

THE MODERN INSURANCE AGENCY SERIES

4 REASONS

INSURANCE AGENTS & BROKERS SHOULD NEVER SELL ON PRICE

*WHY PRICE MARKETING WEAKENS THE AGENCY, DISAPPOINTS THE CUSTOMER, AND
DAMAGES THE ENTIRE INDEPENDENT INSURANCE CHANNEL (AND WHAT TO DO INSTEAD).*



MICHAEL JANS



MICHAEL JANS

ADVISORY

4 REASONS INSURANCE AGENTS & BROKERS SHOULD NEVER SELL ON PRICE

Who is Michael Jans?

Michael has been creating and delivering organic growth and marketing strategies to insurance agents & carriers for 25 years. He founded and ran the industry's largest insurance agency marketing company, Insurance Profit Systems.



In 2008, he founded and ran the industry's largest marketing automation software company, Agency Revolution, and, successfully sold it to a highly regarded private equity firm.

He continues to host "**The Connected Insurance Podcast**" series for **Agency Revolution**.

Michael has published over 50 books, courses and programs for insurance professionals. He is the co-author of "**The Insurtech Book**", published by Wiley, May, 2018.

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4 REASONS INSURANCE AGENTS & BROKERS SHOULD NEVER SELL ON PRICE

What insurance leaders are saying...

"... profound statements made on the short sightedness of copying strategy and engaging in price wars that can apply to both channels."

Allan Vayman CIP, RIBO

"Thought provoking and well presented. Working for a carrier that is committed to the independent agency model, producers who only bang the price drum are more difficult to work with. The human element of service is key to building and nurturing relationships between agent and insured, and agent and carrier."

Sean Brennan CPCU, AU-M, AINS

"Great."

George Bryant Vice President at Ample Insurance Company LLC

"Whether direct or agent/broker driven, someone has to breath life into the customer acquisition process. And if that someone lacks the ethics and suitability standards warranted by the industry...everyone suffers."

Gregory Hawk CCLO, CSRM

"...sums up the crux of insurance marketing... thought provoking..."

Burzin Umrigar (FIII) Associate Vice President - Aon Global Insurance Brokers Pvt Ltd

"As a Sales Supervisor for GEICO, I found this article very informative."

Frank Dzubinka III Sales Supervisor at GEICO

"Excellent piece."

Tom Franklin Senior Marketing Manager at Selective Insurance

"Beautifully written and my sentiments exactly."

Sophie Lichfield Commercial Care Underwriter at Aldium Insurance Services

"A call for sanity. Great read!"

Son Nguyen, CPCU, AMIM Executive Marine Underwriter at The Hartford

"Great!" **Mayra Gutierrez** Commercial Marketing Executive

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The Copycat Strategy

What do most businesses do when competitors steal their customers?

Copy them.

That's the natural, logical tendency.

If competitors have a new killer feature, **we copy it.**

If they have a new killer marketing message, **we copy it.**

If they have new killer sales system, **we copy it.**

Sooner or later we all start looking the same. (And, yes, the consumer can hardly be blamed when they think this insurance is a commodity. Looks like one...acts like one... well, quack!)

And that – the copycat strategy – is among the most dangerous, destructive things we can do. In fact, the massive amount of copying witnessed in the retail insurance industry just might be the early ringing of the death knell.

“But if we don’t copy what is successful for others, then what should we do?”

- Of course, agents and brokers read the reports on market share erosion, disruption and change.
- They see the billion-dollar barrage of advertising from alternative distribution systems.
- They read the forecasts and predictions about innovators, disrupters and new well financed outsiders poised for the kill.

They know consumer behavior is changing rapidly and question whether they can keep up.

There is - naturally - a deep underlying anxiety about the future of this system.

These current and impending attacks on what has so long been our safe harbor frighten agents and brokers.

They need a strategy.

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And, far, far too many have simply chosen the wrong strategy. They see, hear and read (daily!) GEICO's message about "price, price, price" and they see that train only picking up speed.

And, naturally, what do they do? Copy it.

They advertise on price.

They give "quotes" and hope the price is attractive enough to win the business.

If it's working for the opposition, it should work for us, right?

Wrong.

