

The Dangers of Commoditization

Insurance agents and mortgage professionals should band together when referring clients

Mortgage professionals have a lot in common with insurance agents. In the simplest terms, they both provide a vast array of products, and those products are available to their clients at a price. It's only in that very basic description, however, that mortgage loans and insurance policies can be likened to commodities. The policies and loan options that insurance agents and mortgage professionals respectively provide vary greatly, and as a result, the prices vary greatly, as well. Moreover, unlike finite commodities such as gold or silver, mortgage loans and insurance policies aren't bound by supply limitations.

In spite of this, millions of advertising dollars are spent every year with the intent of convincing consumers that loans and insurance are purely commodities. The message being delivered en masse to consumers is that mortgage and insurance professionals have products to sell, prices to sell them for and little more than that.

As a result, it's often the case that consumers believe product and price are the only two things to consider when looking for a home loan or insurance policy. The message that product and price are all that matters prevents consumers from seeing the truth: That those two factors are less than half of what mortgage and insurance professionals sell to their clients.

Defining the problem

You need to look no further than a simple Internet search for the term "mortgage loan" to see how commoditization works. The top search-engine results invariably include earmarks of an industry that has been commoditized. Phrases like "Amazing low mortgage rates!" and "Get your loan now!" are testaments to the fact that

an investment in a home — and by proxy, a mortgage — is a decision that consumers should make on their own, as one loan appears to be the same as the next. The notion that a consumer should consult a licensed mortgage professional before making such a decision does not appear until much farther down in any search-engine query.

The same goes for the insurance industry. If you search for "homeowners insurance," top results often include those encouraging consumers to "Get a free quote online and see how much you can save!" and "Compare rates online and save!" Like purchase loans and refinances, many insurance products have been marketed in recent years as if they're commodities.

The effort put forth to convince people that price is king can have devastating consequences on consumers. The transmitted message is that consumers simply should fill out a form on the Internet and then communicate via e-mail to purchase their loan or policy. It's often suggested that mortgages and insurance policies are such run-of-the-mill purchases that consumers shouldn't worry about speaking with a licensed professional who could undoubtedly dig a little deeper and possibly uncover additional savings or risks that consumers may miss.

Of course, what happens if and when something goes wrong with a given purchase? Very often, consumers hold the people who sold them their loans or policies responsible. Unfortunately, the people who assisted them in these transactions may have never had a fair shot at performing their jobs to the fullest, as the nature of their positions didn't require it. The

consumer's demand for a quick response is met with the online companies' supply of hastily offered loans and policies. In the process, the specialized service provided by licensed, trained and educated professionals is removed from the equation — and thus we have a full circle of industry commoditization.

Beyond products and price

Upon closer inspection, you'll find that specialized service isn't the only thing missing from the equation. Instead, there are three things that mortgage professionals and insurance agents bring to the table that online sites can't compete with: personal service, relationships and education.

For mortgage originators and insurance professionals, product and price are only two parts of a much bigger experience delivered to consumers. Whereas product and price may be seen as the tangibles of a mortgage loan or insurance policy, a professional's personal service and educated experience can be thought of as intangibles.

When clients call and are personally answered or called back promptly, you're providing a valuable, personal service. You're providing personal attention and treating your clients as individuals, not just another sale. Quality financial professionals demonstrate that their clients' concerns are their concerns, and these professionals insist on personally making sure that their

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clients' needs are met in an expedient and efficient manner.

When you seek out continuing-education opportunities, you enhance your ability to provide educated options to your clients. From helping clients discern what down-payment to make to what type of coverage they need to ensure that their grandmothers' jewels are covered in the event of a natural disaster or burglary, education is one of the cornerstones of any financial professional's career.

Similarly, the relationship that you build with your clients is another intangible offering that can allow you to stand out in a commoditized industry. Mortgage and insurance professionals can do this in a number of ways. From asking your clients about their future family plans to reviewing their overall financial goals, you can assist in the design of a plan that takes into account much more than just price. Get to know your clients; the stronger your relationship becomes, the better able you'll be to offer unparalleled service and opinion based on experience.

Building a relationship also allows you to be proactive in working with your clients.

Reach out to them before interest rates increase. Take notes and stay in touch, keeping your clients abreast of what's happening in your field as it relates to them. In short, take the initiative rather than reacting to circumstances as they arise.

Caring for clients

These are just a few of the ways that mortgage and insurance professionals can help dispel the myth that getting a home loan or insurance policy should take no more than 15 minutes. Neither mortgages nor insurance policies are one-size-fits-all. These myths are only symptoms of a much deeper problem, however, and that problem is not that large online lenders and insurers are cutting into broker and agents' client pools. The problem is that, when it comes to making major life decisions, consumers deserve to understand that their decisions should not be taken lightly.

The acquiring of a loan, the purchase of a home and the protection of that home and the items within are financial decisions that will have a lasting impact on your clients' lives. As skilled professionals, mortgage

originators and insurance agents are offering not only a product and a price, but also personal service, educated opinions and long-lasting relationships. As such, they owe it to their customers to encourage them to work with other licensed, service-oriented professionals. This means, of course, that your referral partners should be like-minded professionals in their respected fields.

In short, the more that mortgage professionals and insurance agents work together to arrest the growing commoditization of their industries, the more informed their customers will become. Together, they must recognize that the price of their products is obviously important, but should not outweigh the importance of experienced suggestion and direction, personal service, and the building of a lasting relationship. As a financial professional, it's your responsibility to make sure that you provide referrals for services outside of your area of specialization, pointing clients in the direction of trustworthy partners — namely, partners who strive to provide every client with a big-picture view of the investments they're making and protecting. ●