

The Top Sales Trends for 2017: Selling in a Volatile Market



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Save time, boost your confidence and sales, and develop stronger client relationships with Vertical IQ.

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Agenda

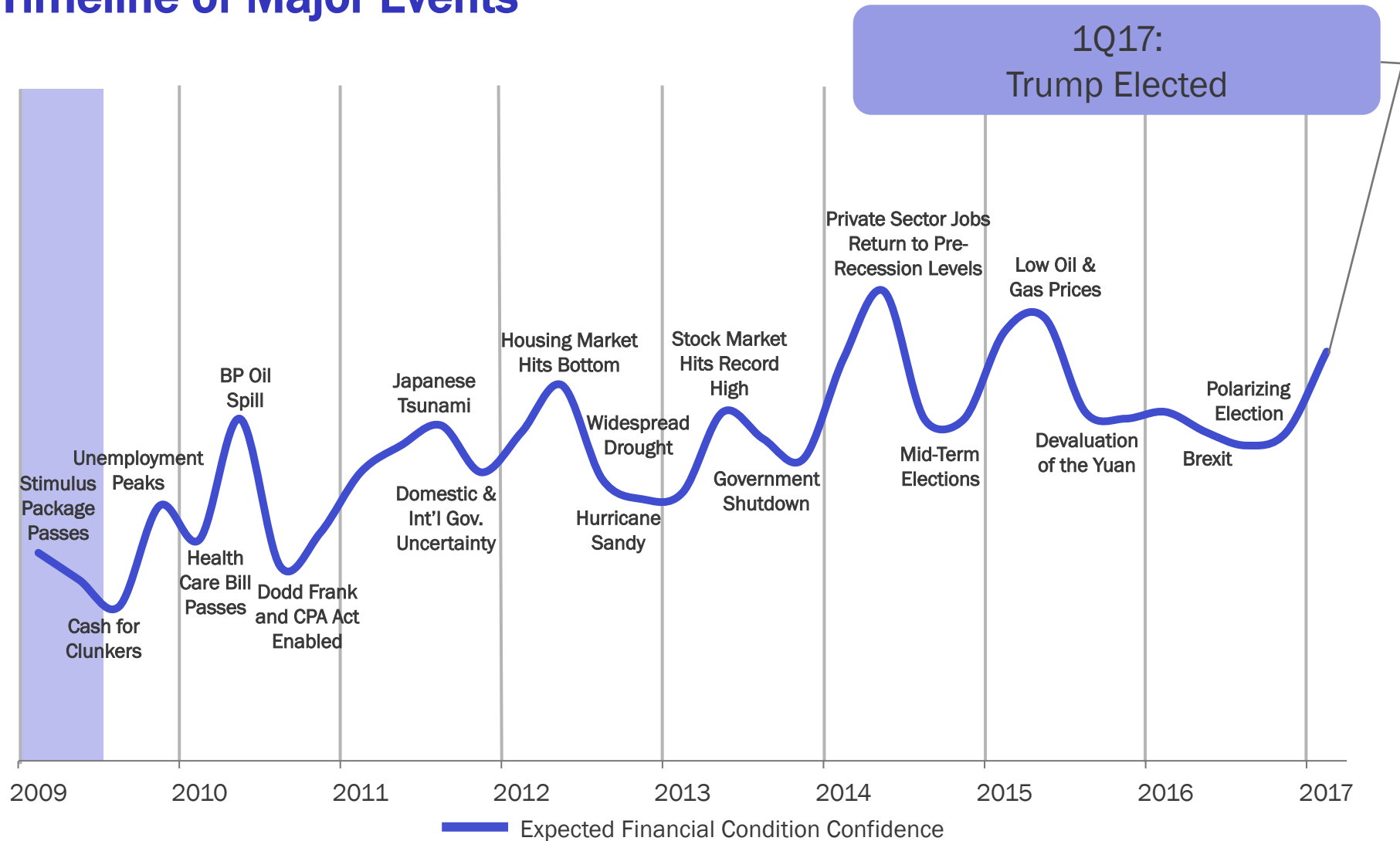
1. Trends Creating Volatility: The World Is Changing
2. The Importance of Building Trust: Behaviors Are Changing
3. Finding New Business Opportunities: Designing an Efficient Process
4. Consultative Selling: Finding the “Hot Buttons” with Vertical IQ
5. Calling in a Lifeline: The Importance of a Product Specialist
6. Becoming a Best in Class Banker: Accessible → Know your Bank → Know your Customer



Trends Creating Volatility: The World Is Changing



Timeline of Major Events



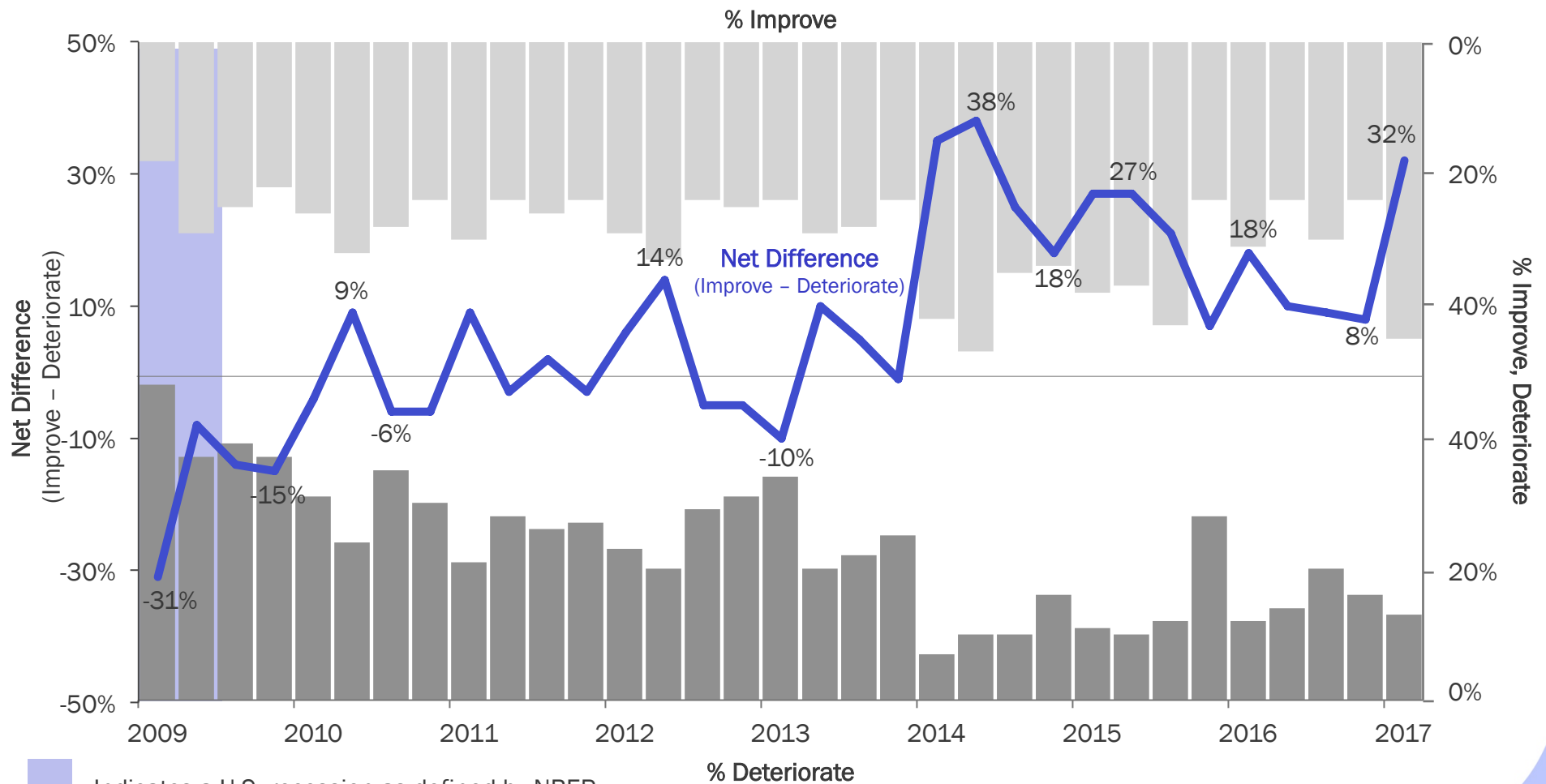
■ - Indicates a U.S. recession as defined by NBER



Industry Expectations Rebounded to Highs Seen in 2014

\$100K-<\$10MM

Q: During the next 12 months, do you expect your company's industry's economic condition to...



