



HOW TO BYPASS THE COMMODITIZATION TRAP

**A WHITE PAPER BROUGHT TO YOU BY
THE 401K COACH**



what are you working for?

“The only constant is change, and the rate of change is increasing exponentially due to Moore’s Law!”

Gordon Moore, co-founder of Intel, observed in 1965 that the number of transistors per square inch on integrated circuits had doubled every year since their invention.

He then predicted that the performance trend would continue doubling every 18-24 months...and it did! Along with it, every industry has since seen its products and services commoditized.

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To avoid falling into The Commoditization Trap requires an understanding of the true definition of a commodity, commoditization, and the trap itself.

A Commodity is:

- An article of commerce
- Something of use, advantage, or profit
- Interchangeable and uniform, such as a primary product or raw material

What is Commoditization?

Commoditization is the evolutionary process that reduces all products and services to their lowest common denominator - price.

What is the Commoditization Trap?

It is the situation businesses find themselves in when their focus is mainly on the product or service they offer instead of a quantifiable difference between their product and their competitors.

In today's highly commoditized marketplace for all goods, products, and services, there is an app that will allow you to compare their prices.

Just think of the last time you went to buy an airline ticket. Did you go directly to the airline's website to buy your ticket? No, you went to Expedia, Travelocity, or Priceline. How about shopping for a hotel room?

You get the message!

Other examples of companies being commoditized is when their product or service is:

Digitized: A physical product becomes digitized when it is converted into digital form that can be processed by a computer. This is what digital photography did to Kodak's business model, ultimately bankrupting the company in 2012.

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Dematerialized: On January 4, 2017 Sears Holding informed employees at 78 Kmart and 26 Sears stores that their locations will be closing in Spring (that's in addition to 30 Kmart and 16 Sears closures announced in December). Macys just announced the closing of 68 stores nationwide and cutting more than 10,000 jobs.

The demise of the retail outlet chain is the 'store-without-walls' model first created by visionary Founder and CEO of Amazon, Jeff Bezos. To understand the dematerialization of the retail outlet industry, read Amazons 1997 letter to its shareholders. Bezos saw the future of shopping with no walls for the consumer - the go direct; find the best choice, at the lowest cost, for whatever you want, when you want it.

So how do you as a financial advisor focused on the 401(k) marketplace or the wealth management financial planning business avoid The Commoditization Trap?

This White Paper sets out to provide you with real actionable steps to insulate you and your company from the Jeff Bezos' of the world and build a moat around your business, that is, in the words of Warren Buffet, "so deep and so wide that your competition cannot even comprehend or copy."

How to escape from The Commoditization Trap?

The only way to escape from The Commoditization Trap is to create a 'Bypass' that frees you from the gravitational pull of 'the trap' to begin with.

So how do you create a 'Commoditization Bypass'?

First, you must identify how you and your company can deliver more value to your customers and clients - that they are willing to pay for - than your competition. Remember, if your customers aren't willing to write you a check, you have created no additional value.

Second, you must do a self-assessment of yourself, your company, your products, and your services by asking some very important questions:

- What are the qualities that have drawn your best clients to you?
 - ◊ Is it the superior value you have created or deliver?
 - ◊ Is it the way you customize your solutions to each of your customers' specific needs?
- How have you used your intellectual capital and wisdom to solve your clients' greatest dangers and personal challenges?

The qualities that brought you best clients into your firm are your greatest current differentiators. You have used your wisdom to solve and make a difference in your clients' lives!

So how do you as a financial advisor focused on the 401(k) Marketplace, or the wealth management financial planning business avoid the Commoditization trap?

Remember, if your customers aren't willing to write you a check, you have created no additional value.

Lastly, now you need to ask yourself “how can I package my specialized wisdom, intellectual capital, and experience to create more value for my clients than my competition? ***And how can I do it exponentially?***

I am not talking about your skills. Skills are things. And “things” end up becoming a product or service that is easily commoditized. Wisdom, on the other hand, is something that is acquired and earned over a long period of time...wisdom is priceless. Something that is priceless can never be commoditized.

Don't confuse knowledge with wisdom. I remember when I first came into the financial services industry. I was 21 and right out of college. I didn't know anyone or anything about it and I started by cold calling and selling life insurance. I had a mentor at the time who told me, “Kid, knowledge is power. The more knowledge you have, the more power and success you will have.” I took his advice to heart and immediately worked to get all the knowledge I could. I got my CLU and ChFC designations. I was in the first Certified Family Business Specialist class (CFBS). I was in Don Trone's first AIF class. As I acquired more knowledge, I acquired more confidence and my income grew exponentially. And I felt powerful! Today, the ‘punch’ and impact of knowledge has been disrupted by the power of the internet. Knowledge has been commoditized by Moore's Law. All the existing knowledge in the world is available to anyone, anywhere, at the push of a button. It is a commodity and you can get lost in its trap if you are not careful.

