Creating Real Value for Banking Clients

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Background

A potential high net worth client sits across a conference table holding a package of literature detailing the breadth and depth of your bank's exhaustive financial services. Each brochure reinforces your assertion that there is not one of the prospect's vast financial needs, corporate or otherwise, that the bank cannot provide.

Confident that he can't help but see the value in your offerings, you're taken by complete surprise when he suddenly stands and thanks you for your time. You scramble to get out one more capability in hopes of getting him to sit back down. He says he'll be in touch and starts toward the door.

You watch, despondent, well aware that once he sets foot out that door your likelihood of a sale will diminish exponentially with each step he takes toward any number of your competitors — many offering better interest rates or lower fees.

Perhaps your disappointment is brief. This is certainly not the first time you've felt like you gave a great pitch hitting all the major value propositions inherent in your vast offerings. But — as so often happens — for no explainable reason (at least not one you can see) you lost the sale.

In truth, there are clear reasons why. Not the least of which is the dramatic increase in competition brought about by the wave of mergers and acquisitions and legislative and regulatory changes over the past 10 to 15 years. It's no secret that the banking industry has become fiercely competitive. With so many banks providing so many identical products, most have become virtually indistinguishable to the customer.

Let's just say somehow you did convince the prospect to sit back down. Maybe he liked the coffee. But coffee's not going to close the deal. Now that you've got your second chance, how do you make it count? Is it talking about even more capabilities, or might your chances of getting his business be greatly increased if you could create real value by providing something other than the same information he can read on your website? Could it be that if you were to provide valuable insight rather than commonly known information, this potential customer might become an actual customer?

While banks believe that their products and services are unique, customers see few, if any, real differences. The banking industry has become commoditized. To combat this, banks attempt to develop what they believe are compelling value propositions. Frequently based on the latest financial and operational analytics and technologies, these value propositions are developed to highlight a bank's supposedly unique message to the market. Given the competitiveness of the industry, however, no value proposition stays unique long — if it was ever unique to begin with.

The reality is that with information so readily accessible in the digital age, customers now tend to know as much or more about financial offerings as the bankers selling them. And the ubiquity of information is not the only force transforming the banking-sales function. With so many banks and other financial services institutions providing the same array of products and services, customers perceive little or no differentiation between competing offerings.

So, then, how does a banker differentiate today? If you want to compete on something other than rates and fees, you must focus not on what you sell, but, rather, how you sell. In today's marketplace, customer value does not reside in products or services but, rather, in the manner in which products and services are acquired. Adapting to these new business conditions requires that bankers move away from simply communicating information about their offerings and, instead, provide insight that customers can't get everywhere else.

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The banking industry has changed dramatically over the past 15 years. To remain competitive, financial institutions must change as well. The good news is that Huthwaite's research has shown that this change can be achieved by following three well-researched, teachable steps.

Step One: Recognize the banking customer's buying mode

The advent of digital information and recent competitive, legislative and regulatory developments in the financial services sector have combined to fundamentally change the selling role of bankers. In many cases, the sales function in banking may be obsolete altogether. The key to understanding a banker's selling role is to examine the different types of customer buying modes.

Transactional Buying Mode

In a 2006 survey of banking customers, 74% said relationship managers created no value for them within the previous year. The majority of respondents also indicated that sales calls had "little or nothing to do with things I did not already know".

Due to the commoditization of the banking industry and the failure of bankers to adapt their selling practices to a model that creates real value for customers, banking relationships are frequently determined largely or entirely on rates, fees and terms. Also, because of the availability of information on the web, many customers are well-educated about the products and services available to them. So, it's not surprising — or unreasonable — that many financial services customers simply want the best terms or the lowest cost. And they may not even want to

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speak with a banker. Bankers who attempt to sell to these buyers by describing their offerings — even if those offerings meet buyer needs — are providing nothing buyers can't learn on their own. This type of "selling" creates no value for customers. Transactional buyers resent being "pitched", are confident they know what they need and certainly won't pay a premium for an offering they perceive as a commodity.

Huthwaite's research reveals that to sell effectively to a transactional buyer you either need to provide the cheapest/easiest offering or create enough value in the sales process to move the buyer out of transactional mode. The latter can be achieved if you provide insight rather than information — if you can help the buyer realize genuine benefits beyond low cost. This process is described in more detail in the following section.

Consultative Buying Mode

In every market there are customers willing to go beyond a purely transactional relationship when the seller can offer more than just quality products and good customer service. For these customers, an important element is having access to the expertise of the sales professional. These customers welcome relationships with sales representatives, relationship managers and bankers who become useful assets by delivering their own unique combination of experience, insight and knowledge. To create real value for the customer the seller must provide material insights into the buyer's business throughout the sales process. Value, then, is not in the products and services themselves but, rather, in how they are sold.

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Most banks and financial institutions have not yet recognized the opportunity that these customers offer, nor have they decoded exactly how to create value beyond their products and services. Huthwaite has studied this issue at length and identified specific skills that a banking professional can employ to become a value creator.

Think about two fundamental conditions of communication:

1. People value more what they say and conclude than what they're told
2. People value more what they ask for than what is freely offered.

