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The Productivity Kicker

The imperative to get cross sales working

With the ever present focus on the fiercely competitive environment which exists in business banking today, and the relentless drive by all banks to increase their origination of new-to-bank customers, one prize which is often overlooked is the latent potential that sits within their existing customer base. Arguably, one of the greatest new business opportunities and productivity gains available to business banks today lies in deepening the share of product engagement by existing customers.

Whilst achieving a high level of customer satisfaction is a worthwhile pursuit, it in itself is not the end game. High levels of customer satisfaction will lower customer churn and assist attracting new customers, but it is the capability to leverage high customer satisfaction into greater product usage by those same satisfied customers which will deliver the greatest revenue uplift. It is more productive to gain an incremental dollar of revenue from an existing customer than it is to acquire that dollar of revenue via a new customer.

Aside from the defensive characteristics associated with entangling a customer with additional products, East & Partners has noted a close correlation between successful strategies to lift product penetration and attracting advocacy from existing customers, that is, the greater the share of customer wallet being achieved the greater the likelihood of generating new customers through active customer referrals.

The figure below shows the level of product penetration across competitive peer groups in the Corporate segment. Three points are worth noting; i) the product count shown is neither here nor there, as each bank offers a different product suite – these figures are derived from East & Partners' demand side analytics, rendering the relativities between peer groups and individual providers as robust and valid, and ii) the market leader's penetration represents only 36% of the total available product suite, and iii) these figures have generally been flat, and/or declining for certain providers – that is, little headway has been achieved in lifting product engagement over the last few years.

What's not working

In an age where customer satisfaction has been on the rise, MIS and CRM systems have never been better, and RMs are supported by an array of product sales specialists; it's difficult to understand why product penetration has not grown steadily.

Rising multi-banking and competitor pressure are often cited as prime forces which inhibit lifting product penetration. In reality, work undertaken by East & Partners shows that it is most often internal factors which limit success. By this we refer to poor sales processes, bloated portfolios, misaligned performance measures, lack of co-operation and co-ordination between RMs, product groups and product sales specialists, and other barriers, blockages and dysfunctional behaviours.

The first step in lifting product penetration requires a dispassionate and apolitical diagnosis of the interactions occurring between RMs, RM Assistants and product specialists. Overlaying the outcomes of this diagnosis against the customers' view of their bank interactions is telling - the ensuing gap analysis readily identifies barriers to be dismantled and processes to be enhanced.

Whilst removing internal barriers and blockages is not the entire answer to optimising product penetration, it is the critical first step and will deliver almost immediate measurable uplift. Needless to say, the diagnostic phase is merely the precursor, it is the focused and consistent execution of initiatives flowing from the diagnosis that delivers the results.

The next wave

It is accepted that business banking RMs, selling business banking products to business customers should achieve high product engagement – that they are not is cause for concern. There are significant gains available for banks which get this working.

Once banks succeed in improving cross sales within their business bank, the next challenge is the effective cross sell of their wealth management offering into their existing large business customer bases. This step brings the added complexity of unfamiliar products, additional regulatory considerations and a potential further internal relationship to manage and co-ordinate – that of the business customers' private banker.

It's often a case of walking before you run. For business banks which achieve product penetration traction across their portfolio, progressing to the next phase of facilitating wealth management product penetration awaits. It may seem daunting, but getting it right will be very rewarding.

Product Penetration – Corporate Segment