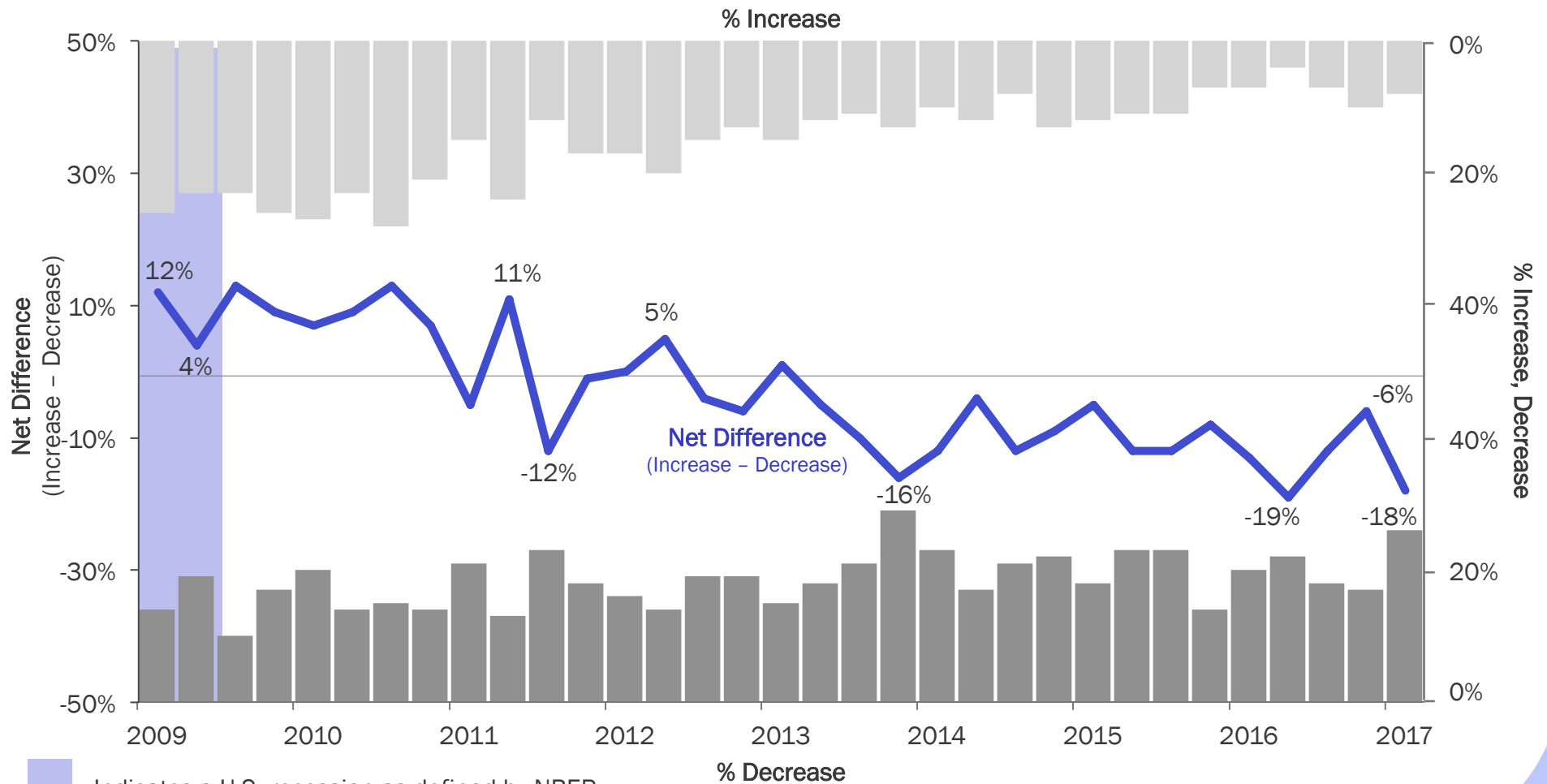
- Indicates a U.S. recession as defined by NBER



Very Few Small Businesses Had a Need for Bank Loans

\$100K-<\$10MM

Q: During the last 12 months, did your company's need for bank loans...



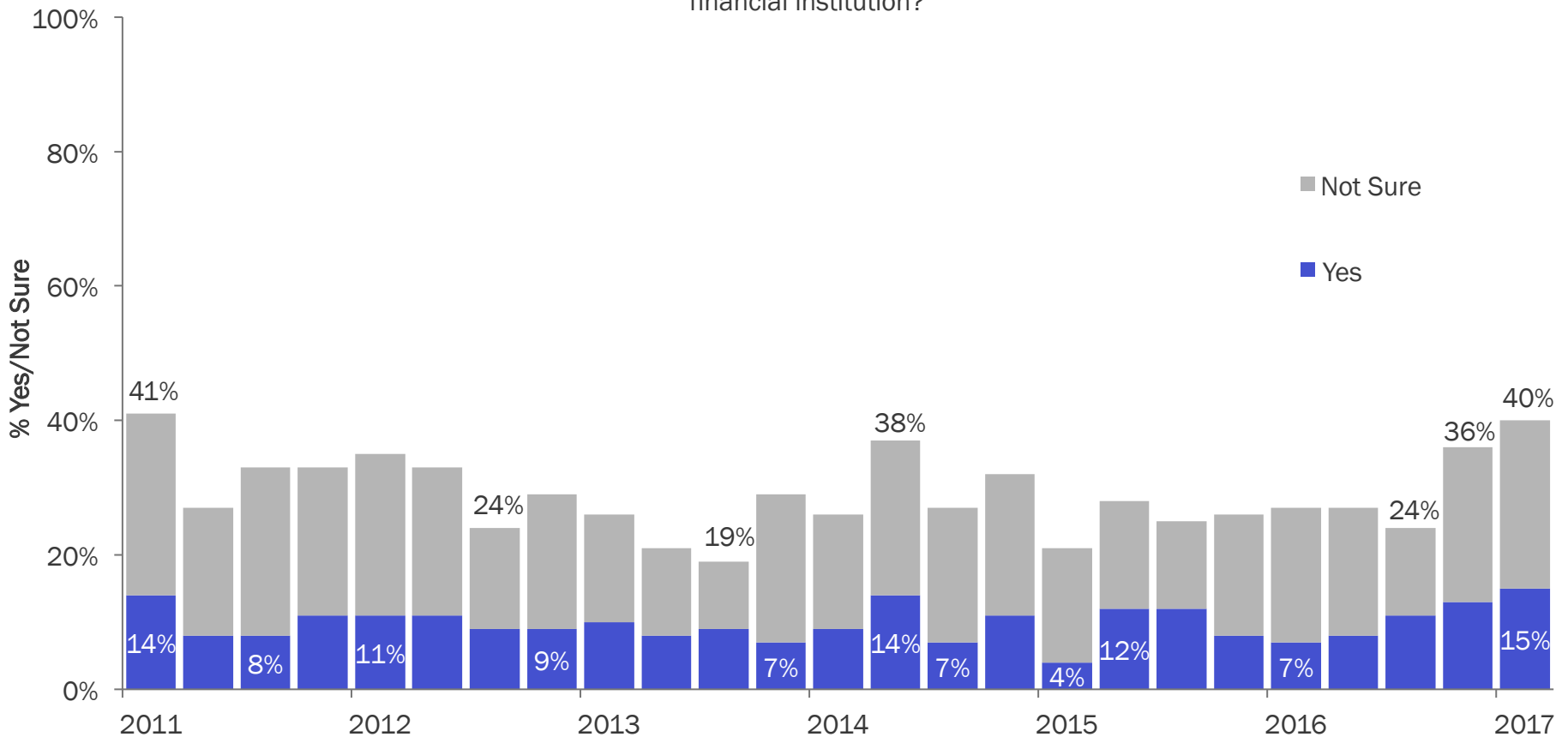
- Indicates a U.S. recession as defined by NBER



The Percentage of Small Businesses That Expected to Apply for Additional Credit or Were Not Sure Increased to the Highest Point Since 2011

\$100K-<\$10MM

Q: During the next 12 months, do you expect your company to apply for additional credit or loans from any financial institution?





Small Business Definition

Annual Sales of \$100K-<\$10MM



- Channel Strategy:** Strong branch network remains important, but introduction of the people channels is a must.
- People Strategy:** Developing a relationship with a branch manager who understands the company is important.
- Product Strategy:** Eight business products with seven at the primary bank. Business credit products are gaining in importance.

