Mastering product knowledge: There is a better way

with James Van Patten, Susan Husted, and Carl Binder

The title "commercial loan officer" is nearly obsolete. Presently, "relationship manager" more accurately describes the increasingly consultative role lenders play with their customers. Among the characteristics of this new breed of banker is mastery of product knowledge. Recent research shows that top relationship managers are able to recall many different facts about the bank's products and services and connect those products and services directly to client needs.1 That can be a tall order for banks whose portfolio of products and services can surpass 200.

Product information is rarely taught in a way that enforces how it's used in a sales situation, says Omega Consultant James Van Patten. Often, bankers learn about products by memorizing alphabetical lists, which is a little like learning French by memorizing an English/French dictionary from front to back.

To investigate the problem of how to build product knowledge and develop a more effective approach for lenders, Omega joined forces with Precision Teaching and Management Systems, Inc., Newton, Massachusetts (PT-MS). The following interview describes the results of their collaboration. Participants are Van Patten, PT-MS Consultant Susan Husted, and Carl Binder, president of PT-MS and of the Massachusetts Chapter of the National Society for Performance Instruction.

LENDING FOR THE COMMERCIAL BANKER: Why is product knowledge important to commercial bankers at this time?

CARL BINDER: There are three important reasons: (1) Banking in a deregulated environment is more competitive; (2) rapidly expanding bank products and services add complexity to an increasingly competitive industry; and (3) sophisticated product knowledge allows relationship managers to act more as consultants, which is an important trend in banking today.

SUSAN HUSTED: The consultative aspect is particularly important. Relationship managers should shift their perspective away from just selling bank products and services to the fact that each client has individual, specific needs. Developing the skills to respond to those needs is critical for success. The Omega research confirms that top relationship managers possess two major characteristics: They can recall automatically

1See "What Do High Performers Do?" Lending for the Commercial Banker, Winter 1987, pp. 52-58.
many of the details about the bank’s products and services, and they can relate those products and services directly to client needs.

JAMES YAN PATTEM: Product knowledge is essential to what relationship managers do. They have to have it. The distinction we’re making is between product knowledge as “selling only what you know and knowing only what you sell” versus knowing all the products a bank has to offer. It’s a more expanded view. Obviously, knowing all of the bank’s products does a service to both the bank and the customer.

LENDING: What has been the traditional approach to product knowledge training?

YAN PATTEM: Most banks try to solve the problem by putting product information in a book, distributing it to relationship managers, then praying that somebody learns something. That approach has not been successful. There is no internal structure in the material to tell trainees why they should learn it or how they should use it.

BINDER: Exactly. The traditional approach focuses on products and services as topics in and of themselves. Product information presentations, whether in book or video tape form, are often alphabetical lists structured around features and benefits. That doesn’t solve the problem because there’s no way to relate those benefits directly to the needs of the customer. The result is that people do tend to limit their selling to what they know best. They’re bound by the fact that they don’t regularly spend a lot of time on many product/service categories—for example, cash management or trade finance—and simply don’t know them very well.

LENDING: What are the other deficiencies of this training approach?

HUSTED: The information is not presented from the perspective of the relationship manager. It’s topic-driven rather than customer needs-driven. In general, most product knowledge training typically relies heavily on factual information but is deficient on how the information should be used. The relationship manager is given no way to bridge the gap between understanding a list of features or benefits and being able to apply the information in sales activities. The knowledge these managers do gain is often not very useful. What’s lacking is a structure for learning—an internal model to help trainees integrate enormous amounts of material.

YAN PATTEM: Applying product knowledge is part of a process. Knowing the information is worthless if the relationship manager is unable to retrieve it quickly during a sales call. An effective product knowledge course must include a training model to facilitate this application.

LENDING: What is the optimal approach to product knowledge training?

BINDER: The way to judge product knowledge training is by its outcome, which we call “fluency”—the ability to think about a customer’s needs and their banking solutions easily and without hesitation. That’s different from just comprehending product information. An optimal approach to building fluency has four parts. [See Figure 1.] First of all, the training should be needs-driven—developed in the context of the relationship manager’s existing job responsibilities and taught from the perspective of client need. Second, it should include readily accessible paper-based or on-line documentation. (We’ve seen bank product knowledge documents designed for use as reference materials that didn’t even include page numbers or indices! There is no way they can be used efficiently.) Third, we need tools for actually learning the information, as opposed to

FIG. 1. Four Components of Effective Product Knowledge Training
just becoming familiar with it. We need training technology that employs systematic strategies which emphasize both speed and accuracy of performance. And finally, there should be opportunities for practicing the material in problem-solving situations.