It is imperative that sellers recognize these conditions and the difference between "telling" and "asking". While most sellers intuitively ask questions to gain information about buyer "needs", what's more important is whether the questions being asked actually create value in the buyer's mind? In other words, do buyers gain insights about their particular situation from the questions being asked? The answer is, probably not. Consider these two scenarios:

Let's look first at Mary, an accomplished banking relationship manager who has mastered the product portfolio of her bank. She has been educated in the principles of "consultative selling" and is prepared with a list of "customer-focused questions". She asks questions in the call about the client's need for credit, his awareness of overnight sweep services, the effects of leasing options on the balance sheet, the necessity for international transaction support, etc. As soon as Mary discovers that the customer lacks awareness of these services she launches into a carefully rehearsed, often repeated exegesis on a particular product suite. When she's finally finished, the prospect is, at first, silent — and probably exhausted (although Mary does not notice). When Mary tries to break the silence by asking what the prospect thinks, she is disappointed by a number of objections and a reluctance to make any commitment. What Mary has failed to realize is that consultative selling is not about questions per se. It's about discovery — the client's discovery. In this call the client discovered nothing except how much he doesn't want to see Mary again.

Let's compare Mary's approach to that of her competitor. We'll call him Fred. Fred has the same product portfolio as Mary. Fred's bank is, for all intents and purposes, of the same size, name recognition and reputation as Mary's. But, in the call, Fred takes a different approach. Like Mary, Fred knows that the customer is likely keeping large overnight cash balances, conducting a large portion of his business overseas and does little leasing of quickly depreciating assets. Fred approaches the call very differently. He too asks questions, but his focus is asking questions that draw the attention of the client to critical business issues he had not considered. Questions such as, "Are you satisfied that your cash on hand is working for you to its maximum potential?" or "When you conduct foreign transactions, what tax and or exchange issues cause you frustration or cost?"

There is a great deal more to the skill of employing a value-creating perspective, but much of the banking industry is fooling itself into thinking that they are employing "consultative selling" or "customer-focused selling" simply because they ask some (self-serving) questions. If the answers to the questions being asked are of more value to the asker than to the person answering, then it is very unlikely the sales call has much value to the prospective client.

The difference between success and failure lies in the questions asked. So, if your sales process is based on "offering information", you're failing to create real value for your customers.

Step Two: Learn what value is to the customer

Huthwaite's recent research of more than 10,000 sales calls in the field identified a phenomenon that at first glance appeared to be counterintuitive. In a significant number of cases, where buyers reported that they perceived the product as an interchangeable commodity, they did not choose the lowest-cost option. These buyers were willing to pay a premium for what would typically be considered a commodity purchase. Analysis revealed, however, that these buyers were not paying extra for the product, but rather for the value the sellers created in the sales process itself. In particular, these buyers recounted two ways in which sales people can create value beyond price and product. These "value drivers" are:

1. Uncover the unrecognized problem. Leverage your knowledge of the customer's industry, company and market to help them see problems of which they were previously unaware. For bankers, whether it's an entrepreneur in need of a liquidity event or a retiree seeking to protect the inheritance of his children, by using your expertise to identify tax, estate planning or any number of other problems not previously considered by the client, not only is trust built but relationships are cemented.

2. Offer the unanticipated solution. Often a customer will come to you with a firm grasp of his or her needs as well as a defined solution for addressing those needs. It is in these instances that value can be created by helping the customer define new ways to solve the problem that are either more productive or prove to be less costly than the solution originally sought. Sellers who offer unanticipated solutions provide clients with products, services and/or strategies they otherwise would have not considered. Clients will embrace greater offerings and capabilities once the benefits of products and services they previously knew nothing about are realized. Bankers who provide solutions, otherwise unknown to the client, make themselves invaluable to their clients.

Step Three: Changing the approach

A financial institution can break out of the transactional sale, attract more clients in the "consultative" buying mode and truly differentiate itself from the competition by employing these proven best practices:

- Establish how the *value drivers* apply in your sales with your clients. Identify the unrecognized problems you've helped clients resolve. Determine what unanticipated solutions the bank has the capacity to provide clients.
- Train senior leadership, sales and marketing functions of the bank on the skills that create value. In particular, teach bankers not just to ask questions, but to employ the *value drivers* in order to provide insight not just information.
- Establish metrics to drive a banker's capacity to employ value-creating skills.
- Implement coaching and reinforcement efforts to sustain selling excellence over time.

The adoption of these best practices needn't be complicated or disruptive. With the right balance of senior sponsorship, management commitment and reinforcement activity, bankers can quickly learn to apply the skills that will grow customer relationships and erect barriers to the competition. Imagine the competitive edge provided by a team of bankers adept at:

- Identifying customers' preferred buying modes
- Helping customers migrate from a transactional to a consultative buying mode
- Adapting to the customer's changing perception of value over time
- Creating value in both the sales call and over the course of the banking relationship
- Maximizing value created by the seller, above and beyond what is inherent in the product and/or service offerings

Conclusion

Bankers who learn to use their expertise to provide insight for buyers have the opportunity to fundamentally change the nature of their client interactions. Further, the early adapters can take advantage of a fertile and virtually untapped marketplace as the majority of bankers continue to peddle information. Learn to create client value and let the competition sit and watch as another potential client walks out their door and in through yours.

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Huthwaite is the world's leading sales performance improvement organisation. Founded on scientifically validated behavioral research, our methodologies which include the internationally renowned ***SPIN® Selling***, guarantee sales success. Huthwaite assesses your organisation's needs and develops customised sales performance improvement and coaching programs that drive real business results.

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