

Cross Selling With A Purpose

by [Steve Brown](#)

Several years back, Amazon reported that cross-sells were responsible for 35% of its sales. It's not surprising, given the effort the online retailing giant puts in to boost sales. For instance, when customers shop its site, Amazon showcases complementary products they might also be interested in. Amazon also advertises "frequently bought together" items in the hopes of landing additional sales. Given the results, Amazon is clearly really good at what it does.

How about banks? Certainly banks spend oodles of money year after year marketing their products to customers, but are the results there and how do you know? A 2012 study by Deloitte provides insight, finding only 19% of retail bank customers owned three or more products in addition to a checking account with their primary bank. By contrast, 49% owned three or more products with other financial institutions.

Banks have problems cross-selling for a number of reasons. One issue that's become more of a sticking point in recent years is lighter branch traffic. This has forced banks to rely more heavily on ATM teasers, email, snail mail and occasional phone calls to get the word out. Often times, these marketing attempts are broad-based and unfocused. Unless customers are in the market for a new mortgage, a home equity loan, a new credit card, a business loan or some other banking product, your message--however you deliver it--is likely to be tuned out.

There are, of course, many lessons to be learned about effective cross-selling. If we could drive home just one of them, it would be this: Banks don't necessarily need to communicate more with customers; they need to communicate smarter.

Banks have a lot of customer data at their fingertips, but they don't always use it to create targeted marketing campaigns vs. generic ones. A good first step is to understand how customers are interacting with your bank. If customers primarily do their banking in person, email promotions may not be the best way to communicate. Likewise, if you're only relying on your tellers to cross-sell, you'll miss out on the opportunity to reach customers who mostly bank online and rarely step foot into a branch.

Next, you need to understand what products and services might appeal to specific customers. It'd be absurd to promote your bank's low mortgage rates, for example, to a 98-year-old widow, but customers in their 20s and 30s might be prime targets. Likewise, a new credit card might not appeal to a customer up his eyeballs in debt, but small business owners might be more receptive. Targeted campaigns should be a snap for banks using good customer analytics programs, but many have significant catching up to do here.

As you ramp up your efforts, you'll need to make sure your customer-facing teams are well-trained in the various products. After all, you are trying to cross sell so training is critical and so are appropriate incentives. Bundling is yet another effective strategy to ensure customers feel more bang for their buck.

Amazon didn't get to where it is today by being timid about cross-selling. Banks that want to deepen relationships with clients--and who wouldn't--should take a lesson from the retailing giant and find a way to better connect with customers..

ECONOMY & RATES

Yesterday

Yields plummeted 6bps after a report showed manufacturing activity was weak in Jan. and the stock market retrenched sharply.

Today

Yields are up 2bps as investors gear up for upcoming Factory Orders results.

Rates As Of: 02/04/2014 09:03AM (PST)

Treasury	Yields	MTD Chg	YTD Chg
3M	0.05	0.00	0.00
6M	0.07	0.00	0.00
1Y	0.09	0.00	0.00
2Y	0.30	0.00	0.00
5Y	1.46	0.00	0.00
10Y	2.62	0.00	0.00
30Y	3.58	0.00	0.00
FF Market	FF Target	Fed Disc	
0.00	0.25	0.00	
Prime	Unemployment	Oil	
3.25	0.00	\$0	

[More Market Rates](#)

BANK NEWS

Electronic Signatures

The FHA said it will now accept electronic signatures on all mortgage documents. We note this is 14Ys after Congress passed the Electronic Signatures in Global and National Commerce Act and made e-signatures allowed by law, but only 1Y after the IRS started allowing it.

Competition

Amazon has applied for a patent that would link multiple credit cards to its Amazon card, allowing people to choose which card to use through a phone app. The move potentially brings Amazon into the payments space in a big way and would create a digital wallet for the company's customers.

Competition

The Wall Street Journal reports Apple may be expanding its iTunes mobile payments service that would allow iPhone users to buy goods and services through it. If Apple enters mobile payments, it would compete directly with banks, PayPal, Square and others.

QE3

The Fed cited "cumulative progress toward maximum employment" and "improvement in the outlook for labor market conditions" as primary reasons it reduced securities purchases from \$75B per month to \$65B per month in Feb. The Fed is expected to continue reducing at a \$10B pace at each upcoming meeting until it gets back to zero.

Aging Population

Research by the KC Fed finds by 2030 19% of the US population will be 65 or older vs. 13% today. This aging of the population alone from 2011 to 2030 will reduce both income tax and sales tax revenue per capita in nearly every state (by about 1.1%).

Municipalities

In the US, Fed research finds individual income tax revenue contributes 34.1% to total state tax revenue and general and selective sales tax revenue contributes 48.4%.

Self Driving

Bankers should take note that a forecast by IHS Automotive projects 9% of all cars will drive themselves in the next 20Ys. How that will impact banking is anyone's guess, but it will be interesting to watch for sure.

Employees

Deloitte analysis finds Gen Y (Millennials) employees (currently in their 20's) will represent 75% of the workforce in the next 12Ys (by 2025).

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