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BEST PRACTICES: CROSS-SELLING MAY DRIVE ADOPTION OF BANKS' INSURANCE SERVICES

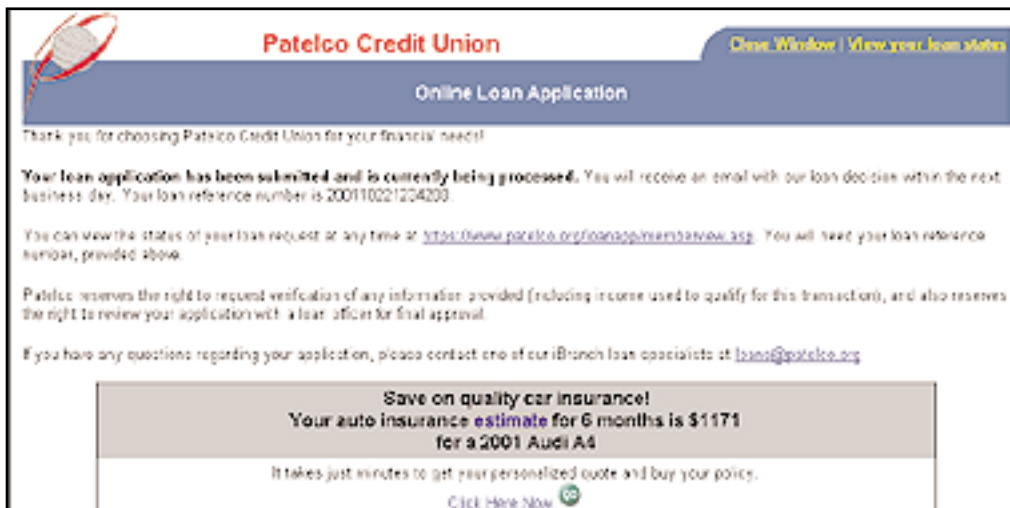
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Although a growing number of banks have incorporated insurance services within their online offerings, to date few have seen widespread adoption. This is because poor integration and marketing have prevented customers from turning to their primary bank for their insurance needs.

A few savvy financial institutions, however, appear to be harnessing the power of a targeted cross-selling initiatives to the point where customers are most likely to see the value. Patelco Credit Union and Esurance, a direct-to-consumer personal auto insurance provider, have introduced the first integrated online auto loan and insurance application. Instead of marketing insurance online as a standalone product or through the use of unproven and complex personalization engines, Patelco is combining two points of sale, and focusing its auto insurance efforts on a complementary niche of online bankers -- thus dangling a lure precisely at the moment when customers are most likely to take the bait.

By embarking on this strategy, Patelco may avoid many of the pitfalls encountered by its rivals: (Note: A subsequent brief will examine a related acquisition by Minnesota Life, and its potential impact on the insurance and lending industries).



The screenshot shows the Patelco Credit Union Online Loan Application confirmation page. At the top, there is a logo on the left and the text "Patelco Credit Union" in the center, with "Close Window | View your loan status" on the right. Below this is a blue header with "Online Loan Application". The main content area is white and contains the following text: "Thank you for choosing Patelco Credit Union for your financial needs!", "Your loan application has been submitted and is currently being processed. You will receive an email with our loan decision within the next business day. Your loan reference number is 200110221204200.", "You can view the status of your loan request at any time at <http://www.patelco.org/loansapp/membernew.asp>. You will need your loan reference number, provided above.", "Patelco reserves the right to request verification of any information provided (including income used to qualify for this transaction), and also reserves the right to review your application with a loan officer for final approval.", and "If you have any questions regarding your application, please contact one of our Branch loan specialists at lsms@patelco.org". At the bottom, there is a grey box with the text: "Save on quality car insurance! Your auto insurance estimate for 6 months is \$1171 for a 2001 Audi A4. It takes just minutes to get your personalized quote and buy your policy. Click Here Now." with a small "CC" icon.

Based on vehicle data already entered, Esurance's insurance estimates are generated automatically for Patelco auto loan applicants.

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How it works

- When a Patelco member enters personal data into the online auto loan application, Esurance's proprietary technology automatically provides a preliminary insurance quote based on the year, make and model of the car for which the customer seeks a loan.
- For a more detailed quote, members can click over to the Esurance site, and find that their previously-entered vehicle data has been automatically transferred to an Esurance auto insurance application.
- Customers who obtain insurance through Esurance's real-time purchasing process are able to use their e-mail confirmation as proof of insurance during their Patelco loan application. In a matter of minutes, customers can get the loan and initiate insurance coverage (effective 12:01 a.m. the next day).
- The same system is used on the loan officer's desktop, for customers applying for an auto loan in one of the credit union's 29 branches.
- Loan applicants who are interested in the insurance offering, but unwilling to complete both tasks in one day are afforded more opportunities after the point of sale. One example is the e-mail notification of loan approval, which includes the preliminary insurance quote (accompanied by a hyperlink to a pre-filled insurance application).

Why this strategy is attractive to loan applicants

- The number of loan applicants who are uninsured, need to renew coverage, or are interested in cheaper coverage (especially when taking on a new loan) is significant. This service eliminates some of their legwork.
- Most lenders require proof of insurance from auto loan applicants. Lack of insurance coverage, or readily available information on a current policy may lead customers to abandon online loan applications. It is only logical that online lenders offering insurance products do so as close to the point of sale as possible.
- For customers who desire both products, eliminating redundancies through the re-use of customer information augments the incentive to do business with a bank or credit union.

Why this model will be more effective than current cross-selling techniques

- While banks offering insurance services will always need to provide seamless integration and fulfill customer expectations across multiple products, the integrated loan/insurance platform eliminates many challenges faced by banks offering insurance as a standalone product.

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- Standalone marketing of insurance services on banking sites assumes that customers performing deposit account transactions online will also be willing to apply for insurance online (and through their bank site). Cross-selling strategies that employ a bundled auto loan/insurance platform are based on the more defensible supposition that customers applying for car loans online would have an interest in applying for insurance at the same time. The same reasoning could be applied to the compatibility of mortgage applications with homeowners or mortgage insurance applications.
- Standalone marketing requires customers to realize on their own that they need insurance and purchase it from their primary bank. In contrast, a loan application integrated with automatic insurance quotes subtly escorts them to this conclusion.

The introduction of Patelco and Esurance's bundled insurance/loan application may be a pre-cursor to a new breed of "standard practices" employed down the road by financial institutions. By focusing on its 2,000 monthly auto loan applicants (and not its entire membership of 190,000) the credit union believes it will acquire insurance customers more effectively, and at a lower cost.

While it is commonplace today to see entire product lines cross-marketed to diverse masses of customers under one somewhat diluted banner, one alternative embraced by banks and credit unions is the integration of hard-to-optimize personalization engines. Both tactics have failed because of disconnects between IT and business strategies which have inhibited customer adoption.

The cooperation required to bi-directionally transfer information during each application and to accept electronic policy purchase confirmation as proof of insurance reinforces the convenience offered in the Patelco/Esurance business proposition. It is this convenience that will ultimately allow Patelco/Esurance's targeted, point-of-sale cross-sell to succeed where others have failed.

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