

How will your bank get loans to Main Street in 2009? (January 16, 2009)

Despite what Washington says, regulators won't give you a green light. Here's how to build business in a tough, competitive market

By John M. Trice, "boomer" and market president, Frost National Bank, Corpus Christi, Tex.

The author, recently retired from Frost Bank as a market president, remains an advisory director to the San Antonio-based bank. He became a Frost director at age 33 when he was the owner of a retail chain. Later, as a bank employee for more than 18 years, Trice developed expertise in strategic planning, sales management, marketing, and commercial lending. He retired in 2008 to surf more, but says that hasn't gone according to plan. He bought a 13-unit condo project in distress on Padre Island and that is now his "ongoing challenge."

The mantra repeated over and over in Washington these days is all about banks making credit available to "Main Street." Perhaps this is just political rhetoric, or an obvious justification of the TARP program to the taxpayers on Main Street, but banks in 2009 will hear this theme repeated by politicians and TARP proponents as they seek to provide a pipeline of credit to Main Street businesses. Whether your bank has received TARP money or not, the public is being led to believe that your bank should do whatever possible to fulfill this national mandate.

As a survivor of the Texas banking collapse some two decades ago, I can tell you with great deal of authority that bank regulators will not be in lockstep with policymakers with regards to extending an abundance of credit under some nationally mandated quota. In fact, 2009 will see the regulatory pendulum swing markedly to the right as regulators tighten a system that has become too loose for their comfort. Looming large in the minds of regulators is how a further weakening of the economy will affect existing loans on the balance sheets of banks; loans made within the context of competitive exuberance without being fully stress tested for a protracted downward spiral. Like Diogenes, regulators will strongly encourage bankers to find one creditworthy borrower at a time, using a regulatory mantra of their own as the ensuing months unfold.

So, how will your bank grow loans this year in light of a more conservative regulatory environment and a declining economy? And, what about making credit available to those businesses on Main Street who need access to loan products in 2009? How will your bank get in front of those creditworthy borrowers who will be at the top of every banker's prospect list?

Selling strategically

What we learned in Texas some two decades ago is that the only way to grow your loan portfolio in times of economic uncertainty and regulatory contraction is to adopt a strategic selling process. Strategic selling is a sales process that narrows your sales focus to a predetermined client and prospect profile. Strategic selling provides clear direction for your sales forces, maximizing a lender's time, improving success and ultimately reducing risk. Strategic selling identifies your sales objective, defines a plan for that objective, and then mandates execution of the plan with the appropriate level of coaching and monitoring.

Sales Management guru Buck Bierly tells bankers using his highly innovative sales platform to simply

“identify,” “plan,” and “execute.” This prime example of strategic selling instructs bankers to identify their best clients and then look for similar prospects. Once this is done, the banker then builds a sales plan to retain key clients and acquire new prospects based on a series of actionable goals that includes face-to-face sales calls, a unique value proposition, and creative touch points to increase awareness of your bank. To get over the goal line, Bankers must “relentlessly” execute on each sales plan. Bierly advocates that sales managers/coaches and their lending staff agree on the composition of these sales plans and modify them as activities and markets change. Following these basic fundamentals will provide better direction and focus for the lending staff, resulting in a much improved—and less risk-prone—success rate for growing the bank’s book of business.

If there is one thing that most bankers can relate to it is structure. In a strategic selling process, most bankers I have worked with have thrived under the “road map” type direction that a sales process such as this layers over the sales force. Give a group of bankers a list of names to call on and they will either alphabetize or number the list before putting them in their desk drawer as panic sets in. Give them the same names and a set of disciplines that are packaged in a process that makes sense, they will then get busy building a structure that appeals to their left brain mode of thinking.

Don’t cold call when times are tough

In a strategic selling process there is very little room for making cold calls on prospective clients. Cold calls are basically a waste of time and often lead to a higher level of risk if the prospect is not stringently prequalified. On average, it takes 12-18 impressions to convert a prospect through random cold calling. Spaced at a minimum of sixty days apart, this computes to far too much time to devote to a questionable endeavor that may or may not be successful. Viewed in the context of tough economic times, cold calling to grow your loans is basically gambling with your workforce and capital resources.

