

Price Vs. Value: Who are You?

This is an introduction on the age-old question in the insurance business; selling “Price Vs. Value”. This is the first of three articles on the subject, so look for the next two very soon!

Where have you “planted your flag”; committed to sell the lowest price every time, or for longer term value, even if it costs more? No judgement here. Just an honest question, that you need to answer.

There are successful agencies employing either end of this spectrum, because they made the commitment. However, most agencies are **undecided**; looking to please anyone with a “pulse and a checkbook”, stuck providing expensive services half the customer base does not want, distracting attention for those looking for a “partner relationship”.

Some AGENTS, see no “differentiation” in what they choose to offer, and naturally demand from the carriers, the lowest price they can present. Others value the “intangibles”, and look for a provider able and willing to bring them long term benefit, and will pay more.

This choice of who you are selling to is critical. It will dictate everything from profit margins, hit ratios, renewal rates, carriers to partner with, staffing and system needs, to training.

Choosing to present to the buyer who buys only “low price”, will require very little time in building a relationship; in fact, the more automated the better having them quote themselves! Average renewal retention of about 60-70% might be fine, however, this might drive away a valuable carrier focused on services and charging a little more.

Choosing the long-term relationship buyer; renewing every year and hardly ever “quoting us”, is earned through painstaking execution of services valued by this client. The price is still a factor, and this decision may result in a slightly higher overhead, but you will have a long term, stable income base willing to pay for the extras.

This decision will absolutely dictate your marketing. Remember a good Marketing Program has TWO jobs to do; **Attracting the customers you want, and detracting the ones you don't want**. If you are marketing to everybody, you are marketing to nobody. For example:

- Your website screams that you have the “lowest rates anywhere”. Be prepared with frictionless transactions, then enjoy the insureds looking for low cost, as you invited them.
- If it states you are looking for long term relationships where you are part of the insured's management team, then the price guys will probably not show up, and those attracted will want to know HOW you can help them.

Here is a simple lesson to help you think about who you are, and who you want to serve. I learned years ago, that there are only **three major promises** made attracting customers:

1. Lowest Price
2. Highest Quality Product
3. Best Service

The interesting thing is you can only offer **two out of three** and be successful. You **CANNOT provide all three**. Promise all three at your own peril as one of them gets broken.

Here are a couple of examples of VERY SUCCESSFUL companies focusing on two of the three:

- a. Walmart: Low price, exceptional service (most of the time), and marginal quality.
- b. Nordstrom: High quality, high service, and very high prices in the main stores.
- c. Costco: VERY high quality, great prices, and (other than their return policy) very low service.

The trick is that “**third**” promise you are de-emphasizing, MUST still be “**good enough**”.

All three are successful because they market to who “values” what they offer, and they all enjoy a very high degree of loyalty, which is what we are ALL looking for out there!

Make some decisions, plant your flag, and **take action!**

In the next article, we will dive into the topic of understanding the “Price Buyer”, and some of the issues surrounding building your agency around this market.