

Commercial Revenue Diagnostic

Aon Sales Force Effectiveness

Sustainable growth drives shareholder value.

It matters more than margin. It matters more than cost. Growth is the best predictor of long-term success.

Of the three sources of revenue growth—acquisition, market expansion, and share growth— market share growth delivers greater long-term shareholder value. This is why most senior leadership teams agree that organic revenue growth is a top business priority.

There are many challenges companies face in the pursuit of revenue growth:

- Unpredictable rising and falling of global economic tides
- Failure to act upon disruptive changes in markets, technologies, and customer preferences
- Short (22-month average) tenure of sales leaders makes sales strategy difficult to execute
- Historical belief that salespeople are born, not made, and influence on performance is limited
- Insufficient data or analytics to identify obstacles and opportunities for revenue growth

Aon's Commercial Revenue Diagnostic provides the clear solutions needed to drive organic revenue growth.

Commercial Revenue Diagnostic

Organic revenue growth is often overlooked because it lacks the speed and control of high-profile deal-making often associated with mergers and acquisitions. But with market valuations increasing and merger success rate low, acquisitive growth may now carry more risk than return.

Organic revenue growth provides a rich source of not only growth but also long-term value creation and sustainable competitive advantage. To tap into organic revenue growth opportunities, companies must be able to identify market potential, redeploy sales resources with confidence, and execute initiatives effectively.

Clients Engage Aon's Sales Force Effectiveness Practice When:

- ▶ They are growing slower than the market, missing revenue plan and forecasts, or losing market share.
- ▶ They are entering new markets or dealing with fierce or emerging competition.
- ▶ They are experiencing high cost of sales and are concerned about the return they are realizing from their investment in sales.
- ▶ There is an unhealthy imbalance between customer retention and new customer acquisition ("Farming" vs. "Hunting").
- ▶ Insufficient numbers of salespeople are meeting or exceeding sales goals.
- ▶ Sales force turnover is high, and there is difficulty attracting and retaining top talent.
- ▶ They are integrating complex sales organizations from prior mergers and acquisitions.
- ▶ The sales force is not delivering sufficient value to customers, weakening customer satisfaction and competitive differentiation.



Aon's Approach



Analytical Approach

Aon's Commercial Revenue Diagnostic conducts analysis across three dimensions — quantitative analysis, qualitative analysis, and benchmarking. This enables us to have a high level of confidence about both the impediments to—and solutions for—improved growth.



Internal Quantitative Analysis

Analysis of the company's performance is used to identify issues and inform the prescription for improved revenue growth.



