

## Solving the “Cross” word puzzle

– An integrated approach to cross-selling

**Banks are now turning their attention towards their existing customer base for revenue growth. This focus on organic growth has made cross-selling and up-selling a new imperative in the banking industry. In this quest, banks should put an integrated system in place with the right blend of people, process and technology.**

Broadly, cross-selling is the practice of suggesting related (or complementary) products, belonging to different product families, to a customer who has demonstrated a desire and willingness to purchase a particular banking product. Up-selling is the practice of suggesting products /services of the same product family with perceivable improved features or different features to a customer who is considering a purchase. In this paper, cross-selling has been used as a generic term encompassing cross/up/down selling.

### **A Compelling Case for Cross-Selling**

Conventional CRM wisdom has it that, selling to an existing customer, is about six times cheaper than acquiring a new customer. This implies that revenue through cross or up sales would contribute much more to the bottom-line than the revenue through new acquisitions. Cross-selling also helps to increase stickiness with the customer by forming a virtual exit barrier. Especially in the banking industry, by increasing the number of products or services availed by the customer, the bank can significantly reduce the tendency of the customer to shift to a new bank.

When a right cross-sell is made, it creates a *win-win-win situation for the bank, its customers and its employees* - the bank increases its revenue and profits besides increasing customer stickiness, customers get an offer that is relevant and their needs are proactively satisfied and, the bank representative, instead of receiving scowls from leads selected at random, gets more incentives and better job satisfaction.

### **No Silver Bullet**

Though the benefits are clear there have not been many instances of successful implementation of such programs and banks are just waking up to this idea. The implementation should not be

viewed as a project in isolation, but as a long term program to be integrated with mainstream operations of the bank. It might entail re-engineering of the existing processes and re-orientation of the whole organization towards this objective. Hence results should not be expected overnight and commitment from top management throughout the period is absolutely essential.

There is no standard prescription that works for all the banks. The banks deal with a complex portfolio of products and a myriad of interacting factors that determine the right sale of these products. Bank employees through their experience gain insights that are unique to their banks which should be effectively used for cross-selling. However, this knowledge is lost as the employee leaves the bank. To avoid leakage, the knowledge has to be stored in the system and leveraged for effective selling. Each bank or rather each branch should tailor the cross-selling program according to the business environment in which it operates.

Apart from the usual hurdles that have to be crossed while implementing any large scale program, cross-selling presents two unique challenges: one is to accurately sense the potential to capture the unrealized wallet share of existing customers and the other is to reach out to them in an appropriate manner. Few ideas to address these challenges will be discussed before going into the integrated approach.

### **Moment of Truth**

The bank may identify the most suitable offer which the customer would grab with both his hands. However, this offer needs to be communicated appropriately to the customer so as to convert it into a sale. Today, it has become an increasingly difficult task to clear the clutter and reach the targeted customer. This is compounded by restrictions that are imposed by the regulatory authorities.

Customers can be thought of as teenage kids who don't like to receive attention without them asking for it. But when they do seek attention it has to be provided by all means. This is the time

when they should be engaged in a dialogue for enhancing the relationship. Fortunately in the case of cross-selling in a bank, situations are aplenty when the customer calls in for a request, complaint or inquiry. This 'Moment of Truth' needs to be leveraged wisely by the bank to cross-sell. Since the customer has initiated contact, he/she shall be receptive to the proposal, especially if the bank has pleased the customer with good service on the current incident.

However, this slice of time will not be sufficient for the complete sales process. Rather it should be used primarily as an opportunity to capture the interest of the prospect. The service personnel will neither have the skills and knowledge nor the time to complete the sale. These prospective leads should be referred to appropriate business groups for follow up. The information presented during this short time must be able to assist him/her in decision making. Hence, the essence is to provide the representative timely information that he/she can put into action rather than bombarding him/her with a huge set of data. The insight derived from the information is more important than accurate information itself. He/she should also be able to capture as much as tacit information as possible when the customer responds to the offer. This should be fed back into the system and will prove to be valuable when the salesperson follows up on the leads.

### **Banking on Technology**

Having identified the possible touch points for cross-selling, the next challenge is to identify the right offer. Though a bank will be looking at increasing its wallet share of the customer, the total size of the customer's wallet is limited. So it is very important that right offer under the right context is made. Business Intelligence (BI) technology provides the solution by inferring insights working its way through database. These tools can be effectively applied for cross-selling as banks usually store a wealth of information about its customers.

