



Implementation of Sales Force Effectiveness (SFE) Strategy in Banks Business Operations

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Abstract

Measuring performance of internal operations processes in the banking business results in the conclusion that sales skills are the worst part of the business. According to the analysis of the set of criteria only this performance failed to meet the set target. This has forced banks in the world to launch a new sales strategy in order to achieve more revenue. In the case of American industry, we see that around 800 billion dollars is from selling, but at the same time hardly anyone understands it and concerns of making it more efficient. The well-known magazines that deal with this and similar topics have only 4% of works dedicated to the sale and their effectiveness. This problem has launched a study which involved sales managers and which dealt with the question of what brings an advantage and what hinders the process of selling a product or service. Based on the information received in this study that were analyzed, synthesized and created a model known as Sales Force Effectiveness (SFE), which main aim is to show how companies/banks react to the pressure of customers, competition, economic environment for the development of a comprehensive business strategy. System of sales cannot be considered separately, but with other operating performance and all structures of bank employees. For example, management of the bank defines the size and structure of sales team, executives branch or branches, managers the training and training team, while also collecting feedback. Sellers involved in the actual sale through certain processes define themselves the objectives, priorities, needs, solutions, customers' beliefs to which sales relates. The success of these activities will lead to a sustainable and better relationship with customers and at the same time increase profits and market share of banks. The paper will show the introduction of SFE strategies in a bank that operates on the banking market of the Republic of Serbia, as well; this strategy can be applied to the business of insurance companies.

Key words: SFE strategy, Sales, Clients, Performances

1. INTRODUCTION

In conditions of the global financial crisis, banking and insurance companies were first affected as a result of the huge drop in the stock and money market, and many companies that were users of banking and insurance services have bankrupted or were sold. Banking and insurance institutions around the world are faced with major competitive challenges that spread in a chain reaction triggered by the financial tsunami caused by this crisis. Thus, banks and insurance companies are forced to improve their competitive advantage in order to outperform the numerous

institutions operating in these markets. Banking and insurance institutions need to focus more on improving their business performances, particularly their internal processes related to the sale of services and products [4]. These institutions need to find an effective way of aligning their strategy with corporate goals based on measuring the performance of their business. The performance measuring structure of a model that links strategic goals as an effective improvement path becomes a key issue for banking and insurance institutions if they want to maintain their competitive edge. This led to a major competition in the financial market with relatively low profits and new business mechanisms that led to restrictions of the operation of

these institutions. In order to outperform this competitive advantage, banks and insurance companies need to give more priority to internal operational processes by improving the ways of selling. This means that it is necessary to develop an efficient way to increase sales performances which are measured in the overall performances of these companies and to link them with the corporate objectives of these companies. As indicated by our previous studies, as well as by other studies worldwide, the sale is the worst process that takes place in these companies.

2. IMPROVING THE PERFORMANCES OF THE BANKING AND INSURANCE BUSINESS

There are many methodologies and approaches to measuring business performance in banks and insurance companies. This paper investigates the business performance of banks using the Mystery shopping methodology. The research was conducted on 6 leading banks operating in the banking market of the Republic of Serbia. It was conducted in 2015 and the same or similar research can be applied on investigating the performance of insurance companies. Results obtained in this study have shown that the biggest problem in the operation of banks is the internal sales skills process[2].

The study included banks with predominantly foreign capital (5 banks) and one bank with domestic capital. The results are shown as a percentage (%), which represents an index for reaching the predefined level of standard for providing customer services, or internal processes. Service and product level standards are divided into three groups:

- 90.01% to 100% - High results according to international quality standards. The performance of internal processes is required to be maintained at this level.
- 50.01% to 90% - Average results, it is necessary to invest additional resources and time to increase the level of quality of internal processes.
- 0% to 50% - Poor results, immediate corrective actions are needed to make internal processes more successful.

The questions were grouped in five business performances and related to the measurement of performance of internal processes:

- Presentation of branch offices
- Waiting in a row
- The first contact between employees and clients
- Service level
- Sales skills
- End of service

The results showed that 5 out of 6 of the above performances scored over 90.1%, indicating that banks have improved their internal processes and that clients are satisfied. Only the sales skills performance scored lower. Each performance was measured through

specific questions. Sales skills totalled a score of 50.01% to 90%, but some of the questions in this group had a score of about 40%. This has shown that sales skills are the weakest internal process in banks' operation. Considering the data obtained in the survey relating to the bank that has achieved the best results in the product and service selling process, the results are about 70%. The research was carried out also by regions or by regional centres in which most banks were located. The data indicated that the worst scoring regional centre was Kragujevac (70.99%), with the regional centre of Belgrade scoring the best (79.49%), despite the fact Belgrade is the centre with the largest business competition. This data suggests that competition forces banks to improve their business in order to survive or gain competitive advantage in the market.

