9 Reasons Why Cross-Selling Programs Fail

By Tom Saine & Thomas Williams

The Story of Cross-Selling Gone Wrong

A couple of years ago, we were working with a company in the medical device industry that had acquired two smaller device manufacturers. Nothing new or unusual about that; it is all part of on-going consolidation in the healthcare sector. What was troublesome was their efforts at building an integrated cross-selling plan. They were having trouble answering a simple question: "Who is going to sell what, to whom and how?" In other words, how will we leverage the entirety of our sales and marketing resources to cross-sell all three portfolios?

From our customer's perspective, they had all the pieces neatly in place. They had formed a steering committee with executives from the three organizations. The marketing teams had crafted attractive and informative brochures and printed notebooks with the cross-sell logo. Sales targets had been identified. Adjustments had been made in the commission program to incentivize cross-selling. All the elements were positioned for a roll out. Well…not everything. There remained many questions. "Which product should lead in the selling process?" "Should high margin products warrant the most attention?" "How should managers bring all representatives up to speed on all products?"

Without disclosing more details, keep these questions in mind as you consider the following.

The 9 Reasons Cross-Selling Programs Fail

1. **The Shot Gun Start.**

There is this terrible image that comes to mind of a domestic sales team standing abreast at a starting line poised for the starter to commence a cross-sell program. All too many companies begin their cross-sell program with the blare of a trumpet and a timed domestic launch. There is no pilot effort or beta test prior to a shot gun start. What this usually signals is:

- No skill training to address differences in the buy-sell process
- No team coordination prior to launch
- No feedback from the field

Advice: Conduct a pilot project with experienced Front Line Sales Managers (FLSMs) in a well-developed market. Choose your target customers carefully. Collect data and debrief with FLSMs. Identify best practices and appropriate program metrics.

2. **Failure to Understand Why Customers Cross-Buy.**

There is no question that cross-selling (when effective) benefits the selling organization, but why would a customer want to buy a broader portfolio of products from one company? Consider all the downside issues of a sole source or limited source supplier. There has to be substantial trust in the supplier to provide quality, on time delivery and competitive prices.

Advice: Develop a sales playbook (for each product) that identifies the buying "personas," the value proposition, competitors and expected objections to a single source provider and tactics for neutralizing them.

3. **No Cross Training--Just Cross-Selling**

All too often, companies assume that if their sales representatives and FLSMs are skilled in selling one product their skills and knowledge are transferable to a larger, more diversified portfolio of products. This may not be the case. When you transcend categories, you change more than the SKU for a product. You may face different people who purchase through different buying processes and who are seeking different business benefits.

Advice: Develop and implement a sales training program prior to launch. Update and reinforce skills though in-process training. Use FLSMs from the pilot to aid in coaching the front line team.

4. **Failure to Identify Who is Likely to Cross Buy.**
   Many cross-sell programs fail to identify in advance a profile of the ideal cross-sell target. Who is most likely to buy? Are we more likely to succeed in selling to a customer who has participated in other decisions that resulted in a purchase of our products? What are the demographic, organizational and psychographic characteristics of a favorable buyer?

   Advice: Develop an ideal cross sell customer profile and train FLSMs to apply the criteria in qualifying and prioritizing their sales efforts.

5. **Not Communicating with the Field.**

   

   Too often sales executives are quick to share news of a win or celebrate quarterly quota achievements. But we shouldn't overlook the selling practices that helped achieve the win. During the course of any cross sell program, FLSMs have the opportunity to identify best practices. What information does a cross sell buyer want? What value messages resonate for specific products? Every win should shed light on selling practices that positively impact customers.

   Advice: Conduct rigorous "win loss" analyses that identify best and worst practices. Aggregate the best practices and share them with FLSMs.

6. **Failure to Avoid Poor Customers.**
   The notion that "any customer is a good customer" can undermine a company's cross-selling plan. In a recent Harvard Business Review article entitled "The Dark Side of Cross Selling," Denish Shah and V. Kumar identified four categories of cross buyers that may prove problematic. The "service demanders" are the cross buyers that are willing to buy the product(s) but demand the delivery of additional services and resources. The "revenue reversers" may cross buy only to return products thereby erasing revenue and profits. The "promotion maximizers" are drawn to steep discounts that erode profits. "Spending limiters" have limited spending power as a result of tightening budgets or a supplier management practice. Spending too much time and resources on poor customers can derail your cross selling plan.

   Advice: Know your customers and their buying tendencies. Identify and avoid customers with buying practices that consume resources, erase profits or restrict purchasing.

7. **Failure to measure success and progress.**

Everyone measures program success. How many cross-sells did we achieve this quarter? What's the impact on revenue? Few companies measure progress. Success answers the question, "Are we getting the results we want?" Progress tells us if we are getting the desired results for the right reasons. Have we implemented and executed the tactics necessary to replicate and advance our success?

Advice: In developing your dashboard for evaluating the team's cross-selling efforts combine outcome measures (revenue, product volume, share of wallet) with behavioral indices (access to key decision makers, executive support).

8. **Conflicting or Misunderstood Incentives.**

Do FLSMs fully understand the incentives and how they apply to the cross-selling program? Often we have reviewed commission plans that were intended to promote cross-selling but did little to promote program goals or were open to misinterpretation. For example, one commission program increased dramatically the commission's payable on cross-sold products but the definition of which products could be counted as cross-sold products was so loose FLSMs loaded up their customers with unnecessary products that were later returned for credit.

Advice: Solicit feedback on the commission program from your high producing FLSDs. Have as many sets of eyes as possible review your plan.

9. **Cross-selling the Wrong Products.**

Imagine the following scenario. Your portfolio includes seven or eight devices that are vital to complex surgical procedures. These products are real revenue generators. You have developed strong value messages to support the selling process and the clinical teams (at the buying organizations) continue to endorse your products. While procurement is involved in the buying process, they have purchased the product at or near market price. But now you are faced with cross-selling a number of products that are viewed as less essential by the buying organization. Procurement buys these items in bulk and at heavily discounted prices.

There are several problems that may arise. First, your organization might be viewed differently by the buying organization. Instead of being seen as a trusted provider of essential clinical products, buyers may view you as a provider of bulk commodities. Second, the discounting that buyers expect for your non-essential products may be extended to your revenue generating surgical devices. Some executive in procurement may think, "If they have built a discount into their price strategy for their non-essentials, perhaps we can get a similar discount on their high priced surgical devices." Last, you may find your organization (and your cross-selling teams) traversing a different competitive landscape. This may require careful updates and revisions to your sales playbooks.

Advice: Be careful with your product mix. You don't have to cross-sell all products in all portfolios. Debrief with customers and solicit feedback. Consider using a matrix to sort "best" products and "ideal" targets for cross-selling.

Parting Thoughts

In many regards, it's vital to build an "Ideal Customer Profile" and qualify carefully all cross-sell targets against profile criteria. Combine training, planning and periodic feedback into a pilot cross-sell program. Measure both success and execution. Set clear expectations and recognize/reward achievement.

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As always we welcome your thoughts and input. Let's start a discussion and elevate the sales profession with a thoughtful, civil and informative discourse.

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