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ADVISORY • LEARNING • TECHNOLOGY

WHITE PAPER

Reflections on Strategy for Insurance Companies.

Paper 3 of 3:

Product and Price Bundling – A Smart Strategy for Bancassurance



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1. Introduction

Product and Price bundling is not in itself a new concept to banks, especially in the retail or consumer banking business. Simply put, product and price bundling is about combining multiple banking product or service features into a bundle and imposing a maintenance fee for the entire bundle. The end result of bundling is a banking solution that hopefully satisfies the financial needs of a customer.

The right bundling leads to higher customer and frontline banker acceptance; ideally, it should also lead to a higher profit to the bank and more sales of insurance for the insurance company.

> *"The right bundling leads to higher customer and frontline banker acceptance.*

A key takeaway:
Product and Price Bundling is one of the key success factors for Bancassurance.

This paper considers Product Bundling as a strategy, outlines the alternative strategies available to product bundling along with the preferred target markets for each, and then suggests a series of bundling strategies and product outlines for each of those target markets.

1. Why Bundling?

Research and experience suggest that product bundling can be a very effective strategy for a successful Bancassurance partnership.

Customers who take one product from a financial services provider are significantly more iikely to take additional products. They are also generally willing to pay a premium for the convenience, simplicity and perceived added value that a well-structured bundle offers.

> *"Customers who take one product are significantly more likely to take additional products.*

2. What problems are we solving?

Without product bundling, the profitability per customer is often sub-optimal, and many bank staff are reluctant or unable to engage in a sales conversation about additional products.

Customers typically want quick, convenient banking services, not long sales discussions.

Cross-sell ratios are often weak, reflecting missed opportunities to meet broader customer needs.

A compelling value proposition is therefore needed, and product packages or bundles help create an efficient sales conversation, making it easier for bank staff to introduce multiple relevant products in a way that is simple, valuable and customer-focused.

3. Why Price and Product Bundling should be central to your Bancassurance product strategy

Price and product bundling should be at the heart of a Bancassurance product strategy. Bundles help customers give more of their business to the bank and help staff engage in an efficient and effective sales conversation. The automatic cross-sell that comes from well-designed product bundling can materially move the needle on sales and profits.

Drive greater customer share of wallet

Bundles help ask customers to give more of their business and help staff engage in an efficient sales conversation, by packaging relevant products and services together around customer needs.

Material impact on sales and profits

The automatic cross-sell of product bundling can materially move the needle on sales and profits by increasing product take-up, deepening customer relationships and improving lifetime value.

Why price bundling works

Price bundling works because customer willingness-to-pay can be aggregated across products, so that positive consumer surplus in one product can offset negative consumer surplus in another.

Understanding consumer surplus

Consumer surplus is the difference between a customer's willingness-to-pay and the retail price. For example:

Consumer surplus for banking product = +2.
Consumer surplus for insurance = -1.

Overall result from Bundling = Consumer surplus of +1 = still positive willingness-to-pay.

A core reason for the existence of Bancassurance

Bundling is a core reason for the existence of Bancassurance — bundling insurance into the brand of the Bank. Pricing strategy should therefore be an integral part of a product bundling strategy, ensuring the combined value proposition is attractive for customers and commerically sustainable for both the bank and insurer.



4. Structuring a Banking Bundle

A banking bundle typically combines core banking products with relevant primary insurance products, secondary value-added products, and increasingly augmented add-ons. This creates a more compelling value proposition for customers, deepens engagement and provides multiple opportunities for cross-sell across the customer lifecycle.

Core Banking
FOUNDATION PRODUCTS

- Credit cards
- Current accounts
- Mortgages
- Brokerage
- Savings
- Loans

Primary / Risk Management Bundle
INSURANCE PRODUCTS

- Auto insurance
- Travel insurance
- Life insurance
- Renter insurance
- Long-term disability insurance
- Homeowner insurance
- Casualty insurance
- Credit insurance

Integrated Banking Bundle

More Value | Deeper Relationships
Higher Loyalty

Secondary Bundle
VALUE-ADDED PRODUCTS

- Hotel discounts
- Restaurant deals
- Flight discounts
- Flight miles
- Handyman service
- Travel emergency service
- Retail store discounts
- Concierge service

Augmentation Dimension
DIGITAL AND ADVANCED SERVICES

- Online facilities
- Calculators
- Business support tools
- Robo advice
- Predictive AI budgeting
- Third party fintech

5. Bundling Strategy

Bundling can take many forms, and it is useful to classify bundles along two dimensions:

1. **Bundling focus** – whether the bundle is primarily about products or about price.
2. **Bundling form** – whether the bundle is a pure bundle (only bundled products) or a mixed bundle (a combination of bundled and non-bundled products).

