



Effectively Using Cross-Selling and Up-Selling to Increase Revenue AND Customer Service

A White Paper by Entelechy, Inc.

Abstract:

While cross-selling and up-selling have grown in popularity with businesses, many efforts fail to meet projections. Many factors contribute to a successful cross-selling/up-selling campaign; the most critical – and the one presenting the greatest challenge for companies – is the skill set of the customer service representatives.



Cross-Selling and Up-Selling: There's Gold in Them Thar Hills

Cross-selling – selling additional products or services to existing customers – has become a very popular revenue-generating strategy for businesses.

A survey taken by SAP estimates that 60% of banks have growth strategies that rely primarily on cross-selling products to existing customers.¹

In another survey, the Gartner Group reports that 74% of financial companies say they are using cross-selling strategies.²

(Note: Up-selling – selling enhanced features of a solution – is also a revenue-generating strategy for companies and, for the purposes of this paper, will be included under the general heading of cross-selling.)

However, cross-selling effectively isn't simple, and there is a level of risk involved. Do it right and increase the bottom line. Do it wrong and risk damaging fragile relationships with existing customers.

Tap into the Mother Lode with Cross-Selling

One of the primary reasons for cross-selling's popularity lies in its enormous revenue potential. Take personal insurance, for example; the wide range of product lines offered by most personal insurance companies provides ample opportunities for cross-selling. A single customer might have property, auto, and life insurance, each with multiple riders and additions. For a diversified insurance and financial services company with five million customers, an increase of only one product for every 20 customers could result in nearly \$140 million in additional annual revenue and almost \$20 million more in annual profits.³ As an added benefit, cross-selling can result in a 5% improvement in retention, which, modest as it sounds, can translate into a profitability improvement of 50% over the life of the customer.⁴

The benefits of cross-selling are not confined to the insurance and financial services industries. Any company with a range of products and services can use cross-selling to increase revenue and customer retention: Cable television providers now offer phone and Internet access, credit card companies offer identity protection, mortgage companies offer retirement planning, cell phone providers offer data services, PC repair shops offer virus protection, and so on.

Moreover, many companies who had previously relied on telemarketing to reach new customers are finding that "Do-Not-Call" legislation has effectively reduced its business by half – or \$50 billion – according to Louis Mastria, a spokesman for the Direct Marketing Association.⁵ Closing this

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Closing this pipeline of potential revenue has forced more companies to focus their attention on a lucrative and reachable audience – their own customers.

¹ "Strategies for Profitable Growth," www.sap.com/industries/banking/pdf/BWP_banking_overview.pdf

² "Cross-selling Software Boosts Bank Marketing," Bank Marketing International, Jan 22, 2003.

³ "The Elusive Prize: Effective Cross-Selling," Insurance and Technology, September 2005.

⁴ Ibid.

⁵ "Do Not Call' Still a Big Hit," Jul 1, 2003, cbsnews.com,

<http://www.cbsnews.com/stories/2003/03/11/politics/main543573.shtml>

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The potential is enormous, but not all cross-selling efforts bear fruit. For cross-selling to work and for companies to mine the “embarrassment of riches”⁶ available in its current customer database, companies need to 1) accurately identify the receptive audience, and 2) present that audience with product information in a timely manner, tailored to their needs.

Most Cross-Selling Initiatives Fail

Gartner estimates that 70% to 90% of all cross-selling efforts fail.⁷ Why?

It certainly isn't because we haven't tried to capture and make sense out of customer data. Many millions of dollars have been spent on sophisticated Customer Relationship Management (CRM) systems to provide companies with data to help them target customers for additional products and services. Forrester Research Inc. found that only 10 percent of business and information technology executives surveyed strongly agreed that business results anticipated from implementing CRM were met or exceeded.⁸ Several years ago, Yankee Group, Boston, estimated that “20% of CRM systems purchased in the last two years were never installed, and that 30% have gone no further than the first stage of deployment a year after acquisition.”⁹

While it appears that CRM systems are beginning to regain respect and credibility¹⁰, they are no longer considered the technological panacea to increased customer retention, satisfaction, and sales.

