

Cross-selling to high net worths

PETER BELSEY, a sector head at Huthwaite International, looks at how to work with colleagues in order to make the most of cross-selling opportunities in today's high net worth market.

It is an almost universally accepted truism that it is cheaper to sell to existing clients than it is to secure new ones. Comparisons may have reached almost mythical proportions - some estimates put the cost of attracting new business as up to tens times more expensive - yet intuitively the proposition makes sense.

Conversion of a HNW prospect into a client is typically a multi-phase and drawn out process, from initial research and first approach to successfully concluding the negotiation.

Further, the cost of new business acquisition must also take account of the "funnel" effect - that, no matter how strong the conversion rate, there will always be a greater number of potential clients at the outset than those who stay the course to buy your product or service and so deliver a return on your investment.

This contrasts sharply with the costs associated with cross-selling or up-selling to an existing customer base.

Here the "funnel" will be much narrower, as the client is likely to be more willing to talk - in effect, a much warmer prospect.

ADDITIONAL

Similarly, if the task of uncovering need is undertaken properly upfront, the seller should already be aware of the scope and nature of potential additional sales.

For providers of financial services and advice, this has been thrown into

particularly sharp relief in recent years.

The latest annual report from Market-Dynamics Research and Consulting (MDRC) estimates that the high net worth market will grow by over 6% in 2004 and that this expansion will continue into next year.

" The growing importance of cross-selling is common to many industries... but in the high net worth sector it has significant implications for both the vendor organisation and individual wealth manager."

Yet crucially, the current level of 470,000 HNWs with more than £250,000 in investable assets is still 19% below its peak in 2000.

In a tougher economic climate therefore, when fewer new prospects are available, it is not just cheaper but

becomes a commercial imperative to protect and develop the customers you have by broadening and deepening existing relationships.

IMPLICATIONS

The growing importance of cross-selling is common to many industries of course, but in the high net worth sector it has significant implications for both the vendor organisation and individual wealth manager.

Understanding its importance does not, however, make it any easier to achieve.

The challenge of making it happen demands both different skills on the part of the individual and management action to provide a suitable environment.

It must also be recognised that the relationship manager - the "owner" of the client - will typically be protective of that link and be unwilling to take risks by putting others in front of the customer.

Experience shows that in corporate structures this can readily be overcome, but it is generally more problematic within partnerships where such "ownership" tends to operate at a higher level.

Why is this important? The MDRC report pointed out, for example, that investors are becoming increasingly wary of "old-fashioned investment strategies" and there is no doubt that the solutions required to maximise such clients' worth have become more complex.

The wealth manager as a general practitioner can no longer provide the complete solution on their own, but must

bring in other specialists in order to provide a fully effective, broadly based response.

Further, though the initial link with the client relationship may be transactional and one-dimensional, it is important to broaden and embed the relationship if it is to survive and thrive longer term.

" The wealth manager as a general practitioner can no longer provide the complete solution on their own, but must bring in other specialists in order to provide a fully effective, broadly based response."

By expanding the range of services provided, so the likelihood of achieving the holy grail of "trusted adviser" status will be greater and this more entangled relationship will be more secure, profitable - and indeed pleasurable.

Easy to say and even obvious perhaps, but the reality is very different. Increasingly smart HNW clients cherry pick in looking for best of breed solutions in each case, with the result that product penetration is much lower than it should be.

Providers of a broad range of products and services who could offer an attractive all-encompassing solution are typically supplying just one element, which in the final analysis may not maximise the benefit to either seller or buyer.

HOLISTIC

There is a need therefore to bridge the gap between what should happen and what is actually happening in practice, and there is some evidence that financial services providers are beginning to



Huthwaite's Peter Belsey - methodologies exist to provide a common framework and language so that salespeople can work skilfully with colleagues.

respond to the need for a broader, holistic approach.

In light of regulatory changes and the move towards depolarisation for example, at least one bank is restructuring to provide a full financial planning service, drawing on its own portfolio of in-house banking, investment and protection products, supplemented with a highly targeted range of third party services.

CREATING

In going for growth in an increasingly competitive environment, others are looking at creating business development teams drawn from departmental specialists in order to build a broader business with their clients.

And, consciously or otherwise, in so doing they are starting to address the natural desire of the product specialist to protect their business and the understandable reticence to stray beyond their sphere of perceived core competence.

This historic silo approach betrays a fundamental misunderstanding of what is required of the individual wealth manager in order to cross-sell or up-sell effectively.

It is not necessary to sell other colleagues' products for them. Rather, it is about creating the opportunity to introduce the relevant specialists - in areas such as banking, investment strategy, fiduciary management or tax

minimisation - at the right moment in the sales process.

Or, put another way, you must first sell on behalf of your colleagues before you can sell with them.

Before looking at the key elements needed to deliver a successful long term cross-sell strategy, it is important not to lose sight of two guiding principles.

Firstly, the most successful businesses in any sector have always recognised the intrinsic importance of cross-selling, as part of the bedrock of a strong customer relationship.

DEARTH

Other companies, however, have been driven to a recognition of its importance more recently in tougher economic times, in response to the harsh realities of a dearth of new customers.

Secondly, it is only possible to tackle cross-selling if, as an organisation, you have already addressed issues around selling.

As highlighted in earlier articles, some wealth managers have only just faced up to the fact that they are sellers. It is no surprise therefore that, for them, the concept that they need to cross-sell will similarly be unfamiliar.