After all, strategy is lonely, hard work. It requires analysis of trends and forces. Scrutiny of emerging competitors. Examination of changing consumer behaviors. And, ultimately, critical decisions that determine the fate of the entire mission.

The strategist is the solitary navigator, poring over charts and graphs and dashboards. He looks for signs of storms and tides and measures the capabilities of the ship and the team to ford their way through the route that the real world suggests is safest, best and fastest.

Copying is easier. And, again, wrong.

Why you should never, ever copy someone else's strategy

(Because it works for them usually means it won't work for you!)

Business coaches tell us that "success leaves footprints," so, what's wrong with following those footprints and copying a successful strategy?

At least, three things:

1. WE COPY WHAT WE SEE. We don't copy the important behind-the-scenes business processes and systems we don't see. Staring at those "footprints," we very rarely see the whole story. We see the surface.

Beneath the surface, there is an entire alignment of complex business processes and systems that make that surface shine the way it does.

You think you can see Starbuck's strategy for being the most successful coffee house on the planet, right? It's right there in the open.

But, behind charging more and delivering a reliable, delightful customer experience are billions of dollars invested in sourcing, roasting, shipping, presenting, training and other systems that we never see.

Following part of a recipe is a sure way to end up with a plateful of garbage.

2. GENERALLY, FOLLOWING IS IN ITSELF A BAD STRATEGY. The best you'll do is a weak second place.

Unless your strategy offers something different and something that matters, those who you are following have the advantage of leadership.

They own that niche in the mind of the customer.

Of course, if you have massive resources, you may be able to leapfrog your leading competitor. With GEICO alone investing a cool billion a year on advertising, that will not and cannot happen.

Those resources simply do not exist in the agent-broker channel.

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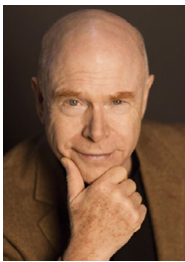
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3. COPYING STRATEGY MEANS THAT YOU'RE SKIPPING THE HARD WORK OF STRATEGY: CLEAR-EYED ANALYSIS OF WHAT'S HAPPENING IN THE REAL WORLD AND HOW YOU CAN UNLEASH YOUR BEST ASSETS TO WIN THERE.

As every serious student of strategy knows, good strategy is based on an unflinching analysis of internal and external forces, and disciplined choices about where to play and where not to play.

And, here, we get to the serious flaw in the most common copycat strategy performed by agencies and brokerages. We see the consumer being “brainwashed” with the incessant pounding of “price, price, price,” and we witness the loss of market share in our channel, and what do we do?

Copy that strategy... and try to sell on price. And, herein, lies the most dangerous part.



Here's what strategy does:

“Good strategy works by focusing energy and resources on one, or a very few, pivotal objectives whose accomplishment will lead to a cascade of favorable outcomes.”

Rumelt, Richard (2011-07-19). Good Strategy Bad Strategy: The Difference and Why it Matters

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How Can We Win Against Our Well Funded Competitors?

Small armies beat big armies. In fact, very, very small armies beat very, very big armies.

You would expect a military that is ten times the size of its adversary to demolish their small opponent.

But no. Military historian Ivan Arreguin-Toft has shown us that the 10X behemoth loses 30% of the time.

That's right. 30% of the time, an army that is 10% the size of their opponent wins.

How does the smaller army win? By fighting a "different war." (In fact, since 1950, smaller armies have won 55% of the time.)

The same is true in business.

We can only win by fighting a different war.

We cannot copy strategy.

What's wrong with selling on price?

Isn't that what the consumer wants?

Here are four reasons why independent agents & brokers should never sell insurance on price.

4 REASONS INSURANCE AGENTS & BROKERS SHOULD NEVER SELL ON PRICE

REASON #1

Our channel is more expensive.

So selling on price is just plain dumb. Sure, you'll find exceptions. Even the slowest lion picks off the slowest gazelle.

But in the long run, put your resources where they have the best chance of winning.

The price shopping insurance customer - and yes, there are millions of them out there - will seek and find their home. And, billions in advertising dollars are helping them navigate their way.

I recently analyzed four years of AM Best industry data, and not to my surprise, discovered that during those years the independent channel was an average 2.3% more expensive to operate. And, with the direct channel's massive commitment to advertising, most of their expenses go directly to that, rather than other things.

