
Cross-Selling's Constraints and Solutions in Banking Industry

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Abstract:

Purpose: *The study aims to identify the major hindrances of cross-selling affected by the banks and to analyze the measures to overcome the constraints of cross-selling. It is concluded that customers desire, offering better products and services and providing training to the employees in this regard are better remedies.*

Design/Methodology/Approach: *The study has been conducted during the month of January – February 2023. 400 customers of public and private banks are selected as sample respondents from the study area using simple random technique. The primary data have been collected using Google Forms. The problems and the solution are analysed using the SPSS software.*

Findings: *This research proposes that while suppliers of solution, solutions have greater potential to increase their company via improved cross-selling prospects, the degree to which cross-selling opportunities materialize is determined by three mechanisms, tools for value evaluation, flexibility of solutions, and coordination between sales and service.*

Practical Implications: *Customers may be educated and their awareness raised about items that are relevant to them via the use of targeted marketing campaigns and customized suggestions.*

Originality/Value: *Cross-selling is a kind of upselling in which extra goods or services are sold to an existing client to generate more revenue. Cross-selling has the potential to be very successful in terms of raising both income and the level of customer happiness;*

Keywords: *Customers' feedback, cross-selling, constraints, and solutions.*

JEL codes: *G21, M31, D22, L22, D12.*

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1. Introduction

Cross-selling is a simpler way for businesses to expand their client base than upselling or acquiring new consumers. This is particularly true for service-based businesses. Cross-selling is important in a variety of aspects of customer relationships and customer value, according to studies conducted at academic institutions. Customer retention may be improved by effectively cross-selling numerous items or services to the same buyer. This is because the cost of acquiring new customers rises in proportion to the amount of cross-buying.

Even though cross-selling is vital to the retention of existing customers and the value of those customers, only a small amount of study has been done to determine the factors that motivate cross-buying. It is not feasible to target all of a company's current customers for cross-selling because of the limited resources that businesses have available to spend on various marketing operations such as customer retention and cross-selling. It is not sensible to spend marketing resources on all of the customers since not all consumers are likely to make cross-purchases. Neither is it wise to promote to all of the customers.

Because of this, businesses must identify clients who have a greater tendency to cross-buy so that they may optimize their return on investments in a variety of marketing efforts, cross-selling in particular. When designing a cross-sell plan, the first and most crucial stage is to determine the kind of clients that are most likely to make further purchases from your company.

The entry of international and private banks has shifted the focus of the banking industry towards technology-driven services that prioritize customer satisfaction. This transformation has led to the integration of traditional and modern banking systems, with a focus on understanding and meeting the needs of clients.

Additionally, the implementation of cross-selling strategies is expected across public and private sector banks, offering a range of deposit and loan products. Products that fall within the category of deposits or liabilities include things like savings accounts, checking accounts, recurring deposits, and fixed deposits, among other things. Loans and asset products include things like house loans, auto loans, loans for two-wheeled vehicles, and personnel loans, among other things.

This sales of either deposits or loan products leads to a reduction in costs per client, which in turn leads to the creation of revenue, which in turn leads to an increase in earnings per customer. The banking procedures are designed with reasonable concerns taken into consideration.

An essential component of successful cross-selling is encouraging and praising staff members for their efforts to execute a variety of best practices established by financial institutions.

Successfully meet the requirements of the client demands an investment of time, effort, and the contribution of a team. One of the methods that is done in a channelized manner via the use of workers is cross-selling. To the greatest extent possible, current clients' positive relationships with the bank should result in increased levels of customer satisfaction.

Cross-selling is one of the tactics that banks use, but the clients are unaware of all of the other methods that banks use. Cross-selling is one of the strategies. The staff members have received training, and they are aware of the customer satisfaction metric, so they may cross-offer appropriate products to the consumer. Cross-selling is a method that is used by banks to offer an extra product to an existing client to strengthen their connection with that customer.

This approach is known as "cross-selling." The text emphasizes the importance of banks providing a package of services tailored to their customers' needs. It discusses the value of cross-selling and highlights the cost-effectiveness of upselling to existing customers compared to acquiring new ones. The focus is on the shift from a customer-centric to a product-centric strategy and the need for employees to be well-versed in the products and services offered by the bank. The text also mentions the use of questionnaires and interviews for research and emphasizes the importance of staff members understanding and meeting consumer demands without resorting to overt promotional tactics.

1.1 Cross-Selling in Banking Industry

To encourage customers to make more purchases, exceptional service is crucial. Customers expect a welcoming atmosphere and kind voice, making it easier for staff to provide products or services. When a client has a problem, they should feel like they can discuss it with someone interested in helping them. This approach allows for cross-selling, which benefits both the customer and the bank.

