Institutions must cross the chasm between what they want to sell and what their customers want to buy.

Introduction

Financial institutions have adopted cross-selling a wide range of products to customers as a mantra for growth. In a 2004 Towers Perrin survey of financial services companies, 74% of the respondents said cross-selling was extremely or very important—but one-third said cross-selling results had been below expectations. Effectiveness in cross-selling financial services will require most institutions to make significant changes. To succeed, they will need to overcome organizational and political hurdles.

With hundreds of cross-sell solutions in production for a wide variety of customers, Equifax has gained a unique perspective over the past decade in helping financial institutions implement successful cross-sell programs and best practices. This white paper is part of a broad educational initiative by Equifax to share insights—from its own experience and from other companies—with executives who want to implement or improve cross-selling in their organizations.

The initiative began with a Web seminar, Overcoming the Cross-Sell Crisis (which is archived at http://www.equifax.com/biz/resources/seminar_archive.html#archive), and continues with a series of papers on cross-selling. This paper is the first in that series.

The goals of the Equifax educational initiative are to:

1. bring attention to key areas that should be addressed when establishing best practices for an effective cross-sell program;

2. provide important concepts that should be considered as you develop or redesign your own cross-sell program; and

3. provide insights and experiences that explore the relationship and role that cross-sell programs play in the broader customer relationship management strategy.

In this paper, we’ll take a closer look at:

- why relatively few institutions have been able to make the transition from ad-hoc selling to successful, long-term cross-sell programs;

- the barriers that must be overcome to cross the chasm between what institutions want to sell and what their customers want to buy;

- why institutions must become effective relationship managers before they can be effective cross-sellers; and

- an iterative, walk-before-you-run approach to implementing a long-term cross-sell program.
In search of the one-stop shopper

A recent Equifax Web seminar on cross-selling featured guest speaker Ron Shevlin, vice president-principal analyst at Forrester Research. Shevlin reviewed Forrester’s extensive research on identifying consumers most likely to use more than one service from their preferred financial services provider.

Forrester’s survey revealed that only 26% of checking account customers have two or more additional services at the same institution. Moreover, they have low intentions of buying additional services from the same provider. Only 10% will consider their current primary provider for investment products. Auto insurance, life insurance, and brokerage accounts fare much worse: none is likely to be bought by more than 5% of customers.

Shevlin notes that just 17% of financial institution consumers are interested in one-stop shopping. But this is a potentially lucrative group—they’re younger and more affluent than the average customer. They demand more financial products, and they are more loyal to their financial services provider.

What about the 83% who are uninterested or indifferent to the idea of one-stop shopping? Although the idea isn’t attractive to them now, this group could become more receptive in the future as their lifestyles, age, and income change. These changes are outside the financial institution’s control. The most important predictive factor for cross-sell potential, however, is within your control. That factor, which Forrester calls “customer advocacy,” is the extent to which customers believe the financial services provider acts in the customer’s best interests.

According to Forrester, the most important predictive factor for cross-sell potential is “customer advocacy”—the extent to which customers believe the financial services provider acts in the customer’s best interests.

When customers perceive the services provider as working for them as opposed to soliciting more business from them, you’ll hear such comments as:

- “They have the most helpful employees.”
- “They help me make the right choice.”
- “They make my life a lot easier.”

When customers express sentiments such as these in objective surveys, they are ripe for cross-selling.
Experts agree: customers expect you to “earn the right to cross-sell”

Forrester’s research reveals a disconnect between institutions’ expectations for cross-selling and what motivates consumers to be one-stop shoppers. Typically, financial institutions barrage their new checking account customers with offers of services in hopes of building ties that are difficult to unravel. A Forrester report calls this “backwards logic”:

Selling another product isn’t what builds the relationship. Instead, delivering on branch and cross-channel service interactions fosters perceptions of customer advocacy, which, in turn, increases the likelihood that a customer will consider the bank for future purchases.

The Drivers of Future Purchase Intention
Forrester Research, April 5, 2005

In essence, the Forrester report concludes, the financial institution must earn the right to cross-sell by showing more interest in serving the customer than in meeting its own sales goals. When the firm’s researchers measured factors that predict future purchase intentions of consumers, the factor most predictive of cross-sell potential was the customer advocacy rating.