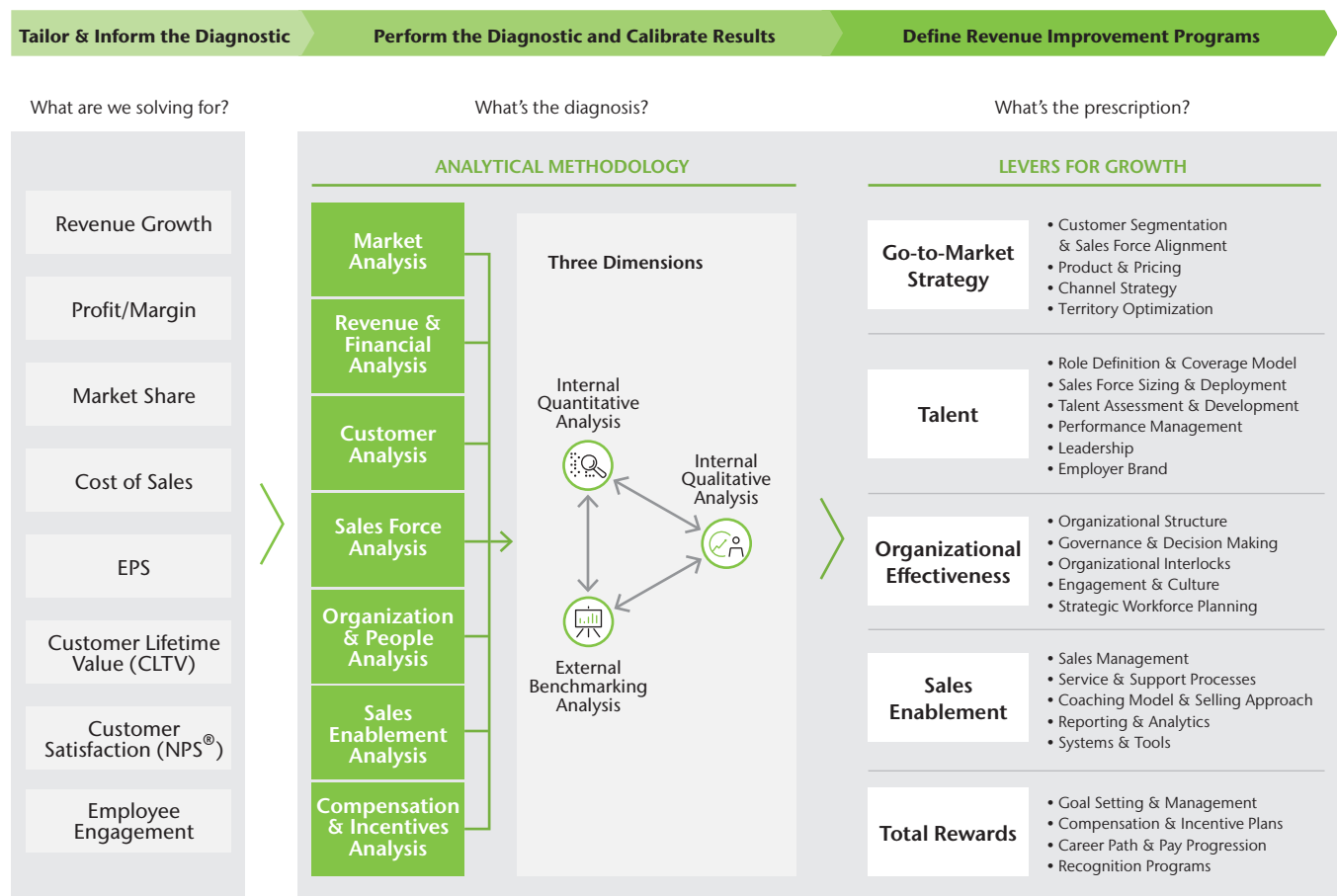
Internal Qualitative Analysis

Observing people work and the processes being executed provides insight beyond what can be gleaned from data alone.



External Benchmarking

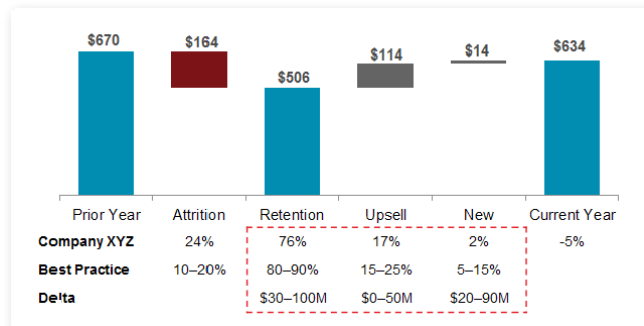
Findings from the internal analyses are compared to market research, external benchmarks, and competitor best practices.



