MAPPING THE MARKETPLACE DNA
What is driving profit in TPA practices

Rod Bertino
Business Health Pty Ltd

About Business Health

Specialize in financial services
Established 2000
Independent
Unique set of products/services

International reach

Australia
Canada
New Zealand
South Africa
UK
USA
What Can We Learn?

THE DNA OF SUCCESS

Five Common Global Attributes Of Premier Businesses

1. Great Leadership
   - Strong & consistent vision
   - Think like successful business owners
   - Embrace change
1. Great Leadership
   • Strong & consistent vision
   • Think like successful business owners
   • Embrace change
   • Have a plan and work the plan

23% have a documented 12 month operational plan
58% have been reviewed in the past 6 months
65% track their progress to plan regularly
57% appear light on content

But be careful what you wish for...

<table>
<thead>
<tr>
<th>12 month operational</th>
<th>% MARKET</th>
<th>MARKET IMPACT</th>
<th>$ PROFIT IMPACT</th>
</tr>
</thead>
<tbody>
<tr>
<td>No Plan</td>
<td>34%</td>
<td>-</td>
<td>$383,101</td>
</tr>
<tr>
<td>Effective Plan</td>
<td>4%</td>
<td>+39%</td>
<td>$533,272</td>
</tr>
</tbody>
</table>
1. Great Leadership

- Strong & consistent vision
- Think like successful business owners
- Embrace change
- Have a plan and work the plan
- Sale ready at all times

32% have a documented succession plan or buy/sell agreement
1:4 do not cover all four contingencies
26% have not been reviewed in the past 12 months
1:2 do not have an agreed successor
33% looking to buy in the next 3 years
1. Great Leadership

Would you pay a premium to buy into your practice today?

1. Great Leadership

- What row are you in?

2. Talented & Committed Staff

- Someone else runs the business (including hire & fire)
- Hire people better than them
- Empowered to make decisions
- Develop a team culture
2. Talented & Committed Staff

- 70% conduct weekly/bi-weekly team meetings
- 93% reported minimal staff turnover
- 22% have experienced an dispute/employment issue
- 41% thought your staff would not rate morale “Very Good”
- 55% seek formal staff feedback
- 51% stated the majority of staff are aware of the practice goals

2. Talented & Committed Staff

- Someone else runs the “back-office”
- Hire people better than them
- Empowered to make decisions
- Develop a team culture
- Appropriate performance management process (roles, goals & reviews)
2. Talented & Committed Staff

- 77% have PD's for the majority of their team (but 1:3 have not been reviewed recently)
- 74% have agreed individual performance objectives
- 47% conduct six monthly performance reviews/appraisals
- 77% have conducted salary reviews in the past 12 months

Performance Management Results
2016 TPA Marketplace Analysis

2. Talented & Committed Staff

- And if everyone knows what they are doing...

<table>
<thead>
<tr>
<th>Position Descriptions</th>
<th>% Market</th>
<th>Profit</th>
<th>Impact</th>
</tr>
</thead>
<tbody>
<tr>
<td>Less than 50%</td>
<td>10%</td>
<td>$131,841</td>
<td>-</td>
</tr>
<tr>
<td>More than 75%</td>
<td>77%</td>
<td>$575,128</td>
<td>+336%</td>
</tr>
</tbody>
</table>

Although they restricted themselves to one drink at lunch time, Howard and Tom still found they were not at their most productive in the afternoon.
3. Truly Client Centric

- Know and live their client value proposition

Hopefully not this one!

We offer three kinds of service:
GOOD - CHEAP - FAST
You can pick any two
GOOD service CHEAP won’t be FAST
GOOD service FAST won’t be CHEAP
FAST service CHEAP won’t be GOOD

3. Truly Client Centric

**NEED**
- 401k
- 5500’s
- Restatements
- Loans
- Distributions
- Compliance
- Retirement
- Planning
- Asset Allocation
- Risk Profiling
- Insurance

**WANT**
- Easy
- Security
- Peace of Mind
- Achieving Goals
- No Surprises
- Understanding
- Advice & Help
- Empathy
- Trust
- Solutions
3. Truly Client Centric

- Consultant gibberish or real business driver...

