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Cross Selling: Part 1 of 3 – What's at Stake

October 27, 2014 / 2 Comments / in Increasing Sales, Sales / by Charles H. Green

This is part 1 of a three-part series.

> **Part 1 – What's at Stake**
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> Part 2 – What Goes Wrong [http://trustedadvisor.com/trustmatters/cross-selling-part-2-3-goes-wrong]
>
> Part 3 – How to Get it Right [http://trustedadvisor.com/trustmatters/cross-selling-part-3-3-right]

If your organization offers multiple service offerings, you may find this series of interest.

What is Cross-Selling?

Definition: Cross-selling refers to two kinds of sales relationships with an existing customer client:

> a. Selling the same service to new buyers within the existing client organization,
>
> b. Selling new services to the same buyer within the existing client organization.

Too many B2B and services companies don't pay attention to cross-selling. Some think it is too advanced a concept for them to grasp. Others think it smacks of selfish, unprofessional "salesiness." Still others think they already understand it.

So it's worthwhile being clear about the "why" of cross-selling.

Cross-selling done right represents the lowest cost-of-sales approach to growth.

Yes, the lowest cost. You've probably heard estimates [http://hbswk.hbs.edu/archive/1590.html] to the effect of "the cost of a dollar of sales to a new client is 4 – 7 times higher than the cost of a dollar of sales to an existing client." (Or, read here [http://www.forbes.com/sites/baininsights/2012/11/15/calculating-the-economics-of-loyalty/] .)

These points are usually made with respect to customer loyalty. But cross-selling falls within the "existing client" part of that formula as well. Just envision all the parts of the sale that disappear if you can quickly engage in a conversation with parts of an organization you're already involved with.

Financial Impact of Cross-Selling

Take a second to comprehend the scope of that statement: if your cost of sales (in aggregate, not per project or sale) amounts to 25% of revenue, think what dividing that number by 4 to 7 means for your bottom line.

For example: Assume you have four service offerings – A, B, C and D. . Assume your client is currently using only A, but could benefit from B and D. Your cost of selling B to a new client might be 25%. But your cost of selling B to your existing client might be only 6%. How much is that worth to you?

On top of the lower cost of sales, existing-client sales typically take less time to develop; they can hit your income statement this year, not next. And, sales to existing clients are frequently larger than those to new clients.

But the real clincher is on the client side. Clients buying from previously-known sellers are more likely to take your advice; more likely to provide you with relevant information and to open up about pitfalls; more likely to implement your recommendations, and to do so sooner. In other words: cross-sold clients are more likely to benefit from your offerings.

The Bottom Line of Cross-Selling

Bottom line: cross-selling is a huge opportunity for a win-win with your clients. You make more money, and grow, faster and more profitably. Your client gets time-tested advice, customized by a provider who already knows them, and in whom they already have some trust. Solutions are more likely to work, to be accepted, and to be implemented.

So why isn't there a rush to try cross-selling? Because of fears it'll go wrong. Fears which are not unfounded.

I'll deal with that in the next post in the series.

Tags: cross-selling, repeat business, retention, sales, selling

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