Advice to Vendors: Rules of the Road
by Charles B. Wendel

Over the years we have advised dozens of companies hoping to sell their services to banks and FIs in multiple areas, often involving platforms tied to credit cards, business lending, commercial finance, or cash management, among other areas. Most of these vendors are offering a digital solution, one that leverages the technology they have developed to offer a platform that increases efficiency and builds new revenue streams. Today there appears to be more startup vendors than ever. Many express frustrations at the increased complexity of the decision-making process within banks, including the time required for decisions and the number of bank staff that needs to be involved.

Our own experience shows that the process for becoming a bank vendor can require a long and complex path. Based on our hard-won experience and client work, vendors may consider the following observations as they pursue banks.

Differentiation is difficult to demonstrate to buyers. As a vendor, you may believe your offer differentiates your company from all others (and it may), but, at least initially, your bank targets may see you as just another platform that does x,y,or z. When we ask vendors "Who is your competition?," too often we hear, "No one." Really? For example, right now there seem to be dozens of small busines lending platforms in the marketplace. A bit like Whack-a-Mole, new ones pop us as others disappear. Vendors should conduct research on their competitors both to challenge their product assumptions and prepare for bank questions.

No one person makes a decision at a bank. By that we mean that banks prize a group-based process. While it is likely that an individual, say from legal or Compliance, can eliminate a vendor, typically, no one individual can or wants to decide. That means vendors need to sell to multiple bank influencers. And depending upon the bank the functional areas with the greatest influence will differ.

More groups that ever are now involved in the decision process, creating more hurdles and requirements for a vendor. Years ago, banks added a focus on KYC to business, IT, and other issues that needed to be addressed. Now, it is ESG being added to the areas that vendors need to be cognizant of.

The power of various internal groups may be shifting. Linked to the increased number of internal bank groups involved in a decision, business line heads may not be the key decision makers, even if your offer focuses on a particular product area. Groups such as Marketing and IT can play a dominant role depending upon the personality and political strength of the leaders involved.

You may be operating with a sense of sense, but banks may not. Today, banks continue to give primary emphasis on managing compliance and regulatory with the additional of ESG concerns. Banks operate with limited bandwidth, and many are not great at juggling multiple projects at one time. Your offer, as valuable as it is, may simply not make the cut of bankers trying to manage priorities and outside pressures.

Once in, build wallet share. As noted, the initial approval process requires a vendor to jump over many hurdles. At some banks being an approved vendor provides a leg up in pitching for business in an area that is related to but different than the first sale to the bank. Even if a competitive product may offer a better solution, some banks will prefer to go with an already approved vendor rather than dealing with another tortuous approval process. That is why vendors, once successful, need to consider their best approach for cross-sell.

Don't forget the funnel. It was Sandy Berry, now retired but for decades a great banker and consultant, who first described the funnel concept to me. Basically, you need a lot of good prospects to get to a sale. As an experienced banker and consultant with an MBA, my initial reaction was to dismiss such a simple approach. Wrong! To this day it makes sense to follow an approach that begins with reasonable leads at the top of the funnel and encourages a process to work those leads over time while replenishing the funnel with more good leads. Simple, yes, but effective.

Patience and perseverance, as old school as they are, remain critical for success.

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