Risk Management Center

Three Keys to Differentiating Your Brokerage

A No-Nonsense Approach to Help Producers Grow Their Book of Business

KPA

Introduction

In today's saturated, commoditized, and highly competitive insurance market, differentiation is key to growing a broker's book of business. Learn why differentiation is the best marketing strategy, and how brokers and producers can differentiate themselves to consistently grow their business.

Setting the Stage:

Using Differentiation to Grow Your Book of Business

Market Saturation and Commoditization

In 2016, 5,977 insurance companies combined to write $1.1 trillion in net premiums in the United States.[1, 2] This gigantic market is being chased by an ever-growing number of companies. In the last decade alone, employment among insurance agencies and brokers grew at a brisk 15 percent pace.[3]

Saturation has also led to agencies and brokers playing a zero-sum game. While "greenfield" wins still occur, growing a book of business means gaining, as well as losing customers to competitors. Obtaining customers is both difficult and costly. Customer acquisition costs in the insurance market are among the highest of any industry.[4] On average, agencies pay from 7x to 9x more to attract a new customer than to retain an existing one.[5]

"...competitors are so aligned on their offerings that it becomes a race to the bottom. The firm that can cut costs the most wins with consumers."[6]

- Insurance Journal

The proliferation of brokers and agencies has also contributed to product commoditization. The end result of all this competition is that the default conversation between producers and prospects is one based on price. Given that price-sensitive customers in the U.S. defect at a rate 2.6 times higher than other customers, it's a very poor strategy. Industry experts recognize this reality and urge producers to avoid joining in the "race to the bottom."[7]

"It is the strategic message that allows you to differentiate yourself from the agency down the road and gives you a substantial return on your marketing investment." [11]

- Insurance Journal

The increase in brokers has the further effect of "cluttering" the market in prospects' eyes. Brokers have a lot of "noise" to overcome and must compete with large companies carrying an equally large megaphone. As a result, savvy brokers search for viable strategies to overcome the challenges of market saturation and commoditization. Chief among them is differentiation.

Differentiating to Overcome Saturation, Commoditization, and Grow the Book of Business

"In an increasingly crowded and commoditized market undermined by minimal customer loyalty...insurers are looking to differentiate their value beyond price to maintain or raise customer satisfaction. Otherwise, they could risk declining retention." [8]

- Deloitte

For producers and brokers alike, the main goal is to continually grow their book of business; and experts agree, a differentiation strategy isn't just a smart means to achieve that end, but also one that is critical to success.[9, 10] For most brokers, it may be the only alternative to other strategies such as a capital and resource-intensive acquisition strategy.

Shifting to prospects, their primary questions to brokers are, "Why should I switch? How are you different?"

"Through superior service!" is a common response.

Yet, to prospects, excellent service is a standard expectation, not a differentiator unless brokers can cite a #1 rating.[10] Being "different" in today's environment means having a working understanding of:

- The prospect's business and associated risks, and how to mitigate those risks.
- The needs, desires, and concerns of the prospect company's individual personas and crafting a message that solves their prospect's problems

Key 1:

A Unique Selling Proposition

One way to separate producers in the crowded market is with a Unique Selling Proposition (USP). In a world where competitors jockey for position based on price, best practice is to focus communications on the value delivered to a customer.

While a USP is very important, just as vital is the context with which it is delivered. Taking a consultative role, producers differentiate themselves from their order-taking competitors by naturally being outcome-focused versus output-focused.[12] This approach aligns producer interests with those of their prospects. In practice, insurance "consultants" set themselves apart by:

- Asking key questions and listening to their prospects to understand their pains, desires, and goals.
- Crafting a tailored, value-add solution that addresses those pain points, desires and goals.

Note that the approach to prospects is most effective when it's targeted to the persona being engaged:

Persona	Goals	Pain Points
CEO, COO	• Financial and business success of the enterprise at strategic level	• Risk exposure • Loss containment • Regulatory compliance • Demonstrate positive outcomes from initiatives, programs, and technologies
CFO	• Optimize top line and bottom line revenue • Minimize liability	• Loss containment • Leveraging enterprise-wide solutions that deliver financial value
Safety Director/ Manager	• Promote and improve employee safety	• Continuously improve safety profile over time • Tools and systems to identify, track, mitigate, and reduce incident
Risk Management Director/Manager	• Reduce risk profile	• Continuously improve risk profile over time • Tools and systems to aid workers at all locations
Loss-Control Director/Manager	• Achieve maximum control of losses	• Continuously lower losses over time • Tools and systems to aid workers at all locations

By crafting a USP, along with communicating it according to the appropriate persona, producers sidestep price-based proposals to convey their value- add:

- Reduce risk due to lowering non-compliance incidents
- Cut losses and control insurance costs
- Increase workplace safety
- Lower workers' comp

These value-based conversations have many benefits. First, all prospects are receptive to conversations about value. Thus, they'll be more open-minded about shifting the conversation away from price and towards the "total value" that producers can deliver.

Secondly, value differentiation reinforces producers' role as a business consultant versus their order-taking competitors.