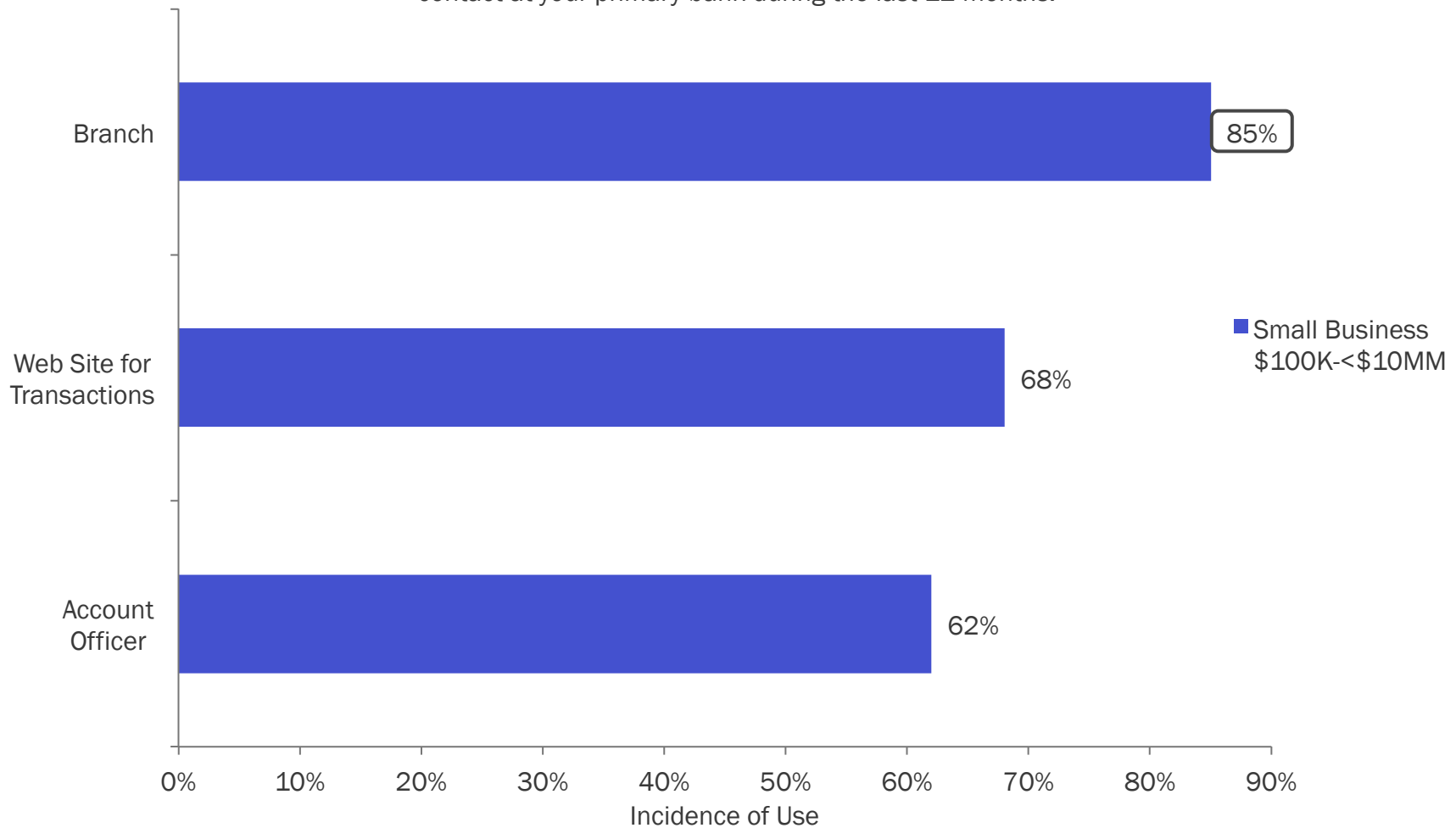


The Importance of Building Trust: Behaviors Are Changing



The Branch Was the Most Frequently Used Channel Among Small Businesses

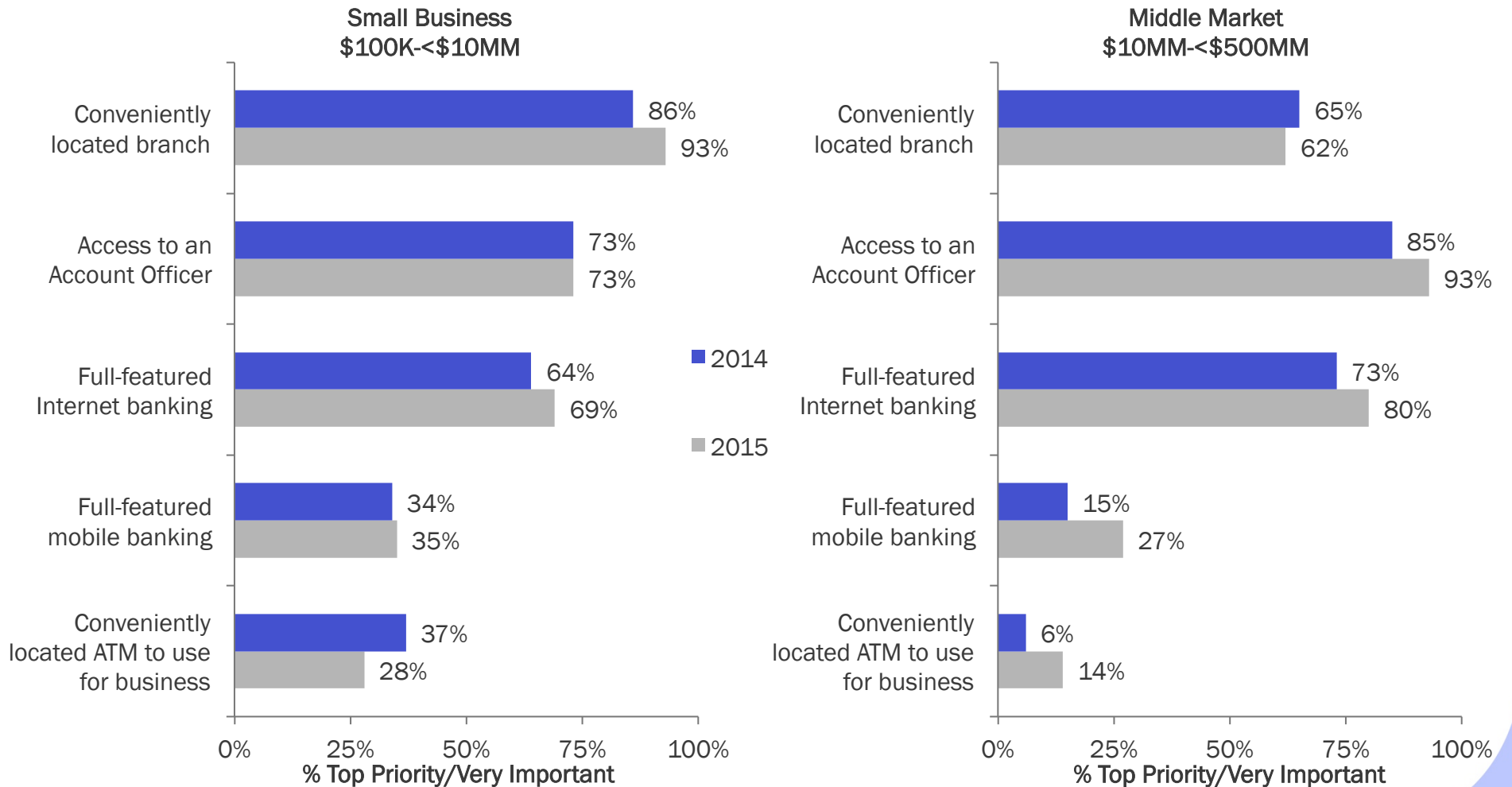
Q: Please indicate whether you or someone in your company has used the following points of contact at your primary bank during the last 12 months.





Compared to 2014, Having a Conveniently Located Branch Was More Important to Small Businesses When Selecting a New Primary Bank

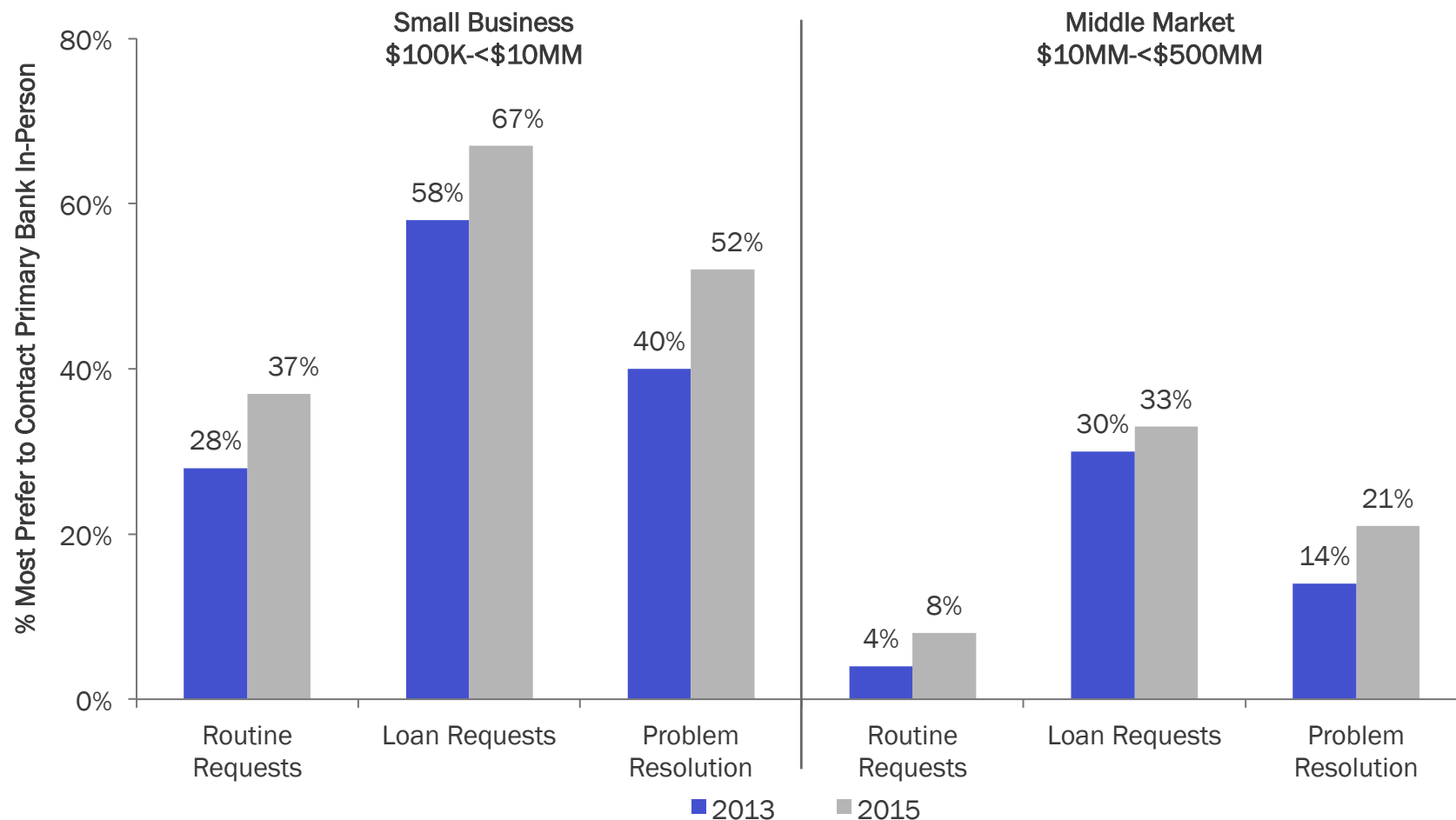
Q: If you were to choose a new primary bank, how important would the following channels be in your selection?





Small Businesses Were More Likely Than Middle Market Companies to Prefer to Contact Their Primary Bank In-Person

Q: How do you most prefer to contact your primary bank regarding:

