Future of Sales

How Investment Banks must adapt to a shifting sales landscape

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Executive summary

The traditional sales function at investment banks is no longer fit for purpose.

The forces of technology, regulation, client behaviour and shareholder demands have combined to accelerate the need for change within banks' front office business models. The resource-intensive, one-size-fits-all sales model of the past should already be dead – but wholesale transformation has been slow in coming.

Post the financial crisis, client centricity has moved to the forefront within banks, making effective sales deployment more crucial than ever. Yet operating within a competitive, balance sheet constrained framework that is subject to further shocks and disruption, means not only is the sales function critical to the success of the organisation, it also has to be lean and agile.

This paper draws on recent discussions we have held with sales professionals in investment banks and buyside institutions. It explores the shifting sales landscape that banks must react to, and sets out our view on the four key challenges banks need to address to succeed in the 'Future of Sales':

The future sales model

Amid changing client behaviours and bank service offerings, how do banks efficiently segment and service clients according to their needs?

1

The salesperson of the future

The required skillset of a salesperson is changing, and different skills are required to service different clients. With many banks acknowledging that there is a skills gap, how do they resource their sales function of the future?

2

CRM and data analytics

Sales teams are behind in leveraging the latest solutions to serve customers better, and as a result are missing out on opportunities. How do banks optimise their technology resources and make the best use of CRM and data analytics?

3

Acting in an age of disruption

The industry is not standing still. How can banks build an agile sales function to react to, and take advantage of future pressures and disruption?

4

As banks finally come to terms with the wave of post-crisis regulation and there is a laser focus on increasing efficiency, the time is ripe for investment in customer-centric sales. Technology is certain to be a critical element. However, equally important is strong leadership, a great strategy and an engaged, flexible and dynamic sales team.

A shifting sales landscape

Irrespective of client mix, product and geography, investment bank sales functions have tended to be fairly uniform. They have traditionally been characterised by standardised approaches and entrenched ways of working. It is clear from our discussions with banks that the pressures for change have been building for some time. Four drivers are, almost universally, changing the nature of sales. They require banks to transform the function if they are to remain competitive over the years to come (Figure 1.0).

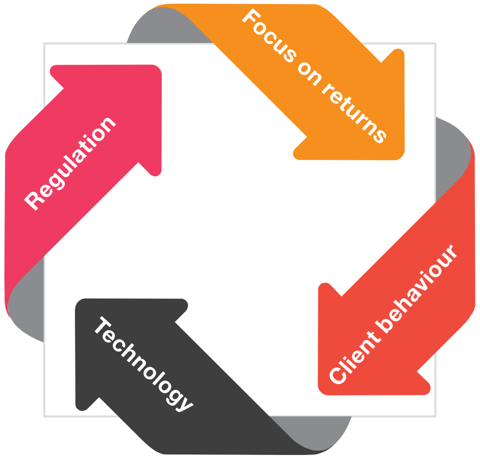
Figure 1.0 – Drivers of change

F Focus on returns

Banks' publically stated targets for boosting returns affect all areas of the business, including sales, where there is pressure to generate increased revenue, whilst optimising balance sheet and reducing cost.

R Regulation

Regulatory changes are resulting in more transparent, automated markets as well as better data capture across the client lifecycle.



C Client behaviour

Clients are moving some of the traditional services provided by a bank in-house e.g. research and solutions capabilities. They are demanding more connectivity and tech solutions as well as more direct access to bank traders.

T Technology

Increased adoption of technology solutions is disintermediating manual processes, facilitating trading electronification and supporting advanced analytics on both client and sales performance.

Our discussions with industry professionals around technology, regulation, the pressure to perform and shifting client behaviours, lead us to a number of observations around the key challenges banks are facing. Out of these, strongest agreement amongst participants centred on banks under exploiting the data that they hold, coupled with the changing skillset demanded in salespeople. These factors in particular need to be addressed by banks.

1 Coverage models in the age of client centricity

F R

Before the financial crisis, banks treated clients as a means of gaining flow and making margin, not as fundamental to their trading-focused strategies. Those times, however, are gone. Now, after a decade of de-risking, banking is centred on clients, sales and service. Our discussions resulted in a consistent assertion that clients are now integral to bank strategies and sales is taking centre stage compared to trading. For most, **"it is all about the client".** While this may seem an obvious statement, it is in marked contrast to the pre-Volcker era.

