Opportunities for Action in Financial Services

The Three Golden Rules of Cross-Selling

The Boston Consulting Group
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Most banks and insurance companies recognize the value to be captured from effective cross-selling. Many have evolved into multiproduct, multichannel companies, yet the typical retail customer still holds only about two products, out of a possible eight or ten, at any one institution. In both industries, revenue can increase dramatically with the number of additional products sold.

But good cross-selling, which also slashes customer acquisition costs and enhances retention, has proved to be an elusive grail in financial services, sought by many but attained by few. A principal reason is that too much of the sizable investment many firms have put into improving cross-selling has gone toward technology-based solutions, such as customer-relationship management systems and data warehouses. Initiatives such as these, by themselves, are not sufficient to bring about the needed change.

The Boston Consulting Group’s view is that the fundamental driver of cross-selling is getting the organization right. This means designing structures, collaborative networks, and incentives that powerfully and efficiently fuel the process. Such endeavors go hand in hand with the basic tenets of sales force effectiveness.\(^1\) But having a design alone will not do the trick. It’s the details that count, the nuances that actually guide the behavior of your personnel.

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BCG has identified three golden rules of cross-selling. We call them Refer, Team, and Enable. Each rule can also be thought of as an organizational model, to be applied exclusively or in a mix, depending on the nature of the product you are seeking to cross-sell, how the customer buys, and the capabilities of your sales force. In each model, there is a desired behavior that needs to be inculcated in your sales staff.

Although behavioral change is never easy to bring about, it can be achieved with creativity and a fresh understanding of what makes today’s sales forces tick. If management is committed, the three golden rules can help solve cross-selling issues that vex many financial services providers, and markedly improve performance.

**Rule 1: Refer**

Referrals involve different areas of your institution identifying leads and systematically passing them on to other areas that are better positioned to pursue, advance, or close a sale. Referrals are particularly useful when the aim is to cross-sell two distinct products to the same customer, but when specific expertise or special handling is needed.

The required behavioral change is that sellers consistently share high-quality leads with each other. That may sound elementary, but CEOs know that in the day-to-day reality of selling, it is anything but. Sellers on one side can too easily say to themselves, “Why bother? It’s my customer.” Banks and insurance companies can counter this tendency with financial incentives, but when such incentives fail, a different approach is called for.
A Structural Solution. Take the case of a leading global financial institution that wanted to maximize cross-selling between its investment banking division and its wealth management division. There was no value in offering the highly paid investment bankers meager financial incentives to pass on leads. So the bank decided on an organizational change: it created a lead-management group to drive referrals from the investment banking side to the wealth side. The group reported to the wealth division, and was charged with ensuring that the firm’s wealth management capabilities were highlighted in dealings with IPO and M&A clients. It was also responsible for drawing up corresponding lists of individuals who might soon be seeking wealth management services.

This relatively simple move, plus management’s push for a culture of strong collaboration—instilling the idea that diligently passing on leads was good for the firm, and therefore good for all sellers—helped bring about the desired behavior and make this initiative successful. In fact, the institution is now widely regarded as the most successful investment bank in working effectively with its private-client business.

The Multichannel Environment. As important as organizing for effective cross-selling among products is doing so among channels. This initiative also falls under the “refer” mantle, since channels, in essence, must refer each other to the customer. The goal is a seamless experience in which the client can start a transaction in one channel and complete it in another, with each channel sharing information and being fully aware of the pathways the client is taking. The focus must be on smooth handoffs, since integrated channels (as opposed to silo-like entities working principally alone) are most effective in driving
cross-selling. Such handoffs are facilitated in the same way as in product cross-selling—through structures, collaborative networks, and incentives.

For example, a customer who begins a mortgage application online but quits halfway through should not be abandoned. The next time he or she calls the bank, the customer service representative should see the unfinished business on his screen and suggest an appointment with the relationship manager, who in any event should follow up with a call to the customer. Through this type of cooperation, one major bank recently turned roughly 10 percent of online mortgage browsers into offline mortgage buyers.

**The Group Retail Concept.** Cross-selling between institutions’ corporate and retail divisions is still at an early stage in many markets. But some banks and insurers are organizing for it with a structure that we call the group retail concept. This involves a financial institution partnering with a company, retailer, or educational establishment, with an exclusive agreement through which information on employees, customers, or students is shared. The bank or insurer serves both the institution and its captive customer base, developing customized and preferential products for both.

This concept is spreading rapidly in financial services. In Spain, for example, Bankinter has opened branches at the offices of professional services firms—and at other companies that employ a high concentration of potentially desirable individual clients—to make it easier to serve both the companies and their staffs. This initiative has vastly improved Bankinter’s cross-selling performance, helping it achieve a current average of 6 products per client, up from 2.5 products not long ago.
Contractual arrangements can accomplish similar goals. ABN AMRO’s pact to manage assets for LF Insurance Group of Sweden includes the agreement that ABN AMRO can distribute its mutual fund products to LF’s retail customer base.

