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Virtual Prospecting: An Opportunity for Scale

Financial Services Business Leader
Research Team

Financial services business unit executives responsible for commercial banking and wealth management want their teams to be more proactive when selling to new clients virtually. To achieve this, they should further centralize lead generation to allow more time for advice.

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Overview

For many years, both commercial banking and wealth management business lines have relied on in-person interactions to build prospect pipelines and relationships with new clients. In the face of widespread restrictions to face-to-face meetings in 2020, relationship managers (RMs) and advisors have attempted to replicate the selling cycle in virtual settings. However, this approach will likely not be enough to rebuild the sales pipeline. Leaders should see this as an opportunity to further centralize prospecting efforts to allow the frontline to spend more time on higher-value activities, such as advice.

Key findings

- RMs and advisors spend their time in an inefficient way when it comes to prospecting. Approximately 64% of new clients are generated by the top quartile of the frontline; however, this group does not spend more time prospecting (13% to 21% of their time).
- Businesses and high-net-worth individuals who receive strong advice from their providers are more likely to engage in revenue-positive behavior, especially if they receive the advice after an unexpected financial event.
- Marketing departments at banks and wealth management firms are uniquely positioned to connect with prospects. Buyers now spend about 40% of their time doing independent research online early in the sales cycle.

Recommendations

Financial services business unit executives responsible for commercial banking and wealth management who are prioritizing a go-to-market strategy and execution aimed at growth should:

- Work more closely with their marketing department to centralize the process of generating new sales leads, taking away some of the burden from the frontline.
- Reduce the amount of time their frontlines spend sourcing prospects and vetting relationships. Instead, RMs and advisors should spend more time delivering advice to prospects at a later point in the sales cycle.
- Build trust between the frontline and the marketing function for this approach to be effective. Embedding a marketing representative among frontline staff has proven successful.

COVID-19 Has Disrupted the Sales Cycle

The COVID-19 crisis has severely affected the sales cycle in commercial banking and wealth management. In the past, RMs and advisors relied heavily on face-to-face interactions to source referrals, prospect and build relationships with new clients. All these activities will remain heavily restricted in the midterm, and many elements of the sale cycle will need to transition to digital channels. This comes at a time when clients' attitudes toward engaging with digital platforms have also rapidly advanced in response to the pandemic. Leaders should, thus, recognize these changes as an opportunity for efficiency and renovation in client growth and sales.

In the early months of the COVID-19 pandemic, proactive selling all but vanished. RMs and advisors spent most of their time helping customers navigate uncertainty, while frontline staff also struggled to adapt to the new reality of videoconferencing and a less-defined work-life balance. Customer acquisition temporarily became a much lower priority to both leadership and staff in the financial services industry.

Now, as uncertainty gradually gives way to a new normal, banks and wealth management firms are seeking to take a more proactive approach to selling. Yet, leaders are struggling to identify which parts of the sales cycle need to change for this to be possible in a digital environment. Some have tried to minimize the disruption to their sales approach by setting up virtual events that seek to replicate live events. RMs and advisors attend virtual happy hours, roundtables and even catered dinners to build rapport and trust with prospects, just as they would have done in the pre-COVID-19 world. Nonetheless, this approach hasn't been as effective as some leaders would have wanted, forcing them to search for other ways to grow their business. This piece addresses this gap by exploring how the frontline spends their time and what customers value at a time of crisis. We conclude that strengthening the partnership with marketing to source new leads is an opportunity to boost growth that leverages existing resources.

