End Cross Selling

by Charles Wendel

In preparing for next week's webinar on cross selling, I have been speaking with some present and former bankers about how to make cross-selling work both for a bank and its customers and how to avoid the fiasco that has affected Wells Fargo and the entire industry.

One banker I spoke with had spent years as an executive at Norwest (one of the best banks ever) when Dick Kovacevich was the CEO. He recounted Kovacevich's focus on Norwest selling more products to consumers (summarized as 'Eight is Great") and businesses centered on the customers' needs. Kovacevich's view was that most retail customers needed a checking account and a saving account and a credit card and a mortgage and an investment account, and insurance, etc. Similarly, businesses have owners with multiple personal needs. You get the idea. If these customers had this need, he believed that Norwest should strive to serve those needs and capture as much wallet share as possible. This was part of a natural rather than forced sales cycle.

His approach emphasized the bank meeting existing and emerging needs. There should be no attempt to push the customer to buy things that are unnecessary or of poor quality. Bankers just needed to work hard to understand each clients' needs and to match bank resources with them. We will come back to that requirement shortly.

What is the reality at most banks today? Despite all the DECADES of talk about relationship management, most commercial bankers remain focused on lending, Other product specialists in areas like Treasury Management focus on selling cash management, Trust experts concentrate on their area of expertise, and investment professionals do the same. Silos remain as strong as ever. The norm, not the exception, is that bankers still fail to communicate across their lines.

One major problem with cross selling centers on it being an afterthought. For example, most bankers think about what else they can sell after they have booked a loan. That is not surprising since closing a loan involves significant work and much of a banker's compensation and self-esteem rests on loan sales and little else. With new customers, many bankers see introducing other products as increasing the risk of their losing the loan deal and threatening their ability to control the relationship. The downside risk for the banker exceeds any upside in selling more. It is great for management to sell the whole bank, but in reality many bankers want to sell *their* products.

The challenge is even greater with current versus new customers. Most are entrenched and unlikely to move their banks due to their being relatively satisfied and strength of the inertia factor. Unless a banker has diagnosed and pursued their multiple requirements, these customers are working with a number of financial

institutions to meet their investment, insurance, credit card, and other needs. They have done for themselves what a good banker should have done for them, namely, found solutions that meet their needs.

Over 20 years ago Dick Kovacvich referred to a loan as a loss leader, the cheap toothpaste offer that gets a customer into the store and results in the customer buying other higher margin products. Just last week a banker told me that loans below $500,000 lose money at his bank and that many larger one generate low ROEs. That is why selling more services cannot be an option. The loan is an entry point not the end point.

For various reasons "cross sell" may need to disappear as a phrase and a concept. However, selling multiple products and bank capabilities to each customer based on a banker's knowledge of that customer must form the core of a bank building a trusted relationship. Without a trusted relationship (another overused phrase but a meaningful one) banks are doomed to utility-like returns.

I noted above that bankers need to work hard to understand each clients' needs and to match bank resources with them, but most appear to lack the time and/or the skills to do this. A relationship account management process (RAMP) needs to be ground zero for relationship satisfaction and growth. Too often, however, the account review and planning processes are insufficient in depth and inconsistent across a bank. A bank may have a half-baked relationship review process, but instead of deepening it and maintaining a strong spotlight on it, management declares victory and starts bumping fists and shouting "Attaboy!" We will talk more about the RAMP process during the webinar.

Relationship development takes time and changes a bank's culture, as it should.

Recently, I spoke with the sales head of a bank that has its bankers follow a daily list of activities with an expected focus for them during various time segments each day. While more experienced bankers may not need such a prescribed approach (in fact too many do), setting expectations provides bankers with guidance and directs team leaders to encourage their bankers to concentrate on specific high value actions. It takes out a lot of the guess work, a good idea.

So, in this era of hyper regulation and oversight, what is a banker to do to sell more? Bankers need to know their customer, and they need to know their bank's strengths, matching up the two whenever possible. To address the concerns of its stakeholders, management should immediately assess how bankers are conducting themselves today and introduce more formal approaches for them to follow, both to ensure they are effectively leveraging their bankers and satisfying customers. The old phrase "inspect what you expect" remains relevant.

Because most banks did not follow a relationship approach when they were bringing on a new customer, they need to RAMP up and dig out of the relationship

hole they have created for themselves. Unfortunately, relatively few banks will have the persistence and courage to do so.