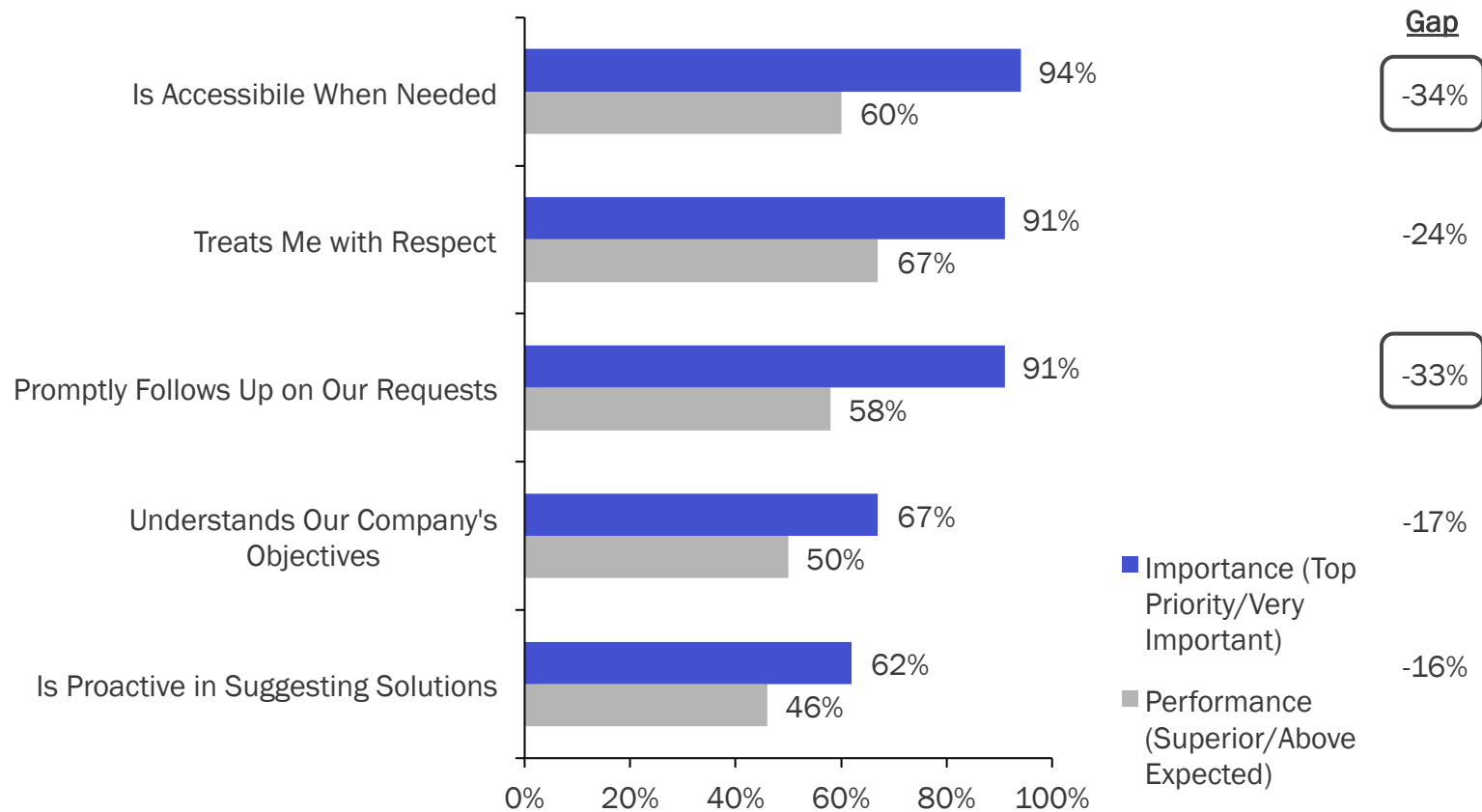




Being Accessible, Showing Respect and Promptly Following Up Were the Most Important Characteristics of a Small Business Primary Contact

\$100K-<\$10MM

Q: Please indicate the importance of each of the following characteristics and evaluate your primary contact's current performance.

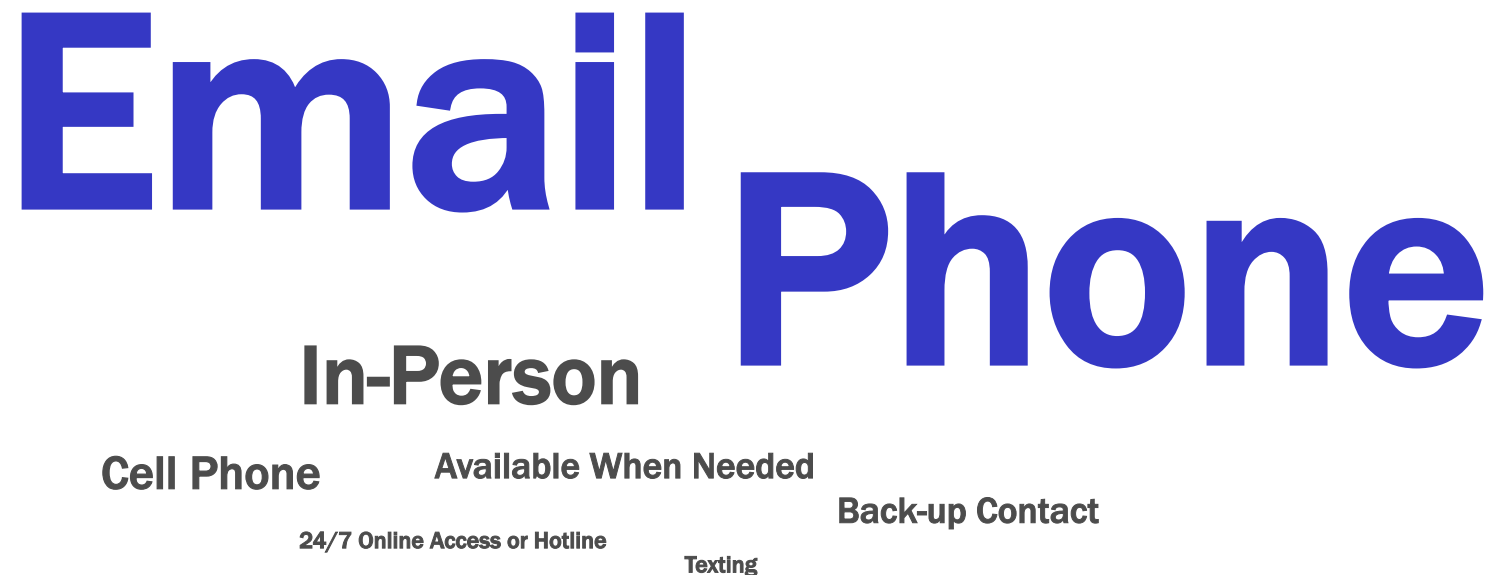




Primary Contacts Were Most Easily Accessible Through Email or by Phone

\$100K-<\$10MM

Q: In regard to your primary bank, please explain how your primary contact can be "accessible when needed."



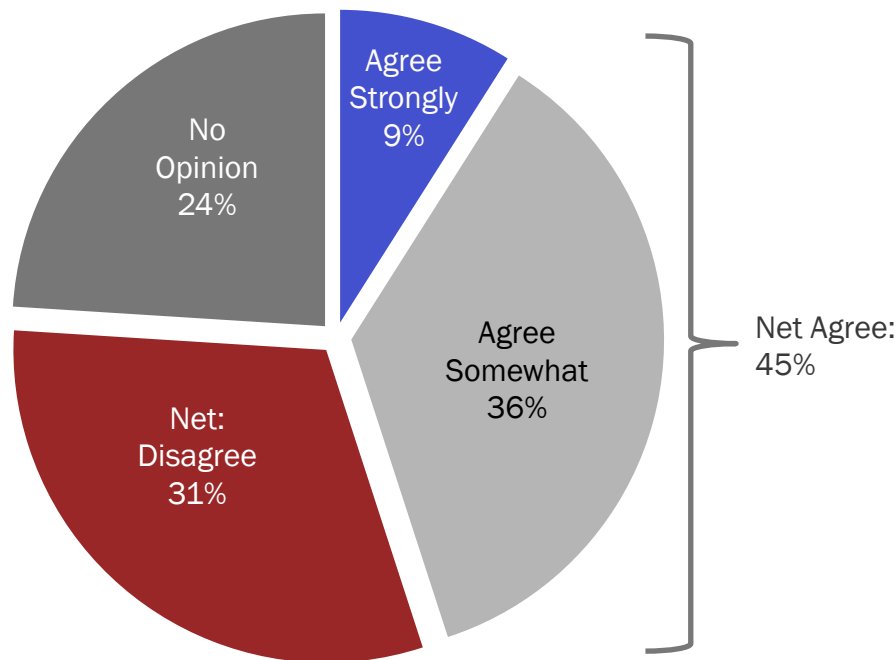
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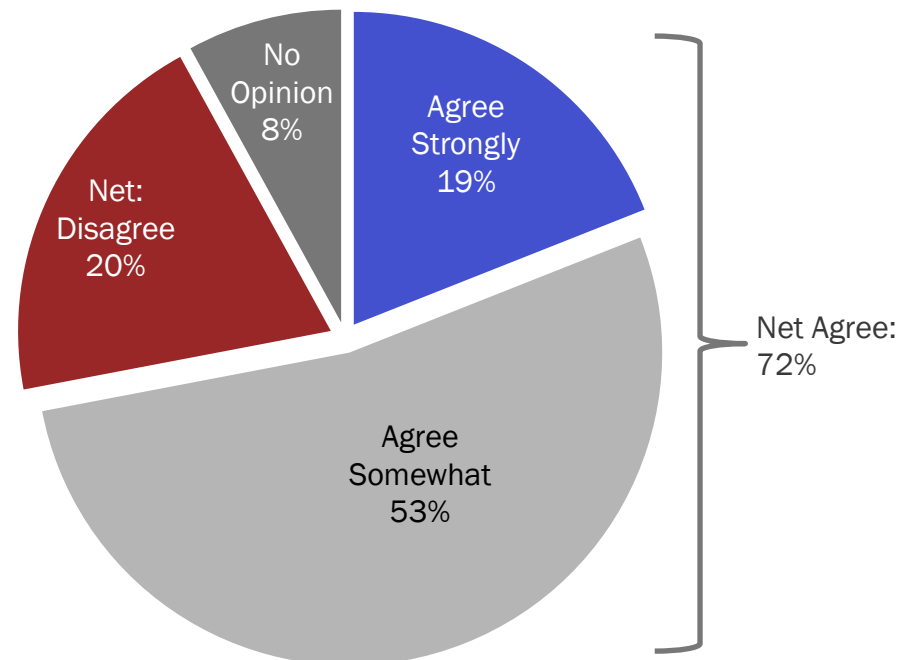
Less Than 10% of Small Businesses Agreed Strongly That They Trust Their Banker to Give Business Advice

Q: Please indicate how strongly you agree or disagree with the statement:
I trust my Banker to give business advice.