Renewing Prospecting: Freeing Time for Advice

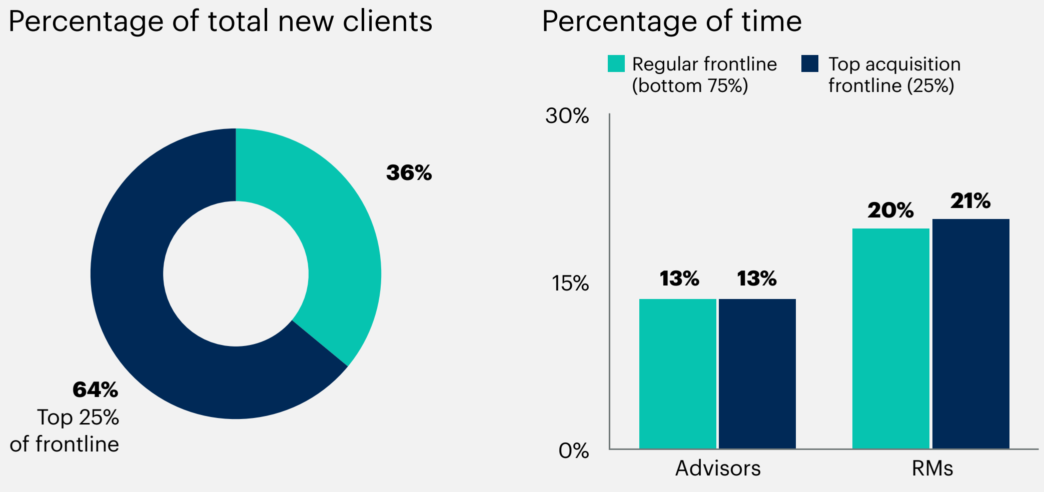
Before: inefficient time spent and uneven results

As portions of the economy have started to reopen, commercial banking and wealth management leaders have sought to rebuild their sales pipeline by taking a similar approach to prospecting as they did before the COVID-19 pandemic began. RMs and advisors are still primarily responsible for identifying and cultivating prospects, and as before, they are relying on social events to engage with prospects. Essentially, the frontline is again planning to run and attend events that enable networking and referrals to generate customers.

Yet, even before the pandemic, prospecting led by the frontline, heavily reliant on referrals and in-person contact, was imperfect at best. The quality of prospects was inconsistent, and success was heavily concentrated among a handful of strong performers. Further, the process was time-consuming for RMs and advisors, restricting their ability to focus on more-productive activities.

Indeed, data from our RM and advisor surveys from before the pandemic indicates that the top 25% of the frontline generates a whopping 64% of all new customers. However, the most effective advisors and RMs do not spend more time prospecting than their peers. This situation means that most of the frontline (75%) struggles to build a strong pipeline of new clients under the traditional approach to prospecting (see Figure 1).

Figure 1. New Customers Generated and Time Spent Prospecting



n = 432 advisors, 946 RMs
Source: Gartner
Note: The top 25% of RMs/advisors generated, on average, 65%/63% of all new clients.

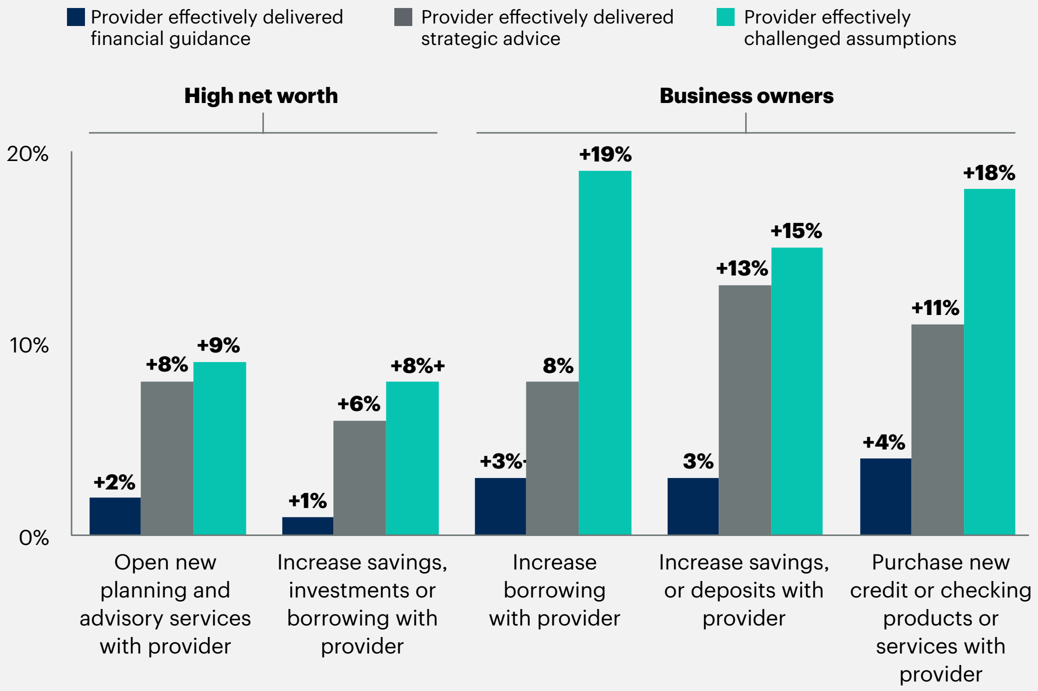
This process was time-consuming for RMs and advisors, restricting the time they had for more-productive activities. Regardless of performance, advisors and RMs spend 13% and roughly 20%, respectively, of their time engaged in prospecting. Leaders looking for inefficiencies within their business line should not let this time investment go unscrutinized, given its uneven results in terms of new revenue generated.

