

REWARDING FOR SALES

by [Steve Brown](#)

One question that comes up often in our travels is - what do we think of using sales rewards to help turn banks into better selling organizations? Our take is that such rewards don't do much to push already strong employees to perform better. These people already have the passion and the drive to succeed, so they are seeking recognition. If you have a high performing sales culture at your bank, where customer service and sales go hand and hand, then you need to make sure you have the right type of people in your organization to carry out your desires. If you do, these overachievers are naturally going to push themselves hard, due to both a sense of purpose and for compensation. What matters to motivated professionals is the desire to feel successful. We quickly point out that feeling successful isn't the same as achievement. Feeling successful is an intangible thing that comes from a combination of being treated fairly, making a difference, doing the right thing and achieving a goal. Achievement, on the other hand, is often a contrived process that runs the risk of being gamed, minimized in the eyes of others or delayed as to its bestowment. It has been our experience that more personal and impromptu recognition can be very effective. A handwritten note from the CEO or being singled out in front of peers for something that was done "right" often means more than the manufactured "best BDO of the year award." This is not to say formal sales rewards don't work, but only that there are more important things involved in the sales process. One of the biggest issues that we have with sales rewards is that while it is good for growth, the award may come at the expense of culture. Mentoring, hiring, building infrastructure and creating a memorable customer experience are important, as they create lasting bank value. These very attributes could get sacrificed with a formal sales reward program, so bankers have to be careful. The best advice we have garnered from banks with strong selling cultures is to create meaning over money, in a structure that fosters teamwork and fun. The most important driver behind the motivation of the sales reward is that it clearly lays down expectations for achievement. This is important and may go beyond just compensation, but it doesn't need to take the form of a reward. One structure that seems to work in top performing sales-oriented banks is a public profitability ranking that tracks both retention and growth. Another that works well is a periodic "CEO Commendation" that recognizes people throughout the organization who deliver results. Finally, we suggest a series of smaller rewards, like dinner, \$100 bills, event tickets, etc. that recognize monthly goals, the most sales calls made, the best data input into the CRM system or other items that keep motivation up over the long haul and reward for components of success. These more frequent and smaller rewards can be spread around when executives catch staff doing things right. Culture is significant at a bank, particularly its customer-facing sales force. Creating an atmosphere of expectations, fairness, inclusion, recognition and excitement are ways to emotionally connect players to the team. Awards are great, but everything else you do is what gives a trophy meaning for your employees.

BANK NEWS

M&A

First Priority Financial (\$286mm, PA) will buy Affinity Bancorp (\$178mm, PA) for a stock price that will result in Affinity shareholders owning 38% of the combined company when it is completed.

Branch Sale

In an effort to boost capital ratios, Independent Bank (\$2.3B, MI) announced it will sell 21 branches to Chemical Financial (\$5.3B, MI) for about \$12.4mm.

Forced Buyback

FHLMC made Bank of America buy back \$330mm of mortgages originated in 2010 and 2011 due to technical issues with how the loans were originated.

New Regulation

The CFPB is working on standards for prepaid cards and will accept feedback through Jul 22, with a formal proposal expected early next year. Last year, consumers loaded \$57B onto prepaid cards, which are expected to grow 42% from 2010 to 2014.

Fiscal Cliff

Two Fed Presidents (Evans and Lockhart) are warning the U.S. is heading toward a fiscal cliff at the end of this year, if mandated tax increases and spending cuts are implemented. They called the risk a "big uncertainty" and said it could lead to a "financial shock" unless Congress does something to address the issue.

Euro Crisis

The Euro slipped to a 22 month low, after German business confidence softened and manufacturing contracted. The 17-nation currency continues to weaken, as investors worry about Spain and Greece, while political leaders clash over how to solve the crisis.

Less Activity

Bloomberg analysis finds trading on all U.S. stock exchanges declined to 6.73B shares a day in 2012 vs. 9.99B in 2008 or about 33% less. Experts say the data shows smaller investors are continuing to stay away from equities.

Housing Stress

Zillow reports that underwater borrowers owe about \$1.2T more than what their properties are worth nationwide. Delving deeper into the data, Zillow reports areas that are farthest from major job centers remain up to 60% less.

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