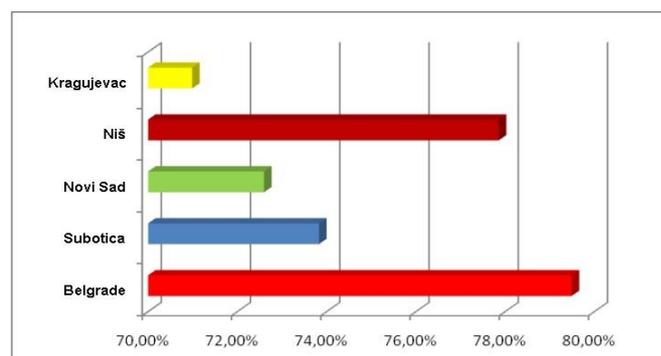


Figure 1. Graphic presentation of the level of product/service selling skills in banks by sub-regions

The worrying fact in this survey is that the bank with the largest market share and the only bank with domestic capital has scored the worst. Whether because of the number of clients and the high market share held, the leading bank and does not even think to change and improve the way of selling products and services. However, some of the banks that were included in this survey did not recognize this problem and tried to use well established instruments to improve the selling process. One of the ways of improving is the use of the Sales Force Effectiveness (SFE) Strategy, which some banks started to introduce in their business.

In some banks and insurance companies that implemented the SFE Strategy in their business, it improved sales by as much as 300% (for example, one bank operating in the Republic of Croatia). All these data show that more attention should be paid to the SFE Strategy, especially since it is rarely used in the Republic of Serbia, and the advantages of this modern management tool are little known.

When selling in the company is going uneasily, it is difficult to figure out what the real problem is, and even more difficult to remove or fix the problem. It is important to research the market, competition, sales channels, organizational structure, talent, rewards and much more. Sellers spend their working hours on the first line of business, resolving customer problems and generating revenue for the company. Their efforts have a significant impact on the company's success. But what makes a person an excellent seller? Is it simply a matter of hiring talented and capable sellers or there

are ways to help the sales team to improve their results? One of the ways of making an outstanding salesman from an average seller of products and services is the SFE Strategy.

3. SALES FORCE EFFECTIVENESS (SFE) STRATEGY

For more than a century, companies have used incentives such as commission and bonuses to motivate and manage sales people. Thus today, in the United States, about 40 bonus percents are added to employee salaries as a motivation and reward for a well-done job. However, as sales become an increasingly complex process, motivating the employees or adding a bonus to salaries is no longer a sufficient factor to improve the sales process. Primarily because this type of sales advancement can lead to undesirable effects, including an organizationally unproductive shorter focus among sellers, leading to counterproductive culture and poor company performances. There are more powerful ways to improve sales than incentives. These ways affect the sale of products and services, improve business performances, especially when products and services, as well as the market itself, are more complex, as is the case in the banking and insurance market. These sales advancing methods should help banks and insurance companies to discontinue their dependence on seller incentives and develop a balanced approach in motivating and controlling sellers by using the SFE Strategy.

The Sales Force Effectiveness (SFE) Strategy allows banks and insurance companies to develop four sales strategies that should lead to results. The SFE Strategy provides the banks and insurance companies with the following[3]:

- Coverage and structure. It allows the right people to be in the right places, enabling banks and insurance companies to fit their operation in the customer segment, with the resources being well balanced. It needs to answer the question of how to utilize the sales team's its working hours in the best way.
- Processes and skills. It needs to answer the question whether sellers have adequate responsibilities. That is, whether there is a clear plan for the development of their competences through training, which enables utilizing their full potentials.
- Motivation and incentive. Can sellers recognize good and bad performances? Are they rewarded for it, or do they have any incentive?
- Systems and tools. Are there sales systems and sales reporting systems, and are they used efficiently to track the business performances? Banks and insurance companies are generally focused on existing platforms where it is possible and avoid systemic changes, especially if these improvements are slow to introduce.