**Munsted:** I'd like to add a very practical note: It's critical to practice, practice, practice. Once relationship managers have mastered the material and find themselves responding quickly in a sales situation, their level of confidence increases dramatically.

**Lending:** Ideally, how should product data be organized for effective learning and reference?

**Munsted:** Assimilating large amounts of data by rote memorization alone is very difficult. For the material to “take,” it must be organized in a way that reflects its day-to-day use. The context is more important than the content. In the financial services industry, however, the situation is somewhat more complicated. To really know their products, relationship managers must consider two separate contexts: the customer’s and the bank’s. The ability to solve a customer’s specific problem necessitates an understanding of how the bank’s products and services fit into the asset conversion or cash flow cycle of the customer’s business and industry. The customer’s need for products and services will vary depending on where he is in the business cycle.

For example, if a customer with a growing business expresses frustration in monitoring multiple accounts, that’s a clue for the relationship manager to suggest a zero-balanced account as a solution. The objective is fluent or “second nature” knowledge based on a combination of raw product data and an awareness of the business/industry cash flow cycle. Once training is completed, relationship managers can recognize clues and instantly use those clues to connect business needs with the appropriate bank products and services.

**Binder:** Organizing long product lists by asset conversion cycle or functional need by client breaks the list into logical, hierarchical structures of categories and subcategories. This makes the product information much easier to recall. Relationship managers have “hooks” on which to hang specific pieces of knowledge. Formatting is also important. The material has to be easy to find on the page or in the documents.

**Van Patten:** The analogy I use is “troubleshooting.” The bank’s products are the tools a relationship manager uses to solve his customer’s problems, in a process similar to that of any other repairman. Knowing a specific industry’s asset conversion cycle makes it possible for the relationship manager to focus on pertinent characteristics of that industry—the likelihood that the customer’s needs at a given place in the cycle will fall within a relatively limited range. That’s when the relationship manager has to be able to pull the right tool out of his toolbox to fix the problem.

**Lending:** This seems like a good time to talk about our Structured Information Analysis approach to learning. If the learning objective is assimilating a lot of information into the working memory, that information should be presented in manageable doses. Information should be prepared in modules that are quite small, and the modules should be based on context, not content. For example, all the information should be prepared so that the left-hand margin of each module includes the signals to the questions a relationship manager might ask. The relationship manager shouldn’t have to stop to figure out why the designer wrote the material, what it’s about, or how it should be used. If the documentation addresses the question “What should I do with it?” it will lead directly to improved fluency.

**Lending:** How has this approach to training been researched and tested?

**Munsted:** First, I’ll provide a little general background. Our approach to product knowledge training, as has been discussed, combines two training technologies: Structured Information Analysis and Fluency-Building. These methods are based on research about how adults learn best, the limitations and idiosyncrasies of how they process information, and how the eye works when it approaches a page or screen. Fluency-Building techniques are based on more than twenty years of laboratory research, which shows that training methods combining accuracy and speed of performance result in better retention, a longer attention span, and facility in applying information after training. As far as we know, no one has ever tried to develop a context-based training approach that combines the two techniques.

**Lending:** How was the product knowledge training tested?

**Van Patten:** The product knowledge training
courses were tested with both experienced bank relationship managers and those right out of business school. Eight banks participated in the initial research, and pilot training programs are being conducted at three.

LENDING: What are the test results?

VAN PATTEN: Our work with bankers shows that inexperienced account managers who completed several weeks of study and Fluency-Building were nearly three times more accurate and three times more fluent (quick in matching client needs with bank products) than experienced account managers who did not complete the course. Reactions to the materials and their ease of use have been very, very positive. Comments include “Now it all makes sense,” “I see where this is all going,” and “I now see how I can use it.”

BINDER: One training manager we worked with said that trainees were more able to talk and think about products and services than he had been at the end of six years as a relationship manager. He made the comment after observing trainees who were applying course materials to case study situations.