5. Bundling Strategy



Bundling can take many forms, ranging from simple product combinations to sophisticated, customised solutions that meet the diverse needs of different customer segments.

Customised bundling allows customers to create their own bundles and is often more appropriate for budget-constrained customers who value only a relatively small set of offered products.

Common Forms of Bundling

Bundles can be structured in different ways to meet customer needs and business objectives. Key forms include:

Mixed Bundles

Combination of different product types (e.g. protection, savings, investment) in a single package.

Non-linear Price Bundles

Different pricing levels with varying rate bonuses, discounts or waivers.

Targeted Bundles

Designed for specific customer segments (e.g. Small Business, HNW clients).

Channel-based Bundles

Tailored bundles depending on the distribution channel (e.g. online vs branch).

Family Plans

Links multiple products and services across a household or group under a common structure.



Considering each strategy in turn

5.1 Mixed Bundles

Mixed bundles combine different product types – such as protection, savings, investment and general insurance – into an integrated package.

Bundles can be structured for different socio-economic segments, for example:

Blue
Entry-level bundle for lower socio-economic markets.

Silver
Enhanced bundle for middle socio-economic markets.

Gold
Comprehensive bundle for upper socio-economic markets.

Optional add-ons, such as aligned insurance products, can be offered to further customise the bundle.

5.2 Non-linear price bundle

Non-linear price bundling is first and foremost a pricing strategy, where different monthly maintenance fees are tied to different rate bonuses, discounts or waivers.

Tier	Monthly Fee	Key Benefits (Examples)
Basic	Lower fee	• Standard interest rate • Selected fee waivers
Plus	Mid-tier fee	• Higher interest rate • More fee discounts • Additional privileges
Premier	Higher fee	• Premium interest rate • Comprehensive fee waivers • Exclusive benefits

5.3 Targeted Bundles

Targeted bundles are designed for specific customer segments, such as Small Business and High Net Worth Individuals, with features and benefits that those groups can identify with.

Small Business
- Professional indemnity or fidelity insurance
- Business continuity support
- Tailored cash flow solutions

High Net Worth Individuals (HNW/UHNW)
- Concierge services
- Estate planning solutions
- Wealth and legacy protection
- Bespoke insurance coverage

5.4 Channel Based Bundles

Channel-based bundles differ by distribution channel, reflecting different customer behaviours and needs. For example, online bundles can offer better rates or simpler products, while branch offerings may include more comprehensive advice and value-added services.

5.5 Family Plan Bundle

Family plan bundles link all products and services across a household or group through a common pricing structure or shared value-added benefits. This encourages greater customer loyalty and deeper wallet share across multiple needs.

5.6 Bundling Positioning/Branding

There are three key product and branding considerations:

1. The bundle must be positioned for a segment that makes sense for the Bank.
2. It must be explicable in terms of features and benefits to its target market.
3. The bundle must have its own clearly defined brand and personality.

5.7 Pure Bundling/Mixed Bundling

Pure bundling offers only the bundle, with products sold together as a single package. Mixed bundling allows products to be purchased both as a bundle and individually. Mixed bundling is typically more profitable because pricing can cater for those who want the bundle without disenfranchising those who do not want it.

5.8 Structuring the Bundle

The components of the bundle should consist of an appropriate combination of Core, Primary, Secondary and Augmentation dimensions for the segment. Duplicated choices in the base bundle should generally be avoided.

6. Pricing Strategy



A well-designed pricing strategy is essential to the success of product and price bundling. Price satisfaction is generated when the actual price matches customer expectations and does not necessarily require the lowest price. Customers are often willing to pay a premium when they perceive clear value, trusted advice and an integrated set of benefits.

