Tackling the Front Office Productivity Challenge: Redesigning Sales and Customer Coverage Processes

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In an earlier *Velocity*® article[1], we discussed how firms can become "smarter" by building knowledge economies of scale, thus creating for themselves a "knowledge advantage." In this article, we provide a roadmap that will enable firms to become more efficient as they deliver that knowledge advantage to their clients. In our view, the future belongs to firms that build both knowledge efficiencies and process efficiencies that continually reinforce smarter and more productive behavior across their organizations.

In our work with our clients, we find that senior corporate decision makers are increasingly confronting four critical questions:

- How do I evaluate the coverage of my most important, or strategic, customers?

- Do I have the right sales model and the right sales processes for servicing these customers?

- How do I improve the return on the investment I have made in my sales teams?

- How do I build an efficient, scalable sales organization?

In our experience, the answers to these questions will determine a firm's success or failure with its most important clients.

Since 1995, long term productivity growth of the U.S. economy has doubled to almost 3% per annum, a level not seen since the 1960s. However, when one carefully examines the components of this productivity growth, several puzzling patterns emerge.

- **"Back Office"** productivity improvements have resulted in sustained growth in the efficiency of corporate processing and manufacturing functions. This growth has exceeded 2.5% annually since the early 1980s and has occurred as a consequence of most "old economy" industries restructuring themselves in response to global competition and aggressive demands by shareholders for higher returns on equity.

- **"Middle Office"** productivity gains have begun to accelerate over the past few years in response to the rapid digitization of clerical jobs, the emergence of shared services and greater reliance on outsourcing.

- However the **"Front Office,"** which has driven the rapid growth of many high value professional jobs over the past decade, has seen little if any productivity growth in many of the industries we have studied or for which we have consulted. In fact, the higher the value and complexity of the customer interface, the greater the Front Office productivity problem. In our own research into several high value investment banks, we found that productivity (defined as constant dollar revenue per employee) declined by an average of 1.8% per annum between 1996 and 2002. While the data are less reliable, we believe that these trends have been in existence since 1990 within these firms. We've see similar patterns of Front Office productivity declines in a number of companies that have complex high value sales and customer coverage functions. Our clients tell us that continuing margin pressure makes confronting this Front Office productivity challenge an immediate strategic concern. This will require companies to rethink their customer coverage and sales models in a fundamental way.

Why do we Have a Front Office Productivity Problem?

Economists might well argue that the absence of global competition for Front Office jobs might be the prime driver of poor productivity. However, our research suggests that there are five main factors that drive the Front Office productivity crisis:

1. Increasing complexity of the sales and customer coverage model. As companies have merged, they have relied increasingly on cross selling more products through the same sales force in order to achieve distribution economies of scale. In fact, cross selling

> ## Economists might argue that the absence of global competition for Front Office jobs might be the prime driver of poor productivity.

and becoming a full service provider of complete product families to existing customers is one of the main strategic justifications for large corporate mergers. The rapidly escalating number of customer contact points – across multiple geographies, multiple products and multiple levels of the customer organization – has increased the costs and complexity of coordination for the overall selling effort. As a practical example, a typical global company may have as many as 20 to 30 contact points with each of its most important banks in the front office area alone. This means that a global corporation may have to deal with 100-150 first tier bankers, each of whom is trying to sell them something!

2. The increasing complexity of both pre- and post-sale activities. With companies increasingly looking at the lifetime value of the customer, the need for zero defect post-sales customer service as a differentiating selling point becomes a substantial addition to the cost of sales. At the same time, the rising level of advisory work and the imperative

to sell custom tailored solutions have increased the length of the sales cycle and resulted in substantially higher pre-sale and customer acquisition costs.

3. The need for greater client and product specialization has resulted in the movement away from Generalist sales forces towards Specialist sales forces. This trend towards increased sales specialization mirrors what we see in all knowledge based activities, from medicine to accounting. Selling to specialists within the customer organization requires greater specialization in the sales force. In turn, this greater specialization in the sales force requires greater efforts by the entire sales organization to build the holistic view of the client that is essential for selling value added solutions. Developing advisory solutions across dispersed specialist sales organizations further raises the costs and complexity of the customer coverage / sales function and often results in duplication between sales forces. While specialization gives the sales force a temporary knowledge advantage over the customer, our own consulting experience suggests higher coordination costs and increasing customer sophistication soon result in diminishing returns from further sales specialization. The difficulty in this arena is aggravated by the fact that more highly specialized sales forces are necessary when it comes to truly complex customer wallets and requirements.