Like insurance.

Moral of the story: when you're more expensive, don't compete on price.

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REASON #2

Selling on value wins more than selling on price.

Researchers from Deloitte, led by Michael E. Raynor and Mumtaz Ahmed analyzed data on more than 25,000 companies covering forty-five years of activity. Their five-year study began with a statistical analysis to identify which companies have truly exceptional performance: 344 in all.

They discovered that the most successful companies - based on a thorough examination of return-on-asset performance, followed three strategic rules:

- Better before cheaper. They rarely compete on price.
- Revenue before cost. They drive profits through price and volume, not thrift.
- There are no other rules. Everything else is up for grabs, and they are willing to change anything to remain true to the first two rules.

Of course, selling on value can't just be another empty advertising jingle.

Agents and brokers have to deliver value. They have to add value as the product passes through their hands to the consumer.

That may be a new demand for many agents and brokers today. Perhaps in generations past selling the product was sufficient. But, as today's consumer is offered a growing array of choices, this is no longer an option. Especially as the consumer progressively sees more and more of insurance products as a replaceable commodity, **value must be added at the retail level.**

The inherent and unique strengths of the independent channel - the benefits of relationship - must be leveraged to the consumer's advantage.

Modern communication technology makes this much, much easier. And, the cost is fractional compared to additional payroll. (Yes, the internet changed consumer behavior...and agents did not keep up. But, it also made everyone a publisher. A communicator.)

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REASON #3

Selling on price is the ultimate race to the bottom.

First of all, selling value costs more. You must do something extra, something more. And that usually costs money. When you're selling on price, you're killing your profits. From what bucket do you draw to create that extra value?

If, let's say, you have a 20% profit margin, and you backed everyone's premium down by a mere 10 points, that's half your profit.

Price selling results in a self-inflicted spiral down the drain. First, you sell for less. In response, you invest less in your support staff and systems. Then, your customers feel less satisfied... on and on it goes.

Price selling may result in short term wins. You'll sell a few policies that you wouldn't have otherwise. It's much, much easier than investing in the blood, sweat and tears work of creating new value. Training staff. Monitoring behavior. Managing new systems. And so forth.

Moral of this story: The industry has matured far beyond the "lifestyle" stage where the retail sector merely acted as "sales reps" for manufacturers. They absolutely must add value. That is what grown-up businesses do.

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REASON #4

Surprise...consumers don't care about price nearly as much as you think they do.

Price never completely goes away as part of the overall value proposition. But according to astute research by Bain & Company, consumers are largely compelled to make their insurance buying because of one of these two values: price or peace of mind.

2 MAJOR VALUE DRIVERS

PRICE **PEACE of MIND**

- The price driven customer is perfectly suited to the direct channel. The peace of mind driven customer is perfectly suited to the agency/broker channel. As industry wide analysis will show you, the price driven customer is expensive to get and easy to lose.
- The efficiencies of the direct channel are well suited and well designed to generate value from that demographic. The opportunities for depth of relationship and value added communications, make the peace of mind customer perfectly suited for the agency broker channel.

But, doesn't price still matter? Yes, of course, but perhaps not nearly as much as you may think it does.

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My friend Brady Polansky from EzyLinx, shared what many may consider to be shocking statistics based on a massive study of consumer behavior.

57% DON'T TAKE THE LOWEST QUOTE

43%

1ST

24%

2ND

13%

3RD

20%

4TH

57% of consumers who call independent agencies do not take the lowest quote provided.

Rather, they choose insurance that costs between 19% and 53% more than the lowest quote provided. (Imagine what that could do to your top line revenue!)

RATHER, THEY TAKE QUOTES THAT ARE 19-53% HIGHER

19%

2ND

37%

3RD

45%

4TH

53%

5TH

Moral of this story: it's a naive assumption to think that all consumers are the same. They're not. Pursue the ones who best fit this channel: the people who actually care what insurance does.

The 40% Growth Book Discover the new content marketing for insurance agents & brokers.

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Remember when we took pride in saying that “insurance is a relationship business?”

The top 5 or 10% of your customers probably feel that relationship. But, **recent research from Deloitte** makes one thing very clear: the majority of an agent’s customers don’t feel that relationship.

