Research on Sales Performance Measurement and Management Practices

Conducted amongst Financial Institutions in Q4'2017

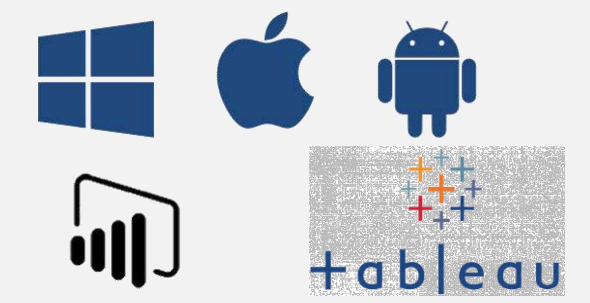# Why look at Sales Measurement and Management now?

Sales management is a serious business….

- $185 million in fines
- Congressional hearings, CEO resigned

- Not measuring real growth drivers!
- Customers subjected to fraud

…and the technology landscape has changed.

- Data is more accessible
- New generation of Business Intelligence tools
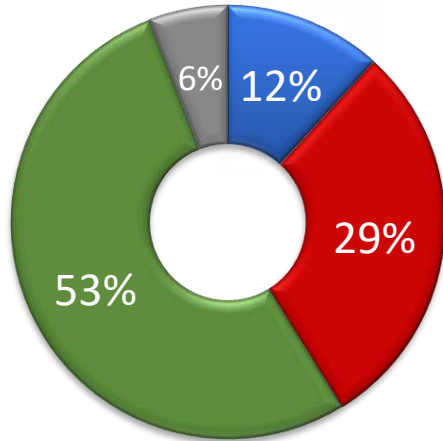

- Software as a Service
- New Analytics capabilities

About the respondents

Stratgy Focus

- Deposit growth
- Loan growth
- Balanced growth
- Other (please explain)
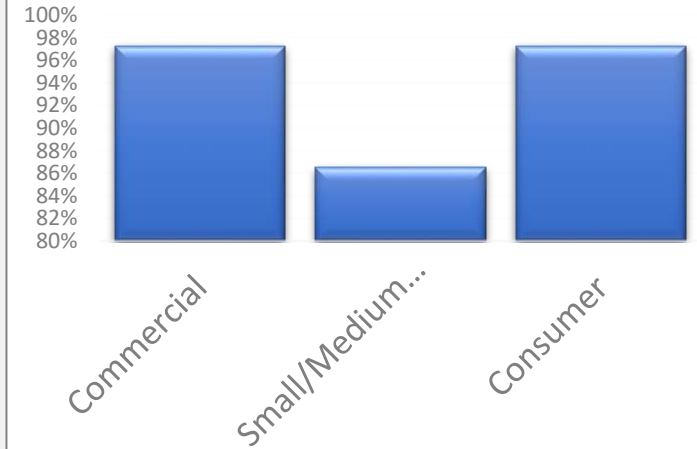
Deposit growth 12%
Loan growth 29%
Balanced growth 53%
Other 6%

Institution Type

- Bank
- Thrift/Savings Bank
- Credit Union
- Consultant

Bank 68%
Thrift/Savings Bank 8%
Credit Union 13%
Consultant 3%
8%

Markets Served

Commercial, Small/Medium..., Consumer

(y-axis: 80% to 100%)

Institution Size

- Over 100 Billion in Assets
- Between 20 and 100 Billion in Assets
- Between 5 and 20 Billion in Assets
- Between 1 and 5 Billion in Assets
- Less than 1 Billion in Assets

(x-axis: 0% 10% 20% 30% 40% 50% 60%)
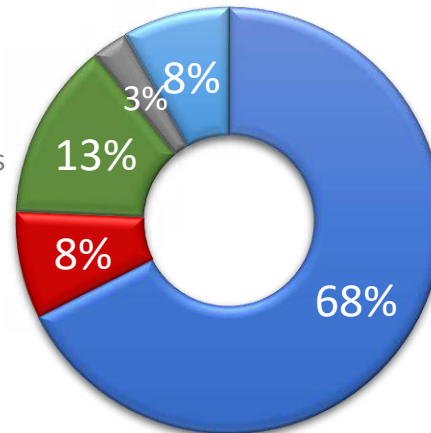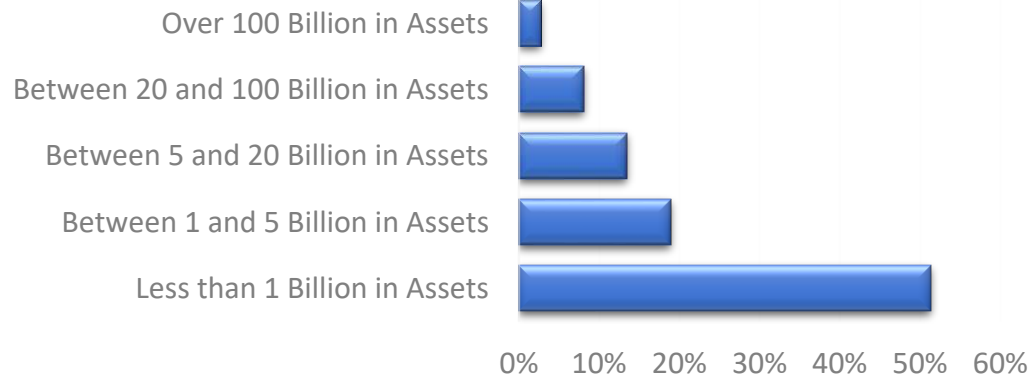
Institution Type	Average of 2016 ROA	Average of 2016 ROE
Bank	0.71	6.26
Credit Union	0.42	2.63
Thrift/Savings Bank	0.51	3.62
Assets		
Less than 1 Billion in Assets	0.55	3.81
Between 1 and 5 Billion in Assets	0.59	5.96
Between 5 and 20 Billion in Assets	2.79	5.33
Between 20 and 100 Billion in Assets	0.63	6.08
Over 100 Billion in Assets	1.32	14.09
All Respondents Mean	**0.65**	**5.50**

Near term growth focus by product type

Strategy Focus
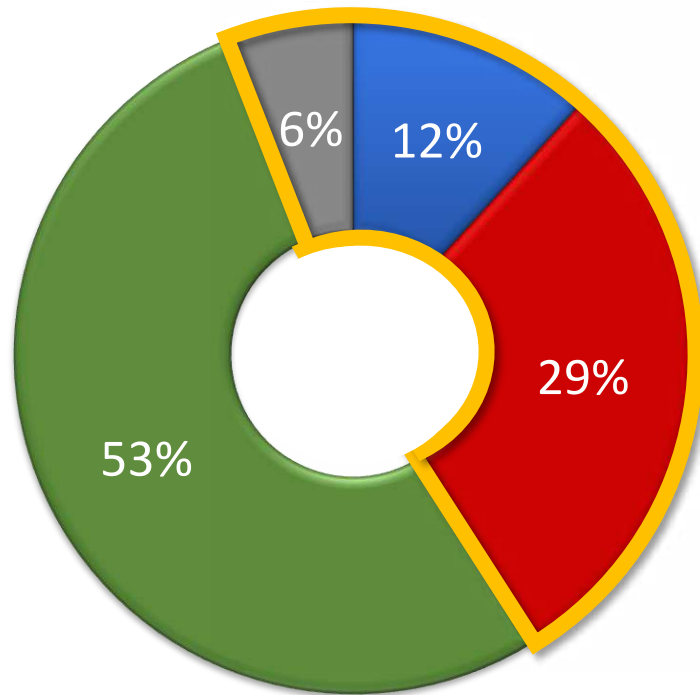
Strategy vs ROA, ROE	Average of 2016 ROA	Average of 2016 ROE
Balanced growth	0.6	6.67
Loan growth	0.6	3.80
Deposit growth	0.4	3.23
All Respondents Mean	**0.6**	**5.50**

- **Imbalance** is a drag on performance

Legend:
- ■ Deposit growth
- ■ Loan growth
- ■ Balanced growth
- ■ Other (please explain)