By contrast, advice does drive growth. The most effective advisors and RMs invest more time delivering advice than their peers. And they do it because they understand that better advice drives positive revenue growth. Our recent survey shows that clients who received effective advice from their RMs or advisors are significantly more likely to exhibit revenue-positive behavior than other customers.

Figure 2 shows that, when advisors effectively challenge their clients' assumptions in advice delivery, their clients are 9% more likely to open new planning and advisory services, and 8% more likely to increase savings, investments or borrowing. Similarly, when RMs effectively challenge customers through advice, business owners are 19% more likely to increase borrowing with a provider.

Increasing the time advisors and RMs spend delivering advice and selling to customers brings substantial benefits to the business and clients. Indeed, clients are particularly prone to engaging in a revenue-positive behavior if they get help after an unexpected financial event, which is particularly relevant to the current era of mass disruption. There has, therefore, likely not been a better time to shift the responsibility of prospecting away from the frontline to ensure they have more time to provide advice.

Figure 2. Revenue-Positive Behavior Based on Effectiveness of Advice
Difference between all clients versus those who received effective advice



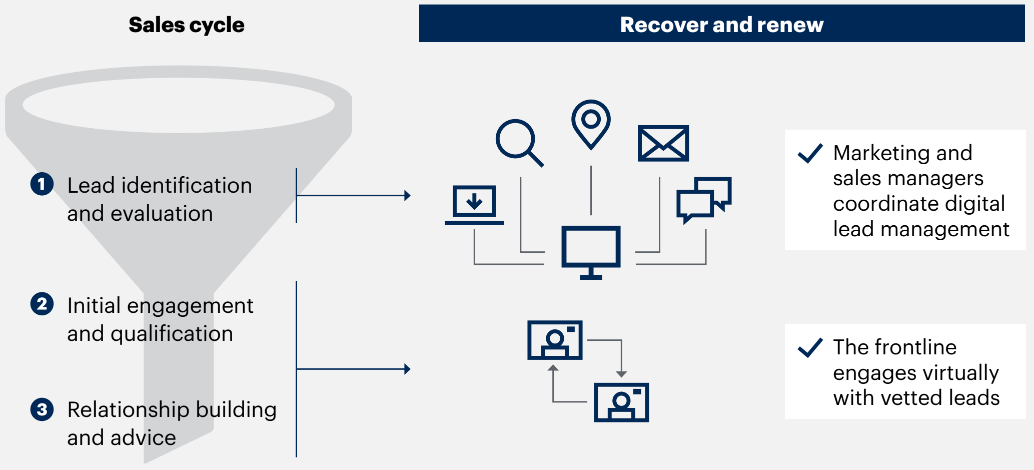
n = 184-357 high-net-worth individuals; 430-715 business owners
Source: Gartner
Note: Sample limited to customers who ranked advice as important.

