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The “King of Cross-Sell” and the Race to Eight

An Analysis of Wells Fargo’s Cross-Sell Numbers Since 1998

Acknowledgments

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Introduction

“Cross-sell is the result of serving our customers extraordinarily well, understanding their financial needs and goals over their lifetimes, and ensuring we innovate our products, services, and channels so that we earn more of their business and help them succeed financially.”

-John G. Stumpf, Chairman and CEO, Wells Fargo, The Vision & Values of Wells Fargo¹

Cross-selling amounts to selling a new product to an existing customer. For example, if a customer only has a savings account with Wells Fargo, an employee may try to “cross-sell” that customer a checking, credit card, or other type of account.

According to Wells Fargo’s Chairman and CEO, John G. Stumpf, cross-selling “is the result of serving our customers extraordinarily well, understanding their financial needs and goals over their lifetimes, and ensuring we innovate our products, services, and channels so that we earn more of their business and help them succeed financially.”²

The Consumer Financial Protection Bureau (CFPB), the Office of the Comptroller of the Currency (OCC), and the Los Angeles (LA) City Attorney found the exact opposite – fining Wells Fargo \$185 million for engaging in fraudulent cross-selling practices. The CFPB described these as “Improper Sales Practices;”³ the OCC described these as “unsafe or unsound practices in the Bank’s risk management and oversight of the Bank’s sales practices;”⁴ and the Los Angeles City Attorney wrote in its complaint that Wells Fargo imposed “an ambitious and strictly enforced sales quota system” in which “those failing to meet sales quotas are approached by management, and often reprimanded and/or told to ‘do whatever it takes’ to meet their individual sales quotas.” The Los Angeles City Attorney also wrote: “Managers constantly hound, berate, demean and threaten employees to meet these unreachable quotas.”⁵

By Wells Fargo’s own analysis, as noted in the CFPB consent order, “employees opened 1,534,280 deposit accounts that may not have been authorized and that may have been funded through simulated funding, or transferring funds from consumers’ existing accounts without their knowledge or consent.” Employees also “submitted applications for 565,443 credit-card accounts

¹ THE VISION & VALUES OF WELLS FARGO, JOHN G STUMPF, CHAIRMAN & CEO, WELLS FARGO, at p. 29, <http://bit.ly/2dxn3yx>.

² *Id.*

³ *In the matter of: Wells Fargo Bank, N.A., Consent Order*, U.S. CONSUMER FINANCIAL PROTECTION BUREAU (Sep. 8, 2016), at p. 3, <http://bit.ly/2dpnuyN>.

⁴ *In the matter of: Wells Fargo Bank, N.A. Sioux Falls, South Dakota, Consent Order*, U.S. DEPARTMENT OF THE TREASURY COMPTROLLER OF THE CURRENCY, (Sep. 6, 2016), at p. 2, <http://bit.ly/2dq1j1o>.

⁵ *Wells Fargo & Company, et al., Complaint for Equitable Relief and Civil Penalties*, THE PEOPLE OF THE STATE OF CALIFORNIA, (Sep. 6, 2016), at p. 2, 6, <http://bit.ly/2cJ2Y9V>.

that may not have been authorized by using consumers’ information without their knowledge or consent.”⁶

The CFPB’s consent order covers January 1, 2011, to present. As this report shows, Wells Fargo’s proliferation in accounts per customer rose even more markedly from 1998 to 2011 than from 2011 to present. Anecdotal reports suggest that the company was using fraudulent methods prior to 2011 to boost its cross-sell numbers. When asked for comment, the CFPB told Public Citizen “our investigation found that the great majority of unlawful activity occurred from January 1, 2011, to present.”⁷ Still, the question remains: How much fraud did Wells Fargo commit prior to the time period for which it was fined by the CFPB earlier this month?

The OCC has ordered Wells Fargo to conduct a review of its sales practices and report the results to the government. When asked for comment, the OCC stated the “order does not specify a timeframe for the enterprise-wide risk review of sales practices required by article IV of our order against Wells Fargo nor does the order specify a specific time period for reimbursements.”⁸ This indicates that the OCC’s ordered review is not limited to January 1, 2011, to present.

