

Turbocharging the Branch with Specialty Products

By Gary Stein

In lean and mean times, banks need to get more performance out of their branches by cross-selling specialty products.

The branch building spree has subsided across much of the industry and with no new offices to mask the performance of older locations, banks now face a double challenge: wringing projected performance from recent denovos while improving or consolidating existing branches at the same time. Diminishing overdraft income and increased FDIC insurance premiums only heightens the pressure on institutions to extract more value from their most expensive delivery channel.

How can this be done? We think the opportunity lies in expanding branch sales efforts.

Banks have always counted on their branches to generate core deposits, a function that is even more important in today's uncertain economic environment. But that's no longer sufficient when you consider financial institutions' need to deepen customer relationships to retain those deposits or the expense of maintaining one-product sales forces – whether in the branch or out in the field.

The solution lies in broadening the suite of products sold through the retail network. There is, however, a tremendous gap between stating the solution and implementing it. If implementation was easy, banks would have solved this problem a long time ago.

Conflicts and Complications

Many banks have attempted to tackle this issue and most have been resourceful in addressing major obstacles. For example, the underwriting and compliance complexities associated with the mortgage application process have made branch-based mortgage lending a considerable challenge. Similar issues exist for products such as investments, insurance, brokerage, and cash management. Rather than train all branch platform staff on the intricacies of a wide variety of products, most banks installed processes in which branch sales people referred sales opportunities to roaming sales specialists.

However, a number of common conflicts and complications frequently mitigate effectiveness. These include the following:

Conflicts

Business unit goals – Sales of a business unit's products may not help retail's bottom line, so branch employees are not encouraged to cross-sell those products

Frontline sales incentives – People do what you pay them to do and narrowly focused compensation plans drive apathy towards outside products

Customer ownership – Fuzzy cutoffs and definitions of retail target customers vs. those of wealth and commercial units create competing objectives

Product overlap – Cannibalization – for example, investment products of deposits, home equity of mortgage – creates additional negative incentives for cross-selling

System incompatibilities – Non-integrated product and customer systems force the need for manual processing and rekeying information

Contradictory value propositions – Conservative lenders trying to cross-sell to a free checking customer base, for example, will likely find few prospects

Complications

Sales ownership – Sales efforts, whose results are shared by multiple business units, often have no clear champion

Cross-unit interaction – Roaming, commission-based sales people may focus efforts on more fruitful third-party referral sources at the expense of branch employees

As seen in the June, 2009 online

Awareness and skill sets – Limited understanding of less common, less emphasized products can make selling specialty products and advising customers intimidating to frontline employees

True relationship packages – Product bundles often exclude what should be core services due to systems limitations

Certification – Many specialty products require costly seller licensing and adherence to complex compliance and legal regulations

Cross-unit communications – Poor communication plans

Banks often recognize these issues and devise fixes that, if implemented in isolation, can lead to suboptimal results. A regional bank client of ours, for example, adjusted its platform sales incentive program to count new balances rather than products. All of a sudden, selling mortgages became much more attractive to branch sales associates and referrals to mortgage banking officers increased dramatically. The problem was that the lenders became overwhelmed with poor loan candidates and were unable to respond to better quality referrals from other sources.

Copycat tactics are also popular. No doubt, many banks have attempted to emulate Wells Fargo & Co.'s PMA package, which bundles interest checking, savings, no-fee brokerage, credit discounts, and other benefits. While technology hurdles probably deterred most would-be imitators, those who could duplicate this product offering would likely fall short of expectations without proactively addressing training, compensation plan, compliance and other implementation requirements.

Thus, the preferred approach is a comprehensive one – or at least, one that appreciates the role of multiple issues in contributing to current performance and that helps to anticipate the repercussions of changes.

Identifying Opportunities

The first step is to identify potential improvement opportunities. Sales results, customer- and market-penetration and product and sales channel profitability will indicate upside potential and point to the most obvious considerations. However, to determine which cross-sale opportunities are most attainable, banks should also monitor customer inquiries regarding products not sold by resident branch staff today and identify those that are most complimentary to what is sold through the branches.

