Are Top Producers Generalists or Specialists?

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Every broker who aspires to get ahead must at some point make an important choice: generalist or specialist. Which of these strategies is more likely to shorten the path to becoming a top producer?

In the last decade or so, the industry has emphasized the generalist financial planner/asset gatherer philosophy and, indeed, the case for the generalist is persuasive:

- Good client service requires a comprehensive and balanced view of the customer's financial situation.
- The generalist financial planner can do that better than the product-oriented salesperson.
- The generalist planner, therefore, is well positioned to capture high “wallet share” and gather more assets.
- In the long run, asset gathering is the key to superior production.
- Narrow product expertise can always be “rented” from specialists.

Guided by this philosophy, brokerage and life insurance companies have spent major resources to turn their salesforces into financial planners. Producers have been retrained, recertified and given incentives to stimulate asset gathering. Many of these steps are undoubtedly sound, but it is not at all clear that they create more top producers.

Empirical evidence collected by The CBM Group, a consulting firm specializing in the brokerage industry, suggests that top producers are more likely to be specialists than generalists. Our data show, in fact, that as producers become more experienced and more productive they tend to focus on a narrower product set.

First, we looked at the percentage of gross production that can be attributed to each broker's “primary product” — equities, fixed income, annuities, mutual funds. This indicator varies with the broker's length of service (LOS) and rank or caliber in his or her LOS cohort (see “Measuring Broker Performance” in *Registered Rep.*, February 2002).

- A beginning broker may derive around 40 percent to 50 percent of gross from his or her primary product. An experienced broker, with 10 to 15 years in production, will typically derive 60 percent to 70 percent.
- An average broker may derive some 60 percent of gross from a primary product. A high producer (in the top 10 percent of the salesforce) will typically get 70 percent. A top-gun producer, ranked in the top 1 percent of the salesforce, might generate 80 percent.

Second, we examined the number of products sold by brokers. Since any given broker might make the odd sale in almost any product, we used as an indicator the number of products a broker needs to generate the bulk of his or her gross, say 80 or 90 percent.

We discovered a similar pattern:

- A beginning broker may sell three or more products.
- Experienced brokers and especially top brokers typically sell one to two products.

No wonder marketing departments are frustrated with chronically low rates of cross-selling.

The evidence provided by the above statistics is supported by the qualitative input from hundreds of interviews and focus groups with producers, branch managers and senior sales managers. From this information, we can see how specialization occurs during a broker's career life cycle.

- Brokers start by prospecting as much as they can in order to build up a book of business. In the first years, they will chase all leads and open any account they can. They will experiment with many products and many selling styles and are open to broad-based training.
- As they get more experienced, they become more selective. They will focus on larger accounts; as they do so, they are still open to coaching, but they only seek training in areas that can bolster their emerging specialization.
- At the peak of their career, successful brokers are very busy and by necessity very selective and specialized.

Using this information, we can sketch the "composite profile" of the top producer. These men and women:

- **Focus on a "micro-market" or specific segment.** This might be an ethnic group, for example an Asian-American broker selling to Asian-Americans, or a professional segment, such as small business owners or physicians.

- **Networking.** Top producers have built an effective network of contacts that provide high-quality referrals. These may be other professionals, such as lawyers, accountants or key influences within the community, such as prominent business people.

- **Focus on a product set.** This might be equities, fixed income or variable annuities. Clearly, the broker will sell other products, but he will devote the bulk of his time to stay on top of the developments within a product family and will become proficient at selling those products.

- **Focus on specific "applications."** Some obvious examples include, retirement, estate planning, diversifying client portfolios that have excessive concentration in one stock, and the exercising of stock options.
- **Leverage.** Top producers have learned to leverage themselves with sales assistants, cold callers and other "functional specialists" or assistants that enable them to use their time most efficiently.

By specializing in this way, the rep creates a virtuous circle: he or she develops a reputation for a certain type of expertise that reinforces his referral network. That in turn makes him highly effective in getting new clients and gathering assets.

For the brokerage firms, the lesson is also clear.

The general financial planning training remains a good foundation for any producer. Rigorous training in financial planning will produce better novice brokers and weed out the weak trainees. It should help the average player improve his production.

However, generalist financial planning is not a magic bullet. In order to spawn top producers, firms must understand the dynamic of specialization outlined above and create the appropriate conditions for it to occur. Rather than force brokers into a generalist mold, firms should encourage and stimulate specialization.

One way to do this is through advanced practice models: producers who share similar interests, focus on similar "micro-markets," and are singled out for differentiated support and treatment by their firms.

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