The Case for Cross-Selling

profitability cross-sell

On November 13th, a British man left the beaches of Senegal bound for Brazil via the Atlantic Ocean in a swim suit and goggles. With the luck of the currents, few marine life encounters and good weather, he hopes to arrive in Brazil by March. After 3Ys of training and fundraising, Ben Hooper is taking on this 1,635 nautical mile swim challenge for the sake of his daughter and his affinity with water. As we think about Ben's journey, we are reminded of the banking industry's challenge to sell services to customers, without the perception of shark-infested waters.

Cross-selling has a bad reputation these days, thanks to the Wells Fargo brouhaha. Still, it's common across industries all over the place (would you like fries with that hamburger, a tie with that shirt, etc.), because it is a pretty efficient strategy to increase business with existing customers. After all, enlisting new customers comes at a much higher premium - 5x to 30x higher!

Take Bank of America for example. A few years ago, the bank decided to improve its services at the branch level. At their local bank, customers find their usual bank tellers plus 3 onsite specialists now: the home loan officer, the small business banker and the financial adviser from Merrill Edge. These experts work with warm leads given by other employees, who know that Mr. Smith is looking for a mortgage or that Mrs. Lewis recently inherited a substantial amount of money.

According to the bank, these employees are not paid commission for new accounts. Instead, they receive a salary, and with that, their goal is to answer the needs of the customers. They may offer higher than usual rates on saving accounts or a good discount on the closing costs of the home loan to keep the business within the branch. The goal is to make the bank the preferred bank of the customer, and for the customer, to create a trusted point of contact for financial needs.

Research also finds that many bank customers are happy having multiple products at one institution. In a survey by A.T. Kearney, bank customers had an average of 2.7 products at their primary bank. However, at the 3 largest banks, that number was 2.8 and at medium to small banks, that number was 2.2 products - about 21% lower. This could be good news for community banks as there is an opportunity to cross-sell or it could simply point to the Wells issue. Only time will tell.

Looking at a specific $3B bank, we find that 5Ys ago, this bank landed a new CEO. That CEO started implementing new cross-selling measures. At that time, the average customer had less than 4 products, but after streamlining internal referrals as a way to cross-sell more efficiently, the bank reports the average customer has more than 6 products. That is a huge increase and the CEO notes that no incentives were tied to the number of products sold by the branch employees.

The business case for cross-selling is strong and as we stated, spans across nearly every US company. As long as unsuitable incentives are removed from the equation, community bankers should feel comfortable doing so. Reward employees for keeping loyal customers and for overall performance, including customer experience. If cross-selling is done with this type of criteria and others, perhaps it helps both the customer and the bank swim together in turbulent seas toward an end goal.