Analytical Methodology

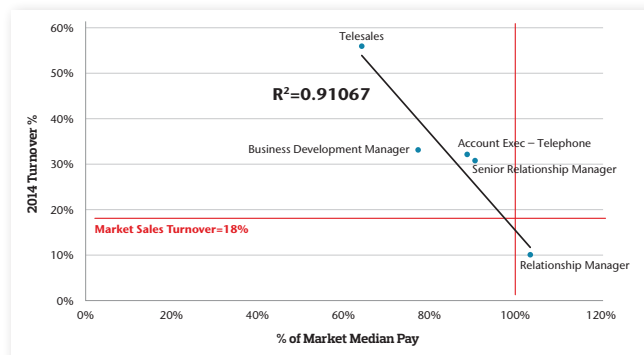
ANALYTICAL SNAPSHOTS

Retention, Upsell, and New (RUN) Customer Revenue Analysis \$ Million



- Analyzing customer-level year-over-year revenue growth in the areas of Retention, Upsell and New customer acquisition provides insight into core strengths and weaknesses, helping to inform where investment will yield the greatest return
- For B2B sales forces, best practice performance typically falls within the following ranges:
 - Retention = 80–90%
 - Upsell = 15–25%
 - New = 5–15%

Sales Rep Turnover %



- High sales force turnover burdens an organization with both real and opportunity cost
- Sales manager capability, high span of control, territory imbalance, weak pre-hire talent assessment, and uncompetitive compensation can all drive higher sales force turnover
- Turnover analysis, by sales role and by level of employee tenure, provides insight into current drivers and opportunities to make change that will improve top talent retention and motivation

Benchmarking—Performance

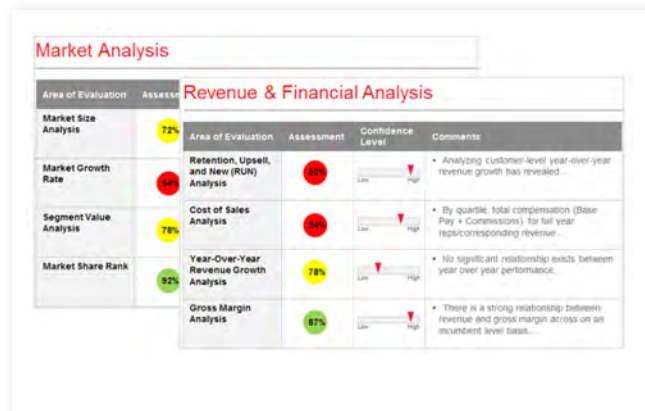
Functional Area	Cost Driver	Expenses				Staffing			
		2016	Top Quartile	Expense Gap	Indicator In-Quarter	2016	Top Quartile	Staff Gap	Indicator In-Quarter
A. Sales/Commissions	Total Premiums	12.94%	10.28%	\$184,539	🔴	9.10	9.09	0.33	🟡
B. Marketing	Total Premiums	0.21%	0.51%	-\$14,253	🟢	0.90	0.90	-4.55	🟢
C. Distribution Management	Total Premiums	1.54%	0.91%	\$36,876	🔴	6.57	5.47	79.98	🔴
Total Acquisition				\$212,660				66.76	
D. Corporate and Prod. Dev.	Total Premiums	0.21%	0.17%	\$2,345	🔴	1.01	0.96	3.16	🔴
E. Underwriting	Loan Premiums	0.60%	0.77%	-\$1,405	🟢	4.25	2.78	65.25	🔴
F. New Business	Total Premiums	0.71%	0.62%	\$2,320	🔴	8.66	7.13	36.25	🔴
G. Policyowner / Client Service	Total Premiums	0.62%	0.53%	\$5,390	🔴	8.57	6.01	145.58	🔴
H. Claims Administration	Total Premiums	0.18%	0.15%	\$463	🔴	1.41	1.38	2.36	🔴
J. Investment Account Management	Var. Premiums	0.05%	0.05%	\$0	🟢	0.50	0.24	-3.28	🟢
Total Core Operations				\$1,333				249.28	
K. General Support	Total Premiums	0.50%	0.48%	\$868	🟡	1.13	0.72	26.37	🔴
L. Finance	Total Premiums	0.31%	0.33%	-\$254	🟢	1.98	1.91	3.08	🔴
M. Human Resources	Total Premiums	0.17%	0.18%	-\$254	🟢	0.96	0.86	-2.31	🟢
N. General Counsel	Total Premiums	0.30%	0.38%	-\$4,777	🟢	1.12	1.10	1.43	🟡
O. Actuarial	Total Premiums	0.28%	0.34%	-\$4,096	🟢	1.64	3.53	-9.72	🟢
P. Auditing	Total Premiums	0.09%	0.09%	\$445	🟡	0.19	0.21	-1.55	🟢
Q. Enterprise Risk Management	Total Premiums	0.01%	0.02%	-\$651	🟢	0.05	0.06	-0.80	🟢
R. Executive	Total Premiums	0.36%	0.36%	\$922	🟡	0.15	0.15	-0.12	🟢
S. Selling	Total Premiums	0.04%	0.04%	\$429	🟡	0.99	0.25	21.68	🔴
T. Information Technology	Total Premiums	1.73%	2.73%	-\$64,348	🟢	6.30	5.62	30.64	🔴
U. Investment Mgt. - General Account	Total Premiums	0.65%	0.47%	\$11,715	🔴	0.01	0.00	0.87	🔴
V. Occupancy/Maintenance	Total Premiums	0.42%	0.50%	-\$6,753	🟢	0.39	0.00	25.11	🔴
Total Shared Services				\$65,732				99.84	
W. Travel/Assessments	Total Premiums	0.05%	0.81%	\$9,287	🟡				
Grand Total				\$11,549				458.67	

