

Get Serious About Retail Investment Sales

ACCORDING TO BANK INVESTMENT CONSULTANT MAGAZINE, the average production of a bank-based broker where the bank uses a third-party broker dealer was \$297,028 per year for 2013. In spite of the productivity cited in the article, I don't often see such numbers from community bank retail investment sales. Do your reps achieve this?

Perhaps you don't have a retail investment sales program. According to the article, only 1,809 banks and thrifts, or 27 percent of all banks and thrifts at year-end 2013, offered investment sales. Why would nearly three-quarters of banks opt out of a core financial offering?

Because the road to success is littered with a trail of tears. My firm measures profitability for our clients by lines of business and products. In 2013, fee-based products added "minus 12 percent" to the bottom line. You read that correct; negative profits means losses. Not very inspiring.

to your bank's overall profitability. If you do it right. And by doing it right, I mean treating it with the resources, personnel and promotion that you do your branches or your core products. Because, currently, most banks treat it like a form of moonlighting.

A trusted source of retirement help

Our society is moving towards self-saving. The proportion of our population that works for 40 years for one company and retires on a pension plus Social Security is diminishing. Increasingly, the onus of retirement saving is falling on the individuals' shoulders. Are they prepared for the burden? If not, is there someone whom they trust to guide them through the financial complexity?

So far, as an industry, most banks are taking a flier on the opportunity even though we may occupy a position of trust. The reasons may be different—such as, it is outside of the bank's expertise, the bank does not have the personnel or nobody makes money at it.

A well-run program can deliver profits. I checked a cross-section of publicly traded broker-dealers and they achieved an average pre-tax profit of 17 percent in the second quarter. Although overall, fee-based services lose money, among the clients my firm measures for profitability, I saw that

the pre-tax profit of the investment arm of a cross-section of retail investment sales programs achieved a 22 percent pre-tax profit margin for the same period. These are community banks, making profits with little "A" (as in ROA) and "E" (as in ROE), serving their customers with much needed financial products and advice.

But successful execution of a profitable retail investment sales program requires integration as a core bank offering. No longer can you put reps in the corner behind a potted plant with a conspicuous "Not Insured by FDIC" sign and leave them to their own devices. It is a recipe for failure and disillusionment with your reps, who will eventually leave.

Instead, those reps must be part of the fabric of serving your customers, including marketing support to help develop and grow their programs, training support to help elevate their skills, branch and lender support to identify prospective customers, and executive support to provide the vision and culture of a bank investment sales program that cares for a more significant part of your customers' needs. ■

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Banks judge their financial performance by, among other ratios, return on average assets (ROA) and return on average equity (ROE). Imagine the impact a profitable retail investment sales program would have on these ratios. If "return" is net income for the program, and it adds no "average assets" and requires little equity, retail investment sales can be a critical component

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