In his book *Never Cold Call Again*, bestselling author Frank J. Rumbauskas tells us that making a cold call puts a lender at an unfair disadvantage to the prospect. Rumbauskas says that in a cold call, the prospect has all the power and control as they have no emotional bond to the process. The trick to building this emotional bond is to find a connection to the prospect through a mutual third party. In a strategic selling process, this is known as “warming up the call.”

Both Rumbauskas and Bierly advocate asking a current client or mutual acquaintance to pave the way into the prospect’s office. This creates an emotional bond with the prospect and makes the calling effort more balanced in relation to power and control. Bankers must learn to create warm referrals through current clients, centers of influence, civic relationships, and non-competitive bank clients who may be located in the same geographic area such as an office tower or industrial park.

To really be successful in this effort, Bierly tells bankers to keep their prospect list with them at all times and show the list to friends and business acquaintances. It will amaze you how many people will help you into a client’s office if they know who is on your list. I was in a room full of bankers several years ago when he suggested this and you would have thought he had committed blasphemy from their shocked response. A few years later, many of these same bankers were carrying their prospect list with them at all times and having great success in getting warm referrals from friends and business associates.

Validate your prospect list

A targeted strategic selling process mandates that before bankers make any calls on prospects, the banker must do extensive research on the prospective client and prepare a detailed plan of engagement. As mentioned, take a good look

at the characteristics of your top clients and use that as a benchmark to gauge the quality of any prospect on your list. It is critical that you identify as many known facts about the prospect that you can prior to developing an acquisition plan. Make sure you visit the prospect's website, check public sales data, or subscribe to services like ZAP Data or Dun & Bradstreet that will give you valuable information about the prospect such as gross sales, number of employees, corporate officers, and payment index.

Sales managers/coaches must take the lead in validating the names on a banker's prospect list. Quite often names will appear on the list that become "filler" to meet a predetermined quota. Both the banker and their manager should agree on the integrity of the prospect list before any calls are made and plans developed. Time is precious in a weak economy and all prospect calls must be targeted and prequalified for maximum success.

After both the banker and the manager sign off on a prospect list, the banker must be given reasonable windows of time to make progress on a given prospect. Managers must regularly debrief the process, encouraging even the smallest of success. Managers must likewise help the banker understand when they should abandon a given prospect if no meaningful progress is made.

Protecting what is yours!

In times of economic adversity and regulatory contraction, bankers should understand that their best clients are at the top of every bank's prospect list. In times such as these, marginal prospects are cast aside and those perennial community mainstays are where most every banker turns their prospecting efforts. This poaching of top clients will become more pronounced as the new Administration in Washington hammers home the need to lend TARP money.

Key to any strategic selling effort is to build and then execute on a plan that will retain and grow your top client base. A good plan addresses deepening the relationship with your top clients and should include a goal to sell a wide variety of bank products as well as loans. If your bank is like most, only 25% of every new loan booked will result in actual loan growth given the amortization and pay downs of your portfolio. The loss of a top client to another bank just makes this metric more difficult and pronounced.

Sales meetings should be safe

As a long-time sales manager, I strongly believe in getting the calling staff together in a regular sales meeting to share information and learn from one another. Regular sales meetings are vital to any strategic selling process as it provides not only an educational experience for participants, but a level of accountability and subtle peer pressure.

I also strongly believe that these meetings should be a "safe" environment where bankers feel secure enough in their skin to be honest and open when among their peers. Sales and Senior Managers must be careful not to critique or blindside staff members in these meetings or you risk sabotaging the whole process. Most bankers are average performers when it comes to their sales abilities and will shut down if they feel unsafe or threatened in your weekly sales meetings. If you must critique a banker do it in one-on-one coaching sessions and in a constructive manner. Regardless of how good your strategic selling process is, it will never work if your bankers feel queasy in your weekly sales meetings.

Regardless of what the national mantra is for 2009, to be successful in the coming year, and to do your part in providing a pipeline of credit to Main Street, your Bank's mantra should incorporate the principals of a disciplined strategic selling process, which should begin with the time tested fundamentals of identify, plan, and execute. BJ

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