4. Process improvement in the Front Office has lagged what has been accomplished in the Middle and Back Offices. While the manufacturing and Middle Office parts of most enterprises have developed considerable process improvement disciplines over the past two decades through the application of Six Sigma type process improvements across a broad range of functions, there has been far less focus

on process improvement in the Front Office. When such improvements have been attempted, the results have been uneven. The sales function has focused on improving the quality and skill level of the individual sales person, while insufficient attention and resources have been devoted to understanding and simplifying the underlying enterprise-wide sales processes. Few companies have considered the sales and customer coverage functions as a series of interrelated processes that can be redesigned to deliver consistent, scalable performance across the enterprise. In fact, there are many examples of situations where Back Office process efficiencies have resulted in more work and lower productivity for the Front Office!

5. When compared to the Back Office investment in processing technology, the level of technology investment dedicated to improving Front Office productivity has been minimal, and usually more fragmented. There have been numerous articles written on the disappointing returns of the first generation of CRM systems. These failures usually resulted from technology that did not fundamentally alter the underlying sales processes, that had low user uptake and that did not deliver against frequently inflated and unrealistic expectations. The "old" CRM technology had low user uptake because it was not designed with the customer in mind, required excessive "inputs" by already overworked sales professionals and delivered metrics that measured the past rather than improved the customer's experience. The "new" CRM technology must be simple to use, provide an easy way to share insights and ideas as well as generate metrics that are directly tied to customer satisfaction.

While an increasing number of companies have finally decided to address the issue of sales and front office productivity, in our experience these companies typically make some fundamental errors. Usually, they have adopted magic bullet, "one size fits all" solutions. These solutions fail fully to

recognize the complex interrelationships that exist among the customer strategy of the company, the company's core customer coverage processes, the skill sets required of the people who are actually implementing the coverage processes and the underlying technology that supports and connects these workflows and processes.

A Framework to Address the Front Office Productivity Challenge

The effort to change the productivity paradigm in the Front Office is likely to follow a learning curve similar to what U.S. corporations experienced when they launched their drive to improve manufacturing efficiency during the 1980s. Over a 10 to 15 year period, U.S. manufacturing employed a broad range of tools, techniques and organizational frameworks to improve productivity. As examples, they reduced the parts and components in a product to make it easier to assemble, they implemented computer aided design, they improved supply chain management, they introduced Six Sigma tools for "end to end" design of the manufacturing processes, they adopted "just in time" manufacturing and inventory management and they made heavy investments in ERP technology on the assembly floor. These initially separate initiatives eventually had a cumulative impact on the productivity growth of large manufacturing organizations. Each of these organizations had to develop its own, unique path to higher productivity depending on its product mix, its competitive positioning and its particular type of manufacturing facilities.

Our experience suggests that companies are now taking a similarly disjointed approach to Front Office sales productivity.

"Over the past few years we have had a number of separate initiatives: We have implemented a CRM system—in fact several of them in different parts of the bank; we have developed a state of the art account profitability model; we have redone our entire credit approval process; we have linked up our relationship managers to our multiple product silos so that we now have a 360

degree view of the client's business with our ban, and we have implemented a new customer service technology platform that allows for efficient customer inquiry resolution. Each of the product and geographic silos has done its own analysis and taken its own actions. All of these initiatives do not complement each other and we probably get an overall result that is sub-optimal. We have now reached the point where we need to step back and develop a new understanding of the linkages and a common plan of action. This is very difficult to do because we have so many different, independent-minded units, and each unit has a different definition of the overall process."

