The Current Customer Comes First
by Charles B. Wendel

We all tend to focus on the "shiny new thing." In banking that could be a new product, an emerging technology (e.g, AI), or a new market segment/geography. But the first priority of every bank should be to gain as much business as possible from its current clients, in particular small businesses or middle market companies.

Years ago, I had to avoid laughing out loud when one banker stated with confidence that he had fully cross-sold all bank products to his portfolio of customers; he said no other cross-sell opportunity existed. In that case he was ignoring the owner's personal needs as well as business needs in which he was uninformed and/or unwilling to learn. In short, he was leaving potential big revenues on the table.

The extent of the current customer opportunity has been known for decades, but much of that opportunity remains to be captured. And neither I, nor McKinsey & Co., are unwilling to put a spotlight on this opportunity. In a column titled "Focusing on existing customers to unlock growth," one McKinsey partner asserts:

- "To make up for the loss of one existing customer, companies have to acquire three new customers."
- "80 percent of the value creation achieved by successful growth companies comes from their core business – namely, generating new revenue from existing customers.
- No surprise that satisfied customers "achieve not only higher shareholder returns but also up to two times higher revenue growth" than the unhappy.

You may not agree with the specific numbers that they provide above, but we all know that current customers can be a gold mine versus the pain and uncertainty of a new customer marketing process.

While the organizational steps to follow seem obvious, cultural/political/compensation and related issues often raise mammoth roadblocks to success. McKinsey suggests creating what they term a "win room that brings together all the important departments in an organization to drive customer acquisition, retention and operational excellence." That seems like an obvious approach: assemble the people who know the client's needs and make sure your offer, both the product and related service, works for them. In some cases, this highlights gaps that need to be filled, often with third party products.

Many banks conduct an exercise like that. Few do it regularly or end those meetings with a clear agenda, including the priority sales focus going forward, the person in charge of the effort, or an action plan that gets revisited.

But what happens if a banker has had a bad experience with another part of the bank, one that he felt embarrassed him or even put his client relationship in jeopardy? What if the group to whom he is referring an opportunity lacks the same level of client service or feels that the compensation they receive is not worth the effort? Many “referring” bankers are wary of working with certain business lines, having been burnt in the past.

This is where senior management needs to jump in, but too often they don’t, hoping against hope that somehow the friction will correct itself. Management needs to measure the success of wallet share efforts (both business, owner, and sometimes employees). Best practices need to be communicated and rewarded, based upon reviewing where the products/services where wallet share growth is growing.

The data will also pinpoint the areas where growth is stagnant or lower than expected. Then, the issue becomes why and how to address the situation. My guess is that personality clashes and the prevalence of silos often need to be addressed.

Giving priority to selling to the current customer is a “no brainer” for most bankers, particularly those who focus on offering the bank’s total capabilities rather than their slice of the world. Of course, progress has been made related to this, but bankers should focus on the additional opportunity rather than congratulating themselves for that they have accomplished so far.

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