Merrill Lynch, Wells Fargo Differ on Cross-Selling

Feb. 21, 2019 4:03 pm ET

A Merrill Lynch sign is pictured outside an office building in Anchorage, Alaska, Thursday, August 25, 2005. Photographer: Daniel Acker/Bloomberg News.

Photograph by Daniel Acker/Bloomberg News

Advisors, what do you think when you hear the term "cross-selling"? Pressure from your boss to pump products your clients might not want, or access to banking services that can benefit them?

The practice of having advisors sell or recommend banking products is the focus of an article at InvestmentNews that notes how two wirehouses, Merrill Lynch and Wells Fargo Advisors, are now taking different approaches when it comes to cross-selling.

Since the beginning of 2018, Merrill Lynch, a Bank of America unit, has linked advisor compensation to getting clients to sign up for banking services such as loans and deposit accounts.

“We give clients better advice when we see the entirety across the balance sheet,” an anonymous senior Merrill Lynch executive tells the publication. “And clients get benefits, like discounted lending rates and credit card offers. This is what clients are telling us they want. The opportunity is real, and we were not delivering that.”

The executive says Merrill has policies in place to prevent abusive practices.

Wells Fargo Advisors, on the other hand, has scrapped incentives for advisors to sell banking products, anonymous sources with the firm tell InvestmentNews. Now the focus is on advice and client outcomes.

That shift isn’t surprising given that Wells Fargo Advisors’ corporate parent is still reeling from a series of scandals that began with revelations a high-pressure sales culture caused retail banking employees to open fake accounts.

Cross-selling risks turning off advisors, who may feel it intrudes on client relationships. It also can put firms in hot water with regulators. For example, Morgan Stanley paid Massachusetts $1 million after the state’s securities watchdog charged the firm with carrying out an unethical sales contest among advisors aimed at getting clients to take out loans backed by securities in their brokerage accounts.

--*Ross Snel*