

THE MARSHBERRY LETTER

Volume XXII, Number 5

April, 2006

FAILURE TO RECRUIT

"I have not failed. I've just found 10,000 ways that won't work."

~Thomas Edison

Anyone who has tried to recruit even one producer, experienced or neophyte, may not find Mr. Edison's quote reassuring. Proven producers with a book of business are being taken care of by their current employer unless there are some very unusual circumstances. That leaves only the "herd of the unproven", many of whom will tell you about everything wrong with their current agency... marketing, support, leadership, etc. Everything that is, but them! For some strange reason when they come aboard after a six figure guarantee, the production never seems to flow. Once again, I'm sure it wasn't them.

It's not too hard to believe that most agency owners can't afford a Thomas Edison approach and, therefore, many simply quit trying or become so cautious in their approach that most candidates are never given a chance. I don't mean to say they started out this way, but rather reached that point after the above scenario has played out several times over a period of months or years. The problem with throwing in the towel or some version thereof is that it doesn't solve the problem.

High performing, high growth agencies share one trait that can't be overlooked. They are very good at recruiting and training new producers. In this article, I'll outline a process for recruiting which should produce better results in your quest to hire new producers who, in turn, will help your agency grow.

I want to state first, however, that although these techniques will improve your chances of hiring a winner, this is not an exact science. I spent eight years as a recruiter in the insurance industry. When I started as a headhunter, I honestly believed that it was possible to accurately predict who would make a good producer and who wouldn't. After almost a decade of trying, I now believe that no one on the planet can predict who will make it and who won't with 100% accuracy.

I don't mean that we can't eliminate candidates who are obviously wrong for the job and then use better techniques to select a candidate who is right for the job. However, the "not being an exact science" part comes into play when you're trying to gauge work ethic, heart, enthusiasm, persistence, call reluctance, cultural fit, etc. in an interview process that lasts about as long as one workday.

You may believe that testing is the answer. I believe that it is an important piece to an otherwise larger puzzle, but is it in itself

foolproof? Not in my experience. The example that still haunts me is a recruiting assignment I once handled for a large broker. We were ready to hire a 30 year-old producer with a book of business around \$350k in gross commissions.

A red flag was raised when the test came back and the candidate had a very low Empathy score. We all understood that meant that he might have a problem putting himself in the prospect's shoes and feeling what he or she was feeling. For that reason we took a pass. You can probably guess how the story ends. Within 3 years that producer had a book of business right at \$1 million in commissions. How do I know? Because he would never let me forget it. Sometimes I wonder if he became so successful simply to spite us.

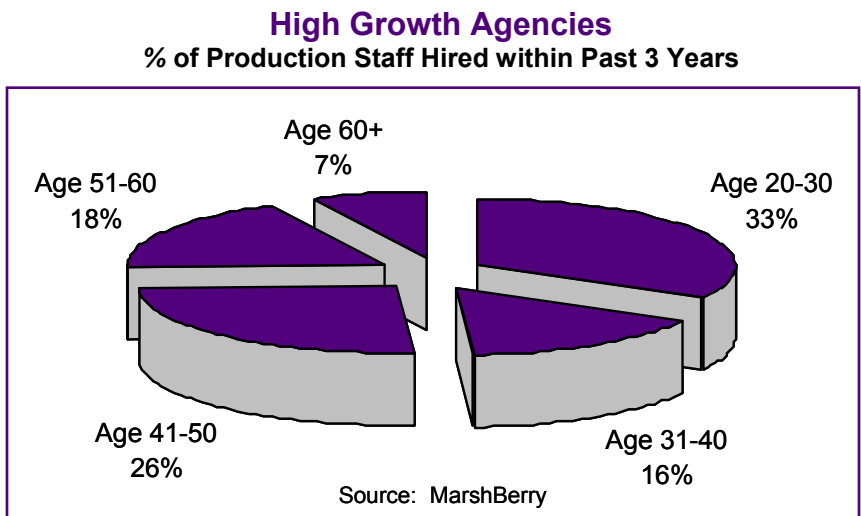
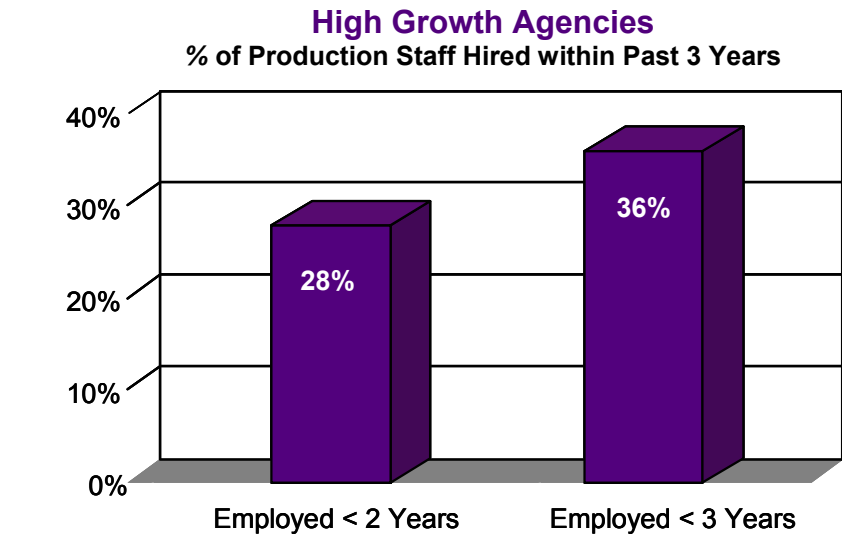
The tables on the next page illustrate the relationship between recruiting and high growth. Note that in the highest growth agencies (those with net growth in the 20% range), over 35% of their producers have been hired within the last three years. Contrast that with the agencies that haven't hired a single new producer in a very long period of time. Second, take a look at the age break down of the producer ranks in high growth agencies. If your agency has "grayed" like many in our industry, you will notice that your producer age profiles look nothing like what is shown.