The SFE Strategy has the adequate tools at its disposal to improve performances in order to execute the strategy, advance the business and maintain a culture of accountability. The SFE Strategy focuses on the key seller values to increase revenues, as well as the input and output key performance indicators (KPI) that relate to the sales process itself.

3.1. Sales force effectiveness in banking and insurance

Today, cost optimization is not the only pressure faced by most banks and insurance companies in their operation, but in addition to increase revenue, the key objective is to ensure survival in a highly competitive global banking and insurance environment.

Banking and insurance managers divide their sales mainly to sales to private and sales to business clients. Optimizing sales efficiency refers both to existing buyers and winning new buyers, given that this is the only way to ensure sustainable growth. Keeping satisfied clients and avoiding their migration to competing banks and insurance companies is currently a very complex task for them, if they want to maintain and increase their market share.

Banks and insurance companies optimize their sales force in order to respond to market demand for their products and services. Having low numbers of employees in sales will lead to revenue and market losses in the game of competition. By contrast, too many employees in sales will lead to an increase in sales costs that may exceed the gross margin, which, on the other hand, will result in decreasing profitability. The main goal of Sales Force Effectiveness is to increase the bank's business by creating new revenues from cross-selling new products and services to existing customers and acquiring or developing new target (profitable) clients.

Banks and insurance companies that want to increase their market share should identify the exact number of sales representatives and the number of sales channels serving private and business users, instead of caring only for maintaining their current portfolios. In order to survive in the market and increase the income, new users should be added to the existing portfolio, which is the only way to create a competitive advantage in this market.

Improving the efficiency of the sales force requires of banks and insurance companies to develop a comprehensive analytical approach to:

- performance management,
- defining, profiling and segmenting the objectives,
- resource optimization,
- defining the sales zones,
- planning the sales methods,
- adjusting the objectives,
- defining incentives.

In times of changes occurring in the banking and insurance business, we identified six levels towards increasing sales efficiently, which, if properly done, can lead to an increase in value and an improvement in the market position. These levels are [3]:

1. Improving Lead Management
2. Enhancing Pipeline Management
3. The management of sales channels
4. Increasing Premium Mix Selling
5. Optimizing Sales Force Deployment
6. Optimizing Product Breadth

Improving Lead Management

Lead Management is a set of methodologies, systems and experiences designed to attract new potential clients, mainly developed through various marketing campaigns or programs. Lead Management facilitates the business connection between advertising to customers through advertising channels and the response to these actions. Advertising or contacting customers is a vital function of any bank and insurance company. Most banks and insurance companies can generate a large number of potential customers and therefore it is necessary to develop a satisfactory level of communication with the existing and potential clients in order to improve sales. Only a few sellers of products and services in banks and insurance companies achieve acceptable results, while most employees fail achieve these results.

Improving sales using the SFE strategy also requires managing the process of communication with clients in order to improve this process and increase the number of clients we communicate with. Higher number of advertisements and contacts with clients should lead to higher sales of products and services.

Figure 2 shows the improvement of the communication process by mapping the value of communication to the client itself.

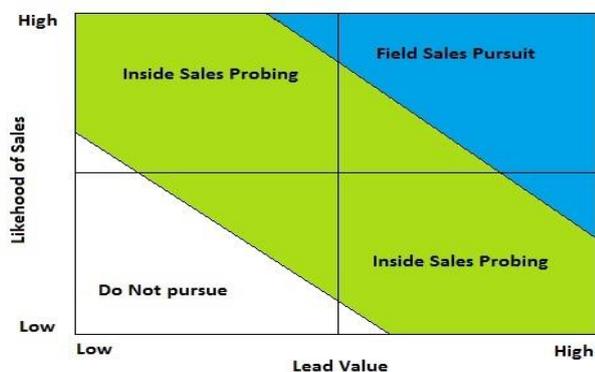


Figure 2. Presentation of an enhanced communication process by mapping the value of communication to the client itself.

The advantage of this method of contacting the clients has three dimensions:

- increase in the market targeted by the sales of products and services,
- increase in the productivity of the sales team in all markets where the banks or insurance companies operate,
- efficient search for new clients, even for those who bring lower value at the moment

Enhancing Pipeline Management

Banks and insurance companies must actively manage their potential customers through the entire sales

system, from the moment of their attraction to the very sale of a service or product. However, often happens that internal weaknesses hinder the advancement of sales, and these weaknesses are reflected in undefined competitive priorities, lack of suitable sales tools, and unbalanced system of incentives and rewards of all those involved in the sales chain. This suggest that the management of banks and insurance companies must determine the strategic imperative objectives in the sale of their products and services, ensure a sufficient number of sales staff to achieve these goals, to train them and provide them with tools that will help them to do the best they can. In order to track the success in performing the above, it is necessary to define the key performance indicators and determine the way of monitoring and measuring them.