Head of Corporate Banking
Major Regional Bank

It is evident that improving Front Office productivity requires companies to have a very clear "end to end" road map of workflow for the entire customer coverage cycle. However, it is also critical that companies not adopt a "big bang" approach to fixing the productivity challenge. Rather, companies need to

Figure 1. A Framework for Driving Front Office Productivity in Sales

1. Building the Customer Profitability Model: What drives customer profitability?
Validated Customer Strategy / Segments

2. Defining Customer Coverage Quality: How do customers define high quality of coverage?

3. Defining the High Quality Customer Coverage Team: Roles and Metrics

4. Selecting Core Processes that Drive Customer Coverage and Customer Profitability

Customer Contact Processes
- Customer planning
- Customer calling and reporting
- Idea generation / client insight
- Idea pipeline
- Client understanding tools

Sales Efficiency Processes
- Documentation
- Pricing processes
- Client presentation tools
- Management reporting
- Customer inquiries and services
- Product and account information

Institutional Relationship Processes
- Senior relationship management
- Aggregation and distribution of best practices, insights
- Sales / enterprise wide pipelines

Institutional Resource Allocation Processes
- MIS / Customer Profitability
- Reporting
- Web access for customers

5. Defining and implementing the key high leverage customer processes through training, technology and metrics.

understand the connections among their customer coverage processes and then address selected processes in smaller, more manageable projects that are linked together. Companies need to simplify and modularize staff activities in order to make them repetitive, quantifiable and measurable. In order for this to occur, the issues of Front Office and client coverage productivity need to be on the agenda of senior management, as this is the only practical way in which a company can effectively link the many silo-specific initiatives together. As a result, companies will be able to build a set of processes that are truly scaleable across the entire organization and across multiple clients.

We believe that there are five discrete stages to developing an enterprise-wide plan to improve front office sales productivity (see Figure 1 on page 35).

1. Building the Customer Profitability Model. This is the development of a customer strategy that accurately models the type of relationship that the company wants to have with its customers. The ultimate goal is to have a customer profitability model for each customer segment that defines the value proposition for that customer type and that defines the drivers of customer profitability.

2. Defining Customer Coverage Quality. This entails developing a clear view of the factors that describe high quality of customer coverage. It also entails engaging customers in a discussion of how they want to be served. Given the constraints of the customer profitability model, these activities provide the basis for defining the coverage processes of the sales organization. Our experience suggests that higher levels of coverage quality in product delivery drive improved sales productivity, just as higher levels of product quality drive higher productivity levels in manufacturing. Delivering lower quality of customer coverage,

i.e., delivering services for which the customer does not want to pay, is the primarily cause of poor sales productivity. Our research suggests that while most manufacturing processes operate at Four or Five Sigma levels and while auditors or surgeons operate at Three or Four Sigma, most sales / customer coverage processes operate at One Sigma or less

COMPANIES ARE NOW TAKING A DISJOINTED APPROACH TO FRONT OFFICE SALES PRODUCTIVITY.

(i.e., 70% of their effort does not directly translate into revenue). The costs of low quality processes in sales are therefore immense. High quality of customer coverage is defined as having maximum customer impact with minimal resource deployment.

3. Defining the High Quality Customer Coverage Team. The quality of coverage as defined by the customer allows the development of a customer coverage model which systematically answers these questions: Who should be on the sales team? How should their roles be structured in order to deliver high quality coverage? How should the contributions of team members be measured and evaluated? As organizations have gown larger, their sales teams have grown in

size to such an extent that team members often have only loose accountability for the ultimate quality of coverage that is delivered to the customer. In many cases, the individual members of the sales teams could all be doing an adequate job but their overall results could well be sub-optimal. Many of our clients are confronted with a situation where they have "A" level sales people who deliver "B" level quality of coverage. Success here requires simplifying the coverage model; making individual roles clearer; defining the contribution that each team member makes to the overall quality of customer coverage; eliminating duplication; and focusing the team on delivering maximum customer impact with minimal resource deployment.

4. Selecting the Core Processes that drive Customer Coverage and Customer Profitability. In our experience the many processes that drive coverage quality fall into four generic categories:

a. *Customer Contact Processes:* those processes that improve the individual sales person's customer relationships, contacts and interactions.

b. *Sales Efficiency Processes:* those processes that allow the coverage professional to be more efficient in the utilization of his / her time.

c. *Institutional Relationship processes:* those processes that drive higher quality of coverage across the entire enterprise; across more products, more geographies and more customers in a scalable way.

d. *Institutional Resource Allocation Processes:* those processes that drive a shared sales and customer coverage infrastructure across the enterprise, so that data is reliable and resource allocation is based on valid information and analytics.