Key Factors in Pricing Strategy

Customer perceptions of price are shaped by multiple factors. A successful pricing strategy should take into account:

Price-quality ratio
Is the price reasonable for the perceived quality and value received?

Relative price
How does the price compare with competitors and alternative options?

Price reliability
Is the price consistent and predictable over time?

Price fairness
Is the price perceived as fair for the benefits provided?

Price transparency
Is the pricing structure clear, easy to understand and free from hidden costs?

Four Observations for Effective Pricing

Our experience suggests four key observations for pricing strategy:

1. **Information as a central basis**
   Robust market, customer and competitive information should form the foundation for pricing decisions.
2. **Consistent integration of pricing strategy into overall strategy**
   Pricing should be fully aligned with the company's broader business, brand and growth strategy.
3. **Communication of pricing and related services**
   Clearly communicate not just the price, but the total value, including supporting services and bundled benefits.
4. **Your customers' perception of value**
   Ultimately, success depends on how customers perceive the value they receive, not just the price you set.

> *Price satisfaction is generated when the actual price matches customer expectations and does not necessarily require the lowest price.*

7. Bundling Marketing Strategy

Bundling is not a discount strategy, particularly if the partnership is in a dominant market position. Bundling is better viewed as a growth strategy composed of at least three elements:

1. Increasing customer satisfaction

Through a deeper relationship by the provision of an expanded range of features and benefits.

2. Cross-selling

As one holy grail of most banks' strategy, with bundling automatically increasing cross-selling and platform banking staff productivity.

3. Increasing customer acquisition

Through marketing by making direct price comparison more difficult and shifting competition from individual product level to system level.

7.1 Target Market(s)

Bundling strategies can be applied across all key customer segments, including:

- The mass market of the Bank
- Small to medium enterprises
- Larger enterprises
- High net worth individuals

Product and price bundling should be a part of any acquisition strategy that contemplates expansion into new target markets.

7.2 Bundling Marketing/ Positioning Strategy

A master 'Select' brand can be created with sub-brands such as Select Blue, Select Business, Select Platinum and Select Digital, with selected products rebranded under this family to create coherent positioning across the market.

An online channel-based bundle may sometimes adopt a cool anti-brand persona, appealing to digitally savvy customers with a distinct and unconventional identity.

Staff will make or break the pivot to bundling. Approximately 40% of the bundling marketing budget should go to staff promotion and training to ensure strong understanding, engagement and consistent execution.

7.3 Market research

Proposed bundles and the bundling concept should be tested through market research to discover whether the market will buy the proposition at the chosen price point or structure. Key research questions include:

- Price-quality ratio
- Relative benefits versus price
- Price fairness
- Bundle-price transparency
- Bundle-brand
- Bundle-position



8. Conclusion

This paper has examined how and why price and product bundling in bancassurance offers a strategic advantage for partners seeking to expand their insurance offerings and engage customers who might otherwise be hesitant to purchase insurance coverage.

Bundling helps banks and insurance companies create compelling value propositions, simplify the purchasing process, enhance perceived value, address price sensitivity and reluctance, increase customer satisfaction, retention, and acquisition, encourage cross-selling, maximize revenue streams, and position partners as holistic financial solution providers.

In summary:

Seek to incorporate a product into every banking touch point via a bundling strategy.



