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Why Your Bank Will Fail at Cross-Selling

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For banks and financial institutions, cross-selling has become the Holy Grail of the new millennium. Virtually all large institutions have highly organized cross-selling programs in place. Some are into the second and third generations of such programs. Some work well and others just antagonize customers and drive good employees out of the bank.

Most small-to-midsized institutions by now have implemented cross-selling programs or are in the early stages of implementation. No matter what stage of planning or implementation a bank is in, many bankers are not confident that their approach is the right one to meet both their short- and long-term objectives. Their misgivings are well founded.

Cross-selling has become, for many banks and financial institutions, the equivalent of losing weight or exercising. Everybody wants to do it, spends a lot of time and energy planning to do it, but, at the end of the day, the results fall far short of the goal. Often this institutional failure becomes like the emperor's new clothes: Everybody knows about it, but nobody acknowledges or talks about it.

So, why does cross-selling fail and, more important, what can banks do to maximize success? Let's start with a key question: Why bother in the first place? Are there really good reasons for upsetting the beloved status quo? One of the first orders of business is to give your people a clear understanding of today's reality, why it is different for banks than it has been for the last two centuries, and why that reality must shape the way the bank does business or should do business today.

The Brave New World

In the closing years of the 20th century, as all banks were busy preparing for Y2K, the world was changing. The passage of the Gramm-Leach-Bliley Act in November 1999 and the arrival of the Internet as an acceptable, if not preferable, delivery channel have forever changed the world of banking. Banks now have two new dimensions of competition. Large banks such as Chase, Wells Fargo, and Citibank are actively promoting their financial services to consumers and businesses both within and well outside their branch footprints. Although this effort may have started with credit cards, it now includes a broad array of insurance products, investment products, and small-business lending and deposit products. The other new dimension is a rapidly growing population of nonbanks that are aggressively promoting all kinds of traditional and nontraditional financial products. Some of the more aggressive players in this arena include State Farm Federal Savings Bank, BMW Bank, Costco, American Express, GE Capital, UPS Capital, Priceline, Ditech, and the US Post Office. Many of these firms, such as BMW and Costco, are taking advantage of their extremely strong brand acceptance and positioning. Whether it is panache and sex appeal, as is the case with BMW, or rock bottom pricing and huge savings opportunities, as is the case with Costco, these new names are capitalizing on the franchises that they have successfully built and continue to promote.

While this array of new competitors represents a wide variety of industries and organizations, the common thread that they all have is a very well-defined sales process that includes sophisticated cross-selling systems and plans.

Your people should understand that the bank's desire to cross-sell more effectively is not some hair-brained scheme. It is not the best way; it is the only way for the institution to survive and flourish in the brave new world.

The "S" Word

Once your people really understand the "whys," then you can move on to the "hows." Cross-selling is, after all, a subset of selling, and we all know how much bankers love to sell. At the root of most bankers' misgivings is the fact that selling is still a foreign concept. For many years, bankers merely had to stake out some territory and put up some bricks and mortar and the customers would beat a path to their door. Since banking was community-based, both the retail and commercial customers within a community would naturally gravitate to the institutions within that community. Market share was largely a function of the number and location of branches.

The concept of proactive business development, that is, selling, is certainly not a new one, especially to some of the larger institutions that have been engaged in a sales process for decades. Today's reality, however, is that selling is no longer an option.

It Starts with a Plan

Similar to any major strategic initiative, cross-selling should be based on a careful planning process that results in a tactical plan to support the rest of the bank's overall strategic plan. Unfortunately, sometimes cross-selling is initiated as a knee-jerk reaction to an incident, such as the president of the bank discovering that a good customer went elsewhere for a product that the bank offers because the customer never knew that the bank offered it.

Before your institution initiates a cross-selling program, there are several key questions that should be answered:

- What strategic objectives are we trying to accomplish?
- Do we have well-defined and measurable objectives against which our organization's performance, as well as individual performance can be measured?
- How do we align individual rewards with organizational success?
- How do we give our people the training and the tools needed to be effective?
- How do we develop a prospect list (either internal or external) that maximizes the "likely to buy" factor?
- How do we capture and manage the information that is acquired in the cross-selling effort that will point to future opportunities?
- How do our people maintain enthusiasm and overcome inevitable rejection?
- How do we know when we have reached the point of diminishing returns and what do we do then?

