

Cross selling: A recipe for revenue enhancement

You've squeezed every last ounce of revenue out of your divisions, but it isn't enough. The board and Wall Street are clamoring for more. You think to yourself, "Our divisions currently operate almost completely autonomously. If we could sell customers of one division the offerings of another, we could really pump-up revenues." Excellent thought; tough to execute. A recipe for cross-selling success requires three key ingredients:

1. A segment-specific, value-added offer
2. An effective sales force
3. Properly aligned incentives

1. A segment-specific, value-added offer

As always, you need to have something to sell and someone who wants to buy it.

1 + 1 = 3: Make sure the whole is worth more than the sum of its parts

Buying different offerings together must provide more value to customers than buying them separately. Without this additional bundled value, your organization could actually be eroding its own profitability.

For example, a tier-one automotive supplier with five different divisions that sold separately to the automotive manufacturers decided they could increase revenues by selling with a unified front. They launched a sales campaign to the U.S. automakers without thinking about customer value. Unfortunately this only increased the automakers' visibility of how much they were spending overall with the supplier across its divisions. Customers all demanded larger discounts immediately.

The best cross-selling offerings create solutions that solve customer problems. For example, one large, multi-national electronics company can take complete ownership of the entire electronics element of airport construction management by utilizing offerings from across divisions. This is of significant value to the customer as it provides fewer points of accountability and alleviates significant management aggravation.

If only someone wanted to buy this: Pursuing the right customer segments

Good cross-selling targets fall into two primary categories:

- *A customer with a problem requiring a solution.* A mid-size chemicals company attempted to cross-sell between products and services. It would sell the chemicals and then manage usage as well. After expending a great deal of time and money marketing this solution to large customers, they found these customers already had the scale to manage on their own. They didn't have the problem/challenge that the company was trying to solve. More work revealed that mid-size companies without the scale to manage effectively were better targets.

- *A customer of one division that would likely purchase products from another division.* Making in-roads to a new customer can be difficult and time-consuming. If one division has a good relationship and a pipeline of sales, it might be a good opportunity to bring in another division's offerings as long as they have applicable products.

2. An effective sales force

Cross-selling requires a sales force that is capable of selling across divisions.

Mixing apples and oranges: Structuring your sales force appropriately

A mid-size manufacturer of complex printing equipment and photocopiers wanted to cross-sell between its divisions. It paired representatives from both divisions together. Unfortunately, selling complex printing equipment to senior operating executives is different than selling copiers to office managers. After a few hostile phone calls from senior customer personnel irritated by copier sales people, it quickly developed an approach for getting copier sales people introductions to the office managers and kept copier sales people away from its core printing business.

What this company failed to recognize initially is that not all sales forces are the same. Sales forces can differ on many different dimensions across divisions (e.g., compensation structures, expertise, sales cycles, and sophistication). If any significant collaboration is envisioned between sales forces from different divisions, rules of engagement must be put in place for how to bridge the gap between the sales forces. Alternatively, a separate sales force focused only on selling cross-divisional solutions can be created.

Preparing for battle: Equipping your sales force with appropriate tools, information and training

Selling for a single division can be difficult. Selling effectively for multiple divisions is even harder. Help to make things easier for the sales force by doing things like:

- Creating common processes and tools across divisions
- Making contact lists easily accessible
- Providing product / service knowledge on-line

3. Properly aligned incentives

Business people are keenly aware of what they are measured on. Any attempt to derail their focus from these measures will generally be met with skepticism and resistance.

Share and share alike: Implementing P&L structures that encourage sharing across divisions

A large industrial manufacturer launched an effort to promote cross-selling and strategic pricing across its various divisions, each with its own P&L. Whenever the company came across a large deal that required taking a loss on specific products to make money on the others, the head of the loss-taking division would cry foul. While he knew that he needed to “take one for the team”, he also knew that at the end of the year the boss would review the numbers and wonder why his margins were so low. So he vetoed every deal in which his products took a loss.

While some work-arounds are possible (e.g., having divisions that make money on a deal pay the divisions that aren't), the only long-term solution to such a situation is to change the P&L structure so that any particular customer falls within only one P&L.

Establishing a motive: Implementing a sales force compensation program that encourages cross-selling

If you pay sales people to cross-sell, they will. If you don't pay them to cross sell, they won't. It's that simple. The only way sales people are going to allow other divisions into their accounts is if you pay them to

Conclusion

One way to initiate cross-selling in your organization is to start small. Choose two divisions with complementary offerings or customer bases and similar sales forces. Then align the incentives between the two divisions. Get some experience and then expand to other divisions.

Cross-selling opportunities are often obvious, but difficult to capitalize on. What you offer, how you position your sales force and how you pay employees will impact your ability to cross-sell effectively.

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