

Get Real: A Fresh Approach for a New Year

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If your firm is launching the New Year with initiatives designed to help you end 2012 on a successful note, you are operating two years behind schedule. Your entire strategy should focus on 2014 and beyond. You have two years to create an agency that is relevant in an era of [health care reform](#). Every decision you make today – and for the next 24 months -- will prepare you for triumph or set you up for failure. Our company is going through the process of examining issues that are relevant to our long-term success, as well as the future of our industry. While our own exercise is expansive, I'd like to share some high-level factors to consider, regardless of your firm's size or location. Honest introspection is essential to survival. It's time to get real.

1. **Define your agency.** Who are you? Where do you fit in the market? Do you focus on what you do best or simply respond anytime opportunity knocks? These are basic questions, but you need to closely examine the answers. Being all things to all people is an outdated concept. [Determining your rightful position](#) will help set your course.
2. **Segmentation.** It requires completely different skills and capabilities to service very small, medium-sized and larger accounts. My company has spent a decade talking to firms of every imaginable size, in almost every state and has learned what an agency does best is not necessarily where they allocate most of their time and focus. Also interesting: talent is often not aligned to support growth and/or performance in the “sweet spot.” In many cases, firms try to treat all accounts the same way, whether they cover 12 or 100 lives. This approach simply won't work in the future – and, it's also not necessary. The owner of Joe's Electronics shop does not have the same needs as the CFO of Terrific Telecom Company, which employs 250 workers. One requires efficient, knowledgeable service; the other requires a strategic employee benefits partner. Agencies need to segment their client base and align teams, technology and resources to deliver branded solutions accordingly.
3. **Talent.** If you could wave a magic wand and staff your agency with the talent you need to operate in tomorrow's world, would the individuals currently on your payroll still occupy the same chairs? Seldom does one want to ask this question. Do it anyway. We operate in an industry that honors loyalty and respects long-term relationships. We want to believe that the people we hired and invested in are the best for the job. Yet because the market is changing, your agency may need different skills to survive. At times, the answer does include pink slips. Or, you may need to move folks around, bring in a new hire or two, or find outside resources to provide the capabilities you lack. I can promise you one thing: If you dare to ask this question, you'll gain valuable information. It's up to you how to act on it. During this process, keep in mind that competition and compensation dynamics will evolve considerably in your marketplace — if they have not already.
4. **Diversification and efficiency.** With managed loss ratios and other complexities dictated by health care reform, there will be greater competition for fewer proportional dollars and more work to do. As the health insurance marketplace evolves, brokers and advisors will have to differentiate their offerings based on their ability to deliver a solutions portfolio that artfully incorporates greater capabilities. Many of us have already embarked on this endeavor and are now offer a growing suite of [voluntary products](#). Last year was the time to explore these options. If you are not already doing so, add these capabilities now. [Business adjacencies](#) also can play a role in revenue growth and help you gain a deeper percentage of your customers' expenditures. Payroll vendors

and companies providing PEO (Professional Employer Organization) solutions are logical places to explore strategic alignment. Coordinating a broadened solution set will require greater efficiency and, more than likely, a fresh look at your team and their respective skill sets.

5. **Compensation.** Let's pretend commissions on health plans have disappeared. It's [not a far-fetched idea](#). Some of our colleagues have already converted to fee-for-service compensation models. Those who have done this successfully are able to demonstrate the value they bring to the process. It's not too soon to begin preparing for such a future. Find ways to communicate and quantify the expertise you provide, the time you invest and the capabilities you offer that many competitors would have difficulty duplicating. Articulate your points of differentiation, and make sure your clients understand them. Consider how you would justify payment on a fee-for-service basis to your largest and most loyal client, as well as a prospect who is not familiar with your services. It's a different ball game for those who have only lived in a commission world.

6. **Technology.** [Emerging technologies](#) for our industry are quite different from past applications. Customer Relationship Management (CRM) software, by itself, is like having a computer without an Internet connection. It's a basic tool without the power needed to energize service and sales. Development within CRM to build workflows, data linkages and create process improvements is critical. The resources now required for effective and efficient operation provide lead nurturing, sales automation, online analytics and business intelligence to better service your clients, large and small. I predict that in 2012 some of your competitors will be able to walk into a sales or renewal presentation; access real-time block data on an [iPad](#); and show the employer which carriers companies their size and industry are using, typical plan configurations, and enrollment trends down to the individual level, as well as and pricing trends over time. Will you be able to do the same?