Wells Fargo’s Emphasis on Cross-Selling Began at Least as Early as 1998

Public Citizen reviewed Wells Fargo’s annual reports dating back to 1998 and found that the desire to sell more products, specifically eight products per household, has a long history at the bank.⁹

According to *The Wall Street Journal*, former Norwest Corp. CEO Richard Kovacevich introduced the concept of “cross-selling” to that bank in the late 1980s. Norwest Corp. would merge with Wells Fargo & Co. in 1998.¹⁰

In 1999, according to its annual report, Wells Fargo was: “Going for gr-eight product packages,”¹¹ establishing the long-held, and now infamous, goal of eight products per household.

⁶ *In the matter of: Wells Fargo Bank, N.A., Consent Order*, U.S. CONSUMER FINANCIAL PROTECTION BUREAU, (Sep. 8, 2016), at p. 5, 7, <http://bit.ly/2dpnuyN>.

⁷ E-mail from CFPB to Public Citizen Researcher Michael Tanglis (Sept. 23, 2016). (On file with author.)

⁸ E-mail from OCC to Public Citizen Researcher Michael Tanglis (Sept. 27, 2016). (On file with author.)

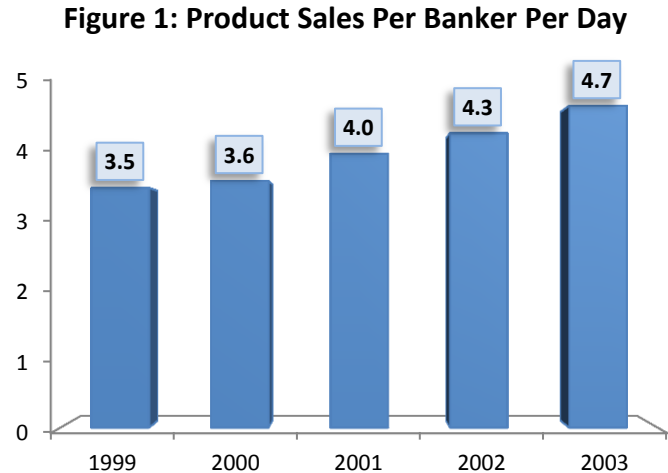
⁹ Cross-selling disclosures from each annual report are quoted in the Appendix.

¹⁰ Emily Glazer, *From ‘Gr-eight’ to ‘Gaming,’ a Short History of Wells Fargo and Cross-Selling*, THE WALL STREET JOURNAL, MONEY BEAT (Sep. 16, 2016), <http://on.wsj.com/2di021o>

¹¹ WELLS FARGO ANNUAL REPORT, WELLS FARGO (1999), at p.7, <http://bit.ly/2ddwP90>.

Not only did Wells keep close track of its products per customer, it also monitored its products sold *per banker*, in this case on a per day basis, at least as early as 1999.¹² [See Figure 1]

In 2000, after reporting a 3.7 cross-sell ratio, Wells Fargo stated: “We’re headed in the right direction but not fast enough. If we sell one new product to every customer every year we can get to eight products per banking household in about five years.”¹³



Source: Wells Fargo Annual Report, 2003

In 2010, Wells said: “If anyone tells you it’s easy to earn more business from current customers in financial services, don’t believe them. We should know. We’ve been at it almost a quarter century. We’ve been called, true or not, the “king of cross-sell.”¹⁴

It does not appear that Wells’ race for eight was always on the up and up, however.

Former Wells Fargo Branch Manager Susan Fischer recently told CNN: “These practices were going on way before 2011.”¹⁵ According to CNN, “Fischer said she remembers her district manager instructing her in 2007 to make the employees reporting to her open unauthorized accounts.”¹⁶

18 Years of Cross-Sell Numbers Based on Wells Fargo Annual Reports

In 1998, Wells Fargo’s retail banking cross-sell ratio was 3.2 products per household.¹⁷ For the next 10 years, Wells Fargo increased the ratio each year.¹⁸ The streak ended in 2010 when the ratio dropped to 5.7 from 5.95.¹⁹ This drop occurred because that year, Wells combined its cross-sell ratio with that of the recently acquired Wachovia Bank, which had a substantially lower cross-sell ratio. [See Figure 2]

¹² WELLS FARGO ANNUAL REPORT, WELLS FARGO (2003), at p. 15, <http://bit.ly/2dxaBid>.

