# SME FINANCE FORUM

## Webinar - Building a High Performance SME Banking Sales Model

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# Building a High Performance SME Banking Sales Model

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Here for good

# The Strategic Context

## Much depends on the context of your bank

➡ Large incumbent banks with a significant network

➡ Growing local or international bank wishing to acquire market share

# Why SME Banking

- Significant contributors to GDP and employment

- Strong push by Governments and regulators

- Under-served in most markets

- Significant linkages between the business and personal banking wallets of entrepreneurs

- Opportunity for higher risk-adjusted profitability

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# Coverage Models

# Choice #1: Where should SME Banking be

➡️ Part of Retail Banking

➡️ Unit within Corporate or Commercial Banking

➡️ Independent unit reporting into the CEO

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# Choice #1: Where should SME Banking be

## Retail

- Easier to adopt mass-lending techniques
- Clients benefit from the network
- Easier to link business and personal
- Product set tends to be basic, often adopted from Retail products
- Limited comfort with complex client needs

## Commercial

- Greater comfort with complex needs
- Lower comfort with scorecard lending
- Higher unit costs
- Easier to exploit supply chains
- Requires alignment with branch network for servicing

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# Choice #2: Sales Model

➡ Walk-in acquisition
and reactive servicing

➡ Hunter & Farmer

➡ Finder is keeper

➡ Common RM across
personal and business

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# Choice #2: Sales Model

## Hunter & Farmer

- Quicker market share
- Better focus on acquisition
- Higher Acquisition productivity
- Client relationship quality can be lower
- Client experience issues
- Farmers free to focus on client engagement
- Client referrals under-utilised

## Finder is Keeper

- Most prevalent amongst SME banks
- Higher quality of new clients
- Lower productivity
- Better client experience
- RMs too busy to acquire new clients

## Common RM

- Market research inconclusive
- Easier to implement for smaller clients
- Organisation above RM needs to be aligned too
- Product and pricing needs to be joined up
- Dual skilled RMs
- Opportunity cost

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# Choice #3: Digital v Personal Sales

- SMEs frequently using Internet to look for banking services and financing options

- The last mile execution is still face to face

- Fully digital account opening and loan origination – can it be a reality in SME?

- Digitising the on-boarding process

- Emerging trends in digital SME acquisition: eCommerce portals, P2P lenders, Account Software providers...

