

Avoiding a Sales Productivity Crisis

Will branch staff cuts exacerbate the revenue crisis in retail banking? Much hinges on sales productivity. Leading banks are using four levers to meet the challenge.

BY DARRYL DEMOS

With its recent announcement of 30,000 job cuts, Bank of America Corp. fired the opening shot in an industry campaign for deep cost reduction in retail banking. Going into 2012, many other revenue-starved banks likely will slash branch staff as well, given the almost 40% profit decline in retail banking.

But aggressive contraction reintroduces an age-old problem, how to generate equal or greater branch sales volume with a smaller team. It gets down to staff sales productivity, which already was declining prior to the recession as branch customers began transacting an increasingly substantial amount of business online.

As measured by weekly sales per full-time staffer, average branch sales productivity has declined by a third since 2003, according to our research. Staff cuts could potentially lower expenses, but much of the benefit will be lost unless the remaining branch staff can sell at sustained higher levels.

So what will make the difference between authentic financial benefits to shareholders versus a sales productivity crisis that further undermines revenues at the worst possible moment?

There are four levers that banks can pull to reverse the current sales productivity trends: 1) superior flexibility in allocating resources and setting goals; 2) recasting branch managers as sales leaders instead of backfield coaches; 3) improving service-to-sales conversion programs; and 4) eliminating

internal channel competition in favor of collaboration between the branch, contact center and online channels.

Flexibility. There are multiple dimensions of flexibility in the formula for improving sales productivity. Looking at regional staff deployment, our research repeatedly shows dramatic skews in local market opportunity. Yet many banks cling to uniform branch staffing models, under-nourishing high potential locales and dissipating expensive sales talent elsewhere.

By segmenting various types of local markets (i.e. urban versus rural) within the branch network, banks can sharpen staff deployment. The idea is to redirect staff talent from areas where the sales outlook is less promising to markets where the bank can likely grow faster than the competition.

Inside the branch, flexibility is equally as important. There are huge untapped opportunities to cross-train people so that they can flow among multiple assignments during the workday. The “universal staffing” concept is already in use at supermarket branches and in select traditional networks, but is currently under-utilized nationally.

Banks should consider using cross-trained, universal staffing at most locations having six or fewer full-time equivalent staff positions. This universal concept is not limited to staff. Many organizations are considering redeploying the assistant branch manager as an inside-the-branch “generalist” if the work load and work patterns fit.

There are also opportunities to provide more advisory and product expertise “just in time,” for example through the use of roving specialists, appointment-based service from central teams, and greater use of video technology.

Many video-based pilot programs are coming closer to fruition, providing both sales and service expertise remotely. Video is a customer-friendly, low cost way to serve smaller locations and provide specialized expertise across the network.

Finally, there are better ways to accommodate daily customer traffic, both through flex-staffing to meet peak hours of branch activity, and through adjustments to branch hours of operation. For example, branch hours could shift to serve home-bound customers at the end of the workday.

Managers as Sales Leaders. Both in terms of skill and customer rapport, branch managers typically have high sales potential, yet most are severely distracted from that role. There is a widespread perception that managers should largely function as coaches for sales staff, but our research shows that branch sales productivity typically is sharply higher when managers are directly involved in selling themselves.

In a recent multi-bank study, we found that among top-performing branch sales teams, managers spent an average of twice as much time on individual and direct selling than the bank with average branch sales productivity.

Service to Sales. One of the great ongoing challenges in branch sales is converting customer traffic in favor of service into completed sales. Some banks do a far better job than others in preparing and equipping branch staff for peak sales performance.

On average, banks convert a decently performing mail campaign (roughly 18 sales per every 1,000 customers). There is great room for improvement in this area. Better information on customer traffic and potential is needed, as well as creative programs for handling lobby traffic.

The service-to-sales challenge is further compounded by skewed performance incentives that often emphasize administrative goals. Our research shows that top-selling branch managers, by contrast, have well-defined sales goals, including units and revenues, more strongly linked with overall

branch targets for revenue and profit generation. Managers also respond well to specific cross-sell targets.

Channel Coordination or Cooperation? Our research indicates that online and contact center channels likely will continue to grow rapidly relative to branch sales, yet most customers still prefer an “in-the-branch” sales experience. This calls for a coordinated channel proposition that is seldom seen in retail banking.

In retail banking, often individual channels (branches, contact center, online) function with a high degree of autonomy that borders on rivalry, with internal competition taking precedence over collaborative efforts to serve the customer more fully.

As more customers develop an expectation for “all channels all the time,” retail banks face a rising need for cross-channel coordination.

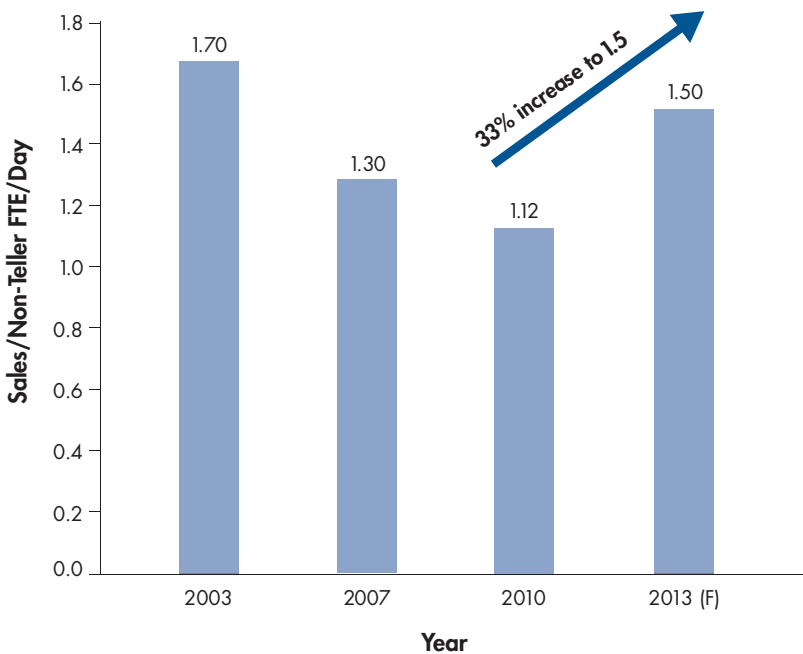
Prospecting and lead generation are often better conducted through the contact center, where dedicated sales personnel have the right skills and tools along with more experience and typically a better temperament and more perseverance in dealing with low acceptance ratios.

Meanwhile in the highly profitable small business segment, contact centers and relationship bankers are finding new ways to jointly deepen current relationships and find new ones.

Any major bank serious about improving sales productivity should be actively targeting and testing new coordinated multi-channel sales strategies, especially given changing patterns of customer channel usage.

As these initiatives illustrate, the core challenge in retail banking is not raw cost reduction — it is productivity improvement. The good news is that in order to return to pre-crisis sales productivity levels in the branch, the typical branch network only needs to lift performance by an average of two product sales per week per banker. Some banks are already making progress as they implement the various productivity levers.

Fig 1: Sales Productivity Trend



Source: Novantas 2011 Branch Productivity Benchmarking and Novantas analysis; Products include checking, savings, MMA, credit card, new CDs and loan/line for consumers and checking, savings and MMA for business.

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