Institute of Actuaries of Australia

5th Financial Services Forum Renovating the Financial System

Determining an Optimal Distribution Strategy

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Analytics and strategy



Traditional Actuarial Involvement



Current approaches to determining distribution strategy

- Rules of thumb
- Average value of sales force
- Issues
 - Averaging
 - Locations
 - Staff churn
 - Diminishing marginal returns





Example distribution model





Sales force effectiveness





A range of factors will influence the success of a new salesperson

- Individual salesperson characteristics
- Salesperson tenure
- Number of existing sales staff in the area
- Existing market share



Individual salesperson characteristics





Which salespeople perform better?





Impact of salesperson tenure





What is the impact of putting another salesperson in each area?



Internal competition effect





What is the impact of the existing brand presence?



Existing market share in local area





So how do we pull it all together?

- Optimal distribution strategy
 - How many sales staff?
 - Location of new sales staff



Current allocation of salespeople





Potential impact from a naive reduction





Optimal reduction of 20 salespeople



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Optimal allocation of an additional 30





Optimal allocation of an additional 100





Optimal strategy





Final thoughts

- Not a lot of science is currently applied to distribution strategy
- Distribution is key for many products and also a large expense
- Actuarial techniques have a lot to bring to this area