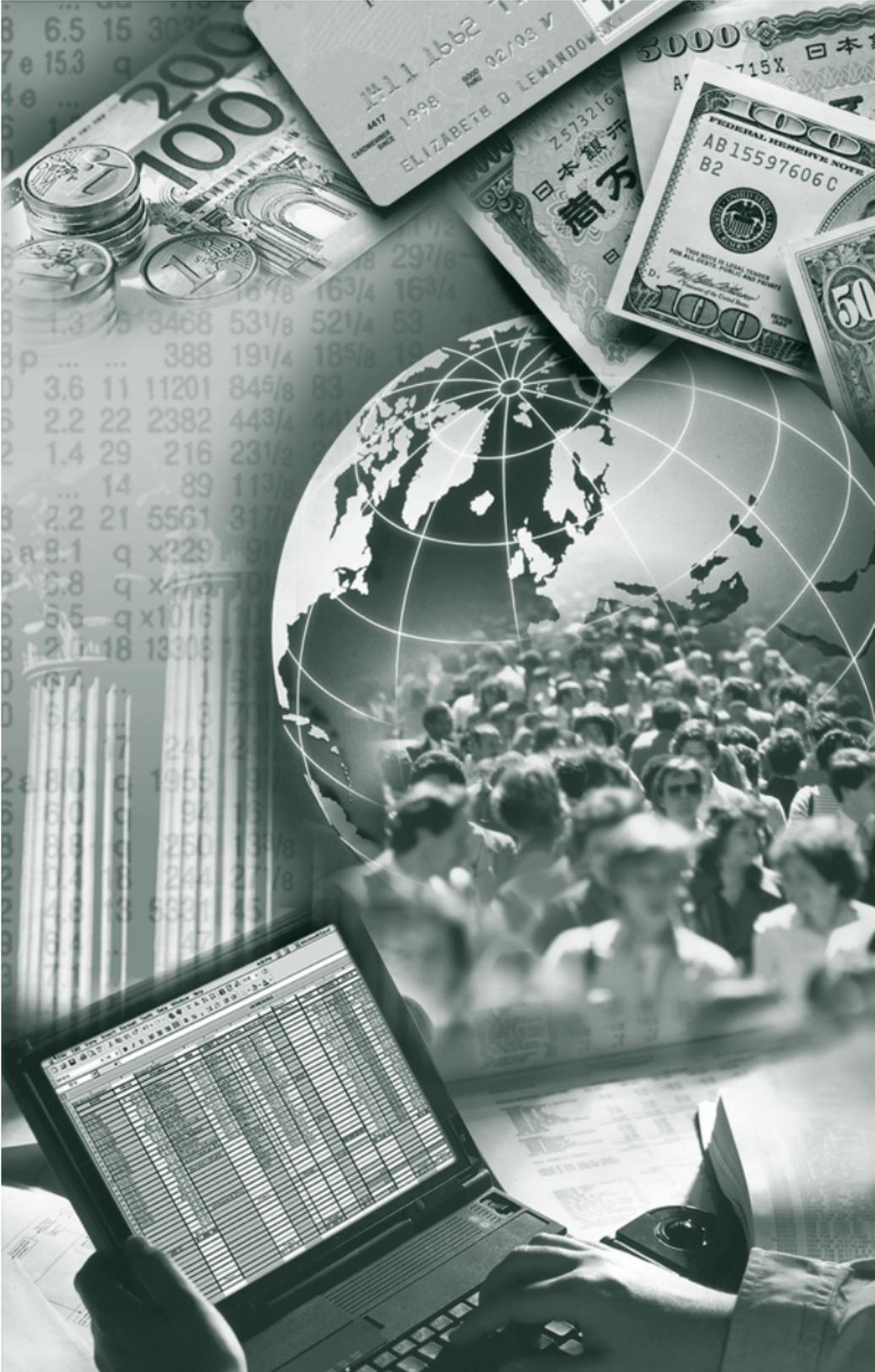


Opportunities for Action in Financial Services

# Sales Force Effectiveness: Moving Up the Middle and Managing New Prospects

THE BOSTON CONSULTING GROUP



## **Sales Force Effectiveness: Moving Up the Middle and Managing New Prospects**

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Good sales forces offer substantial performance improvement in today's increasingly complex financial world. A top-quality sales force, which maximizes revenues from existing customers and systematically identifies and manages new prospects well, allows a financial institution to grow faster than its competitors. Such efforts are particularly important in an environment where most valuable customers have many financial relationships and more choice than ever before.<sup>1</sup>

But sales forces in financial firms have usually not kept up with the challenges resulting from their own increased scale and complexity. Few competitors, for example, have succeeded at the critical task of improving the performance of their second- and third-quartile salespeople in an effort to boost productivity and acquire and retain more customers.