# Supporting the coverage model

# Choice #4: Bespoke v Standard



**Discretionary lending**

**Score based lending**



**Customised services**

**Pre-defined bundles**



**Client due-diligence  by RM**

**Centralised due-diligence**

# Making it all work

# Choice #5: Acquisition – Inbound v Outbound

## Inbound acquisition

➡ Works best for large network banks

➡ Needs marketing support

➡ Better suited for lower end SME target market

➡ Better activation and lower variable cost

## Outbound acquisition

➡ Targeted acquisition – sharp shooting versus shotgun approach

➡ Needs to be supported by effective leads Generation

➡ A lead is only as good as the conversation

➡ Higher cost of acquisition, but higher revenue

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# Leads Framework for new client acquisition
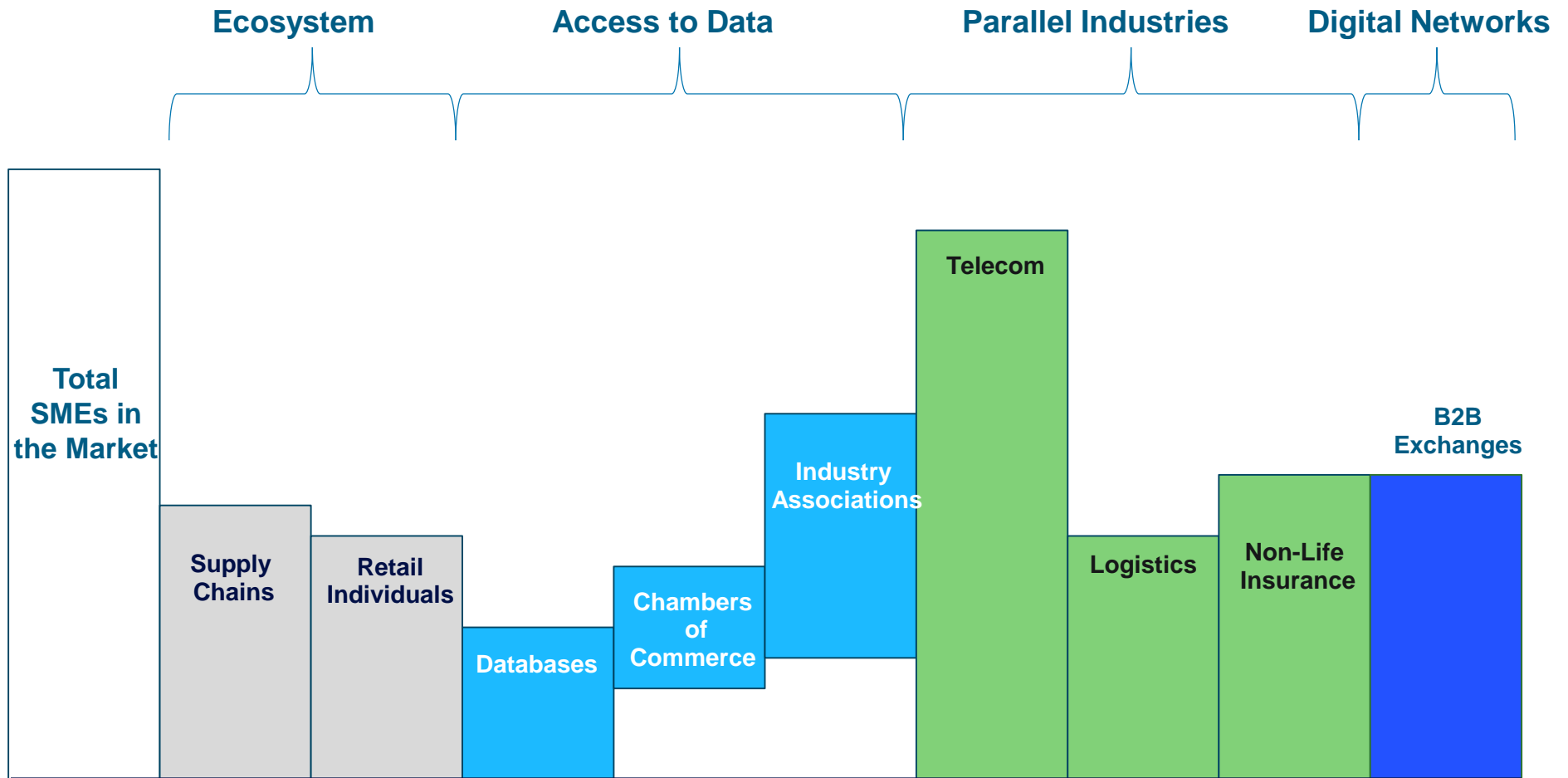
# Choice #6: Sales Incentives – Variable v Fixed

## Fixed compensation and Discretionary bonus

➡ Works well in discretionary lending environment

➡ Ideal for large network banks where the network does the selling

## Variable sales incentive plans

➡ Effective tool to translate strategy in to sales behavior

➡ Possible risk of miss-selling if not controlled well

➡ Can lead to short-termist behavior

## Designing an effective variable sales incentive plan

➡ How many parameters is too many?

➡ Pitfalls to avoid

➡ A tale of two incentive plan

| Plan 1 | Weight | Plan 2 |
|---|---|---|
| New Loan $ | 30% | Total Balance |
| New Revenues | 20% | Total Revenues |
| # New Clients | 10% | # Active Clients |
| Sales error% | 20% | Client Satisfaction |
| Cross sell ratio | 20% | Overdues |

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# Choice #7: Client Management – Analytics v Intuition

→ Analytics in SME: under-rated, but potentially the most exciting

→ Possible applications in SME

- Acquisition propensity and entry gating models

- Increase client activation

  - Managing the on-boarding experience

  - Minimise early mortality

- Cross-sell propensity models based on

  - Transaction behaviour & intelligence

  - Look-alike clients

- Attrition gating tools (predictor models)

→ Many things need to work well for Analytics to be effective

# Conclusion

➡ Strong returns if the model is right

➡ Sales structures needs to align with the context

➡ Digital is increasingly important

➡ Products and pricing – keep it simple

➡ Client acquisition – its all about leads

➡ Sales incentives work, but the design matters

➡ Analytics – an exciting frontier for SME

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# About Standard Chartered Bank

- We are one of the world's most international banks, with over 1,200 branches, offices and outlets in 71 countries across the globe

- We have been operating in some of the world's most dynamic markets for over 150 years. More than 90 per cent of our income and profits are derived from Asia, Africa and the Middle East

- We provide banking services to individuals, SMEs and corporates

# Our Retail Banking business

Our retail business serves individual and SMEs across more than 30 markets in Asia, Africa and the Middle East

>9.5 million
clients worldwide

>1,000
branches across the globe

Present in
>60
of the world's fastest-growing cities

- We deliver easy, convenient banking through more than 1,000 branches, 5,000 ATMS and market-leading online and mobile channels

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