Pie chart values: 12%, 29%, 53%, 6%

Near term strategic focus

Growth Strategy : Next 2 Years

Category	Value
Increase Revenue - By Cross Selling	62%
Reduce Costs	41%
Increase Revenue - By Digital Channels	35%
Increase Revenue - By Opening Branches	32%
Increase Revenue - By Acquistion	32%
Reduce Risk	24%
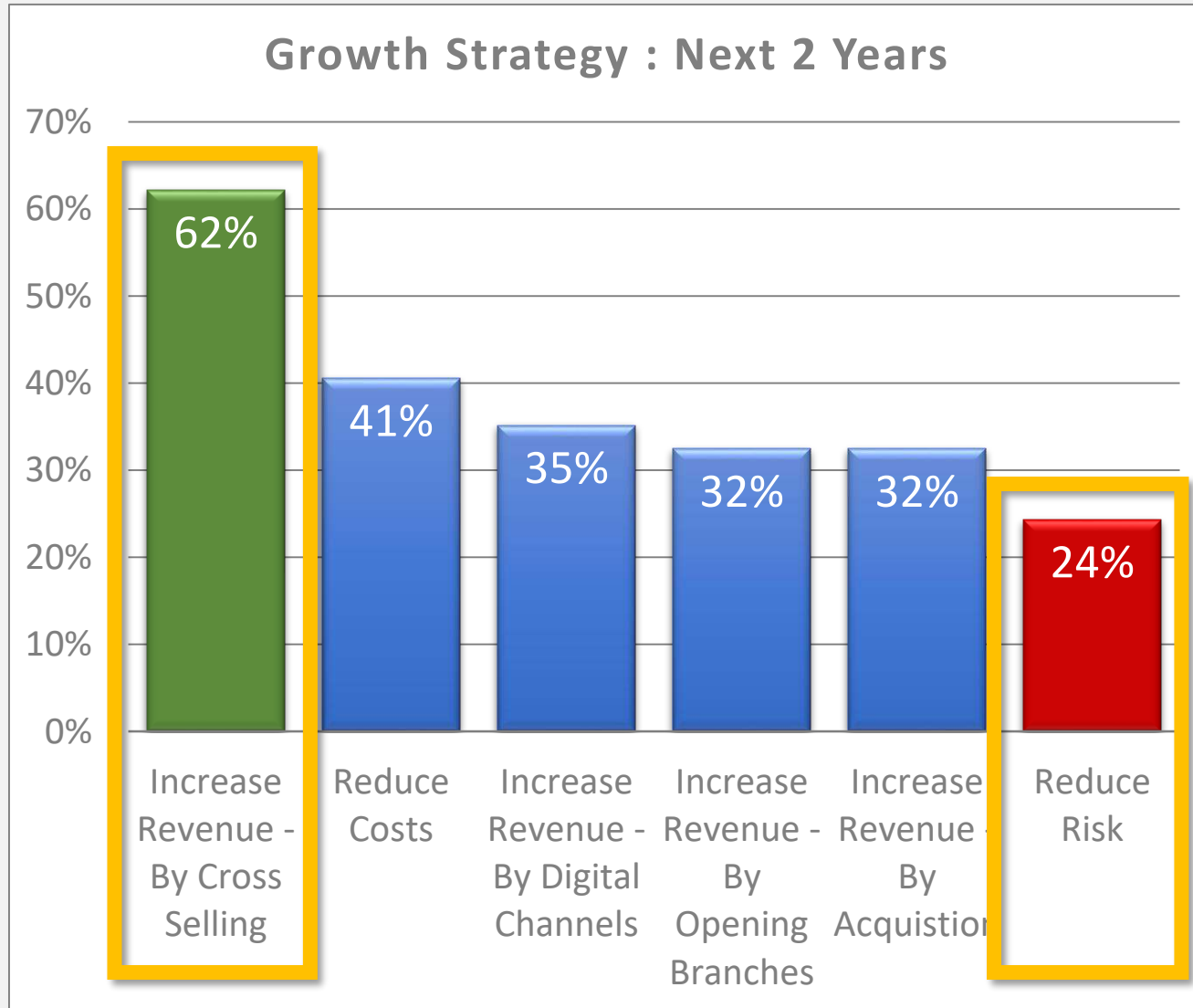
Motivation for better sales analytics

Top 3 Business Reasons to Improve

Reason	Percentage
Gain deeper customer relationships	71%
Optimizing revenue across the product portfolio	51%
Aligning 'true' sales performance to compensation	41%
Aligning sales performance to growth drivers	37%
Ability to optimize the return on marketing investment	35%
Identify acquisition targets that meet your target criteria	24%
Improving the accuracy of customer behavior predictions	24%
Identifying separately, cross-sales from new account sales	10%
Other	8%

1. Increase revenue generation
2. Increase revenue generation
3. Increase cost effectiveness

Goal setting and performance measurement practices

Objectives and Measurements
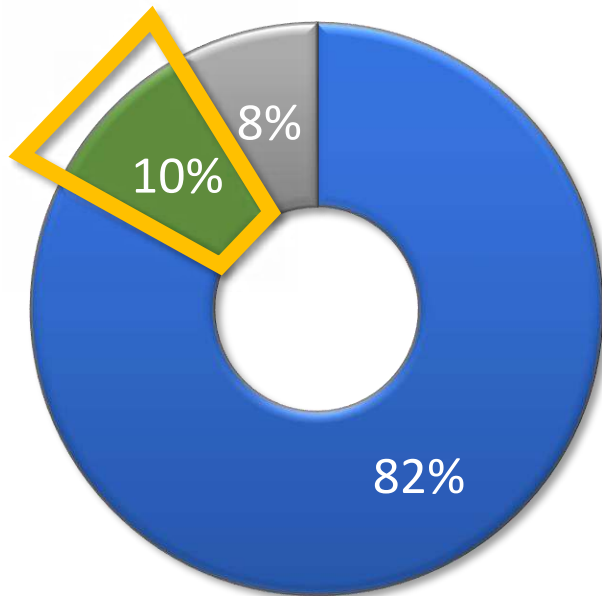
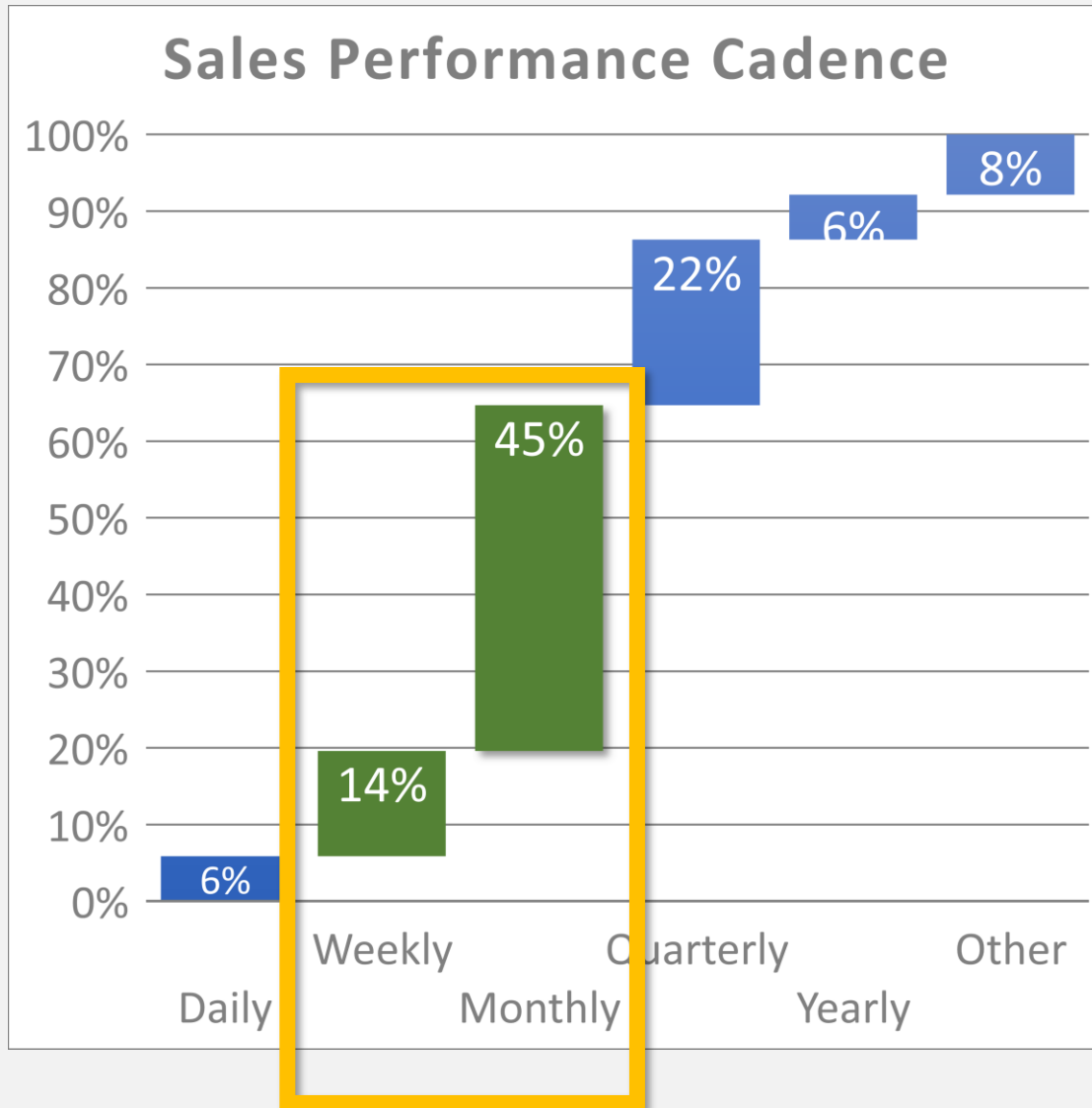| Goal Metrics vs ROA, ROE	Average of 2016 ROA	Average of 2016 ROE
Explicit Sales, Attrition and Cross-sale goals	1.10	7.86
Overall Growth Goals, i.e.: Dollars or Percentage	0.57	4.95
All Respondents Mean	**0.65**	**5.50**

