentive plan, and track leading indicators have sales production that is 20% greater than those who simply track production! The purpose of this white paper is to understand the challenges that agencies face in reaching greater levels of production and to lay out a step-by-step process for achieving the aforementioned 20% increase in production.

An agency that tracks sales data, uses a goal-centered incentive plan, and manages leading indicators will experience a massive production increase.



## **Background:**

The process of selling an insurance policy is a relatively straightforward endeavor. However, managing and operating an insurance agency is decidedly more complicated and challenging. An agent must simultaneously hire/train/manage a team, plan and execute marketing strategies, provide ongoing service to current clients, order supplies, develop relationships with both clients and referral sources, and meet sales goals. And they must accomplish all these tasks while trying to fulfill their most pressing priorities: grow the agency and increase profits. Unfortunately, the important long-term objectives of an agency often drown in a sea of trivial but urgent day-to-day demands. Without clearly established priorities, Agents and sub-producers simply process tasks from the beginning of the day to the end. At year end, agents look at the numbers and are either pleased with their progress or wonder what happened. In either case they are completely unaware of why they got the results that they did. Agents tend to evaluate their performance based upon intuition rather than information. The reason for this “gut-check” evaluation is very simple; they don’t have access to meaningful business intelligence regarding their agencies. Agents lack both performance data and the tools to analyze the data thereby preventing them from understanding what is driving their business and from making changes that have an impact on their business. Without timely business intelligence, agents worry excessively about sales numbers while ignoring all the factors that influence actual sales. Is postcard marketing actually profitable? Do my sub-producers pay for themselves or are they a financial burden? Does one sub-producer close more sales than another? Is my incentive plan motivating my team? How do I get them to sell more? Faster? Agents need to know the answers to these questions or they have no hope of actually influencing their sales results.

## **Solution:**

An agency can reliably increase its production through a simple and proven method involving goals, communication, performance metrics, and data analysis. There are four specific steps that an Agent can take to improve greatly both sales production and profitability.

## 1) Set and Communicate Goals

Most insurance agents have learned the SMART acronym for effective goals. In reality we find that most agents employ DUMB goals as follows:

SMART	DUMB
• Specific	• Disregarded
• Measureable	• Unrecorded
• Achievable	• Missing
• Realistic	• Baffling
• Time-Targeted	

[1]

In order for a SMART goal to have any impact at all it must be communicated and visible! According to David J. Cichelli, the Author of *Compensating the Sales Force: A Practical Guide to Designing Winning Sales Reward Programs*, the single most important success factor for any incentive plan is **management attention to the plan.**

This quite simply means that the goals need to be front and center at all times, every single day. They need to be “top of mind” for both the agent and all sub-producers.

Not only must the goal be visible, but the progress against the goal must be visible. If an agency has a goal of writing 25 new auto policies each month, each day that producers sit down at their computers they should be able to see how close the agency is to reaching that goal. This enables them to take action immediately should they slip behind schedule rather than simply realizing that they failed to hit the goal when a lagging report is distributed to them the following month.

**90%** of laboratory and field studies involving specific and challenging goals led to higher performance than did easy or no goals.

Edwin Locke

[2]

## 2) Align Incentives with Goals

When structuring an incentive plan, create an additional financial incentive to meet the goal. Most agents simply pay a flat commission to sub-producers regardless of the sub-producer's sales volume. It is far more effective to either withhold a portion of the commission until the goal is reached, or to offer an additional "kicker", or accelerator, for hitting the goal. Many successful agents will structure multiple levels of accelerators that encourage sub-producers to write more business- RIGHT NOW!

Agents who effectively utilize an incentive system experience an average **6%** increase in production.

## 3) Measure and Manage Leading Indicators

**Measure:** track the daily sales activities (leading indicators) for each producer. These leading indicators include outbound calls, cross-sell conversations, appointments, and quotes. The objective is to learn how many of these activities result in a sale. The closing ratio is the best example of the relationship between leading indicators (quotes) and sales.

**Manage:** Agents cannot simply increase sales volume; they must first increase the leading indicators that create sales opportunities (quotes, presentations, phone calls etc.). By managing the leading indicators, they can increase the sales. While the numbers will be unique to each indicator and for each producer, the concept is the same. Once an Agent knows how many leading indicators result in one sale, the Agent can set a leading indicator goal that will result in the desired sales volume. According to the figure at right, 20 calls result in 3 appointments which result in one sale. If a producer desires 5 sales he must simply complete 100 calls.



#### 4) Analyze and Refine

The Analyze and Refine step involves reviewing sales and activity data such as:

- Policy and revenue production
- Source of all sales
- % of goal attainment
- Marketing source ROI
- Sub-producer ROI
- Sales trends
- Commissions and activity totals
- Closing ratios

Agents who track sales, use an incentive plan, and track and manage leading indicators experience a **20%** increase in production on average

With this data the agent can:

- Instantly know **who** is selling **how much** of **what, when**, and for **how much** money
- Identify **where** the business is coming from
- Instantly know whether the agency is on track to meet its goals
- Move money from unprofitable to profitable marketing efforts
- Evaluate return on investment of sub-producers. Do they have a “break-even” of two years or less? If sub-producer ROI is too low, is it because they are spending too much time on service work and not enough on sales? Or are they simply paid too much?
- Understand monthly and annual policy and revenue production trends.
- Evaluate effectiveness of the incentive plan. Are goals being met? If not, will a change in the incentive plan impact goal attainment? If goals are being exceeded, do they need to be increased?
- Either provide training to producers with low closing ratios or divert leads to more effective sales reps. (At one captive company an 8% lower closing ratio equated to a loss of \$8,000 in agency commissions in the first year alone)

Without timely business intelligence an agent simply has no foundation upon which to make these decisions or effect changes. Unless of course they do what they’ve always done - rely upon intuition. There is certainly a place for intuition in business, but it should not be the de facto method for making all business decisions.



