

## **A Study Of The Factors That Influence Customer Receptivity To Cross-Selling.**

Maximizing profit is always coveted by organizations. Cross-selling is one of the appreciated strategies which do optimum utilization of resources and at the same time increase profit. But still it is not widely accepted tool for different product category selling. This paper tries to search an answer for this, through investigating different factors that are important for customer receptivity to cross-selling from reviewing existing literature on cross-selling.

**Mrs. Manisha D. Lande**  
Research scholar,  
Indsearch  
[manisha.satav@yahoo.com](mailto:manisha.satav@yahoo.com)  
Cell - 9822656021

**Dr. Shailesh Kasande**  
Research Guide,  
Indsearch  
+91 - 020- 269 32 800/900  
Cell- 9921111099  
[director@vim.ac.in](mailto:director@vim.ac.in)

## A LITERATURE REVIEW OF THE FACTORS THAT INFLUENCE CUSTOMER RECEPTIVITY TO CROSS-SELLING.

**1.0 Introduction:** Several thinkers had argued that a firm's most valuable asset is its customer base. Way-back in 1973, Drucker observed that to satisfy the customer is the mission and purpose of every business.<sup>1</sup> Gordon<sup>2</sup> and Seybold<sup>3</sup> believed that loyal customer relationships are the deep-seated source of value. Galbreath too emphasized the significance of customers as assets.<sup>4</sup>

Reichheld and Sasser very strongly exhorted the benefits of customer loyalty and claim it to be one of the fundamental drivers of company profitability.<sup>5</sup> Customer loyalty focuses on a customer's repeat purchase behaviour that is triggered by a marketer's activities. However, repeat purchase behaviour may not be a true indicator of brand loyalty.<sup>6</sup> Customer loyalty has both behavioural and attitudinal components.<sup>7</sup> Customer loyalty is "a deeply held commitment to rebuy or repatronize a preferred product/service consistently in the future, despite situational influences and marketing efforts having the potential to cause switching behaviour."<sup>8</sup>

With increasing market competition, businesses have realized that it is easier to maximize profit by cross-selling products and services to existing customers than to attract new customers. It can often be observed that consumers sequentially

---

<sup>1</sup> Peter Drucker, *Management* (New York: Harper and Row, 1973), 79.

<sup>2</sup> Gordon Ian, *Relationship Marketing* (Canada: John Wiley and Sons, 1998), 291.

<sup>3</sup> Seybold Patricia et al., *The Customer Revolution – How to Thrive When Customers Are In Control?* (New York: Crown Business, 2001), 10.

<sup>4</sup> Jeremy Galbreath, "Twenty-First Century Management Rules: The Management of Relationships as Intangible Assets," *Management Decision* 40, no.2 (2002):116 – 126.

<sup>5</sup> Fredrick Reichheld and Earl Sasser, "Zero Defections: Quality Comes to Services," *Harvard Business Review* 69 (September–October 1990): 105– 111.

<sup>6</sup> Jacob Jacoby and David Kyner, "Brand Loyalty vs. Repeat Purchase Behavior," *Journal of Marketing Research* 10 (February 1973): 1-9.

<sup>7</sup> George Day, "A Two-Dimensional Concept Of Brand Loyalty," *Journal of Advertising Research* 9 (September 1969): 29-35.

<sup>8</sup> Richard Oliver, "Whence Consumer Loyalty?" *Journal of Marketing* 63 (1999):34.

purchase multiple products and services from the same provider. Accordingly, this commonly observed situation offers huge opportunities for companies carrying multiple products and services to “cross-sell” other products and services to their existing customer group<sup>9</sup>. This also helps in regaining the shrinking profit margins of the organizations.

The success of cross selling depends on how immaculately the process is handled by organizations because it is a vital part of customer relationship management. Failure in handling the process may result into loss of customer and damage the core brand image through adverse word of mouth publicity<sup>10</sup>.

**2.0 Cross- selling defined:** Cross-selling is defined by the Oxford English Dictionary 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".

