Why most cross-selling efforts flop

And seven ways to turn disappointment into success

Since the late 1980s, cross-selling has been the holy grail of large banks, particularly in the retail area, and in recent years, banks of all sizes have rallied around cross-selling pursuits. Early efforts focused on somewhat indiscriminate product pushing; current programs strive to match customer needs with appropriate services.

Few executives question the value of cross-selling. Generally all agree, the more products a customer holds, the less likely they are to leave and the higher their balance levels tend to be. Customers who use online banking, for example, have attrition rates that typically are at least 30% lower than other customers, and they generally hold 20% to 30% higher balances then those without online usage. Statistics like these have become commonplace and highlight the need for cross-selling success like never before.

So, as an industry, are our efforts paying off? With few exceptions, the answer is, no. Research from Haberfeld and Associates shows that we have moved the needle remarkably little over the last 20 years, and, in fact, the needle has gone the wrong way in some cases. The table at right, based on Haberfield's experience with hundreds of financial institutions from 1982 to the present, shows the penetration of checking account households with further product sales remains largely unchanged: 50% of households have a savings account, 12% have a CD, and so on. The only standout over the last 20 years is in the penetration of home equity lines of credit, which is now at 28% of households.

So what are we doing wrong and what can we do to get on a path to true cross-selling effectiveness?

In my view, the industry has largely failed because we looked to technology to solve the problem through sophisticated customer relationship management applications that are focused too much on segmenting customers and not enough on the processes needed to ask for the business. CRM ignored the sales force, or, at best, considered the sales force as an afterthought. No doubt information gleaned from CRM systems can aid the sales force, but the lion's share of selling financial services takes place eyeball to eyeball, and you must focus, measure, and change the salesperson's interaction with the customer in order to impact cross-sell results.

Here are some tactics that will impact these areas and further your success.

Household penetration of additional products
18 months after customer acquisition

	1982	2003
2nd DDA	.16	.16
Savings	.45	.49
CD	.23	.13
IRA	.09	.02
MMDA	.07	.03
Consumer loan	.20	.14
HELOC	N/A	.28
First mortgage	N/A	.07
Business checking	N/A	.02

Source: Haberfeld and Associates

1. **Keep the message simple.** No conversation about cross-selling can occur without mention of Wells Fargo CEO Dick Kovacevich, one of its biggest believers. Year after year he motivates the sales force with his consistent, aspirational message of "Going for Gr-Eight"—spurring the troops to have a

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goal of eight products per customer. Kovacevich's goal is no doubt a lofty one, but his mantra has moved Wells Fargo's average retail customer cross-sell rate to 5.3, about double the industry average.

Another effective slogan is "Strive for Five." What message does your front line have about cross-sell expectations? How often do they hear it?

2. Develop clear metrics. Even organizations that espouse the importance of cross-selling fail to implement measurements that are meaningful and actionable. At a minimum, cross-selling must be understood on several levels:

Product penetration rates: At all levels of the organization (branch, region, etc.), do you know what percent of customers hold which products? For example, for every 100 households with checking accounts, what number of home equity lines, debit cards, direct deposit relationships, etc., can you expect to achieve? Once you understand the bank averages, you can identify the practices of branches and regions that excel and mirror these behaviors. Most importantly, you can hold the branches that lag behind accountable for directing more sales attention to the product areas where they are weakest.

Fifth Third Bancorp is one of the best at deploying this strategy; they know that 92% of their mortgage customers have a checking account; 54% have a home equity product, 40% have a credit card, and 11% have a brokerage account. It's critical to be able to slice and dice the data to establish a baseline and then over time drive those numbers up.

New account cross-sell rates. How quickly new customers are "brought into the fold" dramatically impacts attrition rates. Tracking the number of products sold to each customer within their first 90 days and linking that data to each salesperson is one of the best strategies for developing deeper customer relationships, especially if you reward and recognize top performers. (More on this, below.)

3. Tie cross-selling into the compensation programs. Well-developed compensation programs include cross-selling as one component. All front-line salespeople should be accountable for achieving measurable rates of cross-sell appropriate for their lines of business. Commercial sales officers might be accountable for achieving a certain level of deposit penetration on the part of their loan customers. Many banks that are serious about cross-selling expect all new households to hold a certain number of products (generally some factor over two) within 90 days of new account opening in order for the salesperson to be compensated for the sale.

4. Implement consistent front-line sales processes. For all the hoopla surrounding cross-selling, the absence of straightforward practices at the most frequent places of customer contact is startling. Too much emphasis has been placed on segmenting customers and not enough on segmenting the activities of the sales force. Try these activities—not just for a month or two, but over an extended period of time:

Cross-sell improvements don't require elaborate systems, says former bank marketer, Margaret Kane

Have tellers ask simple sales questions during the transaction: "Do you bank with us online?" "Do you have any savings and investments?" "Have you considered having your paycheck deposited so that you can cut down on the number of trips you have to make to the bank?" Teller supervisors must walk around behind the teller line to observe these behaviors, recognizing those who execute well and coaching those who don't.

5. Simplify product lines. Lack of product knowledge on the part of salespeople is frequently identified as a barrier to cross-sell effectiveness. Training (and in particular role-playing) can help to fill gaps in these areas. However, an equally important place to start is a rigorous review of your product line. Most banks have over 100 products; there's no way a front-line salesperson can know what to sell to whom with any degree of consistency. For each product type identify one or two lead products. To use a retailing analogy, give these products the best shelf space and relegate the others to less prominent positions in both your marketing materials and in the minds of your sales force.

6. Package products. Reducing the number of products will improve the ability of your sales force to sell with confidence. Packaging these key products into effective combinations will take you even further as you build cross-selling right into the initial sale, under one name. Packaged accounts have been around in various forms for more than a decade. It's time to breathe new life into the concept by adding *services* (online banking, bill pay, direct deposit) and loans (mortgages). Best in class examples of these include a student package (checking, debit, introductory credit card) and a new homeowner's package (mortgage, checking, home equity, etc.) Packaged products facilitate patterned conversations between sellers and buyers and solve the real needs of people at various life stages.

7. Bring customers "onboard" within the first 90 days. There is a lot of buzz in the industry right now about the value of cross-selling customers as soon as possible after they join your institution. Customers are more receptive to expanding their relationship early on, when they are eager to reinforce their own choice of a financial institution. There are tried and true activities that can impact early success, such as consistent telephone follow-up within the first two weeks after new account opening to both thank the customer and ensure that their checks and debit card have been received. Activities such as these pave the way for subsequent outreach to sell services that make the relationship "sticky," such as bill pay, and direct deposit.

There is no silver bullet for cross-selling success. But if these straightforward, consistent processes are well executed with every customer, nearly every time, you will invariably be at the top of the cross-sell charts. *BJ*