Virtual prospecting: an opportunity for scale

During the COVID-19 pandemic, digital channels have proven to be a robust and scalable way to serve customers in commercial banking and wealth management. Wealth advisors have managed to adjust financial plans, while having nuanced conversations with clients about business health, wealth transfer or updates to trusts. RMs have supported businesses through complex loan restructuring negotiations, Paycheck Protection Program (PPP) applications and setting up new systems. Of course, banks and firms have had missteps and difficulties during this period, but they have also achieved much in terms of digitizing customer engagement. Leaders should now aim to expand the advantages brought by digital scale to the prospecting process.

There is an enormous opportunity for the industry to expand the utilization of technology in the sales cycle. Many banks and wealth management firms have already made investments in technology and data that can give them immediate digital capabilities in sales prospecting. Marketing is in the best position to interact with customers during the prospecting stage by building a robust website, managing the data generated from targeted messaging and web interactions, and vetting prospect lists (see Figure 3). The frontline should then spend as much time as possible engaging with identified prospects and customers in high-value activities, rather than RMs and advisors prospecting themselves with often mixed success.

Figure 3. Renewed Sales Cycle
Illustrative



Source: Gartner

This approach is not totally new. Firms and banks have been exploring how to gain more scale in prospecting for a number of years. What is new, and what creates urgency, is both the tremendous growth opportunity inherent in the current climate and the exceptional circumstances around cost optimization. Gartner analysis indicates that a 70% reduction of frontline prospecting time would result in four to six extra hours of time per week for RMs and advisors. Giving this time back to frontline staff would allow larger client portfolios and more time for high-value activities, such as advice, which will help firms achieve cost efficiencies and revenue growth.

Building Trust to Prospect at Scale

Trust is one of the biggest barriers to sharing the responsibility of prospect pipeline building with marketing. Advisors and RMs have typically tended to believe that leads generated by the marketing department are not particularly effective. Only 10% of business banking RMs rated marketing leads as effective in a Gartner survey, for example — this is particularly striking in comparison with the 77% who indicate that customer referrals are effective.

The following two examples show how organizations can build trust between frontline staff and the marketing department. The first case study focuses on the partnership between functional areas, while the second describes how one bank gave marketing tools to the frontline to tailor their outreach.

Assign a marketing envoy

National Instruments, a global technology hardware and software company, wanted to overcome sales' distrust of the marketing function. The goal was to create an improved relationship between the two functions to build a stronger pipeline and ultimately improve conversion rates. The approach they pursued was a structural solution: a marketing envoy. The envoy is an individual from marketing whose job is to make sure communication between marketing and the frontline is continuously open. This approach helps to root out pain points and gives the frontline a chance to provide input, which, in turn, improves lead generation.

The envoy is carefully selected based on personality traits, business competencies, credentials and a mission (see Figure 4).

Figure 4. Profile of a Sales-Marketing Envoy

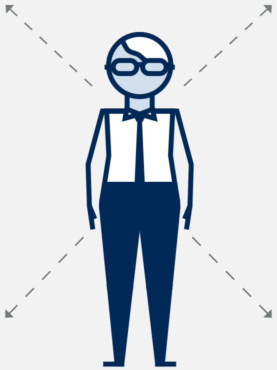
National Instruments

Key personality traits

- ☐ Socially confident
- ☐ Adaptable
- ☐ Persuasive
- ☐ Conscientious

Competencies

- ☐ Relating and networking
- ☐ Persuading and influencing
- ☐ Analyzing
- ☐ Executing



Credentials

- ☐ Role with sufficient authority to implement change
- ☐ Senior sponsorship

Mission

- ☐ Observe sales reps' natural work processes
- ☐ Develop relationships with individual sales representatives
- ☐ Identify and implement quick wins
- ☐ Share marketing's knowledge and processes with sales

Source: Adapted From National Instruments

Once the envoy is assigned, the person conducts a deep discovery exercise with sales and marketing to identify prospecting pain points, identify ways to improve and kick-start the most promising initiatives.