Pie chart:
- 82% — Overall Growth Goals, i.e.: Dollars or Percentage
- 10% — Explicit Sales, Attrition and Cross-sale goals
- 8% — Other (please explain)

- More **precision** is better
- It is not a function of size

Cadence of sales performance measurement

Sales Performance Cadence

Cadence vs ROA, ROE	Average of 2016 ROA	Average of 2016 ROE
Daily	0.36	3.36
Weekly	0.79	6.18
Monthly	0.71	6.32
Quarterly	0.60	5.39
Yearly	0.23	2.10
All Respondents Mean	**0.65**	**5.50**

Chart values:
- Daily: 6%
- Weekly: 14%
- Monthly: 45%
- Quarterly: 22%
- Yearly: 6%
- Other: 8%

- More **frequency** is better…

  …but daily is too much

Performance driver levers

Incentives & Compensation
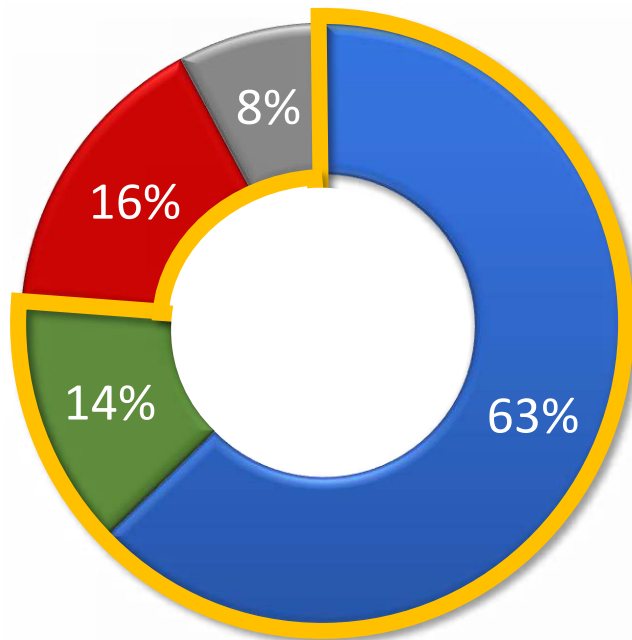
Legend:
- Variable compensation + salary — 63%
- Contest rewards and recognition — 14%
- No variable compensation — 16%
- Other (please explain) — 8%

Incentives vs ROA, ROE	Average of 2016 ROA	Average of 2016 ROE
Variable compensation + salary	0.71	5.74
Contest rewards and recognition	0.43	3.14
No variable compensation	0.45	5.35
All Respondents Mean	0.65	5.50

- Be aware of the **behaviors** your incentives encourage

Prevailing KPIs on the sales force scorecards

Reliance on Sales KPIs

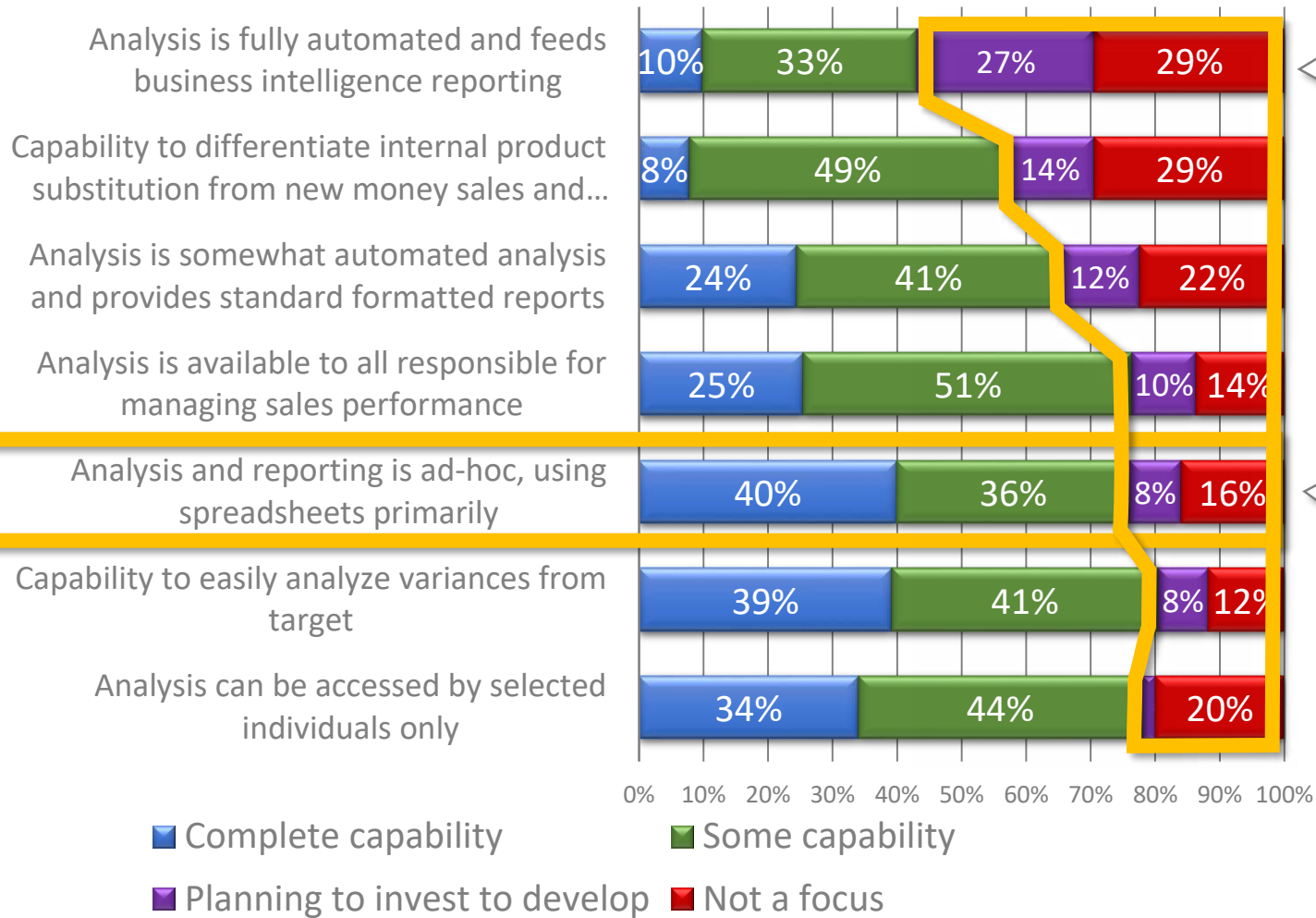| Metric	High Reliance	Some Reliance	Considering	No Reliance
Sales	45%	41%	6%	8%
Profitability	35%	29%	24%	12%
Satisfaction	31%	29%	16%	24%
Attrition	14%	32%	28%	26%
Cross-selling	8%	49%	27%	16%

