

The General Store

By Chris Burand

Once upon a time, in a little frontier farm town in the late 1800's, a church, school, saloon, and general store stood around the town square. The general store sold everything but salvation, education, and inebriation. As the town grew, a butcher, baker, and grocer opened shops. The general store also grew with the town but no longer sold a variety of food because other shops could sell better quality food, provide more choices, and offer reasonable prices because these shops specialized in food.

Another year passed and a clothing store opened its doors. Soon people bought most of their clothes at the clothing store because it offered more choices at reasonable prices. After all, the general store could only carry a limited amount of clothing because they had to stock so many other items in their limited space. They also had to deal with so many different suppliers in so many different industries that they did not have a lot of time to focus on buying a wide variety of clothes or keep up with fashion.

As time passed, the general store began to specialize more and more in hardware because eventually, that was the only kind of specialty store that did not open in town. They began to specialize because competition took away their options. They could sell anything and everything as long as they could sell it better than anyone else—which they could do as long as a specialty store did not open its doors.

Once upon a time, insurance agencies sold everything. Even now, in many small towns, it is common to see agencies selling all kinds of insurance, real estate, airline tickets, and sometimes even hunting licenses. Mostly though, P&C agencies sell P&C insurance, life agents sell life and health insurance, and real estate agencies sell real estate. To a certain extent, further specialization has occurred with direct writers focusing on personal insurance and independent agencies specializing in commercial insurance.

Recently the barriers between banking and insurance have been worn down. Many banks are selling or beginning to sell insurance. Similarly, P&C agencies are being encouraged to sell life and health insurance and banking services. Selling additional services to current clients is a great way to substantially increase growth and profits...

...IF the agency can sell those services better than the competition. Just because a customer buys one service, does not mean they will buy other services. It is true once a customer buys one product, they are more likely to buy another. However, it is too simplistic to believe that just because a customer has a mortgage with a company, the customer will also bank with that company if they are offered a checking account. A company offering one-stop shopping, a financial general store of the 90's, will only make significant sales if they *offer a better product/service/price than the competition.*

In fact, the May 21, 1998 *Wall Street Journal* reported that Prince & Associates, a consultancy in Shelton, CT, surveyed 311 wealthy people. They found that one-stop shopping for financial services appealed to only about 22% of them and this is approximately the same percentage that already uses one-stop shopping! With access to financial products being so easy today, simply offering or providing clients with insurance, banking, and investment services is not enough. It is just as easy for a person to do their banking, insurance, and investments through three web sites as it is one web site.

As one agency owner has told me many times, “I would love to sell lots of life & health insurance and I know I would make lots of money if I did, but in twenty years I still have not found one person to work within the agency that can successfully sell those products!” Many agency owners have learned through experience that P&C and life & health are like oil and water. It is difficult to get the same people or even the same agency to sell both products. Cross-selling makes a lot of sense if you have products, services, and abilities that are better than the competition.

Please don't misunderstand, I believe wholeheartedly in cross-selling. Cross-sell whenever you have the opportunity. Cross-selling costs little extra in money or effort, so the profit margins are great. If you have a P&C agency and have the ability to successfully cross-sell and even make initial sales through the life & health department (or any other department), do it! Spend the time and the money to cross-sell and bring in a lot of additional business.

Most agencies and companies do not have the ability to cross-sell extensively though. They are best at one item and can have the greatest success by specializing in that one area. For example, if a P&C agency is to have a major cross-selling effort in life & health, it must have enough skilled people in life & health to write the business and do it well. Otherwise, the agency's efforts may damage their customer relationships and P&C sales will suffer. Some insurance companies have found they lack the ability to cross-sell because of their computer systems. The *Wall Street Journal* has reported some companies leaving lines of business and foregoing cross-selling opportunities because the computer systems to support two lines are too expensive. Furthermore, when a big push to cross-sell is introduced, the push will cost money and profit margins will be less than after the program gets rolling.

Cross-selling can be very lucrative. Whenever an agency can make a cross-sale and make money in the process, they should. However, to make a major impact in cross-selling, an agency and a company have to have the best product/service/price. Otherwise, they are just a general store and specialists will pick off one line at a time. In 1776 Adam Smith wrote *The Wealth of Nations*. In his book he proved, and every basic college economics class has since proved, that a business can maximize its wealth by specializing in the one area in which they are the best. Cross-sell if you can offer the best product/service/price for those products or maybe an overall package of products. Otherwise, if you are the best in one line, focus on staying the best and maximize profits from your area of expertise.

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