Small Business
(\$100K-<\$10MM)



Middle Market
(\$10MM-<\$500MM)





Hierarchy of Trust Building in a Banking Relationship – Starts with ABC: Accessible/Bank/Company



1. Are you *accessible*?



2. Do you know the *bank*?



3. Do you know my *company*?



4. Will you offer suggestions or ideas?



Finding New Business Opportunities: Designing an Efficient Process

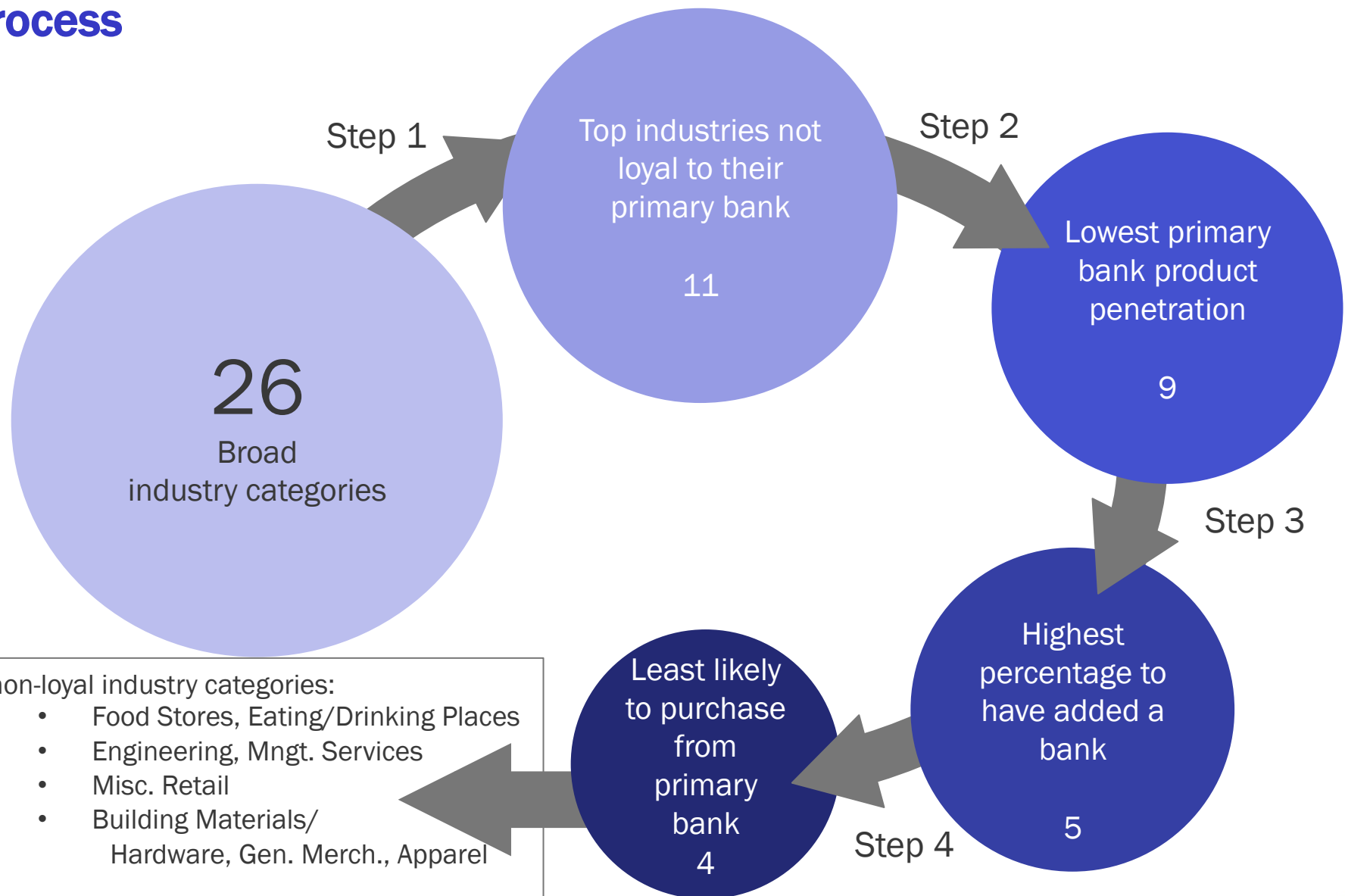


Selling Effectiveness Can Benefit from Focusing on Specific Types of Companies





Four Non-Loyal Industry Categories Were Identified Using a Four-Step Process





ALL INDUSTRIES (26)

Loyal Industries

1. Wholesale: Durable Goods
2. Auto Dealers, Service Stations
3. Misc. Business Services
(Advertising Agencies,
Employment Agencies,
Equipment Rental)
4. Social Services
5. Manufacturing: Chemical,
Petroleum, Metal, etc.

Non-Loyal Industries

1. Food Stores, Eating/Drinking
Places
2. Engineering, Mgmt. Services
3. Misc. Retail (Drug Stores,
Liquor Stores, Novelty Stores)
4. Building Materials/Hardware,
Gen. Merch., Apparel



Profile of Industries Loyal to Their Primary Bank



Loyal

Number of Employees	Number of Years in Business	Number of Banks Used
7	21	1.6

Primary Bank Delight: 59%

% Planning to Change Primary Banks: 5%

Avg. # of Products at Any Bank: 8.3

% Expecting Borrowings from Primary to Increase: 7%

*Small Business Rolling 8 Quarter Data
1Q2015-4Q2016*



Profile of Industries Non-Loyal to Their Primary Bank



Non-Loyal

Number of Employees	Number of Years in Business	Number of Banks Used
7	24	1.6

Primary Bank Delight: 55%

% Planning to Change Primary Banks: 5%

Avg. # of Products at Any Bank: 8.5

% Expecting Borrowings from Primary to Increase: 7%

Small Business Rolling 8 Quarter Data
1Q2015-4Q2016



Industries Loyal to Their Primary Bank Had Higher Product Penetration

Q: Please indicate which of the following products and services your company currently uses at your primary bank and which are used at another bank.

	Loyal	Non-Loyal
Product Usage at Any Institution		
Total Products Used	8.3	8.5
Cash Mgmt and Deposit Services	5.9	5.9
Credit Services	1.1	1.3
Other Services	1.3	1.3
Product Usage at Primary Institution		
Total Products Used	6.8	6.5
Cash Mgmt and Deposit Services	5.0	4.8
Credit Services	0.8	0.8
Other Services	1.0	0.9
Penetration Ratio		
Total Products Used	82%	76%
Cash Mgmt and Deposit Services	85%	81%
Credit Services	73%	61%
Other Services	77%	69%

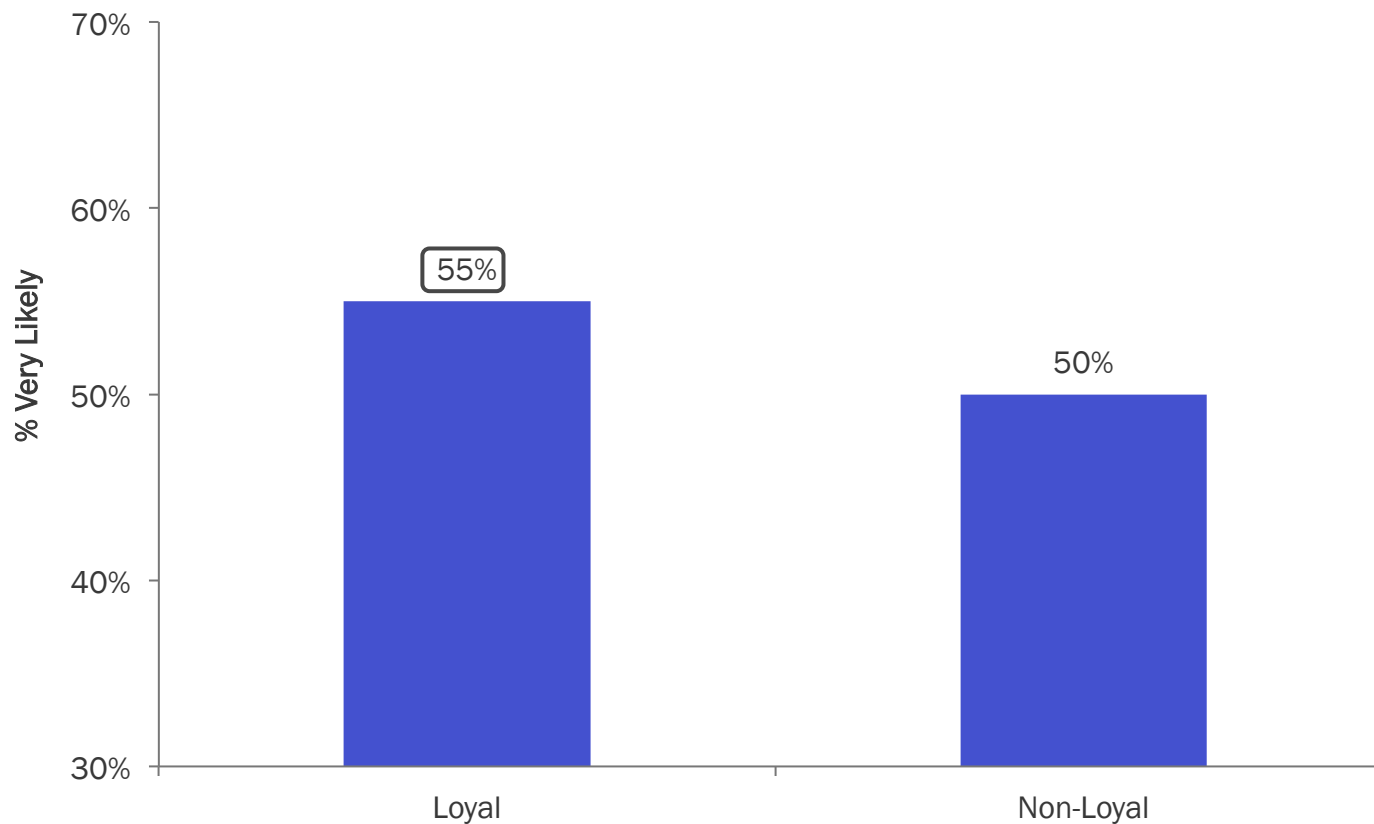
Small Business Rolling 8 Quarter Data
1Q2015-4Q2016



Fifty-Five Percent of Industries that Are Loyal Were Very Likely to Repurchase at Their Primary Bank

\$100K-<\$10MM

Q: How likely are you to use your primary bank the next time your company needs new financial products and services?





