

Recruiting Producers: The Art of the Sell

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For years, the insurance industry has voiced its discontent with the absence of both the quantity and quality of new talent coming into the insurance business. Talent to drive new business. Talent to buy stock. Talent to lead the next generation. And those that complain the loudest are no doubt those with the most to gain and the most to lose...agency owners. Whether the insurance cycle climbs up a hard market or falls down a soft market trough matters not. In good times and in bad, our industry has done a horrific job of recruiting, hiring and developing good talent.

Many independent insurance agencies are faced with situations no different than those of farmers. For decades, farmers passed down the family way of life, generation to generation. After three, four, five generations of family perpetuation, today's youth have become more enfranchised with Wall Street, Main Street, or frankly Any Street in choosing their own desired life path. Farming and insurance have never been perceived as sexy, and tomorrow's agency needs to be more self aware, today. Perception matters. And the external perception of the insurance industry, along with the internal resistance to hiring, both have to change.

Historically, agency principals have done their best to transfer the problem to carriers, consultants, head hunters, universities, and other outside parties. Now is the time to control our own future and proactively drive the value of the insurance agency investment.

No longer is organizational change bad, but necessary. And one change for the masses of agencies resides in mirroring the successful new producer recruiting, compensation and training models of those who seek to replicate themselves. While various avenues exist for finding production talent, we will outline a model predicated upon targeting and hiring proven sales talent from other industries.

Targeting Proven Sales TALENT

In general, top producers do not leave their current employer as the organization provides the tools and resources that allow the producer to excel. More often than not, producers who leave one agency for another do so because of higher renewal commissions, more leads or some other reason that will allow them to thrive without adhering to the fundamental job of a producer: selling.

The rationale for finding proven sales talent from outside the industry also stems from an assessment of what kind of person we seek and what kind of things we can teach. If you backed up a bus at Neiman Marcus and loaded it with 100 people, how many could we teach the technical fundamentals of insurance? Of those same 100 people, how many are currently true sales people with ego drive, hunger, and competitiveness -- or could we teach those attributes? We, as an industry, could probably teach 90 to 95 of those individuals the technical aspects of our business. At the same time, only 3 to 5 of those same 100 individuals have the attributes necessary to be or become a successful sales person. So why then, do we continually try to force technical insurance proficiency into a sales capacity

position? Why are we looking for people who already know insurance, versus looking for people who already know how to sell?

For most, the problem is a lack of time. Agencies simply want someone like the man in the mirror to walk in the agency door and ask for a job, versus proactively going out to market and finding the hungry, entrepreneurial, sales-type professional who is really staring back at them.

Often, we are asked why successful sales talent would come into the insurance business if they have had so much success elsewhere. For the same reasons you are in the insurance business: there are no geographic boundaries confining sales efforts; there are no patent expirations; you do not have to move your family across the country every two years; you get paid a renewal stream on the past business you have generated; you have a service team that helps you renew accounts; your pay is tied directly to your achievements; you get to work with executives and high net worth individuals in a consulting capacity; etc. The “sale” to such individuals regarding our industry is rather easy, when someone takes time to communicate the pitch.

Least Cost Growth Funding

A consistent and regimented producer recruiting, hiring and training process will almost always yield a higher return on investment versus agency acquisitions. To illustrate the potential returns, we must first start with two basic assumptions. The first is that we can achieve a 50% hit ratio on new producer hires.

The second assumption is that the agency will cut the cord quickly on producers who they know will fail, thereby minimizing investment costs. Ask yourself, “How long after a new producer is hired do we know that a producer will fail in a sales capacity?” The question is not “when do we know they will succeed” for that is a much longer tail, but “when do we know they will fail?” Unequivocally, the answers to this question resides somewhere in the 60 to 180 day range. So, if we know that a producer will fail within 60 to 180 days, the next question becomes “how many times do we part ways with these producers in that same time frame?” The answer is rarely. Why, then, do we prolong the inevitable, let the producer migrate another 2.5 years through the typical 3 year validation period, become a non-producing producer for the next decade, and waste time, money and resources on a relationship that we know is not the right fit?

To combat this problem, we can design a model in which a failing producer will be exposed early in the process and out the door within the first year. Then, and only then, can we maximize our investment returns. And no matter how we want to express the comparisons between a regimented producer hiring model and an agency acquisition, the results support the notion that the producer recruiting model is indeed the least cost growth-funding mechanism, when properly executed.

Summary

The primary difference between high growth agencies and low growth agencies, with respect to hiring, is the degree to which they continually hire producers, and the internal agency resources dedicated to governing the program. High growth agencies will allocate 2% to 4% of revenues each and every year, toward recruiting, hiring and training efforts. Regardless of what is happening to

insurance rates or the economy, they will always proactively seek top talent because they understand the cost justification of a successful hiring platform.

We at MarshBerry are excited to share with you our model for successfully finding, screening, interviewing, profiling, compensating and training producers. Tested and proven by market leaders, we will share our quantifiable results of the entire process. After all, this is a sales process and must be viewed as such.