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CROSS-MATRIX SELLING

THE CROSS-SELLING PARADOX: WHY DOESN'T CROSS-SELLING WORK IN YOUR FIRM?

BY

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Cross-Matrix Selling

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The Cross-Selling Paradox

I hear it all the time from clients in engineering, technology consulting, financial, legal, and most other professional or technical services:

***If we could only sell all our service offerings to our existing clients,
we wouldn't need any new clients at all!***

The CEOs and sales leaders I talk with in my sales consulting, coaching and training practice, to a person, all want more cross-selling. They want to leverage the success of their most effective practice leaders. They want to increase their sales without the high cost of developing new clients and new markets.

Current Offerings	I	III
New Offerings	II	IV
	Current Client	New Client

Cross-selling seems, to them, like an obvious and easy path. Whether in Marketing 101, or the school of hard knocks, they learned that it is easier and more profitable to sell current clients current or new offerings (Quadrant I and II, in the figure to the left) than to find new clients for these offerings (Quadrant III and IV).

But nearly all these managers also tell me that, at least in their firm:

Cross-Selling Doesn't Work!

Why is this the case?

I recently conducted a survey of engineering and consulting firms to explore this paradox. I had developed my own opinions, after nearly 25 years in the engineering and consulting business, about why cross-selling doesn't work. I wanted to hear my clients' reasons. And I wanted to hear about those situations where cross-selling has worked, and maybe discover why.

I surveyed over 2000 CEOs, sales leaders, business development specialists, marketing managers, "seller-doers, and subject matter experts. I received responses from companies in the civil engineering, construction management, environmental consulting, management consulting, land use planning, architectural, and scientific consulting industries.

What is Cross-Selling?

So what is Cross-Selling? I came up with this definition from www.Wiktionary.org:

Cross-selling is the strategy of selling other products [or services] to a customer who has already purchased (or signaled their intention to purchase) a product from the vendor. [information in brackets added by the author.]

This is a good starting point. Cross-selling is a strategy. It is a strategy to sell multiple services to an existing client. But I think cross-selling is more complex than that.

In fact, cross-selling occurs in three dimensions. These three dimensions define a matrix. So let's define a new term:

Cross-Matrix Selling

Wiktionary's definition of cross-selling concentrates on the vertical axis of this matrix, or the **Y** dimension, only. We can think of this as selling *deeper*. We are providing more depth of service to our client, across our *business lines* or technical practice areas. For example, a law firm may be providing mergers and acquisitions services as well as environmental liability litigation and Sarbanes-Oxley counseling to a major oil company. These might be three distinctly separate practice areas in the law firm.



But there is a horizontal component to effective cross-selling too. We can think of this as selling *broader*. This horizontal breadth has two separate dimensions, **X** and **Z**.

The **X** dimension represents all the different *service centers*, regions or offices from which we might be able to offer services to our far-flung clients. For example, the law firm mentioned above may provide its suite of services from their New York, Houston, Chicago, Los Angeles, Seattle, and London offices.

The **Z** dimension represents all the possible departments, divisions, plants, facilities, operating groups, or business lines of *your client's* business. In Miller Heiman's book, *Successful Large Account Management Process (LAMP™)*, these are called "*Fields-of-Play*." For example, the law firm already mentioned may be providing services to Chevron's corporate accounting group in San Francisco, their El Segundo Refinery legal and compliance group, and their offshore exploration team.

Cross-Matrix (X-M) Selling is about providing more depth and breadth of services to your key clients: selling the across the entire matrix in all three dimensions:

X Your company's Service Centers

Y Your Client's Fields of Play

Z Your company's Business Lines

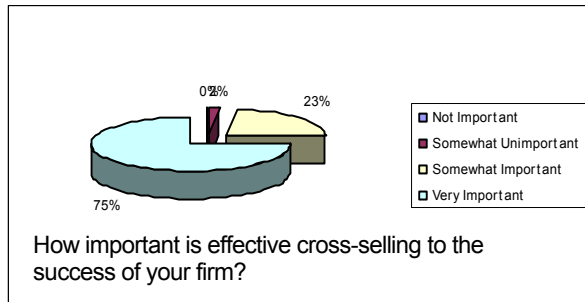
How effective are we at cross-selling? I asked the survey recipients to grade their firms on the X, Y, and Z dimensions of cross-matrix selling. We seem to be best at selling deeper, providing more of our various services to our current clients. We graded our efforts in this area C+ to B. When selling across our firm's service centers, however, we graded ourselves about average, C to C+. Crossing into our client's other divisions, or fields-of-play, seems to be our greatest challenge. We graded below average on this axis: D+ to C.

