

# Business Understanding

## Cross-Selling Marketing Strategy:

Cross-selling is the action or practice of selling an additional product or service to an existing customer. In practice, businesses define cross-selling in many different ways. Elements that might influence the definition might include the size of the business, the industry sector it operates within and the financial motivations of those required to define the term.

**Objective:** of cross-selling can be either

1. To increase the income derived from the current clients  
or
  2. To protect the relationship with the client or clients. The approach to the process of cross-selling can be varied.
- Unlike the acquiring of new business, cross-selling involves an element of risk that existing relationships with the client could be disrupted.
  - For that reason, it is important to ensure that the additional product or service being sold to the client or clients enhances the value the client or clients get from the organization. In practice, large businesses usually combine cross-selling and up-selling techniques to increase revenue.
  - For the vendor, the benefits are substantial. The most obvious example is an increase in revenue. There are also efficiency benefits in servicing one account rather than several.
  - Most importantly, vendors that sell more services to a client are less likely to be displaced by a competitor. The more a client buys from a vendor, the higher the switching cost.

In the case of United India Insurance Company, there are two types of customers: Existing Customers and New Customers. Hence to maximise the benefits of cross-selling, existing customers are targeted.

For Existing Customers, three cases arise:

### Case-1: **When New Coverage is greater than the Current Coverage**

- In this case, an existing customer who is already covered by one product insurance is offered an insurance coverage for another new product.
- The **current coverage** provided to a customer under a current product (1) may or (2) may not be equal to the coverage he/she receives under another new product
  - (1) Consider an example where a 30 year old customer's current product coverage is Rs. 10,00,000 and he is provided with Rs. 10,00,000 as coverage under another new product. The **New Coverage** for this customer is depicted as

**Rs.20,00,000** i.e. the algebraic sum of the current product coverage and the coverage offered under another new product

- (2) Consider an example where the same 30 year old customer's current product coverage is Rs. 10,00,000 and this time he is provided with Rs. 30,00,000 as coverage under another new product. The **New Coverage** for the same customer in this case is **Rs.40,00,000** i.e. the algebraic sum of the current product coverage and the coverage offered under another new product

**Case-2: When New Coverage is equal to the Current Coverage:**

- In this case, the validity or rather the lifetime period of a current product insurance under which a particular customer is covered is terminated or completed.
- Through the cross-selling strategy, the same customer, who is no longer covered under the current product insurance, is offered another new product insurance with a coverage equal to his/her expired or previous product coverage.
- Consider an example where the lifetime period of a particular customer's current product insurance ("ANS") with a current coverage of Rs. 10,00,000 has been completed or his current product insurance has expired.
- As part of cross-selling, the same customer is offered another new product insurance ("TLE") with a coverage equal to the previous expired product i.e. Rs 10,00,000. Hence, now the customer's **New Coverage** is Rs. 10,00,000

**Case-3: When New Coverage is less than the Current Coverage:**

- In this case, the validity or rather the lifetime period of a current product insurance under which a particular customer is covered is terminated or completed.
- Through the cross-selling strategy, the same customer, who is no longer covered under the current product insurance, is offered another new product insurance with a coverage not equal to his/her expired or previous product coverage.
- Consider an example where the lifetime period of a particular customer's current product insurance ("INV") with a **current coverage** of Rs. 40,00,000 has been completed or his current product insurance has expired.
- As part of cross-selling, the same customer is offered another new product insurance ("END") with a coverage equal to Rs 20,00,000. Hence, now the customer's **New Coverage** is Rs. 20,00,000.

**Types of Cross-Selling:** Broadly speaking, cross-selling takes three forms:

- a) First, while servicing an account, the product or service provider may hear of an additional need, unrelated to the first, that the client has and offer to meet it.
- b) Selling **add-on services** - That happens when a supplier convinces a customer that it can enhance the value of its service by buying another from a different part of the supplier's company.
- c) The third kind of cross-selling can be called selling a **solution**. In this case, the customer buying air conditioners is sold a package of both the air conditioners and installation services.

**Benefits of Cross-Selling:**

- Cross selling builds customer loyalty
- Strengthens the current customer relationship with the firm involved
- Increased sales revenue
- Improves customer and client satisfaction even in B2B businesses where business is conducted between companies rather than between a company and individual consumers
- Increases Customer Lifetime Value (CLV)

#### **Customer Lifetime Value:**

- The lifetime value of a customer, or customer lifetime value (CLV), represents the total amount of money a customer is expected to spend in a business, or on its products, during his/her lifetime.
- To calculate customer lifetime value you need to calculate average purchase value of a customer, and then multiply that number by the average purchase frequency rate to determine customer lifetime value.

#### **Services:**

- Motor Insurance
- Health Insurance
- Travel Insurance
- Personal Accident Insurance
- Householder's Insurance
- Shopkeeper's Insurance
- Fire, Marine, Industry, Liability, Micro and Credit Insurance