

THE CROSS-SELL SALES EFFORT

by [Steve Brown](#)

Small business lending remains depressed despite intense efforts by the government to revive it. There is no clear evidence that any of the past attempts to bolster credit supply or spur demand have worked. Banks have witnessed shrinking C&I and CRE portfolios. One way that banks are responding is by re-emphasizing cross-selling to existing

customers to make sure they retain the customers they currently have. Many banks have also come to realize that on a risk-adjusted basis, many loans carried on the books may be unprofitable. To increase net income, banks are turning to fee income as a way to generate stable revenue with less credit risk.

Banks are counting on cross-selling to replace some profit lost after the financial crisis (and decrease in loan volume). At a recent investor conference, Wells Fargo executive managers mentioned cross-selling 108 times. The bank has also incorporated the slogan "Eight is Great," as it pushes employees to cross-sell 8 products to each customer account (currently sitting at 6.02 products per account).

Banks of all sizes are feeling pressure to cross-sell. For example, Huntington Bank in Columbus, Ohio, has been hiring securities brokers and pushing to increase revenue from trust and treasury management. We believe that for larger banks, cross-sales may add 2% to 5% in ROE. However, for community banks cross-selling can add substantially more ROE.

If you don't have a cross-sell plan as a strategic initiative, let us suggest that you consider it. A cross-sell plan starts with making sure you have the right product solutions that are bundled correctly. Any good cross-sell effort usually starts with a solid cash management offering and expands into building deposit balances, then loans and then other areas such as international services, investments, insurance or trust.

Next to having the right products, tracking your effort is key. Banks that use our Relationship Profitability system easily get cross-sell reports that not only highlight the number of products utilized, but also monitor the incremental profitability of each sale. Some banks simply do this on a spreadsheet using a download from their core system. Anyway you do it, being able to see the average number of profitable products will help drive an enhanced cross-sell effort.

If you have the products and the ability to track profitability, the next step is boosting marketing and sales. Creating a cohesive campaign around a theme helps frame the effort in the mind of the customer and the employee. Recently, community banks have utilized successful marketing themes such as "Getting back to business," "Building America," "Taking care of your future," or "Realizing dreams." The theme should transcend the simple showing of products and make an emotional appeal to help your retail or business customer look at products that will make their lives easier (or more profitable).

Finally, success in cross-selling comes down to the sales effort. All the product design, tracking and marketing in the world won't get it done without an organized and forceful effort that starts with the CEO setting the tone. A dedicated sales push for 6+ months

will keep everyone focused. Publishing results, peer pressure, giveaways and, of course, compensation will provide the incentive for everyone to pitch in and help close sales.

Cross-selling is often talked about, but rarely successfully executed. Having a well design effort will help ensure success and build a long-term sales culture that revolves around providing bundled solution to help solve client problems.

SELLING AUTO LOANS?

Right now there is a shortage in the market for quality auto loan paper and we are buyers of \$5mm or more. FICO scores should average 700 or better, with 650 as a minimum. A 7% weighted average coupon pool is going for between \$101 and \$103 dollar price, so it is a great time to take a gain. Send in a tape of new or used cars, direct or indirect and we will try to put a bid on it.

BANK NEWS

Stalled

The small business bill that would create a \$30B fund community banks could tap for capital is stalled in the Senate as discussion swirls around the amendments. One amendment under consideration would increase the credit union business lending cap from 12.3% to 27.5%.

Nat'l Bank Earnings

JP Morgan had a 9% drop in earnings from 1Q as investment banking sales were off 24%. Bank of America income also fell 9% due to global banking and trading off some 38% collectively.

Regional Earnings

This week almost every regional bank releases their earnings. Zions Bancorp started off and posted a 7th consecutive quarterly loss of \$113mm, widened from \$87mm in the 1Q. Loan loss reserves dropped 14% from 1Q, while net chargeoffs rose to 2.64%. Nonperforming assets fell to 6.59% from 7.03%. Speaking of fee business, BNY earnings quadrupled to \$668mm on improved asset management fees and 43% lower reserves.

Goldman Sachs

reported a drop in net income to \$613mm from \$3.4B, due to lower trading revenue, the UK bank tax and the reserve for the \$550mm SEC settlement.

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