- In this example, benchmarking showed that the client was spending \$16–22 million more on its distribution management structure relative to other top quartile peers
- Total acquisition cost including sales, marketing and distribution was 14.69% vs. peers 12.15%
- The client was under-spending on marketing & IT versus peers, meaning appropriate levels of investment in consumer technology platforms (or platforms for distribution support) should be evaluated
- We analyze revenue, sales productivity, staff levels, compensation, business practices, expenses and all areas of performance with a clear line of sight to optimizing performance and improving profitable revenue growth

Deliverables & Outputs

DELIVERABLE SNAPSHOTS

Commercial Revenue Diagnostic Assessment



- For each area of analysis, Aon provides a scorecard report informed by the three dimensions
- In addition to an assessment score, Aon provides a confidence level grading that speaks to the degree of certainty we have about our findings
- This scorecard provides deeper insights and clear, specific recommendations to address priority gaps
- Aon's recommendations are focused and realistic, made in the context of the full analysis, and supported by a clear business case with client consensus

Revenue Transformation Plan

Revenue, \$ Million	2019	2020	2021
Incremental Organic Revenue Growth			
Go-to-Market Strategy			
Resize sales force	5	25	40
Redeploy sales team to market opportunity	8	38	60
Talent			
Redesign roles	21	33	39
Apply new sales rep profile	5	10	15
Total Rewards			
Redesign sales incentive plans	55	48	33
Organizational Effectiveness			
Resize sales force	22	31	40
Change spans of control	12	20	26
Sales Enablement			
Improve CRM integration	5	10	12
Deploy additional sales tools	2	6	7
Total Revenue Growth	\$ 131	\$ 221	\$ 272

- There is rarely enough time or money to fix everything —attempts to transform all areas of the organization all at once can dilute return on investment and deliver mediocre results
- Instead, Aon designs a high impact set of revenue improvement programs, with logically sequenced initiatives that will deliver the greatest revenue improvement with the least organizational disruption
- Industry operating experience and Aon's consulting expertise help build a change management plan with multiple milestones to guide the organization toward financial improvement

About Aon

Aon plc (NYSE:AON) is a leading global professional services firm providing a broad range of risk, retirement and health solutions. Our 50,000 colleagues in 120 countries empower results for clients by using proprietary data and analytics to deliver insights that reduce volatility and improve performance. For further information, please visit aon.com.

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