Branch Sales Productivity: Four Keys to Improvement

BY DALE JOHNSON AND BYRON MARSHALL

In a crisis era for branch sales, banks need forward-looking strategies that can anticipate changing conditions, accommodate local markets and adapt to a multi-channel climate.

One of the most important management challenges in retail banking today is the crisis in branch sales effectiveness. Across the industry, executives are keenly aware of ongoing declines in branch customer traffic, sales volume and staff sales productivity, yet frustrated in their attempts to stabilize the business. Is there a better way?

So far the industry has pursued three main avenues of response, but each has proved problematic. Calling and lead management programs have proved inadequate in jump-starting sales. Staff performance pressure has been applied via traditional programs with sales goals and incentive, but with little effect. And system-wide efforts to deploy highly skilled sales representatives in each branch have not paid off.

The situation calls for fundamental revisions in branch sales strategy. Instead of coping tactics, it is time to reposition for a permanently changed market. There are four major dimensions of this effort:

First, retail banks will need an enhanced understanding of market opportunity for each major locale within the network. Along with variations in customers, competitors and comparative network presence, there are the varying influences of digital presence and marketing spend, both critical in driving high-value traffic to the branch.

Second, improved market guidance needs to be put to work in refining resource allocation and goal-setting across the network. Many banks are losing significant opportunity by under-nourishing and -goalng high potential markets, while over-investing scarce sales and marketing resources in less promising locales.

The third priority is improving traffic pull and relationship expansion. This includes strengthening web interaction with shoppers to drive high-value branch sales traffic that cannot be captured by pure street corner presence. It also includes improved onboarding and outbound calling programs.

Finally, management and performance metrics are in serious need of overhaul. Product count falls woefully short in measuring progress, and the inclusion of balance formation still paints only a partial picture. A clearer metric is return on salesforce (RSF), or the total sales value created in the network relative to the investment in sales capacity.

MARKET OPPORTUNITY

Within the total portfolio of branches in a network, typically there are major categories of outlets, each having distinct sales characteristics (Figure 1: Differences in Branch Sales Profiles). Each branch archetype captures value differently and provides different levels of return. Mapping these differences is a crucial first step in determining how to address sales underperformance:

Acquisition branches. Based on our review of more than 10,000 branches nationally, nearly a fourth of all branches typically derive more than 60% of their sales from new-to-bank customers (less than 90 days’ tenure). These branches bring in a lot of new checking customers, but RSF is much lower as they build the book of business.

For management, this translates into a sales staffing emphasis on continuing to drive acquisition while minimizing new customer churn. Given that acquisition branches will skew towards relatively simple, lower-value products, management also has more leeway in using lower-tenured platform staff who can easily address these customer needs. Lower-tenured staff are also less expensive, better supporting the economics of acquisition focused branches.

Acquisition-intensive markets will continue to need marketing support to sustain momentum and visibility. Also in order to capture the fullest possible value of new customer
relationships, management will need robust programs to help drive activation as well as product penetration. Effective follow-up programs and tools are essential to track and contact customers in the critical 90-day onboarding window.

Cross-sell branches. Representing nearly one-fifth of the total, cross-sell branches have sharply lower results in new customer acquisition, but they lead the pack in cross-sell with established relationships. These outlets have the highest sales productivity as measured by sales per FTE per branch, and also the highest return on salesforce, reflecting superior results in generating high-value account originations.

High cross-sell branches are prime candidates for the deployment of higher skilled, highly active sales staff that can mine the current customer book for additional opportunities and drive outreach efforts to acquire new customers. These skilled sales representatives have a priority need for effective customer analytics and lead qualification/generation tools, supported by a strategy for targeted relationship expansion. Otherwise they cannot fulfill their potential.

Cross-sell branches better justify the investment in longer tenured staff having a deeper understanding of complex products, both in terms of meeting customer needs and also in terms of potential returns generated by successful cross-sell.

High cross-sell branches can also benefit from the assignment of specialized sales personnel (e.g., wealth, small business, mortgages) to deepen product competency in the branch.

Mixed branches. The remainder of branches — nearly 60% of the total — are closer to an even split in sales coming from new-to-bank customers versus cross-sell with established relationships. These branches tend to have middling performance characteristics, both in productivity and return on salesforce.

The mixed branch archetype comes closest to the traditional “cookie cutter” view of branch banking and, at least in the short term, requires the least change. This gives management the opportunity to focus elsewhere, on the more bifurcated acquisition and cross-sell branches, where the opportunity is greatest because of the customer mix. Mixed branches still require continuous monitoring, however, so the bank can act when units are propelled to another sales archetype by shifts in customer demographic or other factors.

This type of archetypal analysis takes on added significance when overlaid on a comprehensive analysis of the micro-markets served by clusters of local branches. Our research shows large variations in opportunity based on factors such as customer segment profiles, trends in account

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**Figure 1: Differences in Branch Sales Profiles**

“Acquisition branches” need sales staffing to support a high volume of new business, while “cross-sell branches” need a staffing emphasis on skilled relationship expansion.

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<th>BRANCH SALES ARCHETYPES*</th>
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<tr>
<td></td>
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<tr>
<td>% of branches</td>
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<tr>
<td>Return on sales force (RSF)</td>
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<tr>
<td>Average NPV of sales production per FTE per year</td>
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<tr>
<td>Sales per branch per month</td>
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<tr>
<td>% of total sales derived from new-to-the bank customers</td>
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<tr>
<td>% of total sales derived from cross-sell to current customers</td>
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<td>Sales FTE per branch</td>
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* Sales archetypes are based on a review of more than 10,000 branches nationally.
Source: Novantas 2014 SalesScape Branch Productivity Study.
RESOURCES AND GOALS

Branch sales staffing has long been more art than a science. In many cases yet today, decisions are based on a mix of intuition, extrapolations based on prior-year results and a need to meet top-down sales goals. At best, some institutions are starting to include basic market factors such as projected growth in loans and deposits.

