



Clear Value Propositions Needed to Drive Revenue Growth

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Banks' share of deposits and loans to businesses and consumers are declining. Consequently, most banks are seriously challenged with growing revenue organically. Why? That's exactly what their small business and retail customers are asking. Why should I do business with banks, in general, or with any particular bank?

Many customers view banks as commodities – one is as good as any other – and, in many cases, as less attractive partners than other financial firms. Novantas research indicates that when small business owners and consumers ask business bankers or branch staff, “why should we bank with you?” less than half can compare the benefits of their own products with those of other banks, and less than 10 percent can distinguish their own bank from competitive banks or non-bank providers. Instead, the responses are tread-worn variations of “we have great products,” “we have lots of locations and ATMs,” “we offer great rates” and “you get me.”

These responses lack any sense of how team members work with customers to generate value and make a difference. In order to differentiate themselves from each other and from their non-bank competitors, banks need an accurate view of their customers as well as relevant and compelling reasons why those individuals should do business with them. The reasons come at five specific levels:

1. The industry (why choose a bank rather than another type of financial institution)
2. The company (why choose this bank)
3. The line of business (why choose this bank for these services)
4. The sales rep (why choose me)
5. The product (why choose this product compared to alternatives)

In other words, they need competitive strategies that define with whom they do business and how they provide a positive alternative to other banks and non-bank financial companies.

Some banks have positioned themselves distinctively as companies – one can readily distinguish Wells Fargo from Wachovia by their ad campaigns and customer experiences. Many banks have defined value propositions for individual products. Few banks, however, have defined value propositions for their lines of business or their salespeople – and that's where rubber meets the road.

Imagine that, instead of saying, “We’re convenient; we offer attractive rates, and you’ll work with a team of specialists to handle all your banking needs,” a banker took the following approach with a small business prospect:

- ***Offered a value proposition:*** “We help our clients reduce the costs and risks in their payment cycles and accelerate their cash flow.”
- ***Described how the value proposition is accomplished:*** “To do that, we begin with a 30-minute assessment that includes a review of business goals, six months of account statements, and ... From that assessment we, ... Finally, we present a cost-benefit analysis demonstrating the impact of our proposed solutions on the company’s cash flow, profitability and risk.”
- ***Provided proof:*** “For example, we worked with a company that... Its challenge was.... We provided.... The net result was....”

After hearing this value proposition, the customer would know exactly what the bankers would do, how they would do it and what the results would be. The customer would also feel confident that the bank had done it before. The value proposition makes the experience tangible.

Ideally, the creation of value propositions begins with senior leaders who apply the same level of commitment to their value propositions as they do to their compliance with government regulations and credit policies. Once a senior leader assigns a high priority to value propositions, the task of crafting language can be delegated to a steering committee. The steering committee analyzes competitive intelligence, customer research and input from marketing and the field before crafting the value proposition. Senior management should then designate an implementation team or “czar” who spearheads the design and implementation of systems, processes and behaviors that deliver the promised value and customer experience.

Recognizing the significant challenges in an institutional effort, sales teams and individuals can develop and use value propositions locally. Here are the steps:

1. **Choose target customer segments** where the bank can provide the most value and produce the highest organic growth.
2. **Articulate the value proposition** – the benefits the bank helps targeted customers achieve (e.g., more productive time, higher safety, lower costs) and the bank’s ways of helping customers achieve those benefits, including products and services.
3. **Define and document the sales and delivery processes** required for each team member or job function to generate the promised value consistently for the target segments. The more localized the effort, the more it will emphasize customer-facing behaviors and processes.
4. **Establish measures and tracking** that will help managers determine whether the bank is generating the promised value in ways pleasing to customers.

5. **Roll out the value proposition** to managers and to team members. Train them to articulate the value proposition and execute the procedures required to generate the value.
6. **Measure performance and coach performers** to articulate the value proposition and follow the procedures that generate the promised value.
7. **Assess and revise** the value proposition and delivery methods based on feedback from customers and sales representatives.

The first three steps provide answers to customers' questions, "Why should I deal with this bank, in general, and this branch, in particular?" The last four steps enable implementation, value delivery and adaptation over time.

About the Author:

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