The move to client centricity has provoked banks to make much sharper assessments of coverage models. They are asking themselves which segments they can serve best, and what level of service could or should be provided? In the face of a constrained cost base, many are starting to tackle the historical practice of 'over-covering' clients. This was often due to a lack of insight, data and analysis. As a result, salespeople developed a relationship bias: 'good clients' were offered a five-star service, sometimes at the cost of the remainder. All the banks we spoke to are now seeking more effective coverage practices, aimed at maximising returns. Investment in technology such as CRM platforms is a growing response, although there are a broad range of maturities here.

2 Buyside disruption challenging banks

C R

Faced with their own cost constraints, and on the back of regulations such as MiFID II, buyside firms are internalising functions, for example research and advisory capabilities. In some cases, the buyside is moving into direct competition with the sellside, providing liquidity and even, for certain products like Interest Rates Swaps, post-trade services.

While this may not fundamentally alter the essence of the markets sales role, it could directly reduce openness between client and salesperson, making engagement more one-dimensional. In fact, getting client traction is generally becoming more difficult for banks:

- Electronic execution and digital interactions depersonalise relationships and risk making business entirely transactional
- Buyside firms are employing more sophisticated execution strategies, which can fragment liquidity
- Restrictions on accepting entertainment and the need to demonstrate Best Execution mean that the buyside is not pushing for greater engagement with their bank sales teams.

"There is no longer any brand loyalty amongst the buyside"

– Fund manager at leading Asset Manager

3 The salesperson of the future

F C T

There is a consensus that the required skillset of a markets salesperson is changing. Different skills profiles are required to manage the various ways that clients interact with banks. Some universal attributes still apply, albeit not ones that were traditionally demanded of salespeople. In our discussions, the words 'analytical' and 'entrepreneurial' were most commonly mentioned when discussing 'must have' core competencies.

"Almost 80% of 235 Banking and Capital Markets CEOs see skills shortages as a threat to their growth prospects."

– PwC Banking and Capital Markets Trends 2019 Report

The biggest changes in banks' sales workforces are at the flow end. Driven by the structural shift towards electronic execution, firms are looking for salespeople to be quantitative and technically proficient, able to code and advise clients on connectivity solutions. E-sales teams have developed with a more junior profile, and tend to manage a large pool of clients across asset classes. Far less emphasis is placed on traditional relationship management and detailed product knowledge.

Our discussions consistently suggested the need for senior relationship managers (SRMs) when dealing with the most complex clients, to ensure a global 'one-firm' approach and seamless services across product lines and geographies.

Still, in common with flow sales, skills requirements are changing.

“Most SRMs need to be upskilled to add more technical capabilities to their arsenal, but given their current tenure and level of experience this is not always a simple process!”

– Head of Sales at a leading global Investment Bank

Given the different profiles now required, there are two major challenges.

First, how to attract technically proficient graduates to the front office in a crowded marketplace where banks do not hold the reputation they once did, and more agile tech giants like Google and Amazon offer strong competition?

Second, now that steady progression up the product and client sophistication curve has been bifurcated, how to bridge the development gap in salespeople, from entry level ‘flow analysts’ to the solutions advisors of tomorrow?

4 Making the most of data and analytics

F C T

Banks have always held an information advantage over their clients. Bank operating models have been specifically designed to harvest market information and turn it into valuable IP. In recent years however, this asymmetry has been eroded through electronification and the buyside’s increasing capability to access and analyse large quantities of data. This unprecedented market and price transparency undermines one of the banks sales functions key USPs.

The ease of price comparison, in particular, is an important change. Many of those we spoke to painted a picture of a ‘price only’ market, i.e. price as the sole factor in determining execution venue. However, while this may be the case with some heavily commoditised products such as Spot FX, it is also evident that clients still value information, insights and advice even in flow markets, and that banks and salespeople that provide this think they generate better business from it.

“Providing ideas and insights can still positively influence flow sales – flow salespeople still need to know the market”

– Business development lead at an Investment Bank

Technology and advances in data analytics provide a new opportunity to unlock value from client information, as well as to understand and serve clients better. However, sales teams often fail to leverage tech-based solutions. Some banks have invested in CRM systems, although the difference between ‘1G’ CRM and new cloud-based CRM is huge. Platforms such as Salesforce and MS Dynamics have given sales management the chance to move beyond simple client relationship tracking to complex analytics and workflow. Leading banks are driving advanced segmentation and bespoke service provision through data analytics. This will be a major area of change in the coming years.