Why is Cross Selling So Important?

First we might ask the question, “Is cross-selling important?” According to my survey respondents, it is. When asked the question:

“How important is effective cross-selling to the success of your firm?”

nearly all who responded to this question (98%) said it was *somewhat* or *very important*.



Given something as important as this, one might assume that most firms are highly effective at cross-selling. If one assumed this, one would be wrong. Only 5% of individuals who responded felt their firms were *highly effective* at cross-selling. A significant majority, 75%, give their firms credit for being *somewhat effective*. Nearly a quarter of respondents rated their efforts *ineffective*.

These results might seem encouraging enough. But if you were to ask say, a wastewater engineering firm, “how important is it to be very good at wastewater

engineering?” of course you would assume they would respond by at least 98% that it was very important. But you would also expect that firm to say that they were also very effective in wastewater engineering.

In the case of cross-selling, it is important, but we are only somewhat effective at it. There’s room for considerable improvement.

Benefits to the Firm

Cross-selling is important because of the many benefits or rewards it provides. When we think of the rewards and benefits of cross-selling, we immediately think about the benefits to the firm. Here are some real examples from my survey of benefits from cross-selling successfully:

- *We were successful in securing some roadway design and construction management services while having the client's ear when performing environmental compliance assignments.*
- *We minimized BD dollar expenditures by expanding our services with existing multinational and large national clients.*
- *By exchanging client and professional service information with other regional offices, client service managers have been able to offer additional services to clients that they were not previously aware of.*
- *A \$800M LNG project came from cross-selling European expertise to a US Client.*
- *We started out with basic environmental remediation services for a client, and now, due to a targeted and effective plan, we are engaged in engineering, compliance, and policy development for that client. Revenues have tripled in the past two years.*
- *Since our geotech and environmental folks are usually early into most projects, they have great opportunity to sell "up" our service ladder.*
- *Air pollution control engineering expertise was used to establish significant new business opportunities for design engineering and construction management in air pollution control.*

The most obvious and desirable benefit that most CEOs I know mention first is the beneficial business impact: increased revenues, decreased costs, higher productivity, better profitability. Effective cross-selling has the potential to increase revenue. I've heard some managers of professional firms say that they could increase revenue by a minimum of 25 percent just by selling more of the firm's services and capabilities to their current clients. I suspect the number could even be much higher than that.

Cross-selling effectively reduces selling costs. Leveraging existing client relationships can have a dramatic impact on costs. In one case I know of, a \$300 million engineering firm cut their selling, marketing, bids and proposal costs by 15 percent while at the same time improving bookings *in a down market* by focusing on their key sustaining clients, and cross selling all the firm's services and capabilities. This netted some \$3,000,000 to the bottom line. Other operating costs can also be reduced by effective cross-selling, such as lower transaction costs resulting from repeat engagements with current clients. Selling to existing clients takes less time.

Effective cross-selling has dramatic impacts to organizational issues, as well as business issues. With the constantly changing business landscape, professional and technical firms need to continually change their services offerings. Introducing new services to key clients where you can leverage existing relationships is always easier than finding new clients for new services. Geographic expansion, often a key ingredient for necessary growth, can be easier if you can sell to existing clients.

Another key benefit of selling multiple services to key clients is that we gain more and more knowledge about their business by touching it in more ways. This knowledge is indispensable, both to our firm and to the client. It allows us to serve them better. Serve them better and they remain a loyal client. As we earn the status of *trusted advisor* to our clients, they begin to come to us first to meet their needs.

The rewards to our firm from effective cross-selling may be obvious. The firm will certainly benefit from more work, higher revenues, and profit. But let's examine what's in it for the other stakeholders as well. I believe, as Steven Levitt and Stephen Dubner posit in their book *Freakonomics* that "Incentives are the cornerstone of modern life." To understand incentives is to understand the keys to any riddle, or in this case, the paradox of Cross-Selling.

