

In Focus – SMEs Under 45 Years

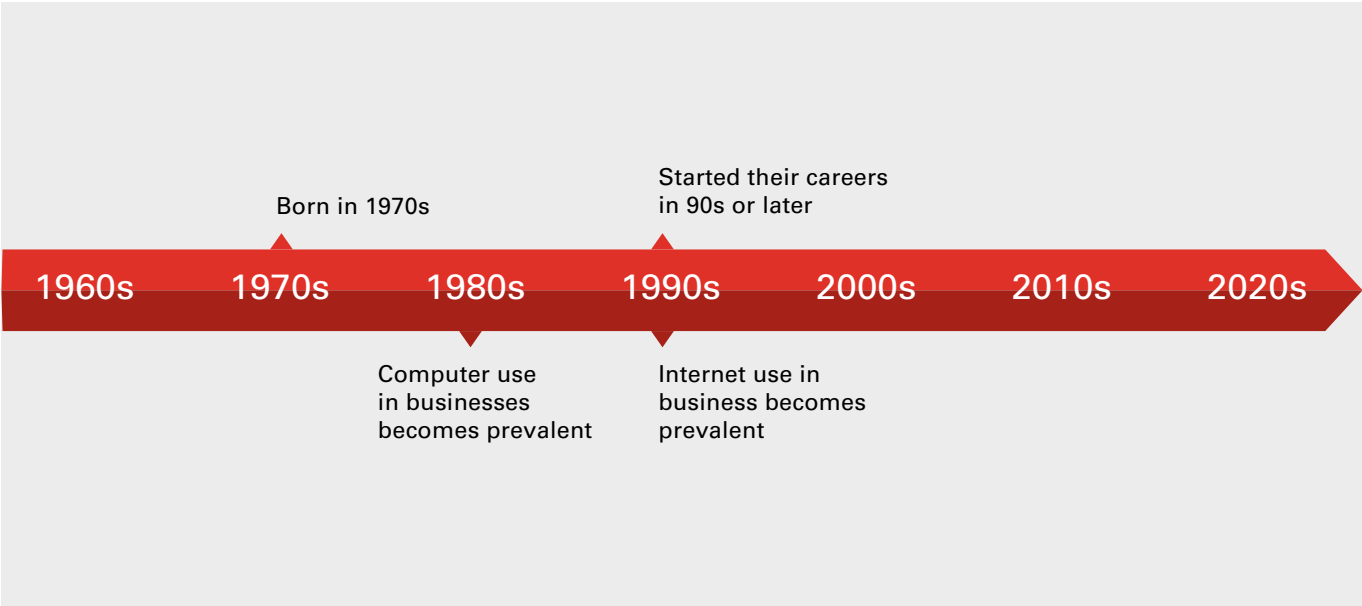
INTRODUCTION

In a rapidly changing economy, younger business owners and decision makers are creating and establishing the businesses that will become the future of the economy, so it makes sense for us to look to younger SMEs to understand how attitudes and behaviours towards insurance and broking may develop.

Earlier this year, we launched the 7th edition of the Vero SME Insurance Index with an exploration of the changing overall landscape. This “In Focus” edition builds on these findings with an in-depth exploration of SMEs under 45 years.

Why have we chosen SMEs under 45 years to examine in more detail? Through statistical analysis, we have discovered that the most notable differences in insurance behaviours and attitudes occur at this age. This is supported when we look at life experiences: a typical 40 something business owner is likely to have started their career in the early 90s when computer usage was becoming widespread and as internet use in business was becoming the norm (see figure 1).

Figure 1 – Life experiences for a typical 45 year old business owner



A profile of SMEs under 45 years

SMEs under 45 years are significantly more likely to:

- be in small to medium business
- have revenue over \$500k
- be growth businesses
- be women
- have a degree or masters
- have part of their business online.

What are their top 5 challenges?