Legend: ■ High Reliance ■ Some Reliance ■ Considering ■ No Reliance
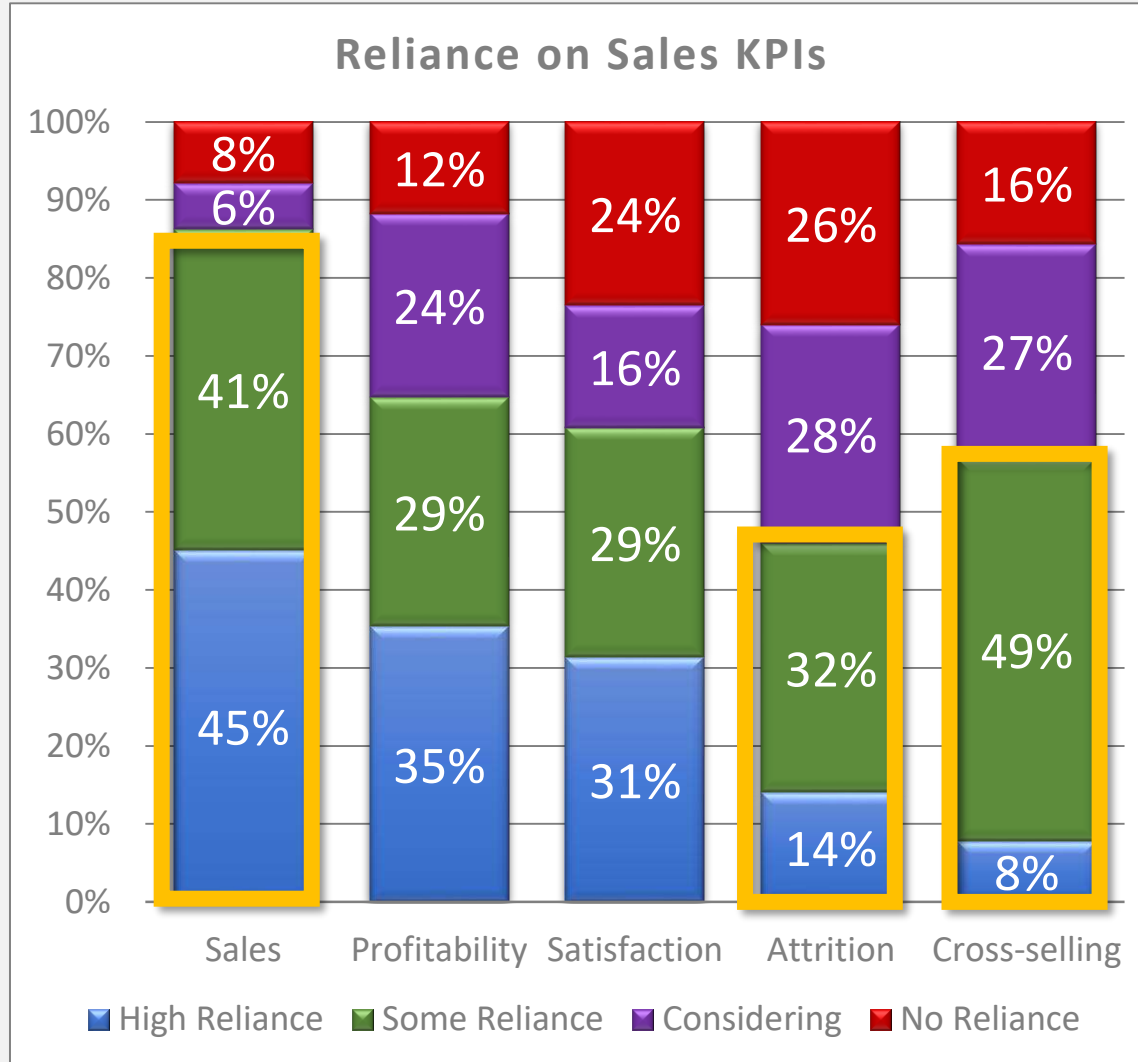
	Average of 2016 ROA	Average of 2016 ROE
Sales Metric vs ROA, ROE		
High Reliance	0.69	6.04
Some Reliance	0.69	5.13
Considering	0.25	4.53
No Reliance	0.81	5.73
Profitability Metric vs ROA, ROE		
High Reliance	0.58	5.48
Some Reliance	0.65	6.02
Considering	0.74	5.71
No Reliance	0.65	4.39
Satisfaction Metric vs ROA, ROE		
High Reliance	0.50	4.58
Some Reliance	0.79	6.94
Considering	0.65	5.49
No Reliance	0.65	5.09
Attrition Metric vs ROA, ROE		
High Reliance	0.28	2.45
Some Reliance	0.75	4.72
Considering	0.70	7.63
No Reliance	0.61	4.97
Cross-Sell Metric vs ROA, ROE		
High Reliance	0.96	9.91
Some Reliance	0.64	4.57
Considering	0.64	6.35
No Reliance	0.57	4.65
All Respondents Mean	**0.65**	**5.50**

WINNER

Sales analytics capability maturity

Capability Maturity

Capability	Complete capability	Some capability	Planning to invest to develop	Not a focus
Analysis is fully automated and feeds business intelligence reporting	10%	33%	27%	29%
Capability to differentiate internal product substitution from new money sales and…	8%	49%	14%	29%
Analysis is somewhat automated analysis and provides standard formatted reports	24%	41%	12%	22%
Analysis is available to all responsible for managing sales performance	25%	51%	10%	14%
Analysis and reporting is ad-hoc, using spreadsheets primarily	40%	36%	8%	16%
Capability to easily analyze variances from target	39%	41%	8%	12%
Analysis can be accessed by selected individuals only	34%	44%		20%

0% 10% 20% 30% 40% 50% 60% 70% 80% 90% 100%

- ■ Complete capability
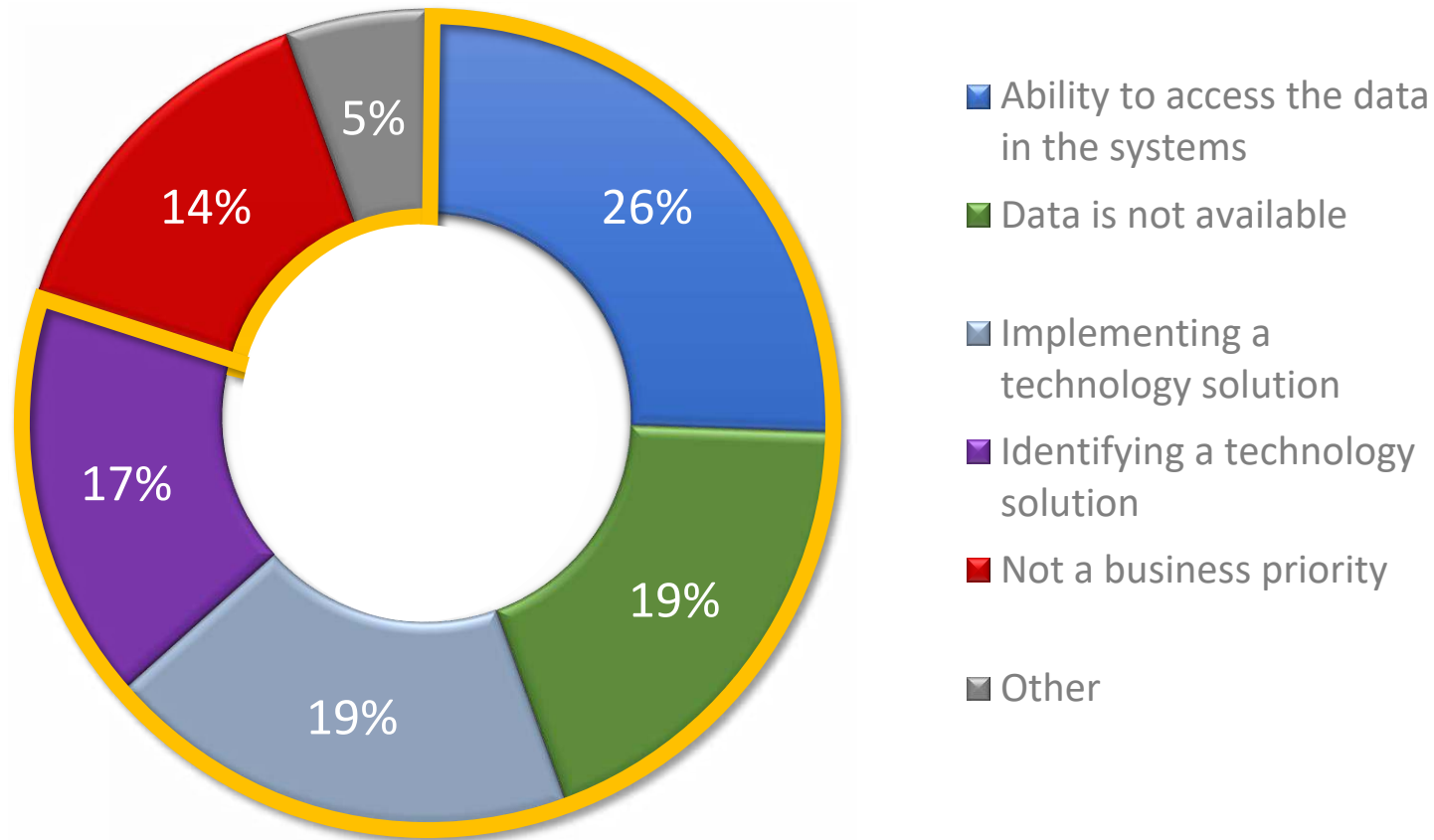- ■ Some capability
- ■ Planning to invest to develop
- ■ Not a focus