As per Levy and Weitz(2003) cross-selling is selling a complementary product or service in a specific transaction, such as selling a customer a printer when he or she has decided to buy a computer.<sup>11</sup>

Butera(2000) states that Cross selling is a practice of promoting additional products and services to existing customers in addition to the ones they already have.<sup>12</sup>

Cross- selling is a hot topic. Cross- selling took a front seat because of the market saturation in a number of sectors like retail finance, mobile telecoms etc. This implies

---

<sup>9</sup> Chao-hua Liu, Shu-qin Cai, (2008) "Customer cross-selling model based on counter propagation network", *Direct Marketing: An International Journal*, Vol. 2 , 1, pp.36 - 47

<sup>10</sup> Wittmann, George, "Cross-selling Financial services to small and Medium enterprises via E banking portals" , ibi research at the university of Regensburg, Germany,2006

<sup>11</sup> M.Levy & B.Weitz,,(2003),"Retailing Management",fifth edition,Tata McGrawhill

<sup>12</sup> Butera.A.(2000)'Cross-selling: Capitalizing on the opportunities ',Hossier Bank, Vol.87 ,No7,Pages 14-16.

that growth is only possible through capitalizing on brand extensions or third party alliances. It is all about encouraging the customers to buy into more than one of these related products. It brings numerous benefits like increased market share, loyalty and lower cost per customer.<sup>13</sup>

Cross- selling has been tried by American bankers ever since the mid 1970's to achieve top line growth and to retain the customers in the competitive market. The outcome was not so impressive but at the same time not discouraging as well.<sup>14</sup>

A quick review of marketing practices in the Indian market indicates that cross-selling is present in many industries (see table 1), but it's prominent presence is evident in the financial sector, consumer durables-electronic goods, and fast moving consumer goods.

A review of Literature reveals that in India the prominent use of cross selling as marketing technique is done by the financial sector which is still is in the infant stage. With increasing competition and reducing profit margins, cross selling has emerged as a significant alternative to traditional communication methods. But it also seems that the extensive use of cross-selling practices is not visible even in Indian financial sector.<sup>15</sup>

---

<sup>13</sup> Morag cuddeford Jones, A Special report 'Over stretching the brand', Brand strategy, May 2002

<sup>14</sup> Robert Landry, 'facing the future of banking', A supplement to American Banker, Bank Technology News and U.S. Banker/ Produced by Source Media's Custom Marketing Group.

<sup>15</sup> Richa Sharma Vyas and Nijaguna Rudrayya bhusnur Math," A comparative study of cross-selling practices in public and private sector banks in India", Journal of Financial Services Marketing, Vol.10,4,May 2006, Pages 23-134

**Table 1 - Usage of cross selling in various product market categories**

Sr.No.	Industry	Example	
		Product	Cross-sell product
1	Telecom	Mobile services	Music updates
2	Petroleum	Gasoline	Engine oil
3	IT & Business service providers	IT solution for banking	IT solution for securities
4	Financial services	Savings	Housing loan
5	Aviation	Travel	Insurance
6	Automobile	Vehicle	Insurance
7	FMCG	Toothpaste	Tooth brush
8	CG –electronic goods	TV	Washing Machines
9	IT-hardware	Computer	Printer

**2.1.1 Motives and Benefits of Cross-selling for Marketers:** Despite the complexities of successful cross-selling, most marketers found the opportunities to cross-sell well worth the risk taking, because of the numerous benefits it offers.

The literature espouses several benefits of the cross-selling approach. Cross-selling creates barriers to switching. Buchanan<sup>16</sup> and Day<sup>17</sup> elaborated that this is achieved by fostering intense, difficult-to-duplicate marketing relationships with the key

---

<sup>16</sup> Lauranne Buchanan, "Vertical Trade Relationship: The Role Of Dependence And Symmetry In Attaining Organizational Goals," *Journal of Marketing Research* 29, no.1 (February 1992): 65– 75.

<sup>17</sup> G.S. Day, "Managing Market Relationships," *Journal of the Academy of Marketing Science* 28 (Winter 2000): 24–30.

trading partners. Cross-selling reduces transaction expenses.<sup>18</sup> Cross-selling ultimately contributes towards improvements in marketing's effectiveness and efficiency.<sup>19</sup> Cross-selling also aims to leverage complementary strengths and achieve economies of scale. If cross-selling reduces marketing costs, it implies that subsequently it enhances the firm's value proposition in the market. This must lead into a positive spiral of more frequent customer interactions, and higher cross-selling and up-selling occasions and success rates.

As stated in the study of cross-selling practices in the Indian banking sector<sup>20</sup>, some of motives and benefits are:

- a) *Increased profitability* : Additional sale of the product increases the profit that the organisation earns.
- b) *Protecting market share* : By satisfying the needs of customer by giving additional products the organisations can reduce customer switching and thus protect market share.
- c) *Leveraging on existing brand equity* : Brand equity facilitates in the effectiveness of brand extensions and brand introductions. This is because consumers who trust and display loyalty towards a brand are willing to try to adopt brand extensions.
- d) *Economies of scale*: Economies of scale can be achieved as common infrastructure can be used for selling more products and thus distributing the cost over large number of products.