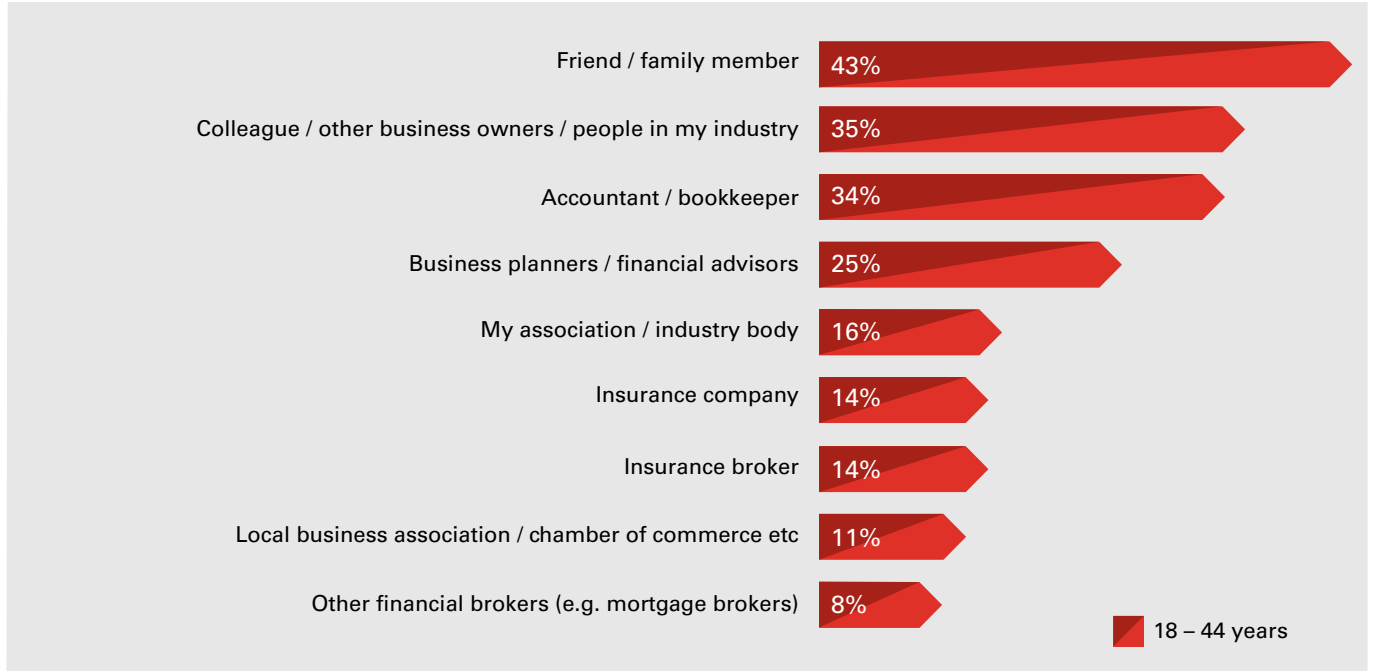
1. “Managing my time efficiently”
2. “Trying to do everything on my own”
3. “Having no time for myself / my family”
4. “Getting paid quickly”
5. “Generating exposure for my business”

SMES UNDER 45 YEARS AND INSURANCE

How do they get advice about business risks?

The trend to turn to informal sources of advice is at its strongest amongst SMEs under 45 years, with friends, family and colleagues being the most common source of advice, followed by accountants and bookkeepers (see figure 2).

Figure 2 – Sources of business insurance advice for SMEs under 45 years



This means that SMEs under 45 years are at increased risk of receiving advice from informal sources. However, the younger generation are also very reliant on word of mouth, which