The new power and currency is: **PERSPECTIVE**. The years of experience, wisdom, and intellectual capital that you have accumulated and acquired is your true power. This experience and perspective of failing, succeeding, and iterating your way to further success will trump knowledge every day. This is what your clients want and what they will pay you for. You cannot commoditize your wisdom, experience and your intellectual capital, provided you are able to package it up into ways your competitors can neither comprehend nor copy.

Create Unfair Advantages

You must subscribe to the fact that the essence of being an entrepreneur in today's highly commoditized society is not to be just selling someone else's products and services. The essence of being a successful entrepreneur lies in creating and accumulating Unfair Advantages for you and your clients. An Unfair Advantage is a unique way of organizing your thinking, communication, intellectual capital, wisdom, and experience in a way your competitors can neither comprehend nor copy. The best way to bypass The Commoditization Trap is to simply and endlessly package up these Unfair Advantages.

Something that is
priceless can never be
commoditized.

The years of experience,
wisdom, and intellectual
capital that you have
accumulated and
acquired is your true
power.

Here are a few ways to achieve this result:

1. **The A.C.E. Formula:** Become the Authority, Celebrity and Expert in your market place. This goes beyond “brand.” When you are recognized as the authority in your industry, you immediately eliminate your competition. People want to do business with you because you go above the line of credibility to creating instant super credibility in their mind. Price is not a concern when people want to do business with the “best of the best!”
2. **Foster Relationships with Local Media:** When you are seen as the Authority and the Expert in your field, you can become a valuable resource for local news, cable, and radio stations. The media has a mantra, “don’t get it wrong!” They will only deal with you if you are the recognized authority and expert, because their job is on the line every day. If they “get it wrong” - they get fired! If you can be that go-to resource, you will get free and valuable exposure in your market place, creating “celebrity status.” Everyone wants to do business with a star!
3. **Create Speaking and Writing Opportunities:** As the authority, you have plenty to say and write. There are plenty of local business magazines, periodicals and association newsletters that need quality information. These organizations also hold monthly meetings for their members and are always looking for quality speakers to provide additional value for their members.
4. **Social Media:** Today it’s easier than ever to promote yourself 24/7 on the internet. You can do this yourself or you can hire a quality social media firm to help you build your internet prowess and exposure. This is critical when someone Google’s your name. It is important that you show up not only at the top of the search but with quality information that positions your “super credibility.”
5. **Focus on “WIFM”:** Prospects and clients always want to know WIFM (What’s in it for me). People will always commoditize you if they do not fully understand or feel any real or perceived value or difference in what you do, or if they don’t understand what it is that makes your solutions and value unique. This requires that you always adopt an education base marketing mindset. You must devise marketing material, sales presentations, seminars, etc. with WIFM in mind. Educate your prospects and clients on the unique and one-of-a-kind set of solutions and value that you can offer them that will solve their problems, so they truly believe no one else in the world can solve them as effectively and efficiently as you and your company. Show them how and why you deliver more value and why your unfair advantages will solve their problems faster, easier, and better than your competition. People pay more for unfair advantages. You must tell your clients why you cost more. Deliver your message at a strategic and personal level. If you are not connecting directly with people, you will never escape the downward spiral of the commoditization trap.

Today it’s easier than ever to promote yourself 24/7 on the internet.

6. Package Your Wisdom Into Unique Processes: Most sales people give away their wisdom, intellectual capital, and experience for free in the hopes that their potential customer will buy someone else's products and services from them. This is especially true in the 401(k) industry, insurance, or investment industry when you are selling someone else's record keeping platform, product, or service. Rather than charge for your value and wisdom, you give it away for free in the hopes that they will give you the business that pays you indirectly by fee and/or commission.