¹³ WELLS FARGO ANNUAL REPORT, WELLS FARGO (2000), at p. 6, <http://bit.ly/2dhISEB>.

¹⁴ WELLS FARGO ANNUAL REPORT, WELLS FARGO (2010), at p. 5, <http://bit.ly/2cTplHd>.

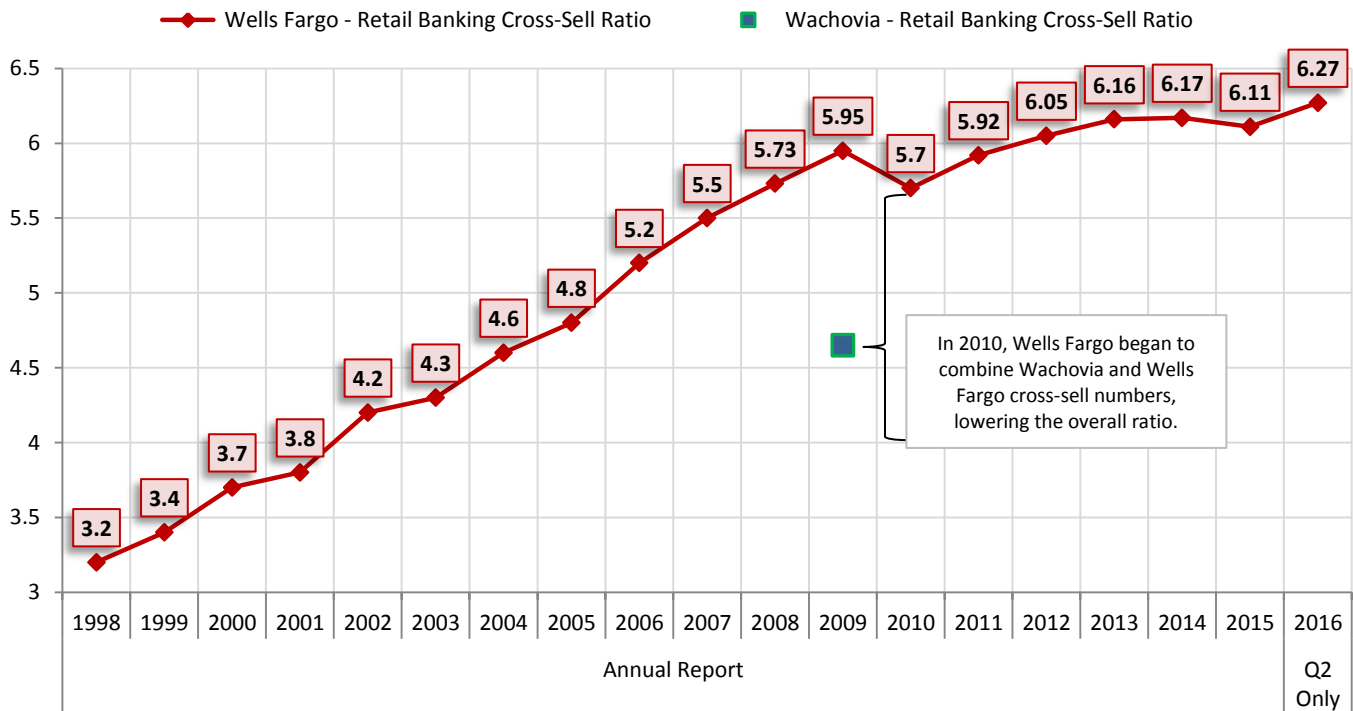
¹⁵ Matt Egan, *Wells Fargo Workers: Fake Accounts Began Years Ago*, CNN MONEY (Sep. 26, 2016), <http://cnnmon.ie/2ddF1He>.

¹⁶ *Id.*

¹⁷ WELLS FARGO ANNUAL REPORT, WELLS FARGO (2010), at p. 6, <http://bit.ly/2cTplHd>.

¹⁸ WELLS FARGO ANNUAL REPORT, WELLS FARGO (2009), at p. 34, <http://bit.ly/2dxemEC>.

