Closing the Value Gap:
Using a sales blueprint to sell value rather than prices

By Nicholas T. Miller

Banks may believe that using a blueprint for sales discipline does not jibe with relationship management. However, Wachovia Bank and others have developed and successfully use such a blueprint. Some tips are offered here.

Perhaps the most daunting challenge facing commercial bankers today is the "value gap." With few exceptions commercial banking departments as a whole are not yet developing or selling compelling value propositions to retain desirable business clients and to reduce the incessant pressure on margins. The evidence is clear-flat revenue growth, declining margins on key products, the frequency with which fees are waived and pricing exceptions requested, and most importantly, the frequency of indifferent or lost clients.

Explains Keith Lawder, a Wachovia SVP in Loan Administration; "We're looking at 2% growth in real GNP now. Not everyone is going to be guaranteed 10% growth in earnings per share. The notion of better discipline in the sales process marrying better discipline in the credit process has moved from 'nice theory' to 'survival strategy' for anyone who wishes to achieve desirable growth rates and stock prices."

To attract and retain companies and business owners who rep-resent the most attractive, profitable credits and opportunities for revenue growth, commercial bank groups must develop clear, compelling value propositions backed by selling and consulting methodologies that generate value for these targeted clients. Selling value means living and dying by outcomes produced and having the ability to improve clients' business operating conditions while accelerating their progress toward personal and business goals. Products are tools, expertise, and methods leading to results-one's stock in trade. But banks cannot compete at this level without a far more disciplined approach to selling and to the marriage between sales and credit.

Fortunately, there are lessons to be learned from firms who have made the shift from "product provider" to "business partner."An example from the software industry is instructive: Oracle Corporation, the $7 billion software supplier, is evolving from a supplier of database software products to a provider of corporate information technology solutions. To make the shift, Oracle has needed to redirect its sales representatives away from the products that once had been their only focus. In April 1997, it introduced its "Oracle Sales Blueprint," a six-step process designed to ensure that sales representatives deeply understand their clients' goals and business issues before they pro-pose solutions.

Oracle developed its Blueprint because clients began saying that Oracle sales people didn't under-stand their business needs-although that never seemed to stop the sales people from pitching Oracle products. The Blueprint coordinates Oracle technical and sales efforts to address client issues by providing a structured process to analyze client business conditions, quantify potential improvements in business conditions, and sell specific strategies for improving operations.

If selling value (rather than product or price) is the key to attracting and retaining the most desirable commercial banking customers, banks must adopt similar thinking in all their commercial departments, from small business to large corporate. To this end, senior managers have focused most heavily on connections between product specialty groups (such as credit, cash man-agreement, investment banking) and relationship managers or lenders to reduce wasted effort, lower response times on decisions or approvals, and avoid embarrassment when there's an internal miscommunication. In the credit world, for example, this has included:

- Joint (credit and sales) selection of target industries and credit appetites
- Articulation and frequent communication of clear credit policies through multiple channels.
- Credit team member participation in sales activities including sales calls, weekly sales team meetings and relationship planning.
- Frequent formal and informal conversations about credit transactions in process with the joint goals of identifying potential problems early, managing current opportunity-ties, reducing roadblocks to closings, and improving underwriting and approval systems.

While bankers are experimenting with additional ways to integrate product specialists and relationship managers, their central focus must be value creation rather than product selling. Models will be different by line of business, but the intent will be common throughout. A commercial bank "sales blueprint" should define the process and activities that generate value for clients. Such a blueprint will enable relationship managers, credit specialists, and other product experts to create value in the sales process. Lawder, whose own bank has instituted such measures, says, "Better credit process leads to better identification of client needs, thereby creating more value for the client by being able to suggest more appropriate solutions for a particular set of needs."

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Objection, Your Honor!

Despite evidence of a value gap and the need for more disciplined, integrated selling and credit approaches, most commercial senior managers have not jumped on the bandwagon. The most frequent objection to a more disciplined sales process is that,' more discipline won't work for us, we're in the relationship business." Each lender, the wisdom goes, must be free to pursue his/her own approach to selling clients; an individualized approach is the key to attracting and retaining banking clients and staying sensitive to market conditions.