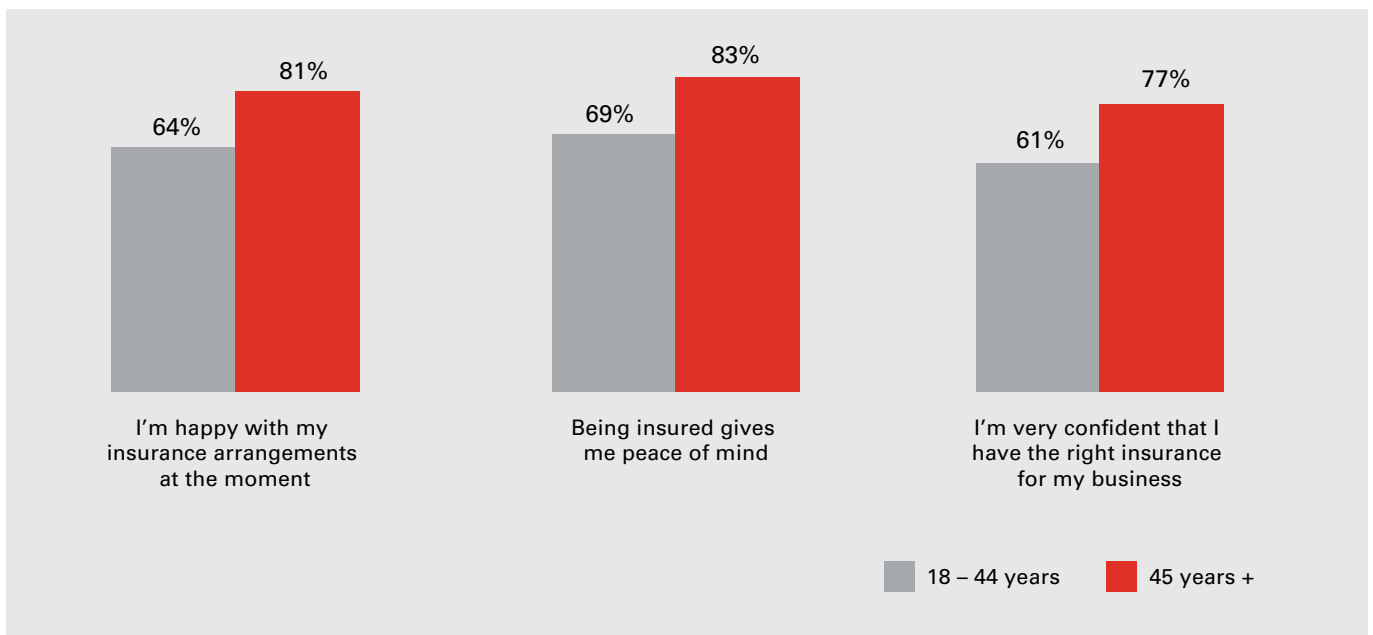
represents a significant opportunity for brokerages to add value and to grow their business with SMEs under 45 years through active referral strategies.

What are their attitudes towards insurance?

In general, SMEs under 45 years are less content and confident with insurance, and therefore need reassurance,

information and support from their brokers (see figure 3).

Figure 3 – Attitudes of SMEs under 45 years on insurance

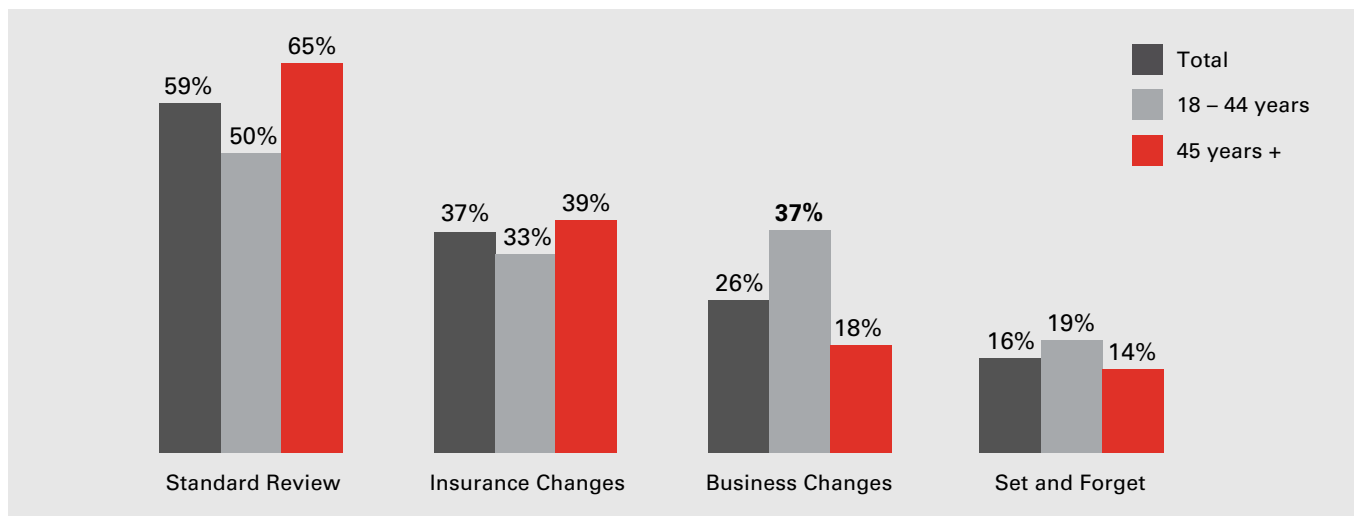


What triggers broker clients to review their insurance?

