

# THE SCHNEIDER REPORT

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## **Selling Financial Services in a Tough Economy**

By this point in the current financial crisis most banks and credit unions have come to realize that “hope is not a strategy.” Doing nothing to increase sales until the economy rebounds is a strategy that almost certainly increases profit risk, the concentration of income within a small number of customers, products, markets and salespeople.

With financial institutions facing a tough economy and weakened customer loyalty, sales is clearly job one. The absence of even more proactive than normal sales leadership by banks and credit union executives in this economy means retention of key relationships will be left to chance; opportunities for gains in market share will be lost; lenders will be forced to settle for higher risk borrowers; and there won't be sufficient gains in new customer revenue or existing customer profitability to offset the reductions in earnings resulting from higher deposit insurance and other operating costs.

To survive the current earnings crunch, banks and credit unions are under enormous pressure right now to cut costs indiscriminately across the board without a reasoned analysis of return on investment for alternative strategies. Sales initiatives often yield returns of 750% or more so every dollar “saved” by cost cutting could actually be reducing much needed revenue. Thinking just of personnel decisions alone, our national research on salesperson selection demonstrates that top sales producers in virtually every selling role from teller to lending officer outsell average producers by 2 to 1 and outsell low producers by 10 to 1, yet the criteria for layoffs at many institutions is often based on tenure rather than on performance.

By cutting muscle instead of fat from their sales organizations many institutions will operate without consistent selling and without a reliable revenue stream and they'll be increasingly vulnerable to any loss of revenue from the 3-5% of customers and the small number of products, markets or salespeople that contribute almost all of their earnings. These companies also won't be ready to win big gains in market share from their competitors during the small window of huge opportunity that always occurs when the economy first rebounds.

## **Only Proactive Sales Organizations Will Survive and Prosper**

This is no time for denial. The market dynamics have changed, and banks and credit unions will have to change their sales and marketing strategies accordingly. In this new environment of uncertainty and of mistrust of even the highest performing companies, branding, advertising, pricing and other passive marketing strategies aren't likely to yield the same high returns on investment that they've yielded in the past. Consumers and businesses are looking first for trusted advisors who will be proactive in contacting them and in guiding them through troubled waters.

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For most banks and credit unions this is a time of considerable market opportunity. Brokerage firms, insurance companies, mortgage brokers and national banks are vulnerable to customer defection and paralyzed by changes in regulation; increases in the limits on insurance of accounts have leveled the playing field for small and mid-size institutions; and most consumers and businesses are reevaluating all of their financial relationships. With headline stories eroding the market value of some of the financial industry's formerly strongest financial institutions, there is unprecedented opportunity to win market share from weakened competitors. Financial buyers are also more open than ever to talking with someone new to get ideas for reducing their risk, cutting their expenses, preserving their capital or simply anticipating and coping with changes in the new business climate.

The only companies who will have the resources to capitalize on these growth opportunities are the companies who are proactive now in contacting and counseling their existing high value customers to retain them and who are proactive in managing their selling and coaching efforts to upgrade more customers, products, markets and salespeople to higher levels of profit contribution to reduce their profit risk. Those organizations who continue to sell passively without focus or who don't sell at all will continue to experience defections among high value customers and salespeople. These same companies will continue to deplete their reserves by selling the wrong things to the wrong customers, including high risk borrowers, making more of their customers unprofitable.

## **Ten Ways to Sell Your Way Out of the Current Financial Crisis**

One upside of an economic downswing is that it provides the most proactive sales organizations with growth opportunity and with the "burning bridge" rationale and political cover to pursue a big mission and to orchestrate large scale change. Having a clear game plan and selling proactively during tough times is motivating for employees because it gives them at least some sense of control over their destiny.

Here are ten steps that your organization can take right now to sell your way out of financial crisis:

### **1. Narrow your focus.**

Reallocate existing budget dollars to develop the customers, products, markets and salespeople who provide the best return on investment, and drop quickly those that yield poor returns.

### **2. Get back to basics with good sales process.**

Redefine your preferred sales, coaching and pipeline management processes in light

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of current staffing and market realities and then closely manage their consistent use. To make this work, you'll need sales leaders who can demonstrate optimism and passion for your preferred way of selling. Many branch or department sales leaders were promoted to their supervisory role because of their sales or operations competencies, not because of their supervisory competencies.

### **3. Update your value proposition.**

For now, the attributes customers are seeking have shifted somewhat from price and service to advice and guarantees of a "sure thing."

### **4. Become a trusted advisor to your high value customers.**

Dramatically increase your frequency of contact with your best customers, and make your relationship with these customers more valuable to them by discussing their big picture goals, offering analysis, explanation and advice regarding the current business climate, and establishing specific milestone objectives for their financial relationship with you.

### **5. Shorten your planning cycle.**

Market conditions are changing rapidly, and you need a way to monitor results and change priorities and tactics quickly. 90 day action plans, weekly sales plans, and daily huddles give you a way to refocus priorities for use of sales time before that investment has been made. In particular, ask salespeople in high producing sales roles to share with you their customer action objectives for each call they have planned for the week ahead.

### **6. Upgrade your sales personnel.**

Generating revenue is crucial right now so use this time to replace your low performers with other employees who may be a better fit for key selling roles or with some of the talented financial salespeople now immediately available. This is also a good time to reallocate training dollars to sales skill training that will generate immediate revenue and to implement increased accountability for learning by requiring certification of skill mastery.

### **7. Adopt balanced metrics and compensation plans for sales.**

Volume based metrics and compensation got the industry into this crisis, and process and profitability metrics to balance volume goals can put you back on track toward managed growth.

### **8. Give salespeople one or two market leader products to sell.**

You can energize your salespeople for selling all of your products by giving them one or two products that are clearly superior based on option flexibility, forced savings, guaranteed performance or other features that matter more to most customers than small differences in price in this economy.

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## **9. Provide direction for profitable selling.**

Most add-on sales made in a bank or a credit union actually decrease customer profitability. Leverage the investment you've already made in CRM by generating weekly lead lists and by recommending product combinations that will move customers to higher thresholds of profitability.

## **10. Start small with prospective customers.**

Give prospects an opportunity to try your solutions with minimum risk or commitment, and then set a timetable for expansion of each relationship through your new customer on-boarding process.

## **Demonstrate Optimistic Leadership**

Adopting a decisive, optimistic leadership style is crucial in tough times because focus and optimism strengthen employee belief that what they do each day can improve the company's likelihood of succeeding. Organizations that put sales on hold until things get better send a powerful message to their employees that they're helpless in the face of adversity.

The biggest challenge bank and credit union objectives face in the current market environment may simply be to persuade their employees that they can sell their way out of their short term financial difficulties. With a well-focused sales game plan and more proactive selling, banks and credit unions can reduce their profit risk and win new customers from competitors who have chosen hope as their only strategy.

### **About the Author**

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