Although the answers to these questions will vary by institution, what is most important is that there is a process in place to ask the questions and use the answers to help shape and guide the program.

Being able to answer the foregoing list of questions is important from an organizational perspective. There is a similar process that must be done at the individual level that is also critically important. For many of your frontline people, both retail and commercial, cross-selling and, in fact, the whole concept of selling are foreign and certainly not comfortable. Care must be taken to create individual buy-in, which is based on a sincere understanding and acceptance of the program as opposed to, "This is the way you keep your job." To that end, each individual must be able to answer the following questions:

- How does what I am being asked to do help the institution accomplish its goals?
- How does the customer benefit by what I am doing?
- What is expected of me?
- How will my success be measured?
- What is in it for me?

While these might seem much simpler to answer than the organizational questions, they are far more challenging because each individual should be able to succinctly answer each question without having to refer to a cheat sheet. Of course, the most important question is, "What is in it for me?" There are consulting firms making fortunes on showing banks how to implement the same kinds of compensation plans that other industries have been using for years.

Notwithstanding the banking industry's need to catch up, there seems to be a real commitment on the part of many bank CEOs to fix the problem and compensate people based on performance and value provided to the organization. By so doing, the organization takes on a whole new responsibility of performance evaluation and measurement that could be the subject of another whole article.

Why Does Cross-Selling Fail?

I have helped many banks to create an effective sales process or figure out how to accelerate an existing sales process that seems to be stalled. In either case, the same conditions get in the way of success. There are five key issues that most often sabotage cross-selling (as well as selling in general):

1. Understanding risk
2. Information management
3. Training
4. Coaching
5. Motivation

Understanding Risk

There is no group that is generally more risk-averse than bankers. Banking is, after all, about identifying, assessing, avoiding, and mitigating risk. Even the lending industry's dominant trade association changed its name a few years ago from Robert Morris Associates to the Risk Management Association. Risk affects the issue of cross-selling in two very different but powerful ways.

On the macro level, cross-selling represents a change in behavior, attitude, and perspective for most bankers. Change represents risk. We are now expecting one of the most risk-averse populations on the planet to embrace change. You might as well ask a bunch of Red Sox fans to love the Yankees. It won't happen, at least not without a significant amount of attention, encouragement, and work.

On the micro level, the effect of risk might even be greater. Take the case of the commercial lender (now often called relationship manager, or RM) who is being encouraged to bring other business lines into the relationship, other lines with which he or she is less familiar. Bankers, being died-in-the-wool risk-averters, will always look at the downside and give it more credence than the upside. Knowing this, the bank's senior management must go to great lengths to lower the risk of referring one's customer to another business line.

Information Management

The key to expanding a customer relationship is to know enough about the customer, either in terms of standard demographics (year founded, age of owner, revenue, number of employees, Standard Industrial Code [SIC] of a business) or particular details (the business is transitioning to the next generation). Essential to the cross-sell process is the institution's ability to gather and catalog this information. One of the buzzwords in sales management today is customer relationship management (CRM). Many large banks have spent millions of dollars on sophisticated CRM systems to capture, track, and manage information related to customers and prospects. Unfortunately, in a number of celebrated cases, some of those systems have turned out to be too complex, cumbersome, and user-unfriendly. (Choosing the right CRM system for the bank could fill another entire article.)

Whether it's on three-by-five cards or in a fancy CRM system, the bank must have a system to collect customer information and make it available to the other business lines. Another related issue is advise and consent, that is, who authorizes a customer contact across business lines and what feedback loops should be in place? The answers to these questions will obviously vary by institution.

Training

Even people who apply for sales positions are often apprehensive about the prospect of having to sell something to someone. You are now asking many people who never envisioned sales in their job descriptions to perform this nonintuitive task and even be evaluated and perhaps compensated on their success. Yet, many banks provide little or no training for people who have customer contact.

Training must focus on two distinct but equally important areas: product and sales skills. If the heart of cross-selling and selling in general is the ability to match customer needs and products, then understanding the institution's product lines is a critical need. Since most banks have now diversified into areas, such as insurance, investment, trust, employee benefits, and other related products and services, the training burden has become larger than ever. One important consideration is the prioritization of training based on how deeply the RM, business development officer, or branch manager must delve into the details of the product to effectively create the cross-sell opportunity. There will be a difference in training required based on this concept. In many institutions, the RM only needs to have the basics in a certain product line to be effective. Notwithstanding this, the breadth of products that most banks now offer creates a training challenge that few banks are by their own estimate meeting.