Compared to their older peers, SMEs under 45 years are significantly more likely to review their insurance when they have made changes to their business, such as upgrading IT, investing in equipment or moving to a new business model.

While many do have regular review times, their tendency to review over a large range of events means it is important for brokers to stay in touch and understand the changes that are happening in their businesses (see figure 4).

Figure 4 – Triggers to review insurance for SMEs under 45 years



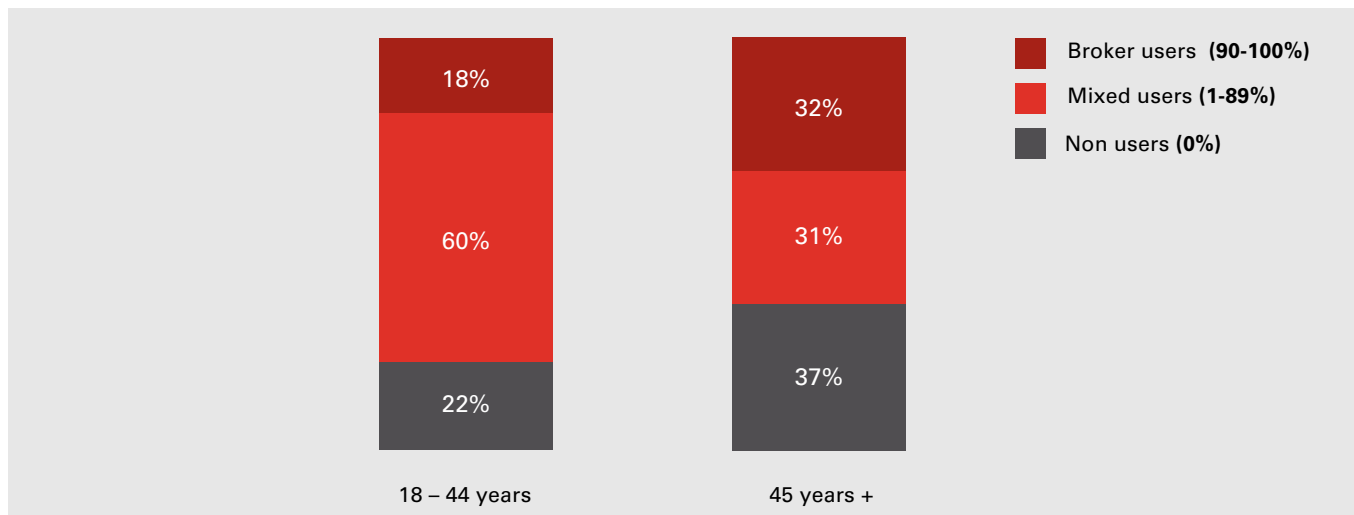
SMEs UNDER 45 YEARS AND BROKERS

Do they use brokers?

A large proportion of SMEs under 45 years use a broker for at least some of their insurance. In fact, only 22% of them claim to not use a broker at all, compared to 37% of the over 45s.

However, mixed use is most common with 60% using a broker for some, but not all, of their insurance (see figure 5).

Figure 5 – SMEs frequency for using a broker for their insurance



How is their broker usage changing?

40% of SMEs under 45 years say that they are using a broker less now than they used to.

Their top 5 reasons for using a broker less are:

1. "Too much commission / fees"
2. "Easy enough to organise my insurance myself"
3. "I prefer to use online channels"
4. "The policies I need are now available direct"
5. "Couldn't see what value they added"

While price plays a big role for them, there is also evidence that younger SMEs don't clearly understand the value that a broker brings. There is also an opportunity for brokerages to use online platforms when appropriate.