Cross-selling failure certainly isn't due to a lack of effort on our part to “reach out and touch” customers. While we try harder – direct mail has increased by 6% last year to over 100 billion pieces mailed¹¹ – our customers are slamming the direct marketing door shut:

- Over 70% of personal video recorder (PVR) users skip through television commercials (and Yankee Group estimates that fully half of US households will have this technology in four years!¹²).
- Commercial-free satellite radio has eight million customers and is expected to double to over 19 million subscribers by 2007.¹³

⁶ “Optimizing Customer Insight,” Intelligent Enterprise, May 13, 2003, http://www.intelligententerprise.com/030513/608feat1_1.jhtml

⁷ Referenced in “Crossing the Balance Sheet: Identifying Best Practices When Designing a Cross Selling Initiative Between Capital and Credit Market Teams.” A UNC Kenan-Flagler Business School White Paper, Ian Patrick, April 29, 2003.

⁸ “Evaluation of Top Enterprise CRM Software Vendors Across 177 Criteria,” Forrester Research, 2005 www.forrester.com

⁹ “When CRM Fails,” Frontline Solutions, Mar 2003, <http://archives.frontlinetoday.com/frontline/article/articleDetail.jsp?id=48635>

¹⁰ “CRM Done Right,” Harvard Business Review, Nov 2004.

¹¹ “Direct Marketing Can't Get Lost in the Mail,” Advertising Age, Jan 16, 2006, Vol. 77 Issue 3, p15.

¹² “DVR/PVR Pave the Way to IPTV,” Telephony, Dec 12, 2005, Vol. 246 Issue 24, Special section p2-3.

¹³ “Satellite Radio,” eMarketer, Nov 2005, http://www.emarketer.com/Report.aspx?radio_sat_jan06

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- Over 100 million people have signed up for the Do-Not-Call list, with severe penalties to companies violating the law (in December, 2005, DIRECTV was slapped with a 5.3 MILLION DOLLAR penalty for Do-Not-Call violations).
- Spam is uniformly despised and its eradication has become big business; according to market researcher The Radicati Group, spending on anti-spam products and services increased to nearly \$1 billion in 2004, up 50% from the previous year.¹⁴

Return rates for the types of outbound marketing and advertising efforts listed above have fallen below 3%.¹⁵ Consumers are clear in their directive to us: stop the bombardment of irrelevant, ill-timed advertising.

Look Where the Gold Is

Cross-selling isn't failing because consumers have stopped consuming. On the contrary, they are buying more than ever; for example, consumers spent over \$20 trillion on household goods and services in 2003, four times what they spent in 1960 according to The Worldwatch Institute.¹⁶

And there are more and more consumers. The Worldwatch Institute reports that more than 25 percent of the world's population is now part of the "consumer culture," purchasing television sets, automobiles, and thousands of other products and services.

And there are more things to buy. The Worldwatch Institute estimates that each year more than 50,000 new products hit the market.

As a result of the lackluster results of outbound marketing and the increasingly limited reach of traditional advertising, more and more companies are looking to optimize opportunities in inbound customer calls and use service reps to take advantage of ongoing contacts with customers to position additional products or services.

With 2.1 million customer service representatives in the US¹⁷ combined with the evergrowing offshore call center industry handling billions of customer calls annually, inbound customer service calls provide a huge opportunity for cross-selling – if done successfully.

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¹⁴ "Anti-spam Industry Consolidating," USA Today, Jul 20, 2004,

http://www.usatoday.com/money/industries/technology/2004-07-20-spam_x.htm

¹⁵ "The Elusive Prize Effective Cross Selling," Insurance and Technology Sept. 2005

<http://www.insurancetech.com/news/showArticle.jhtml?articleID=170704148>

¹⁶ "The State of the World: Consumption by the Numbers," The Worldwatch Institute, 2004.

¹⁷ *Occupational Outlook Handbook, 2006-2007 edition, Customer Service Representatives*, Bureau of Labor Statistics, U.S. Department of Labor, <http://www.bls.gov/oco/ocos280.htm>

The Key is Connecting with the Customer

Cross-selling failure isn't because consumers aren't willing to purchase additional products or services from customer service representatives. In a 2004 Forum Corporation survey of 1,624 world-wide respondents – averaging 43 years old and with an annual family income of \$56,000 – it was found that:

- 88% of customers value service reps who suggest alternative products or services that better meet their needs.
- 73% are interested in learning about new products or services the company is promoting.
- 61% tend to ask service reps about these products or services.
- 42% said they purchased additional products or services “sometimes” or “frequently”.¹⁸