¹⁹ WELLS FARGO ANNUAL REPORT, WELLS FARGO (2009), at p. 34, <http://bit.ly/2dxemEC>, and WELLS FARGO ANNUAL REPORT, WELLS FARGO (2010), at p. 34, <http://bit.ly/2cTplHd>.

Figure 2: Wells Fargo Cross-Sell Ratio 1998 - Q2 2016²⁰

Sources: Wells Fargo annual reports. [Documented in Appendix]

*The y-axis does not begin at 0 in order to clearly show changes. The earliest cross-sell number reported by Wells Fargo was 3.2 in 1998. Cross-sell increases or decreases are typically noticeable by changes in the first or second decimal place. Even small increases are significant, as Wells Fargo points out many times in its annual reports. [See Appendix]

Wells Fargo touted its cross-sell numbers throughout the past 18 years. In its 2004 annual report, for instance, Wells Fargo declared “Cross-selling: our most important customer-related measure.”²¹

In its 2011 annual report, Wells Fargo reported an eye-popping cross-sell ratio in its “top region” of **7.38 products**²² – very close to the long-held goal of eight per household.

In the 2012 through 2015 annual reports, Wells began to describe its cross-sell numbers slightly differently, comparing quarterly and November numbers to previous quarters and Novembers.²³

²⁰ Sourcing for chart is in Appendix.

²¹ WELLS FARGO ANNUAL REPORT, WELLS FARGO (2004), at p. 18, <http://bit.ly/2dpvw6C>.

²² WELLS FARGO ANNUAL REPORT, WELLS FARGO (2011), at p. 6, <http://bit.ly/2czwfAn>.

²³ Wells Fargo’s Annual Reports 2012 through 2015

Conclusion

Wells Fargo has told the media that it is reviewing its cross-selling practices to as early as 2009.²⁴ But the question remains, why not look back even further? Wells Fargo was aggressively pushing cross-selling a decade prior to 2009.

As early as 2000, after Wells Fargo had increased its cross-sell ratio to 3.7, Wells Fargo pointed out: “We’re headed in the right direction but not fast enough. If we sell one new product to every customer every year we can get to eight products per banking household in about five years.”²⁵

Wells Fargo did not meet that five year goal. A former Wells Fargo branch manager, “remembers her district manager instructing her in 2007 to make the employees reporting to her open unauthorized accounts.”²⁶

According to the Los Angeles City Attorney, the pressure was immense, alleging in its complaint Wells Fargo “strictly enforced” its sales quotas. “Daily sales for each branch, and each sales employee, are reported and discussed by Well Fargo’s District Managers four times a day, at 11:00 a.m., 1:00 p.m., 3:00 p.m., and 5:00 p.m., alleged the Los Angeles City Attorney.”²⁷

According to a recent survey by consulting firm A.T. Kearney, “On average, bank customers had 2.71 products at their primary bank.”²⁸ If the 2.71 report is correct, that would indicate that Wells Fargo has had higher cross-sell numbers than the present day average since at least 1998. Recently, Wells Fargo reported a “retail banking cross-sell of 6.27 products per household.”²⁹

Wells Fargo never reached its goal of eight products per household. But even if it had, there is evidence that the goal post would have been moved: “Even when we get to eight, we’re only halfway home. The average banking household has about 16. I’m often asked why we set a cross-sell goal of eight. The answer is, it rhymed with ‘great.’ Perhaps our new cheer should be: ‘Let’s go again, for ten!’”³⁰

Well Fargo’s management’s never-ending quest for higher cross-sell numbers and the pressure-cooker atmosphere it created produced fertile ground for fraudulent activities. When the rampant fraud first began remains to be seen. But Wells Fargo’s cross-sell data indicates the decade *preceding* the beginning of the CFPB settlement in 2011 requires further scrutiny.

²⁴ Laura J Keller, *Warren Says Wells Fargo's Stumpf Should Resign, Face Criminal Investigation*, BLOOMBERG MARKETS (Sep. 20, 2016), <http://bloom.bg/2da5VPL>

²⁵ WELLS FARGO ANNUAL REPORT, WELLS FARGO (2000), at p. 6, <http://bit.ly/2dhISEB>.