Bundled and/or simple guaranteed issue product for the various touch points

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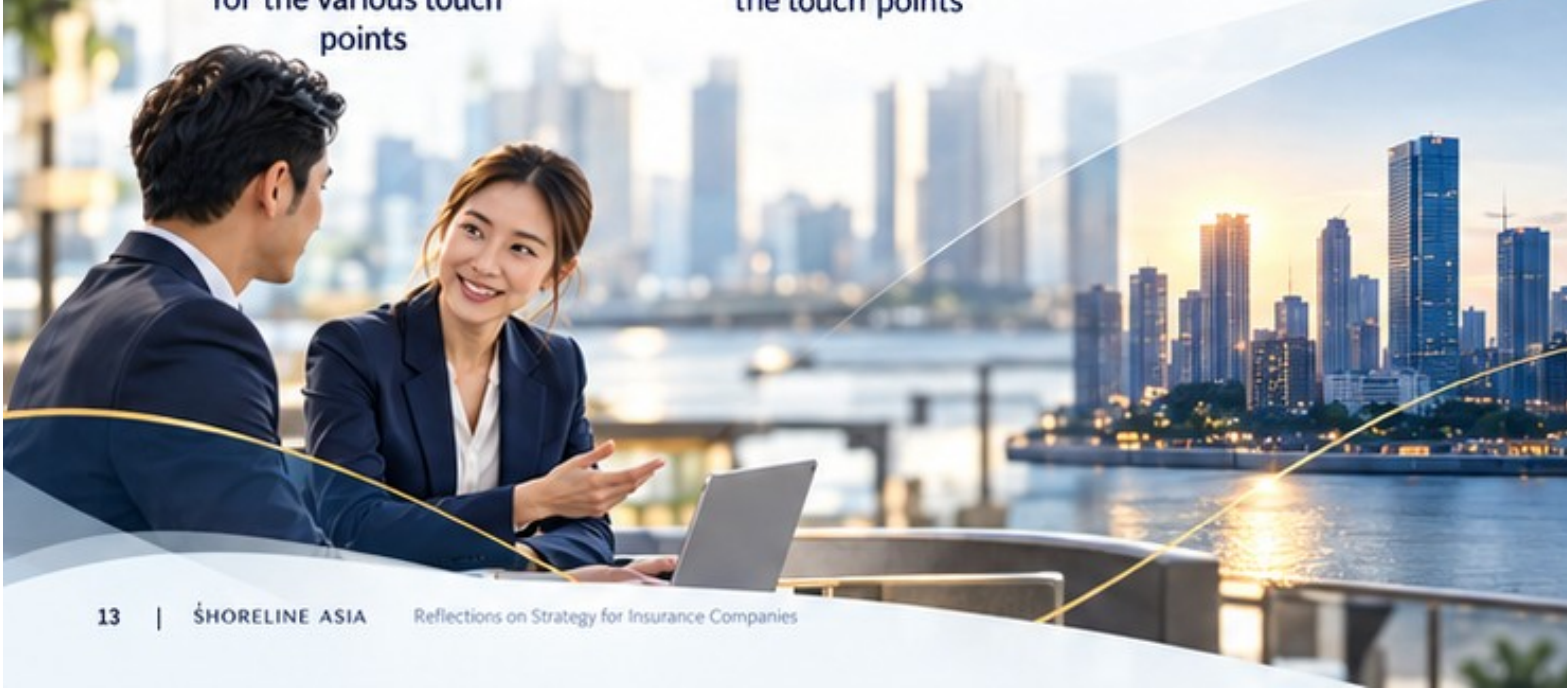


Distribution strategy matched to the touch points

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Success!



Appendix 1 – A Template for Designing Bundles

The template below provides a practical framework to help banks and insurance companies design and structure compelling product bundles. It can be adapted for different customer segments, distribution channels and strategic objectives.

Bundle Name	Core	Primary	Secondary	Augmentation
A clear and compelling name for the bundle (e.g. "Secure Start", "Family Plus").	The main product that anchors the bundle (e.g. life insurance, health, personal accident).	Key additional product(s) included in the bundle (e.g. critical illness, hospital cash, income protection).	Optional or lower-cost add-ons (e.g. rider benefits, wellness services, lifestyle perks).	Non-insurance elements that enhance value (e.g. banking benefits, rewards points, preferential rates, financial advice services).

Pricing Strategy

- Pricing approach (e.g. discounted, tiered, value-based)
- Target customer segment(s)
- Key price points
- Any promotional offers (e.g. limited-time, bundled with banking products)

Marketing Strategy

- Key messaging and value proposition
- Target channels (e.g. branch, digital, RM, call centre)
- Customer segment(s)
- Campaign approach (e.g. always-on, seasonal)
- Success metrics (e.g. sales, conversion, customer satisfaction)

How can we help you?

Shoreline Asia have a global reputation for our expertise in Bancassurance and Retail Financial Services product development. If you'd like to know more, please contact us using the email below and we'd be delighted to discuss how we can assist you in building your Bancassurance channel.

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