Dear Senator Warren
By Charles Wendel

Dear Senator Warren:

The recent Senate hearings and your comments directed at Well Fargo's CEO have certainly caught the attention of my clients, U.S. commercial banks. No banker wants to be "invited" to testify before Congress, particularly after several weeks of near unanimously bad press.

Unfortunately, both for the banking industry and its customers, one issue has been lost amidst the uproar: cross selling additional products to current and new customers (and let's call cross selling rather than trying to rebrand it) is critically important to the growth and well being of banks. Perhaps of greater importance to you and your colleagues, cross selling can provide substantial value to bank customers, specifically to consumers and small businesses.

To employ an old but serviceable cliché, regulators and legislators aiming to protect bank customers from a few errant bank practices need to make sure they do not throw the baby out with the bathwater.

I hope you concur with my experience in working with banks for over 20 years that 99%+ of *commercial* bank CEOs operate with high integrity and a clear desire to provide value to their customers. Career bankers put a high emphasis on quality service and realize that customers have the option to switch to another bank, credit union, or alternative finance provider. Management knows it faces a more competitive environment than ever before, and they must retain current customers and protect their bank's reputation.

Why should regulators and legislators who, appropriately, focus on protecting their constituents encourage cross selling?

1. Banks offer products that can meet the varied financial needs of customers. These include deposit, loan, investment, and trust products and various advisory services.

Ironically, given your hearings, both my experience and the experiences of virtually every other bank advisor I know is that most banks do a miserable job of cross selling. Why? Reasons include a sales force that lacks sufficient knowledge, inefficient (as opposed to what some may believe are overly aggressive) compensation policies, and internal silos that cause a bank to underserve their clients by failing to work well with other bank groups.

While today it may be difficult for you to believe that not enough cross selling occurs, that is the reality at most banks. One example: a client bank with top tier performance and premier reputation that sold less than two products per customers (versus Wells' "Eight is great"). Rather than senior management setting cross-sell goals (frankly, one recommendation we made to our client) management allowed its various lines of business to opt into cross sell without any top management-directed push or incentive to do so. This bank was leaving money on the table. Ironically, some customers expressed concern not about being pressured to buy more but about being ignored and not being shown new ideas or solutions to problems that they faced.

2. Good cross-sell practices are solutions-based and provide value to consumers and businesses. In other words, as indicated above, they help customers to solve a problem or to meet a need.

3. In at least some cases, consolidating more financial services activities with one bank may be best for consumers and businesses. For instance, investment advisors state that some investors can benefit from consolidating their investments with one provider. Doing so can simplify choices for an investor, reduce his/her fees, and allow an advisor to better understand client needs. In other cases bringing more business to one bank may allow that bank to reduce its pricing as a result of obtaining greater customer wallet share.

4. *Banks are struggling to grow organically*. Some banks stretching for revenue participate in out-of-market loans versus lending more to customers in their own communities. Banks need to grow assets in order to generate the earnings power required to support higher operating expenses, often tied to technology and regulatory requirements. Organic growth from activities like cross sell assists in achieving that growth. Without growth more banks will disappear or become irrelevant to customers, lessening available choices to the customer.

5. More business is leaving banks and moving to a less regulated group of companies. Both payment and loan transactions are shifting in greater number to non-bank specialty companies, frequently financed by private equity firms. As is their right, these firms strongly emphasize generating high returns for themselves and may not share the same community service emphasis driving most commercial banks. As consumers and businesses move more transactions outside traditional banking, it may become difficult for regulators to protect the interests of these groups.

Largely because of the actions of a handful of the largest U.S. investment and commercial banks, the commercial banking industry continues to suffer from a trust problem. Yes, those who betray the customer should be identified and punished, but the 99% are being slandered because of the actions of a few. While banks, in light of the Wells Fargo situation, should review their current practices, expect only a few to uncover any negative issues. Instead, many will discover that they are missing an opportunity to deliver what cross sell can be: an activity that increases bank revenues while improving the customer experience. In our view regulators and legislators should support and encourage this mutually beneficial relationship.

Very truly yours.