Analyses of entrenched processes also provide a key to identifying new sales or sales improvement opportunities. Specifically, look for issues such as long turnarounds, significant customer fallout, reported dissatisfaction and high error or rework incidence to identify inefficiencies impacting performance. First priorities – the lowest hanging fruit

– are those opportunities that should yield big gains with relatively minimal modification effort, cost or delay. To determine what is and what is not easily doable, banks need to assess and identify potential gaps related to key capabilities such as staffing levels; staff skill sets and support mechanisms; product features, complexity, and bundling; technology integration and speed; etc.

The perspective required to understand all of these issues is also critical in the development of new processes, products, and sales programs. Cross-functional teams are crucial to initial success and should include leaders from each applicable line of business as well as individuals with first-hand understanding of the branch environment. Sales coaches are often helpful as they can provide a keen sense of what is happening across the network and their involvement in the project does not take away any resources from the frontline. Marketing, Product Management, Information Technology, Operations, Training, Compliance and Legal should also be represented.

Consultants (i.e., objective and experienced third parties) can be extremely beneficial in terms of providing best practices insight and pushing the team's creativity. Importantly, with such a diverse team and since multiple business units are impacted, the bank must also appoint a clear champion with sufficient seniority to drive change and ensure that cross-line-of-business concerns are addressed.

The number of necessary team members also drives a need for structured planning and implementation. Because so much must happen in the way of product development, systems enhancement, training and stakeholder approvals, timelines and detailed work plans are must-haves, as are regular (usually weekly) meetings to confirm task status and resolve outstanding issues. Business case development is also important for post-implementation results analysis. Projections should address all incremental costs and consider how returns could vary under different cannibalization scenarios. Effective business cases also help to communicate program benefits to senior management, whose attention is often critical to determining which lines of business will bear which costs and how business unit profit & loss statements will be affected.

Pinpointing Inefficiencies

Mapping current process flows helps to illuminate and pinpoint drivers of inefficiencies and lackluster results. Obstacles, such as multiple handoffs, complex frontline procedures, and non-value added steps (e.g., rekeying) should be addressed through re-design. Process enhancements should reflect appreciation of the customer experience and thus target any task that does not need to be conducted at the

point-of-sale for re-engineering or centralization.

Systems integration is ideal and can enable streamlined solutions; however, less technology-dependent solutions are often more immediately viable and can be equally attractive. For example, one-time, point-of-sale credit scoring would enable sales associates to make credit product cross-sell offers during initial customer encounters. Alternatively, a central triage or fulfillment team tasked with assimilating information collected by the branches into prioritized referrals for sales specialist follow-up can be nearly as timely and much easier to implement.

The importance of training, communications and field support cannot be emphasized enough. Care must be taken to ensure that training materials accurately reflect program objectives and designed procedures and protocols. Consider also job aids, help desks and issue resolution processes. Communicate with and collect feedback from all process constituents before, during and after implementation. Pay attention to staffing ratios; rarely can a single roaming specialist adequately build a rapport with and support more than five branches.

Finally, don't over-engineer. When introducing new products and procedures, start simple. Pilot the program and expand scope as confidence is gained through measurable improvement. For example, begin with referrals before evolving to platform origination or account opening. Keep in mind that it may never be feasible for branch staff to sell anything but the most "vanilla" products, such as fixed-rate refinance mortgages and online banking/cash management suites.

Opportunities and challenges will vary by institution. However, the guidelines offered above apply no matter the circumstances or product. Ultimately, with proper planning, education, and preparation, banks can develop inside sales capabilities and get more out of their retail resources.

By Gary Stein, a partner with Capital Performance Group, LLC, a management consulting firm providing advisory, planning, analytic, and project management services exclusively to the financial services industry (www.capitalperform.com). Gary can be reached directly at gstein@capitalperform.com or 202-337-7876.