



I³ – Issues, Implications, Interventions...Your Best Strategy to Escape The Commodity Trap

By: F. Scott Addis, CPCU, CRA, CBWA

Barney is a 30-year-old producer. He is intelligent and highly motivated. He is technically proficient having obtained his CIC and ARM designations. As a former college athlete, Barney has strong competitive instincts and a passion to win.

I had the pleasure of meeting Barney at a workshop in Atlanta two years ago. I was extremely impressed with his professionalism, inquisitive nature and passion for excellence. He made a positive first impression.

Upon returning to my office in Philadelphia after the workshop, I was pleasantly surprised to receive a phone call from Barney. Barney confided in me that he was extremely frustrated with the insurance business and considering leaving the industry. He was tired with competing in the “commodity trap” – the 90-day insurance bidding process. He stated, “For the first time in my

life, I have begun to lose confidence in myself. I am not used to playing a game where I have so little impact on the outcome. I do not like to lose.”

Barney was fighting an uphill battle against commoditization. Commoditization occurs when the consumer perceives little or no distinguishable difference between products, services and resources. When this happens, price becomes the primary differentiator. Picture commoditization as a disease that eats away at your knowledge, wisdom and professionalism. It is so cruel and debilitating that it strips away the value proposition of the most seasoned producer – his or her professional purpose for existence – to a number. Barney’s condition was exacerbated due to the fact that he was playing the majority of his game within the 90-day bidding cycle.

Barney gave me his stats. He had been a producer for four years. His new business “hit ratio” was 25% and he was averaging \$50,000 in new business revenue per year. His book consisted of 35 clients with revenues of totaling \$200,000. Barney dejectedly stated, “I feel like I’m spinning my wheels. Just when I win a new piece of business, it feels like I’m competing to keep one. One comes in the front door; one tries to go out the back door. Although my retention is 90%, about 40% of my accounts go to market each year.” Barney rarely gets referrals and puts in 60 to 70 hours per week. His work life balance is going to be an issue as he has a child on the way. He made \$60,000 last year.

My first inclination to help Barney was to calm him down. I had to make him realize that he was not to blame. He was simply caught in the “commodity trap” and fighting through the consumer’s “perception trap.” His anger, frustration and loss of confidence was a typical reaction to the outcome of commoditization. A dose of reality put Barney at ease. I asked him to ponder three simple but powerful questions and call me back in a week. The questions were:

1. To what degree does the middle market consumer have the time and ability to identify exposures? (0 low to 5 high)
2. To what degree does the typical insurance agent or broker assist his or her client with exposure identification? (0 low to 5 high)
3. To what degree does the middle market consumer enjoy the traditional insurance bidding process?

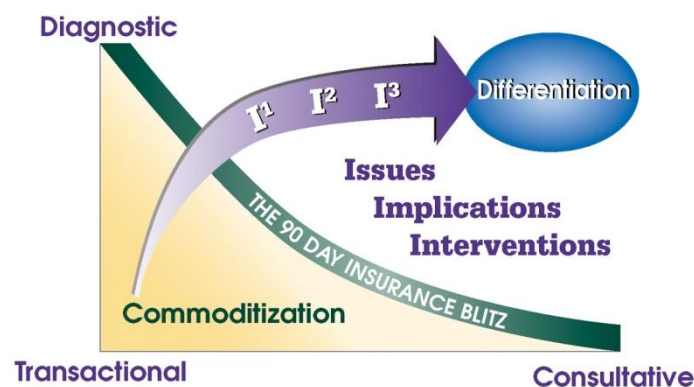
I also gave Barney a study by Huthwaite, an acknowledged thought leader in sales performance. Huthwaite viewed more than 35,000 sales transactions over a 12 year period and determined that the consumer was willing to pay a premium, redefine the buyer/ seller relationship, erect barriers to the seller’s competitors and establish the seller as a trusted advisor when two primary activities occur:

1. Seller reveals to the buyer an Unrecognized Problem
2. Seller establishes for the buyer an Unanticipated Solution

One week later, Barney called back. I was amazed by the excitement in his voice. His disposition had changed dramatically. He said, "I have figured it out! I must stop playing the 90-day bidding game. The three questions you gave me last week made me realize that I need a process to enable my clients to identify risk issues with solutions outside the boundary of the insurance transaction. If this can be accomplished, I will be playing a different game than my competitors." Barney had figured it out.

Over the next month, Barney worked feverishly and enthusiastically to design a differentiated process focused on the identification, measurement and mitigation of risk. I gave him a formula entitled I³. The I³ process stands for Issues, Implications and Interventions. Barney was on his way to creating a system that would dramatically improve his professional image, income and work life balance. Barney now had a renewed purpose and passion for the business.

Escape the Commodity Trap



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The next year showed amazing results for Barney. His career took off. He did \$200,000 in revenue the first year he used the I³ system. Other indicators also showed dramatic improvement including, but not limited to, new business hit ratio, retention and outside competition on key accounts. He now receives 3 to 5 referrals per week. I am pleased to report that Barney has a handle on commoditization. He loves the business and plans to remain in our industry for years to come. Oh, by the way, he had a baby girl.

The treatment for commoditization can be aided when you realize that we sell intangible products. The less tangible, the more powerfully and persistently the judgment about a product can be shaped by packaging. It is essential that the package is positioned in a way to force the consumer to change his or her perception about it. To determine if you have been commoditized, I encourage you to see if the following five statements relate to you:

1. I seem to be losing my passion for the insurance business.
2. I cannot seem to change the consumer's perception of me.

3. I often get angry and frustrated with the 90-day bidding process.
4. The consumer does not see me as a trusted advisor like their CPA, attorney or banker.
5. The insurance transaction is getting in the way of my ability to learn the customer's business and its "issues."

If you are commoditized, take a few moments to consider the lessons learned by Barney. Barney was able to escape the "commodity trap" when he realized that:

- The consumer perceived him as a commodity.
- The consumer does not like buying insurance.
- The middle market consumer needs help identifying exposures.
- His competition is not adequately helping the middle market consumer to perform exposure identification.

I³ -- Issues, Implications, Interventions. This may be your best and most powerful weapon to escape commoditization.

About the Author

Scott Addis, CPCU, CRA, CBWA is the CEO of Beyond Insurance and is recognized as an industry leader having been named a Philadelphia finalist for *Inc. Magazine's* "Entrepreneur of the Year" award as well as one of the "25 Most Innovative Agents in America." Beyond Insurance is a consulting firm that offers leadership training, cultural transformation, and talent and tactical development for enlightened professionals who are looking to take their practice to the next level. Since 2007, the proven and repeatable processes of Beyond Insurance have transformed individuals and organizations as measured by enhanced organic growth, productivity, profitability, and value in the marketplace.