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CROSS SELLING: KEY DRIVER IN THE GROWTH OF BANKING INDUSTRY

***ANIL KUMAR ROY**

***B.Com, M.Com, MBA, Ph.D**

ABSTRACT

Due to an increased product commoditization, cross-selling has lately become a nightmare for most retail banks. In this regard, banks that want to sell extra products should cultivate deep knowledge of their customers. It means tailoring offers in a timely manner based on customers' activities in their accounts, as well as their habits and lifestyle changes. To apply this in practice, banks should scrap "one-size-fits-all" campaigns and push-based selling, where sales representatives have to persuade existing customers to sign up for multiple products viz; Life Insurance, Mutual Funds etc. regardless of their needs. Instead, they can use predictive analysis to personalize communications with customers and offer them only relevant banking products and services. This Paper is a modest attempt to know the impact of cross selling on banking.

***Key Words:** Cross Selling, Investment, Customisation.*

INTRODUCTION

Every financial institution needs to generate a steady stream of new customers, yet one of the easiest and most steady sources of new business and related revenue is to reach out to current customers for additional business. With the cost of acquiring new retail, small business or commercial customers being five to ten times the cost of retaining an existing one, and with the average spend of a repeat customer being 50% – 100% more than a new one, financial marketers need to remember that the most efficient investment of marketing funds is to market to customers that already bank with you.

Cross selling is the practice of promoting additional products and services to existing customers in addition to the ones they have. Cross-selling to be understood in simplest terms is encouraging an organization's consumers who have already bought the product A to also buy its product B. While cross-selling helps customers by providing them a one-stop solution; it also helps banks increase their sales volumes. Customers today do prefer to have one-stop shop for all their solutions due to fast lifestyle and increased time pressure. Through cross selling banks are able to provide customers added benefits and greater convenience.

With competition getting more fierce and plummeting effectiveness of conventional marketing campaigns, cross selling has emerged as an important substitute to traditional communication methods. Cross selling tends to create multiple relationships, which increases exit barriers for the consumers and reduce the cost of acquiring new customers for the bank. As the customers buy additional services form their bank, the overall switching costs for the consumers become higher. Selling additional services to existing customer base greatly reduces the bank's cost of advertising and gives them cost advantage.

BUILDING RELATIONSHIPS FOR CROSS SELLING

Banks should have to develop individual personal relationships with customers in order to help to provide customized products and a marketing mix to suit their customer's individual needs. Successful cross-selling depends on optimum contact management. The relationship could be put at risk if the efforts for contacts with the customer are excessive and repetitive. For successful cross selling, it is also required to retrieve and store customer's information in an accessible form.

BUYER BEHAVIOUR IN THE FINANCIAL SECTOR

In the past the financial services structure and operations has been such that consumers had little choice in terms of selecting their financial plan and the delivery channel of the instruments. The consumer earlier had to accept the set price of the financial instrument and the form of delivery channel of it because of the rigid structure of the industry. He further explains that the only a little long term benefit was generated to the consumers when they switched between financial providers and it rather proved costly because of disruption and switching costs. Therefore, the consumers were in a way locked into patterns and there were also too few incentives to change.

However, since the deregulation of the industry and with the emergence of new communication and information technology, a highly competitive market has been created which changed the role of consumer just as a price taker. Consumers today are now more willing to change their buying behaviour when dealing with financial products. As a result of this, managers at the bank are less certain that their customers will continue to bank with them. Banking industry cannot rely upon the traditional banker customer relationship to cross-sell high value supplementary products. Therefore, the bank or a financial services institution would have to respond to these changes strategically in order to maintain customer retention. The banks must 'attempt not only to anticipate but also to influence and determine consumer's buying behaviour' in order to maintain profitability.

IMPORTANCE OF CROSS SELLING

We know that many companies push cross-selling, and sometimes, it can become annoying to the customer. When a customer is in a hurry and just wants to make a quick purchase, having the employee try to sell more than he or she has asked for can cause hard feelings. So why should banks consider cross-selling at all?

To answer that, let's consider a number of the most common products a bank has to offer: savings accounts, checking accounts, business accounts, savings bonds, mortgages and credit cards. A customer who uses different agencies for each of these products isn't necessarily loyal to any of them. If another company gives a better rate for a credit card, for example, the customer won't hesitate to transfer his account.

However, if a person has all of her financial accounts with the same company, she may feel more loyal to that company; there's a sense of ownership involved in maintaining all financial products at the same place. Thus, it would take a great deal of enticement to lure this customer away from her primary bank for banking services.

Engendering loyalty accomplishes two primary goals of any business: repeat customers and reduced costs associated with gaining new customers. It costs far less to cross-sell items to existing customers than it does to attract new customers.

Exploring Cross Selling through these ways:

- Start with the lowest hanging fruit
- Stay Connected
- Continually Evaluate Upsell Opportunities
- Empower Your Customer Facing Employees
- Ask For Referrals
- Liverage Offline and Online Channels
- Measure and Reward What you Want Done

CONCLUDING REMARKS:

When you cross-sell, you offer the customer a product or service related to whatever they are already buying. It can be simple as promoting a credit card and internet banking to a savings or current account customer. Up-selling enables increasing the quantum placed on an existing product or additional products. Both methods of encouraging clients to use additional services and invest a little more can dramatically boost your sales, grow revenue and help achieve set objectives.

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