

CASE STUDY: WAS A \$1.5M TECHNOLOGY INVESTMENT WORTHWHILE FOR THIS GENERAL AGENT?

OVERVIEW

In 1996, Black, Gould & Associates was a thriving Employee Benefits Wholesaler General Agent with about \$5M in gross revenue and a BIG problem. Every two weeks, when it was time to run commissions, the tension started to rise. Every employee had two jobs; their regularly scheduled work and a commissions emergency response agent! Black Gould was running a bastardized Property & Casualty software system that simply did not work with the intricacies of the Employee Benefits industry.

Black Gould's President, Bill Gould, realized that his company had reached an artificial technology ceiling that was preventing the organization from growing. The market was strong, his employees were loyal, hard working and dedicated, but their existing technology systems (not really systems, more along the lines of software, superglue and duct tape) could not support the potential growth. Bill sent his team out to find a real solution; a system that would allow Black Gould to grow without risking his staff, his brokers and his customers.

After several months reviewing the various software systems, each promising to provide that ultimate solution for any type of industry (as long as it was Property & Casualty), it was clear that there was, in fact, no solution that would fit the needs of a General Agent in the Employee Benefits industry.

This case study highlights the trials and tribulations of a General Agent as they wrestled with technology to help them meet their business goals and the lessons learned as they navigated those uncharted waters.

FIRST PITCH: STRIKE ONE

Bill Gould knew the Employee Benefits business inside and out, but the technology business was a whole new arena for him. His team set about educating themselves so they could make some smart investments in having a system built to meet their specific needs. After hiring a consultant to design a system, and spending eighteen months having programmers build the system, the consultant gave up the consulting business and left with a parting statement, "Remember when I said that if you use Microsoft Access and SQL Server it will meet all your needs?... well I was wrong, you need to re-

write the whole thing in Visual Basic!" So with 80% of the needed functionality completed, several hundred thousand dollars invested, and still only slightly better at running commissions than two years prior, Black Gould set about rewriting the system.

SECOND PITCH: STRIKE TWO

And so, another consultant was hired, a more expensive consultant, to help rewrite the system in Visual Basic. Now, being a more expensive consultant, one would expect higher quality, better decisions, stronger designs, etc. Well, that is a good theory, but in practice? Black Gould's new consultant designed a new system in Visual Basic, a programmer was hired to build the system, spent two years getting the system to run reliably and then moved out of state! Once again the consultant was asked; "So is our new software system (now named Automated Group Benefits) any good?" The succinct response from the consultant was something along the lines of, "if the moon and the stars are all lined up correctly, then there is a small chance it will work!" Four years and a \$500,000 investment and Black Gould was still hanging on to a song and a prayer to get commissions paid. But they were getting smarter about the software business...

THIRD PITCH: BALL!

With their programmer moving out of state, Black Gould brought on a contractor to tie over the transition. After spending a couple of weeks reviewing the system, the same question was asked, "So, is this system any good?" His response was, "You have some good programming in the system, the database is pretty good, but you have a couple of small issues -- no design and no structure, which means the system will not be able to support you as your business grows." The contractor spent a few weeks redesigning the system so that it would be easy to program and could easily support the growth Black Gould was hoping for. A new programmer was brought on to make the recommended changes and, finally, Automated Group Benefits began to provide the support that the business so desperately needed. Commissions runs became painless; brokers were ecstatic; business started to flow in; and revenues grew. On top of this, Black Gould moved resources out of the commissions department and ramped up quoting, sales and service departments to keep up with the increase in business. Maybe this software business wasn't so bad after all...

FORTH PITCH: BALL!

After enjoying two years of relative calm with incremental updates to AGB, Black Gould started to feel relatively comfortable with the world of software. So far, the investment had risen to \$1,200,000. A sizable investment for a General Agent that was only about \$5,000,000 in gross revenue when they began this adventure. However, the investment had supported and eventually fueled the growth of their business, which had now grown to \$10,000,000.

At an industry conference in Hawaii, Bill Gould was confronted by the owner of a similar sized agency experiencing the exact same hardships that Black Gould had faced several years prior. Although never envisioned, Black Gould capitulated and sold a license for Automated Group Benefits to the agency. Black Gould was now getting dragged ever

deeper into the commercial software business, which is a whole new world from just supporting an in-house system. And a long way from Black Gould's core business of wholesale Employee Benefits.

However, the experience of having two similar businesses using the same system enabled a certain degree of best practices to be shared between the two agencies, leading to both gaining additional market share. During this time, a new technology came along promising many benefits over the existing technology used; .NET became the new platform and the benefits of the system increased while both businesses continued to grow with the benefits of technology helping them.

FIFTH PITCH: HOME RUN!

From humble beginnings and a few misfires, Black Gould finally figured out the software business -- ultimately allowing them to meet their goals for growth with several unexpected benefits that were never anticipated.

Each year that AGB has been in operation, Black Gould has seen their business improve. Over the last two years, they have transferred over \$1,000,000 in business from brokers who find it more convenient to run their business through Black Gould than their competitors. Business has continued to grow with over 40% increase in revenue in the last three years while increasing headcount only 15%. Black Gould's annual revenues are now over \$20,000,000, which is a tremendous testimony to the value of a software system designed specifically to meet the unique requirements of a single industry segment.

Given the option to spend \$1.4 million to build a custom software solution, Bill Gould says he would run a mile, however when left with no other option, the investment has proven to pay for itself over and over again.

POST GAME SHOW

AGB Business Services, Inc

As is common with any great solution, news travels fast, and so it is that there are now four General Agents who have convinced Black Gould to sell them an AGB license and have implemented Automated Group Benefits. For Black Gould, this is not their core business and so, in January 2007, they formed a new company to specifically commercialize Automated Group Benefits. There is finally another option for General Agents in the Employee Benefits industry to consider when facing similar circumstances to those that Black Gould faced.

With the commercialization of Automated Group Benefits, the benefits of best practices within the industry will definitely accelerate the benefits seen by those companies implementing AGB. Early adopters of AGB will undoubtedly start to take market share away from their competitors who are still struggling with bastardized P&C systems complete with bailing wire and duct tape.