Based on the history of its operations, the bank can come up with propensity-to-buy models for each product which brings out a common pattern among the takers of that product. This will be

useful in making the marketing campaigns more effective and getting a better response rate. Bundling of products is another effective way to cross-sell by enticing the customer with minor rewards for taking the bundle as a whole instead of individual products. The crux here is to identify products that are complimentary in nature which makes sense to the customer. For example, those who take a vehicle loan would probably take insurance along with it. Business intelligence again chips in with market basket analysis tools to identify which products generally go together.

For the concept of cross-selling during servicing, the analysis has to be reframed according to each customer. The output will be a list of products that is ranked based on the probability that the customer will take it. This list can be used even during the sales process where there is an opportunity to down-sell or up-sell. If a prospect is not eligible for a particular product, while communicating this to the customer, he/she should be offered the next best product applicable to him/her. Similarly if the customer is eligible for a higher end product, it can be offered to him/her before providing the product he/she had asked for. Predictive analytics brings in a flavor of statistics to the analytics which proves to be useful in real time operations.

Thus technology makes it possible to convert knowledge into business benefits. A factor to be considered here is that there should not be much delay between acquiring information and putting it into action. With passage of time the offer would become less relevant. These cross-selling patterns are not static for eternity. So, these algorithms have to be intelligent enough to adapt to changing conditions. This means that the system should not only be able to capture feedback from the offers that are made but also be capable of learning from experience. Such sophisticated algorithms have already evolved which perform at a reasonable level of accuracy which can be used by the banks.

### **Necessary but not Sufficient**

Though technology plays an integral role in the scheme of things, it alone cannot guarantee success of the program. The benefit of all the

advanced algorithms can be realized only if the system is supported on a solid foundation of high quality data. The best of tools will fail if the underlying data is not well managed. This requires regular enrichment and periodic cleaning of data. There has to be a single source of truth across the organization and the data should be consistent everywhere. To begin with, the entire set of data that will be required for this program has to be meticulously identified. It can include data that needs to be purchased from external agencies as well. The next step is to design the IT system such that this data is available with appropriate levels of freshness and consistency. However the availability is to be bounded by the security and privacy requirements of the bank. Not all employees should have access to all data. Access should be allowed on a need to know basis depending on the role performed by the employee.

Once the system is in place, banks can focus on means to capture as much information about the customer as possible which can be used for effective cross-selling. One tactic is to get as much as information during the onboarding stage through different channels. Another source of rich information is a mortgage application which gives the complete financial position of the customer. Likewise, each bank should come up with its own strategy for capturing and maintenance of relevant information.

Focus should be given on the people and process dimensions of the system. Change management is vital in such strategic exercises. Adequate training to enable them to perform in their new roles is also essential. Moreover some of the banking processes have to be re-aligned to support cross-selling. Banks should have an integrated approach taking into account all these aspects.

### **The Integrated Approach**

The exact approach has to be devised by each bank to suit its style of working. However some important aspects that need to be considered are being highlighted:

- Top management commitment is the foremost pre-requisite. This is a strategic change having long term impact and support from top management is very important. There should

be senior members championing the cause of this program and a cross-functional steering team leading the way

- The right mix of options and the amount of focus required for each of these options should be determined by the banks. For example, the banks can go ahead with the strategy of selling during servicing. This doesn't mean end of traditional marketing as these are not mutually exclusive options for the banks. Rather the insights from inbound customer marketing can be used to create better campaigns or new products that satisfy customer's needs
- In-depth analysis should be made on all the factors that would impact or be impacted by the new processes. For example, to accommodate sales during servicing, the support personnel have to be trained to handle sales as well. Their job description should be expanded to include cross-selling which can also be considered during recruitment for that role. The current business processes have to be relooked to support sales while servicing. This also requires process metrics to be changed. The number of calls handled as a measure of effectiveness will no longer be valid. The service department now needs to be viewed as a profit center rather than a cost center. Similarly the incentive system should change based on this approach. However these incentives should not be common for all employees but are to be aligned to the nature of the role
- A blueprint of the program has to be designed with major milestones clearly set. Specific and measurable objectives are to be defined. These will serve as guide posts to check whether progress is being made in the right direction
- Once the program is ready for rollout, there has to be clear communication across the organization about the change and rationale of taking it up. Employee buy-in is critical for the success of the program. The employees should be given ample opportunities to equip themselves to handle the new role
- After the program has been implemented, there should be regular monitoring. Corrections can be made along the way so as to ensure that the program achieves the stated

objectives. It is also essential to use feedback for continuous improvement of the system

Such an integrated approach will enable the bank to set up an effective and sustainable cross-selling mechanism spurring organic growth. In the long run, this will definitely give the bank a distinct competitive advantage.

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