The stakeholders in this case include, not just *The Firm*, but also *The Client*, and the *The Professionals* in the firm. Looking at the rewards for getting cross-selling right might shed some light on how to become more successful at this important activity.

How Clients Benefit from Cross-Selling

If cross-selling doesn't work, it is not because the client's don't benefit. We often hold up our few examples of successful cross-selling as testimonials of how our full-service capabilities served to benefit our customers. The following are just some of the real case examples from the survey of benefits to clients:

- *Client was able to reduce cost, reduce risk, and accelerate schedules because of a trusted full-service provider.*
- *We were able to provide follow-on assistance to the acquisition team for issues identified during transactional due diligence.*
- *Bringing our geotech capabilities to a brownfield redevelopment project where we were providing environmental consulting helped our client work through complex constructability concerns.*
- *Client has a single source for services, reducing transaction time and costs.*

- *Providing both geotech and structural services improved communication time, shortened delivery, removed some design redundancy.*
- *Division reps made a joint call and identified ways to bundle services that was attractive to DOE.*
- *The client contacted our firm for emergency services to address water quality issues after we had completed the water/wastewater master plan. We were able to respond quickly and effectively as a result of our background.*
- *In emergency response situations, having a one-stop shop saved the client time, money and frustration.*

Clearly, there can be potentially significant benefits to our clients when we provide services across many or all of our geographic service centers or service offerings. In fact, when these benefits are clearly articulated to the client, when we focus first on serving their needs, chances of success are higher.

But, our approach to cross selling often does not stress how it will help the client. Our approach to cross selling is often more focused on what we have to sell. That would be like your dentist suggesting to you that you hire her in-house accountant because he has extra time on his hands. As the patient, you might rightly ask, "What's in it for me? Why should I trust my dentist to handle my books?" This sounds ridiculous. But, is that how we sound to our clients when we try to cross-sell to them?

In cross-selling, we need to step back and *stop selling*. We need to stop thinking of what we have in our stable to sell, the huge WIN for our firm, the accountant twiddling his thumbs in the back room, and how we can increase sales. We need to start thinking about *servicing* the client's needs.

In fact, let's not talk about cross-selling, and start talking about *cross-matrix servicing*.

When we first approach a client with a proposal or suggestion to use our other service offerings, we need to provide a compelling business reason to do so. This focus on the client helps to differentiate our firm from the competition. We're not selling; we're *servicing* the client first.

Professional Rewards

The firm and the client are not the only stakeholders who benefit from cross-selling. The professionals in the firm also stand to gain. First of all, they get to keep their jobs when the firm sells more work. But it's more complex than that.

Companies that are growing create opportunities for employees to grow. Stagnant companies have no growth opportunities. People want to work for growing companies. Professionals want opportunities to take on more complex tasks as their careers progress. This requires growth. Cross-selling can be an important component of growth. In fact, if your firm is not doing a good job of cross-selling, there is a very good chance that you are not growing.

Cross-selling also provides the opportunity for more varied and more interesting assignments. In many firms, those who progress up the management chain are the ones who are able to seamlessly move from one business offering to another. If nothing else, you can build new skills to add to your resume. In so doing you become indispensable to the firm, or a good prospect for an even better job at another firm.

Most firms also value team-building skills in those who advance up the corporate ladder. Cross-selling is the best manifestation of this skill. Someone who can make things happen across corporate boundaries is sought after by the clients *and* the firm. Being the person who gets things done for your client makes you indispensable.

Here are some of the ways the professionals who responded to my survey have benefited in personal ways from effective cross-selling.

- *I developed new skill sets.*
- *Mentoring of professionals in different geographic office locations.*
- *I often see examples of environmental folks crossing over into either management consulting or engineering.*
- *When we have been able to cross sell to a division of our client that is growing and our existing client's budget may be down for some reason, we are able to provide services to our client and keep our position with them. This helps all of our careers and keeps our employees engaged with those clients, even if it's in a different division.*
- *Cross selling between offices and teams creates a great bond in the staff and makes us feel like a cohesive group. It has created a learning experience that otherwise may not have been available.*
- *Can't think any ways I have benefited, because to be honest, even though I try to cross-sell, as a company we are not very skilled at cross-selling. Therefore, with reduced cross-selling experiences come reduced opportunities for career success.*

This last point is worth reflecting on further. Effective cross-selling creates career opportunities. Failure in cross-selling limits opportunities for success. Those firms that do it well will attract the best talent.