Consultative Selling: Finding the “Hot Buttons” with Vertical IQ



Channel Usage Varied Across Non-Loyal Industries

\$100K-<\$10MM

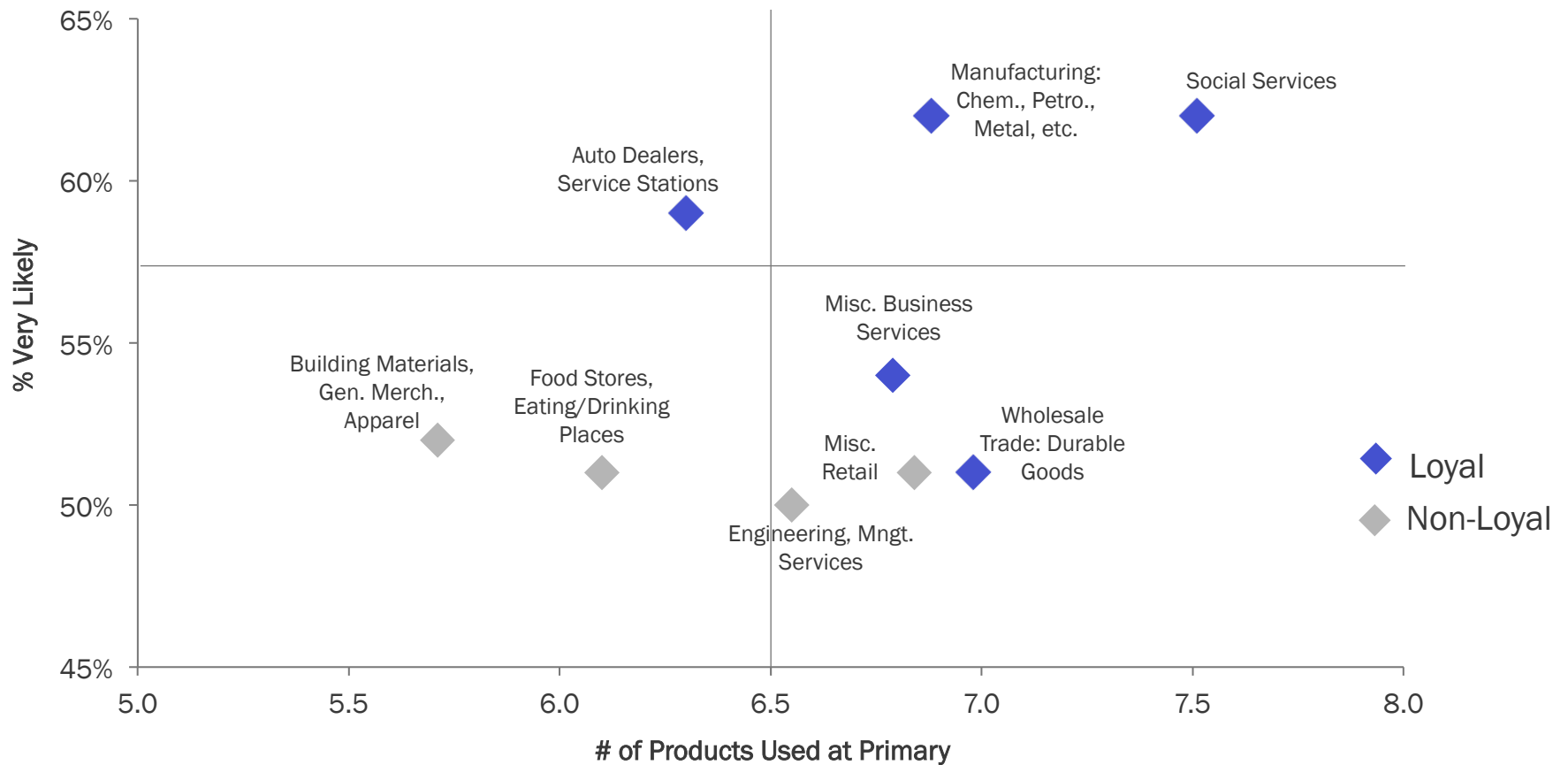
	Total	Building Materials/ Hardware, Gen. Merch., Apparel	Food Stores, Eating/ Drinking Places	Misc. Retail	Engineering, Mngt. Services
Primary Bank Penetration	77%	75%	72%	77%	78%
Use Credit Products	51%	53%	60%	59%	52%
Assigned Account Officer	35%	30%	32%	40%	33%
Branch Usage	84%	89%	89%	89%	84%
Web site for Transaction Usage	67%	67%	65%	66%	74%



Social Services was the Industry Most Likely to Repurchase and Use Products at their Primary Bank

Q: How likely are you to use your primary bank the next time your company needs new financial products and services?

\$100K-<\$10MM





Dashboard

Profile

SalesKit

News

Forum

My Notes

Print Full Profile

Specialty Spotlight

Banking Solutions

Bank Product Usage

Working Capital

Capital Financing

Risks To Watch Out For

How Firms Operate

Industry Forecast And Structure

Industry Trends

Quarterly Insight

Call Prep Questions

Banking Solutions



Efficiently processing cash and credit/debit cards for co-payments and general merchandise.

- > [Merchant Services](#)
- > [Remote Deposit Capture](#)
- > [Remote Cash Deposit](#)

Questions to ask...

- > *What delays do you experience from receipt of credit card swipes from your customers to available funds in your bank account?*
- > *What is the time elapsed between check payments in your store and availability of funds?*
- > *What security concerns do you have with keeping cash in the store overnight?*

Efficiently collecting payments from third party payers such as PBMs, Insurance Companies and Government Funded Healthcare Programs (collections average 13 to 16 days).

- > [ACH Services with Blocks and Filters](#)
- > [Lockbox](#)

Questions to ask...

- > *What payment methods do you prefer from third party payers in order to reduce collection time and pay expenses?*
- > *What payment delays do you experience due to insurance companies locations and payment cycles?*

Remaining competitive in a "mass merchandisers" (Target and Walmart) and Internet driven environment.

- > [Line of Credit](#)
- > [Term Loans](#)



Needs from their Bank Vary By Specific Industry

Building Materials	Misc. Retail: Drug Stores
Efficiently processing cash and credit/debit card payments in a seasonal industry (collections average 27 to 35 days).	Efficiently processing cash and credit/debit cards for co-payments and general merchandise.
Funding capital investments in real estate, facilities, and systems when inventory management is crucial to store success.	Funding capital investments in real estate, facilities, and systems when inventory management is crucial to store success
Remaining competitive when alternative sources such as mega stores (Home Depot, Lowes) and other retailers offer convenience and competitive prices.	Remaining competitive in a “mass merchandisers” (Target and Walmart) and Internet driven environment.
Efficiently managing labor costs (13-14% of sales) in an industry dependent on knowledgeable sales staff.	Efficiently managing labor costs (12-13% of revenue) in an industry dependent on knowledgeable pharmacists and customer satisfaction.
Managing cash given cyclical and seasonal swings in home building and home improvement activity and the need for large inventory investments (about 56 to 71 days)	Efficiently collecting payments from third party payers such as PBMs, Insurance Companies and Government Funded Healthcare Programs (collections average 13 to 16 days).



Verbatim Comments from Two Non-Loyal Industries

Q: What is the single most important thing your primary bank can do to improve the quality of service or products provided to your company?

"Understand the operations of our business and help us anticipate banking issues so the proper products can be implemented."

\$5MM-<\$10MM

Pharmacy in GA

"Improve the efficiency and economics for my credit card sales."

\$100K-<\$500K

Pharmacy in PA

"Work with our pharmacy software on credit card processing capabilities."

\$2.5MM-<\$5MM

Pharmacy in IL

"Keep in tune with the cost of capital projections and be accurate with their predictions."

\$5MM-<\$10MM

Building Materials Co. in WI

"Understand my company's needs and support me through tough times."

\$5MM-<\$10MM

Building Materials Co. in UT

"Have a top level bank official who takes interest in our account and has enough contact with us to be the go to problem solver in case of a problem."

\$2.5MM-<\$5MM

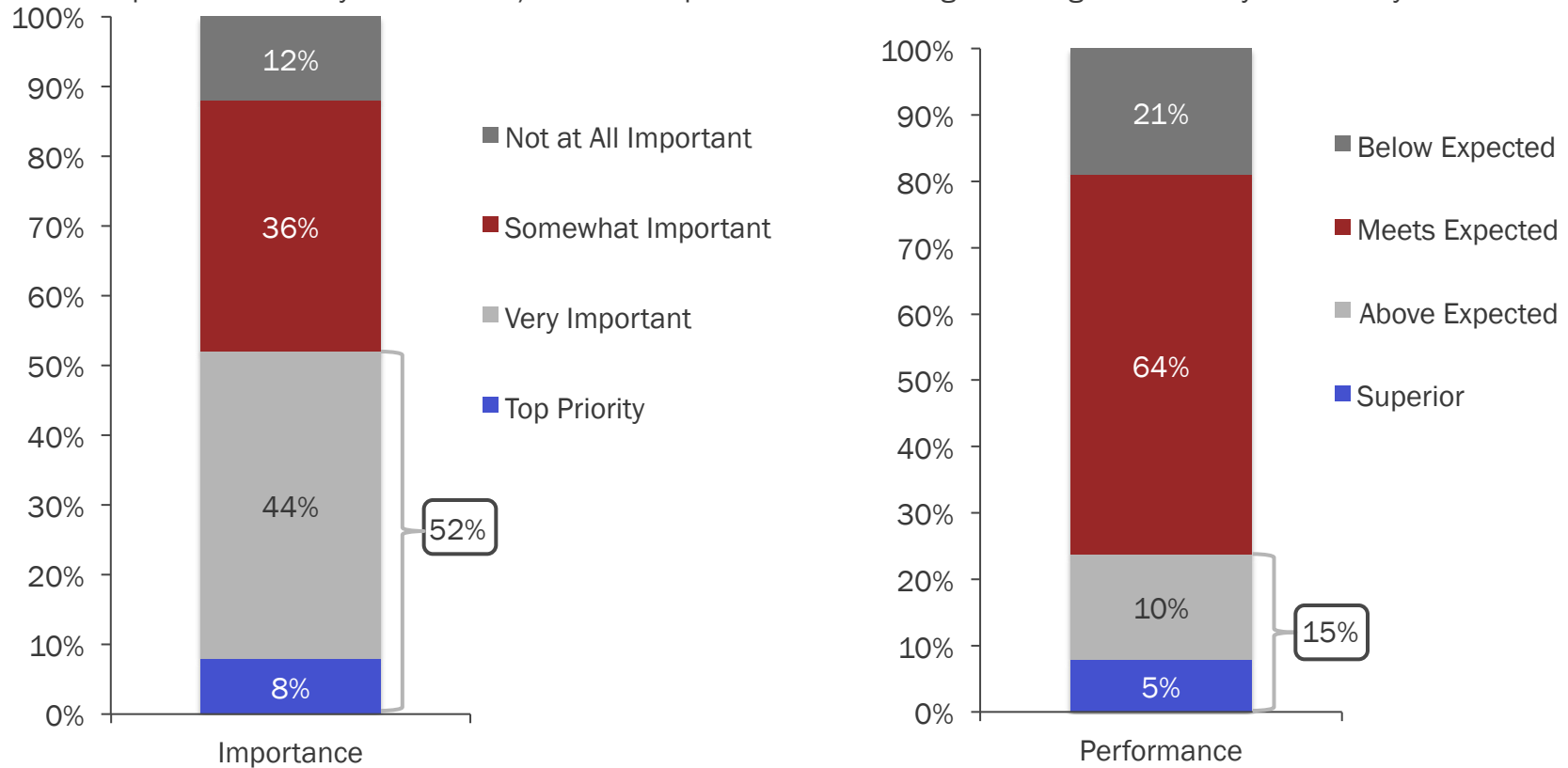
Building Materials Co. in MN



Fifty-Two Percent of Companies Indicated That It Was Important for Their Bank and/or Banker to Be Knowledgeable about Their Industry, but Only 15% Indicated Top 2-Box Performance

All Industries
\$100K-<\$10MM

Q: Please indicate how important it is for your bank and/or banker to be knowledgeable about your industry and please evaluate your bank and/or banker's performance in being knowledgeable about your industry.

