

## The rock and the hard place

The world is changing. Fast. Brokers need to respond and for almost all, voluntary will be a part of that response. But will voluntary do the job that brokers anticipate? Not by itself.

In addition to getting familiar with voluntary products, systems and processes, brokers need to master three concepts to make their voluntary business reach its potential. This and the next two installments will explain these concepts.

Most people accept that brokers who offer voluntary products will need to sharpen their competitive skills for future success.

Years ago, just offering voluntary products served as a meaningful differentiator. The concepts and products were different and interesting, and most brokers ignored voluntary, missing the point.

As more brokers added voluntary, the uniqueness of the concept waned. But the products were still different between voluntary and worksite companies, as well as between voluntary and traditional employer-paid benefits. The nature of the products was (and to a lesser degree still is) differentiating.

But the advantages of offering unique concepts and selling unique products are disappearing. Two forces will finish them off.

First, commoditization will gradually mold all voluntary products into similar shapes (which is well under way already),

much like it has done to the traditional, employer-paid employee benefit lines. Second, the commission squeeze anticipated by the mandated loss ratios of Obamacare will force more brokers to rely on voluntary products and sales for their livelihood. In other words, commoditization will complicate the selling of voluntary products precisely at the point where the commission squeeze makes those sales more important than ever. And for many producers, those sales are vital to success. As a result, expectations of sales success run high.

### Voluntary sales expectations

Caught between the rock of commoditization and the hard place of commission pressures, the key is to develop differentiation based on the services the broker offers, rather than the products themselves. Given these twin forces, only design uniqueness and delivery excellence in the service arena truly can differentiate the broker of tomorrow. This is the first key concept: Focus on service differentiation.

The important questions in service differentiation include:

- Whom are we serving (employer, employee, both, other)?
- Can we use the service of a partner who is sharing that same service with other producers? (How long would that differentiate us? Think about the evolution of dependent audits.)
- Who will develop and offer the service?
- Who will deliver the service?
- Who will pay for the service?
- How will they pay (fees)?

These aren't easy questions. But in a world of commoditized products and commission pressures, only those brokers that come up with the most valued, innovative, and sustainable answers will prosper.

Next month, we'll discuss the second key concept in voluntary broker differentiation.

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