The group retail concept represents a twist on the “refer” model, in that it often involves a financial services provider’s institutional partner referring its associates back to the provider. That can be a powerful tool in cross-selling.

**Rule 2: Team**

Teams can be highly effective when a coordinated cross-selling approach to the customer requires a specific mix of skills and products. But achieving the desired collaboration depends on making key design choices that reward collective effort.

One useful cross-selling model is teaming people from different areas of the sales force to sell to each other’s customers. For example, one multiline insurance company organized its life and nonlife businesses as separate units, each with its own sales staff selling to the same customers—独立 brokers. But the firm was not leveraging its relationships or its cross-selling opportunities with these brokers.

To improve performance, the firm organized interlocking teams in which each life salesperson worked with multiple nonlife salespeople and vice versa. Each client’s total portfolio was allocated to a single team. This structure ensured that no salesperson was completely dependent on a single other person for performance. The company also targeted customer relationships in which either the life or the nonlife sales
performance had previously been weak, and tightened its incentive policy so that no bonus rewards—which could reach 200 percent of base pay—were received until salespeople hit at least 75 percent of their annual targets in all categories. These organizational initiatives led to much better cross-selling performance for the insurer.

**Rule 3: Enable**

The third golden rule requires salespeople to expand their range and develop expertise in selling specialized products that have previously been outside their domain. This places the emphasis firmly on matching sales force capabilities with customers’ buying needs. It also demands a significant behavioral change from sellers.

One way to enable this type of cross-selling is to simplify the scope of the products offered. This was the case with a leading European bancassurer whose aim was to beef up insurance sales, and which had separate generalist (banking) and specialist (insurance) sales forces. The generalists sold few insurance products, and the specialists liked selling insurance only to the corporate segment, not the mass affluent segment the firm wanted to target. Since the generalists had no incentives to pass leads to the specialists, the overall result was very limited success in selling insurance to the target customers.

To address the problem, the firm decided to align the generalist sales force to sell insurance to the mass affluent segment. It limited the insurance product range that these sellers worked with, helping them build some experience and confidence, and then simplified the products themselves to make them more
readily salable in one session. The company also implemented new incentives linked to insurance sales, setting targets of two life policies and one non-life policy per week for each generalist salesperson, whose performance against these goals was made a factor in career progress. These measures resulted in markedly improved performance in selling insurance to the mass affluent segment, and the firm outgrew the market in total bancassurance revenues by more than 50 percent over two years.

One caveat, of course, is that the customer is always the ultimate judge. If the bancassurer’s mass affluent customers had wanted more-complex products, the generalist sales force would have lacked sufficient training and this initiative might not have succeeded. Clearly, product simplification is only part of the enablement concept—institutions must also educate sellers on how to address clients’ specific needs.

While many institutions have had little success in getting salespeople to expand their range in order to lift cross-selling, the right combination of structural and incentive-based steps can bring excellent results.

The Ground Is Fertile

Whether your immediate aim is to cross-sell between products, channels, or segments, applying the three golden rules—separately or in a mix—can raise revenues, increase retention, and cut expenses. One U.S. bank, Wells Fargo, has shown that cross-selling to existing customers can cost as little as 10 percent of what it costs to acquire new clients. Overall, applying the three golden rules can increase profits attributable to cross-selling by between 50 and 100 percent in the near term.
But different areas of your business must get into the habit of referring leads and customers among themselves. Teams must learn to work together. And your firm needs to develop product constellations and training programs that truly encourage sellers to sell. Finally, management must be strongly committed to improving cross-selling performance. It is a challenging initiative, but great rewards can grow from this very fertile ground.

Meanwhile, as you think about how your institution can increase its cross-selling, keep these ideas in mind:

- The key is to change sellers’ ingrained behavior.
- Organizational structures must be conducive to that change, and management must be committed to bringing it about.
- Incentives, based on chosen metrics and cross-selling targets, can be a highly effective motivator of the desired behavior.
- When incentives do not or cannot work, explore structural solutions.
- Making collaboration and cross-selling performance criteria for career advancement gets sellers’ attention.
- Putting renewed focus on the capabilities of your human resources, and on recruiting accordingly, will pay off.

The most successful cross-selling firms, indeed, tend to give the terms refer, team, and enable a new context. They refer efficiently and consistently, which makes
their entire sales staff feel like a team, which enables the company to stay ahead of its rivals.

Such institutions are few, however. Could yours become one of them?

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