Your Business Accelerator

Things may come to those who wait, but only things left by those who hustle.
Abraham Lincoln

Not Enough Time, Not Fast Enough

Customers are increasingly educated and competent. To expand banking relationships, the sales function must be able to react, adjust, and satisfy customer demands on the spot. Understanding customer needs and credibility in offering a solution are prerequisites for even being in the running. New customer demands mean banking products and services conversations have become far more complex, demanding a wider range of product knowledge, sales techniques, customer insights, and company-wide awareness. And the customer expects a fast response. This is the key challenge facing today's sales function: how to balance the need for faster customer response while gaining the right information to qualify the customer risk profile and close the sale.

The ability to close deals efficiently and the knowledge needed to invest your time in the right customers are critical factors driving your bank's success. Both depend on a timely, two-way flow of information. Accurate and speedy information can help improve revenue results and reduce selling costs. Information flowing through Sales can affect every other department in the bank: for example, high demand forecasts will drive greater internal resourcing and transaction processing needs. The slower the two-way flow of information, the less responsive the organization.

This viewpoint brings together the three core insights in this book (see Promise). Sales has clear accountability for results, requires information sweet spots, and thrives on the most integrated decision-making capabilities. A sales and relationship management function with the right information, at the right time, driven by the right incentives, is formidable. Unfortunately, many banking organizations do not optimize time and speed of execution due to three barriers:

Barrier 1: ***You don't set revenue targets and allocate effort based on maximizing overall contribution***

How you measure performance and set compensation drives how the Sales function allocates its time. If you define targets in terms of potential profit and contribution, Sales will invest time where it maximizes sustainable returns. Customer relationships that secure today's inquiries and tomorrow's revenues are a strong competitive advantage. If focusing Sales on customer and product profitability isn't a new thought, and it's not difficult to see the benefits, why is it still rare in terms of implementation?

There are several reasons. In many cases, integrated profitability information is unavailable or is too sensitive to distribute. Determining how to allocate costs and define internal transfer pricing may be complex or politically charged. More frequently, the bank's focus on short-term revenue means Sales does not have or need a perspective on long-term customer contributions. As a result, it neglects to measure cross-sell and up-sell revenue paths or the estimated lifetime value of a customer.

The customer's potential lifetime value is not static: it changes over time. A good sales or relationship manager can positively affect the change. Effecting positive change requires that Sales understand:

- The cost benefit of maintaining versus acquiring customers
- Relative weighting of various opportunities based on the "cost" of expected effort
- Longer-term planning as opposed to a single sales opportunity
- A multi-tiered portfolio approach to opportunities

Without an understanding of these sweet spots, your time may be poorly invested. Or worse, you won't know if it is or isn't.

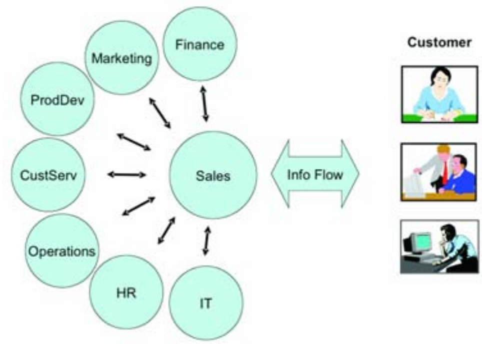
Barrier 2: ***There is no two-way clearinghouse for the right information at the right time***

IT departments are precisely benchmarked and highly subject to internal scrutiny. These departments expect reliable company-to-company relationships, where vendors are business advisors and valued solutions experts. Sales, too, is becoming more and more about information rather than just products and relationships. However, turning sales professionals into experts on every topic is not the answer. There is simply too much customer information required to process, distill, and communicate for sales managers to be fully educated on every possible buying scenario. Instead, Sales needs to become an efficient clearinghouse of the right information at the right time. What's missing in most organizations is an effective two-way flow of "smart facts" between the customer and the business. Smart facts are focused information packages about customer needs and challenges, bank advantages, and important interaction points between both entities.

The two-way nature of this information is critical. The entire organization (Marketing and Product Management in particular) needs customer insights into what works, what doesn't, and what is of greatest importance. Without this, your response to important concerns is impeded, and you won't understand the customer perspective, which is necessary for sustainable relationships. Smart facts let Sales:

- Build on customer success stories and best practices
- Link understood bank values to what the customer requires
- Proactively deal with issues between the customer and bank (such as service delays, etc.) and stay on top of the account

Sales and relationship managers—your front line with customers—are at a disadvantage when trying to build reliable relationships and loyalty if you do not provide them with these smart facts in a timely fashion.