- Err in favor of doing **something**

- No need to have the perfect technology platform to get going

Reported barriers to enhanced sales analytics capabilities

Barriers to Utilizing Sales Analytics

Legend:
- Ability to access the data in the systems — 26%
- Data is not available — 19%
- Implementing a technology solution — 19%
- Identifying a technology solution — 17%
- Not a business priority — 14%
- Other — 5%

Perception is the key barrier

What we discovered

Large gap between strategy and capability related to cross-selling

- FACT: 80% of balance growth comes from existing customers
- 62% plan to grow by cross sell and 71% want deeper relationships
- Yet only 10% have explicit cross sell goals, nearly half have no cross-sales metrics, 8% have complete cross sell metrics and another 49% have enabled some reliance

Sales analytics fail to focus on new money

- FACT: 30% of deposit balance growth at the account level is substitution
- Yet only 14% can measure incremental dollars, 22% measure units, 16% dollar growth.

Attrition analytics fail to focus on lost money

- FACT: 80% of deposit dollar attrition occurs within continuing relationships
- Yet account level dollar attrition rates are rarely measured, 18% focus on customer attrition, 27% on product attrition

Profitability analysis and satisfaction scores are underutilized

- FACT: 77% use rewards and recognition to grow revenue
- Yet only 31% measure profitability, and 16% measure ROMI
- 29% measure satisfaction

Perception about technical challenges are the primary barriers to improvement

- FACT: Complete sales analytics need just six fields of data to implement using modern tools
- Yet 81% cite data availability and technology as primary obstacles

Discussion

For a copy of this deck or more information, please contact
Boris.Masip@FlowTrackerAnalytics.com

About the Sponsors

About the survey sponsors

The Financial Management Society (**FMS**) was originally founded in 1948. Since 1990 it serves financial personnel not just from savings and loans, but also from community banks, thrifts and credit unions.

Today, with a strong emphasis on first-class *education* and building *community*, FMS thrives as a professional membership organization with nearly 1,600 professional members from banks, thrifts, credit unions, and affiliate partners, from across the country.

"Proudly providing professional development resources to accounting and finance professionals from financial banks, thrifts, and credit unions for 70 years."

FlowTracker Analytics Inc. is a portfolio analytics solution that enables Banks and Credit Unions to:

- Conduct Smarter Performance Management, improving the effectiveness of selling and cross-selling effort and maximizing revenue.

- Gain Dynamic Behavior Insight enabling improved retention of existing customer relationships

- Target for Growth enabling more focused marketing that increases effectiveness of the marketing effort

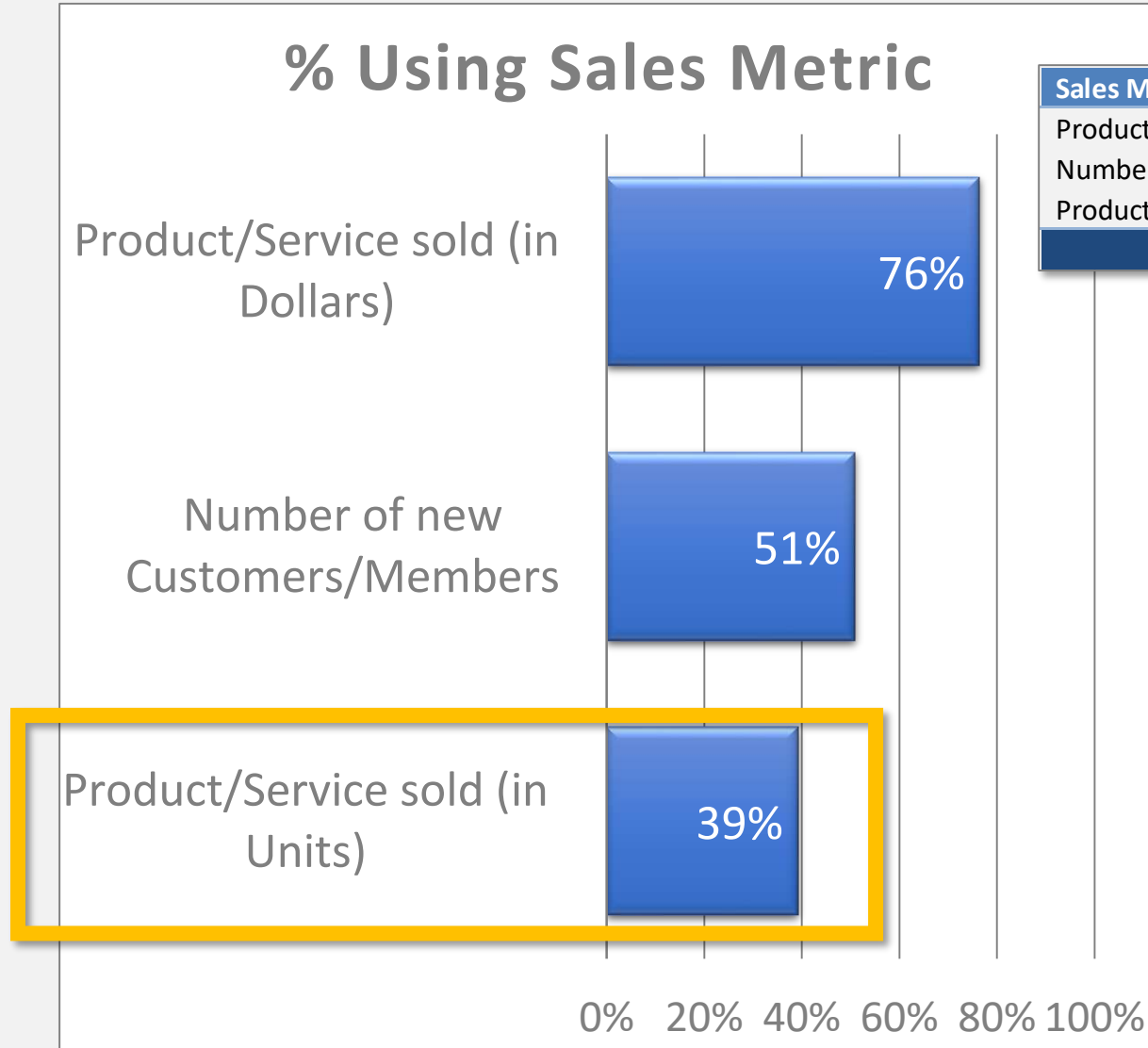*"It's like enabling you to google inside your portfolio to look for answers to your most pressing business issues."*