Forrester is not alone in recognizing that managing customer relationships is the key to success in cross-selling. Abundant research and expert observers have reached similar conclusions.

For example, in a survey conducted in 2004, Forum Corporation found that “consumers are open to sales pitches from customer service representatives, but only if the rep solves the customer’s problem and is sensitive to the customer’s needs.” A Forum executive summed up the survey’s extensive findings in four words: “Serve well; then sell.”

1. Build customer relationship
2. Identify customer needs
3. Cross-sell relevant services

Cross-selling should be a by-product of building relationships with customers and recognizing their needs.
Robert E. Kafafian, who runs a bank performance consulting firm in Parsippany, N.J., is another expert who stresses that cross-selling should occur only in appropriate circumstances. “Cross-selling is really all about relationship building, and it’s worth it if it’s done well,” said Kafafian. He advises clients to train employees to recognize and act on cross-selling opportunities as a by-product of their efforts to satisfy customer needs.

Many banks, credit unions, and other financial institutions of all sizes have long used relationship management as a cornerstone of their marketing strategies. According to a 2004 study by BAI Research, relationship banking is the primary customer value proposition that retail banking institutions strive to communicate to their customers. Relationship banking was prevalent in 49% of institutions, followed by customer service quality with 41%. Three other value propositions—price leadership, access/convenience, and product performance—garnered the remaining 10%.

**The big promise: cross-selling is the best route to growth**

In a paper published on Microsoft’s website, Guillermo Kopp, vice president of financial services strategies for TowerGroup, discusses a dilemma financial institutions face as they strive to grow. If the market for a basic service—such as checking accounts—is saturated, trying to attract customers of competitors for that service is a zero-sum game. For every winner, there is a loser, and the market experiences no net growth.

Kopp notes that 95% of U.S. households already have an active banking relationship. Aside from attracting new customers, there are only two other ways to grow revenue:

1. through mergers and acquisitions, or
2. through internal organic growth with existing customers, offering a portfolio of services attractively differentiated from competitors.

According to Kopp, luring customers and enticing them to do more business will require institutions to invest in fundamental improvements in their people, process, and technology capabilities. They will need to find effective ways to combine traditional retail and wholesale banking products into more comprehensive relationship offerings. “For starters,” Kopp wrote, “there is ample room to deepen customer relationships by cross-selling products that are tailored on the spot to the specific needs of individual customers.”
Some institutions are doing exactly that. Wells Fargo, which enjoyed double-digit growth during the 2001 recession, attributed 80% of that growth to selling more products to existing customers. In less than three years, the percentage of Wells Fargo consumer households with five or more bank products increased from 28% to 38%. Fourteen percent of the households had opted for eight or more products, up from 9%.10

It’s not just the big regional and national banks that succeed with cross-selling. Fulton Bank in Lancaster, Pa., averages 4.1 products per household, far above the industry average of 2.5. “Our philosophy is that if we do what’s right for the customer, it’s ultimately right for the bank. That automatically builds loyalty, because the customer doesn’t think that we’re just trying to sell them a product but that we’re trying to satisfy their needs,” said Jill Carson, Fulton’s executive vice president of retail banking.11

When A.T. Kearney surveyed financial institutions, two-thirds of respondents said that the most critical component of organic growth is to ensure a good customer experience at every touch point. Clearly, financial services companies are getting the message: The long-term financial value of a customer is contingent on a well-managed customer relationship.

The potential payoffs

What can financial services providers expect to gain if they succeed in parlaying customer relationships into cross-selling opportunities? Scott Forbes, a managing director at Accenture, tackled that issue in his article, “Creating Profitable Customer Experiences.”12

The returns are significant—if the provider can deliver a positive experience to customers as it exploits all available communication and transaction channels. When customers have positive experiences with tightly coordinated channels, Forbes wrote, they are “four times as likely to use more products, three times as likely to recommend the institution to others, and far more likely to continue their relationship with the bank.”