Sales: two-way clearinghouse of smart, fast facts

Barrier 3: ***You don't measure the underlying drivers of sales effectiveness***

What type of input drives the results, as measured by sales success? This is rarely evaluated or understood, and yet it is one of the most critical areas for a bank to master.

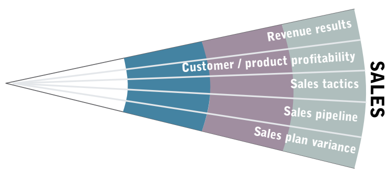
Lead generation, customer preparation, sales calls, and collateral material are all familiar tactics of the sales process. The missed opportunity comes from not tracking what expectations were set around these tactics and not monitoring what actually happens. Despite significant investments in automation and customer relationship management systems, banks miss this opportunity when they see setting targets as a complicated planning exercise or when it conflicts with an organization's bias to rely more on intuition.

The choice doesn't have to be either/or. Experience and intuition can guide the initial tactical choices and outcome expectations—but monitoring these outcomes lets you make informed decisions to improve your results. Your goal is to increase sales productivity and adjust tactics when something doesn't work. Without set expectations and a means to monitor the underlying drivers of sales effectiveness, you will likely suffer both higher selling costs and missed sales targets.

Continuous Accelerated Realignment

The five decision areas described below can improve the speed of sales execution and enable a more effective use of time. They rely on the two-way flow of vital information between customers and bank. This sharing of information can accelerate the speed of adjustments and realignments of product, market, message, service, and other elements of the business. Decision areas in Sales and Relationship Management:

- **Revenue results** ➔ What is driving revenue performance?
- **Customer/product profitability** ➔ What is driving contribution performance?
- **Sales tactics** ➔ What is driving sales effectiveness?
- **Sales pipeline** ➔ What is driving the revenue pipeline?
- **Sales plan variance** ➔ What is driving the revenue plan?



The order of these decision areas reflects a logical flow of analysis and action. They start with understanding where Sales is achieving its results, first in terms of overall revenue performance and then in terms of net income or contribution. This is followed by drilling deeper into how the Sales function is using its time and to what effect. Finally, the insights gained are applied to revising the planning and forecasting process. In this way, Sales can drive a continuous and accelerated re-examination and realignment of the organization. This cycle is anchored by the organization's strategic objectives (profitability and net income) and incorporates frontline realities for an accurate view of Sales and Relationship Management performance.

Revenue Results

Revenue results are one of the most basic and important information sweet spots. They are one of the two foundations of Sales management, the other being Sales planning. They provide a consistent overview of actual revenue across the five basic components of the business—product, customer, territory, channel, and time.

Accurate understanding of these components suggests why results diverge from expectations. *Are revenues trending down in certain territories? Is this consistent across all products, services, channels, territories, and customers?*

Revenue results should not be confined to managerial levels, but should be shared at various levels of the organization. You can empower the frontline with appropriately packaged analytic information, adapted for individual representatives with specific products and services in specific territories.

Beyond immediate operational analysis, revenue results let you recognize broader performance patterns to see if strategies and management objectives are on track and still making sense. With a consistent flow of information over time, you can make more strategic comparisons, interpretations, and adjustments. For example, if revenues are flat in the premium customer segment, you need to know: *Is this a tactical problem or a strategic one—i.e., should this lead to a full re-evaluation of the bank's future in the premium segment? Are significant resource investments necessary to revive this segment? Has the product or service proposition been outflanked by the competition?* These questions are part of an accurate assessment of revenue results.

Revenue results information also connects time spent, level of responsibility, strategic decision-making, and operational activities. If you identify a weakness in a commodity segment of the market, the bank has a number of time-related options to deal with it. A drop in such revenues in the short term may cause serious competitive damage, leading to long-term difficulties. The short-term solution might be a series of sales push activities, such as more promotions and more aggressive pricing. Given the impact of this on the net income margin, however, management may choose to look at the overall product and service proposition to identify and find opportunities to cut costs. This may require long-term strategic decisions at the highest level of the organization involving Marketing, Product Management, Operations, and Finance. Revenue results are one of the main contributors of information for this decision. The speed and accuracy with which this information is provided to the bank is critical. More of this dynamic will be covered in the Executive Management chapter.