Then with field implementation, sales staffing models are further handicapped by a powerful tendency toward uniformity. Built into many models is a continuing assumption that various regions, micro-markets and branches have roughly the same performance potential and staffing requirements.

Evidence of this can be seen in our most recent branch productivity study, which shows only slight differences in platform staffing between branches in high-opportunity markets and those situated in less promising locales. There is a similar lack of variability between the highest and lowest performing deciles within individual networks.

Combined with uniform sales goals, the situation has left many banks unable to effectively allocate sales staffing resources and assign targets to maximize sales. In some instances, this leads to situations where branches and branch managers are meeting or exceeding their standardized sales goals, yet underperforming in relation to the potential in their market. Elsewhere, teams may be doing a great job of winning business in less attractive markets, but graded as sub-par in relation to uniform corporate targets.

Going forward, the goal should be to equip planning models with a degree of adaptability commensurate with the variation of micro-markets within the network footprint. Staffing must vary based on the opportunity in each micro-market. And sales goals must be reconciled from the bottom up to insure that they stretch individual branch performance while still meeting overall bank growth goals.

For this to work, the bank needs an enhanced understanding of micro-market opportunity, based on a broad

Figure 2: Differences in Return on Sales Force (RSF)*

Many branches struggle to generate returns to cover the investment in the branch sales force, often because the quest for pure unit sales wins out over driving the right mix of volume and value.

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* Return on sales force (RSF) is expressed as a ratio. The numerator is the value generated from sales on a net present value (NPV) basis. The denominator is the cost of the sales resources needed to generate those returns. For example, an RSF of 2X indicates that the NPV of sales return equals twice the outlay for sales resources. The RSF metric provides key guidance on the quality of sales (as expressed in NPV), as opposed to the pure unit-sale volume metrics often used today. ** Calculations exclude credit card transactions.

Source: Novantas 2014 SalesScape Branch Productivity Study.
spectrum of variables across segments and product groups (deposit, credit, mortgage, etc.). In turn, insights can be used to engage internal stakeholders and optimize the sales capability of each branch in the network.

**TRAFFIC PULL AND RELATIONSHIP EXPANSION**

Pulling high-value sales traffic into the branch and improving wallet penetration will help to leverage sales staff as “organic” walk-in business continues to dwindle. The new sales orientation will center on proactive outreach, as opposed to passive capture.

Marketing will play an integral role. Both at the macro- and micro-market level, it can be used to increase customer awareness in the marketplace and drive high-value traffic to the branch — particularly for new-to-bank customers.

Digital effectiveness is also key, given that most branch originations are now preceded by customer online shopping and research. In many cases the visibility and functionality of the bank’s public website needs to be strengthened. There is also a need to optimize the customer transition from online consideration to in-branch purchase.

Another key lever is outbound calling for branch sales staff — not the primitive outreach often seen today, but a robust lead management and referrals program that includes targets for calls and appointments and aligns activities with profitable results. The call center can also be leveraged to set appointments for platform staff in the branch.

There is also more that can be done with relationship expansion and cross-sell, both during the initial onboarding period and over the life of the customer relationship. Branch sales staff will continue to play a critical role in steering new customers into core cash management products, and also in encouraging activation and usage of new accounts. In turn, usage of core banking services will provide entrée for branch platform staff to meet higher-value customer needs over the life of the relationship.

**MEASURING FOR VALUE**

Banks primarily have used two types of performance metrics as a yardstick for evaluating performance — volume-based and balance-based. But focusing too narrowly on either of these areas can create the wrong incentives and focus salespeople on the wrong products.

A better metric is the total value created in the network relative to the investment made in sales capacity, or return on salesforce. RSF can identify all sorts of imbalances and opportunities that otherwise are often overlooked (Figure 2: Differences in Return on Sales Force (RSF)).

Another key measurement involves the sales funnel, or the end-to-end journey that takes the customer from awareness; to consideration; and finally to purchase. Today most banks only measure the end of the funnel, as reflected in originations per full-time equivalent sales staff; per branch; or per product. But given the increasing complexity of the buying process, end-stage metrics do not provide enough information to fine-tune the process, and can lead to incorrect assessments of network performance.

Funnel leakage is a critical measure, providing insight on how and why customer inquiries ultimately succeed or fail in producing sales. If findings cannot be assembled from current internal data, they can be derived via market research (akin to caller-based customer satisfaction surveys).

With the web’s aggressive intrusion into the sales funnel, issues in productivity can arise before the sales staff gets to interact with the client. Solving those “upstream” issues may hugely impact productivity in the branch (e.g., offers made, consideration rates, shopping rates, etc.).

**NEW MINDSET**

Managing branch sales productivity was far less complicated back when consumer demand was much stronger, branches carried most of the load in marketing, service and sales, and planners were mostly concerned with small, incremental changes in customer demand and behavior. Now there is a pressing need for forward-looking strategies that can anticipate changing conditions, accommodate local markets, and adapt to a multi-channel climate where branch sales influences increasingly reside outside of the branch.

Dealing with this strategic productivity problem will require a change in mindsets and behaviors throughout the retail distribution channel. Otherwise banks will fall further behind with operating models, sales expectations and sales management systems that are set up to deal with yesterday’s situation…not today’s.

The good news is that a series of specific steps can be taken to address the challenge. These include adapting strategies for local markets; tailoring staffing resources and goals in accordance with opportunity; boosting traffic pull and relationship expansion; and incorporating new performance metrics for decision-making. For progressive retail banks, this is the sales productivity management agenda for 2015.

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