White Paper

Sales Performance Management challenges in the banking industry

Watson Financial Services

IBM

SalesGlobe is a leading sales innovation firm that helps Global 1000 organizations grow profitably by developing and implementing strategies to improve sales effectiveness. Using Sales Design ThinkingSM, SalesGlobe develops differentiated solutions that help clients solve their biggest sales challenges. Areas of focus include sales strategy, performance management, incentive compensation, sales organization design and deployment, sales process innovation, go-to-market, customer segmentation, and channel strategy.

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Executive summary

Sales leaders in the banking industry face unique sales performance management (SPM) challenges including increased regulation over new products and services, growing competition, and the evolving technology landscape.

Challenge One: Regulation

The market crash of 2008 commanded new banking regulations, including increased scrutiny over new products and services and third-party risk management (TPRM). These new regulations make it more difficult for banks to compete for customers, especially against innovative, swift-moving fintech companies -- organizations that use technology to support banks' financial services. (Fintechs do not have to comply with banking regulations because they are not financial institutions.) As an industry, banks are already at a disadvantage because they move slowly. Cumbersome legacy processes and systems, which cannot be avoided because of the web of internal connections, and regulation hurdles create a long sales cycle for sales professionals selling banking services and solutions. Mounting regulations make it a continuous challenge to evolve with changing technology and consumers' needs.

Additionally, because of the recent history of fraudulent credit reporting, there is much more scrutiny required to qualify each opportunity, which impacts the overall sales cycle. Regulation also makes integrating sales management tools difficult for banks. A typical CRM system, for example, is very costly and time consuming to implement because it doesn't fit the unique gating needs that have evolved. Front-line sales people must now get involved with much of the back-office functions, including new customer on-boarding processes and credit approval. These back-office functions add time and complexity to the sales process and may require new or different skills than were expected in the past.

Solution: Sales organizations must implement a stringent qualification process and automate, where possible, to avoid spending time with unqualified customers. In fact, some banks are building internal organizations to do the upfront due diligence and qualify sales leads. Other banks are building audit organizations to assist federal governing bodies in auditing their vendors at a huge expense. Then, banks can safely offer these products to their customers and safeguard against violating regulations, but the cost to implement puts them at a competitive disadvantage.

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In fact, products and services coming from these highly regulated banks can't be as competitively priced as similar products created by smaller fintech companies who can operate devoid of the same regulations.

As an alternative to these expensive protocols, banks may consider walking away from certain products and services if the customer approval process is too lengthy and rigid.

So, what is a fintech company, anyway?
Financial technology (fintech) companies provide enabling technology to deliver financial and banking services. They provide technical solutions that eliminate the need to go to a brick and mortar banking location (for example, mobile and digital banking services). Many traditional banks have not developed their own mobile or digital banking services, rather these services are provided to the bank by a fintech company. Outsourcing these services to a fintech company allows the bank to get around the unwieldly regulations, but also adds cost for the banks, cutting into already thin margins. Fintechs provide solutions for banks but also present competitive challenges.

Challenge Two: Commoditization of traditional offerings

In addition to the competitive challenges fintech companies present above, traditional bank offerings have become commoditized. Banks are continuously adopting new and emerging solutions to differentiate from their competitors.

A simple example is credit cards. In the past, credit cards were offered to allow consumers short-term lending solutions. Today, they carry reward points for consumers and a host of loyalty solutions for merchants. But these competitive solutions also come with challenges, including increased regulation, requirements for more secure cards requiring a chip and pin technology, implementing new hardware to facilitate the card transaction, and a complex sale that has to be learned, understood, and properly communicated to merchants.

> “Fintechs provide solutions for banks but also present competitive challenges.”

To get the new technology in place large banks have to rewire their legacy systems, although much of the hardware cannot be changed because of millions of existing customers already using them. While traditional banks must leverage their legacy infrastructure, fintech companies can take advantage of software as a service (SaaS) and avoid these complexities. New startups have the advantage of rapidly creating ways for companies to track and administer loyalty packages online. These fintech companies, can implement new cutting-edge products and services and have their customers (merchants, for example) up and running in a few days rather than weeks. And, their services will be less expensive.

Solution: Banks are now bundling reward and loyalty programs into a commoditized product line in order to differentiate themselves, even at a cost to margin, in order to retain and gain market share. For example, many banks offer mobile solutions as a perk because their core business has become completely commoditized. Mobile banking becomes a differentiator.

Banks must ask: What can we offer that the other companies (including fintechs) cannot? Some banks are even using these perks as a loss leader so they can compete with smaller companies. But because they cost more, banks should focus on the larger value proposition for the customer, which includes justification for why their services cost more.

About IBM Watson Financial Services

IBM works with organizations across the financial services industry to use IBM Cloud, cognitive, big data, RegTech and blockchain technology to address their business challenges. IBM Watson Financial Services merges the cognitive capabilities of Watson and the expertise of Promontory Financial Group to help risk and compliance professionals make better-informed decisions in managing risk and compliance processes.

IBM SPM solutions portfolio includes capabilities and features for customers to plan, manage, and analyze sales performance leveraging the IBM Planning Analytics (i.e. IBM PA), IBM Sales Performance Management/Incentive Compensation Management (i.e. IBM SPM/ICM), and advanced analytics. IBM customers are enabled to make informed and optimized decisions throughout the sales lifecycle by leveraging a comprehensive SPM solution.

For more information

To learn more about IBM SPM, please contact your IBM representative or visit ibm.biz/IBM_SPM

About SalesGlobe

SalesGlobe is a leading sales innovation firm that works with Fortune 1000 companies focusing on sales innovation, sales strategy, and sales performance management challenges. Contact SalesGlobe at www.SalesGlobe.com
Find us at @SalesGlobe #sales.

IBM Corporation
Route 100
Somers, NY 10589

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