5 Good conduct has become a strategic asset

R

The conduct agenda precipitated by the FX market manipulation episode is now well established in most banks, and sales operating models have been transformed in response. Governance and controls exist around areas such as added value, market colour, communications and order handling. While some banks see this new environment as bureaucratic and overly restrictive, others recognise it can be a strategic differentiator with clients. Industry professionals we spoke with largely dismissed the notion that people are ‘too scared to sell’.

“We see our values and Code of Conduct as important assets to highlight in our sales discussions with clients.”

– Sales COO, Global Markets

Building the future sales function

The drivers described in the previous section have rendered the traditional, product-centric, resource intensive sales model of the past increasingly obsolete. Indeed, for banks to remain competitive they need to redesign their sales function to offer a smarter and more tailored service.

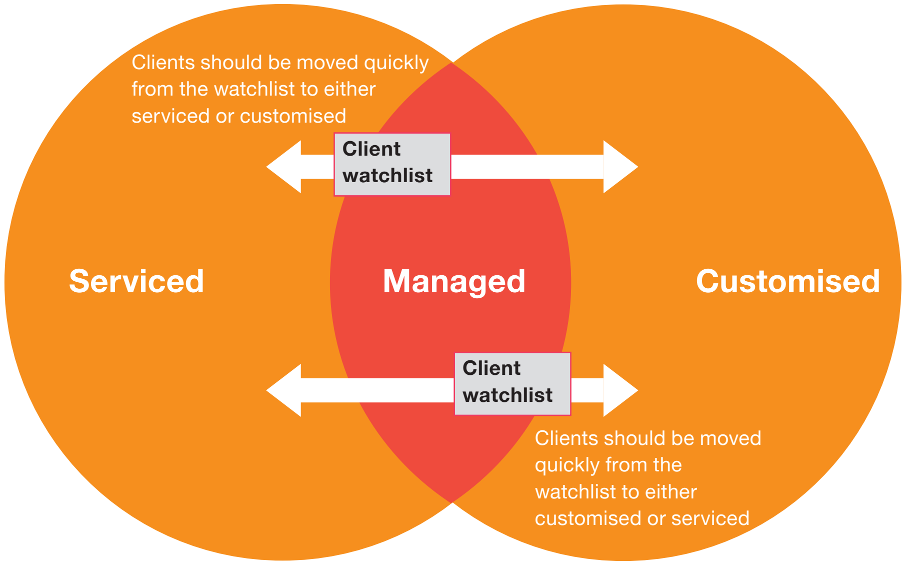
"Refining Sales strategy will be a key focus area for most banks over the next couple of years"

– Head of Markets Sales at a leading Investment Bank.

Drawing on the insights we have received in researching this report, we believe that the future of sales will be characterised by a redesigned client service model around three broad segmentations: **serviced, managed and customised** (Figure 2.0).

- **Serviced** comprises clients that focus on high volume, low-margin products such as Flow Rates, Spot FX and Cash Equities. Execution in this case is mainly electronic.
- **Managed** comprises a small number of high value, large and complex institutions that require services across multiple products and divisions of a bank. Execution is a mix of electronic and voice.
- **Customised** encompasses clients that require more complex solutions such as structured rates and credit products, securitisation and exotic hedging solutions. Execution is usually voice based.

Figure 2.0 – A redesigned client service model



Banks should seek to optimise their sales function for each group based on four parameters: service provision, people, CRM and analytics, and management.

1 Align services with client needs

Outside the universal requirement of liquidity provision, each model should be optimised to provide services best suited to each segment's client needs (Figure 2.1).

Serviced clients assign most importance to connectivity solutions and technical assistance from sales. However, flow sales should also be able to provide targeted insights to maximise wallet share.

The **managed** model relies on experienced relationship managers, with RMs equipped to operate across business lines and divisions to provide a single point of contact and ensure an efficient, coordinated and optimised service.

Customised relationships are led by 'rain-makers' with strong client relationships and structuring expertise, focused on providing specific, bespoke, innovative solutions and strategic advice.