The Forum survey found that consumers are most likely to buy when the customer service rep:

- Focuses on the customer's needs instead of pushing a product.
- Solves the customer's problem first, before talking about additional products or services.
- Describes how the products or services will benefit the customer.¹⁹

Conversely, when a customer service representative didn't seem to pay attention to customer needs (i.e., used a script, continued to sell after the customer said “no”, or pushed products that were not useful to the customer), customers were not only unlikely to buy, but became highly irritated.²⁰

Defining Moments - The Ultimate Connection

Terence Traut, President of Entelechy, Inc., a training services company with notable success in helping companies cross-sell successfully, believes that, “There are moments in customer service when the true relationship between the customer and the company is defined. When an overdraft

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*Defining moment:
What happens in the next minute will define the relationship between the customer and the company – either positively or negatively – for the coming years.*

¹⁸ “How Customers View Cross-Selling,” The Forum Corporation, 2004.

¹⁹ Ibid.

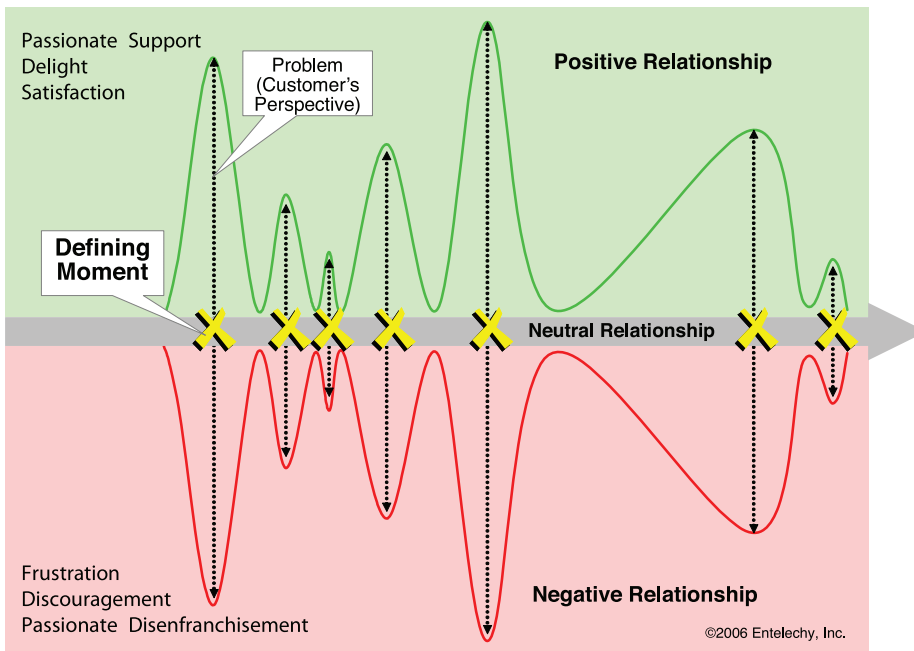
²⁰ Ibid.

occurs, when luggage is lost, when the credit limit is reached, or when a hard drive crashes, and the customer – with emotions running high – calls customer service. What happens in the next minute will define the relationship between the customer and the company – either positively or negatively – for the coming years.”

Traut continues, “Defining moments in customer service do not usually occur in the simple or mundane tasks – opening an account, asking a simple question, making a straightforward transaction – although these experiences can shape the customer’s overall perspective of the company. Defining moments are personal to the customer: a concern about MY bill, a problem with MY service, or losing MY data on MY computer due to a disk crash. Some defining moments are little deals and others are huge deals; and some deals that appear to the customer service rep as small may actually be huge deals to the customer.”

“Customers who experience a negative defining moment become frustrated, discouraged, and disenfranchised – sometimes passionately. We all know that disgruntled customers not only leave, they tell others about their bad experience. Conversely, customers whose expectations are exceeded in that defining moment not only experience satisfaction – and in some cases delight – they become company supporters and loyalists.”

