Trinity Case Study *Assessing Sales Effectiveness*

One bank believed they were the industry leader in branch productivity until Trinity showed them how to measure overall sales effectiveness and uncover significant opportunities for improvement.

Company Profile

A medium size provider of mortgages based in the UK, this bank prides itself on being "an outstanding provider of mortgages and other financial products, offering our customers excellent service and good value. We are one of the UK's most cost-efficient lenders…" (annual report, 2001) This bank has 207 branches in its network that sell about 140,000 mortgages per year total, averaging £65,000 per mortgage, borrowed for 25 years. Of the mortgages sold about one third are to new customers and two-thirds are re-financing or additional financing to existing customers

The Business Challenge

The bank's improvement efforts have slowed down and become more difficult as the benefits from their efforts produced fewer and fewer results. Bank management was considering a re-focus of their improvement efforts away from low-cost team-based improvements towards expensive, technology-based improvements. Trinity offered to conduct an analysis of their current operations to see if we could identify any significant opportunities for improvement remaining.

Trinity's Approach

Trinity's consultants developed a new measure of productivity and utilization based on the Overall Equipment Effectiveness (OEE) index used in manufacturing. OEE compares the actual performance of an asset against the theoretical performance of that asset using three criteria:

- Availability (Is the asset available to use when I need it?)
- Speed (Does the asset perform at its designed speed when I use it?)
- Quality (Does the asset produce quality results?)

From Trinity's experience in manufacturing, most companies manage their assets at about 35% of the theoretical OEE of 100% (availability x speed x quality). Given that 100% OEE represents a theoretical benchmark, world class OEE is about 80%. More important than the total OEE index is the individual components that point to improvement opportunities: availability, speed or quality. Trinity revised the OEE model for use in financial services:

- Schedule (Is the individual scheduled to perform mortgage sales work or involved in other duties?)
- Availability (Is the individual available during the time scheduled for mortgage sales work?
- Speed (Does the sales process take longer than designed?)
- Quality (How many applications result in a closed mortgage?)

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In addition to OEE, Trinity looked at two other indicators borrowed from manufacturing, but often used in process improvement efforts:

- The ratio of value-added time to total turnaround time (Indicating waiting and rework)
- The ratio of people utilization give the theoretical throughput (Indicating unbalanced workflow)

Results and Recommendations

After two days of branch interviews and data review, Trinity delivered a report identifying three areas for potential improvement, as summarized below:

Improvement Opportunity 1:
Improve Mortgage Advisor Effectiveness

Current Mortgage Advisor effectiveness is estimated at 30%. The mortgage advisor is the most significant sales person in the branch, responsible for "filling the pipeline" with mortgage applications. Based on a 75 minute mortgage interview per customer, (including a 15 minute preparatory telephone call), each advisor is capable of delivering 1,250 applications per year.

The pilot branch had two advisors, so their theoretical capability is 2,500 mortgages. Given their current rate of 750, their OEE is 30% (i.e., 750 accepted applications/2500 = 30%). Given that the advisors complete about 900 applications to close 750, their "quality" rate is 83%, which is reasonable. The observed mortgage interviews were 75 minutes or less, so "speed" also seems reasonable, leaving two areas for improvement: Schedule (Is the individual scheduled to perform mortgage work or involved in other duties?) and Availability (If scheduled, is the individual available to perform mortgage work?)

Improvement Opportunity 2: Decrease waits, authorizations and rework

Current ratio of value to non-value added time is 7%. Using the current job cycle times and the total turnaround time, the ratio of value-added time to non-value added time was calculated.

The current processing time requires 260 minutes per application:

75 minutes for Mortgage Interview
\+ 70 minutes for Credit Searching / Initial Assessment / General Administration
\+ 75 minutes for Diary Chase / Collate Data / Check In
\+ 20 minutes: File prepared
\+ 20 minutes: Authorized and Approved
= 260 total minutes of branch processing time per application

The bank's current turnaround time is 10 days or 3,600 minutes, which yields a branch value-added time to total time ratio of 7% (i.e., 260 minutes/3600 minutes). A cursory investigation of the non-value added time suggested that most of it is due to:

- Waiting for valuations
- Waiting for authorizations
- Waiting for rework (lost, missing or inaccurate paperwork or information)

Improvement Opportunity 3: Balance the work among branch personnel. Current utilization of branch personnel is estimated at 26%. If the four stages of mortgage work are grouped into balanced jobs, it yields the following workflow (assuming that all of the work is value-added, which it is not):

- Mortgage Interview. (75 minutes)
- Credit Searching / Initial Assessment / General Administration (70 minutes)
- Diary Chase / Collate Data / Check In (75 minutes)
- File prepared / Authorized and Approved (40 minutes)

With this deployment of personnel, a branch can theoretically produce 1250 mortgage applications per year with four people, or 312 applications per person. Given that current branch productivity is about 82 applications per person (i.e., 900 applications/11 people = 82 per person) Therefore, the current people utilization is at about 26% (i.e., 82/312 = 26%)