Appendix: current practices micro analysis

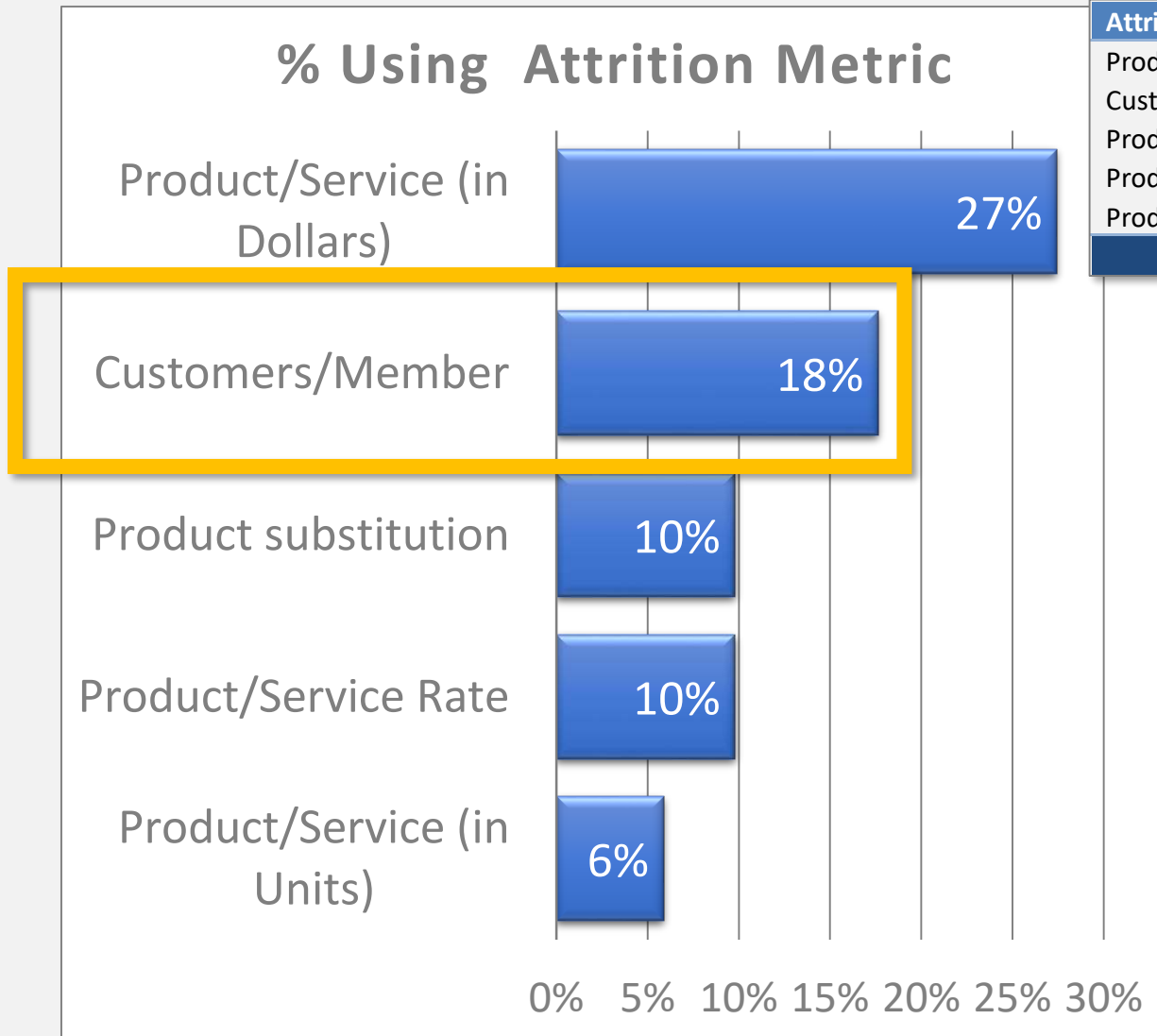**Specific metrics and dimensions of analysis**

Sales measurements

% Using Sales Metric

Sales Metrics vs ROA, ROE	Average of 2016 ROA	Average of 2016 ROE
Product/Service sold (in Dollars)	0.67	5.71
Number of new Customers/Members	0.68	6.07
Product/Service sold (in Units)	0.65	4.18
All Respondents Mean	**0.65**	**5.50**

Product/Service sold (in Dollars) — 76%

Number of new Customers/Members — 51%

Product/Service sold (in Units) — 39%

0%   20%   40%   60%   80%   100%

Attrition measurements

% Using Attrition Metric

Attrition Metric	%
Product/Service (in Dollars)	27%
Customers/Member	18%
Product substitution	10%
Product/Service Rate	10%
Product/Service (in Units)	6%

0% 5% 10% 15% 20% 25% 30%

Attrition Metrics vs ROA, ROE	Average of 2016 ROA	Average of 2016 ROE
Product/Service (in Dollars)	0.60	4.62
Customers/Member	0.49	4.30
Product substitution	0.63	6.08
Product/Service Rate	0.36	3.48
Product/Service (in Units)	0.75	3.57
All Respondents Mean	**0.65**	**5.50**

Cross-sale measurements

% Using Cross-Sale Metric

Metric	Percentage
New Product/Service (in Units)	22%
Total Product/Service cross sold (in Dollars)	16%
Incremental Product/Service cross sold (in Dollars)	14%
Number of Product/Services per Customer/Member	12%
New Product/Services sold to existing Customer/Member	12%
New Product/Services sold to new Customer/Member	12%
Total Product/Service cross sold (in Units)	12%
Share of Wallet	8%

Axis: 0%, 5%, 10%, 15%, 20%, 25%

Cross-Sell Metrics vs ROA, ROE	Average of 2016 ROA	Average of 2016 ROE
New Product/Service (in Units)	0.81	5.84
Total Product/Service cross sold (in Dollars)	0.80	7.83
Incremental Product/Service cross sold (in Dollars)	1.07	9.53
Number of Product/Services per Customer/Member	0.00	0.04
New Product/Services sold to existing Customer/Member	0.59	4.84
New Product/Services sold to new Customer/Member	0.77	5.93
Total Product/Service cross sold (in Units)	0.91	7.80
Cross-selling - Share of Wallet	1.00	10.00
All Respondents Mean	**0.65**	**5.50**

Profitability and Satisfaction measurements

% Using Profitability Metric

Metric	%
Dollars per Customer/Member	31%
Return on marketing Investment	16%

(x-axis: 0% 10% 20% 30% 40%)

% Using Satisfaction Metric

Metric	%
Satisfaction Score	29%
Net Promoter Score	10%

(x-axis: 0% 10% 20% 30% 40%)
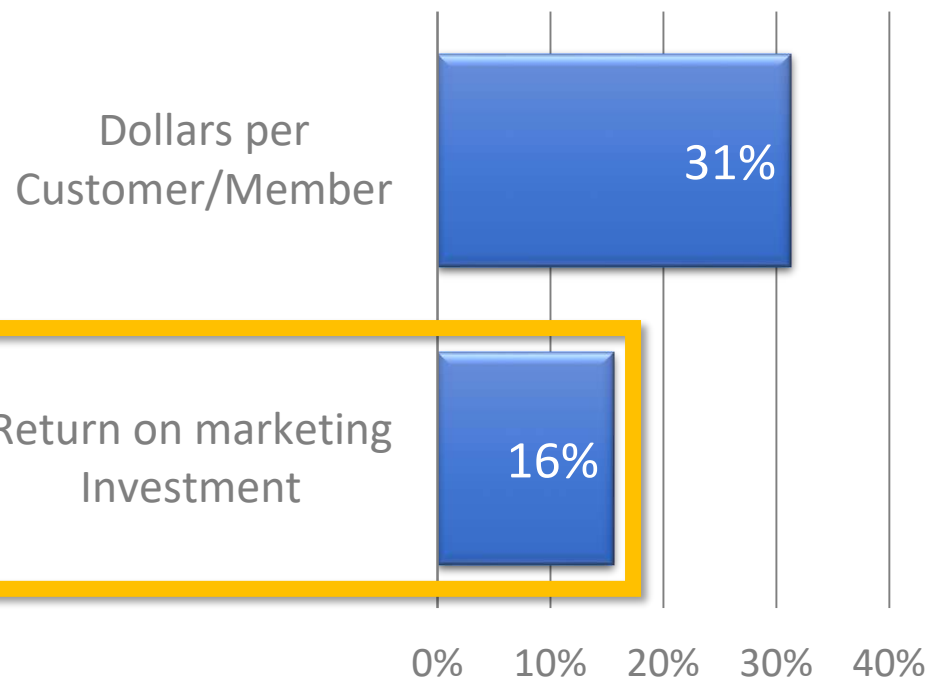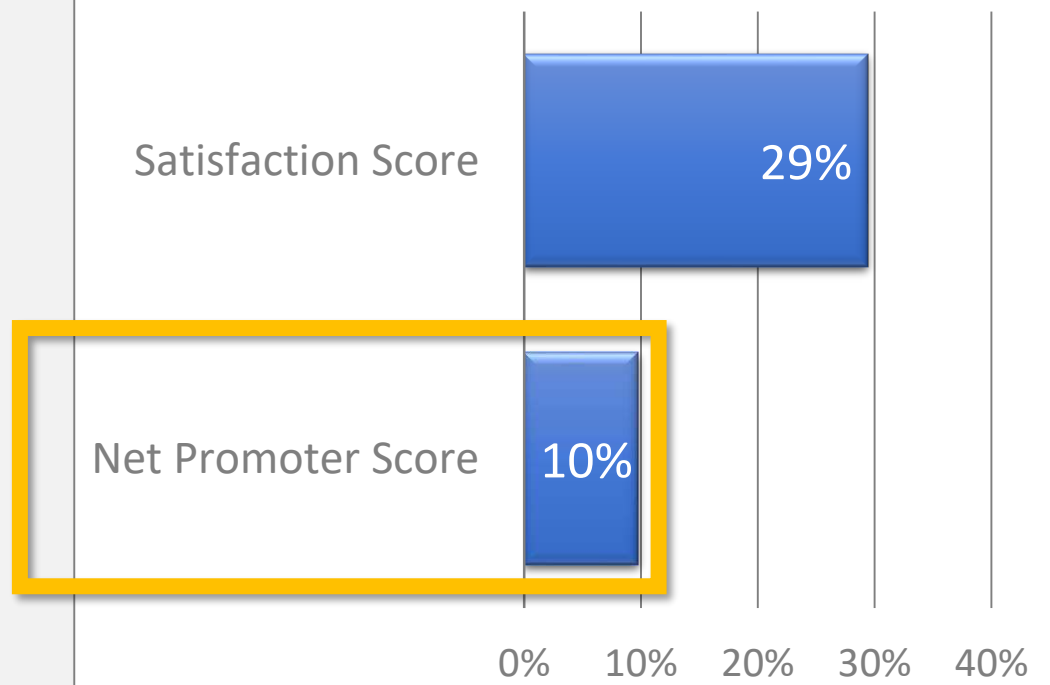
Profitability Metrics vs ROA, ROE	Average of 2016 ROA	Average of 2016 ROE
Dollars per Customer/Member	0.56	6.02
Return on marketing Investment	0.97	8.50
All Respondents Mean	0.65	5.50