Figure 3. Identifying key performance indicators critical to success

The management of sales channels

Coordinating the sales channel is critical to the success of any bank and insurance company. This is more important in insurance business, as many insurance companies sell their services and products through their customers or distributors, and is especially present in the sale of auto liability insurance and car insurance. In banking sales takes place exclusively in the bank itself by the bank employees [5].

This requires selecting reliable distributors and sales channels. It is especially necessary to work with agents in the sales chain because they are not employed in these companies, but they represent them in the sales market. The client sees the seller and on this basis creates an opinion on the insurance company. It is necessary for banks and insurance companies to create a list of priority clients and adjust their sales to each of them. Priorities should not be created solely based on the profits that banks and insurance companies earn from clients, but many other factors need to be involved. It is necessary to develop opportunities and systems for crediting individual clients and offering them certain discounts or other forms of stimulation.

The company needs to consider and analyze all sales channels, figuring out if it is better to do the selling through a distributor or alone. It is necessary to determine the balance in such a way as to satisfy the participants in both sales channels and at the same time to achieve the best results and minimize the consumption of resources.

Sales promotion experts propose five steps in selecting sales agents that can be applied in insurance companies:

- Identifying the goals: developing an "ideal" list of goals for new agents;
- Creating a strategy for achieving the identified goals: opting for the sales channels and analyzing the operation of competitors;
- Selecting a partner (agent);
- Defining strategic sales conditions: defining mutual business relations (rights and obligations);
- Improving sales channels and their management: developing a competitive match between agents, with adequate stimulation and rewarding.

Increasing Premium Mix Selling

The success of each sale, both in banks and insurance companies, is reflected in the ability to sell premium services and products. Today, with the multitude of banks and insurance companies operating on the Serbian market, increase in the sales of premium products and services brings a competitive advantage and makes them successful in their business. All banks in their assortment have premium packages which they specifically advertise and have a specific strategy for their sale. Similar to banks, insurance companies also have premium products and services such as, for example, premium life insurance. It is necessary to develop a sales skill where sellers, in addition to everyday products and services, will focus on premium packages as they bring more profit and are less represented. Training in sales should be conducted from the very management of banks and insurance companies down to the very sellers. Training sellers in assessing the customer needs for this type of services and products delivers great business results.

Optimizing Sales Force Deployment

The optimal use of limited resources both in the sales department and in the whole company is one of the key factors for the success of any bank and insurance company. Determining the optimal number of employees in sales and their adequate distribution in the sales process, especially during sudden changes in the market, is a set of challenging trade-offs and should answer the following questions[3].:

- Which markets are the fastest to grow, or where is the largest demand for products and services?
- Where do we have comparative advantages and where are we the strongest to dictate the terms?
- How to balance effectively on the market and keep costs within the designed boundaries?

Based on the answers to the above questions, it is necessary to define sales zones. This division by zones provides a useful framework for determining the optimal number of employees deployed in sales and their adequate distribution by markets or zones.

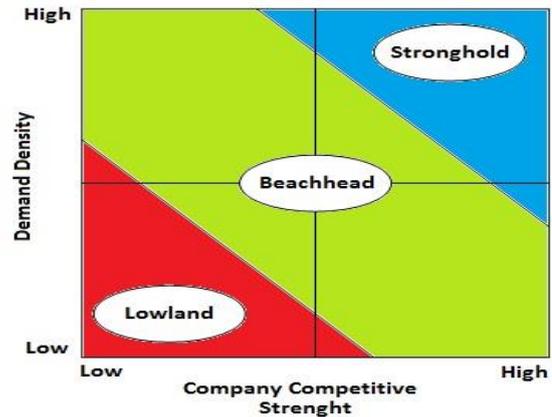


Figure 4. Deployment of sales resources and their adjustment to the needs of different market zones

Optimizing Product Breadth

Banks and insurance companies have a diverse range of products and services in their sales program and for successful operations it would be good for them to be able to efficiently and effectively sell all these products and services. However, as with other businesses and sales, there are restrictions that usually do not allow sale to take unfold in the most efficient and effective way. These limitations are:

- Having knowledge of the product or service may be beyond the need of any unique sales.
- Product characteristics can vary, which requires a lot of different sales skills and different sales processes and channels.
- Choosing an adequate sales channel. It is necessary to determine the optimal volume of sales to be entrusted to a single seller or which will be directed to one sales channel.