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Defining moments that increase the positive relationship increase the opportunities for cross-selling. McKinsey research on retail banking in Europe – and confirmed in the US – indicates that after a positive defining moment, more than 85% of customers purchased more products or invested

more of their assets with the bank; conversely, more than 70% of customers having negative defining moments reduced their commitment to the bank in the form of closed accounts or significant reductions in assets handled by the bank.²¹

Similar results have been shown in other industries. MediaOne, a national cable television provider (purchased by AT&T Broadband and subsequently acquired by Comcast), implemented a well-planned cross-selling strategy to position premium channel packages through their service team. Says their Manager of Corporate Training and Development: "We improved listening and questioning skills, focused on customer needs and overcame some sales reluctance." The pay off? An additional \$16 million in annual revenue.²²

A company wishing to use inbound customer service reps to position additional products and services faces a number of challenges:

- *Incentives/metrics*
- *Department culture*
- *Predisposition against sales*
- *Knowledge of products and potential benefits to customers*
- *Skill and confidence*

Where Cross-Selling Fails

In training thousands of customer service reps, field service reps, and others who have the opportunity to cross-sell, we have found that it takes a holistic, concerted effort to succeed. A company wishing to use inbound customer service reps to position additional products and services faces a number of challenges. Among these are:

- **Incentives/metrics.** Customer service reps are typically measured on call time and number of calls taken. Taking time to position additional products or services may be seen as preventing the achievement of those goals. Additionally, the call center may be viewed as a cost center rather than as a potential profit center, driving behavior towards call efficiency rather than sales effectiveness.
- **Department/company culture.** The department or company may foster a culture of problem solving and courtesy, and consciously or subconsciously prevent a culture of "selling as an extension of service." This culture could be fostered by peers and/or management.
- **Predisposition against sales.** Many customer service reps abhor sales or anything that resembles sales. They view sales as pushy, obnoxious, and manipulative.
- **Knowledge of products and potential benefits to customers.** Customer service reps need to know about the products and services they're cross-selling; most importantly, they need to know how specific products and services may benefit certain customers.

²¹"How Europe's Banks can Profit from Loyal Customers," Marc Beaujean, Vincent Cremers, and Francisco Pedro Goncalves Pereira, The McKinsey Quarterly, Web exclusive, Nov 2005.

²² "Changing a Culture and Increasing Revenue through Improved Customer Service: MediaOne/AT&T Broadband Customer Service Case Study," Entelechy, Inc. 2005 <http://www.unlockit.com/docs/CS-HPCSMedia20050807.pdf>

- Skill and confidence. Effectively positioning relevant products and services in a helpful manner requires skills in listening, questioning, and presenting. It requires confidence in using those skills.

While incentives/metrics and department culture are absolutely critical to a successful initiative, they will not be discussed in this paper so we can focus on the last three bulleted items above.

Predisposition Against Sales

“I’d rather quit than sell.” “I was hired to help people, not manipulate them.”

The feelings of many customer service reps towards sales are often more violent than those expressed by customers! Clearly, introducing cross-selling to such an audience would fail quickly and unequivocally. Therefore, a critical initial step is to help customer service reps see cross-selling for what it is (or what it SHOULD be): an extension of providing the best and most complete service to the customer.

Although some of the research findings mentioned earlier might lower the defenses of many customer service reps, metamorphosis happens at two levels. The first is recognition that they themselves have happily purchased items that others suggested; in other words, the customer service reps themselves have benefited from a relevant and timely recommendation made by someone else. The second is the realization that THEY as customer service reps are sometimes the ONLY people who are in a position to provide this helpful information to customers.

It is important for customer service reps to see that positioning products and services that will benefit the customer IS customer service! Of course, if the customer is satisfied and does not need anything else, the rep should close the call without even mentioning any other products or services. However, if the customer service rep could provide the customer better service by matching a product or service to an expressed need, then missing that opportunity is incomplete customer service.

Traut agrees: “A significant amount of our initial customer service training focuses on helping customer service reps see themselves as the customer’s advocate, someone who has insights and information that will help that particular customer. Through small and large-group discussion, we extend that “customer advocacy” to include an obligation to position relevant and beneficial products and services thereby gradually reducing and eliminating the biases that customer service reps have against sales.”

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Product Knowledge

“Product knowledge is perhaps the most misunderstood element in the cross-selling equation,” declares Traut. “Companies spend time on product features and functions, yet we all know that customers don’t really care much about those things. They care about benefits. And actually, they really only care about benefits to THEM personally.”

If a product is going to save time, it needs to be clear WHO is going to save HOW much time. For example, a personal video recorder (PVR) such as TiVo® allows someone who hates commercials (the WHO) to skip 12 minutes of commercials every hour (the BENEFIT).