Hurdles to Cross-Selling: *If it is So Good for All of Us, Why Isn't It Happening?*

If cross-selling is not working it is not because of the lack of benefits to the firm, the clients, or the professionals. Yet it doesn't happen, at least not enough of it. Our efforts at selling additional services are too often ignored, resisted, thwarted, or even sabotaged. What is this all about?

Unfortunately, there are many constraints and disincentives, hurdles and hoops we need to jump through to make cross-selling work; thus the paradox. If it is that easy, why are only 5% of the firms responding to my survey highly effective at cross-selling? Shouldn't everyone be doing a better job of it? The benefits are obvious.

The first step towards conquering these hurdles is understanding them from the perspective of each of our three stakeholder's. So let's explore why cross-selling doesn't work.

When I asked my survey-takers whether it was *internal* firm hurdles, *client* hurdles, or *professional* constraints or hurdles that thwart their cross-selling efforts, most cited internal hurdles as the greatest challenge. Professional hurdles were cited as the second most important. Paradoxically, client hurdles were cited as the least of the three challenges.

Internal Hurdles

Many of the reasons cross-selling fails have to do with hurdles created by the firm itself, either knowingly or unknowingly. In my survey of professional firms, *internal challenges* were cited most frequently as reasons limiting success. But don't just take my word for it. In another survey reported by Lisa Napolitano, CEO of the Strategic Account Management Association (SAMA), the top five challenges cited include stovepipe organizations, buy-in from corporate, reporting structure, training, and senior management support—all internal issues!

The good news is that the greatest challenges to effective cross-selling are mostly self-inflicted. If we as a firm can just understand what they are and eliminate them, we can improve our cross-selling success.

Here were some of the responses my survey-takers gave me of challenges and hurdles they experience in their own firms.

The most frequently cited reason was “stovepipe organization structure.” Professional services firms are organized along either regional service centers, specialty practice areas, or client sectors (or some hybrid of two or more of these). It is a fact of organizational life that, as soon as you create boxes on an organizational chart, you introduce walls and barriers to working between those boxes—in the *white space*. Cross-selling is, by definition, working in the white space of the org chart.

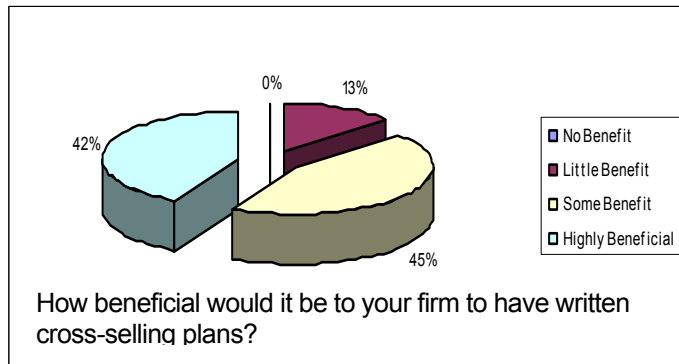
Perhaps the second most mentioned factor inhibiting cross-selling success, and an outgrowth of the first, is “lack of communication.” Once these organizational barriers are created, we create barriers to information flow about clients, capabilities, strategies, opportunities, and the like. It takes more energy to break down the barriers than most firms seem willing to exert. Thus, we have hoarding of information, lack of understanding of the firm's complete capabilities, unequal deployment of resources, competing agendas, and pursuit of division goals at the expense of corporate goals. Some of these challenges can be attributable to individual behavior, as we will discuss below. But corporate organizations create unintended consequences.

Another hurdle is the lack of education or expertise in all of the firm's full capabilities. Particularly in highly specialized areas of practice, it is difficult to be an expert on all the firm's offerings, and my experience is that most firms are not very good at disseminating this information across organizational boundaries. Of course it can be argued, and I agree, that you don't need to be an expert in all the services to sell them effectively. But survey respondents also report that there is also a lack of selling and account management skills, and their firms do not offer many educational opportunities in this area.

