Does a Banking Relationship Make Sense for You?
by Chris Burand

Banks are buying agencies, agencies are developing relationships with banks, insurance companies are opening banks, and a dozen other types of relationships are being developed to meld bank and insurance customers. Offering banking and insurance services makes strategic sense because the more services a client purchases from one business, the more likely they are to stay a customer of that business. Also, the first service purchased is the least profitable while all secondary purchases have very high profit margins and once a customer buys one product, they are more likely to buy another. Insurance and banking are also both considered financial services so combining them seems logical.

However, before entering a serious, binding relationship with another entity, ask yourself why you are joining forces and take an objective look at your answer. Consider these two examples:

> I recently met with an agency and a bank who were working to form a strong strategic relationship. They were located in a small Midwestern town and both had been in business with the same owners, officers, and producers for many, many years. I asked them, separately, why they wanted to join up. They offered identical responses: "So we can sell to the other's clients!"
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> Think about their responses. They are in a town of 7,500 people and have been forever. They know everyone in town. For all these years, has the agency somehow been prevented from contacting the bank's customers? Will the bank somehow get more customers because they are affiliated with the agency? Of course not! Why do they need this relationship to contact prospects when they already know each other's customers? They don't!
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> I asked another agency why they were considering joining with a bank. They responded, "To make easier sales because once a customer buys one service, they are much more likely to buy another." This is absolutely true, but think about this too. Why not just sell more policies to your current clients? *The average customer spends a $1.50 in other agencies for every $1 they spend in an independent insurance agency.* An agency with $3 million in written premium can increase sales, just by completely cross-selling 25% of their clients, by $1,125,000! An agency can increase sales by 37.5% without a single cold call just by selling to its current clients and they can do this without entering into a legal, binding relationship with a bank.

If you are joining forces with a bank because 1) the bank represents a new and untouched source of leads or 2.) because selling to the bank's customers will be easier than cold calling strangers, answer these two questions first:

> *Have I completely cross-sold my own book (an average of 1.6 policies per PL account and 2.1 policies per CL account)?* If the answer is "yes," you have the abilities to exploit the relationship. If the answer is "no," clean up your own book first. First things first.
> *Have I had the opportunity to contact the bank's clients in the past?* If the answer is "no," a

true opportunity exists. If the answer is "yes," then either they did not buy or you have not contacted them. Either way, why will a relationship with a bank make a difference? And simply "because they are the bank's customers" is not an acceptable answer!

For very specific situations, great opportunities exist for profitable relationships. For instance, selling to a bank may offer a "way-out" for an agency owner and many banks are paying too much for agencies. Both are good reasons to sell. However, as a cure for more growth and more profits, an agency/banking relationship is not a magical elixir that will solve everyone's problems. Take a careful and objective look at the reasons for joining forces. Perhaps the real opportunities lie closer to home.

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