Why Banks' Cross-Selling Falls Short

by: Eric R. Baron

Mr. And Mrs. X are a high –net worth couple who arrived at their local bank wanting to set up a trust for their children. Their bank officer helped them accomplish their objective. She was courteous, knowledgeable, and helpful. The couple left pleased with the solution and happy with the bank. And the bank missed a golden opportunity.

This couple was an ideal target for other sales efforts in retirement, pension, brokerage and insurance products, not to mention credit. But the relationship never advanced. This anecdote, regrettably, is not an isolated event and occurs at banks every day. Top management is well aware of how costly the failure to cross-sell can be.

Few banks have learned how to cross-sell as effectively as they would like. Most share the limited view that cross-selling simply involves adding more people to the process, or concluding an interaction by asking something like, "What else can we do for you today?"

Cross-selling is a multidisciplined approach requiring new approaches and skills.

In a nutshell, cross-selling fails for three reasons: bankers don't sell consultatively; ownership of the client is fuzzy or non-existent and thirdly, bankers don't understand the value of team-selling and lack the skills required to sell in tandem with other financial specialists.

THE BANKER AS CONSULTANT

Consultative selling has been discussed by bankers for over 25 years. It suggests that a salesperson clearly analyze a customer's situation before presenting services or products.

At the most primary level, a failure to cross-sell is a failure to develop a consultative relationship and a failure to ask the right questions.

Most bankers understand that clients won't do business with anyone they don't trust. Such a customer will never reveal his or her financial needs to the bank professional.

What better way to develop trust than to demonstrate credibility and empathy through thoughtful questioning? That's the core of consultative selling.

In examining why a cross-sale fails to occur, management must first clarify a mission for their client contact people and the rationale behind the mission. The primary point-person, the first professional meeting the client, must think of him or herself as a consultant first and a salesperson second.

Salespeople do not typically spend their time asking questions that uncover client needs. A successful consultant is always analyzing needs, exploring options, delving into the strategy that motivates a client. Salespeople rarely probe client motives. They feel they have done their job once they ask a few basic questions and then provide their customers with information. They spend most of their time taking and not listening. If they took the time to question the customer more thoroughly and with sensitivity, explore financial worries and concerns, they would be on the road to making a successful cross-sell.

One bank's products are not greatly different from any other. But the individual representing the bank can be different. If your professional can analyze the customer's situation and provide helpful advice, your bank has a leg up on the competition. It's shocking how few bankers can do this well.

Consider these true stories. Your banker discovers that a manager for a major company is on a fast track and will probably be moved five or six times in his career.

He will need liquidity to handle the current move and furnish his new home. Your representative has uncovered this need among others that are more obvious. Other banks certainly can provide the short-term liquidity that his manager needs. But your representative uncovered the need FIRST.

Your bank wins this managers business because your bank offered a solution that nobody else thought of. As we heard a customer say at a recent focus group: "I want my banker to give me solutions to problems I don't know I have."

Consultative selling often will turn up unconscious needs. A 25-year old professional invests his money in a money market account at Dreyfus Corp.

He wants safety and liquidity but, on the other hand, he's worried about his financial future. As a banker, I need to educate him about the relationship between risk and growing an investment beyond inflation. By acting as a consultant, and probing for needs, by educating my customer, I can ultimately cross-sell more products. My competitors offer the same services I do, but they aren't taking the time to probe for needs.

WHO OWNS THE CLIENT?

Your banker has done a proper job of consultative selling. She has discovered that this wealthy couple has a brokerage account with Charles Schwab, car insurance with GEICO and a money market account with Merrill Lynch. They came to the bank because they want to refinance their mortgage since current rates are to enticing.

The banker, acting as a consultant, makes sure that the client's needs are taken care of. The challenge is to determine how such a client can be convinced to turn over more business to the bank. Today, a customer expressing a new need will probably be introduced to another expert. "Mrs. Doe, you seem to need life insurance. Here's Tom Brown, our insurance specialist. He'll help you understand what you need to make sure that your family is protected."

Regrettably, once that introduction has been made, the original point-person will probably never follow up on Mrs. Doe. This exemplifies another reason why banks fail at cross-selling: a failure to "own" the client. Clients can't be left to their own devices, to fall through the cracks.

Once a client has developed a relationship with someone in the bank, that client needs to be followed and contacted regularly to ensure that his or her needs haven't changed. This delineation of responsibility is the first step toward successful cross-selling.

Many banks today ask the relationship manager (RM) to coordinate all activities with a customer. They realize that the RM cannot be an expert across the board, but if this person owns the account and is aware of the bank's services, he or she can call upon the product specialists as needed. By applying team selling concepts the RM can make cross-selling a reality.

DISLODGING A SATISFIED CLIENT

In today's environment, bankers need to learn how to present their services to a prospective customer in tandem with the other specialists. Have your experts and your bankers worked together to develop a sales pitch with investment, insurance, pension, retirement and other "experts"? A sales call is a dynamic situation in which there are many ways to fail to demonstrate value to the customer. Have your people rehearsed their pitches together, role-played together? Are they prepared to counter objections effectively? If not, they could be missing a great opportunity.

Too often, bank sales teams simply do not know how to work together effectively. Confused about roles and responsibilities, lacking an understanding of interactive dynamics, not totally aware of sales process, teams fail to reach their potential.

When team selling works, it is often because bankers and their partners understand what they are supposed to do-use process as a tool; understand how to approach a customer most effectively and how to make effective joint calls. Many bankers lack these skills.

In sum, the ability to cross-sell is an art, not a science. Bankers are failing too often because their sales skills are unrefined. Customers fall through the cracks all the time. The reasons are three-fold. First, bankers don't use consultative selling nearly enough to establish relationships and learn about customers' need sand problems, and the resulting opportunities. Second, bankers haven't clarified who "owns" the client and don't make it their business to stay on top of that client over time. Third, bankers need to learn how to overcome objections and team-sell with other financial specialists. Improvements in these three skill-sets can boost cross-selling. The good news is that training can make a difference, and the ultimate objective- stronger sales – can be realized.