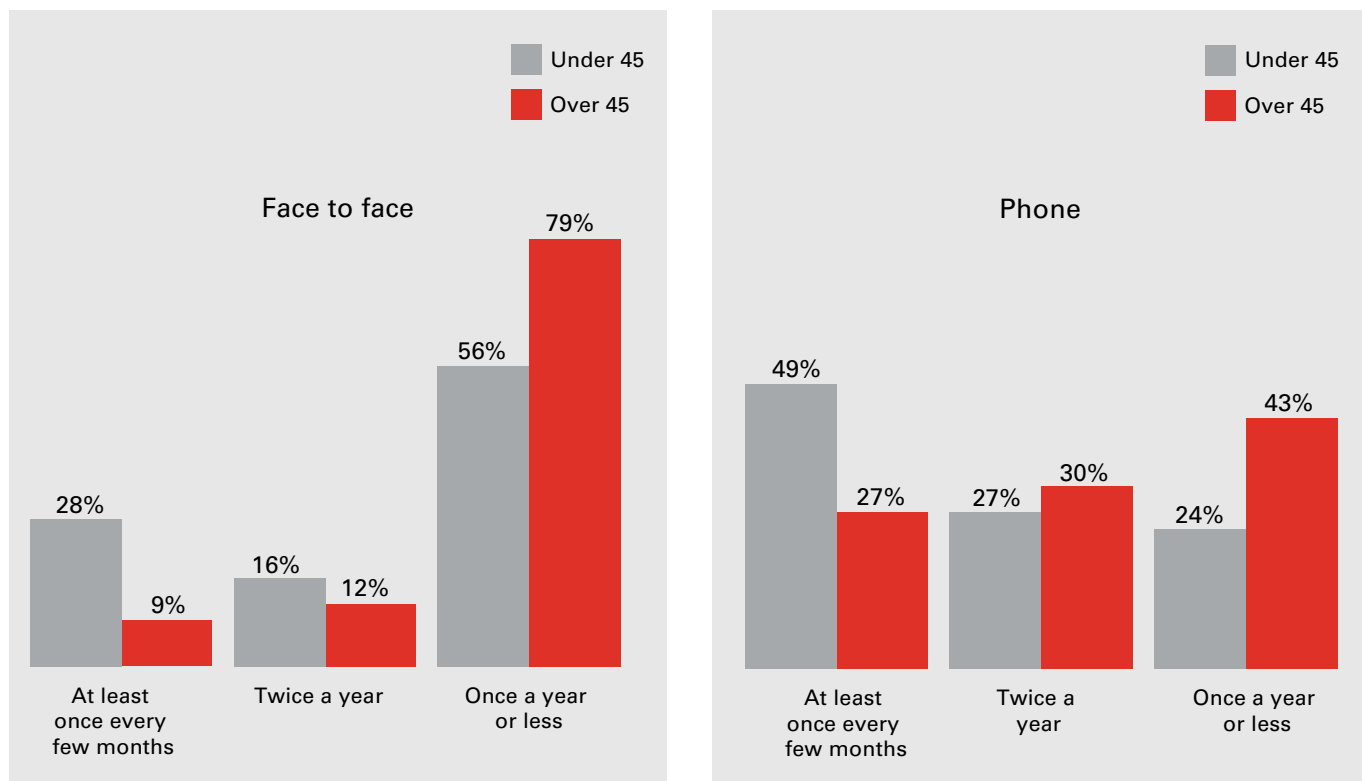
Another challenge is that the SMEs under 45 years are significantly less satisfied with their broker than their older peers, with only 56% scoring their broker at least 8 out of 10, compared to 74% of over 45s.

How would they like to deal with their broker?

Contrary to stereotypes, SMEs under 45 years are more likely to want frequent human contact, either by phone or face to face, at least every few months. This possibly coincides with

the fact that they review their business insurance more often and therefore need more frequent advice (see figure 6).

Figure 6 – Preferred method of contact for SMEs under 45 years



That’s why we’ve developed a ‘lead nurture kit’ to help bring to life some of the challenges SMEs under 45 years face and how using a broker can help.

The kit will include a series of videos for use in lead nurturing

situations with potential customers and will be accompanied with a guide and tips on how to deploy the videos to help drive to a sales conversion.

For further information go to www.vero.com.au/smesunder45

WHAT DOES THIS MEAN FOR BROKERS?

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Demonstrate expertise: SMEs under 45 years tend to be better educated and therefore are likely to have higher expectations, so brokers should think about how they can demonstrate expertise, for example through sharing analysis and information.
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Demonstrate clear benefits: They are more likely to shop around and use a mix of channels, so brokers need to show the value they bring to retain their business.
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Save them time: Help them to manage time pressures, for example make your processes as time effective as possible and explain how using a broker can make them more efficient.
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Referral strategies: are particularly relevant for this group, given the high degree of peer advice.
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Stay in frequent contact: to understand when changes happen and therefore when they are reviewing their insurance arrangements.
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Reassure and provide support: Overall, SMEs under 45 years tend to be less happy and confident in their insurance arrangements, so brokers need to reassure them and provide support so they feel that they have their insurance arrangements under control.

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Source: This research was conducted by BrandMatters. See www.brandmatters.com.au.

