Why Cross Selling Fails
by Charles Wendel

Last time I wrote that banks should have no higher 2016 priority than developing a best in class approach to cross selling. However, in my experience 90% or more of the banks I have worked with, even some very well performing ones, have at best mediocre results in this area. Cross sell is easy to highlight as important but hard to accomplish and make part of the fabric of a bank's culture.

Weeks ago I was speaking with a senior bank executive who was talking about the need for his bank to create revenues. He said that his bank's new software and internal training would assist in the new business effort. I commented that, of course, selling more to the well-satisfied customers they already serve should come first. He said "yes," but his eyes said something else. They shifted away from mine, looked a bit pained, and squinted slightly in what seemed like an involuntary but telling reaction. As we talked he admitted that cross sell was important but that it was also an elusive goal.

Why is cross sell so hard to accomplish when it can result in such a positive impact on revenues and net income? Some of the issues are summarized below, but, readers, please email back other constraints that you believe limit cross sell.

Silos continue to dominate within banks. Whether banks are large or small, most operate with a silo mentality: commercial lending and retail operate very separately from wealth management, small business operates separately from business credit cards, mortgages serves as its own product silo…and so on. The logic of these groups cooperating seems undeniable (of course they need to meet all regulatory and compliance requirements in doing so).

It was 20 years ago when an exec at a top 10 bank told me that he did not want his bankers selling a certain product. He noted that the individual bankers received dollars for the product sale but that his unit itself was not rewarded. To his mind cross sell was taking time away from building his business to build someone else's. This was a move that hurt him personally while it might be good for the bank. CEOs may react to this with shock and horror, but this is the way the real world works.

Compensation does not encourage cross sell. The story directly above underscores how compensation and accounting drive behavior. Despite this being known forever, many banks ignore the fundamental importance of compensation in determining the choices bankers make. Until HR groups address this issue, the impact of cross sell will never reach its potential.

Bankers do not trust each other. As a banker, I believed I had the best interests of my clients in mind. I also did not want another part of the bank messing up the relationship that I had worked to build. The risk was greater than the reward. And why should a commercial banker or securities broker risk destroying the relationship he has worked so hard to build up? In some cases banks simply have the wrong people for building a cross-sell bank-wide relationship; brokers/financial consultants probably being the best example of that.

Bankers do not know the product set. Yes, I know innumerable hours and training dollars have been spent on building banker product knowledge. Realize that in many cases that knowledge has rolled off like the proverbial water on a duck's back. That is why some banks have introduced a testing program (but meaningful comp will have a greater impact).

Cross sell takes time. Cross selling requires a relationship and solutions based approach to selling. A product of the month sales focus that some banks use is doomed to failure. But, relationship selling requires a different skill set than some bankers possess, and it demands time to succeed. In some cases short-term goals assigned to bankers may be in conflict with longer-term relationship-based selling. This disconnect needs to be addressed.

Leaders need to lead. As trite as this phrase is, to a substantial degree it summarizes the problem. Twenty-five or more years ago Dick Kovacevich pushed the concept of cross selling when he was at Norwest. I am sure he faced the same push back and limited enthusiasm that many execs face today. But he believed in the positive impact of cross sell and kept at it year after year. As with this newsletter, he was willing to bore people in an important cause. The result was that one of the biggest banks in the world knows how to cross sell when banks that are 1% of Wells Fargo's size cannot.

Despite the roadblocks and internal hassles, there really is no good excuse for top management not to emphasize cross sell as a key priority. None.