Love It, Don't Leave It
Community Banks and the Sales Process

by Theodore A. Rosen

Has the sales process reared its ugly head at your bank? This article reveals the rose among the thorns by first defining the need for a sales process and then listing nine key elements in its successful implementation.

Sales process: Such a cold, threatening—and misunderstood—term. For senior bankers, *sales process* signals change to the sacred order of their orderly lives. For junior officers and frontline people, *sales process* translates into intense pressure to sell products to customers who may not need or want them.

What's really at work here? It's fear of the unknown and fear of change. Change, of course, equals risk, and what group is more risk averse than bankers?

From Whence Cometh the Sales Process?

The Gramm-Leach-Bliley Act officially tore down the barriers between banking, brokerage, and insurance. Every institution became a "financial services provider" and, as such, rapidly identified and deployed products to offer their customers. Many banks were confronted with a whole new breed of nonbank competition, most of which was steeped in sales process and sales culture. Companies like UPS, GE Financial, Merrill Lynch, American Express, and even BMW were now aggressively promoting deposit and loan products to customers that were once the exclusive domain of banks.

Another significant factor in the rise of the sales process was the realization by banks that the financial performance of the institution is directly related to the way it pays its people. While many studies have been done on this connection, Sheshunoff, the well-respected bank consulting firm, has developed a presentation in which high-performing banks, as measured by return on assets and return on equity, are almost universally distinguished from their mediocre-performing counterparts by the specific ways they incent their employees.

The need for process improvement. Financial performance can be achieved in three ways: you can buy lower; you can sell higher; or you can operate better. Banks are highly limited in competing through their cost of funds. At the same time, the Internet and other competitive channels have reduced banks' ability to sell their products at significantly more than their competitors. In addition, certain high-margin opportunities, such as sub-

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prime lending, have become less attractive because of ethical perception and regulatory and legislative actions.

And that leaves process improvement as the way to acquire, retain, and expand customer relationships. Sales process formalizes, organizes, and institutionalizes many of the same things that bankers may already do—albeit in a haphazard and inconsistent manner.

Three basic requirements. There is no chance of success in implementing sales process without first meeting three requirements:

1. Senior management commitment to lead the parade. There will be resistance at many levels, and without senior executive understanding, buy-in, and commitment, it just will not work.
2. Discipline in the collection, organization, and communication of customer- and prospect-related information. Participation in this process is not optional.
3. Tools that are affordable and easy to use. Bankers cannot be made to feel like slaves to a system that is cumbersome and inconvenient.

If, on the front end, the bank is not prepared to commit itself to these requirements, it should not waste its time, energy, or money in attempting to put a sales process in place.

Methodology

A well-developed plan will have four components: assessment and evaluation, design, implementation, and monitoring and measurement.

Assessment and evaluation. Every bank has a different culture, and in every bank there are systems in place that are working very effectively. A really good sales process will identify those systems in the bank that are currently working and leverage their strengths. On the theory that "if it ain't broke, don't fix it," banks should critically evaluate what is in place currently and how to best build around it and support it. Unfortunately, some approaches to sales process end up "throwing the baby out with the bathwater" in trying to completely revamp systems that are working nicely but perhaps are not part of an integrated process.

Design. Once the critical issues are identified, the bank must design a tactical plan for the sales process initiative.

Implementation. This occurs once the technical plan is put together and all of the necessary parties understand and sign off on it. Because there are so many tactical issues and relatively few senior staff to address them, implementation is typically phased in, based on the bank's highest priorities.

Monitoring and measurement. The bank must not backslide after a brief honeymoon period. Monitoring and measurement guarantee that change is systemic and fundamental within an environment of significant resistance. Reasonable expectations need to be set for organizational performance against which success can be measured. Part of that process includes establishing timelines so that the institution can measure progress against clearly defined goals. Without this component, a sales process implementation can turn into just another program that starts with a flourish and languishes from benign neglect.

The Tactical Plan

While the sales process has many components, there are nine key elements.

1. Goal setting. Many banks, like many other companies, still use the "trickle down" method of goal setting. A small group of senior executives sits around the CEO's table to develop the goals, which are then distributed through the organization with little or no participation and input by the people who will be responsible for their successful accomplishment. A far better approach is to start from the bottom up and ask the people who will have the sales responsibility to come up with their own goals. Such an approach results in far more credible and realistic numbers as well as greater buy-in. Interestingly enough, pride and optimism will often produce better numbers than those that are handed down from "the mountain."

2. Defining the "funnel." In every significant "relationship" sale—such as commercial lending, trust, asset management, brokerage services, or insurance—there is always a clearly defined "model" that represents the sales process or cycle. Answers to several questions go into creating the model.

- How many calls does it take to have a conversation with a decision maker?
- How many such conversations does it take to get an appointment?
- How many appointments does it take to make a sale?