Cross-selling may not be familiar to customers, but when an employee sells an additional product to a customer, it is considered cross-selling. If a consumer is presented with an explanation of the notion of cross-selling followed by the sale of the product, they may get the impression that the main goal of the marketing strategy is the creation of income.

Cross-selling is when one company offers another company's goods in addition to its own to meet the demands of another company's consumers. In this case, the bank is doing the cross-selling. Although cross-selling is a technique that is unknown to the bank's customers, this approach does not enable the bank to take unfair advantage of the consumer. Instead, the goal of this strategy is to learn the customer's requirements and then match those requirements with the available goods offered by the bank. The bank engages in cross-selling techniques to bring in a greater number of consumers.

The banks deliberately employ the methods of cross-selling throughout their departments. The text emphasizes the importance of understanding and meeting the needs of clients through cross-selling techniques to increase sales and customer satisfaction. It highlights the significance of paying attention to individual customer needs, conducting thorough analyses, providing excellent service, and seeking feedback. Additionally, it suggests that banks should focus on implementing procedures for cross-selling products and services rather than solely measuring success.

1.2 Hindrance of Cross-Selling

Cross-selling in banks refers to the practice of offering additional products or services to existing customers to increase revenue and deepen customer relationships. It involves identifying customer needs and preferences and then suggesting relevant products or services that complement their existing banking relationship. By leveraging customer data and analytics, banks can identify cross-selling opportunities based on customer behavior, transaction history, and demographic information.

Cross-selling in banks may include offering credit cards to customers who have existing checking or savings accounts, suggesting investment products to customers with high savings balances, or proposing insurance products to customers who have recently taken out a mortgage. Effective cross-selling strategies require a thorough understanding of customer needs, clear communication, and a focus on providing value. When executed well, cross-selling can lead to increased customer satisfaction, higher customer retention rates, and improved profitability for banks.

Banks frequently use cross-selling to increase revenue by offering additional products or services to existing customers. While cross-selling might help banks raise income, it can also cause several problems.

- a. *Customer resentment:* Customers may be resentful of cross-selling attempts if they perceive they are being pressured to buy additional goods or services. This can lead to a negative client experience and potentially undermine the bank's reputation.
- b. *Lack of Customer Insight:* To cross-sell products and services efficiently, banks must have a strong understanding of their customers' needs and preferences. Banks that lack this expertise may collapse.
- c. *Complex Product Offerings:* Some banks provide a diverse variety of sophisticated goods and services that consumers may find difficult to comprehend. This can make cross-selling products and services to customers challenging for banks.
- d. *Concerns about Compliance:* Banks need to make sure their cross-selling tactics adhere to legal requirements. Failure to do so may result in sanctions and damage to the bank's reputation.

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- e. *Employee Training:* Cross-selling requires trained people who are knowledgeable about the bank's products and services. Employees who have not been adequately taught may find it difficult to cross-sell things to customers.

If customers do not trust the bank, they may be skeptical of cross-selling efforts. This is especially true if the bank has a history of similar behavior.

- f. *Lack of Consumer Understanding:* Many customers may not fully appreciate the benefits of the bank's new products and services, or they may not know how to use them effectively. This may result in a lack of acceptance and use of these things, lowering income.
- g. *Customer Reluctance:* Some customers may be hesitant to acquire more things or services, especially if they see it as a sales pitch or pressure. Bank employees may find it difficult to persuade these customers to try new products or services.
- h. *Limited Product Knowledge:* In some cases, bank employees may have a limited grasp of the products or services offered by their bank. Clients may miss out on cross-selling opportunities as a result of this.
- i. *Lack of Customer Segmentation:* without a clear-cut awareness of their customer database, officials of the bank may struggle to effectively target the right customer with suitable products. This can lead to a low conversion rate and wasted effort.

1.3 Overcome Strategies

1. *Derive your Clients' Desires:* Before offering any products or services, banks should understand their customers' wants and requirements. By analyzing client data, banks may locate appropriate goods and services for each customer.
2. *Offer Pertinent Products and Services:* Based on customer desires, the bank should offer relevant tangible and intangible that provide value to customers. Offering irrelevant things, can lead to customer dissatisfaction and decrease the likelihood of cross-selling success.
3. *Train Employees:* The bank must ensure that their employees are enriched with proper training, which can be diverted to delight the customers.
4. *Maintain Transparency:* Banks must maintain openness in their cross-selling tactics and give clear information about the goods and services they offer, including fees and terms and conditions.
5. *Monitor Customers' Feedback:* banks should regularly monitor customer feedback and adjust their cross-selling strategies accordingly. This can facilitate identifying any issues or areas for improvement and improve overall customer satisfaction.
6. *Avoid Aggressive Sales Tactics:* pushy sales tactics can alienate customers and damage the bank's reputation. Instead, banks should focus on building relationships with their customers, understanding their needs, and providing relevant solutions.