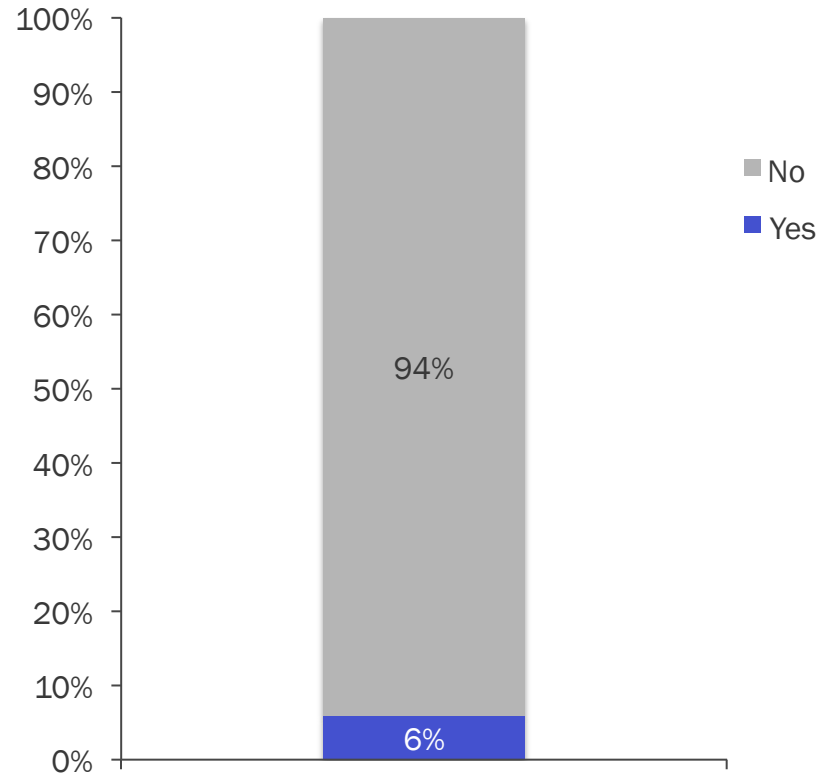




More Than 9 in 10 Companies Indicated Their Bank and/or Banker Does Not Provide Them with Industry Information

All Industries
\$100K-<\$10MM

Q: Does your bank and/or banker provide your company with industry information?

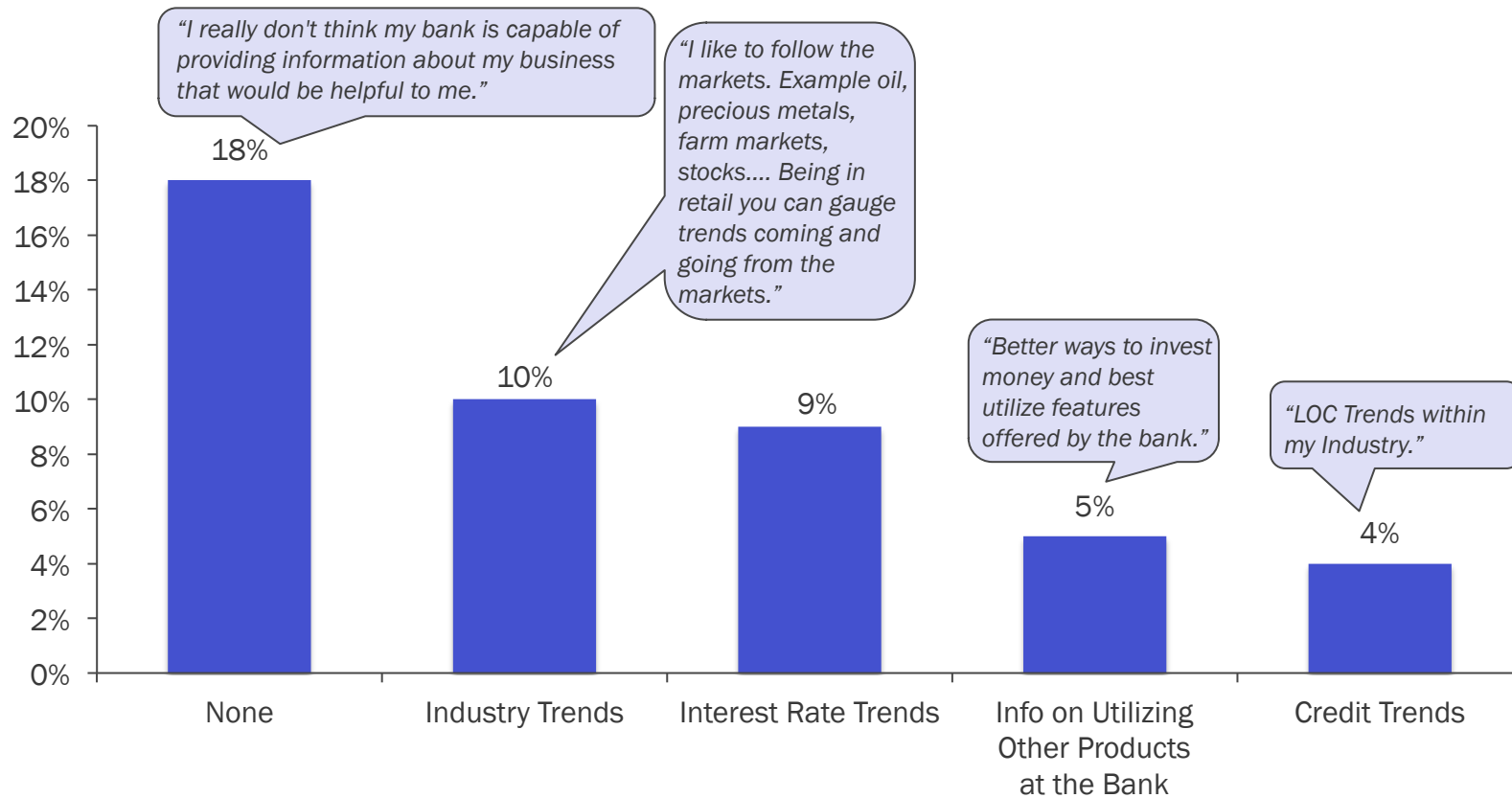




Industry and Interest Rate Trends Were Among the Most Mentioned Pieces of Information a Bank and/or Banker Could Provide to Help Their Customer Manage Their Company

All Industries
\$100K-<\$10MM

Q: What specific industry information or trends can your bank or banker equip you with to help you manage your company?





Calling in a Lifeline: The Importance of a Product Specialist

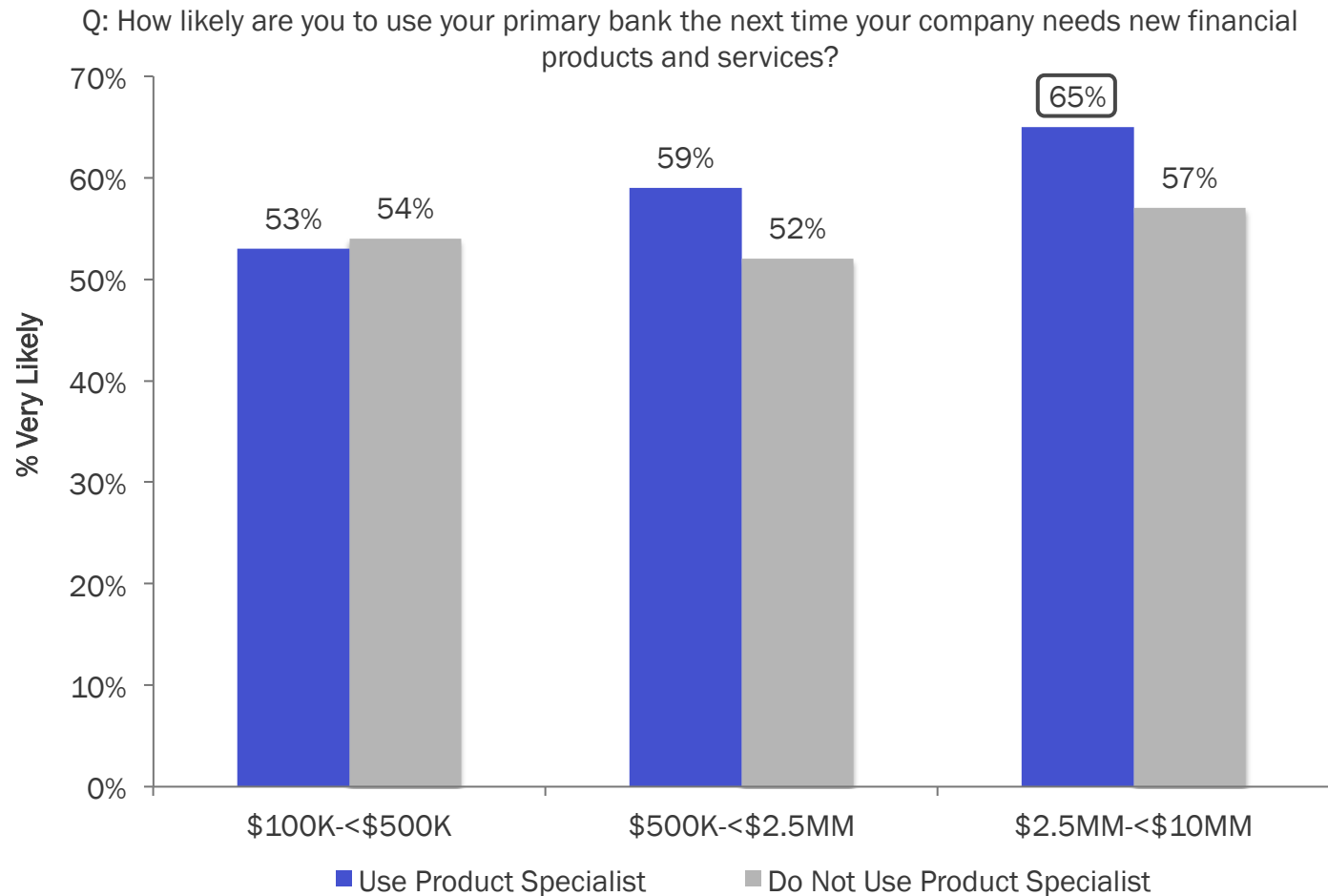


One in Four Companies with \$2.5MM-<\$10MM in Sales Used a Product Specialist in the Last 12 Months





Nearly Two-Thirds of Companies with \$2.5MM-<\$10MM in Sales that Use a Product Specialist Are Very Likely to Repurchase at Their Primary Bank





When A Small Business Had Contact with a Product Specialist, Their Business with Their Primary Bank Could Increase

\$100K-<\$10MM

	Use Product Specialist	Do Not Use Product Specialist
% Increase Borrowings from Primary Bank	13%	6%
% Increase Amount of Business at Primary Bank	28%	22%



**Becoming a Best in Class Banker: Accessible → Know Your
Bank → Know Your Customer**



Question #1: Are You Accessible?