<table>
<thead>
<tr>
<th>CLIENT VALUE PROPOSITION</th>
<th>% MARKET</th>
<th>PROFIT PER PERSONAL</th>
<th>PROFIT IMPACT</th>
</tr>
</thead>
<tbody>
<tr>
<td>No</td>
<td>32%</td>
<td>$343,584</td>
<td>-</td>
</tr>
<tr>
<td>In owner’s head</td>
<td>27%</td>
<td>$452,872</td>
<td>+32%</td>
</tr>
<tr>
<td>Fully documented</td>
<td>41%</td>
<td>$617,047</td>
<td>+80%</td>
</tr>
</tbody>
</table>

- Know and live their client value proposition
- Proactively seek client feedback
3. Truly Client Centric

- 35% formally seek feedback from their clients
- 44% of these share their results widely
- 16% always use their results to measure & reward staff

![Client Communication Results 2016 TPA Marketplace Analysis]

3. Truly Client Centric

- And if ask (and then listen)... 

<table>
<thead>
<tr>
<th>Formally seek client feedback</th>
<th>% MARKET</th>
<th>DIFFERENCE</th>
<th>IMPACT</th>
</tr>
</thead>
<tbody>
<tr>
<td>No</td>
<td>65%</td>
<td>$440,970</td>
<td>-</td>
</tr>
<tr>
<td>Yes</td>
<td>35%</td>
<td>$595,668</td>
<td>$+35%</td>
</tr>
</tbody>
</table>

**NOT LIKE THIS!**
3. Truly Client Centric

- Know and live their client value proposition
- Proactively seek client feedback
- Understand their best clients

- 37% segment or categorize their clients
- 1:4 of these do not offer a differentiated level of service
- 34% stated that not everyone knows who the best clients are
- 45% also segment their referral sources

3. Truly Client Centric

Can all 878 clients receive “A” class service...

<table>
<thead>
<tr>
<th>CLIENT SEGMENTATION</th>
<th>WHETHER CAN</th>
<th>PROFIT WITH</th>
<th>PROFIT WITHOUT</th>
</tr>
</thead>
<tbody>
<tr>
<td>No</td>
<td>63%</td>
<td>$454,747</td>
<td>-</td>
</tr>
<tr>
<td>Yes</td>
<td>37%</td>
<td>$551,202</td>
<td>+$96,455</td>
</tr>
</tbody>
</table>

Client Segmentation Results
2016 TPA Marketplace Analysis
4. Invest In Their Business

- Right people in the right jobs (stay away money)
- IT infrastructure
- Training & development
- Profile
- Premises

73% have complete remote access
12% do not store a copy of their backup offline
68% outsource the development & maintenance of their IT
41% use a customized proprietary CRM system
66% have not updated their website in last six months
5. Actively Seek Help

- Employ (and empower) a "coach/mentor/board of advice"
- Always willing to listen & learn
- Look outside of the profession
- 21% regularly consult with an external advisor/coach
5. Invest In Their Business

- Apart from helping keep you sane...

<table>
<thead>
<tr>
<th>External advice</th>
<th>% SAVED</th>
<th>PROFIT IMPACT</th>
<th>PROFIT IMPACT</th>
</tr>
</thead>
<tbody>
<tr>
<td>No</td>
<td>73%</td>
<td>$423,745</td>
<td>-</td>
</tr>
<tr>
<td>Meet once/twice per year</td>
<td>6%</td>
<td>$283,309</td>
<td>-33%</td>
</tr>
<tr>
<td>Meet quarterly</td>
<td>21%</td>
<td>$781,452</td>
<td>+84%</td>
</tr>
</tbody>
</table>

To recap

- You need a plan for your business, not a business plan
- Do you have Sinatra moving the pianos
- If you don’t provide “A” service to you “A” clients...
- Don’t minimize expenditure, maximum the return on your investments
- Don’t be afraid to ask for help

Questions
But beware...

“It is not the strongest of the species who will survive, nor the most intelligent, but the one most responsive to change.”

Charles Darwin

Disclaimer

The material contained in this presentation is based either on information derived from our proprietary business diagnostics (including research) or from other sources within the market, which we believe to be reliable and accurate.

It is general in nature and does not constitute specific advice.

Business Health makes no representation or warranty as to the validity, relevance or accuracy of this information as it pertains to any specific practice or business.

FOR YOUR CONSIDERATION

Rod Bertino
Business Health Pty Ltd