²⁶ Matt Egan, *Wells Fargo Workers: Fake Accounts Began Years Ago*, CNN MONEY (Sep. 26, 2016), <http://cnnmon.ie/2ddF1He>.

²⁷ *Wells Fargo & Company, et al., Complaint for Equitable Relief and Civil Penalties*, THE PEOPLE OF THE STATE OF CALIFORNIA, (Sep. 6, 2016), at p. 2, <http://bit.ly/2cj2Y9V>.

²⁸ Rachel Louise Ensign, *What the Wells Fargo Cross-Selling Mess Means for Banks*, THE WALL STREET JOURNAL, MARKETS (Sep. 15, 2016), <http://on.wsj.com/2dhY1FX>.

²⁹ 2Q16 QUARTERLY SUPPLEMENT, WELLS FARGO (JULY 15, 2016), at p. 14, <http://bit.ly/2d7jLUo>.

³⁰ WELLS FARGO ANNUAL REPORT, WELLS FARGO (2010), at p. 5, 6, <http://bit.ly/2cTplHd>.

Appendix

Wells Fargo Annual Report Quotes on Cross-Selling 1998 through Q2 2016

*“We expect the new Wells Fargo will generate higher earnings per share growth than either company would have produced on its own. This includes the benefits of the merger-related cost savings, **increased cross-selling opportunities** and a stream of more diverse earnings in fast growing states.”*

– 1998 Wells Fargo Annual Report³¹

*“Our average banking household has 3.4 products with us. **We want to get to eight.**”*

**2. GOING FOR GR-EIGHT—
PRODUCT PACKAGES** Our average banking household has 3.4 products with us. We want to get to eight. To do that, we must offer customers a package of products all at once, not one at a time. In Lewiston, Montana, our first test site, our bankers sold an average of 2.39 products to new customers last year, up 62 percent from a year earlier.

– 1999 Wells Fargo Annual Report³²

*“When Norwest and Wells Fargo merged in November 1998 our combined cross-sell was about 3.3 products per retail banking household. At year-end 2000, it was about 3.7. To get to our goal of eight we need to double that. **We’re headed in the right direction but not fast enough. If we sell one new product to every customer every year we can get to eight products per banking household in about five years.**”*

– 2000 Wells Fargo Annual Report³³

³¹ WELLS FARGO ANNUAL REPORT, WELLS FARGO (1998), at p.9, <http://bit.ly/2d1owyg>.

³² WELLS FARGO ANNUAL REPORT, WELLS FARGO (1999), at p.7, <http://bit.ly/2ddwP90>.

³³ WELLS FARGO ANNUAL REPORT, WELLS FARGO (2000), at p. 6, <http://bit.ly/2dhISEB>.

*“We now sell an average of 3.8 products to every banking household compared with 3.3 when Norwest and Wells Fargo merged in late 1998. We can and must do better. We estimate the average U.S. household has 15 financial services products! To save our customers time and money and earn more of their business, **we introduced packages of related products and services called Wells Fargo Packssm in the second quarter of 2001.**”*

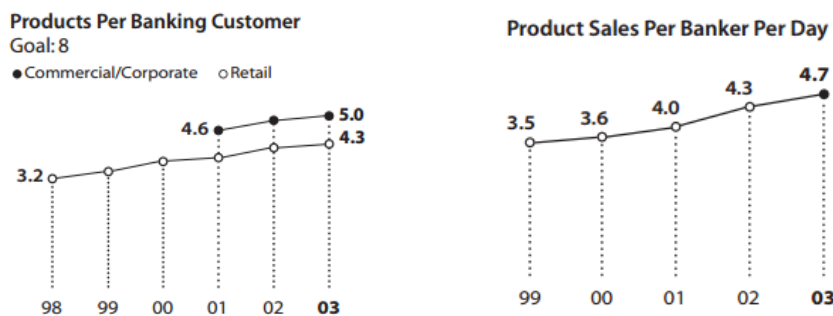
– 2001 Wells Fargo Annual Report³⁴

“The average financial service provider has about two products per customer. Four years ago, at the time of the Norwest-Wells Fargo merger, we had about three products per customer. Today, we average more than four. About a third of our banking customers have five products with us. Our goal is eight – a total that 12 percent of our banking households already have with us.”