- Email - Here is how often I check my email
- Phone - Here is when I am typically available by mobile and when I am available at my business phone
- Text - I will send you a text message so you have a record on your mobile phone
- Back-Up - Here is who to contact when I am not available
- How do you prefer me to contact you?

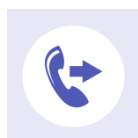


Small Business Contact Preferences

Small Business
\$100K-<\$10MM



67% prefer to request loans in-person.



Fewer prefer to use office phones to contact their primary bank.*



25% prefer to contact their primary bank for routine requests and questions using channels other than an office phone or in-person visit.



A higher percentage prefer to be contacted by their primary bank via email.*



The top channel for being contacted by a primary bank continues to be the office phone.

*Compared to 2013 data



Question #2: Do You Know the Bank?

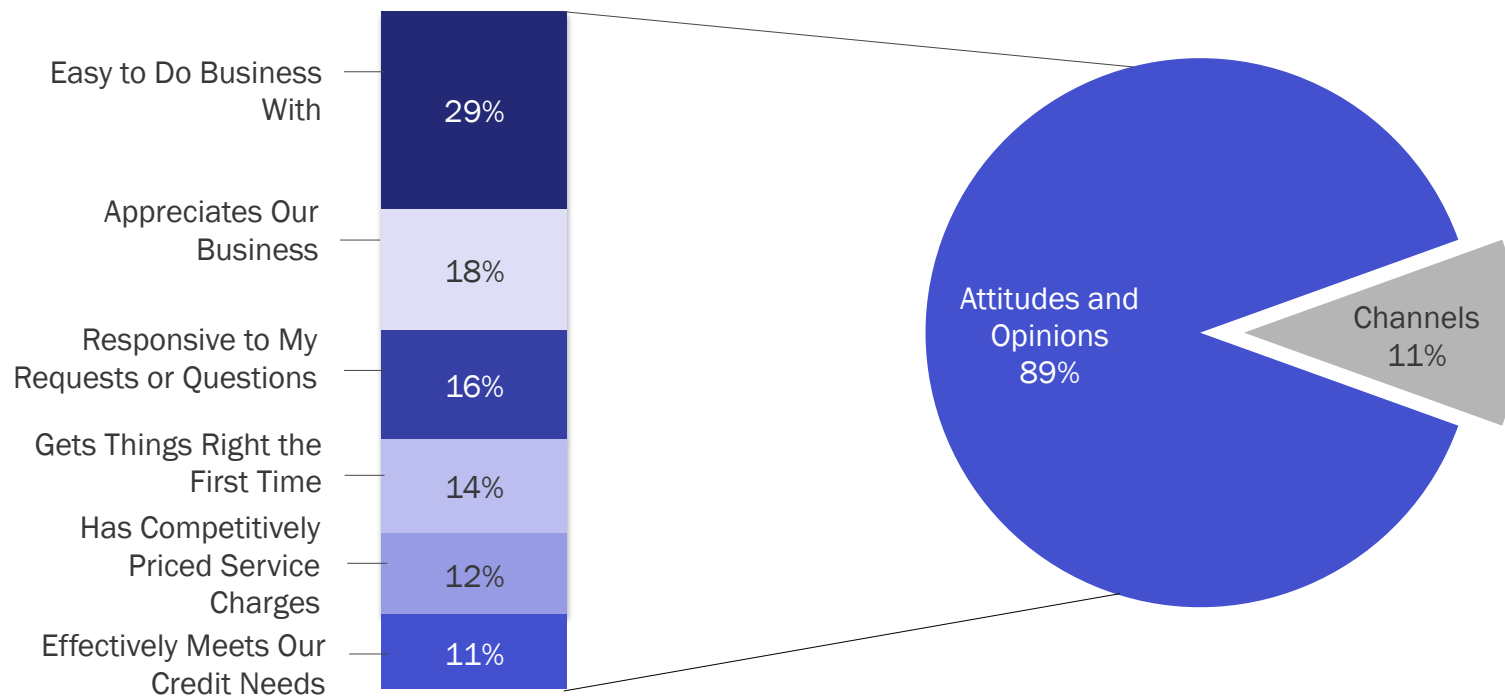
- Dealing with operational errors and unfriendly bank policies
- Opening new accounts
- On-boarding new services
- Improving personal and employee experiences
- Understanding the credit process



Brand Drivers of Overall Bank Satisfaction

\$100K-<\$10MM

Brand and Channel Satisfaction as Drivers of Overall Satisfaction



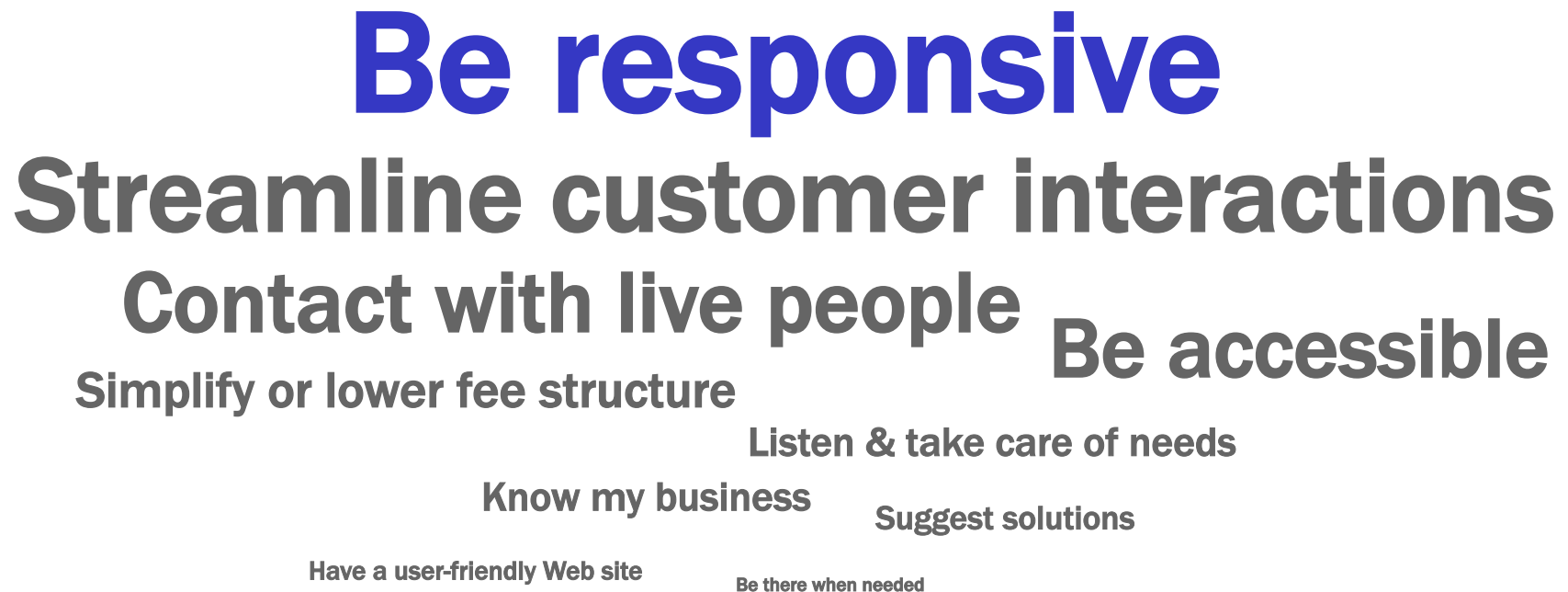
Small Business Incremental Net Effects Multiple Regression with a Dominance Analysis
1Q2015-4Q2015



How Financial Institutions Demonstrate They Are Easy to Do Business With

\$100K-<\$500MM

Q: How can your primary bank demonstrate that they are easy for your company to do business with?



Size of text in the word cloud denotes frequency of response theme
Larger text = more frequently cited theme
Unweighted data



Question #3: Do You Know My Company?

- Understand the company's language
- What risks does the company face with their customers?
- How does cash move through the company?
- Identify their largest customers and suppliers



Best Practice Account Officers Excel at Understanding Their Customers' Objectives

Account Officer Performance (Superior/Above Expected)	Small Business \$100K-<\$10MM			Middle Market \$10MM-<\$500MM		
	Satisfaction with Account Officer			Satisfaction with Account Officer		
	Very Satisfied	Not Satisfied	Difference	Very Satisfied	Not Satisfied	Difference
Understands Our Company's Objectives	76%	11%	+65%	76%	9%	+67%



Question #4: Will You Offer Solutions or Ideas?

- More than a once a year relationship
- Know the customer personally
- Communication skills are critical



Best Practice Account Officers Excel at Being Proactive in Suggesting Solutions

Account Officer Performance (Superior/Above Expected)	Small Business \$100K-<\$10MM			Middle Market \$10MM-<\$500MM		
	Satisfaction with Account Officer			Satisfaction with Account Officer		
	Very Satisfied	Not Satisfied	Difference	Very Satisfied	Not Satisfied	Difference
Is Proactive in Suggesting Solutions to Our Financial Services Needs	70%	11%	+59%	68%	4%	+64%



Best Practice Account Officer Characteristics

- Manage expectations
- Be knowledgeable about your bank's offerings and policies
- Learn the company's business
- Personalize the relationship





Thank You for Attending Today's Web Cast!

For further information about this research study and other research services contact:



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