



Don't
Run
Away
from
Small
Business

The logo for 'decisely' features the word in a white, lowercase, sans-serif font. Above the letter 'i' is a small icon of a sun with rays.

Today's brokers must frequently confront the small business conundrum. They love helping their small business clients address the unique set of business challenges they face. It's often one of the more rewarding and inspiring parts of their jobs. However, all that it takes to service a small business can also overwhelm them. The overall HR and benefits industry remains in flux, brokers have less control than in years past, and small businesses demand more support and hand holding than other clients - at a fraction of the returns.

To be fair, brokers face challenges of increasing costs, decreasing margins, new regulations, and industry mergers across their entire book of business. However, small business pressures are more acute and represent the highest opportunity cost for brokers.

The Small Business Conundrum

The key pressures driving this small business conundrum include:

Regulatory Complexity

The Affordable Care Act has forced small business owners to understand and abide by a challenging set of compliance regulations and a burdensome amount of paperwork, even for minimum essential coverage. Despite discussion about changes to the ACA and requirements, this yoke will continue to exist for some time.

As a result, clients are leaning more heavily on brokers for consulting services. In turn, brokers are forced to become compliance experts and must work harder than ever to understand the changing healthcare market and trends.



Shrinking Margins

While the burden on serving small businesses is increasing, the rewards for doing so are decreasing. Carriers are consolidating their products into larger brokerage firms in response to medical loss ratios. This generates an increased cost that is not being passed along to clients so that smaller firms can remain competitive. The result is more time and resources being expended per client, but dwindling margins as this does not return additional revenue.



Darwinian Marketplace

At the same time that demands are increasing and margins are evaporating, the shifting sands of the marketplace are creating sinkholes that can trap unprepared brokers and firms. Since 2015, investors have poured roughly \$4.3 billion into systems and platforms from HR technology companies. This infusion of capital and attention has led to the emergence of integrated benefits and HR solutions companies.

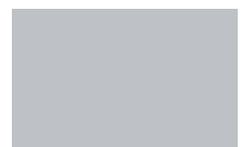
These large companies are attempting to eat everything in their path on a mission to become category killers. They are able to absorb small business portfolios into larger ones to minimize losses and instead manage both at scale. For companies of this size, the hit is minor and gives them an outsized competitive advantage in comparison to smaller brokers and independent firms.



Technology Overload

To undermine the value proposition of these large all-in-one companies and to advance the competitiveness of their own offering, many brokers invest in technology and broader HR solutions. The challenge is that brokers often find themselves overwhelmed and confused by the sheer number of offerings and how to manage ongoing needs.

There more than 150 SAAS HR solutions on the market today. Brokers stepping into this world are finding it to be very resource intensive. They must first educate themselves on the technologies, choose a partner or product, train up on an entirely new system, then deploy and manage it on behalf of clients. For an industry that is traditionally not tech-savvy and that does not possess general HR expertise, this can be time and cost prohibitive.



Small Business Economics

For all of these reasons, it's no secret that the financial realities of the insurance advisor business make it incredibly difficult to profitably serve small business customers. Companies with fewer than 50 employees often create a challenge for brokers because insurance and benefits is a commission-based business. While it can require the same service intensity for a 20-life group as a 100-life group, it nets only a small fraction of the revenue. That makes it nearly impossible to return a profit on clients with fewer than 50 lives, especially when they ratchet up demands on their partners for additional services.



The Small Business Opportunity

While it may be tempting to run for the midmarket and beyond, leaving the small business market to others, there are opportunities to be found. Counter-intuitively, this can be an effective strategy as you avoid being caught in the throng of firms “elephant hunting” for the few large clients in the market.

Instead, a smart and disciplined strategy that blends technology and high touch consulting can help your firm stand out and attract the very best small businesses. After all, there are 6 million small business in the US with 34.8 million employees. Fifty percent of small businesses with 3-49 workers offered health benefits in 2017. With this base and as an effective partner, you can help them grow and mature into even larger and higher performing clients.



The Decisely Solution

Founded by brokers, for brokers, we understand the challenges faced by today's advisors. We work with employee benefits firms to establish focus, expertise and margin improvement so they can turn the small business conundrum into the small business opportunity. Our unique capability lies in our ability to not only provide the software but to operate it on the broker's behalf. By combining the right mix of benefits, HR administration, compliance and payroll technologies into a single platform. Decisely allows producers at employee benefits shops to never have to say "no" to a smaller account again. Licensed in all 50 states, Decisely stands ready to help you solve the small business conundrum.





About Decisely

Decisely is a broker-centric benefits and HR solution that allows brokers to demonstrate the value they provide to their clients. Supported by licensed benefit brokers and industry professionals, the Decisely solution provides the right mix of healthcare benefits, recruiting, HR admin, compliance and payroll on one easy-to-use platform.



Kevin Dunn

Kevin Dunn is CEO of Decisely, a platform that supports benefits, HR resources, and technology for small businesses in the U.S.

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