## Racing Snail Provides Critical Business Intelligence

Racing Snail was designed by two insurance professionals specifically for the needs of the insurance industry. Since every insurance company and every agency is unique, virtually every part of the Racing Snail system can be tailored to meet the very specific needs of each company and/or agency. For over 7 years Racing Snail has been assisting insurance agents run more effective and more profitable agencies through the following:

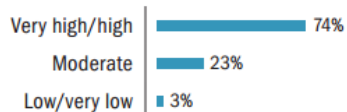
### Business Intelligence for Intelligent Business Decisions

Racing Snail answers the who, what, when, where, why, and how much by providing real-time business data regarding sales production. Each day the agent knows exactly where the agency stands in terms of premium, policies, goal attainment (both office and sub-producer), types of products sold, revenues by sales rep, marketing source, type of business, and product type.

### Visual Impact

According to a study completed by TDWI Research visual data (graphs and charts) significantly improve business insight. See figure at right.

To what degree did data visualization improve business insight?



*Based on 210 respondents.*

[3]

All Racing Snail reports are displayed in both visual and tabular formats. Agents can comprehend an entire year of data by viewing a single graph that presents an easy to understand picture of the underlying business data. The more easily data is understood by the users, the more likely they are to adopt and utilize the data analysis tool. The visual displays also contain intuitive controls to allow any user to drill down and further analyze the data.

### Goal Centric

From the moment that users log in to the Racing Snail system they see a dashboard that illustrates goal attainment on a product line basis, for both policies and premium, as well as by individual and team goals. The incentive system is designed to reward goal attainment and to accelerate production by incentivizing producers to sell NOW.

Racing Snail clients produce significantly more than non-clients. The figure at the right shows the difference in production at one large captive company between Racing Snail users and the average agent.

	Company Average	Racing Snail Average	% Increase
<b>Auto</b>	38	52	37%
<b>Home</b>	16	26	63%
<b>Life</b>	3	6	100%
<b>Health</b>	1	2	100%
<b>Bank</b>	2	4	100%
<b>Mutual Funds</b>	1	3	200%

### Public Accountability

Performance dashboards and reports are public. This ensures accountability among agents and sub-producers as it impossible for anyone to “fly beneath the radar”. Many Racing Snail clients report that both these public reports and dashboards create a healthy competitive environment enjoyed by both agents and the sub-producers.

### ROI

Racing Snail gives agents critical insight into where their money is producing results and where it is being wasted. Many clients have made significant changes to their marketing mix after actually seeing the return on investment for their various marketing sources. Racing Snail takes much of the uncertainty out of evaluating the performance of sub-producers by showing the actual contribution of each sub-producer, in terms of agency commission, compared to the cost for that team member. It also projects when that sub-producer will be profitable to the agency. This analysis takes much of the guess work out of evaluating the cost effectiveness of sub-producers.

### Leading Indicators

Racing Snail enables agents to track leading indicators and to analyze the relationship between those activities and sales. In our experience, the single greatest driver for increased production is a leading indicator tracking and management process. In fact, agents who simply track production and utilize Racing Snail’s leading indicator analysis tool have production that is 17% greater than those who simply track production.

## Conclusion

As the industry becomes more competitive, and insurance companies become more sophisticated, it is imperative that the largest sales channel for most insurance companies have the same level of sophisticated data analysis and productivity management tools as their corporate counterparts. Agents must be able to establish a goal-centric sales operation and have the ability to effectively analyze ROI for their marketing and sub-producers. To accomplish this they must have access to a tool that provides the following:

- Visual displays for easy comprehension of data and greater adoption of the analysis tool
- The ability to set goals for both the office and individual sub-producers
- The ability to easily analyze goal attainment and compare the performance of sub-producers
- Dynamic incentive management system that can accommodate thresholds, sales accelerators, and cross-line dependencies to drive production in the short-term
- ROI analysis to ensure that limited staffing and marketing resources are used wisely
- Leading Indicator tracking and analysis to drive the behaviors that increase sales

For over 8 years Racing Snail has assisted agencies to increase their production and run more profitably. We would very much like the opportunity to speak with your organization regarding how Racing Snail can assist you in achieving the same results that so many of our current clients are enjoying.



## References

[1] D. Cichelli, *Compensating the Sales Force: A Practical Guide to Designing Winning Sales Reward Programs*, 2<sup>nd</sup> Edition", 2010.

[2] Locke, Edwin A.; Shaw, Karyll N.; Saari, Lise M.; Latham, Gary P. (1981), "Goal Setting and Task Performance: 1969–1980", *Psychological Bulletin* (American Psychological Association)

[3] TDWI Research/Advisor Solutions Inc. (2011). *Visual Reporting Analysis, Seeing is Knowing* [White paper]. Retrieved from <http://www.officeadvisor.com/media/TDWI-Visual-Reporting-and-Analysis-Report.pdf>