Opportunities for Action in Financial Services

Sales Force Effectiveness: It’s Not About Playing, It’s About Winning

The Boston Consulting Group
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Football coaches spend a lot of time looking at their teams in practice, wondering how to get the most out of their players. A good coach knows that he must motivate his players, both individually and collectively. He must ensure that their actions and personal interests are aligned with the strategy and goals of the team. He must fine-tune the players’ tactics, provide tools to improve their chances of success, and evaluate them fairly once the game is under way.

Executives of retail financial institutions face the same challenges. One of their most important teams is their sales force. And while every CEO knows that the effectiveness of his sales force has a profound impact on overall profitability, the task of getting the most out of every seller remains a problem for most institutions.

A famous American football coach once observed, “Winning isn’t everything, it’s the only thing.” Such a sentiment may sound trite, but it is profoundly true of sales forces. “Nearly” selling a product is of no value at all.

Fortunately, sellers can be coached.

Motivating the Team

Sales forces “produce” sales, but they are not machines. They are people who need to know what is expected of them—not just in effort but in results. That’s why defining performance parameters and
communicating them clearly to the team must be done before the players ever hit the field.

**Creating Meaningful Metrics.** Typical metrics for sellers are based on sales volume and sales revenue, and on activity levels such as the number of phone calls made or face-to-face interviews conducted. Sometimes metrics address customer retention and service. Rarely, however, do they truly relate to the most important thing: value created. Indeed, many institutions fall short in developing metrics that drive the behavior they desire, because the criteria they choose rarely align what is best for the seller with what is best for the institution. And all too often, the metrics can be manipulated or gamed by the seller—typically at the firm’s expense.

We know of one U.S. institution, for example, that was heavily rewarding its sellers for cross-selling, but without any specific link to the value created. The sales force responded by selling high volumes of credit cards to customers who already held several. Uptake was high, but activation was low. These marginal cards were unprofitable, but the sellers were rewarded for achieving volume targets. Similarly, sellers are often compensated for hitting revenue goals even if the products that bring in the revenue have lower profit margins than other products the sales force could be pushing.

Activity metrics can also be deceiving. Although managers should clearly recognize effort on the part of their sellers, there is no benefit in dozens of phone calls, personal interviews, or other such “input” activities if those efforts target the wrong customer segment, are clumsily handled, or for other reasons simply fail. Such activities can be purely mechanical and are often used to hide the lack of effective, hands-on
management and coaching that leads to satisfactory “outputs,” or profitable sales.

Overall, metrics work best when they are few and simple and can be directly influenced by the sales force. Holding sellers accountable for service will not be helpful, for example, if the customers’ view of service is driven primarily by their interaction with branch tellers or call center operators. Yet some banks still do it. Too many institutions also chase a balanced-scorecard approach. These are easy to game, expensive to measure, and tend to lead to average performance.

The key to making metrics effective is linking them to the seller behaviors you want to promote—which in turn are linked to profitability and customer satisfaction. One leading European financial institution has focused its sellers on delivering profitable revenues, while holding its sales managers accountable for the quality of those revenues by measuring them additionally against customer satisfaction and retention. This institution’s sales force has consistently achieved a high level of performance.

**Setting the Right Targets and Incentives.** Once you decide which metrics to use (which can change and evolve with time and market dynamics), using them to set targets is a real balancing act. Targets must be hard to reach, but not too hard. As one leading financial-services provider told us, “Demanding targets combined with uncapped bonuses are highly motivating, especially for our top sellers.” But another said, “If the salespeople cannot feel the proximity of the target, they seem to ignore it.” Similarly, although individual targets are usually the most effective, having some team goals can create useful camaraderie. At all times, it is imperative that the targets represent outcomes that sellers can achieve directly.
Moreover, the monetary reward for reaching targets must be tangible. Although not every company can offer uncapped bonuses, incentive pay must be at least 15 percent of base salary to drive behavior. Five and 10 percent bonuses are meaningless to most sellers. And frequent monitoring—at least three times a year—is critical, since annual targets usually drive up performance only as December approaches and bonus fear creeps in. One North American firm told us that its annual bonuses were effective only in the final four to eight weeks of the year. Timely monitoring allows you to act on fresh performance data and keep some adrenaline pumping through your sales force.

Sellers, in fact, seem to behave somewhat like taxi drivers. A cabbie frequently has a target for his daily take, and once that target is reached he takes himself off the road. Many sellers have a similar comfort zone. Once they hit their target earnings, it is very difficult to motivate them to sell more. One way to address this problem is simply to set targets that make it harder for sellers to reach their comfort zones. Another option is to fall back on a traditional sales-force-management tool: peer- and recognition-related incentives such as reward trips and published sales standings. It’s often a good idea to do both.

**Playing Time**

In sports, it’s pretty difficult to win the game if you don’t have possession of the ball. Similarly, in sales, it’s all about getting to the client.

**Restructuring the Game.** Although it’s obvious that sellers have to have enough “face time” with clients, they often cannot find it. This is the case despite
efforts to alleviate their administrative burden through greater use of automated administration tools (such as diary management and financial interviews), and through the use of alternative channels. The goal has been to remove the transaction (as opposed to selling) activities that some sales forces are still asked to deal with. Yet our experience is that many sellers still spend less than 25 percent of their time in direct communication with clients.

We suggest a simple rule of thumb: A minimum of 50 percent client time is required to maximize opportunities, keep the seller focused, and allow new selling skills to evolve. The most cumbersome administrative processes should be managed out of sellers’ duties if they hinder this goal.