Centralize tailored communication

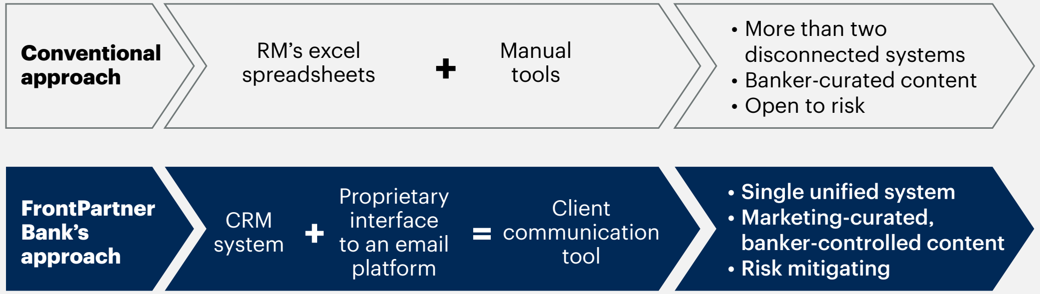
Lead generation is not meant to be totally divested to marketing. Advisors and RMs still have a strong role to play in this area, with their understanding of customer segments and the geographies in which they operate. Again, the strongest prospect pipelines will be built when the marketing function and the sales frontline have an effective partnership.

Like many firms, FrontPartner Bank's* RMs focus heavily on delivering insight-rich content to attract commercial banking clients (see Figure 5). This includes content on emerging threats and opportunities, or in the current climate, how a business can navigate COVID-19. FrontPartner bankers could not effectively tailor their content for each individual client and prospect and, therefore, built a new client communications approach that helps bankers have personalized communications with their many customers. Bankers throughout the commercial bank use the tool to engage customers and prospects.

Bankers can tailor newsletter subscriptions and send on-demand content based on knowledge of prospect needs. If the prospect responds, the email goes directly to the banker's inbox. FrontPartner Bank* is taking full advantage of the insight-generation and content-creation capabilities of marketing while enabling its RMs to deliver the right content, at the right time, based on its unique knowledge of its individual prospects.

Figure 5. Approaches to Customer Content Delivery

Illustrative



Source: Adapted From FrontPartner Bank (Pseudonym)

Conclusion

The COVID-19 crisis poses significant challenges for executives seeking to acquire new customers. A dire economic outlook will undoubtedly result in lower volumes of new customers for the midterm. Yet a disrupted sales cycle has put pressure on commercial banking and wealth management leaders to rethink their strategy around prospecting to assess just how effective their frontline can be. Forward-looking executives will seek to renew their lead identification process to allow for greater participation from marketing. This will not only result in greater scale, but also in much-needed time back for RMs and advisors to engage in higher-value-added activities with prospects and clients.

About This Research

This research was primarily based on content presented during the 2020 Financial Services Virtual Retreat. It uses data from the Gartner Financial Services Frontline Assessment for Wealth Management (2018) and Commercial Banking (2019), and data collected in the 2019 through 2020 Gartner Financial Services Customer Experience.

Recommended by the Authors

Managing RM Performance and Goals in the Context of the COVID-19 Crisis

The recent market volatility has reduced relationship managers' ability to achieve certain goals, like new customer acquisition or revenue growth. Commercial banking leaders responsible for managing and driving RMs' performance should use this report to adapt RMs' goals during uncertain times.

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Finding the right talent to drive organic business growth is an urgent challenge for wealth management leaders. Wealth management business leaders can use this report to better understand and support hunter advisors, who excel at acquiring new clients.

Event Presentation: Increasing RM Resilience: Driving Digital Dexterity in the Frontline

Financial services business unit executives should refer to this content to understand how they can enable a resilient frontline workforce in the face of COVID-19 disruption. This guidance will help business leaders accelerate technology implementation and effective remote work.

What HNW Clients Value Most in Their Advisor Relationships

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