Key # 2

Offer Value-add Products that Competitors Don't Sell

Another way that brokers can differentiate themselves is by offering products and services that others don't sell.[13] The delivery of value-add products and services by a broker who understands a prospect's business along with how those offerings will benefit the specific personas in a business is appealing.

Yet, what types of products and services differentiate brokers/agencies?

In order to meet the risk management and compliance needs of multiple personas, a value-add product must be comprehensive. It must also focus on delivering business value to the prospect at both the strategic and tactical levels. Specifically, it should address prospects' business goals as illustrated in Figure 1:

Prospect Risk Management and Compliance Objectives

Reduce risk | Lower losses | Promote safety | Ensure compliance

"Finding ways to make the client workplace safer and suggesting training for employees with workers' comp and employee benefit coverages also sets the agency apart from competitors."[14]

- Insurance Journal

In order to deliver value at the strategic and tactical levels a solution portfolio should offer:

1. Risk Management and Compliance Tracking Software

These applications automate processes, ensuring that tasks are completed in a timely and efficient manner. As a result, insureds benefit from both productivity gains as well as reduced risk exposure. This creates stickiness with customers to lower churn, drive ROI, and increase customer lifetime value (LTV).

Value-add tools and software for prospect decision makers include those that support processes underpinning:

- Incident tracking, analysis, and pathways to mitigation
- Safety audits and self-assessments
- Certificates of Insurance
- SDS compliance
- Employee safety training

2. Resources

An example would be document libraries that provide educational materials to insureds. Value-add content includes best practices and how-tos that promote safety, mitigate risk, and lower cost.

3. Services

Examples of relevant services include compliance audit assistance as well as Job Hazard Analyses to further behavior-based safety programs.

Utilizing a comprehensive software platform is well documented. For example, a study of 867 companies that adopted such a portfolio revealed that over a five-year period insureds:[15]

- Lowered their average worker's comp experience modifier (EMR) from 92 to 88.
- Reduced their average insurance costs for clients by $25,223 annually.

Key # 3

Leverage Proven Turnkey Products and Services

Producers can further differentiate their unique product offerings by delivering proven products. In order to meet insureds' value-add expectations, such products must meet the following requirements:

Documented benefits and results

Verified solutions with documentedperformance metrics help producers differentiate their offerings by speaking to CXO prospects' business value goals. No-nonsense, just-the-facts metrics and proof points effectively differentiate value-based communication.

Quick implementation

Minimize the impact of implementation by offering Software-as-a-Service (SaaS) application tools.

Easy to use

Each tool must be easy to use to minimize training requirements and to boost utilization—and ultimately satisfaction.

Promote utilization

Value-added products and software that incorporate utilization enhancements help brokers/producers cross the chasm between their promises and insured results. That promotes stickiness, advocacy to fuel word-of-mouth lead generation, and real-world performance metrics.

White-label capabilities

Recasting value-add products in brokers' own brand furthers differentiation goals. This helps producers to counter competitor branding initiatives.

"...carriers should be cognizant of a more general push toward the platform economy—the need to partner across industries to gain or enhance capabilities, offer better customer outcomes, and extend the insurance value chain." [16]

\- Accenture

Comprehensive platforms versus one-off applications

Value-add product platforms that address the interests of prospects are perceived to be strategic solutions. Consequently, they're easier to sell to CXOs who avoid one-off solutions along with their drawbacks.

Loss-control services

A value-add partner should also offer some form of loss control services. Such a complementary service represents a significant differentiator due to the fact that most vendors only offer software.

Additionally, look for a partner that offers producer training. Succinct product education allows producers to speak authoritatively about unique product features and benefits. Moreover, it prepares them to speak definitively about how specifically such products may be utilized to deliver value to a prospect's business.

Third-party products should also offer personalized account management. This allows implementation and training to be tailored to an insured's business environment. Tailored solutions rival commoditized ones to further strengthen differentiation and stickiness.

Wrapping Up:

The ROI of Differentiation

In the age of saturation, commoditization, empowered consumers, and the digitization of insurance services, agencies must differentiate themselves to grow. Effective differentiation may be achieved by concentrating on unique selling propositions and leveraging unique value-add products.

USPs, presented in the business value-add language of prospects, separate producers from "lowest price" competitors. So does partnering with vendors that deliver unique, value-based products and services. These comprehensive solutions address insureds' safety, compliance, loss reduction, training, and HR concerns across the enterprise.

By providing such products, producers help insureds control premiums, experience fewer losses and continuously improve employee safety across the company—ultimately differentiating producers from their commoditized competitors.

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KPA's Risk Management Center helps your clients proactively manage risk to mitigate claims, losses, and associated costs.

With the Risk Management Center, you stand out from the competition and become a trusted business partner – providing tangible value to your clients that results in differentiation and "stickiness" for you.

Whether your focus is Property & Casualty or Employee Benefits, the Risk Management Center is a comprehensive solution that lets your clients control and mitigate operational, regulatory, and compliance risks associated with their business.

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