– 2002 Wells Fargo Annual Report³⁵

*“Our cross-sell strategy and diversified business model facilitates growth in strong and weak economic cycles, as we can grow by expanding the number of products our current customers have with us. **We estimate that each of our current customers has an average of over four of our products. Our goal is eight products per customer, which is currently half of the estimated potential demand.**”*



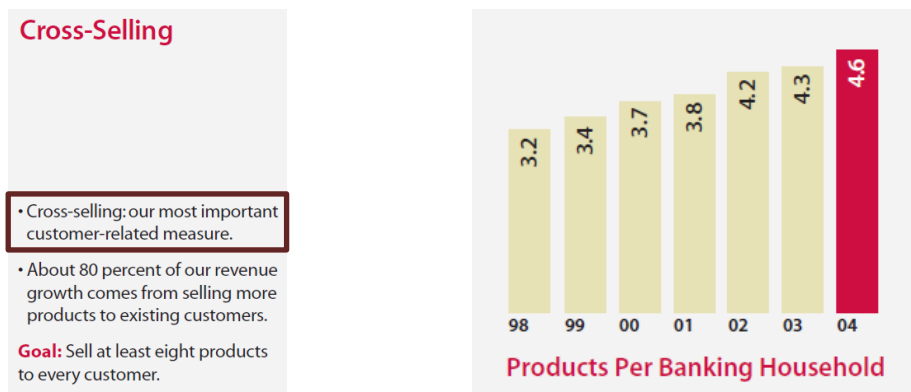
– 2003 Wells Fargo Annual Report³⁶

³⁴ WELLS FARGO ANNUAL REPORT, WELLS FARGO (2001), at p. 20, <http://bit.ly/2d1oIgL>.

³⁵ WELLS FARGO ANNUAL REPORT, WELLS FARGO (2002), at p. 16, 19, <http://bit.ly/2cTni63>.

³⁶ WELLS FARGO ANNUAL REPORT, WELLS FARGO (2003), at p. 15, 16 and 34, <http://bit.ly/2dxaBid>.

“We estimate that our average banking household now has 4.6 products with us, which we believe is among the highest, if not the highest, in our industry. Our goal is eight products per customer, which is currently half of our estimate of potential demand.”



– 2004 Wells Fargo Annual Report³⁷

“For the seventh consecutive year, our cross-sell reached record highs—4.8 products per retail banking household...”

– 2005 Wells Fargo Annual Report³⁸

“For the eighth consecutive year, our cross-sell reached record highs—5.2 products per retail banking household (up from 3.2 in 1998)”

– 2006 Wells Fargo Annual Report³⁹

“Our cross-sell set records for the ninth consecutive year—our average retail banking household now has 5.5 products, almost one in five have more than eight...”

– 2007 Wells Fargo Annual Report⁴⁰

³⁷ WELLS FARGO ANNUAL REPORT, WELLS FARGO (2004), at p. 18, <http://bit.ly/2dpvw6C>.

³⁸ WELLS FARGO ANNUAL REPORT, WELLS FARGO (2005), at p. 5, <http://bit.ly/2d7vsp3>.

³⁹ WELLS FARGO ANNUAL REPORT, WELLS FARGO (2006), at p. 3, <http://bit.ly/2d7zMIp>.

⁴⁰ WELLS FARGO ANNUAL REPORT, WELLS FARGO (2007), at p. 34, <http://bit.ly/2cANc2i>.

“Our cross-sell set records for the 10th consecutive year—our average retail banking household now has 5.73 products, one of every four has eight or more products, 6.4 products for Wholesale Banking customers, and our average middle-market commercial banking customer has almost eight products. Business banking cross-sell reached 3.61 products.”