Some authors identified three factors that make it difficult to generate sales and three factors that indicate the need for specializing sales personnel for a specific service or product [1].

- Evaluating the leading sales organizations and markets in which they operate;
- Identifying the key drivers and barriers in multi-line sales performances;
- High quality sales organizations outweigh the benefits of integration in relation to the price of changes.

Success factors are:

- Significant Overlap in Customer Base
- Willingness and Ability of Lead Distributor to Carry Multi-Lines
- Comparable Product Line Characteristics

Factors that make efficient and effective sales difficult:

- Number of Unique Accounts Which Can Be Covered
- Administrative Overhead Takes away from Selling
- Need to Navigate Potential Channel Conflict Issues

Figure 5 shows an example of implementation of the SFE strategy for improving sales or sales force in a

bank operating in the Serbian market. Five identified areas of the SFE strategy are shown:

1. Voice of the Customer
2. Operational and Sales Efficiency
3. Performance Management
4. Mindsets & Behaviour



Figure 5. Five identified areas of the SFE strategy for improving sales in banking business

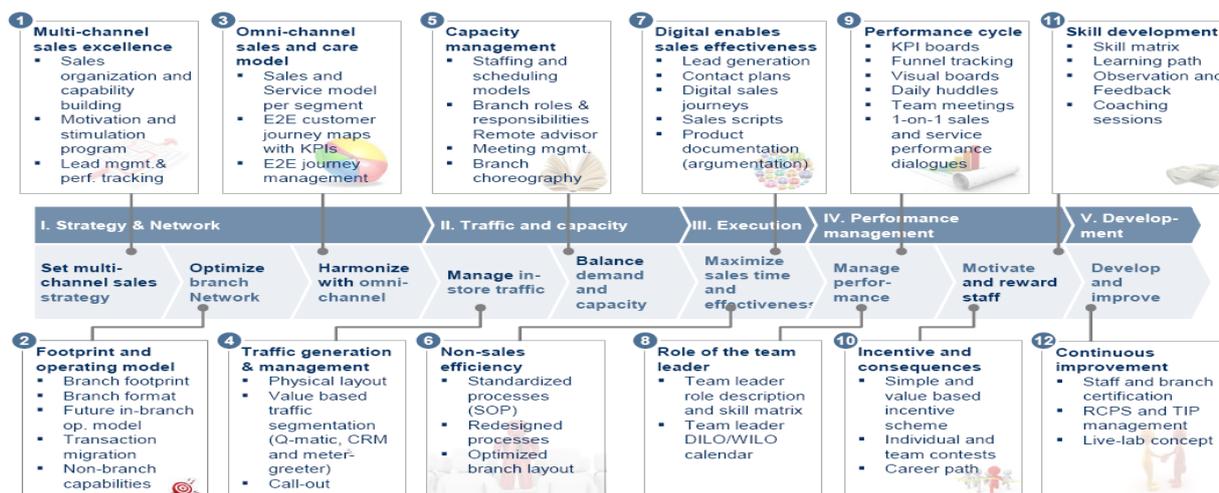


Figure 6. SFE tools used for improving sales in the banking business

4. CONCLUSION

Banks and insurance companies in the Republic of Serbia are scoring the lowest in skills of selling products and services. In a survey conducted in leading banks operating in the Serbian market, this performance proved to be the weakest. In order to improve sales and utilize all of its power, some banks and insurance companies have begun to apply modern sales improving tools such as the SFE. The aim of the SFE is to enable employees in the footwear sales to work in the most efficient and effective manner, and at the same time not to increase the consumption of resources or increase their costs. The SCF enables all sales staff to recognize the needs of their clients in the same way and recommend them adequate products and services. The goal is to train sales managers and employees in the field to approach the sales process in the same way. In order to achieve this, the SFE has certain tools and success factors that should be

5. Organization & Skills

Figure 6 shows the SFE tools used in this sales improvement process. The tools are divided in 12 groups and were applied in 5 stages of sales improvement. Similar or the same tools can also be used to improve the sales of insurance companies

implemented in the sales process. All this together will lead to notable results in sales of goods and services.

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