---

<sup>18</sup> Erin Anderson and Barton Weitz, "Make or Buy Decisions: Vertical Integration and Marketing Productivity," *Sloan Management Review* 27 (Spring 1986):3– 19.

<sup>19</sup> Jagdish Sheth and Atul Parvatiyar, "Relationship Marketing In Consumer Markets: Antecedents and Consequences," *Journal of the Academy of Marketing Science* 23, no. 4 (1995):255– 71.

<sup>20</sup> Richa Sharma Vyas and Nijaguna Rudrayya bhusnur Math," A comparative study of cross-selling practices in public and private sector banks in India", *Journal of Financial Services Marketing* , Vol.10, 4,May 2006, Pages 23-134

- e) *Cost reduction in customer acquisition*: Since additional products are sold to the existing customers which results in reduction in the cost of acquiring new customer.
- f) *Improvement in customer retention*: Since one stop solution is provided, the switching of customers to other brands is reduced which results in retention of the customer with the company for a longer period.

**2.1.2 Motives and Benefits of Cross-selling to customers:** Parvatiyar hypothesized that consumers prefer to reduce choices by engaging in an enduring loyalty relationship with marketers and cited this as the fundamental maxim of cross-buying.<sup>21</sup> Bagozzi corroborated Sheth and Parvatiyar's contention that the consumer was pushed by a need to simplify and make sense of his/her consumption situation, mitigate risk, ease psychological tension and lessen cognitive dissonance.<sup>22</sup> These motivational and purposive aspects of consumer behaviour augment cross-buying behaviour.

An on-going relationship on account of cross-buying may offer security to the customer, lend a feeling of control and a sense of trust, minimize purchasing risks, and in the final analysis reduce costs.<sup>23</sup> Other benefits of cross-buying include continuity with the marketer, preferential treatment, a proactive service attitude exhibited by the service provider, customized service delivery, social benefits of the relationship, and a more thorough understanding of needs.<sup>24</sup>

---

<sup>21</sup> Sheth and Parvatiyar, "Relationship Marketing in Consumer Markets," 256.

<sup>22</sup> Richard Bagozzi, "Reflections on Relationships Marketing in Consumer Markets," *Journal of the Academy of Marketing Science* 23, no.4 (1995): 272-273.

<sup>23</sup> Christian Grönroos, "The Relationship Marketing Process: Communication, Interaction, Dialogue, Value," *Journal of Business and Industrial Marketing* 19, no.2 (2004): 99.

<sup>24</sup> Berkowitz Kerin and Hartley Rudelius, *Marketing*, 6<sup>th</sup> ed. (New York: Irwin/McGraw-Hill, 2000): CD ROM, chapter 13 [1] slide 12 of 18.

It seems that different consumers may have different reasons for cross-buying. In addition, consumers may exhibit varied cross - buying proneness.

Satisfying customer's need is the pre-condition of cross-selling . The study of Richa and Nijaguna (2006), highlighted some of the motives and benefits of cross-selling to customers, viz.

- a) *One stop solution*: Cross-selling satisfies the customer's existing and latent needs with more convenience by providing solutions in the form of the products or services.
- b) *Reduced formalities and paper work*: Customers do not need to prove credentials for every new product bought which brings an ease in transactions.
- c) *Reduced cost of transactions*: Additional cost incurred in verifying the credentials is eliminated as it will be common for cross-sell products.
- d) *Additional benefit i.e. preferential pricing*: A price discount or concession in the price is given by marketers, which will be an additional benefit to the customer.
- e) *Reduction in transactional risks*: Satisfied with the past experience of transacting business with the organisation, greatly reduces the transactional risk in cross-selling for the customer.
- f) *Time saved of alternative option search*: For the product/service purchase , customer needs to search for the alternative product/service suppliers. The time is saved in this process of purchase selection.

**2.2 Drivers of Cross-Selling (Antecedents):** The factors that drive cross-selling were mentioned in the study of Richa and Nijaguna (2006), viz.

- a) *Brand name*: Corporate brand name of the product /service is an important factor in the decision making process of the customer for cross-sell products.
- b) *Motivated employees*: Employees initiative for cross-selling activity will increase the rate of success in cross-selling.



- c) *Incentive for cross-selling*: Reward for the cross-selling efforts taken by the employees assures consistent efforts for cross-selling activity.
- d) *Training for cross-selling*: For the customers to perceive cross-selling efforts as fair, it is necessary to train the employees in cross-selling techniques.
- e) *Database and CRM tools Availability*: Understanding of the customer's need is important to target the customer for the cross-sell product.
- f) *Internal and external communication*: Communication helps in targeting the customer more accurately for cross-selling.