Another frequently cited challenge is that many firms give lip service to cross-selling, but provide no real incentive or reward, either financial or otherwise, to encourage the behaviors necessary to make it work. Worse than that, the metrics that they do measure sometimes create a disincentive. Many firms fall into the monthly or quarterly revenue trap, sacrificing long-term investment for short term results. In most professional service firms, it is worse than that. *Weekly* pressures to maintain billability or utilization, the driving metric in many firms, takes priority over selling or other activities funded on overhead dollars.

I believe that one of, if not *the* biggest hurdles in the firm is no plan. Companies often have no strategy for cross-selling. There is no management imperative; there are no action plans, and no strategic focus. This may sound bad enough, but what happens when there is no strategy? People invent their own. Resources are wasted on unfruitful or poorly coordinated efforts. A lot of dead-ends result.

Ben Franklin said, "Fail to plan, plan to fail." In my survey of professional firms, 57% said they rarely *if ever* prepare written plans for cross-selling. Yet 87% said that having a written plan would be beneficial or highly beneficial to their firm. And to extend this paradox even further, 60% said it would be fairly easy to prepare cross-selling plans. So we believe it is beneficial, it is not that difficult, but we rarely do it. What is wrong with this picture? Could it be that we do not know how to go about developing a plan for cross-selling?



Remember the Wiktionary definition of Cross-Selling cited earlier? Cross-selling is a *strategy*.

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One thing I learned long ago is that, if you want to get different results, you have to have a *strategy*, and then you need to invest in the *structure*, *systems*, and *skills* to align with your strategy. These are the fours Ss of Cross-Selling improvement.

Client Hurdles

Although sometimes proffered as excuses, there are some valid reasons from the client's perspective why cross-selling is not happening like we might like. As noted above, however, client hurdles are the least challenging of the three, according to my survey.

In every sales training workshop I teach with engineering and professional service firms, I hear that clients like to "spread the work." They don't want all their work in the hands of a single supplier. Sometimes this is because they want to spread their risk of non-performance. Clients sometimes fear situations where they give all the power to one consultant.

In other circumstances, they want to find a specialist for each of their technical problems, not give their sensitive problems all to one firm even if they say they can do it all. They may not be convinced of your technical ability to solve these problems for them. Or they may fear that you will become over-committed or lose focus on the main job at hand.

Clients sometime react negatively to our cross-selling overtures. They think we're just trying to sell them something. Remember my dentist-accountant story? If our focus is selling, not serving, they will see through your sales pitch.

Client organizations can be complex. There may be different influencers involved in making a cross-sale. But your current contact may not feel comfortable introducing you to those people, or coaching you on how to get in. Often this is because this person fears a loss for himself personally by helping you get in to other parts of his organization. For cross-selling to be effective, you need someone in the client organization who can act as a catalyst to speed the process and help you succeed.

My survey results confirmed these issues addressed in my workshops. I can summarize all these hurdles and challenges with clients in the following five areas:

- **No Risk**--The client does not want to increase his risk by working exclusively with you. You have to show this client how you can reduce the risk.
- **No Trust**--The client does not trust that you have put their interests first. You have to build a trusted advisor relationship to cross-sell effectively.
- **No Credibility**--The client does not feel that your new service is credible, tested, or better than the alternative. Maybe they have no information about what your firm can do. You have to show how your solution meets their need.

- **No Benefit**—This client sees no need, no benefit to changing. Perhaps someone else is already performing this service. You have to show how your proposed solution can produce business results that can help the client accomplish important business objectives, fix or avoid problems or challenges.
- **No Win**—There is no incentive for this client to help you with other influencers in the organization, to help you penetrate their stovepipes. You have to show how achieving the business results will help this client Win personally.

Each client situation is unique. To overcome client challenges, we need to assess what they are and develop a specific strategy to overcome them.

Professional Hurdles

Although the client hurdles are often cited, the real reasons behind a lack of cross-selling success often have to do with the behavior of the professionals in the firm. Cross-Selling is a verb. Somebody has to *do* something. People fail to act for all sorts of reasons.