7. *Personalize Offerings*: Personalized offers can significantly aid cross-selling attempts. Client data should be used by banks to tailor their offers, making them more relevant and appealing to each individual consumer.
8. *Avoid Annoying Sales Tactics*: annoying sales tactics might alienate customers and cause them to abandon their purchases.

2. Literature Review

Rekha (2015) the purpose of this study was to determine whether or not a consumer's level of confidence in an agent or intermediary influences their level of risk-taking and whether or not it is feasible to cross-sell financial goods that have various levels of risk and reward (Thalassinos, 2008). The average household investor in the nation puts relatively little money into the country's capital market. Even if SEBI is doing a wonderful job of reviewing the transactions and looking into the books and numbers of parties involved, those earning a moderate income do not perceive the share market to be a safe alternative (Keisidou *et al.*, 2013).

The money that was so painstakingly acquired will be placed in financial vehicles that provide returns that are assured, unless the market itself offers returns that are secure. People are discouraged from engaging in investing activity due to the volatile nature of the capital market. The members of the family anticipate a consistent and reliable income. There is a massive untapped potential for financial investment in the residential real estate market. It could be possible to put it into action by using the credibility gained by the insurance service provider.

This necessitates an improvement in the level of openness of the transactions on the stock market. The general people must be made aware of how the stock market operates and educated on its workings. It is desired to identify the models that will result in a profit and are acceptable for use in selecting the product kit that will be given to a certain client. It would be quite helpful for the seller to have access to the appropriate database management system, which will notify the consumer when they have completed a certain investment program (Rupeika-Apoga *et al.*, 2018).

Nakul Parameswar *et al.* (2017) focused on absorbing the innovative strategy adopted by ICICI Bank. The presidency position of ICICI Bank ringing to spread splendid services to the middle class and businesses with low cost with large volume that are not offered by foreign banks (Thalassinos *et al.*, 2013).

3. Research Methodology

It is a descriptive study made in Trichy District of Tamil Nadu. The study has been conducted during the month of January – February 2023. 400 customers of public and private banks are selected as sample respondents from the study area using simple random technique. The primary data have been collected using Google Forms. The problems and the solution are analysed using the SPSS software.

3.1 Statement of the Problem

Cross-selling is a method that involves deliberately offering separate items or services to an existing customer in order to generate more revenue. Nevertheless, let's take a cursory look at the history of the banking industry in India. We will see that only a very small number of institutions have achieved any remarkable success with this strategy. When it comes to cross-selling strategies, the end goal for financial institutions (banks in particular) is to boost their bottom lines. Cross-selling may be marketing a MasterCard to someone who already has an investing account or trying to sell advances to someone who already has a MasterCard. The cross-selling strategy has been more popular among financial institutions in recent years as a means for expanding their market presence and expanding their client base.

The number of connections that a bank would want to maintain with its customers might vary greatly depending on the bank and its business model. The greater the number of connections a bank keeps with its customers, the greater the likelihood that the bank will have a better wallet offer. Additional expenditure on the products sold by the bank will result in better performance across both the top and bottom lines of the income statement.

The paper has the following objectives:

- To identify the major hindrances of cross-selling affected by the banks.
- To analyse the measures to overcome the constraints of cross-selling.

4. Research Findings

4.1 Hindrance of Cross-Selling

Banks frequently use cross-selling to increase revenue by offering additional products or services to existing customers. While cross-selling might help banks raise income, it can also cause several problems. They are analyzed using 5 point Likert scale. The result is given below.

Table 1. Hindrance of Cross-Selling

Hindrance		Very low	Low	Moderate	High	Very high	Mean	SD
Lack of customer insight	N	100	74	138	60	28	2.61	1.209
	%	25	18.5	34.5	15	7		
Skeptical of cross-selling	N	110	93	104	72	21	2.50	1.216
	%	27.5	23.3	26	18	5.3		
Lack of consumer understanding	N	98	83	138	58	23	2.56	1.172
	%	24.5	20.8	34.5	14.5	5.8		
Complex product offerings	N	92	80	146	61	21	2.60	1.151
	%	23	20	36.5	15.3	5.3		

