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Cross Selling of Financial Products – A Study Based on Customers in Kerala

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Abstract: ***Cross-selling is defined as "the action or practice of selling among or between established clients, markets, traders, etc." or "that of selling an additional product or service to an existing customer "It is a sales technique in which the salesperson recognizes what a customer is purchasing and will make suggestions or recommendations of other related merchandise the shopper may also be interested in purchasing. It is also known as suggestive selling. It also stands for being able to offer to the existing bank customers, some additional banking products, with a view to expand banking business, reduce the per customer cost of operations and provide more satisfaction and value to the customer. An existing customer provides an advantage to the seller over the competitor. The satisfied customer will always consider the same seller for other requirements before searching for other sellers. The seller can make use of this situation and the customer will be pleased as well.***

Key words: Cross-Selling, Financial Products, Insurance, Mutual Funds, Risk taking

1. Introduction

Financial investments are an area which requires genuine understanding of the schemes and features attached with investment opportunity. The investor need to do proper investigation before entrusting finance with an agent or middlemen. The trust of a customer is the main asset of any financial service provider. Therefore the hard earned customer trust must be used to maximum and all existing opportunities must be used. The study aims to identify if it is possible to cross financial products which differ at risk level. The study is based on two financial products insurance and mutual funds. These two products attract different type of customers. Insurance product attracts customers who want to secure his or his family's future. Mutual fund attracts customers who want to earn or increase the savings in near future. The Indian insurance market is dominated by public sector insurance providers. The study was conducted among customers of private sector insurance providers. The products of the private insurance providers are attached with market risk. So the customers are willing to take risk. The study aims to identify if it is possible to identify if this can be used as a means to attract customers to invest in shares using mutual funds which offers calculated risk.

Cross-selling means approaching the present customers of a company and encouraging them to increase their engagement with the company by purchasing one or many additional products. It is one of the main tools for managers to strengthen the customer relationship (Kamakura et al., 1991).Cross-selling is simply selling additional financial services to existing customers. It gives customer-contact employees the satisfaction of recognizing customers' needs and meeting those needs with a useful product or service. Customers benefit from cross-selling efforts because they receive the financial services they need and want. Suggestions and recommendations from their enterprise (Bank/insurer) expose them to products and services that otherwise they might not have known about.

<u>Benefits of cross selling to the seller</u>

1. Increase revenue
2. Cost reduction
3. Benefits of economies
4. Building brand value
5. Reduced overheads

Studies said that most shoppers use the impulse in determining what to buy.. This is the whole concept behind cross selling. When a seller cross sell, he is making shopping more convenient to customers by providing relevant choices for easy selection.

Displaying other related products help acts like a compliment that will increase the importance of your main product. Try visiting a store nearby and notice how you strongly react to the shop with lots of goods inside than a store with limited products. However, there should still be logic behind cross selling to help costumers decide.

One technique is to group products that fall in the same category. Also, related products should be limited so that customers will not be confused and bored in picking up something. The secret behind this is to display in-demand products with less popular ones. This can only be determined if you observe which product garnered lots of sales. Imagine who are the most likely buyers for a certain product and clearly imagine what they want. In an online store, you may display your main products in the most conspicuous places and other product pictures and links on its sides.

Also, make sure to write interesting and informative captions for each product. The whole idea is for a product to get noticed and captions are a great help. You may want to sensationalize discounts, promos and freebies and free shipping for certain products. Add emotions to your captions and make costumers believe that they should really buy it. Also, if you add cut-off dates of your promos or discounts, you are creating a sense of urgency that would increase your costumer's excitement.

2. Literature Review

Cross-selling pertains to efforts to increase the number of products or services that a customer uses within a firm. Cross-selling products and services to current customers has lower associated cost than acquiring new customers, because the firm already has some relationship with the customer.(Wagner A. Kamakura et.al, 2002). Cross-selling starts with taking a larger view of the client organization: looking at all the possible relationships involved, and where those relationships intersect with the number of relevant solutions for that customer. (Hoover's/Miller, 2005)

Despite the increasing investment in cross-selling programs, firms find that these million-dollar marketing campaigns are not profitable (Authers 1998; Business Wire 2000; Rosen 2004).

Majority of existing literature on the topic focuses on the products that can be sold together. Edwards & Allenby 2003, Knott, Hayes & Neslin 2002). Some considered the customer Life value for cross selling effectiveness (Fader, Hardie & Lee 2005, Shibo Li et.al 2009).Other aspects like long term role of cross selling and intra customer heterogeneity were also considered.(Lewis 2005a,b, Rust & Chung 2006) But the reason of reluctance from the part of consumers was never identified. This leads to the objectives of this study. The study aims to identify the reasons which prevent a common man to make choice of financial investment.

3. Problem Definition

The problem of the study is to identify the factors on the basis of which the sample under study selects the area of investment. The study aims to identify if trust towards an agent or intermediary increase the risk taking capacity of the consumer and if it is possible to cross-sell financial products which have different risk of return.

4. Research Methodology

The study is descriptive in nature. Data collected is from the financial institution and customers. A total of 50 customers were selected. The method convenient sampling was employed to select the sample. A structured interview schedule was developed and administered among the sample customers. Before finalizing the schedule a pilot study was conducted. The analysis of data has been done by employing suitable mathematical and statistical tools like percentage, average, ratios and chi-square test.

5. Findings and Discussions

The data collected among people about the relevance of savings for a family shows that almost all the respondents believe in saving their earnings.86% people strongly agree that savings are important.14% agree that certain portion of the amount earned should be kept for future use.

It is clear from the data that people save about 0-20% of their income. Majority portion of the income is spend or invested somewhere. But at least a small portion is saved. The nature of savings varies among people.

The collected data shows that insurance agents are the main source of information. Around 60% of people got information through insurance agents. Around 30% got information through Family and friends. And 10% were informed by Advertisements.

The collected sample of customers is of the opinion that expertise, goodwill, popularity, financial strength and credit rating are an important features considered to select an investment agency. The average mean is 4.5. This shows that 60% of people strongly agree to the fact that expertise is an important feature. 30% agree and 10% are neutral in their opinion.

Many people have limited income and they are not able to mobilize much part of their income to subscribe to risk linked investments. 86% of the respondents are not willing to take market risk attached with making investments in mutual funds. It is not the lack of trust on the agencies but the unstable nature of the financial market. The lack of awareness about the financial market and safety of the invested amount prevents people to participate in share trade.

6. Conclusion and Future Scope

The capital market investment is very low by the household investors in the country .Even though SEBI is doing a great job of checking the transactions and looking into books and numbers of parties involved share market is not considered a safe option by middle income earning people. The hard earned money will be invested in investment venues which ensure guaranteed returns unless the market ensures safe returns. The fluctuating nature of the capital market prevents people from making investments. The household people expect steady and stable income. There is a huge potential capital investment among the household sector. It could be mobilized using the trust earned by the insurance service provider. This requires increased transparency of the capital market transactions. The common public must be educated about the functioning of capital market. It is desirable to identify the profitable and suitable models to select the product kit to be offered to a particular customer. The right data base management system to alert the completion of a particular investment scheme of the existing customer will be also very supportive to seller.

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