To achieve profitability and growth, financial services companies need to deepen their customer relationships, reduce attrition among their existing customers, and improve how they identify and secure new customers. In short, companies face two critical challenges: first, to sell more to existing customers; and second, to sell effectively to new prospects.

1. We have previously discussed the importance of sales-force-effectiveness programs for financial institutions. This article builds on those insights. See "Sales Force Effectiveness: It's Not About Playing, It's About Winning," BCG Opportunities for Action, May 2002.

## Selling More to Existing Customers

To meet the first challenge, competitors need to *move up the middle*, which means managing the sales force more effectively in order to raise the performance of second- and third-quartile salespeople. Usually, the top quartile already performs well and requires little attention, but most financial institutions need to work to improve the productivity of their second- and third-quartile employees. In addition, players should deal strictly with fourth-quartile salespeople: they should either ensure that their performance improves significantly or manage them out.

Moving up the middle can dramatically increase the performance of a sales force's second and third quartiles. It entails having them join teams led by top performers, employing clear metrics, establishing targets and incentives, and segmenting customers and prospects carefully.

**Forming teams led by top performers.** Top-performing salespeople behave quite differently from average players. In general, they have twice the number of meaningful client relationships, are substantially more productive, and serve more than one and a half times the number of clients and new accounts. Indeed, small sales teams led by top performers dramatically improve their results. At one major U.S. investment bank, for example, the average revenue per relationship manager increased by more than 50 percent when the sales force was divided into teams of three or more, with top performers taking the leading role.

At one large North American asset manager, we found a 40 percent productivity gap relative to the industry between top and average performers. To close this gap, the institution first identified its top

producers and distilled their best practices. Next, it codified those practices, stressing the performance gaps with the second and third quartiles. Then the company implemented changes by establishing distinct initiatives with senior champions and regularly monitoring those initiatives.

The asset manager created a “playbook” for team members and provided training to raise the performance of average salespeople. The playbook defined roles and responsibilities for generalists, specialists, and remote sales channels. Without such discipline, team members’ roles would have varied broadly. In addition, the playbook laid out clear objectives for teams that aligned sales targets for both generalists and specialists, including cross-selling goals. To align cross-selling incentives properly at senior levels requires coordinated business planning, target setting, and performance measurement across generalist, specialist, and remote sales organizations.

**Employing clear metrics.** It is critical to identify a few key performance metrics. They should be closely aligned with the firm’s business objectives and should emphasize the most productive techniques for attracting clients, as well as growing and retaining them. Often, firms track too much data and do not link them closely enough with targeted outputs. They should focus on both result-based metrics, such as sales to and penetration of target customers, and activity-based metrics, such as the frequency of quality sales contacts with target customers.

**Establishing targets and incentives.** The best targets and incentives should really motivate the average salesperson. Few companies align sales force incentives with their profit drivers, or compensation and incentives with their strategy and economics. It is essential to keep targets and incentives simple and

clear, and to reward the right behaviors. Don't, for example, reward salespeople for increasing trading volumes between existing customer accounts. Rather, reward them for bringing in new money from existing accounts and for bringing in entirely new accounts. Moreover, reward high performers well.

**Segmenting customers and prospects carefully.** Align your sales coverage with your segmentation. For example, in the most valued customer segment, develop an aggressive effort to deliver value and use the best salespeople. In the middle segment, grow and convert your customer assets to the most valued segment. In the lowest-value segment, work to maintain your revenue with minimal investment; often you can make more use of trainees.