The big pitfall: There’s no fast lane to success

What are the keys to building an effective cross-selling program? We have already identified some:

- A “customer first” attitude needs to permeate the institution’s culture.
- Recognizing and acting on cross-selling opportunities should be a by-product of efforts to satisfy customer needs.
- The cross-selling program must be tightly integrated across all transaction and communication channels.
Other critical success factors—which will be further discussed in subsequent papers in this series—include:

- Top management must regularly and enthusiastically communicate its support for the program.
- There must be an ongoing relationship management program that encompasses new account opening, customer service, relationship expansion, and retention management.
- The right people must be trained to present the right products to a customer at the right time—usually, when a customer need has been identified or a trigger event has occurred. Every customer-facing employee must strive to serve the customer’s immediate need, and to introduce new products only when they appear relevant.
- Data management tools must be in place to enable front-line staffers to identify customer needs and cross-selling opportunities.

In short, effective relationship management (and the resulting successes with cross-selling) requires aligning people, processes, and data across the organization and all delivery channels.

The road to successful cross-selling is not quickly traveled. The ability to carefully balance action with results-oriented selling and a calculated marketing plan is perhaps the most critical success factor of all. To be sure, strong leaders and thoughtful marketers will both be essential to clear the obstacles you may encounter in building a sound cross-selling program.

There are a number of these obstacles and potential systemic problems that could inhibit effective front-line execution of cross-sell programs. These include:

- A focus on tasks and transactions rather than relationships
- Lack of customer service and sales skills among those responsible for cross-selling
- Inadequate training and coaching on best practices
- Lack of useful data management tools
- Informational and organizational silos
- High staff turnover
- Low brand loyalty
In our experience, the results of a cross-sell program can also be eroded by planning or execution snafus, such as:

- Unrealistically optimistic expectations
- Poor selection of appropriate opportunities
- Indiscriminate touting of products instead of listening to customers and identifying appropriate needs and trigger events
- Lack of long-term management commitment
- Poor tracking of results
- Little or no effort to mesh “lessons learned” into program enhancements

Virtually every organization is trying to deal with one or more of these issues. They are listed to foster awareness of their adverse impact, not to deter you from action. You don’t have to reinvent the organization to start achieving results. Where you recognize a problem, consider how you can minimize it or begin to correct it.

How to get started

Equifax currently administers decisioning solutions for more than 600 customers, and well over 75% integrate a real-time cross-sell function. Based on our observation of the most successful elements of these programs, we have outlined a five-step approach to start building an effective cross-sell program in your own organization.

1. **Start with a cross-selling strategy.**

State in writing an overall framework for the specific goals that you want cross-selling to achieve.

For example, Dick Kovacevich, CEO of Wells Fargo, states that the Wells Fargo goal is to achieve 100% of every customer’s business. This strategy sends a strong message to employees that true customer relationship management is the only option for the company.

Wells Fargo’s strategy takes into account measurements of penetration for each product in each region. The company determined that by focusing efforts on products with low penetration in each region, and moving the laggards from low to average penetration, the bank could add net income of $476 million annually.
As you begin your program, your strategy doesn’t have to be quite so ambitious. For an institution in the embryonic stages of cross-selling, the initial strategy might focus on a single distribution channel with a limited set of products. Here are two examples.

- For new deposit account relationships in the branch and teleservice channels, focus on meeting customer needs with overdraft, line of credit, and equity products.

- For first-mortgage originations and refinance loans through the mortgage channel, focus on cross-selling credit card and equity products with a goal of establishing two credit-based products for every mortgage loan customer.

2. Walk before you run.

Pick your first targets carefully. Until the organization is ready, you don’t want to embark on a sweeping plan that will require substantial time and resources to implement. You want your first pilot program to be limited in scope with achievable, measurable goals.

Select the appropriate customer segment and be sure your program addresses that segment’s needs and values. Also ensure that your project supports the concept that relationship building is a prerequisite for success in cross-selling.

To keep the pilot program simple, avoid anything that will require massive amounts of data or infrastructure to support. For example, don’t implement a data warehouse for a pilot project; instead, consider taking a “test drive” of a cross-selling tool, such as Equifax Decision Power Express, which has minimal commitments of time and resources.

