

Banks Unlock Cross-Selling Solution

EVEN IN A TIGHT-BUDGET ERA, INSTITUTIONS ARE INCREASING WALLET SHARE.

It's no secret across the banking industry that cross-selling has fallen far short of its early promise. That fact makes the success of Sovereign Bank all the more impressive.

Sovereign, a \$78 billion-asset institution based in Philadelphia, has seen referrals to its retail investments unit



rise between 15 and 20 percent in each of the past three years. “And the quality of those referrals has been higher as well,” said Casey Roberts, a Sovereign senior vice president, who is director of retail investments.

Sovereign is not the only bank that has solved the cross-selling riddle: A growing number said they have dramatically improved results by throwing away the traditional playbook and using a customer-centered approach. Partnering with Boston-based Truebridge Financial Marketing, they have implemented

a new, low-cost marketing system that uses customer education to deliver more loyalty and profitability.

“Our improvement over the past five years in cross-selling has been remarkable,” said Gerard Lavoie, executive vice president and chief operating officer at Dedham Institution for Savings, a \$1 billion-asset mutual institution in Massachusetts.

THE QUEST FOR CROSS-SELLING

There's no question that cross-selling is the Holy Grail of banking. It allows banks to win a greater share of customers' wallets, and it ties those customers more closely to the institution.

“The more products and services customers buy from you, the stickier they will be,” said Mark Primeau, president and chief executive of Laconia Savings Bank, a \$970 million-asset bank in New Hampshire, “and the more likely they'll be to seek financial answers from the institution over their whole lives.”

What's more, growing sales among existing customers is a way to stretch a bank's marketing budget during the tough economy.

“It's much easier to cross-sell to existing customers than it is to acquire new ones,” noted Primeau. It's far more cost-effective, too: With today's thin profit margins on most products, having a one- or two-product relationship with customers is “rarely going to be profitable in and of itself.”

Matching customers with additional products can have an outsized impact on revenue. For instance, just five new appointments per week at a branch can add \$160,000 in gross annual revenue

for that single branch alone, according to industry experts.

GOLDEN OPPORTUNITY

Adopting a new marketing system is the last thing that many financial institutions are interested in these days. Most are in survival mode—slashing expenses, wrestling with new regulations and focusing their marketing efforts solely on deposit growth.

The industry is missing an important opportunity, however. The upheaval in financial services over the past year and a half has left bank customers with “a crying need for financial education and knowledge,” Primeau said. By offering education, banks can cement customers' trust while deepening relationships, he said.

Truebridge combines three tools that banks can use to efficiently generate new business: an online financial education center that provides clear, authoritative information on hundreds of financial topics; training that shows frontline employees a simple new way to create dialogue with customers; and a rep calendar that empowers those employees to make and confirm sales appointments on the spot.

CROSS-SELLING CHALLENGES

Banks have been free to reap cross-selling riches since sweeping regulatory changes opened the door two decades ago, but success has been limited.

Two obstacles to cross-selling loom largest, according to a survey of 120 U.S. financial institutions by the Bank Insurance & Securities Association and Truebridge.

First, banks' images are simply too



narrow. Despite years of marketing efforts, customers simply don't see banks as places to go for products other than checking accounts and home loans.

And bankers simply have not figured out how to get their branch personnel to make referrals. At the root of most banks' disappointing referral rates, executives say, is a simple fact: Banks' efforts to get frontline employees to think and act like sales people have not worked.

Truebridge's approach addresses these issues, bankers said. At its center is an educational platform tailored not to the products the bank wants to sell but to the needs of customers.

Using Truebridge's "quick guides," customers can get an education in minutes about topics from buying a house to investing for education to retiring. Each bank-branded guide provides a photo, contact information and greeting from

\$75.1 BILLION Amount of federal student-loan disbursements in the 2008-09 school year, an increase of 25 percent over the previous year.

\$23,186 Average debt load of the two-thirds of college students who borrow to pay for their higher education.

Source: Wall Street Journal, National Postsecondary Student Aid Study.

the bank's product expert who is closest to the potential customer.

When front-line employees distribute the guides, they are not placed in an uncomfortable sales role. The system makes it easy to offer customers educational information in a way that starts dialogue and makes for natural referral generation. Indeed, the customer helps start the dialogue by using a form to check off areas he's interested in learning more about.

Using Truebridge's intranet resource center, bankers can instantly schedule meetings with product experts in the customers' areas of interest. Banks that partner with Truebridge report that front-

line employees have embraced the simplified, customer-driven process. "The quick guides take some of the pressure off," said Dedham's Lavoie. "They take the hard sell and make it consultative."

Even if the customer wants nothing but a checking account, his perception of his bank has evolved. He understands that the institution can help him with everything from buying a house to saving for retirement to protecting his family.

— Contributed by Jack Wilkins, a freelance writer in Connecticut, for Truebridge Financial Marketing.