Each company needs to focus on the processes that are likely to have the greatest impact on quality of coverage

and customer profitability given its customer strategy.

5. Defining and Implementing the Key, High Leverage Customer Processes. The challenge for achieving meaningful impact on sales productivity is to systematically adopt a discipline of sales process improvement across the organization. In our consulting practice, we use the DMAIC methodology from Six Sigma: Define, Measure, Analyze, Improve and Control. While Six

MOST SALES / CUSTOMER COVERAGE PROCESSES OPERATE AT ONE SIGMA OR LESS.

Sigma has had proven success in "hard" processes, i.e., with physical processes, or with well-defined supporting activities like billing, DMAIC has not yet established the same credibility with "soft" processes like generating ideas and insight for clients, managing client calling or managing a deal pipeline. Our experience suggests that DMAIC can easily be adapted for the "soft" processes and could lift most sales organizations

from One Sigma to Two Sigma quality levels with exponential growth in productivity levels. The ultimate goal is to go from Best Practice to Common Practice, i.e., to turn the best practices of the most successful practitioners into common practices that are employed by everyone!

Implementing a Five Step Program to Increase Front Office Sales Productivity

1. The Customer Profitability Model. The first step in any effort to enhance Front Office sales productivity is to define the customer strategy in concrete terms. The more precise and operational one can be in translating the customer strategy into a practical model of customer profitability that can be widely utilized by sales professionals, the greater the likelihood of success in delivering higher productivity.

"We have looked at our securities distribution business and segmented our clients into two groups – a) those that value our research and b) those that value our trading and market making capability more highly than our research. This has had major implications for how we cover our clients and for what sorts of activities contribute to our getting higher returns on our strategic customers. Clearly, we need to ensure that our very best research ideas are given to the first segment of clients and that these ideas drive our getting compensated. We need to minimize the trading costs in this segment and ensure that our trading resources are allocated to the second group where capital commitment and market coverage will be critical drivers of profitability. Without

a very specific understanding of the drivers of profitability, our sales people and traders had a tendency to provide all clients with a complete set of services. This 'over coverage' of clients produced both lower margins and also a lack of focus. We were always in the Top Five, but we were rarely the Number One securities firm with these clients because we did not 'over cover' them where it counted—on the key driver of what was important to them and to our profitability. We are now deeper in a few areas and leaner everywhere else. We have simplified our customer coverage strategies and coverage teams, and we have clarified our success metrics for the sales professionals."

Head of Distribution
Major Investment Bank

"Our ongoing annuity consulting business within large companies provides us with an excellent platform to expand the number of buyers within the clients with which we deal. Our core consulting service can be purchased by several departments, notably the HR people. We need to move beyond them to the Finance and Operations departments. In order for this relationship expansion to happen, we need to invest strategically in the client relationships; i.e., the Lead Relationship Partner needs to spend some unbilled time on broadening the relationship. Our profit metrics had to be changed to reflect this 'investment.' This has been very difficult to do because it is in effect a 'subsidy' provided by one line of business to the other. Without making this investment in growth, we will essentially have a very profitable but stagnant business."

Senior Partner
Consulting Firm

A robust customer profitability model allows sales professionals to allocate their time and resources strategically. The challenge is to train all sales people to apply this discipline to both their sales team and their customers in a consistent manner. An effective profitability model will be client-centric and forward-looking. The "old version" of these models measured the lagging indicator of whether a firm made money in the past; the "new version" will also measure what ideas the firm delivered to the client and whether those ideas worked for the client in a meaningful way.

STRATEGIC CUSTOMERS ARE QUITE PREPARED TO SPEND TIME DEFINING HOW THEY WOULD LIKE TO BE COVERED.

2. The Critical Drivers of Quality of Customer Coverage. For many sales managers, the concept of asking your customers how they would like to be covered might seem to be an unusual idea. However, we have found that strategic customers are quite prepared to spend considerable amounts of quality time with their core suppliers in defining how they would like to be covered. Of course, this must be balanced with the limitations of the customer profitability model so that the resource implications of a customer designed coverage model are appreciated.