Satisfaction Metrics vs ROA, ROE	Average of 2016 ROA	Average of 2016 ROE
Satisfaction Score	0.46	3.92
Net Promoter Score	0.23	1.22
All Respondents Mean	0.65	5.50

Flow of funds measurement

% Measuring Flows of Funds
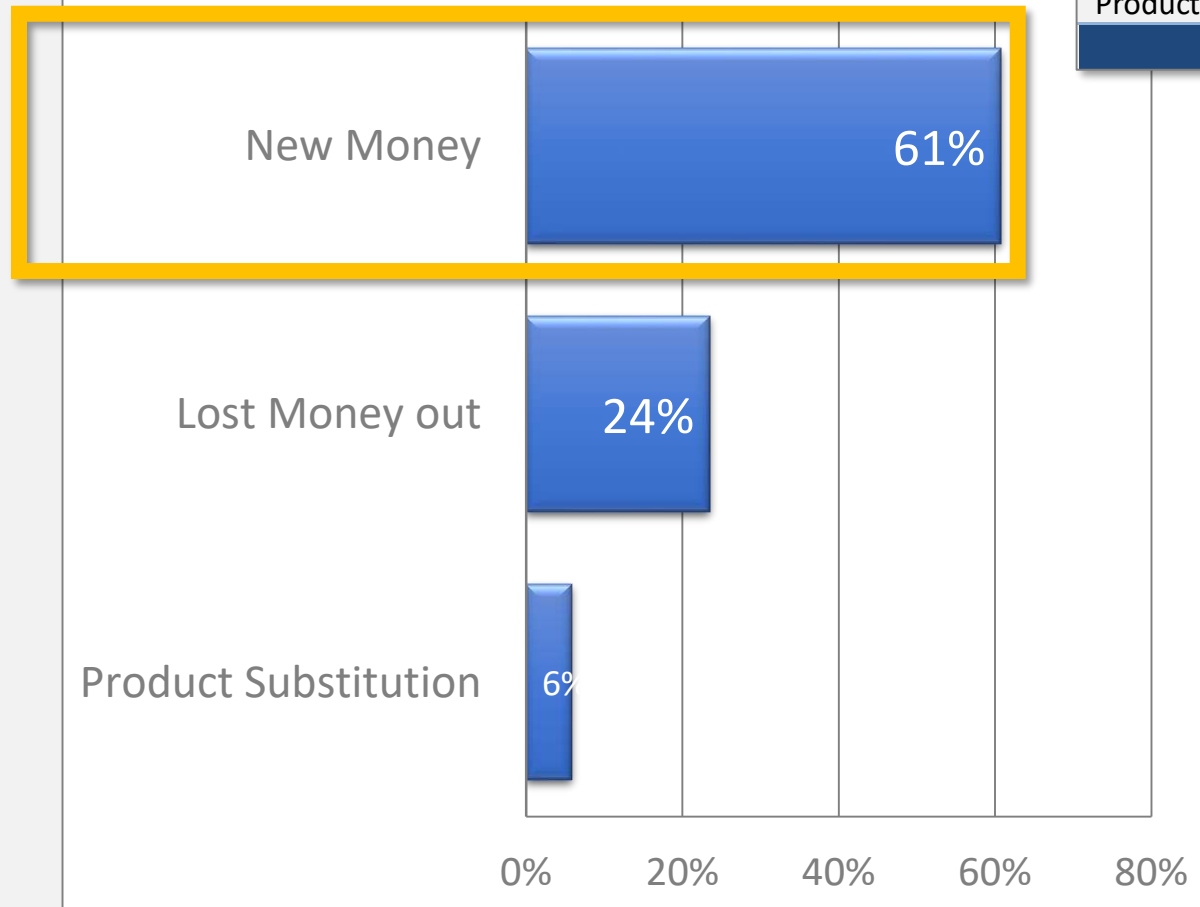
Flow of Funds Metrics va ROA, ROE	Average of 2016 ROA	Average of 2016 ROE
New Money to the Institution	0.62	4.91
Lost Money out of the Institution	0.66	5.04
Product Substitution within the Institution	0.84	5.49
All Respondents Mean	**0.65**	**5.50**

New Money 61%

Lost Money out 24%

Product Substitution 6%

0%   20%   40%   60%   80%

Customer / Member analysis dimension

% Measuring Customer Dimension

Relationship	%
Individual	41%
Household	37%
Segment	24%
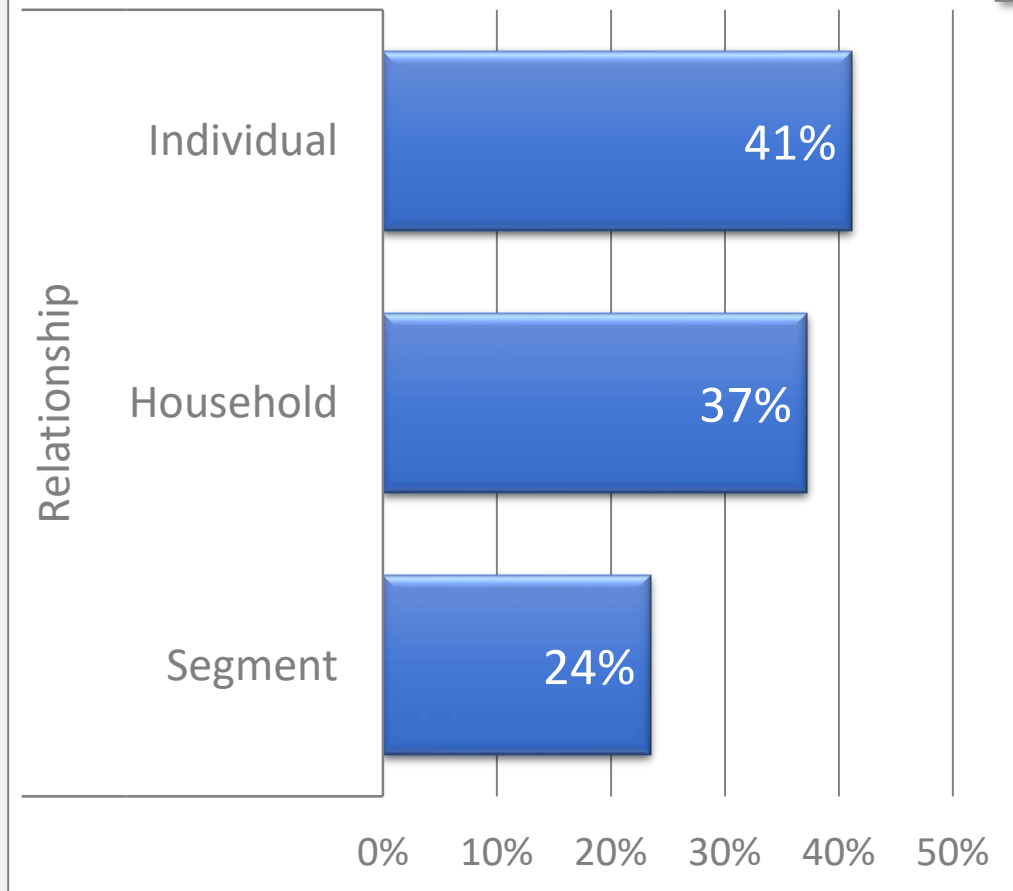
Customer Dimension vs ROA, ROE	Average of 2016 ROA	Average of 2016 ROE
Individual	0.70	6.67
Household	0.75	5.06
Segment	0.35	4.61
All Respondents Mean	**0.65**	**5.50**