To build relationships, the sales force should differentiate its sales approach more systematically by segment, including service level, frequency of contact, access to senior sales managers, and product specialists. Although many organizations agree to such an approach in principle, their management-information systems and performance-tracking metrics often do not provide sufficiently clear views of activities by segment.

At one North American financial institution that serves affluent clients, the bankers and financial advisers neither understood nor incorporated the client segmentation system devised by the marketing department. They did not track targets or performance management by segment. As a result, the company spent a disproportionate amount of selling time and effort on the customer segment with the lowest potential. It even targeted customers outside the affluent segment.

## Selling Effectively to New Prospects

Many firms currently ignore the importance of managing new prospects. But with healthier stock markets and renewed customer interest in investment products, financial institutions would do well to look at how they manage prospective customers. Companies that manage them well create a growth engine that substantially increases their competitive advantage. We believe that there are three critical steps to managing new prospects effectively.

**Incorporating prospect management into daily activities and processes.** This means establishing a system first for collecting, prioritizing, and allocating contacts with prospects, and then for assessing and following up. In some cases, it may be appropriate to take separate approaches to penetration and cross-selling for existing customers and for new clients. Some companies even differentiate the role of their business development officers because the required skills are distinct. Moreover, within sales teams for wealthy customers, specific team members may adopt separate roles. For example, one North American institution's sales force included relationship managers who drove penetration and grew share of wallet with existing customers and a separate business-development unit that acquired new high-potential customers.

**Introducing measures to improve the quality and increase the quantity of prospects.** To improve quality, financial institutions should exchange new-prospect lists within and among their sales teams, coordinate group presentations to targets, and evaluate prospects early in the process to ensure that they really have sufficient assets to warrant marketing efforts. Improved

product information for brokers, bankers, and clients is critical to improving the quality of prospects. To increase their quantity, institutions should set targets for their salespeople. At one large wealth manager, for example, four to ten meetings with prospects or existing clients every week helped bring in €1 million to €2 million per month of net new money from clients.

**Managing and monitoring prospects to capture full value.** Relationship managers should have specific goals for their yearly net new-money targets and be rewarded on how they perform relative to those goals. It is critical to involve team leaders in assessing and steering acquisition activities. Senior managers should insist that those who lead individual teams provide periodic estimates of the value of their new prospects for the coming months. By segmenting prospects by available funds and assigning probabilities for their conversion into clients, financial institutions can get a clear view of the potential value in their prospects' pipelines. These data can be compiled automatically in the firm's customer-relationship-management system.

Finally, financial institutions should use a full set of tools to implement the prospect management program. Such tools should include incorporating prospect management into customer-relationship-management tools, setting guidelines, collecting and disseminating best practices, and regular training. We have found that programs that utilize the full array of tools are very effective. Because of one such program, relationship managers of a large European financial institution were able to increase by 40 percent the amount of net new money that they gathered each month.

## Producing Effective Results

There are many examples of companies that have achieved astounding results by employing the approaches outlined here. For instance, relationship managers at one large U.S. wealth manager succeeded in quadrupling the number of new acquisitions in just a few months. These new clients brought average assets that were slightly lower than those of typical existing clients, but the firm was able to increase that average over the following 12 months. The company also managed to raise the standards of its second- and third-quartile salespeople substantially. As a result of these strategies, the company succeeded, after allowing for some adjustments to its pricing, in more than doubling its revenues. Regular and detailed discussions between individual salespeople and the head of the branch office—discussions that addressed the real issues—were critical to the effort.

As another example shows, some changes may seem minor, but the resulting gains in productivity can be significant. At one large company, a small increase in the number of days per year that salespeople spent in the field—from 5.5 calls per day to 6—as well as better targeting, led to a 64 percent improvement in productivity. The experiences of other companies show that setting targets for revenues per salesperson can increase market share by as much as 30 percent.

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An effective sales force can make all the difference, turning an average performer into an industry leader. It is critically important for financial institutions to ensure that their salespeople can shine in a crowded market where banking and investment products are

more and more commoditized. That means sticking to the essentials and deepening existing relationships while developing new clients. To achieve this, financial institutions need to organize cohesive and motivated teams that learn from top producers, to create meaningful metrics, and to set the right targets and incentives. Isn't it time you took a thorough look at your sales force and its effectiveness?

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