The Need for Recruiting, Mentoring & Leadership

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Consulting with Many of the Leading Firms In the Industry

Organic Growth & Profitability Study
• Focused on Young Producers (hired in 20’s)
• Surveyed over 200 agencies
• Identified 91 Top Young Producers from 54 firms
• Success Rate for all Young Producer Hiring – 55%
• Median Performance of 91 Top Young Producers:
  - Time to Validation – 22.5 months
  - Total Book in 5th Year – $570,259
  - Average New Business 5th year – $173,954
• Young Producer Hiring Can Work Well, if Done Well
• **900** Agencies Participated in Baseline Study
• **146** Agencies Participated in Full Study
• Four “Pillars” of Successful Perpetuation:
  - Healthy Operations
  - Reasonable Sellers
  - Able Buyers
  - Effective Transfer Mechanism
• Desire to Internally Perpetuate Exceeds Ability
• Four Pillars Must be Put in Place
Benchmarking Metrics: WASA and WAPA

WASA Scale

A WASA over 55 begins to limit perpetuation options

WASA: 54.3

WAPA Scale

Healthy agencies have a WAPA under 50

WAPA: 50.2

Current Industry Measurements

*Weighted Average Shareholder Age

*Weighted Average Producer Age

Source: 2012 Reagan Value Index
• 400 CEO’s Nominated
• Selected **Top 60** in Industry
• What Makes Them Successful?
  ▶ Engage and Empower
    • Be “Others” Centered
    • Build Trust
    • Develop Relationships
    • Motivate/Mentor/Encourage
  ▶ Passion and Dedication
  ▶ Integrity
  ▶ Problem Solving
  ▶ Communications
• Invited Large Number of Quality Firms to Participate
• Narrowed Study to 100 Firms
  ↳ 25 Top Sales Firms (8.4% 4-Yr CAGR)
  ↳ 75 Quality Average Firms (1.1% 4-Yr CAGR)
• Many Focus on Sales Management Without Success
• Key to Success – Sales Leadership
  ↳ Equipping Producers for Success
  ↳ Creating a Culture of Accountability
  ↳ Recruiting & Developing New Producers
• Organic Growth & Profitability Study – OGP
• Began in 2008 and compiled quarterly
• For 4\textsuperscript{th} Quarter 2013, there were 141 participants
• Respondents complete a survey each quarter and receive a personalized report comparing their results to those of their peers
Organic Growth & Profitability Study

Historical Organic Growth

Quarterly Organic Growth - Total Agency Median (Q3 2008 - Present)

- Q3 08: 0.9%
- Q4 08: 1.7%
- Q1 09: -0.6%
- Q2 09: -0.7%
- Q3 09: -1.4%
- Q4 09: -1.8%
- Q1 10: 0.2%
- Q2 10: 1.0%
- Q3 10: 1.9%
- Q4 10: 3.3%
- Q1 11: 3.3%
- Q2 11: 3.3%
- Q3 11: 3.7%
- Q4 11: 4.0%
- Q1 12: 5.0%
- Q2 12: 5.5%
- Q3 12: 5.4%
- Q4 12: 6.1%
- Q1 13: 6.1%
- Q2 13: 6.9%
- Q3 13: 6.8%
- Q4 13: 6.2%
Organic Growth & Profitability Study

Comparative Median Profitability

EBITDA Margin and Operating Margin

<table>
<thead>
<tr>
<th>Year</th>
<th>EBITDA Margin</th>
<th>Operating Margin</th>
</tr>
</thead>
<tbody>
<tr>
<td>2008</td>
<td>18.7%</td>
<td>10.3%</td>
</tr>
<tr>
<td>2009</td>
<td>16.6%</td>
<td>9.0%</td>
</tr>
<tr>
<td>2010</td>
<td>17.5%</td>
<td>9.9%</td>
</tr>
<tr>
<td>2011</td>
<td>18.2%</td>
<td>12.3%</td>
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<tr>
<td>2012</td>
<td>18.4%</td>
<td>12.6%</td>
</tr>
<tr>
<td>2013</td>
<td>19.3%</td>
<td>13.7%</td>
</tr>
</tbody>
</table>

Note: 4th Quarter Numbers, 2008 – 2013
Q4 2013 OGP Scatter Plot

Surveyed firms with annual revenues less than $10M
Surveyed firms with annual revenues between $10 and $25M
Surveyed firms with annual revenues greater than $25M

Bottom 25% Growth

Top 25% Growth

Profitability (EBITDA Margin)

Organic Growth

Bottom 25%

Top 25%

Rule of 20
Q4 2013 OGP Scatter Plot

Surveyed firms with annual revenues less than $10M
Surveyed firms with annual revenues between $10 and $25M
Surveyed firms with annual revenues greater than $25M
What We Have Learned

1) The industry is stronger than ever, yet even the best agencies have significant room for improvement

2) Strength of sales culture is the single most important attribute of an agency

3) Effectiveness in employee recruitment and development is a key differentiator among agencies

4) Agencies are recognizing that Leadership Development needs to be a core competency

5) Operating margin expansion is vital to ensuring continued independence

6) Taking industry specialization to the next level is a key strategic focus for many of the industry’s leading firms

7) Perpetuating private ownership works but it requires work
Our Next Study:

*Producer Recruiting and Development Study*

1) Published: October 2014

2) Recruiting & Hiring
   - Looking in the Right Place
   - Knowing your Target Profile
   - Recruiting and Prospecting (Finding Candidates)
   - Interviewing and Screening (Determine Who Fits)
   - Selling the Opportunity

3) Training & Development
   - Training Provided
   - Support Structure Offered
   - Strategy, Sales Focus, Sales Process
   - Accountability/Management
   - Compensation / Long-term Equity Incentives