REAGANVIEW

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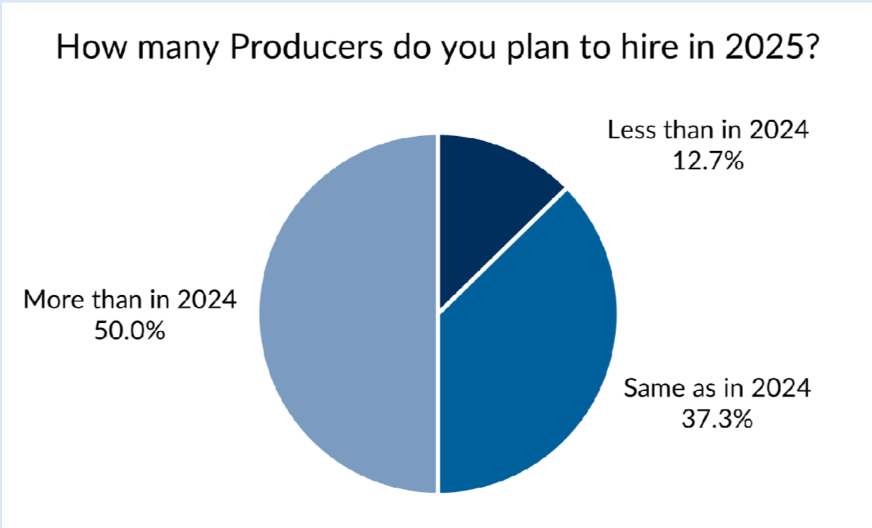
A Winning Formula to Create a Producer Paradise

Organic growth rallied in the second half of 2024, finishing at 9% – up from 8.5% through Q2. The year wrapped up with brokers feeling very optimistic, projecting 10% organic growth in 2025. This year is set up to be a blockbuster year for recruiting and hiring – triggered, in part, by the industry's continued consolidation and integration. Is your firm ready to aggressively invest in talent? Top-performing agencies are not falling asleep at the wheel behind the comfort of rate increases – they are hyper-focused on accelerating Sales Velocity (new business as a percentage of total agency commissions & fees).

We believe there is no greater investment that a broker can make to increase its Sales Velocity than investing in producers, but to hire new producers, you need to build a company that is attractive to talented sales professionals. The landscape of producer hiring is different in today's culture. Similar to how college athletics has become a free agency model with the rise of the transfer portal and NIL money, producers have also become more mobile with a greater number moving between brokerages. Firms that are benefiting from this new culture, rather than being harmed by it, are those dedicated to creating something that resembles a producer paradise. To create a producer paradise, I'd submit there is a winning four-part formula that enables producers to:

- Maximize their income
- Create wealth (commonly through an equity or synthetic equity offering)
- Leverage a brand and suite of resources that resonate with the producer's ideal clients
- Be free from bureaucratic stupidity

In a recent survey of over 130 Best Practices CEOs, 50% said they plan to hire more producers in 2025 than they did in 2024. Only 12.7% said they plan to hire less.



Some of our most forward-thinking clients approach their producer hiring strategy similarly to new client development: they constantly maintain a robust pipeline of new potential hires. These same firms also have a dedicated head of recruiting who is responsible for developing and maintaining this pipeline. This head of recruiting is typically someone who champions the process end-to-end.

A focus on regular recruiting is key for an agency to maintain a high growth rate. We regularly find firms underestimate the amount of producer-hiring necessary to achieve their stated growth rate. As a rule of thumb, in order to sustain top-quartile organic growth, an agency should target hiring 15% of its current producer force annually. This startlingly high number is due, in part, to the fact that for most firms, only 50% of producers hired will likely validate and be successful.

Assuming you have the workplace where producers want to be (even if slightly short of paradise!) and the pipeline in place to hire producers, do you have the buy-in from your leadership team to make these investments? Savvy leaders prepare their partners/investors for the reality that these talent investments often need significant time to generate a financial return, but patient investors are rewarded with compelling returns once producers turn the corner of validation. And, importantly, those returns are not dependent upon violating new producer hires' restrictive covenants with prior firms.

To hear more about practical strategies for you to work on in 2025, tune into the most recent Reagan RedZone with Kevin Stipe, Webb Milward, and me by clicking the link below.

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