Agencies have simply outgrown the old-school methodologies of getting and keeping relationships. It’s too expensive. Besides, that’s not how customers relate to business anymore.

Consumers expect a **well crafted** digital communication strategy with their vendors. And agents and brokers can use today’s digital channels to deliver value.

Using modern technology, they can nurture their customers. They can help protect them. They can make them smarter insurance consumers. They can help prepare them for disasters. They can help prevent accidents, injuries and casualties. They can offer useful products. And they can follow each customer, one-at-a-time, and guide their customer journey, from “I want a quote” to “I love my broker.”

Price marketing is fine...for the direct channel. Don’t copy them. A winning strategy for their channel is a losing strategy for ours.

But, if relationship and value are the pillars of our promise, deliver on it. Today’s tools let you deliver on that old school promise...with new school technology.

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The Ultimate Solution For Maximum Growth (And Massive Customer Satisfaction)

Is this an impossible situation for the leader of a modern insurance agency or brokerage?

If we don't have 'price' in our quiver, just how do we make a difference in the lives of our customers?

If, in fact, they value relationship – that sense that they have an advisor and advocate in their corner – how do we deliver that? The days of glad-handing our clients around town are over.

- The old methods – one on one marketing and nurturing – are over. Those methods are **dreadfully expensive**.
- Most agents and brokers of today have a book of business that's much larger than the average firm of a generation ago. **It's folly to think we have a 'traditional' relationship with them.** (How many times have you passed a customer in the vegetable aisle and they didn't know you...and you didn't know them.)
- Besides, **the last thing today's consumer wants is a random telephone interruption from their insurance agent.** (They want you there...when they want you there. Not when they're at work. Not when they're having dinner.)

The answer is simple. Our competing channels – the direct channel and the emerging digital channel – uses technology against us.

But, today, agents and brokers can fight back. Using their own technology. Technology that delivers meaningful communications. Technology that treats everyone like an individual. Technology that strengthens your brand. Technology that deepens relationships.

Technology that connects the data in your agency management system to a marketing system that fulfills the inherent promise in the agent-broker channel: that we'll be there...that we'll protect...that we care.

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BUT, TECHNOLOGY ALONE IS NOT ENOUGH...

Have you ever picked up the remote control...and clicked your way through 700+ channels and wondered, 'How could they make so much garbage?!'

Obviously, a **lot** of that content is not for you.

But, if you don't like it, you don't blame the TV. **(It's the content, stupid!)**

Same thing for your agency.

All this communication technology is there for a reason. It's the 'envelope' that delivers the message.

When they open that envelope, what will they see?

What will they **feel**?

The advanced marketer knows that technology allows him to be a force in the life of his marketplace. It allows him to connect with them **as real people**. It allows him to make a difference.

You don't just buy technology, plug it in and expect magic.

The advanced marketer remembers the promise of the independent agency channel: that we'll deliver **relationship**.

And, the peace of mind that comes from relationship.

The advanced marketer will ask, 'What do I have to say to create the relationships that not only I want...**but that my customers want?**'

The advanced marketer knows that he must:

- Communicate in an **ongoing** manner. She wants to be present in the lives of his customers. She knows he can't show up in their lives once a year and be a positive presence. (It's time for you to give me more money again!) But, frequency alone is not enough. She sweats over the nature, the feeling, the value of the content itself.

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- Communicate **delight**...so she connects human-to-human. Technology can pull back the curtain on the normally hidden agency. When it does, the savvy agent can reveal her character, her humor, her interests, her vulnerability, her passions...and delight her market.
- Communicate **meaning**...so she delivers value. After all, if we don't make lives better... why are we here? (And, if our consumers don't relish our content, do we end up in their 'relationship spam folder?')

Yes, the solution to the disease of price-selling is, of course, to 'not sell on price.'

That, of course, means that agents can't rely on the product to be their only value. Even in the best of circumstances, that starts the slippery slope toward commoditization.

Adding value takes work. And, of course, if the market doesn't know about it, it does no good.

Modern technologies begin to solve the problem.

But, those 'good little robots' need to be told what to do.

As Steve Jobs said, '...technology alone is not enough. It's technology married with the liberal arts, married with humanities, that yields the results that make our heart sing.'

Can you make your customers' hearts sing?

If so, you'll discover what the most modern of agents have already learned.

