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HOW TO GO FROM AGENT TO AGENT PRINCIPAL

Veteran agent offers a 10-step plan for preparing your agency — and yourself — to evolve from a one-man band into a dynamic and marketable business.

BY: Craig Almon

This month marks 30 years in the retail auto business for me, and for the last 21 of those years, my business partner and I have run an agency we started from nothing in April of 1998.

As I reflect on the early days, I can certainly tell some tall tales full of colorful characters, replete with untold industry practices of the time that would at the very least get us all fired today. Occasionally, I will regale our team with how it all started and what we did to get to where we are today.

Originally, I just wanted to make “retail” money and have weekends off. Suddenly we had employees, taxes, and an annual payroll across multiple states that we would have considered a great feat not so long ago.

Did we have a plan to grow an agency? Sort of. I had a plan on how to survive and feed my family by convincing as many dealers as possible to sell some of my “stuff.”

Did we know we needed to sell X number of policies to justify adding an employee? Nope, not that smart at the time. Did it

occur to us that we may want to diversify our product offerings and vendor relationships? Nope, we drank the Kool-Aid and then weathered a real attempt by a vendor to put us out of business. Did we have attorneys check our agent agreements before we signed them? Again, our naiveté put us in no position to hire attorneys to retain the clients and commissions we had worked so hard to build.

So, what happened? How did I get here? As many of you know who are reading this, it became nearly impossible to stay small. As the market changed (and continues to change), the space is more crowded with larger competitors for the independent agent and fewer dealership prospects thanks to continuing dealer consolidation.

For those of us who have managed to stay small, God bless you. For the rest of us who find ourselves on the field with the large national providers or at the very least large regional agencies, you had better be on your game! As you grow, here are some things you may want to consider.

The fact that you were a good agent does not necessarily translate into being a good agent principal and, ultimately, a good businessperson.

A PLAN FOR GROWTH

As you grow, you suddenly have people and paperwork, taxes, payroll, and state reporting. Your days in the office go from once or twice a month for a few hours to one or two days a week for the whole day.

You want to be in the dealerships getting “deals” and driving production. But someone must run the agency. And believe it or not, the fact that you were a good agent does not necessarily translate into being a good agent principal and, ultimately, a good businessperson.

Here are 10 key items that are critical to making the transition from agent to agent principal.

1. Hire a good attorney that understands our industry. Realize that we are players in a huge industry and everyone has more money and more power than you do. Only the strength of your contracts and understanding of the protections you are availed within those documents put you in a position to put up a stout defense if someone thinks they can try you on.

I know many agents who have had vendors, other agencies or even dealers basically steal their commissions. We have attorneys who review and redline all our agency contracts. We get what we need or we don't do business with that vendor.

2. Get some real accounting. Buy legit accounting software and either learn or, better yet, hire a person who understands proper generally accepted accounting principles (GAAP) to handle reconciliation of your commission statements, expenses, and state and federal reporting.

If your accounting system is still a box full of receipts that you give to your “bookkeeper” at the end of the year, you are woefully behind the curve. If you have visions of selling your agency in the future for a big multiple, you as they say, are drinking your own Kool-Aid.

Get all your personal expenses out of the company and off the financial statement. You are kidding yourself if you think this is saving you money. It will cost you big time when you decide to sell.

3. Hire a good CPA firm and have them do all your taxes for continuity sake. You will pay more than having a tax preparer do your returns, but trust me when I tell you, if you must sue someone over contract breach, you will need to build a damages model in an attempt to recapture lost commissions.

If you are suing one of the big boys, an insurance company, or an administrator, your books and tax returns will get laughed out of court — as will your damages model — if you skimp on this necessary service.

4. Create a real business plan. Your agency's business plan must include your marketing strategy, target markets, target accounts, product focus and mix. While driving down the street and pulling into the next dealership is an acquisition plan, developing a more strategic plan can help the whole team focus as you grow.

5. Maintain multiple, complementary vendor relation-

ships. Be fair about how you spread your business. If you are inking up just to “lock up” a market for a while with no intent to sell product, that will eventually come home to roost.

Our experience finds that loyalty is a two-way street that starts with policy count. If you want a vendor to not drop another agent in your market, find out what their business plan is and work in concert with them to achieve the plan. Win-win!

6. Stop playing “district manager.” Just like the dealer may have been a good salesperson or desk manager at one time, the thought of them working the desk for the weekend or taking an up is enough to make the sales force break out into a cold sweat! The dealer's job is to think strategically and long-term, create a clear and strategic plan for the future of the business, find talent, share the vision and mentor the leaders in the organization.

That should also be your role in your agency. Sure, you should be in stores with your team from time-to-time, but if you cannot transfer your knowledge and vision to your team, you are just a one-man band with a huge payroll.

7. Hire a legitimate assistant. There are some very professional and capable executive assistants available that will improve your efficiencies dramatically. When you are so busy dealing with the “fray” (all the stuff that doesn't make you money) that you cannot do the stuff that does make you money, you need a personal assistant.

If you are there, it will change your world for the better! Spend the extra money and use one of the online applicant consolidators like Indeed. You will get legit, qualified candidates.

8. Know your numbers. You should know your total and average policy counts by vendor, state, group, store, and finance manager. For real effect, manage your policies per retail. If you are just looking at the numbers in the bank account, you can get fooled.

9. Open the mail and make all the deposits that are not direct deposits. Unless you have another officer of the company handling these two items, you may fall victim to employee theft.

10. Periodically spot-check your commission statements. You must be sure the commissions match the setup. We have found numerous commission inconsistencies over time, ranging from an administrator charging our statement for policies that they received — and the dealer did not pay for — to honest clerical errors.

Finally, ***stay in the game!*** Your team will follow your lead. If you show up late, leave early, and otherwise are not tuned into what is going on in your business, things can change for the worse very rapidly. Stay connected, communicate with your people and your key clients, and insist on adherence to **best practices.** AE

CRAIG ALMON IS CO-FOUNDER OF PRO CONSULTING, LLC. HE SERVES AS THE AGENCY PRINCIPAL AND CORPORATE TRAINER, PROVIDING RESULTS-BASED BUSINESS DEVELOPMENT SERVICES TO MANY OF THE PACIFIC NORTHWEST'S LARGEST DEALER GROUPS.