At Equifax, we frequently see credit unions and community banks start with a Decision Power Express solution in an isolated channel, such as the call center, to support cross-selling of a specific product bundle. As the staff gains success with one program, we are often asked to help implement complementary programs for additional channels and product bundles.
3. **Develop a simple plan for your pilot project.**

Perhaps your initial project is to cross-sell home equity products to your new deposit account customers. Your plan doesn’t have to be lengthy, but it should contain the following elements:

- Project goals and milestones
- Tactics for reaching each milestone
- Project schedule
- Personnel responsibilities for customer interaction
- A preliminary training and compensation plan
- A statement of how results will be measured
- A statement of how feedback gained will be used to incorporate improvements in the program

We’ve seen papers resembling formal business cases from certain customers, and brief project plans from others, but some form of documentation early on is a consistent hallmark of our more successful clients.

4. **Execute the plan.**

Your program does not have to be minutely detailed, but it must be actively managed to be successful. Communicate regularly with everyone involved in the program. If milestones are missed or cooperation is lax, correct those problems immediately. Remember, this pilot program is crucial to building the organization’s confidence in cross-selling, so you need everyone’s commitment to achieve successful results.

As your program gets underway you may see opportunities for judicious tweaking of your program’s execution criteria. It is not uncommon for Equifax customers to adjust, for example, the terms of their offer, based on scrutiny of early results. In this regard, flexibility in the underlying technology can prove critical.
5. Leverage the results.

If your pilot project reaches your expectations, make sure everyone is aware of the success story. Use your documented results to get top management’s full buy-in for a more aggressive and comprehensive approach.

Not surprisingly, this is an area where our more successful customers shine. One of our national retail bank customers has implemented more than ten Decision Power solutions. As they roll out successive cross-sell programs for additional channels, they leverage the results of prior projects to stimulate excitement and commitment to the new project.

Raising the bar

A pilot program is simply a trial run. An ambitious and ongoing cross-sell program, on the other hand, must ultimately integrate a large amount of information with people and processes across multiple channels. Clearly, a good program extends far beyond the scope of a pilot program or a one-shot campaign to capture short-term sales gains in a specific time period.

Unlike an automobile, your cross-sell program won’t roll off an assembly line with every bolt in place and every component fully tested. Instead, it will be a work-in-process. You’ll see results, some good and some lackluster. You will enhance what’s working and cull out what isn’t worthwhile. Eventually, you’ll have pilots and mini-initiatives working in parallel with smooth and established cross-selling routines.

So what’s next for your organization? Focus on making relationship management an integral part of your institution’s culture. As customers see that your organization is truly interested in their needs, the cross-sell programs you develop and implement will have a greater chance for success.

In subsequent papers, we will further develop these crucial steps. We will also explain:

- The importance of leadership commitment
- Why excellent communication is crucial to your plan’s success
- How to develop a project plan
- What *process mapping* is and how to do it
- How to develop programs across various channels and leverage real-time and offline opportunities
- How to use data, analytics, and technology to decide what to sell, when, and to whom
• Using event-based triggers to increase cross-sell acceptance rates
• Tips on recruiting the right people, training them, and compensating them
• The importance of program management
• What to measure and how to track results

In Part II of the Cross-Sell at a Crossroads series, we will explore the critical role that leadership and the internal communications plan play in the overall success of a long-term cross-sell program. We will also provide further insight into developing a project plan and driving results with process mapping.

1 “Cross Selling is More Art than Science,” American Banker, 19 October 2004, vol. 169, No. 201
2 Everything You Wanted to Know About Customer Advocacy (And Asked), Forrester Research Inc., 6 July 2005
3 The Drivers Of Future Purchase Intention, Forrester Research, Inc., 5 April 2005
4 In Search Of The One-Stop Shopper, Forrester Research, Inc., 4 April 2005
5 In Search Of The One-Stop Shopper, Forrester Research, Inc., 4 April 2005
7 “Cross-Selling is More Art Than Science”, American Banker, 19 October 2004, Vol. 169, No. 201
8 “The Frontline Factor: An Exploration of Relationship-based Strategies in Retail Financial Services,” PowerPoint presentation, BAI Research, October 14, 2004
10 Untitled PowerPoint presentation, Dick Kovacevich, Goldman Sachs 15th Annual Bank CEO Conference, December 7, 2004
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