That you'll never have to sell on price again.

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What Others Say...



'Michael Jans isn't just the best marketer in the insurance industry. He's our best philosopher. Pay attention to what he is saying.'

Jeff Rounds, Libke Insurance

"...the insurance marketing maven."

Independent Agent Magazine



"...the insurance marketing guru."

Professional Agent Magazine

'Michael Jans is the father of modern insurance marketing.'

Brian Appleton, Founder & CEO, The Insurance Agent Summit



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'You can trust Michael Jans to tell the truth. Especially when we don't want to hear it. As much as it hurts, pay attention. The future of the agency force depends on it.'

Brian Barrick, Nonprofit Insurance Services, PA

'Michael Jans looks the insurance industry square in the eye - and tells the truth. Agents would be wise to listen.'

Ely Kaplansky, Kaplansky Insurance Agency, MA



'Nobody looks deeper into the soul of the insurance industry than Michael Jans.'

Tammy Leseuer, Bancorp Insurance, OR



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The Ultimate Strategy & Marketing Toolkit for The Modern Insurance Agency



Want to know how other agents grow quickly? Learn how you can create your own structured plan for reliable growth in my [Level 5 Mastermind Program for Insurance Agents](#). With the program, you'll join myself and an elite group of entrepreneurial insurance agents as I teach the methods that routinely net my customers 30% annual growth. Eliminate burnout, working too hard and working too many hours! My system is built on the Principle of Leverage - where you get MORE but do LESS. You can learn more [here](#).



Are you staying current on cutting edge Organic Growth Strategies for your agency? Michael Jans has been helping agencies scale for over 25 years. In addition, he's started, scaled and sold software startups in the insurance industry - like Agency Revolution. He delivers insights, strategies, techniques and shortcuts to grow your agency and increase valuation. [Start Learning With Michael's Blog here](#).

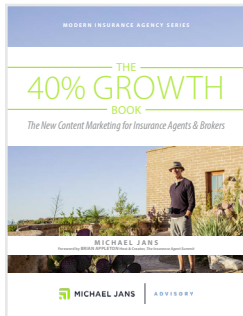


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40% annual growth? Discover the ‘new content marketing for insurance agents & brokers.’ Michael Jans has taught ‘content marketing’ before it was a popular term. Through his firm, Insurance Profit Systems, he showed agents fast-growth strategies using non-traditional, content-based messaging. Now, using even the most simple contemporary technologies, Michael shares the same hyper-speed growth system he teaches his private clients. [Get The 40% Growth Book here - free.](#) 13 step-by-step instructions. Each one will help you stand out, earn trust - and load your marketing funnel.



If you love SPEED, you’ll love Michael’s 19 Shortcuts to Killer Insurance Marketing in Half the Time. Whether you're new to marketing or a seasoned pro, Michael shares his ‘secret system’ for getting more done in less time. [Get your copy of the ultimate marketing hacks here.](#)



Do you have a marketer on staff? Thinking about it? ‘The marketer’ is the fastest-growing position in the independent agency sector. Whether you have one - and want to get the best results - or you’re simply thinking about it, don’t let another day go by before the industry’s top guide for hiring, managing and coaching ‘the marketer.’ (Even if YOU do the marketing, this is a must-read) Get your free copy of [4 Stages of a Marketer](#) now. It’s the guidebook relied on by Modern Agencies today.

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Michael's new 'Lead Gen Mini-Kit' will show you the new way of getting better leads in The Modern Age of Insurance.

How do Modern Insurance Marketers load their agency with sizzling, hot leads that insist on doing business with them? It's not the yellow pages! Understand the 10 Secrets of Lead Gen for the Modern Insurance Agency - and get leads like the pro's! [Get your free guidebook here - and get ready for more growth!](#)



Yes, the good ol' days of the old-school agency are fading

fast! What does the Modern Agency do differently? They home in on strategy first, tactics second. (This solves a million problems!) They act quickly on The 4 Phases of Modern Insurance Marketing. (In other words, they're systematic, not haphazard.) They know how Modern Insurance Consumers THINK. (Everything falls into place now!) They get what modern communications tools really do well - and they set them up for success! [Get your complimentary copy of The Ultimate Insurance Strategy & Marketing Roadmap here.](#)

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