REVENUE RESULTS

GOALS	METRICS	DIMENSIONS	
Income Growth (%) Income ($) New Banking Products/ Services ($/%)	Fee Income Growth (%) Non Fee Income Growth (%) Customer Relationship Growth (%) Avg. Product Service Revenue ($) Customers (#) Lost Customer Count (#) New Customer Count (#) Lost Income ($) Revenue per Employee Net Income per Employee Fees per Account ($) Fee Waivers as a % of Fees	Billing Customer Industry Group Industry Category Customer Name Customer Location Region State/Province County Postal Code/Zip Code Fiscal Month Year Quarter Month	Market Segments Market Segment Micro-Segment Services Product Line Service Sales Channel Partners Sales Channel Type Sales Partner Sales Organization Sales Region Sales Territory Org. Code

FUNCTION	DECISION ROLES	PRIMARY WORK	CONTRIBUTORY	STATUS
Sales				
	Executives	•		
	Managers	•		
	Analysts	•		
	Professionals	•		
Audit				
	Executives			•
	Managers	•		
	Professionals	•		
Customer Service				
	Executives		•	
	Analysts		•	
Marketing				
	Executives			•
	Managers		•	
	Analysts		•	
	Professionals		•	
Finance				
	Executives			•
	Analysts		•	
Product Management				
	Executives			•
	Analysts		•	
Operations / Production				
	Executives			•

Understanding what drives customer profitability is the Holy Grail in retail banking. With the help of Cognos, we have been able to increase our understanding of our customer base, across all product businesses, as well as provide our customer relationship managers with meaningful, actionable information that impacts their decision-making process. Customer data is much more consumable and therefore, much more strategic to our organization.

Eugene McCarthy, Head of Profitability Measurement, Retail Division, Bank of Ireland

Customer/Product Profitability

The key to this decision area is recognizing which customers, products and services are making the largest contributions. A basic contribution assessment is possible using a “revenues less allocated costs” formula for customers and products. Once this is calculated, you can develop more complex views by allocating direct costs using certain drivers to determine either effort or activity plus related costs. This may highlight inconsistencies in internal transfer pricing and lead to a reassessment of net operating income for various products and services. Using a phased approach when moving to a more direct measure of income enables learning by successive iterations, and the benefit of gaining wins and proof of value before tackling more complex cost allocations and associated drivers. The Sales function must adopt the income goals and work with the rest of the organization on achieving them.

GOALS	METRICS	DIMENSIONS	
Avg. Customer Income ($) Avg. Customer Margin ($/%) Net Income ($/%)	Income ($) Direct Cost ($) Allocated Cost ($) Average Transfer Cost ($) Customer Acquisition Cost ($) Customer Retention Cost ($) Interest Margin ($/%) Service Costs ($) Non-Interest Margin ($/%) Discounts/Reductions ($/%) Customer Tenure (#) Fees per Account ($) Income per Account ($) Cost per Account ($) Net Income per Account ($) Fee Waivers as a % of Fees	Billing Customer Industry Group Industry Category Customer Name Customer Location Region State/Province County Postal Code/Zip Code Fiscal Month Year Quarter Month	Market Segments Market Segment Micro-Segment Services Product Line Service Sales Channel Partners Sales Channel Type Sales Partner Sales Organization Sales Region Sales Territory Org. Code

FUNCTION	DECISION ROLES	PRIMARY WORK	CONTRIBUTORY	STATUS
Finance	Executives			•
	Managers		•	
	Analysts	•		
	Professionals		•	
Sales	Executives	•		
	Analysts	•		
Marketing	Executives			•
	Analysts		•	
IT / Systems	Executives			•
	Analysts		•	
Product Management	Executives			•
	Analysts		•	
Customer Service	Analysts		•	
Audit	Analysts		•	
Human Resources	Analysts		•	
Operations / Production	Analysts		•	
Purchasing	Analysts		•	

Understanding customer lifetime profitability is vital to a business. It focuses the organization on the value of the long-term customer. Customer/product profitability is a powerful tool that is used at senior levels of product management, risk management, and corporate strategy. The sensitivity of this information dictates that it cannot be widely distributed, but by indexing some of this information for the sales function, you ensure Sales understands its profit priorities and is ready to put that knowledge into action.

> ***There are two basic components that we needed from the implementation of Cognos. First: the ability to create standard reports every quarter for our account managers, branches and regions; and second, the ability to generate monthly data cubes for the purpose of detailed analysis.***
>
> Gernot Schwarz, Sales Controlling Department, Bank Austria Creditanstalt

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Sales Tactics

This decision area evaluates the sales process to determine which activities and mechanics are most effective. The key is to understand what resources, activities, and tools you need to achieve targets for specific channels and accounts. This decision area continually monitors and reviews the *what* (resources) versus the *how* (mechanics).