For cross-selling efforts to work, customer service reps need training and support (in the form of job aids) that provide easy-to-access product information. Most importantly, the customer benefits of these products need to be specified at the granular level. If a product is going to save time, it needs to be clear WHO is going to save HOW much time. For example, a personal video recorder (PVR) such as TiVo® allows someone who hates commercials (the WHO) to skip 12 minutes of commercials every hour (the BENEFIT).

Customer service reps need to be receptive to potential buyers of a product so when they are listening to the customer on the call, they can pick up specific clues that would lead to specific products. If, during a call, the caller complains that “there seems to be getting more and more commercials on TV” the customer service rep can position TiVo as a product that the customer may find useful.

Another caller may talk about how they’re missing an important part of the game because the video signal is out. After addressing the problem, the customer service rep may position TiVo as a tool to ensure that the customer can replay parts of the game that he missed.

The product training must focus on targeted potential buyers and the specific benefits they would get from the product or service. General marketing messages (i.e., save time, lower costs) and product functions and features do NOT make for effective product training.

Skill and Confidence

Most companies train their customer service representatives to ask questions to solve problems. “Transitioning to sales is extending those existing customer service skills,” says Traut, “since selling is really nothing more than good problem-solving. At the same time,” adds Traut, “cross-selling skills can be unique and can be as foreign to customer service reps as another language.”

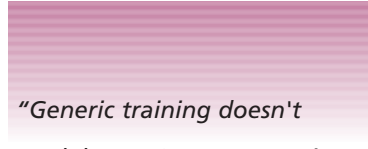
In order to effectively cross-sell through the service channel, Traut suggests starting with an assessment of current abilities and comparing them to cross-selling competencies. When working with clients to increase sales

through their service channel, Entelechy starts with the following list of cross-selling competencies and customizes where needed.

- Views cross-selling as an extension of customer service and a way to solve customer problems.
- While addressing the reason for the customer call, listens and identifies clues to additional customer needs.
- Successfully addresses the customer's original reason for the call before discussing additional products or services.
- Uses checkbacks to ensure that issues have been addressed, messages understood, and actions agreed to appropriately throughout the call.
- Throughout the call, listens for clues that may identify the caller's predisposition for cross-selling (both in terms of product/service need AND in terms of receptivity).
- Successfully transitions to cross-selling by asking questions to investigate and/or clarify additional customer needs identified during the call.
- Matches appropriate products/services to meet specific customer needs.
- Positions the customer benefits of these products/services in terms and tone that demonstrate helpfulness to the customer.
- Ends discussion of additional products/services if the customer objects.
- Recognizes buying signals.
- Closes the sale by asking for confirmation by the customer.

Training must provide demonstrations of these skills in action. Charlie Gargaly, customer service master trainer at Entelechy, is adamant that the training show the skills being applied by THESE reps in THEIR environment: "Generic training doesn't work here. Customer service reps need to see 'one of their own' successfully demonstrating the skills." Gargaly recommends using video to capture vignettes of real reps demonstrating the specific skills; use the videos in training to demonstrate and discuss the skills.

Practice is key in cross-selling training. Practice in a safe environment provides reps with the confidence that they can do this. Traut acknowledges, "Creating scenarios to be used in training to provide a realistic backdrop to the skills practice IS time-consuming but well worth the time invested; get marketing involved as they should have already built customer profiles that you can use in the training."