One leading U.S. financial institution, for example, recently decided to focus its sellers principally on giving advice related to investment products. It was able to do this by delegating some administrative duties that did not deal specifically with the client relationship to lower-cost personnel, and by encouraging customers to use the online channel to obtain account balances and research reports and to execute transactions. These moves enabled the firm to increase sellers’ client time by between 15 and 35 percent.

Even when sellers are with clients, however, many of them struggle to serve customers cost-effectively. The time it takes to serve the simple needs of the mass-market consumer is often extended by overly long information gathering. The most effective managers design products that can be sold quickly, so that the two-hour, two-part interview becomes the 30-minute sale. Product managers, indeed, can have a significant impact on sales force effectiveness, even in countries where regulatory requirements are problematic. And there is another way of streamlining client time, one
so obvious that it is sometimes overlooked: ask the client how much face time he or she wants.

**Segmenting Customers.** Good coaches and players study scoring opportunities carefully. They explore the best ways to capitalize on them. Similarly, sales forces must understand the wide range of customer needs and resources, and have segment-specific products and services with which to exploit them. The most profitable customers merit the highest degree of personal service, with levels of attention (and cost to the firm) declining in step with customer value. The brokerage Charles Schwab, for example, manages varying grades of customer value by offering tiers of price and service differentiated by intimacy, product breadth, and access to market information.

Similarly, a European bank we know has explicitly segmented its customer base according to current profitability and development potential. Using data about clients’ assets, income, age, and other demographic factors, the institution constructed six segments based on estimated long-term value to the bank, then implemented different seller profiles to optimize each segment’s potential.

**Tackling Leads.** Most banks have developed large data warehouses and algorithms to identify potential leads. But the real challenge is in implementation—making sure leads don’t get lost in the multichannel environment, and verifying that appropriate people follow up on them. Unfortunately, leads are often managed poorly because of fumbled handoffs between channels or weak motivation. Investing in sophisticated algorithms is of limited value if the basics of lead management are poorly executed.

An effective lead-management process filters and focuses leads at contact—whether at the branch, the
call center, the Web site, or elsewhere—according to customer segment and lead type. It tracks each lead to see how it was acted upon and what results followed. Some form of incentive is always helpful in driving cross-channel and cross-product handoffs.

We have also observed that, in many institutions, management rarely gives sellers timely information about leads or the status of current clients that enables them to make proper decisions. For example, client work has shown us that even sellers for leading investment banks can be under the impression that all their accounts are priced correctly and above minimum levels, when in fact that is not the case. When we once pointed out to a firm that it had this problem, using data we had collected as proof, the institution started behaving differently to maximize its opportunities.

Managing to Win

Like bad football teams, bad sales forces have a lot in common. They lack talent, their squad is always in flux, they’re disorganized and undisciplined, they lack proper motivation, and they are poorly managed.

Institutions with good sales forces have a lot in common, too—irrespective of whether their customer focus is retail or corporate, mass market or high net worth. Our work with clients suggests that these firms share specific traits. They tend to execute the following six initiatives well:

• **Building human capital.** They hire in strict accordance with their target profile, train effectively, manage sellers for success on a daily basis, and retain good people by understanding and satisfying
their long-term (mostly financial) needs. They also avoid promoting their top sellers into positions where they become poor managers.

- **Organizing for maximum performance.** They optimize linkages between different elements of the sales force—such as teaming people who have complementary skills—and manage for appropriate collaboration.

- **Delivering a highly segmented offering.** They use robust processes to allocate customers and to review segment allocations regularly. In mass retail banks, this is what determines whether customers are served by a named relationship manager, by a remote telephone team, or by any number of ad hoc product specialists.

- **Providing support.** They give sellers timely information on clients and use marketing and research to help sellers leverage their talents and capabilities. Although they invest in propensity modeling and lead management systems, the successful players focus more on making sure that leads are used than on fine-tuning the imprecise art of creating algorithms.

- **Optimizing the value to be earned from each customer.** They provide sellers with tools to develop and deepen relationships for long-term profitability.

- **Managing performance tightly.** They clearly define required behaviors and outcomes for all employees, and remove bad performers from the sales force quickly and decisively. They also develop a very small number of metrics that are closely aligned with strategy and value creation. Volume is no longer a primary measure. For example, tying
calls made to leads allocated can be useful. Following that through to sales value created completes the circle.

Achieving effectiveness and efficiency in these endeavors takes time and dedication. Never forget that good sellers are highly skilled at figuring out how to maximize the payoff for their working time while giving only secondary thought to company profitability or long-term strategy. You have to think about those things for them, and create a performance-based environment that motivates and nurtures sellers at the same time.

**Getting the Ball Rolling**

Poor sales-force effectiveness manifests itself in many ways. Here are five warning flags that could signal the need for a different game plan:

- You are losing market share with your most attractive customers
- The sales force is not selling the full range of your products (this is also a warning signal for product managers)
- More than 90 percent of sales force members receive a significant portion of their target bonus
- Salespeople slow down selling efforts as soon as they achieve quotas
- The highest-paid salespeople are not the ones generating the most profit for your company

If some of these difficulties ring true for your institution, explore the following questions with your sales
force: What are the bank’s least and most profitable products and how do they affect selling efforts? Which products are the sales force pushing the most and why? When sellers make more money, does the institution make more money?

Then address the ultimate question: Is winning really “the only thing”? The responses of your sellers may tell you some useful things about them.

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