– 2008 Wells Fargo Annual Report⁴¹

“Our cross-sell at legacy Wells Fargo set records for the 11th consecutive year with a record of 5.95 Wells Fargo products for retail banking households. Our goal is eight products per customer, which is approximately half of our estimate of potential demand. One of every four of our legacy Wells Fargo retail banking households has eight or more products and our average middle-market commercial banking customer has almost eight products. Wachovia retail bank households had an average of 4.65 Wachovia products. We believe there is potentially significant opportunity for growth as we increase the Wachovia retail bank household cross-sell”

– 2009 Wells Fargo Annual Report⁴²

“If anyone tells you it’s easy to earn more business from current customers in financial services, don’t believe them. We should know. We’ve been at it almost a quarter century. We’ve been called, true or not, the “king of cross-sell.”

“Even when we get to eight, we’re only halfway home. The average banking household has about 16. I’m often asked why we set a cross-sell goal of eight. The answer is, it rhymed with “great.” Perhaps our new cheer should be: “Let’s go again, for ten!”

– 2010 Wells Fargo Annual Report⁴³

“Our average retail bank household cross-sell reached a record 5.92 products in 2011, up from 5.70 in the fourth quarter of 2010. In our Western markets it was a record 6.29, in the East 5.43, and our top region had 7.38. The opportunities, therefore, are immense. Even if we get to eight products per retail bank household, we still have room to grow. We believe the average American household has between 14 and 16 financial services products.”

– 2011 Wells Fargo Annual Report⁴⁴

⁴¹ WELLS FARGO ANNUAL REPORT, WELLS FARGO (2008), at p. 34, <http://bit.ly/2dAwhwI>.

⁴² WELLS FARGO ANNUAL REPORT, WELLS FARGO (2009), at p. 34, <http://bit.ly/2dxemEC>.

⁴³ WELLS FARGO ANNUAL REPORT, WELLS FARGO (2010), at p. 5, 6, <http://bit.ly/2cTplHd>.

⁴⁴ WELLS FARGO ANNUAL REPORT, WELLS FARGO (2011), at p. 6, <http://bit.ly/2czwfAn>.

*Our retail bank household cross-sell was 6.05 products per household in fourth quarter 2012, up from 5.93 a year ago. We believe there is more opportunity for cross-sell as we continue to earn more business from our customers. **Our goal is eight products per customer**, which is approximately half of our estimate of potential demand for an average U.S. household.”*

– 2012 Wells Fargo Annual Report⁴⁵

*“Our retail bank household cross-sell was a record 6.16 products per household in November 2013, up from 6.05 in November 2012 and 5.93 in November 2011. We believe there is more opportunity for cross-sell as we continue to earn more business from our customers. **Our goal is eight products per household**, which is approximately one-half of our estimate of potential demand for an average U.S. household.”*

– 2013 Wells Fargo Annual Report⁴⁶

*“Our retail banking household cross-sell was 6.17 products per household in November 2014, up from 6.16 in November 2013 and 6.05 in November 2012...We believe there is more opportunity for cross-sell as we continue to earn more business from our customers. **Our goal is eight products per household**, which is approximately one-half of our estimate of potential demand for an average U.S. household”.*

– 2014 Wells Fargo Annual Report⁴⁷

“Our retail banking household was 6.11 products per household in November 2015, compared with 6.17 in November 2014 and 6.16 in November 2013. The November 2015 retail banking household cross-sell ratio reflects the impact of the sale of government guaranteed student loans in fourth quarter 2014.”

– 2015 Wells Fargo Annual Report⁴⁸

“Retail banking cross-sell of 6.27 products per household.”

– 2016 Wells Fargo Second Quarterly Supplement⁴⁹

⁴⁵ WELLS FARGO ANNUAL REPORT, WELLS FARGO (2012), at p. 44, <http://bit.ly/2ddE1mq>.

⁴⁶ WELLS FARGO ANNUAL REPORT, WELLS FARGO (2013), at p. 44, <http://bit.ly/2dpTFxM>.

⁴⁷ WELLS FARGO ANNUAL REPORT, WELLS FARGO (2014), at p. 45, <http://bit.ly/2dpCdpk>.

⁴⁸ WELLS FARGO ANNUAL REPORT, WELLS FARGO (2015), at p. 47, <http://bit.ly/2cTs2bF>.

⁴⁹ 2Q16 QUARTERLY SUPPLEMENT, WELLS FARGO (JULY 15, 2016), at p. 14, <http://bit.ly/2d7jLUo>.