

THE SCHNEIDER REPORT

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Welcome to the Schneider Report,

As the 4th quarter kicks off and 2010 starts winding to a close, it's time to start looking forward to 2011. As budget meetings are beginning for the New Year, it's time to reconsider the investment in your human capital as a long term growth strategy for your organization. Since the economic downturn, most financial industry organizations have looked to cut budgetary spending across multiple business lines with employee learning and development often being one of the first reductions. However, if you look at top producing sales and service organizations, they never wavered from providing the education and tools necessary for their employees to be successful in this tough economy. Top sales and service organizations understand that your employees are the face of your organization, they generate the majority of revenue, and they build and retain relationships with your customer base.

Our latest Schneider Report article is brought to you by Mike Shallenberger, Executive Vice President and Director of Consulting of Schneider Sales Management. Prior to joining Schneider Sales Management, Mike was the National Sales Manager for a large national bank and served as CEO for two community banks. Mike is a graduate of the Pacific Coast Banking School and is currently finishing his M. Ed. in Adult Training & Education from Colorado State University.

You Can Achieve a High ROI on Sales Training

If soft skills training were not effective then Nordstrom's would not have the highest customer satisfaction ratings and amongst the highest sales per square foot in the retail industry. If service quality training did not work then there would be no Disney experience. If sales training did not result in substantial returns then companies like Northwestern Mutual, Microsoft and IBM would not receive continual acclaim as top sales organizations. It is not a coincidence that the top rated sales and service organizations also have the best sales and service training programs.

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With bank and credit union earnings under pressure from loan losses, declining new loan volumes, regulatory impacts on fee income, industry recapitalization charges and resolution of failed institutions, a focus on increasing sales effectiveness, growth and profitability is more critical than ever. Yet, in spite of hundreds of case studies and research articles that clearly illustrate exceptional returns on investment for soft skills training many doubters remain and the concern over ROI is one of the primary reasons that many financial institutions don't invest in sales and service training. If an organization simply gives employees a couple days away from the office and checks off that each employee attended training, then ROI is going to be questionable. However, every organization can take the necessary steps to insure a healthy payback— most often in excess of 750%.

While a 750% ROI may sound too good to be true, research shows that it might be on the low end of a well executed program. In a study by the *American Society for Training & Development* (2000) of 575 U.S. based firms, the companies in the top quarter of the study group as measured by average per-employee expenditures on training enjoyed higher profit margins (by 24 percent) and higher income per employee (by 218 percent) on average than firms in the bottom quarter. A study by the *National Centre for Vocational Education Research* (2001) shows that staff training can produce returns ranging from 30 percent to 7,000 percent, with new hire training, product training and sales training being at the higher end of the range. According to the *2001 Global Training and Certification Study*, just a 2 percent increase in productivity has been shown to net a 100 percent return on investment in training.

These high returns are certainly supported by our own experience. A small business sales and referral training initiative for which our client paid Schneider Sales Management \$40,000 resulted in the company moving from 9th in market share to 2nd in market share in just over one year— an annual increase of \$45 million in loan, deposit and services production and a first year profit contribution of \$675,000. Total ROI over three years was in excess of 5,000%. A \$25,000 referral training initiative for another client resulted in an increase of \$20 million in annuity sales in one year and a commission income contribution of \$1.2 million— a 4,800% ROI. For companies we work with on major company-wide sales and service training initiatives, ROI results are often north of 1,100% and many clients tell us that they covered the cost of the training initiative in as little as 90 days.

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Ensuring a high ROI: What gets measured gets done.

Calculating the ROI for a sales training initiative starts with having the right metrics in place. Net interest margins improve and decline, pricing and growth strategies change, the interest rate environment affects product popularity and product sales may be subject to seasonality. It is possible to get increased sales results by doing nothing at all, by relentlessly pressuring employees for increased performance, by selling the wrong way, such as pushing products or being overly aggressive, and by spending in other areas like technology and marketing. In order to isolate the ROI of a sales training initiative it is important to use the right basket of measures.

