A BETTER SALES PROCESS

by Steve Brown

Last year we took a look at our sales process and found some areas of improvement. Like many organizations, we keep a "pipeline" of potential customers and record milestones as the sales process progresses. Here is the problem - the process was built, administered and managed from a sales point of view. Consider the amount of pressure that loan officers currently have in trying to build a loan pipeline. If you are like many banks, loan officers are incented to put as many opportunities into the pipeline as possible. Few are recognized for determining who is not a potential customer. Many banks view selling as an exercise in through-put management. Account reps load a large number of customers into the same process and track them to closing. Banks often spend an inordinate amount of time discussing why accounts are not proceeding, instead of discussing why successes worked.

There could be a better way to look at the sales process. Instead of viewing the customer through the lens of sales, try viewing through the lens of customer need. The reality is that many customers never had an interest in your loans or deposits to begin with or they were just not the "right" fit. In other words, stop spending energy and money putting round customers in square holes.

One helpful change is to understand not every prospect is a potential client. Some clients need your products and some don't. Others need a product, but don't care; and, still others know they have a problem, but aren't ready to do anything about it. Many banks treat all potential customers the same, with identical priorities. When bank's qualify a customer, they often do it from their prospective - not the customers. If the bank thought the customer needed its products and the target had interest, then the potential client was given top priority. Few stop to acknowledge that customers are at different places in the "pleasure/pain" spectrum and have different timetables. Some are just looking around and need information, while others recognize a need and are ready to make a change. This recognition alone can help you better allocate sales resources and increase effectiveness.

Take for example the delivery of a loan term sheet. Many banks will spend a large amount of time producing a term sheet for any borrower in the market for a loan. Regardless of their situation, the only qualification that has occurred is "want." Under a redesigned sales process, that borrower might be asked if they were ready for a term sheet, what their process is for approval and whether they were ready to make a decision. By framing the process in this manner, the customer becomes more of a partner. In exchange for receiving a term sheet, the customer will decide whether the terms work for them, within a certain period of time. The act of getting the customer to have an investment in the process dramatically increases selling success.

More importantly, when framed in this way, some customers will readily admit that they are just gathering knowledge on the market, saving your team time to create a term sheet that doesn't go anywhere. This, in itself, is a huge step forward, as they can be quickly satisfied. Before, this customer would have been treated the same as one that was ready to sign a term sheet, either because the sales person never asked the question, never internalized the response or had no formal way to highlight "very interested and ready to make a decision" from "just looking." Some customers don't want any part of this sales process, which is also OK, since they were not going to buy anyway.

Asking more questions about what steps need to occur to expand the relationship is central to an efficient sales effort. At each step, banks should ask for a certain level of commitment before proceeding to the next one. Try this at your next sales meeting; see how little discussion takes place verifying where a client is in the selling process. This lack of knowledge will surprise even the most hardened sales manager.

BANK NEWS

Loan Sale

MB Financial ($10B, IL) is trying to sell more than $400mm in troubled CRE and construction loans, as it works to eliminate a chunk of problem loans. The bank indicates that as of 1Q it had loan loss reserves of about 25% set aside on these loans. Bids are due next week, but the bank may not sell if the bids it gets aren't high enough.

Regulatory Guidance

Regulators have issued proposed guidance on stress-testing practices at banks, outlining principles for a stress-testing framework and how it should be used at the various levels of an organization. The guidance outlines general principles for a satisfactory stress-testing framework; discusses the importance of stress testing in capital and liquidity planning and of strong internal governance and controls. It also describes approaches and applications (scenario analysis, sensitivity analysis, enterprise-wide testing and reverse stress testing) that banks should consider. The guidance is directly applicable to banks with more than $10B in assets, but regulators also indicated banks should apply these approaches commensurate with size, complexity, and business profile, so we expect some "trickle down" effect.