Customer resentment	N	87	75	144	69	25	2.68	1.174
	%	21.8	18.8	36	17.3	6.3		
Employee training	N	113	88	100	80	19	2.51	1.226
	%	28.3	22	25	20	4.8		
Limited product knowledge	N	148	95	96	46	15	2.21	1.169
	%	37	23.8	24	11.5	3.8		
Customer reluctance	N	139	90	87	67	17	2.33	1.229
	%	34.8	22.5	21.8	16.8	4.3		
Concerns about compliance	N	158	94	82	55	11	2.17	1.172
	%	39.5	23.5	20.5	13.8	2.8		
Lack of customer segmentation	N	139	95	84	68	14	2.31	1.209
	%	34.8	23.8	21	17	3.5		

Source: Own study.

Table 1 reveals that among the problems, lack of customer insight (7%) and customers resentment has been mentioned as very high (6.3%) by more percentage of the respondents. Concerns about the compliance (39.5%), Customer reluctance (34.8%) and lack of customer segmentation (34.8%) are mentioned as very low level of problem by high percentage of the respondents. The mean of the problems shows that customer resentment (2.68) is the highest among various hindrance. Second, the lack of customer insight (2.61) is ranked. The complex product. Offering (2.60), Lack of consumer understanding (2.56), Employee training (2.51) and Skeptical of cross-selling (2.50) are other problems ranked subsequently.

4.2 Overcome Strategies

The bankers are in the position to overcome the problems of the cross selling. Though the cross selling is helping the bankers to promote their business and the products reach their customers, the customers may have any problem in the cross selling activities as discussed in the previous table. For these problems, the following remedies are considered. Analyzing the customer's feedback, offer related products and services, maintain transparency in the activities, give the importance to the clients desire, training the employees to give improved services, avoid aggressive tactics etc. The result is analyzed as below:

Table 2. Remedies

Overcomes	Mean	Std. Dev.	Mean Rank	Rank
Monitor Customers' Feedback	3.23	1.204	4.53	IV
Offer Pertinent Products and Services	3.31	1.197	4.73	II
Maintain Transparency	3.27	1.047	4.50	V
Clients' Desires	3.37	1.155	4.82	I
Train Employees	3.28	1.142	4.58	III
Avoid Aggressive Sales Tactics	3.17	1.106	4.26	VII
Personalize Offerings	3.20	1.053	4.36	VI
Avoid Annoying Sales Tactics	3.13	1.139	4.23	VIII

Source: Own study.

Table 2 reveals that the respondents feel that the bankers effort to the customers desire will be appropriate remedy for avoiding the problem of the cross selling (4.82). The respondents also feel offering better product or service make them interesting and the cross selling would not be a problem further (4.73). The training the employees to promote cross selling should be done for the better service (4.58). monitoring the customers feedback and opinion (4.53), maintain transparent in activities (4.50) and attractive personalised offers (4.36) are ranked in fourth, fifth and sixth place. The significance in the ranking result is tested with the help of Friedman test (Table 3).

Table 3. Friedman Test

N	400
Chi-Square	43.479
df	7
Asymp. Sig.	0.000

Source: Own study.

The above Table 2 depicts that the Chi-Square value in the Friedman test is 43.479 for the degree of freedom 7. The result shows that it is significant at 1% level ($p < 0.000 < 0.010$). Hence, it is concluded that the ranks given for the remedies are significant. It is concluded that customers desire, offering better products and services and providing training to the employees in this regard are better remedies.

5. Conclusion

The practice of cross-selling results in benefits for both consumers and banks. Cross-selling enables banks to improve their income and decrease their selling costs by upselling more products to their current clients. This, in turn, contributes to the development of the bank's brand value. Cross-selling also benefits the customers.

The process of cross-selling requires extensive preparation and close monitoring of all of the individuals participating at various levels. Employees of banks, in addition to external agencies such as subsidiaries of banks, are responsible for generating business for the institutions. The staff members get training before beginning any cross-selling activities, and the checkpoints are checked regularly as well as randomly as necessary.

The completion of routine tasks and the setting of goals require workers to have some level of drive, and this motivation may be sparked and maintained through recognition and the receipt of incentives. There are some tools of reward, including monetary bonuses and letters expressing gratitude. The product with the highest number of purchasers in a certain region is given the highest rating. A component that contributes to an increase in the productivity of workers is the provision of written gratitude, award points, and monetary incentives. The banking industry maximizes profits by selling its products and those of other companies.

Any product that obstructs cross-selling opportunities is seen as a barrier. It's essential to motivate workers by rewarding their extra efforts to enhance their participation. Providing appealing incentives can improve employee motivation.

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