WHY SOME PRODUCERS FAIL AND HOW TO PREVENT IT

By Frank Pennachio, Practice Leader

Insurance agencies waste hundreds of thousands, if not millions, of dollars endeavoring to hire and develop young producers. Approximately 50% of young producers fail, and many more underperform. Chris Burand, President of Burand & Associates, LLC, reports that agencies invest $100,000 to $200,000 to develop a young producer. In addition, he states a producer must build a book of $150,000 to $200,000 in gross commissions before the agency derives any profit from their investment.

These numbers are frightening. If a young producer generates only $40,000 a year in new production, then it will take 4 to 5 years for the agency to break-even. Once the young producer begins to create profit, the initial investment must be recouped before the agency realizes a gain for the principals.

Agencies must develop a more effective process for developing young producers and creating exceptional producers. This process must include:

- Creating a culture and platform for young producer success
- Developing an effective on-boarding process
- Developing a system of clear expectations, producer rules and accountability

CREATING A CULTURE AND PLATFORM FOR YOUNG PRODUCER SUCCESS

The agency must offer the young producer more than just access to insurance companies and a strong customer service team. These are "table stakes" and do not differentiate the young producer from the competition. All viable insurance agencies have "great markets and great service." Dispatching an agent to the streets without greater leverage is like asking the young producer to go bear hunting with a stick.

Perhaps, young producers are failing to become successful because the agency has not yet developed unique capabilities and differentiation in the marketplace. Or, the agency has not developed effective messaging to communicate their differences and value to current and prospective clients. The young producer may be commoditized from the start and have nothing more to offer than a lower price. Competing on price alone, even when successful, establishes a weak foundation and precipitates a less than desirable relationship with the client.

Before the young producer engages with prospects, the agency must establish their value proposition and distinctive capabilities. The young producer needs to know why a business owner would want to do business with them as opposed to all other options. One can be assured that the answer does not spring from the insurance companies one represents or the level of one's service.

A critical aspect of establishing an agency platform for producer success is to embed a consistent and effective consultative sales process. Young producers must be trained and develop the ability to assist the employer in identifying risks and threats to their business, providing processes and solutions to address those risks, and conveying to the employer that their future outcomes will be improved through a relationship with their agency.

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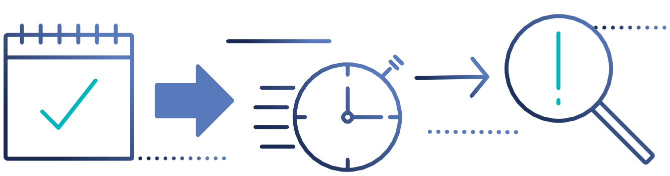
A consultative sales approach coupled with unique client improvement capabilities will separate the young producer from the majority, if not all, of their competition. It is the agency's responsibility to provide these essential building blocks of success. Without them, young producers will likely continue to flounder.

DEVELOPING AN EFFECTIVE ON-BOARDING PROCESS

Creating and managing an effective young producer on-boarding process is another critical aspect to avoiding failure. Providing a trip to an insurance company training school, a desk, and computer is no longer enough. However, many agency principals succeeded with that approach and often wonder why others cannot.

The on-boarding process must be planned, written and executed with assigned responsibilities and measurements for all of the parties involved. In addition to providing the training and support for the young producer, a carefully structured on-boarding process will identify young producer weaknesses early on. Agency leadership will be able to respond quickly and either assist the young producer to address their deficiencies or determine the young producer is not a good fit.



On-boarding must include ongoing skills validation. Does the young producer have the ability to:

- Manage their time and territory?
- Create first appointments with prospects?
- Dialog with employers to mutually identify their risks?
- Identify agency capabilities to address the client's risks?
- Establish business relationships based on more than price?

Too frequently, agency principals validate a young producer's performance base solely on revenue. While sales and revenue are lagging indicators of success, skills validation is a leading indicator. If the young producer does not develop the skills, then it is likely revenue will not follow. How often do agencies decide too late that young producer revenue is inadequate and terminate them at great cost to the agency? A skillful agent with good work habits will succeed, especially since there is a paucity of skilled agents. An on-boarding process with consistent skills validation will mitigate the risk of wasted dollars.

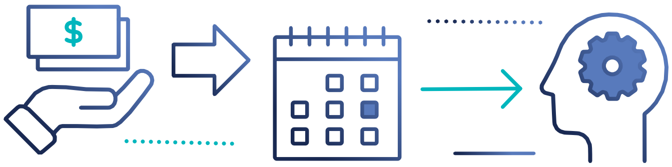
An on-boarding process that includes a mentoring program can be effective, but frequently falls short of expectations. Mentors are often over burdened with their own responsibilities and lack a formal process. When a mentoring program fails, both the mentor and the young producer's effectiveness are eroded. However, if done right, they can be a powerful method for enabling success.

DEVELOPING A SYSTEM OF CLEAR EXPECTATIONS, PRODUCER RULES, AND ACCOUNTABILITY

As mentioned above, agency leadership often waits too long to identify whether or not a young producer will be successful. In addition to lacking a skills validation process, many agencies do not establish clear expectations, rules, and accountability with the young producer. Merely saying, "You have two years to validate," is a recipe for failure.

Agencies must establish, monitor and communicate to a young producer what success looks like on a weekly and monthly basis. The agency must advise the young producer of their key performance indicators and key results indicators. How can we hold young producers accountable if they are not aware of critical indicators of success or failure?

A scorecard for both key performance and results indicators is an essential tool to monitor performance and identify the need for intervention with corrective actions. For example, if the young producer has not generated a first appointment in two weeks, then the scorecard will illuminate the need for an immediate response. What performance indicators are off track which precipitated this lapse in first appointments? First meetings are just one key performance indicator that drives key results indicators, such as sales and revenue generation.



In addition to tracking weekly and monthly progress, young producers need to be aware of the rules of the agency. Of course, the first rule is that "Producers Produce." They were hired to attract new business.

Although, retention of clients is an important results indicator, just retaining 100% of the producer's client base is not enough, especially when agencies are in a market cycle when premiums are eroding due to a soft insurance market and economic slowdown.

Young producers must also understand the rules for accessing and utilizing agency resources. Agencies provide the young producer with costly support teams and can ill afford to waste these resources. The young producer must meet objectives and qualify for the use of the support team's time. For example, if the young producer has not effectively advanced the sales process and met established criteria, then the support team should not spend time and money "shopping the account."

It is also unwise to allow the young producer to promise specialized agency resources to low-revenue clients without additional fees. The goal of the agency is to create profitable clients, not unprofitable accounts that must be subsidized by the profitable ones.

Another agency rule is to protect clients and the agency. It should not be optional for a young producer to fail to conduct comprehensive coverage reviews as well as cross-sell and up-sell according to the client's needs.

CONCLUSION

Times are tough, and many agencies are challenged in ways they have not experienced for many years, if ever. Effectively developing young producers is critical to the future success of most agencies. Way too much money is wasted in this endeavor.

However, increasing young producer success is enhanced if the agency creates a differentiation strategy, strong messaging, consultative sales processes, effective on-boarding process, and accountability. Agencies can no longer afford to continue down the costly path of too many failed young producers.

ABOUT THE AUTHOR

Frank Pennachio has spent more than 30 years in the insurance industry as an agent and producer. He now serves as Practice Leader, Growth Solutions at ReSource Pro, helping independent insurance agents and insurance carriers develop risk management expertise and drive new business.

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