This is the standard view expressed by sales groups in virtually all companies who experience long, expertise-based sales cycles. But the cost of taking this approach without a blueprint is clear; according to one senior credit officer, "When I stepped into my role, we truly had a sales culture. Our lenders would bring ideals, defending their pricing and structuring by saying, 'I have been to the market, and this is a market deal. 'To me, 'the market' was the last refuge for scoundrels!" And a huge source of wasted effort. Says Brian Clark, a First Union SVP, "Anyone seeking to increase efficiency and approval and closing rates better take a new look at the credit process as part of the sales process." Says another banking expert, "You have to come back to a system. We can't grow at the rate we want to grow unless we do some things differently."

Step 1: Defining the Blueprint

The first step to competing based on value is to define the value to be generated for clients and design of a disciplined approach to identify opportunities, quantify potential value increases, and sell that value. The Oracle Blueprint, for example, outlines a structured process that coordinates Oracle technical and sales resources to analyze client business conditions, quantify potential improvements in business conditions, and present specific strategies for improving operations. Commercial banking sales blueprints should have the same objectives, helping relationship managers and product specialists analyze, quantify, and sell value-based proposals. There are three important elements:

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- Describing the value that clients want to buy and their willingness and ability to pay for the work needed to make the changes.
- Defining the sales process and tools and methods required to generate the targeted client value.
- Defining a business model that tells you how to earn profits.

Efforts to improve relations between credit and sales groups have led to development of partial blueprints. For example, Keith Lawder's Loan Administration group, which supports Wachovia's Business Banking Group, has defined a sales process to the point of outlining who is responsible for which steps in a time sequence that includes both "how we will underwrite" and "how we will follow the credit." Team leaders are responsible for ensuring that relationship managers follow the sales process. As relationship managers move through the process, they can see what the Loan Administration officer should be doing with them. Wachovia uses this sequence to reduce "speeding" by ensuring that all the steps of the process are done before relationship managers make their recommendations. They also use it as a "post mortem" to look for improvements in the process.

Other examples of early blue-prints include efforts to rewrite the rules of initial credit approvals and renewals, moving away from "one process fits all" to define specific procedures involving relationship managers, credit managers, and portfolio managers that are appropriate to each company based on credit rating, collateral, and prior experience. Other efforts involve credit team members in relation-ship planning and opportunity identification planning, side by side with other product specialists; especially as credit team members are in position to note opportunities that sales team members may not.

These examples provide a good starting point for developing sales blueprints that include all elements of banks' capabilities, including capital markets, treasury services, investments and trust, and risk management.

Step 2: Targeting and Planning

Once a bank has defined its sales blueprint, the second critical step involves planning. Planning is absolutely fundamental to value-based selling and to boosting market share and profitability Sales plans must be more substantial than "see what you can drum up, because internal resources are more scarce-banks are asking fewer relationship managers to handle more accounts with less internal support-and competition is both broader and more aggressive.

The first sales team-planning challenge is to identify clients and potential clients who are the best fit with the bank's value proposition, blueprint, and appetite for credit and other revenue streams. Says Steve Eastwood, former CCO at American National Bank, "Banks that are doing well are the places that show the strongest levels of discipline in terms of looking for and selecting the kind of business they want to do." This involves thoughtful and detailed assessment of companies in a market, comparing them to profiles that define companies most likely to benefit from a particular bank's expertise.

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The second sales team planning challenge involves designing sales plans to pursue the targeted accounts patiently and persistently. Effective plans should translate annual sales goals into specific initiatives, focusing on accounts, activities, expected results, and resources needed. It also involves deploying sales, credit, and product specialist resources to the most important and potentially profitable opportunities, matching the best team members with the best opportunities.

This emphasis on planning inevitably raises a reaction from sales people: "Do you want me filling out forms or talking to my clients?" We estimate that over70% of relationship managers have not developed written sales plans for their territories or portfolios or for their top five accounts. But when lenders or relationship managers don't plan, that responsibility falls upon the shoulders of their sales team leaders. Such leaders, however, cannot manage six, eight, or ten active sales people and lead a value-based growth strategy. Without planning, the entire value-based revenue strategy is put at risk. Banks cannot achieve their desired growth rates without more efficient human and financial asset allocation.

Step 3: Management

Virtually all commercial banking sales organizations manage by quantifiable results, as in, "Here's what we closed last month." Most commercial sales organizations also look forward, asking, "What will we close in the next 30 days?" To ensure safe passage to revenue and asset quality goals, commercial bank sales managers should also basking, "Are we carrying

out the right activities in the right numbers in the right ways at the right times in order to generate the right value and earn the right revenue in the future? Are we doing what needs to be done in order to obtain the type of clients we want and to earn from them a targeted level of business in the future?"

