

## Return on Investment in Training

by Jay Cross



JAY CROSS IS OMEGA'S MULTIMEDIA EVANGELIST. HE HAS HELPED MORE THAN ONE HUNDRED BANKS IMPROVE THEIR BOTTOM-LINE PERFORMANCE.

**W**asn't bank securities sales a great business a couple of years ago? You were probably getting three to five times as many investment referrals from your bank's branches as you do today.

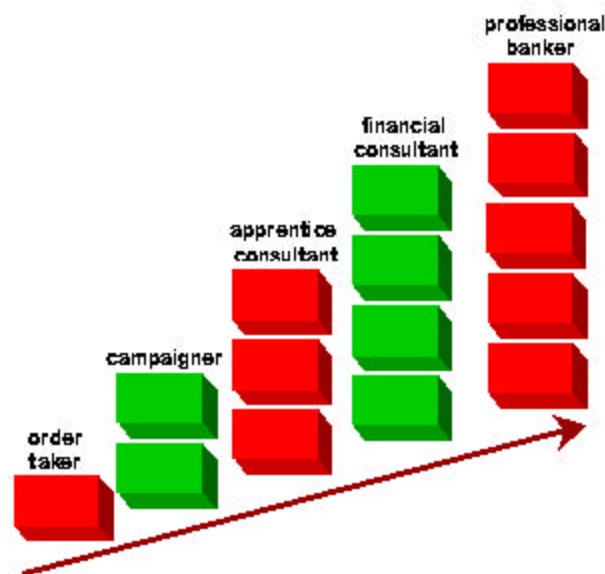
The rate environment had consumers flocking to mutual funds from CDs. Customers welcomed the opportunity to buy a safe investment from their bank. Registered reps were getting more referrals than they knew how to handle. Investment sales sky-rocketed. Everyone was making money. Selling was about as tough as shooting ducks in a bathtub.

How times change. The glory days are over. The easy sales have been made. The increase in interest rates made our investment products less attractive relative to CDs. Some customers lost money and discovered that there is no free lunch. Customers complained to the branch staff who had referred them to the reps. Referrals slowed to a trickle, and the few that come through are harder to close. Registered reps are disappointed; branch staff are disillusioned.

But banks can hardly back away from the funds business. Investment products continue to erode core deposits. The only way to profit in the current climate is to restart the flow of referrals from the branches to our investment sales forces. Luckily, there is a way.

**From Order Taker to Professional Banker**

## Development of Bank Sales Person



Omega works with many major retail banks, helping them upgrade the productivity of their branch systems and professionalize their sales forces. The skills we see are all over the map. We've found it handy to use

a shorthand to describe the five levels of sales skills and sophistication we frequently encounter. As I describe each, you may want to estimate the percentage of platform people in your branches that fall into that category.

First is the **"Order Taker."** This is yesterday's banker, more focused on operations than on sales. The Order Taker sees his or her job as collecting information, completing forms, and carrying out transactions. The Order Taker believes that selling is pushy and undignified. (What proportion of your bank's platform reps are Order Takers? \_\_\_%)

Next comes the **"Campaigner."** This individual got the message that today's banker needs to sell. Unfortunately, the Campaigner thinks that selling equates to pushing product. The campaigner is often friendly and enthusiastic, and may sell lots of product just by trying hard, especially the product of the month. But the campaigner asks few questions about customers' needs, makes few cross-sells, and rarely makes an investment referral. (How many Campaigners in your branches? \_\_\_%)

The **"Apprentice Consultant"** recognizes the difference

between a feature and a benefit but knows only a small part of the bank's product line, typically deposit products. Since the Apprentice doesn't have the knowledge to respond, he or she fears asking open-ended questions to probe customers' needs. Investment referrals generated by the Apprentice Consultant tend to be unqualified. (How many Apprentices on your platform? \_\_\_%)

The "**Financial Consultant**" knows the benefits and applicability of the bank's checking, saving, lending, and investment products. He or she probes customer needs with open-ended queries and prescribes products as solutions to customers' problems. This individual builds long-term, multi-service relationships and makes many investment referrals. (What proportion of your bank's CSRs are Financial Consultants? \_\_\_%)

The "**Professional Banker**" is a rarity in today's banking world. This individual has all the qualities of the Financial Consultant. In addition, the Professional Banker targets customers with high profit potential and uses phone, mail, and meetings to reach out to them. These individuals produce the most (and best) investment referrals of all. (What proportion of your platform people are in this category? \_\_\_%)

The goal is to advance everyone as far up the ladder as possible. Not everyone will make it to the top, and to get the majority to the Financial Consultant rung often takes years. Most banks are delighted with the results achieved by moving everyone up the ladder one rung in six months.

Specific to investment products, we've been able to boost production of investment referrals by teaching platform sellers to understand investment basics, to recognize customer cues, to profile potential investment needs, to briefly describe investment options, and to sell the value of appointments with registered reps. In the process, they become more well-rounded bankers.

## **A Ten-fold Return on Investment in Three Years**

Let's examine the value of increasing referrals by a modest amount, say, one additional referral per platform person every three weeks.

Assume your bank has 400 branches, 3 FTE per branch, \$12,000 average deal size, and a gross margin of 3% on your proprietary mutual fund. Further assume that 50% of your leads become sales. (Our customers do this well or better.)

That single lead every three weeks yields incremental revenue of \$120 million and a gross margin of \$3.6 million. Last week, one of our customers reported increasing their close ratio from .5 to .75. In our example, this would boost gross margin to \$5.4 million.

Of course, you don't get a free lunch either. Moving platform people far enough up the development ladder to generate referrals at this rate requires three days of training. Employee salaries during this downtime would be \$650,000. Add similar costs for program development, training materials, instructors, and facilities. All told, year one expenses will come in at about \$1.2 million.

Conservatively stated, your bank receives a three to one return on its investment. Boost your close ratio or the number of leads per month, and your return could easily hit five to one.

This doesn't count the value of more confident bankers on the platform, increased customer retention attributable to multiple-product relationships, and cross-sales of other products uncovered during profiling.

## **Are You Missing the Boat?**

Generally, your bank jumps at the chance to make an investment with a 1000% ROI in three years. Yet many

of the banks we talk with aren't upgrading the skills of their platform bankers. The head of the retail bank just isn't interested.

Why doesn't every bank take advantage of an investment that pays for itself three or four times over in the course of a year? Because management of the retail bank sees mutual funds as *alternative* products in the worse sense of the word. Second best. A fad. Maybe if we don't train our people in this area, funds will go away and we can return to the simple ways of yesteryear. We won't have to tell customers why they sometimes lose money when they take a risk.

You and I know the horse is out of the barn. Investments are the core deposits of the future. Your branch network is your competitive advantage against non-banks. It's your responsibility to convince the management of your retail bank that funds are mainstream products, not "alternative" products.

The CD business may look great now, but how will things look three years down the line if the Merrill Lynchs have all of your former customers? This is a survival issue. If you don't make your case, the few reps who stay with your bank are going to be making a lot of cold calls. On the other hand, if you're successful we can help you make a whole lot of money.