Another point that’s worth mentioning is the growth of noncredit products and services, which is starting to be a very important market in the banking industry. As an experiment, six people at one of the banks we worked with were asked to concentrate on cash management, noncredit products and services for six months. In that time, those few people were able to generate in excess of $1 million in revenue. The experiment proved that bankers don’t generate nearly the revenues they might because they don’t know noncredit products and services very well. With product knowledge across a broader range of noncredit products, banks are bound to generate more business and serve their clients in different ways.

VAN PATTEN: The product knowledge materials we’ve put together have also generated a lot of interest in bank marketing groups, not just in line organizations and training departments. When marketing groups develop a new product, they have to introduce it both internally and externally. Bank marketers say the approach we’ve developed is exactly what they need for internal training. The level of interest indicates that we’ve really struck a nerve in the banking industry.

LENDING: How can product knowledge training be reinforced most effectively?

BINDER: After initial training and Fluency-Building, the relationship managers should have documentation of the kind we’ve discussed—documentation, which is needs-driven and easy to access—to support and maintain their knowledge level. Second, they probably also need occasional case study opportunities for problem solving in sales meetings or follow-up training. Some of our most interesting research shows that relationship managers spend as little as 15 percent of their time on noncredit products and services. Clearly, they will require periodic refreshers to practice applying what they have learned.

VAN PATTEN: That’s an important point. Relationship managers don’t sell all the products and services all the time. Consequently, they must practice, or they will find themselves back to the restrictions of just selling what they know. That’s why our strategy for reinforcement is industry-based. Rather than giving relationship managers a product of the day to work with, we focus on an industry of the week or month. Trainees look at an industry and devise a sales plan for that industry which includes as many of their banks’ products and services as possible.

LENDING: You mentioned the asset conversion cycle. What is the connection between credit/accounting skills and product knowledge training?

MHOSTED: One thing that comes up again and again at various banks is that relationship managers come to their jobs with credit lending skills and perceive that as their primary responsibility. At the same time, according to a recent Greenwich Associates study, the strongest complaint that customers have about banks today is that their account managers are inadequately trained. One of the key design strategies for this product knowledge training course was to create a connection between the asset conversion cycle, business needs, and products and services. Essentially, we’re folding the products and services “content” back where it belongs, to meet the needs generated in the various parts of the asset conversion cycle. This connection, of course, has always been there, but no one has capitalized on it before.

VAN PATTEN: Cash flow is the financial industry’s stock-in-trade. If relationship managers don’t bring that information to bear in the selling situation, they’re not bringing much to the table. If they don’t
understand business cash flow in a way that connects client needs to bank product or service, why are they there?

LENDING: How does product knowledge fit into the larger cross-selling picture?

BINDER: One benefit of the structured information analysis approach we discussed earlier is that it categorizes products according to client need. Cross-selling becomes a natural by-product. Once relationship managers have learned to relate product to need, they can more easily perceive and respond to related needs, which lead to still other products and services.

BUSTED: In a cross-selling situation, product knowledge adds credibility to the skills of the account manager. If a relationship manager can instantly pick up on clues to point out a service that meets a customer's need, his credibility is higher. (The customer thinks, "He responds to my needs. He's got the answers.") This generates new needs. (He says, "I have another problem. What can you do about this one?") I think that more professionalism and credibility in cross-selling is one of the primary "added values" in good product knowledge training. In our initial research, we asked, "In a typical customer call, how much time do you have to respond to some clue or signal before the sales opportunity is gone?" The answer was "less than a minute." And once you've lost it, you've lost it. If you have to go back to the bank to look up the information, the odds are that your credibility has been undermined to some extent.

BINDER: That's a good point. The more the relationship manager is capable of responding to a broader range of problems, the more he becomes a consultant—someone the client is likely to turn to for advice and solutions rather than just for a loan or other routine transactions. It's a natural consequence of product fluency.

LENDING: How does product knowledge training fit into the ongoing development of a business banker? At what point should it be introduced?

BINDER: Ideally, the training should be offered at the beginning of an account or relationship manager's career, to give him a competitive edge. But it also needs to be ongoing, to refresh people, and to provide updates on new products and services. That's especially important in an industry characterized by rapidly expanding product lines. In other words, it's critical at all points in his career because it provides a real knowledge base upon which a banker can build important value-added consulting skills.