Also, the time of the average sales cycle is usually a clearly definable parameter. Only by building and understanding the metrics of the process can a bank endeavor to improve performance. Most bankers have a very good intuitive handle on this sales model, but have never defined it in a way that can lead to significant sales process improvement.

3. Market intelligence. A critical part of the sales process is being able to identify both risks and opportunities among customers and prospects to retain, expand, and acquire customer relationships. To accomplish this, a knowledge base of intelligence must be built to include key demographic, geographic, and psychographic information about both customers and prospects. Many traditional MCIF (marketing customer information file) systems can help organize and access this data. Unfortunately, heavy user licenses and difficulty of use make these systems the purview of one operator through whom all of the requests and queries must flow. A far better approach used by some of the newer systems pushes the power of these systems out to the branch managers, commercial lenders, business development officers, and so forth.

4. Contact management. At most banks, contact management is accomplished by sticking yellow Post-it© Notes on the edge of a computer screen. In an institution where many people touch a customer or prospect relationship, it is essential to have an organized and integrated system to capture, track, report, and manage these contacts. In addition to having a much better handle on customer contact, an important byproduct is the creation of "corporate memory." When bankers leave the bank for any reason, such as piracy by a competitor, retirement, or death, an entire body of knowledge often leaves as well. This could have extremely negative ramifications if the banker is hired away by a competitor. Building such a corporate memory provides a modicum of protection.

5. Pipeline management. Most bankers today are used to the concept of tracking their pipeline of business that is somewhere in the sales stage. Unfortunately, most banks go through a monthly ritual of cutting and pasting Excel spreadsheets together to create reports that represent the bank's pipeline. In most cases, however, there is little scrutiny of how individual bankers' pipelines behave when compared with the group or norm. It can be extremely useful to know that an opportunity takes an average of seven weeks to develop for Banker A versus 13 weeks to develop for Banker B. In addition, many banks do not closely scrutinize how long opportunities remain in the pipeline. In many cases, there should be a purging process that creates a more realistic snapshot of the pipeline. Some very good systems available today can automate this process, saving considerable time and providing a much more valuable management tool than the traditional approach.

6. Referral tracking and management. Virtually every bank has instituted some sort of referral program to funnel opportunities from one business unit to another or even within the same business unit. In most cases, however, there is no automated, systematic approach to this process, and information gets collected and reported haphazardly and inconsistently. This can hurt the sales follow-up process. An ineffective referral tracking system can also jeopardize the payment of incentive compensation. These problems become real morale killers when people feel that their referrals may not be followed up and that they may not be compensated—even if both actions do occur. Nothing kills enthusiasm faster than this condition.

7. Sales skills development. There must be an ongoing effort to build and hone sales skills. This should not be confused with product training, which is also essential.

Another important consideration is the way sales training is provided. Although it is less convenient and more expensive, there is nothing like sales training in a small intimate group. It can be truly interactive and pose a much lower threat to the participants sharing their fears. It is also a good venue for dealing with the real issues that become impediments to more effective selling. While computer-based training

can be extremely effective in areas like compliance, sales skills development is still much more effective when provided by live trainers in an intimate, nonthreatening setting.

8. Coaching. Most bankers have never received formal training in coaching, and there often is an inverse relationship between a person's selling skills and his or her coaching skills. Unfortunately, businesses tend to promote those individuals that sell the most and just automatically assume that when they are promoted to management, they will miraculously develop the necessary coaching skills. A large part of coaching is building up your people, doling out credit even when it is not due, and learning to read your people based on their own individual styles and idiosyncrasies.

9. Incentive compensation. Studies have proven the connection between incentive compensation and bank financial performance. Because of the historical aversion to incentive compensation, many bankers are still grappling with the question of whether and how to implement an incentive compensation program. Although there are many approaches, the plan must start with a keen understanding of the bank's culture and how to maximize effectiveness based on the realities of that culture.

What Can Go Wrong?

Like most good ideas, there are plenty of pitfalls along the road to implementing an effective sales process. Probably the most common is a lack of follow-through and loss of momentum. This could occur for any number of reasons, including lack of senior management support, lack of resources, lack of strong program leadership, and other issues pulling focus from the program. This is usually demoralizing, as it raises hopes and then dashes them by not delivering.

A sales process effort may be doomed when a bank buys a one-size-fits-all solution. Any number of sales programs are nothing more than a collection of packaged techniques and approaches delivered in a slick wrapper. While some of the techniques might be excellent, there is often no attempt to understand the cultural drivers of the organization that the solution is designed to address. Ironically, some of these packaged solutions are extraordinarily expensive and have sold well based on the theory that "if it is expensive it must be good."

The *good news* is that most banks are starting this process from a position of great strength in the marketplace. For community banks especially, ties and relationships with the community have been fostered over decades. This is a competitive advantage that money can't buy and that can only be destroyed by giving customers truly atrocious service or making them feel unimportant and powerless. The M&A annals are littered with such examples. ❒

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