This is the true definition of insanity: giving away your wisdom, your most valued possession, for free, to sell someone else's "stuff!" Now imagine, instead, that you created a unique process which demonstrated the true value of your wisdom AND solved your client's problems in ways they never could have imagined. Or eliminated problems, they never even knew they had! Imagine charging them a fee upfront to eliminate their dangers, focus them on their best opportunities and enhance the existing strengths of their 401(k) plan. I'll give you an example:

I met with the Rick, the CFO of a company that had a \$10 Million 401(k) Plan that was going out to bid. He already had 2 quotes. I asked him how many more quotes he was planning on getting. He told me 3 more. I simply asked; "What are you going to do with those five quotes when you get them?" He replied; "Honestly, I haven't a clue. I am so busy with year-end closing and the owner wanting to build a new building, I haven't anytime to even look at any of this, let alone figure out how to analyze these five proposals." It was then that I pulled out my 6-Step 401(k) Coach Retirement Plan Solution and said, "Rick, you are in step 4 of my unique process, The RFP Manager." I explained how we would eliminate his dangers; 1) he did not have enough time in the day to evaluate 5 proposals and 2) he did not have enough wisdom to make the right choice. I told him I would manage everything for him: bring him 4-5 top competitors, do the full analysis and make recommendations based on my 35 years of wisdom, experience, authority and expertise. He had only one question for me, "How much does that cost?" I told him \$10,000. He told me to come back on Monday and pick up the check. My team and I then went to work, having been paid upfront for our intellectual capital and wisdom. That \$10,000 check turned what is normally a commodity sale, comparing 401(k) plans on price, into value and a relationship. I solved the CFO's pain and gave the owner the confidence and clarity that they had hired an authority and expert to take care of their employees' financial futures!

7. Stop Selling and Start Listening: The only way to fully connect with another human being is to shut up for a while and listen to what they are experiencing and feeling in their lives. You must connect emotionally to the person across from you and you must understand their 'WIFM'. Remember, people will only remember 6% of what you say, but will remember 96% of what they experience.

Rather than charge for your value and wisdom, you give it away for free in the hopes that they will give you the business that pays you indirectly by commission.

My team and I then went to work, having been paid upfront for our intellectual capital and wisdom.

You must communicate your Unfair Advantages by connecting emotionally to your prospects, and when you do, they will experience the unique value you offer to solve their problems faster, easier, and better than anyone else. This they will pay handsomely for.

8. **Connect to Their Bigger Future:** When was the last time someone asked you about your dreams, desires, and what you're most excited about? What you feared the most? What you are most confident about in your life right now and where you want to be one, three years, or twenty years from today? How did that conversation make you feel? Were you more excited afterwards? More confident? Could you see a path to successfully achieving that 'bigger future' you want for yourself, your family, your company? What your current and future clients and customers care most about is their future and how 'big' it can be. When you have conversations with them about their future, and what matters most to them, it allows you to help them eliminate the 'dangers' that could prevent them from achieving that bigger future, focus on their biggest and best opportunities to achieving that future, faster and easier, and enhancing the strengths that they have as an individual, a family or a company to accelerating their making that future even bigger than they currently imagined. These types of conversations will connect you on a deeper level to your clients and customers and create a 'sticky' relationship that your competitors can neither comprehend, copy, nor disrupt.

9. **Give Your Clients a First Class Experience:** You need to deliver a first class experience to your clients. When you speak of a client's dreams and aspirations, shouldn't you be treating them as the most important things on earth? If you are truly and genuinely interested in your client's success, you should be treating everything you do with that client with the utmost respect. You should be creating an experience that tells them how much you "love them." In our organization, we have one employee whose job description is "Director of Client Appreciation and Hugs." Her only job, every month, is to create unique experiences that tell our clients how much we care and are thinking about them. Here's a few small, but impactful things, you could begin implementing in your practice, that together compile a freight train of information and top-of-mind awareness in your client's mind:

- Return their phone calls within 20 minutes
- Meet with your client's one or two times a year to ask them about their "Bigger Future", Dangers, Opportunities, and Strengths
- Make sure your office reflects and conveys the message of success you want for your clients

When was the last time someone asked you about your dreams, desires, and what you're most excited about?

If you are truly and genuinely interested in your client's success, you should be treating everything you do with that client with the utmost respect.

- Dress appropriately for the practice you are building (I personally hate this notion of “Jean Friday”)
- Instead of sending an email, make a personal phone call (because your competitors have forgotten how to)
- Send a hand written card after every first meeting, instead of an email or letter

Remember, in life and relationships, it’s always the “little things” that matter the most.

“Friends don’t care about price. They care about deeply satisfying emotional rewards and other results that arise from interacting with people who truly care about them and they can confide in.”

Combine Exceptional Experiences with The Packaging of Your Unfair Advantages and you have the ultimate combination for by-passing The Commoditization Trap in 2017 and Beyond.

Charlie Epstein, CLU, ChFC, AIF® is the founder of The 401k Coach® Program, which offers expert training for financial professionals to develop the skills, systems and processes necessary to excel in the 401(k) industry and facilitate successful retirement outcomes for plan sponsors and participants. He is the author of Paychecks for Life: How to Turn Your 401(k) Into a Paycheck Manufacturing Company and Save America Save: The Secrets of a Successful 401(k) Plan

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