Organization analysis dimension

% Measuring Organization Dimension

Dimension	%
Branch	59%
Relationship Manager	43%
Sales Team	35%
Region / District	29%
Channel	14%

(Axis: 0% 20% 40% 60% 80%)
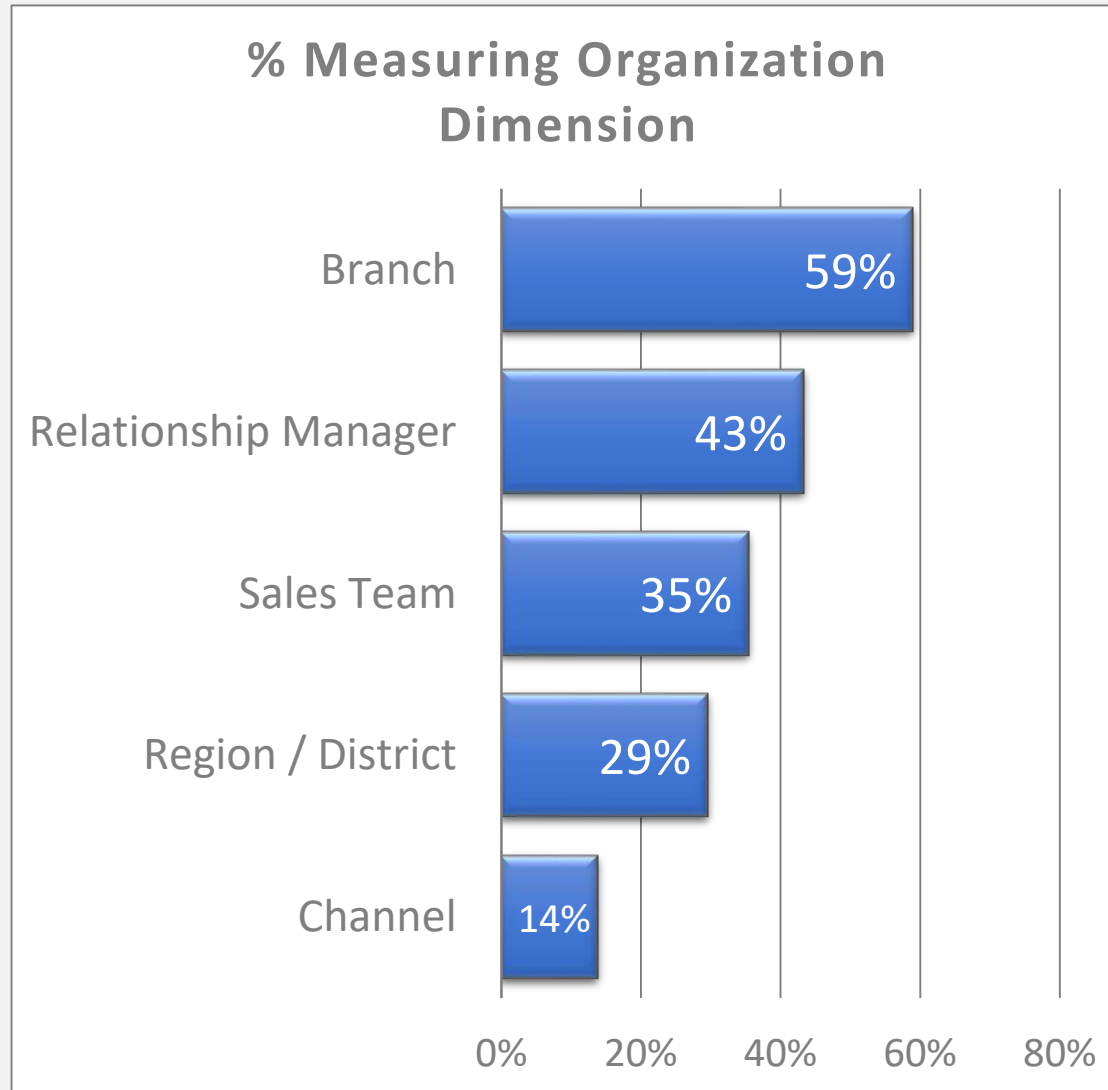
Organization Dimension vs ROA, ROE	Average of 2016 ROA	Average of 2016 ROE
Branch	0.66	5.77
Relationship Manager	0.76	6.29
Sales Team	0.78	6.01
Region / District	0.74	6.65
Channel	1.04	10.20
All Respondents Mean	**0.65**	**5.50**

Comparatives / variance analysis

% Using Comparatives
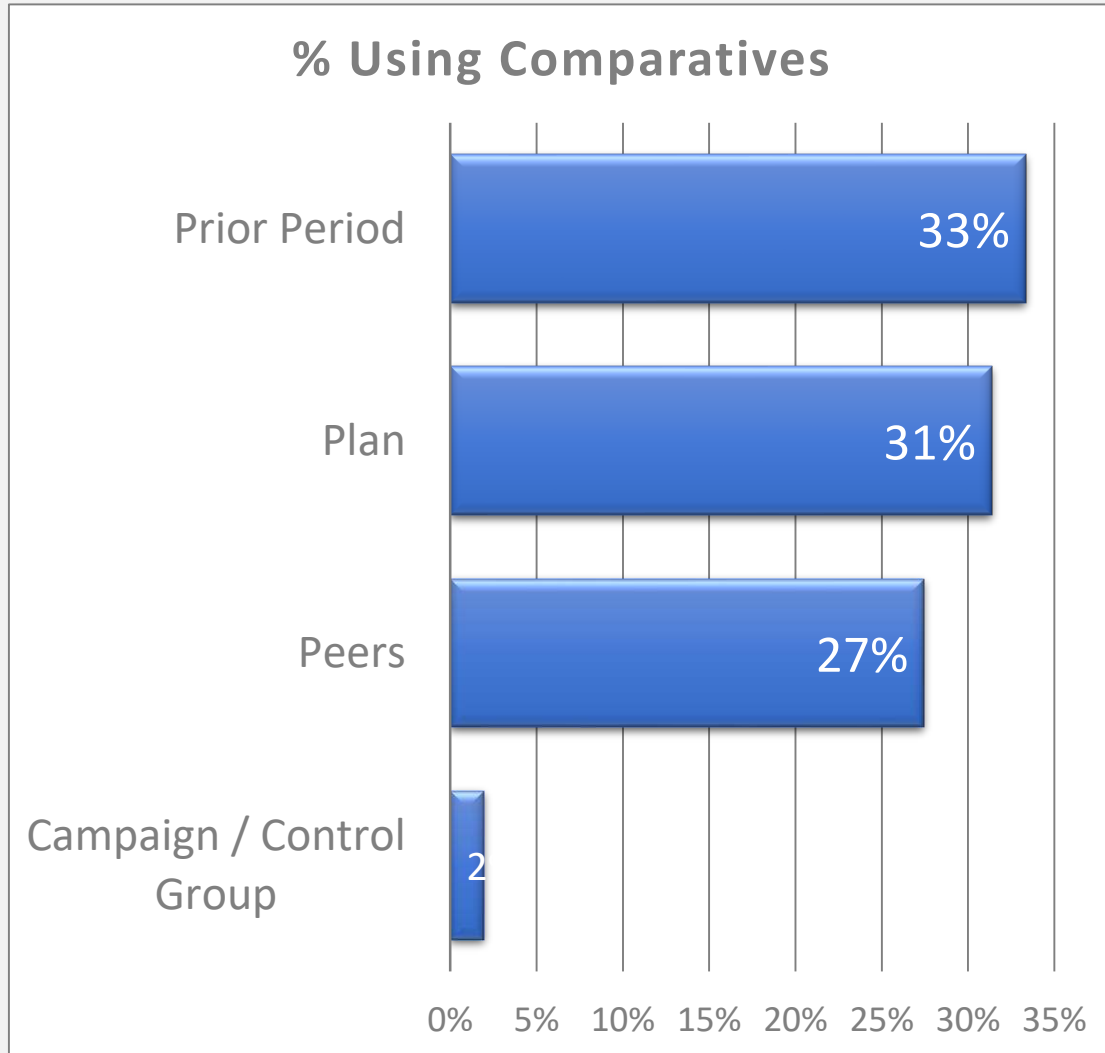
Comparatives	Average of 2016 ROA	Average of 2016 ROE
Prior Period Actuals	1.42	5.86
Plan	0.65	5.60
Peers	0.61	5.12
Campaign	Insufficient data	Insufficient data
All Respondents Mean	**0.65**	**5.50**