As a Sales Management Consultant for MarshBerry, I'm not surprised that high growth agencies do reflect the above. It's common sense. Take an agency where most producers have become very complacent and hire 2 or 3 aggressive (and probably young) producers and watch what happens to the culture. First of all, a little thing called "Prospecting" starts to happen again. People begin to talk about training again. New concepts and ideas are talked about at sales meetings or something of the like. In short, a new culture is born. "New business" discussions begin to invade the territory of conversations that have evolved to being exclusively about "renewal."

We could spend a lot more time talking about why hiring new producers is so vital and/or how difficult it is to attract a producer with a book of business, but for the sake of brevity, let's assume those are a given and move on to solutions.

Here is the first premise I would like for you to embrace regarding recruiting. Agency owners place far too much emphasis on industry experience when looking for producer candidates. I understand that this is a technical business and that it can be quite an undertaking to teach anyone the ins and outs of a general or auto liability policy, not to mention business interruption or even more esoteric lines. However, let me illustrate my point.

If we drove a bus to a local WalMart and loaded up a random group of 100 people, how many of those could we teach coverages, policy forms and customer service skills to? Now question number two, how many



of those same people could we teach to sell? If you are like most people, you answered something like 50-75 for the first group and 3-10 for the second. What's the difference in the large variance? The ability to HUNT.

If you accept this first premise, then you should always start your recruiting projects with the idea that you are looking for hunters. If you are lucky enough to find one who will give this industry a try, then we can teach the insurance industry. Otherwise,

you are going to hire experience and TRY to teach that person to SELL. That is a very tall order.

Let's say that you've decided that you should be recruiting the right type candidate and then be willing to train. Once you hire that person, then what? Fortunately, our industry has several very good options that I'm aware of and more than likely several that I'm not. I'm assuming that most agencies are not big enough to have their own training program.

Recommended Training Paths:

- ◆ *Chubb New Producer Program*
- ◆ *Hartford New Producer Program*
- ◆ *CIC*
- ◆ *CISR*

I don't know that I've listed the exact name of each program, as my intention was just to give you some good options for training. If you are able to invest a little more money and time, then Chubb or Hartford could provide extensive technical training as well as some sales training. On the other hand, if the investment of time and money has to be minimal, the CIC or CISR program could be an option. Consider all the things a producer could learn from attending (and hopefully passing) the Casualty section of the CIC program. What a great bang for the buck! Pick one that's best for your budget and commitment tolerance and make it a mandatory component of your producer training program.

Assume that you've found someone you think can sell or who has at least tested well on the Omnia Profile or similar test, and you've sent them to the best training program you can afford. Now what?

Here is where the rubber meets the road. This is make or break time. What do I mean by that? If you hire candidates based on experience in the industry, rather than the ability to sell, and the first two of them fail, most of us would throw in the towel. Typically we've given this young man or woman 18 months or so to prove that they can't HUNT. The truth is that it was probably

obvious much sooner if someone would have only looked closely for the signs.

As we talk to agency owners around the country it is very obvious that almost all are willing to invest heavily in people who can actually produce. It's not those candidates that create the heartburn. It's the ones we spend all the time and money on and then who never produce any commission or so little that it might as well be nothing considering our investment. So the real solution is to invest as much of your money in producers who have promise and as little as possible in those who can already produce. How do we do that? Simple -- compensation. Your compensation plan is critical.