The *what* includes understanding the following: *How many warm and cold prospects are available? How do you best approach them? How much time is spent on research? How much time is spent with existing customers versus time with new customers? What is the proportion of direct effort to indirect effort?* You require insight into all these areas to optimize time and resources.

The *how* includes understanding how the cost and time spent on activities like promotions, face-to-face meetings, brochures, direct mail, and cold calls will drive revenue targets.

GOALS	METRICS	DIMENSIONS
Commission ($) Applications (#) Sales Calls (#) Customer Gains ($/%)	Qualified Prospects Relationship Cross-Sell Index Loan Applications (#) Enrollments (#) Cost per Activity ($) Cost per Application ($) Income per Application ($) Sales Cost ($) Customers (#) Customer Gains ($/%) Customer Losses ($/%) Inactive Customers (#) Lost Customers (#) Avg. Loan U/W Time Inquiry Count (#) Inquiry Conversion (%) Prospect Rating Score Conversion Ratio (%) Account Growth (%) Fees per Account ($)	Billing Customer Industry Group Industry Category Customer Name Customer Location Region State/Province County Postal Code/Zip Code Fiscal Month Fiscal Year Quarter Month Market Segments Market Segment Micro-Segment Services Product Line Service Sales Channel Partners Sales Channel Type Sales Partner Sales Organization Sales Region Sales Territory Org. Code Sales Time Priority Rating Priority Rating

FUNCTION	DECISION ROLES	PRIMARY WORK	CONTRIBUTORY	STATUS
Sales				
	Executives	•		
	Managers	•		
	Analysts	•		
	Professionals	•		
Finance				
	Executives			•
	Analysts		•	
Marketing				
	Executives			•
	Analysts		•	

By combining these two viewpoints, the Sales function is able to guide greater sales effectiveness. Sales tactics are a direct extension of the Sales performance decision area. You need a structured and coordinated understanding of sales tactics to manage your customers and sales effort effectively. This information must be accessible by your Sales frontline to direct their efforts and help them learn from the success of others. In today's climate, call reports and sales process information are also audited to evaluate compliance with "know your customer" and related anti-fraud regulations.

Revenue Pipeline

GOALS	METRICS	DIMENSIONS	

Income Growth ($/%)
New Customer Count (#)
Average Income per Customer ($)
Average Income per Product/Service ($)
	Income/Assets (%)
	Active Customers (#)
	Inactive Customers (#)
	Inquiries ($)
	Lost Business Count (#)
	Lost Business ($)
	New/Lost Customer Ratio (%)
	New Branch Count (#)
	Deposit $ Growth (%)
	Loan $ Growth (%)
	Securities (#/$) Growth (%)
	Loan Application Growth (%)
		Billing Customer
		  Industry Group
		  Industry
		  Category
		  Customer Name
		Customer Location
		  Region
		  State/Province
		  County
		  Postal Code/Zip Code
		Fiscal Month
		  Year
		  Quarter
		  Month
		Market Segments
		  Market Segment
		  Micro-Segment
			Services
			  Product Line
			  Service
			Sales Channel Partners
			  Sales Channel Type
			  Sales Partner
			Sales Organization
			  Sales Region
			  Sales Territory
			  Org. Code

FUNCTION	DECISION ROLES	PRIMARY WORK	CONTRIBUTORY	STATUS
Sales				
	Executives	•		
	Managers	•		
	Analysts	•		
	Professionals	•		
Customer Service				
	Executives			•
	Analysts		•	
Audit				
	Executives			•
	Analysts		•	
Operations / Production				
	Executives		•	
	Analysts		•	
Purchasing				
	Executives			•
	Analysts		•	

This is more than a revenue forecast; it is an opportunity to see into your bank's future and change it. The revenue pipeline is critical as an early warning system of future opportunities, growth, and problem areas. By defining and monitoring the phases of the revenue pipeline, you can derive metrics that let you qualify new performance standards and manage business growth. Your pipeline intelligence can become even more sophisticated by looking at details such as new versus existing customers, territories, product and service groups, markets, and more.

Each metric suggests useful business questions that can lead to positive functional change: *Why do only 2 percent of initial customer loan inquiries lead to loan application requests? How does this compare with the competition's experience? What would it take to increase this ratio to 5 percent? Why are loan applications lost, possibly for a given customer segment?* The revenue pipeline should tie into Operations, typically to future resource and processing requirements. The more predictive and accurate the revenue plan is in terms of product or service needs, the more efficiently Operations can manage its transaction processes and staffing, and stop expensive reactive resourcing allocations due to short-term bottlenecks.