Lack of information, communication or knowledge of the business offerings of the company was the most often cited reason in my survey for the failure to offer new services to the client. The professional may feel he or she lacks credibility to discuss these technical areas intelligently. Sometimes the professionals working most closely with our key clients are so specialized they have no knowledge or vision of what else we might have to offer.

General business skills are also often lacking. Professionals spent the bulk of their education just grasping their technical specialty. There was little time to take business classes. But, general business skills and knowledge are pivotal to understanding your client's business. Unless we understand their business, there is not much we can do to provide value to them, except wait for them to call us when they see a need for our specialty.

Lack of time was cited by some of my survey-takers as a factor. Professionals have many hats to where and work long hours. But *lack of time* is often not the real issue at all. Failure to plan and set priorities is more likely the true culprit.

In many circumstances, however, the real hurdles are not about the lack of information or skills or time. The problems are often more complex, more insidious than that. It may be just easier NOT to extend oneself. "We're already too busy, why would I want to generate more work? What's in it for me?"

Some professionals want to retain control, perhaps out of fear that another part of your firm might upset or supplant their good relationship with a client. Rivalries between professionals exist in the best of team oriented firms. The professional may think, "If I bring someone else in, that means less reward for me." They want to control and limit the interface to that which can be accomplished through them, for fear of losing control. Then there is the "pathological isolationism" that can develop in some firms. The causes are fear, laziness, control, information hoarding, selfishness, "head in the sand," or "ignorance is bliss" thinking.

Conquering the Paradox

Given all these hurdles—corporate constraints we have put in place, our client's ambivalence, and especially the challenges we have with our own people—perhaps we can understand the paradox of cross-selling, and do something to overcome it. The paradox is that we know effective cross-selling will benefit our firm, the client, and the professionals in our firm. So why doesn't it work? Why doesn't more cross-selling *happen*? The simple answer to this paradox is this:

Cross-selling doesn't just happen. We have to make it happen.

We can help make it happen by first understanding what cross-selling is. It is about *servicing* not selling. It is multidimensional. *Cross-Matrix* Selling has breadth (in two dimensions) as well as depth. And Cross-Matrix Selling is a *strategy*. Fail to plan, and we plan to fail.

So my two suggestions for improving Cross-Matrix Selling in your firm:

- 1. Stop selling, and start *servicing*, and**
- 2. Develop a Cross-Matrix Strategy**

Developing a Cross-Matrix strategy is straightforward. It is simple, but is it not easy. It begins with focus on those key sustaining clients where our efforts and investments will have the greatest impact.

After selecting the clients, the next step is information gathering and an appraisal of our current position. All strategy is about positioning, and improving our position. To do this we need to know the starting point.

Our appraisal has two components: an outside-in appraisal and an inside-out appraisal. From the outside-in view we want to analyze everything we know about the target account. We want to assess the trends influencing their industry and their business, their strategies for meeting these trends, the potential fields-of-play where we can provide business contribution, an assessment of their opportunities or needs, an analysis of our current relationship with strategic players in the account, and assessment of current client hurdles or constraints.

The inside-out appraisal is from our company's perspective. We want to objectively assess the business offerings we currently provide from which we can leverage, the firm and professional hurdles we need to address, business solutions that can impact the client's business issues, service centers from which we can offer our services to this client, and our cross-matrix team.

After fully assessing our current position, then we develop a "Macro Strategy." We will identify those fields-of-play that are a priority for us in this account, identify specific goals we need to achieve, develop revenue targets, and define our cross-matrix account team.

Finally, we develop our "Micro Strategy." What investments do we need to make to put our strategy in motion? What specific business opportunities will we pursue? What are our strategies, tactics and actions to execute this plan? Who will do it, and by when.

By understanding the specific things preventing or limiting our success, developing an action plan to overcome those hurdles, and executing that plan, we can create more consistent cross-selling results.

To participate in the Cross Selling Effectiveness Survey go to the web link:

<http://www.surveymonkey.com/s.asp?u=951132408442>

Rick Beauregard started The Beauregard Groupe, LLC in 1998 after a 25-year career in the engineering and consulting industry in sales and operations. Now he provides consulting, coaching and training to technical service firms in strategic account management, strategic selling, and cross-matrix selling. He is a certified sales consultant for Miller Heiman, Inc. providing their full range of sales process solutions.

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