There are four key elements which need to be inter-linked in order to provide a truly effective cross-sell solution: **knowledge, skills, processes and attitude.**

" ...it is about creating the opportunity to introduce the relevant specialists...at the right moment in the sales process."

KNOWLEDGE. It is not uncommon for relationship managers to struggle in looking for relevant cross-sell opportunities when they have little or no knowledge of what other specialists in the organisation can offer.

Banks have recognised this weakness and have attempted to bridge the gap with such initiatives as lunchtime training sessions on each other's products and services, and the development of internal product directories.

BACKFIRE

These, however, are often of limited value and can indeed backfire. Arming individual specialists with a limited knowledge of other products may in fact make them feel less comfortable and be unwilling to expose their lack of expertise.

Conversely, they may revert from a consultancy to an old-fashioned and ineffectual transactional style of selling by simply feature dumping.

What is required is not product knowledge but rather product fluency. Providing a few insights on product features achieves little. What front-line salespeople need is a clear idea of the kinds of comments a client may make which are likely to indicate a potential need for such solutions.

In other words, this goes beyond a factual understanding of what the product is.

Rather, it focuses on what the product can do for a client in a language which enables the seller to spot the link - either when the client volunteers the information or when a line of questioning uncovers a need - so providing the opportunity to introduce a colleague who has the relevant knowledge.

"It is important for the vendor company to establish clearly what is expected of the salesperson in generating a cross-sell opportunity."

SKILLS. As discussed in the previous article, successful one-to-one selling requires an ability for the salesperson to convert implied into explicit needs.

To enable effective cross-selling to

take place, the seller by contrast has to uncover an implied need - it is then for the related specialist to take the opportunity further.

Yet achieving this is not easy, as the initial contact has to have both the knowledge and the confidence to take a holistic approach, asking questions which enable them to explore a broader range of potential needs with the client.

Having said this, the skills and techniques involved in examining with the client the value of different types of solution - uncovering, clarifying and exploring implicit needs through questioning rather than giving information - are common to all types of selling.

Two things emerge from this. It is important for the vendor company to establish clearly what is expected of the salesperson in generating a cross-sell opportunity.

They should not, for example, seek to take the sale of associated products too far. Rather, their role is to "sell" a meeting with a specialist colleague.

FRAMEWORK

Similarly, the process benefits immeasurably from the existence of a common framework and language.

This enables the initial contact to explain and clarify internally what the client's problems are and where they are in their thinking (where they have reached in the buying cycle).

The product specialist and relationship manager can then work together seamlessly with the client in producing the right explicit needs.

Further, just as lunchtime briefing sessions are inadequate in providing the knowledge needed to spot and tease out cross-sell opportunities, so occasional one-off training courses will not, by themselves, hone the skills required for managing what is typically a complex, multi-phase process.

Any training event needs to form part of a longer term development process which includes coaching and reinforcement, to ensure that the skills learned are put into practice effectively in the field.

PROCESSES. Having the right systems and processes in place is also vital in encouraging and enabling cross-selling to take place.

Though their existence is no guarantee of success, the wrong internal structures can act as significant blocks to progress

and must be tackled and minimised by management if cross-selling is to take place.

Who owns the client needs to be clearly defined, with protocols in place as to how client contact should be managed.

Without such constraints, it is possible that other parts of the vendor organisation may start selling to the client without the relationship manager's knowledge or permission and in an uncontrolled way.

" Who owns the client needs to be clearly defined, with protocols in place as to how the client contact should be managed."

Again, in most businesses, "what gets measured gets done; what gets rewarded gets done first".

Putting the right incentives in place - and indeed, avoiding positive disincentives - is important in encouraging wealth managers to involve colleagues in uncovering and realising broader business opportunities with each client.

This might perhaps involve the need to "double count" revenue, for example, to avoid overly complex accounting procedures.

DIRECTION

Similarly, target setting and staff appraisals provide further opportunities for management to reinforce the organisation's expectations, at the same time providing practical support and direction.

ATTITUDE. It could be argued that attitude should come first on the list, as it is the essential mental context in which knowledge and skills - supported by appropriate processes - will be effective.

And there is clearly work to be done here. Just as some wealth managers have struggled to put what they do in a sales context - and so feel comfortable working with sales improvement techniques - so they need to move out of the silo and see their role in a broader company context if they are to address the fundamentals of effective cross-selling.

Yet experience shows that attitude can be strongly influenced by getting the other elements right, such as: providing the right kind of product knowledge, improving skills in such a way that wealth managers are not only able to cross-sell but actually want to cross-sell;

removing organisational blocks; and - via measurement and reward - making it clear that attitude change is required.

FLUENCY

In each case external support can be called on to aid the process. Tools are available to enable product fluency.

Methodologies exist to provide a common framework and language so that salespeople can work skilfully with colleagues.

Implementation solutions can help marketing, senior management and sales teams to pull these together into a cohesive programme to deliver a higher

level of cross-sell.

It is ironic perhaps that wealth managers have long recognised the need to work with and through third party intermediaries, yet the concept of introducing colleagues to develop HNW business is much less well developed.

Yet the effective use of both sources of support is essential if service providers are to maximise the return from every current trading relationship, and each requires a unique combination of skills to make this work effectively.

As in many other walks of life, this is a time when two heads are indeed better than one.

**Peter Belsey, Financial Services
Sector Head
Huthwaite International
Tel: 01709 710081
email: fs@huthwaite.co.uk
www.huthwaite.co.uk**