"We spent a month visiting 100 customers out of our total customer base of over 10,000. We found that about 12% of our customers had complex, specialized needs, while the others actually preferred a simple but reliable product from a relationship manager they had known for some time. We were quite surprised by a number of things our customers told us:

- *On credit and lending, our customers told us the primary value proposition from their point of view was dependability. They wanted to know how much credit they could count on the bank to deliver, how that decision was made, who made that decision and when they would be told about it. This was counterintuitive,*

because we had always thought that what our customers wanted was for us to lend a lot at low spreads. In fact, 'low spreads' was only one of the factors on their minds, and it was well down the list. Our loan approval process was highly variable; it could take any where from two days to several weeks to get a loan approval, and our communication with the customer about what was going on lacked any degree of specificity. We have subsequently redesigned our processes around these drivers of customer quality.

- *Our complex clients said they valued three specific things:*

  - *Quality of ideas / insights into how the bank could help them grow their business.*

  - *Timeliness and appropriateness of the solutions delivered. The customer wanted the solutions to be built around their needs rather than around the banks own priorities.*

  - *Servicing of the business in a way that allowed the customer full access to his / her information and that provided prompt responses to inquiries.*

The specificity and consistency of the customer response surprised us. Our relationship managers have historically been rewarded for growing the

loan book and then cross selling other products, not for coming up with customer driven ideas. In fact, we did not even have a consistent process for developing customer driven ideas. A few relationship managers were very good at idea generation, but most were mediocre. We have redesigned our customer coverage processes around these drivers of customer quality and have noticed a dramatic shift in both our customer relationships and our staff productivity levels."

Head of Corporate Banking
Major Regional Bank

3. Defining the Customer Coverage Model. Many of our clients engage in lengthy and sterile debates on the coverage model for their large clients. They readily acknowledge that the proliferation of specialist sales forces has created duplication of roles as well as confusion both about who "owns" the client relationship and about how to measure the contributions of various members of the team. The outcome of defining customer quality standards is that one can have an objective discussion on exactly how the coverage is perceived by the client and how the team should be structured for delivering high quality coverage.

"Our bank has invested hundreds of millions of dollars in world class product capability. In the 1980s we used to have one generalist banker who was able to meet most of the needs of the client. Because we were ahead of our competitors in creating the product specialist role, we gained market share. By the end of the 1980s it was clear that we had created too many product specialists, none of whom met the client's entire needs. The product sales people had gotten into 'relationship management,' because they now had established revenue on all of our large clients. In addition to this, we had a customer service department, which was plugged into our operations department. We therefore had a three-level Sales organization: an overall relationship manager, a product sales and product relationship manager and a customer service manager who actually interacted with the client daily. After looking at the customer view of high quality coverage, we expanded the role of the customer service person to include the account maintenance activities as well as the normal cross selling of standard banking products. The relationship manager was focused

on idea generation and on playing the advisory role for major client financial decisions. The product sales people were combined into broader platforms to develop multi-product solutions. In total, this will likely reduce headcount by 25% and improve productivity levels by 50% over the next two years."

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Head of Corporate Banking
Major Regional Bank

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4. Specifying the High Leverage Customer Processes. Each business needs to identify and select the set of highest leverage customer processes that drive both customer coverage quality and customer profitability. A "Share of Mind" advisory business will have a different set of core customer processes than a "Share of Wallet," commoditized product set. A business that sells to large global customers will obviously have different core processes than one that sells to middle market corporations.

"For our Corporate banking business, we have selected eight core processes that we believe will be essential to establishing a clear market leadership position for our client-facing people.

- *The idea pipeline process*

- *The customer calling / presentation preparation process*

- *The customer planning process*

- *The solution development process*

- *Managing the credit approval process*

- *The customer and account maintenance service processes*

- *The deal pipeline management process*

- *The customer profitably process*

We found that these 'modules' allow the average customer coverage person to achieve tremendous productivity gains. Each person executed each of these processes in their own way. We have found that standardizing these work processes allows us to make 'Best Practice a Common Practice.' The downfall of our expensive CRM system is that it tends to do all of these processes with one single

application. What we have found is that each of these processes embodies a specific workflow, and requires a tailored technology application, unlikely to be found in a general purpose CRM application."