Some of the metrics useful for calculating training ROI are:

- Correlation of improved sales behavior scores to increased sales results at the employee and organization level
- Changes in core product sales per employee per day
- Changes in referrals per employee per day, especially referrals to other divisions or business units
- Improvement in results for new member or customer on-boarding programs, typically measured as services per new household at the 90 day mark
- Single-sitting cross-sell ratio
- Member or customer satisfaction and loyalty
- Changes in member or customer profitability

To calculate an ROI for sales training you will need to benchmark historical sales effectiveness and current use of preferred behaviors by employees. If you keep a general ledger and payroll records, and we are guessing that you do, then you can do some simple benchmarking for historical sales effectiveness. If you have managers who can observe your employees during sales conversations and compare what they observed to a detailed description of preferred behaviors then you can score and benchmark the use of sales behaviors. These two simple benchmarks will allow most financial institutions to accurately calculate ROI.

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Ensuring a high ROI: The sales training program you choose matters.

People learn to sell through a combination of four activities: by discussing and sharing best practices with peers and subject matter experts, by practicing through rehearsals and role plays, by selling on the job and noticing what does and does not work, and by getting constructive feedback from an experienced sales manager who has observed their selling. Learning to sell is an experiential learning process and sales skills cannot be mastered by watching a video or reading material online. Beware, the lowest cost training delivery methods are also likely to be the least effective and any program that does not include a sound process for follow-up coaching will likely produce little to no result.

Make sure that your employees do not write off your sales training before it is even delivered by selecting training content and a training vendor that are credible. If the skills and behaviors employees are being asked to use are not a good fit for their job role or their work environment then employees will not use them. If the curriculum developers and trainers do not have sales or sales management experience in the financial services industry then they will likely lack the credibility needed to pull off sales training. Sales people are funny that way; *“If you weren’t a successful seller in this industry then you don’t have the right to tell me how to sell.”* Also confirm that the sales training content covers what to do, how to do it and when in the conversation it is best to use it. Most sales training is pretty good at telling sellers what to do (i.e., “ask open-ended questions”), but high ROI’s are rarely achieved unless the training clearly describes when in the conversation it is best to use each skill or how each skill should sound when it is done right.

Going it alone usually results in going nowhere. It is rare that we find a financial institution under \$20 billion in assets that has developed a highly effective sales training program on their own. The banking and credit union industries certainly have bright enough people to pull it off, but our best people get pulled in too many directions by competing projects or initiatives, there are always pressing training needs in other areas, it takes too long to fully research best sales practices and too much time to stay current, and the need to go fast is often paramount. Sales training programs developed under these conditions rarely gain enough traction to result in a payoff.

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Ensuring a high ROI: Accountability is critical.

Don't expect to get great results from your sales training program if you are not willing to hold people accountable for the use of preferred selling skills and behaviors. Effective organizations create expectations before training for employees' use of skills to be learned during training. They ensure follow-up coaching after training by observing employees while they are engaged with customers or members and by providing constructive feedback. Finally, they hold people accountable for the use of preferred sales and service behaviors by measuring their performance against behavioral standards and incorporating the results into employee performance appraisals, merit increases and incentive payouts.

Always remember the first rule of performance management: people do what they do because of what happens to them when they do it.

Thank you for your time. We would like to hear your feedback about this article or about topics that you would like us to address in future volumes. As always, please call or e-mail us for a no obligation discussion on ways to improve your sales organization. To view previous Schneider Report articles, please visit our website at www.schneidersales.com.

Regards,
Ben Kinning
Director of Sales

About the Author

Michael Shallanberger is Executive Vice President & Director of Consulting Services for Schneider Sales Management, LLC, a position he has held for the past eleven years. Michael will complete his M. Ed. in Adult Training & Education from Colorado State University in 2010. He graduated summa cum laude from Metropolitan State in Denver, Colorado with a B.S. in Organizational Change Management and holds an A.S. degree in Banking and Personal Finance. Michael is also an alumnus of the Pacific Coast Graduate School of Banking.



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