



Cross-selling: How and why to implement a best-practice cross-selling strategy in the Financial Services sector

Research White Paper

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Introduction

The problem

The pricing strategy and customer service model at most FS organisations is geared towards multiple product purchases by customers. But companies often struggle to achieve the expected cross-sale rates, and find themselves with large numbers of customers holding only one or two products, often at very small profit margins.

Purpose

The purpose of this Research White Paper is to:

- Explain the commercial importance of effective cross-selling in the FS sector
- Identify the ways in which cross-selling activities typically fail
- Identify the most effective ways of managing sales staff, marketing processes and customer communication, and focusing the organisation on profitable cross-selling

Approach

The approach has involved:

- Collation of detailed information about cross-selling approaches encountered within financial services organisations, based on a combination of original research and extensive client work across numerous countries
- Identification of relevant concepts and methodologies
- Identification of key success criteria
- Utilisation of anonymous case studies
- Presentation of actionable insights, offering financial services companies the opportunity to see how the recommendations would apply specifically to an organisation like their own

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The perennial attraction of cross-selling

Cross-selling is in the DNA of strategic marketing and distribution but very few organisations manage to achieve the full financial benefit...

FS companies instinctively know that cross-selling is central to their commercial performance. While other strong contributors to profit, such as effective retention and customer management, have only much more recently become of high importance, cross-selling has been central to strategic planning for years. For this reason, it is surprising that so few organisations successfully achieve the full financial results that cross-selling can bring.

The attraction of multiple products

At a basic level – and in theory – the attraction of selling multiple products is obvious. First, the more products a customer has, the more profit the organisation generates. Secondly, an organisation with a wide range of products is able to provide customers with more financial solutions as they move through different stages in their life, and so keeps the customers' business over time. Thirdly, the more products customers buy, the more difficult it is for them to take their business to a competitor – a process that marketers call 'entanglement'. And finally, these further products can all be sold by the same organisation, using the same people and the same processing and customer service facilities. In simple terms, it creates economies of scale and forces more business through the same 'factory'.

All of these things are true – and there are many cases where FS organisations have successfully achieved these goals. However, the commercial attraction has been enough in the last 20 years to encourage enormous investment by the FS sector in a succession of projects intended to drive cross-selling:

- Takeover of (or merger with) manufacturers of potential cross-sale products
- Data warehouse build
- CRM development
- Intensive staff sales training
- Restructuring of front office / back office sales and service functions

In each case, the overall intention was broadly the same: that the organisation will

become stronger because of its wider and more attractive product range; that the products will cover all the main financial needs that their customers have; and – crucially – that the organisation will become more respected and better liked by its customers as a result. The difficulty is not in the theory. It is in the real life experience of creating profit out of these apparently simple steps.

Painful lessons in converting commercial promise into reality

In some regard, it is the fact that so much has been spent on cross-selling that is at the heart of the cross-selling difficulty. Organisations have found themselves increasingly desperate to justify their expenditure by driving staff into increasingly aggressive and short-term sales activities.

The story of the last 20 years of cross-selling strategy is largely a story of failed approaches to customers. Three broad strategies have been used:

3 broad cross-sales strategies

- 1 Get close to the customer
 - Heavy brand expenditure
 - Customer advice
 - CRM and capture of customer information
 - Intensive staff training
- 2 Dominate the customer's product options
 - Takeover of other product manufacturers
 - Bundling (so customers have to buy Product A with Product B)
- 3 Continual 'push' selling
 - Cross-sales targets given to front-line staff
 - Heavy direct marketing

Consumer resistance

Most FS markets have become increasingly competitive, putting organisations under increasing pressure to create alternative income sources through cross-selling. In many countries capital has been in short supply since the economic crisis, which further reduces FS companies' room for manoeuvre. Cross-selling is therefore as important now as it has ever been – but remains as difficult to achieve as ever.

The first difficulty is with the consumer. Most consumers have experienced inappropriate cross-selling by financial organisations, and are therefore suspicious of communication. In addition consumer anxiety is at its highest for a generation, and particularly in those countries that experienced the collapse of high-profile banks,