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Head of Corporate Banking
Regional Bank

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"Our business economics are all about targeting customers who are going through a transition in their business model. We need to be calling

on CFOs well before they actually make the strategic decisions associated with that transition. Once they decide to act, it is probably too late for us to get a major assignment. Our core customer coverage processes are:

- *Using our **industry frameworks** consistently to identify client issues. This allows us to target the right customers on the right issues based on our large database and on our experience base.*

- The **senior relationship calling process** to ensure that the firm's senior Partners make targeted calls with a well developed viewpoint on the issues facing the client.

- The process that ensures the **knowledge aggregation** of our previous assignments.

- The process that delivers linkage between external and internal databases.

In the past we operated like a series of consulting boutiques that developed bespoke solutions that were not replicated. We need to be a scalable idea and solution generation machine in order to sell effectively."

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Partner
"Share of Mind" consulting firm

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5. Defining and Implementing a Core Customer Process. The critical success factor in realizing customer coverage productivity gains is the systematic implementation of core coverage processes. The implementation of these processes is driven by several considerations:

- Most companies do not have established sales / coverage processes across the organization. Each sales person and each sales unit tends to do "his / her own thing."

- Therefore, there is no need to spend a great deal of time analyzing the "As Is" condition. The design team can move directly to creating the "To Be" process. Each process needs to have a specified workflow that delivers a high quality of coverage as defined by the customer.

- The coverage processes need to be supported by the use of tools that are simple, powerful and scalable. The use of tools allows the aggregation of experience across the entire organization in such a way that creates further insights.

IMPROVING FRONT OFFICE PRODUCTIVITY REPRESENTS THE NEXT FRONTIER IN ACHIEVING HIGHER RETURNS.

increies the productivity of all knowledge businesses like ours."

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Head of Corporate Banking
Major Regional Bank

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Conclusion

The potential to improve Front Office productivity represents the next frontier for many companies as they struggle to achieve higher returns. We believe that senior managers need to take ownership for thinking of the sales function not as being composed of individual sales people but rather as a series of interrelated sales and customer coverage processes. These coverage processes should aim to deliver the highest impact on customer decision making relative to the purchase of the company's products. In order to do this, we need to build all of these processes around drivers of customer profitability and customer coverage quality.

The combination of Knowledge Economies and Process Efficiencies will allow organizations ultimately to create a powerful vehicle for the delivery of its services to its most valued clients. The result will be the evolution of a truly scalable competitive advantage at the point of the client—an advantage that uses technology to increase dramatically the quality, speed and efficiency of the firm's most critical, client-facing activities.

[1]*Capturing the Wallet of the Future: Transforming Your Sales Force to Grow Customer Wallets, Dr. Peter F. Mathias,* Velocity® Q1 2005

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- The coverage processes need to be linked to reliable, trackable metrics that allow the process to be managed and controlled.

- Each of these coverage processes needs to have its workflow embedded into technology that is flexible, easy to use and part of the day-to-day experience of the sales person.

- The greatest test of implementation is the training of the sales force to use the tools and manage the metrics of each of these processes so that there is 100% user uptake. Enterprise selling requires as close to 100% user uptake as possible if we are to get complete enterprise wide leverage.

"The coverage process we chose to implement first was our new client strategy development process. We used to have a wallet sizing and account planning process, about which our bankers complained. The account plan focused on the number of products that we could cross sell. Account objectives emphasized introducing new product specialists to the client. In our new process we reversed the order. We now force the relationship managers to ask the client to describe the company's financial objectives. We then trace these objectives back to specific ideas that we are going to present to the client. After that, we force the banker to think about what ideas have been presented to other similar clients with similar financial objectives. These ideas and the following client discussions lead to more deals than we could have gotten by just introducing more specialists. These client driven strategies provide a focus to coverage activity and increase the 'hit rate' because we concentrate on the drivers of client decisions, rather than on our priorities. We have embedded this thought process and workflow into a very simple template that is part of our CRM system. In some ways I see this as a type of 'expert system' that doctors use to help them think through the diagnoses of their patients. It forces everyone to think systematically about clients across the entire sales force. It is effectively Six Sigma for mental processes, which are key to