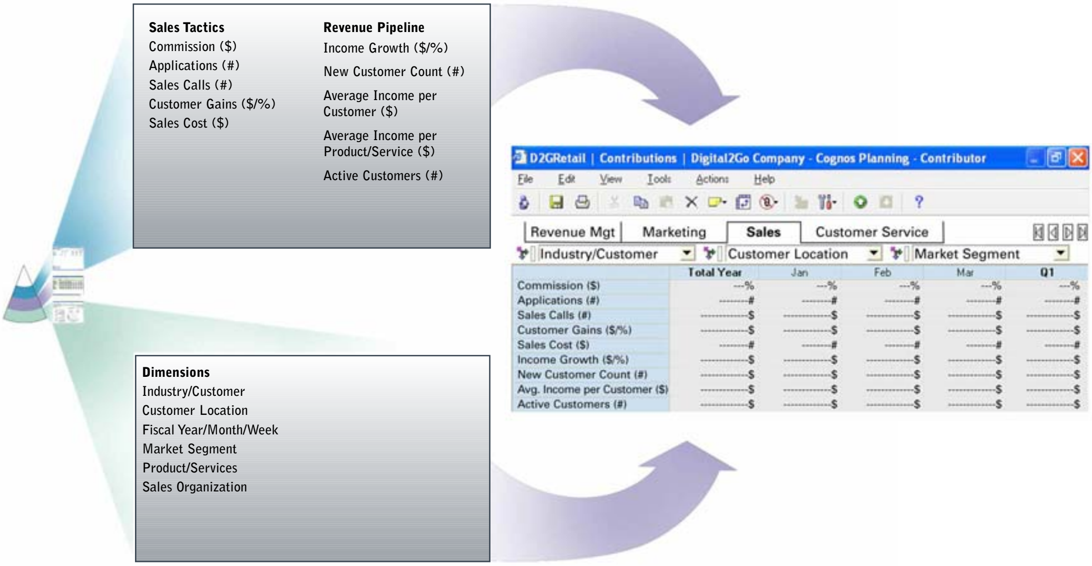
Revenue Plan Variance

Revenue planning is a control mechanism, tightly linked to the budgeting and planning process. It is also a way to manage change and understand the ebb and flow of your business. Unfortunately, the control side tends to dominate. A top-down budgeting process, where corporate objectives must be achieved (e.g., double-digit revenue growth), emphasizes planning over the actual situation. This leads to companies identifying and plugging revenue gaps with short-term revenue solutions, usually at the expense of long-term strategy—milking the future to get results today. More useful revenue plans work from the bottom up.

Alignment and accountability must be meaningful. In a meaningful revenue plan, every department provides feedback on revenue objectives, markets, customers, channels, and products. Iterations of this process may be needed to fit with top-down corporate objectives, but it allows individuals across the organization to own their numbers and be fully accountable. When the entire business is engaged in monitoring under/overperformance, front-line levels of the organization can answer questions regarding the where and why of existing revenue targets. The Sales function responsible for a missed customer segment revenue target can explain the why and suggest ways to correct the gap. Today's tools enable that essential granular knowledge to be included and rolled up into meaningful plans. Customer account level variance analysis helps reinforces customer focus and strengthen service delivery standards.

GOALS	METRICS	DIMENSIONS
Results Plan ($/%)	Customer Gains ($/%)	Fiscal Month Year Quarter Month
Results Variance ($/%)	Customer Losses ($/%)	Forecast Scenario (Plan/Actual/Forecast) Scenario
	New Customers ($)	Market Segments Market Segment Micro-Segment
	Income Growth ($/%)	Product Line Product Line
	Cost Growth ($/%)	Sales Channel Partners Sales Channel Type Sales Partner
	Account Growth ($/#)	Sales Organization Sales Region Sales Territory Org. Code
	Revenue/Income ($)	
	Account Balance ($/#)	

FUNCTION	DECISION ROLES	PRIMARY WORK	CONTRIBUTORY	STATUS
Sales	Executives	•		
	Managers	•		
	Analysts	•		
	Professionals	•		
Audit	Executives			•
	Managers	•		
	Professionals	•		
Customer Service	Executives			•
	Analysts		•	
Finance	Executives			•
	Analysts		•	
Operations / Production	Executives			•
	Analysts		•	
Purchasing	Executives			•
	Analysts		•	



The Sales Tactics and Revenue Pipeline decision areas illustrate how the Sales function can monitor its performance, allocate resources, and set plans for future financial targets.