Figure 2.1 – Tailored services according to each client segment

	Serviced	Managed	Customised
Relationship Management	- Minimal 'relationship' engagement	✓✓ Thorough understanding of the client, act as single point of co-ordination	✓✓ Targeted, strong relationships across clients
Insight provision	✓ Targeted, product specific insights	✓ General insights across products and industries, able to bring in experts as required	✓✓ In-depth industry specific knowledge, solutions and insights
Pricing	✓ Liaise with trading to respond to RFQs	- Not provided	✓✓ Liaise with trading to provide structured solutions and pricing
Technical assistance	✓✓ Connectivity solutions, issue resolution	✓ General advice and options	✓ Assist clients through the trade lifecycle

2 Create a tailored people strategy

Salespeople need a core set of analytical and entrepreneurial skills. Beyond that they should have an agile mindset, as well as be able to use, and more importantly interpret, advanced data analytics to fully understand their clients' needs, and devise innovative solutions through technology or structuring, to maximise opportunities.

Given the diverse needs of clients, each service model requires a slightly different level of experience and profile (Figure 2.2):

Figure 2.2 – Tailored profile and expertise of salespeople according to each client segment

	Serviced	Managed	Customised
Experience	0-3 years Sales and trading	5+ years Relationship management	5+ years Industry specialism
Coverage	Cross – Asset 1 sales: 100 clients	Cross – Division 1 sales: 10 clients	Asset – Specific 1 sales: 10 clients
Skillset	Technology solutions General markets product knowledge	Relationship management Markets product knowledge Bank divisions Technology	Relationship management Structuring solutions Technology

3 Fast forward on CRM and analytics

Data and analytics are fast becoming the number one driver of competitive advantage across industries. Investment banking is no exception. Across all service models, a stronger understanding of trends, market activity and client needs can help banks manage client relationships, unlock previously unseen client opportunities, and is at the heart of banks being able to grow market share in a challenged revenue pool.

Sales teams are now critically required to be able to marshal, comprehend and interrogate vast quantities of internal and external data, giving them a complete view of the customer, enabling them to make decisions and respond appropriately. In addition to investing in a comprehensive CRM system, sales needs to be empowered with advanced data analytics tools. At a minimum, powerful data analytics can lend credibility to a 'gut feeling'. However, it can also generate new insights, support strategic decisions inform client segmentation and drive outperformance.

Each service model sales team needs a slightly different set of tools (Figure 2.3). These enable front-line activities ranging from generating call lists, to informing client specific next-best-actions to pinpointing target accounts. Another hugely promising area of development is client communication analysis, which can help banks build a picture of what constitutes 'optimal' engagement strategy for a specific client (calls, messenger chats, chatbots, emails) to enhance sales relationships.

"I'd be more worried about being replaced by another salesperson who is empowered by [augmented] intelligence than by a machine"

– Peter Schwartz, Salesforce

Banks are starting to realise the potential power of these tools, as highlighted in the Technology and Innovation in Europe's Capital Markets report produced by PwC and AFME in September 2018 which found that '84% of survey respondents expected banks to have significantly advanced data and analytics capabilities embedded in five years' time'. Some are starting to experiment with machine learning and artificial intelligence to develop predictive analytics (using historical data to predict future behaviour) and prescriptive analytics (using historical data to run scenario and 'what if' analyses), as well as connecting systems to prompt and in some cases automatically action next best tasks. Investment and adoption at scale is expected to increase significantly over the next two to three years. One Head of Sales we spoke to compared advanced data analytics to GPS – those banks without it will automatically be at a disadvantage.

An essential element of maximising the potential of advanced technologies is to get talent strategy right. While most banks now offer data science graduate programmes or internships, only a minority are actively recruiting these skills into capital markets and this job description is the exception rather than the rule:

"We are looking for a Data Scientist to join the team to work in partnership with Sales and Trading to help originate new business, surface new opportunities deepen existing relationships and make sales teams more efficient."

– Job posting on a leading Investment Bank website

Figure 2.3 – Tech tools to support each client segment

	Serviced	Managed	Customised
Purpose	Efficient and effective day-to-day client management	Evaluate quality of client relationships, identify opportunities across divisions	Support ideas generation and corresponding client targets
Tools employed	CRM, Workflow tools, Predictive analytics	CRM, Visualisation tools, Descriptive analytics	CRM, Aggregation tools, Prescriptive analytics
Examples	Generating call lists, Targeting insights	Wallet share, Cross-sell	Identifying new client targets

4 Strong leadership is key

Implementation of a new service model structure in a cost constrained environment requires robust and coordinated management across business areas, from IT and data & analytics, to clients and sales (Figure 2.4).