Customer Satisfaction is a central element of a firm's marketing concept. Various models and theories have been developed in order to define and explain the phenomenon of satisfaction. Everelles and Leavitt,<sup>25</sup> Churchill<sup>26</sup> and Suprenant were amongst the many scholars who subscribed to the dominant Confirmation/Disconfirmation (C/D) paradigm and perceived performance or quality approach. Satisfaction is defined as a post-purchase attitude formed through a mental comparison of the service and product quality that a customer expects to receive from an exchange and the level of service and product quality the customer perceives actually receiving from the exchange. Customer satisfaction is also viewed as attribute satisfaction, i.e. "the customer's subjective satisfaction judgment resulting from observations of attribute performance."<sup>27</sup>

---

<sup>25</sup> Sunil Everelles and Clark Leavitt, "A Comparison of Current Models of Consumer Satisfaction/Dissatisfaction," *Journal of Consumer Satisfaction, Dissatisfaction and Complaining Behaviour* 5 (1992): 104-114.

<sup>26</sup> Gilbert Churchill and Carol Suprenant, "An Investigation into the Determinants of Customer Satisfaction," *Journal of Marketing Research* 19 (November 1982): 491-504.

<sup>27</sup> Richard Oliver and Wayne DeSarbo, "Response Determinants in Satisfaction Judgments," *Journal of Consumer Research* 14 (March 1988): 421.

It is established that satisfaction does not always result in retention and, it is equally apparent that dissatisfaction does not necessarily result in defection.<sup>28</sup>

A number of studies have shown a moderate to strong relationship between customer satisfaction and the desired outcome construct of consumer loyalty or repeat purchasing behaviour and customer retention.

**2.3 Challenges in Cross-selling :** Various studies on cross-selling have indicated the following challenges in practising cross-selling,

- Many organisations lack a clear top-down approach to cross-selling i.e. improper communication of strategies to the team who is working on it .Inadequate compensation scheme and lack of measurement programs of cross selling performance make it difficult to monitor it.
- If need identification is not carried out properly it is possible that customer will get irritated with the efforts of cross selling and it will result in loss of customer.
- Lack of proper communication will result in customer confusion which will cause customer switching.

**2.4 Factors influencing customer receptivity to cross-selling:** Literature review has helped the researcher to identify the following factors which affect customer's receptivity to cross-selling (in the context of financial products).

- a) Corporate reputation: Corporate reputation refers to the global perception of the extent to which a company is held in high esteem. If the company has a good reputation, customers are likely to transfer their perception of high credibility to other products or services sold by the company, which often results in increased intentions to cross buy.
- b) Competing supplier's price: Comparing Prices of the services sold by the focal company and other companies is critical for customers who cross-buy.

---

<sup>28</sup> Thorsten Hennig-Thurau and Alexander Klee, "The Impact of Customer Satisfaction and Relationship Quality on Customer Retention: A Critical Reassessment and Model Development," *Psychology and Marketing* 14, no. 8 (December 1997): 740.

- c) The extensive literature on brand extension documents that consumers are more likely to purchase line or brand extensions of a brand that is perceived to offer a higher quality product in an existing category. Literature survey also concludes that it does not confirm purchasing intentions of additional products from the same organization.
- d) Relationship between characteristics of first purchase product category and additional product is an important driver of cross-buying.
- e) Search cost for the alternative: A customer who is currently purchasing a product from a firm and is looking to purchase additional products, is less likely compare products and prices offered by competitors, when he has high search cost.
- f) Interpersonal relationships: Interpersonal relationship refers to the strength of the personal bonds that develop between customers and service salespersons.
- g) Demographic factors of customer such as age, family life cycle etc., it is observed that households sequentially acquire different products over time. An important trigger for such acquisition of products is the consumer's age and *family life cycle stage* ( such as 'young singles' or ' young married couples'). Changing *life cycle stage* changes the needs and household resources as well as knowledge. The last factor is true for household's consumption of riskier financial products such as stocks which require both a certain level of wealth and financial maturity.
- h) Customer satisfaction with existing product/service as an antecedent to cross buying intention.

**Conclusion:** It is evident that, it is easier to maximize profit by cross-selling services to existing customers than to attract new customers; customer retention is enhanced with cross-selling of multiple products or services.

Though Cross-selling is a profitable method of increasing sales it is also a dual-edged sword which needs to be handled efficiently just as a surgeon uses his knife.