

The 5 Steps to Profitable Cross-Selling



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Cross-selling offers definite advantages for a bank looking to grow its franchise organically. It's more cost-effective than adding new customers. It promotes customer retention and increases wallet share.

And, every community bank has plenty of cross-sell opportunities which are both available and achievable. However, many institutions make the mistake of allocating their entire marketing budgets to acquiring new customers—mainly because they haven't been able to quantify the actual dollar value of their cross-sell opportunities and/or they haven't figured out how to target the right customers with the right products.

Don't miss your chance to sell more products and build a more loyal customer base. Here are five straightforward steps you can take to pinpoint where your institution's best cross-sell opportunities lie throughout the franchise and begin capitalizing on them.

- **Know your current customers** – using customer segmentation. This will help you understand the types of customers you currently have, and group them according to their buying habits. One of the most popular tools to help is the Nielsen P\$YCLE® household segmentation system. Simply take the current household-level data in your customer information file and overlay

it with the P\$YCLE information. From there you can total the number of households in each segment – for the bank as a whole, and for each individual branch.

- **Measure what they've already bought** – so you can quantify your prospects. Before you can know how many new savings accounts you can sell at each branch, you need to know how many the bank's already sold. This is known as your product penetration level. Here's the formula for determining it: $\# \text{ of Households with Savings Accounts} \div \# \text{ of Households with the bank} = \% \text{ of Product Penetration}$.

You can apply this formula to any product or product group and using data in your customer file, you can take the formula a step further to learn the average balance held in each savings product. (You'll use that average later to determine the returns you can expect from your cross sell campaign.)

- **Determine your best targets** – identifying opportunities at each branch. Take the product you want to sell, and "do the numbers" for each customer segment. For example, the formula for determining the percentage of Flour-

ishing Families (FF) households with savings accounts would look like this: $\# \text{ of FF Households with Savings at Bank} \div \# \text{ of Total FF Households at Bank} = \% \text{ FF Savings Penetration}$.

After you've calculated this percentage for all the segments, you'll have a list of top-priority customer groups who are most likely to buy a product – and you'll know which households to target with your cross-sell campaign. You can apply this same formula at the branch level; just calculate the segment/product percentages for each location to determine the current household product penetration.

- **Set realistic sales goals for each branch** – based on averages for the franchise as a whole. If there's any diversity in your branch network, some of your branches will not be performing up to the average of the whole franchise. Use the following formula to determine the performance gap (either under or over the average) for each branch: $\% \text{ FF Savings Penetration for the Franchise} - \% \text{ FF Savings Penetration for the Branch} = \% \text{ Performance Gap (the sales increase target)}$.

If you can lift underperforming branches to at least the penetration average for the franchise, you can significantly impact to the bank's profit. Use the formula to determine product penetration gaps by product category, individual product, household segment and branch.

- **Go for the gold** – leveraging the right resources to meet expected \$ return. It's time to put a dollar amount on each branch's sales opportunity. To do this, go through the branches individually. Multiply a branch's gap number by its total number of households in the likely to-buy consumer segment. The result is the potential number of sales you can expect from your cross-sell campaign at that branch. This is the formula: $\% \text{ FF Savings Penetration Gap at Branch} \times \# \text{ of Total FF Households at Branch} = \text{Potential FF Savings Sales at Branch}$.

Now, to quantify that sales potential in terms of expected ROI, multiply the potential

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households by the average savings account balance at the bank. The result will be the dollar amount of return you can expect from your cross-sell opportunity at the branch, as follows: # Total Potential FF Savings Sales at Branch x \$ Average Savings Balance at Bank for FF Households = \$ FF Savings Cross-sell Opportunity at Branch.

By carefully analyzing your customers and markets, and establishing clear targets for your branches, you can better allocate the right resources to the right efforts.

To optimize any cross-sell effort, it's vital to understand what your customers want, what they need, and what they're likely to buy. By applying the guidelines and calculations above you can uncover those unknowns and go for the gold inside your own customer base. Good luck! ▶

To obtain a copy of the 5 Steps to Profitable Cross-Selling white paper, please contact Todd Quinn at todd.quinn@fiserv.com or 800.846.6681 ext. 3249.

In wrapping up the meeting, we thanked her for taking the time to be with us and for allowing us to continue the lines of communication.

In post-meeting discussion, the bankers agreed that we all came to the meeting with a preconceived negative idea of the direction of the new bureau, but from what we heard that we have the opportunity of having the bureau as an ally in leveling the playing field between large and smaller banks in the regulatory process. ▶

Bankers in Attendance:

- *DD Felton, Chairman, Mechanics Bank, Richmond*
- *Dave Greiner, President & CEO, Tri-Valley Bank.*
- *Peggy Herzog, SVP Compliance, Mechanics Bank, Richmond*
- *Dave Joves, President & CEO, Mission National Bank, San Francisco*
- *Marty Lombardi, SVP, Savings Bank of Mendocino, Ukiah*
- *Vince Siciliano, President & CEO, New Resource Bank, San Francisco*
- *William X. Smith, SVP, Chief Risk Officer, Community Bank of the Bay, Oakland*
- *Steve Stevenson, EVP, Sales & Service, Bank of Agriculture & Commerce, Stockton*

CIB Advocacy Update

Sacramento Update California Election Results - Still Blue in 2010

The wave of red that swept most of the rest of the country seemed to dissipate in Nevada with Harry Reid's win, and ultimately turned deep blue in California where Democrats celebrated victories in a number of races. Unlike the rest of the country where a "D" behind someone's name stood for "defeat", on election day in California an "R" mostly stood for "remain in the private sector." Jerry Brown and Barbara Boxer won handily and Democrats may have won every other statewide office (the Attorney General's race is still too close to call).

There was no major shift in either house of the Legislature. The Senate will convene in December with 24 Democrats, 14 Republicans and two vacancies, which will be filled shortly with special elections. In the Assembly, Democrats gained one seat giving them a 52-28 advantage.

With the Governor's office and both houses held by Democrats, California will continue to lead the way on progressive policies on a wide array of issues. The State Senate however has moved to the center in this election with a solid block of seats now held by more moderate Democrats. This will give business interests and others the opportunity to stop or amend some bills that would be harmful or overly restrictive.

The one place where California voters seemed to follow a more conservative path was in voting on the propositions. In addition to not legalizing marijuana, voters rejected Proposition 24, which would have overturned several business tax breaks that were part of last year's budget deal. They also passed Proposition 26 that requires a two-thirds vote of the Legislature in order to pass many fees and levies.

Voters expressed additional distrust of the Legislature by overwhelmingly passing Proposition 20, the measure that takes Congressional redistricting out of the hands of the Legislature and gives that responsibility to an independent citizens commission. Similarly, they rejected Proposition 27, which would have returned the drawing of legislative district lines to the Legislature.

On the other hand, the voters did pass Proposition 25, which eliminates the requirement to pass a budget with two-thirds of the Legislature and reduces that to a simple majority. Proposition 25 does not, however change the two-thirds requirement to impose new taxes. This will leave it solely in the Democrats hand to resolve the estimated \$25.4 billion short fall the state faces this fiscal year and next. ▶