Effective management of blueprinted selling process therefore requires three essential elements:

1. Defining relationships between activities and sales results

Here bank sales managers translate the blueprint into predictive, leading indicators of sales success, such as numbers of new leads, number of steps in the sales blueprint completed, sales calls completed, number of idea presentations, numbers of proposals sent, and funnel conversion rates, to name just a few. These numbers help sales managers understand how the business development process is working and what kind of revenue can be expected months down the road. Without such metrics, sales team managers revert to guessing and managing based on past results.

Looking forward, sales team managers should use their activity-to-results relationships to translate team and individual goals into predictive models that drive them toward their business development goals. Example: "To meet goal X, it looks like we'll need to deliver Y number of idea presentations to Z prospect CFOs during the coming two quarters."

2. Overseeing and managing sales process activities.

Sales team leaders must ensure that sale steam members follow the blueprint. "The heart of the matter is keeping people focused on the right activities with the right clients," says Kale Gaston, a senior sales manager for GE Capital's Small Business Finance. "Our sales managers spend a lot of time shoulder to shoulder with our salespeople and clients. They have sold for us in the past, so they are constantly able to reinforce our expectations. This leads to higher activity levels, much greater efficiency and effectiveness, and dramatically higher approval and close rates."

The discipline of regular conversations between sales team leaders and their direct reports is one hallmark of a robust sales management process. Conversations must be frequent (at least semi-monthly), consistent (no avoiding them), and valuable to both par-ties. The trick is to develop a sales management approach that generates clear value for both clients and relationship managers without overdoing it. Otherwise, as more than one relationship manager has been heard to complain, "We have so many processes in place, my biggest challenge is simply documenting what I've done in a week. I just can't document every single breakfast I have and show how it relates to my plan for developing a specific account. Asking me to do that wears me down."

3. Documenting results

Sales team members should begin documenting the specific results their efforts generated for their clients, focusing specifically on changes in revenues, costs, uncertainty, wealth, and cash flow. "We pro-vided

working capital financing" or "We provided the financing for the above-mentioned transaction" describe a process, not a result.

"We saved ABC company $5 mil-lion by providing financing in less than five days" describes a result, as does, "We reduced XYZ Company's operating costs by$100,000 by reducing internal bookkeeping requirements."

Step 4: Creating More Sales Time

Acquiring, selling, and retaining clients based on value requires time. There's a direct correlation between revenue and selling time. There is a direct correlation between selling time and ability to understand clients' issues and generate valuable ideas. Surveys taken by Clarity Advantage indicate that commercial banking lenders and relation-ship managers spend roughly 35%to 50% of their time in sales activities and that the difference between the highest performers and lowest performers will some-times run as little as four hours of selling time per week.

Even if your relationship managers are practicing good personal time management and goal-setting, there may be institutional barriers to optimal time management, which undermine their ability to execute your strategy, and your sales blueprint. How much time, for example, does it take a relationship manager to handle a credit problem communicated by a client? To what extent has removal of sales assistants reduced RM sales time and revenue generation in excess of the cost saved by the staff reduction? How much selling time have relationship managers lost as a result of per-forming data base maintenance?

Some companies are compensating with advanced tools that save time by giving them direct access to expertise. For example, Gaston's Small Business Finance and North Carolina's BB&T Bank are putting more sophisticated tools in their sales peoples' hands to support the credit origination process.

Says Carlos Goodrich, a senior manager in BB&T's Loan Administration group for small business, "We're in the process of deploying a new software that will put some of the financial analysis tools in our lenders' hands. They'll be getting decisioning tools and information that has, to this point, been available only in the Business Support Center. In addition, we'll be providing them with industry guidance to highlight industries we've done well in, what to look for, and how to pursue them." Says Gaston; "We've developed a tool that will enable our salespeople to play with deals to see how they could be done. This enables us to be proactive right up front, set the right expectations with the clients, so we're selling what we can do." It also provides huge time savings that can be focused on generating value for new or existing clients.

In Sum . . .

Closing the value gap is one important key to boosting revenue, profits, and credit quality. To attract and retain your preferred customers, you must sell your methodology and your products which, taken together, create" value" by altering your clients' business operating conditions.

Selling value requires far more discipline and coordination than selling products. A sales blueprint that defines your disciplines for assessment, quantification of business impact, and presentation of value-based proposals will help you coordinate the various specialists required to address your clients' challenges. Likewise, a sales management process tied to the sales blueprint, will help you focus your relationship managers on the right accounts, at the right times, in the right ways, in the right frequencies to deliver your best commercial value to your clients.

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