Here is our answer. Hire the candidates outlined above and put them through the training of your choice. While exposure to agency operations is great, DO NOT have them work in every department in your agency learning everything there is to know about insurance before having them start their real training--PROSPECTING.

Next, set a period of time of 60 to 90 days that their pay is a gift, not a draw. We don't want to create a big hole that they can't crawl out of. Once the 90 days is up, they are now on a draw, but not the type you may be thinking of. Their draw is based upon the number of appointments they need to validate their pay. Just hear me out.

Let's say a candidate wants \$3k per month for a producer position. The \$3k is a gift for 90 days, but after that they have to earn it by setting quality new

business appointments. Why is this the criteria they are judged on? Number one, this is all they are capable of at this point. They are not ready from a technical standpoint to sell on their own. They might sell something, but your E&O deductible may make the playoffs as well. Secondly, most producers are going to fail in this business because they can't set quality new business appointments, not because they can't learn to close.

Let's say that you determine that you'd be happy if the producer above could sell \$50k in gross new business commissions in year one. Let's assume also that you want this person to average \$5k in gross commission per account. That would require 10 new accounts to make the plan work. Let's also assume a 50% closing ratio (I'll explain why so high momentarily). Now 20 appointments are needed to reach the \$50k gross commission number and make the plan work.

Here's the next part of the plan. You must assign a "closer" or senior producer to accompany the new producer on appointments to help close accounts. Thus, the 50% closing ratio above. By doing this, we can let the new producer learn in real time in real world conditions. Nothing gets sold in a classroom. If the producer doesn't make it in the business, the account is already familiar with a key person in your firm and that account becomes theirs. The best case scenario is an owner who takes no compensation as the "closer," since a non-owner has to be compensated, driving the number of appointments needed by the new producer up in the first year.

This allows us to put producers on the phone prospecting very early in their training and emphasize this point during our interview. If candidates picture themselves as risk managers, then maybe they need to find another line of work. This job is about HUNTING and hunters prospect.

Let's go back to the 20 appointments, or let's say 2/month. The candidate in this scenario would only get paid \$3k in months 4 through 12 if he did, in fact, have 2 appointments per month. If he only obtained one appointment in month 4, then he would only be paid \$1,500, and if no appointments were made, then he would receive no wages (subject to any wage regulations).

The concept becomes very simple. If new producers can't get high quality appointments, then they will make much less money or fire themselves. If they can get appointments of the variety you want, then you should create revenue from those appointments, since a high performer is involved in the process. A bonus plan can be created by using revenue. If the new producer produces more than \$50k in new accounts or whatever number you set as the target to determine the correct number of appointments, then a bonus of some percentage of the commission over that amount should be paid to the producer.

Next, ensure that your culture helps new producers get up and running fast enough to allow for enough success to reach that tipping point so that they make a firm commitment to the business. Your culture becomes the biggest determinant of how many will make it and how many won't. A good sales culture can make a tremendous difference.

If you have any specific questions regarding recruiting, please feel free to give me a call, but

whatever you do, please don't stop recruiting. Just hire people who can hunt, lower your downside with a compensation plan that works and assign a "closer" to make sure new business gets written.

Jeff Jenkins is a Vice President at MarshBerry. He can be reached by phone at 903-597-2278 or by e-mail at JeffJ@MarshBerry.com.

Did you know...

that over 50% of all producers have books-of-business under \$400,000?

And approximately 62% of producers generate under \$50,000 of new business each year?

Have any of your producers hit a book-of-business roadblock?

Due to continued soft market conditions, an industry-wide focus on enhanced organic growth, and the need for increased producer productivity and retention, MarshBerry has developed the Producer Acceleration Program.

Designed specifically for individual producers, this program will help producers accelerate book of business growth.

The Producer Acceleration Program incorporates best practices sales and service techniques from the nation's leading producers while leveraging proprietary technology that will help individuals manage new business pipeline activities and benchmark performance.

Three meetings are supplemented with producer benchmarking and training sessions via conference calls to ensure traction, accountability, and progress.

Would you like to learn more? Please send us an e-mail: SalesManagement@MarshBerry.com.

The MarshBerry Letter

P.O. Box 2315 / LaGrange, IL 60525
(708) 354-0344
Patrice@MarshBerry.com
Copyright March 2006



Marsh, Berry & Company, Inc.
7466 Auburn Road / Concord, OH 44077
(440) 354-3230 / (800) 426-2774
MarshBerry@MarshBerry.com
www.MarshBerry.com