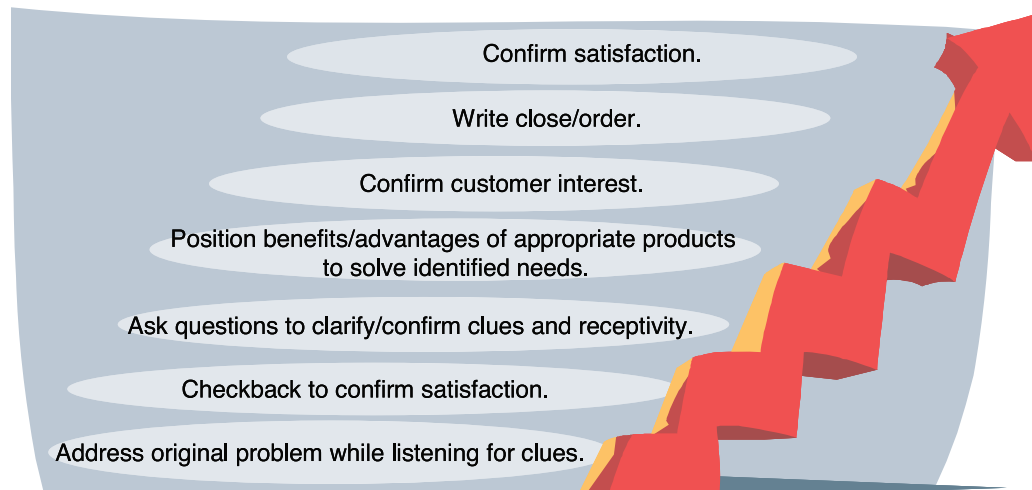


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*Charlie Gargaly,
Customer Service
Master Trainer*

Customer service reps need to know and be able to follow a call structure that now includes the potential for cross-selling as illustrated in the graphic below. The call begins at the bottom of the graphic with the customer service representative addressing the original customer problem:

It is important for reps to know that THEY control when and how – and even IF – cross-selling occurs on a call. Especially for inbound customer service reps who are now being asked to cross-sell, it is important for the long-term success of the initiative if the rep knows he or she is the one pulling the cross-selling trigger.



Cross-selling and upselling is another way of solving customer problems. It's all about connecting with the customer.

Building into the training an opportunity for self-assessment and peer feedback and encouragement is equally important. Reps need to feel comfortable in knowing that each call contains elements that worked and others that might have been done better; each call is an opportunity to learn.

And finally, it is important for reps to know that THEY control when and how – and even IF – cross-selling occurs on a call. Especially for inbound customer service reps who are now being asked to cross-sell, it is important for the long-term success of the initiative if the rep knows that he or she is the one pulling the cross-selling trigger. The customer will respond positively, further bolstering the confidence of the customer service rep.

Conclusions

“Cross-selling and upselling is another way of solving customer problems,” says Traut. “But you can’t begin discussing new products and services until you’re sure the original problem has been addressed to the customer’s satisfaction.”

“It’s all about connecting with the customer,” Traut concludes. “If your customer service reps ask questions and position products in the mode of solving customer problems, they’ll make the customer feel taken care of and appreciated. When done right, cross-selling and upselling will do more than sell products; it can increase customer satisfaction and retention.”

About Entelechy, Inc.

Entelechy was formed in 1992 to address the increased sophistication of today's management in expecting – and demanding – high levels of performance from their teams and individuals.

Calling Entelechy a training company belies the true essence of the work we do. While we **do** design, develop, and deliver some of the most effective training in the industry, what we do **before** we design training sets us apart from other “training companies.”

We consult with you, your managers and supervisors, and your employees to determine three things:

- What performance is required? What are you looking for people to do? And how does this performance help you achieve your business goals?
- What is the current performance?
- Why isn't current performance at the required performance level?

Our business-focused approach ensures that we design, develop, and deliver the most effective customer service training possible, one that will change your company and positively impact your bottom line.

To create YOUR customized customer service training, Entelechy draws from our 19 *High Performance Customer Service* modules:

Core Customer Service Skills

- Impacting the Customer Experience
- Focusing on the Customer
- Exploring Social Styles & Motivators
- Enhancing Customer Courtesy Skills
- Communicating Effectively
- Handling Challenging Situations
- Balancing Business & Customer Needs
- Providing Products to Customers
- Recognizing Value
- You REALLY are the One at Your Company

Calling Entelechy a training company belies the true essence of the work we do.

Contact Entelechy:

1.800.3POTENTIAL

(1.800.376.8368)

General information is available at our website:

www.unlockit.com

or via email at

info@unlockit.com

For cross-selling information, email George Lichte at: glichte@unlockit.com

Selling Skills for Customer Service

- Transitioning to Sales
- Developing a Campaign Strategy
- Listening & Questioning
- Positioning the Sale
- Managing Sales Objections
- Closing the Sale
- Integrating the Skills
- Improving Personal Effectiveness

Customer Service Management

Leadership Support

For more information on each module, please check out:

<http://unlockit.com/TS-HPCS.htm>.

Begin your cross-selling initiative by contacting Entelechy at 800.3.POTENTIAL or 603.424.1237 or emailing George Lichte, VP of Business Development, at glichte@unlockit.com.



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