



# *Off the Press - April 2009*

## PENNSYLVANIA ASSOCIATION OF COMMUNITY BANKERS

THE VOICE FOR COMMUNITY BANKING IN PENNSYLVANIA SINCE 1876

## How to Make Cross-Selling the Focus

*By William Gossman, President and CEO of ASA Corp.*

**C**ross-selling is a common business practice to increase the value of individual transactions and the overall value of customer relationships. Selling more to existing clients leads to higher revenue and profits.

In banking, successful cross-selling also leads to higher retention because the more of a bank's products a customer owns, the less likely they are to leave. In other words, the stronger and more plentiful the ties, the less likely they will be broken. This article will help you understand if your cross-selling practices could benefit from a makeover, and if so, what to do about it.

### **DOES YOUR BANK MEASURE UP?**

Industry statistics show that there is a strong need for financial cross-selling, which, in turn, yields a welcome increase in retention. For example, the average household in America has 10.14 financial relationships spread across 4.15 institutions. Based on these figures, the average number of financial products per household per institution is 2.4.

Imagine if you could sell just one more non-credit product to a fraction of your existing customers? If even only 5% accepted the offer, the increase to revenue and profits would be considerable. Now consider the long term effect those additional

"ties" or relationships would have on retention levels.

Even better if you could prioritize your efforts based on profitability or customer value. There is strong evidence that when certain products, such as online banking, are aimed at the right type of customer, the result is significantly higher account balances and retention.

### **WHY SIMPLE IS NOT NECESSARILY SWEET**

Since cross-selling is the process of offering additional products to current customers, you might think that running a series of simple database queries to see exactly which customers lack what products, and making offers to everyone based on those queries, would yield an adequate result. But a broad, unfocused approach like this can actually create problems.

The acceptance rate for this type of effort is likely to be very low in relation to the number of offers made because such targeting can not identify wants or needs, or predict behavior. Additionally, such a broad effort is likely to be far more costly than it needs to be, and your customers may easily become fatigued by unwanted, inappropriate offers.

Your goal should be to make a specific type of contact with existing customers.

### **A PROVEN STEP-BY-STEP PLAN**

Fortunately, the analytics and processing power to accomplish this type of targeted cross-selling is readily available. Here are a few considerations that will be helpful in preparing an effective cross-selling strategy:

#### **1) SEGMENTATION ANALYSIS**

Identify what products should be offered to each customer based on behavior, demographics, etc. Segmenting customers can be revealing and surprising. For example, segments based on mobile banking usage will probably look quite different from segments based on each customer's overall value to the bank.

#### **2) QUANTIFY AND PRIORITIZE**

Don't be afraid to withhold offers. There are only so many hours in a day and the focus should be on customers with the greatest potential in terms of acceptance and contribution to the bottom line. But to do this, you have to determine both outcomes; the resulting rank ordered target list is worth more than gold.

#### **3) WHEN, WHERE, AND HOW**

Determining when to make an offer is just as important as where or how. For example, outbound calling is a natural for many cross-selling initiatives, but email, in-branch visits, and even direct mail are all viable options for



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presenting offers. It really depends on what the segmentation analysis uncovered as a best fit for that group, or better yet, that individual. One size does not fit all when it comes to what is being offered, and the same goes for when, where, and how.

#### **4) SHELF LIFE AND LIFE CYCLES**

Generally speaking, cross-sell offers have a shelf life of 90 to 120 days (some opportunities expire in as little as 24 to 48 hours). If the offer is not accepted in this timeframe it should be removed from that customer's opportunity queue, at least for the time being. Likewise, an offer should not be presented more than three times with about 30 days between attempts. You don't want to make the same offer every time the customer enters a branch or banks online. Consequently, tracking and monitoring offer activity is essential.

#### **5) BUILD YOUR STAFF'S CONFIDENCE**

Banks understand the importance of training, but there is a big difference between learning and remembering. Effective cross-selling ensures staff members have what they need at their fingertips to properly interact with customers including product information, pertinent account details, and even what presentation or sales tactic to deploy.

#### **6) MONITOR, MANAGE, AND UPDATE**

Over time a customer's financial status and banking needs will most likely change. Their habits, interactions, and transactions will reflect this. But if you don't periodically monitor for this you won't know when new opportunities naturally occur.

#### **NOW IS THE TIME**

It's no secret that banking is a conservative industry and decisions, especially major ones, are handled with great care and deliberation. Fortunately, cross-selling is such a widely accepted practice that taking it to the next level is a quick and easy decision.

Your bank already has the key elements: customer data, customer channels, and bank staff. The only thing missing is analytics, which is no longer off limits to even small banks. In fact, analytics is one of the most effective ways to leverage existing assets. Our clients have brought in analytics and systemized their cross-selling efforts in just a few weeks. And with our guidance, they fully realize a return on their investment in about 90 days.

There has probably never been a better time to bolster cross-selling initiatives. And banks that reinforce their approach sooner, rather than later, will have greater retention and a longer, more prosperous track record to show for it.