Sales skills development should be a high priority in any organization. Although there are all kinds of training available from online to video and audio cassette to satellite-delivered distance learning to totally customized programs, a few key issues weigh heavily on the individual's likelihood of sustainable success:

- *Banking focus.* Ideally, the program should be geared toward financial institutions selling financial products.
- *Recurring events.* Almost any task that requires skill cannot be mastered in one session. In many organizations, the most successful salespeople are often the ones that seek new training opportunities, knowing that providing sales is a little like pouring water into a leaky bathtub—you have to constantly refill it to maintain a level of fullness. In addition, a good trainer can draw from the real-world experiences of the trainees to maximize effectiveness.
- *Role-playing.* As uncomfortable as it can be, role-playing is extremely important in integrating the skills into behavior patterns. Imagine trying to teach your children how to ride a bike without getting on and trying.
- *Post-training feedback.* Most good trainers will allow and even invite trainees to follow up the actual training sessions with comments, questions, challenges, and so forth. This tends to reinforce and sustain the effect of the training.

No matter what the sales initiative, a sustained training effort with these attributes is critical to getting the program successfully off the ground and sustaining the program's effectiveness.

Coaching

Most commercial and industrial companies today have a clearly delineated sales function with a clearly designated sales manager. Because selling as a discipline is somewhat newer to the banking industry, most banks do not have a sales manager per se but rely on the respective business-line managers, such as the head of commercial lending, to be the sales manager. In many cases, these are senior officers whose background and training only peripherally included sales management skills.

Coaching is a critically important aspect of sales management and is not a completely intuitive skill. True, coaching has a lot of basically intuitive aspects, but so does credit management. A bank would never assign the role of chief credit officer to an untrained person, but it happens all the time in sales management.

Many firms today provide coaching skills to organizations large and small. It is good to choose a firm that has both bank and nonbank experience. Many banks today are reaching outside financial services for expertise from industries that are very sales-driven. For example, Commerce Bank, based in Cherry Hill, New Jersey, recently hired its new senior vice president of retail banking from Starbucks.

Motivation

Once all of the other pieces of the puzzle are in place, the greatest challenge remains ahead—getting your people to want to succeed at cross-selling. Building desire is a subtle challenge. We have found that the most successful banks apply a three-step approach to get their people to cross-sell with passion:

1. *They encourage their people to try, no matter what the outcome.* Getting back to the four-letter word that bankers abhor, risk, they create an environment in which trying is better than not trying. Encouraging failure is a great way to get people to reach beyond their comfort levels, an absolute necessity in successful cross-selling.
2. *They provide recognition to bankers that achieve success.* Having a regular feature in the bank's internal newsletter or intranet site to showcase successful cross-selling stories is a great way to keep this issue top of mind. Showing a picture of the president of the bank handing a check to a teller or customer service representative for a referral to trust or commercial lending can have a great effect on focusing positive attention on the process.
3. *The question "What's in it for me?" must be paramount.* Not only must there be a meaningful incentive for referring business internally, but also the bank must fulfill its promise in a timely fashion. We have heard from a surprising number of bankers that their referral incentive was painfully slow in coming through or, in a number of cases, never came through at all.

Nothing kills morale faster. Negative news travels much faster and farther than positive news.

Reshaping the Institution's Culture

Planning and implementing a successful cross-selling program is only one component of the process that many banks are going through today. Implementing a sales process including cross-selling is a major undertaking even for the most forward-thinking institutions. Since all financial institutions and, in fact, all organizations tend to resist change and preserve the status quo, reshaping the culture takes a real act of courage on the part of a chief executive officer and senior management team. Since bankers by their very nature tend to be wary of risk, this process is not easy. It takes clear vision, strong leadership, and the willingness to stay the course. The question is not "Is your institution ready?" but rather "Are you as a leader ready to face the cultural challenge?"

Today there are close to 9,000 supervised financial institutions, not including credit unions or other nontraditional depository or lending organizations in the United States. The estimates vary widely on how many will be gone in five years. No matter whose estimates you believe, there will be significant attrition among banks and thrifts. If you can successfully implement a cross-selling program, you will probably be able to successfully face many other challenges that will come your way.

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