An analytics team should sit across all sales. This team should be required to coordinate projects, bringing expertise across the IT stack. It should include translators to ensure technology-based solutions reflect the needs of the business and be mandated to design fully integrated and seamless solutions.

Central client management teams or steering committees should meet regularly to review client lists, and especially 'watchlists', leveraging intelligence gained from CRM and analytics. Management also needs to be able to effectively evaluate each salesperson's performance. For smaller banks, it is far easier to understand the overall contribution of an individual. For larger businesses, a systematic approach to monitoring and measuring is crucial.

There are a variety of effective approaches. Some are focused on better measurement of inputs, for example, calls to the right clients at the right time, meetings held, both informal and formal, chats taking place. The results can be compared across clients with a similar profile. This is crucial for clients in the 'managed' segment, which are the most resource intensive. It also makes sense in the 'serviced' segment, where junior salespeople are often responsible for the daily management of up to 200 clients. Still, our discussions suggest the value of a purely input-based approach is limited. One senior sales professional told us:

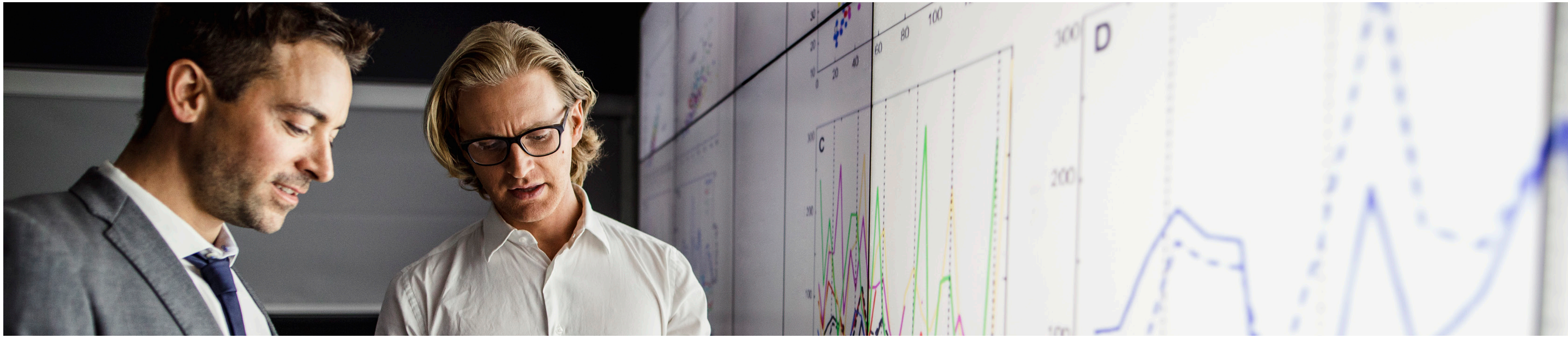
"It won't account for the talented but actually lazy salesperson who will make the call that counts".

Figure 2.4 – Organisational structure

Head of analytics

Head of client/Steering committee

Serviced	Managed	Customised



The future of sales is now

Banks are already moving from the static sales frameworks of the past to a more responsive, automated and client-centric proposition. Individual firms, however, are proceeding at their own pace, and are tailoring the 'serviced/managed/customised' model to suit their own specific circumstances e.g. adopting a 'barbell' strategy, seeking only to interact with 'serviced' and 'customised' client segments.

Regardless of each bank's strategy, all participants acknowledged that the traditional sales structure cannot survive. With the pace of change in client behaviour and technology, accompanied by an ever-present regulatory agenda, the structure must be agile and adaptable to face current and future disruption.

PwC Strategy&'s framework for disruption in Financial Services outlines how disruption materialises when client appetite meets the right enablers (technology, regulation, funding, ease of switching and talent), often catalysed by macro trends. Capital Markets, therefore, is ripe for disruption.

The sales function is at the forefront of banks' response to this broader general environment of upheaval and uncertainty. Achieving the right sales model, people strategy and tech-enabled intelligence is imperative to ensuring that banks keep pace, excel in customer service and maximise value. It should be at the forefront for bank leadership to address to ensure success in the 'Future of Sales'.

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