ONGOING PRESSURE IN GLOBAL markets is prompting a number of corporate and investment banks (CIBs) to examine the strength of their sales organizations. While many feature top-flight sales talent, issues such as structural misalignment, widespread process inefficiencies, and entrenched cultural barriers have resulted in chronic underperformance.

Those weaknesses are heaping salt on the wounds of CIB markets divisions, which are already suffering from stagnating margins. Wallet share is also declining, a trend that has been exacerbated by growing competition from fintechs and by the success of bulge bracket banks in the US, whose ability to maintain share has come largely at the expense of European players.

Through our work with CIBs, BCG has found that some of the heaviest drags on banks’ performance are related less to outside forces than to self-inflicted problems such as fragmented practices, outdated technologies, and a lack of cohesion around priorities, metrics, and methods. Left on their current course, banks’ markets businesses will continue to be disproportionately affected. The good news, however, is that these issues are addressable.

By leaning on their core relationship lending strengths, reinterpreting revenue data to focus on the right clients, and changing how markets, lending, and other bank divisions work together, CIBs can repurpose their markets divisions to better align with the strengths of the institution as a whole. In our experience, CIBs that take these steps can significantly improve wallet share and uncover new sources of revenue.

Internal Blockers Weigh Down CIB Performance

While there is no question that CIBs face challenging external conditions, deeply rooted internal issues increase their effect. Disconnects between the lending and markets divisions can cause them to chase revenue from within their own silos, leaving bigger, cross-bank opportunities overlooked. Client targets are often ranked
solely on the basis of the revenue they’ve produced in the past, without taking into account their anticipated growth, cost to serve, and profitability. Operational constraints, including misaligned incentives and a resistance to change, can also scuttle attempts to improve performance and cooperation between divisions.

Our work with CIBs reveals that in most cases, salespeople are compromised by a similar set of structural, cultural, and operational impediments.

- **Inability to See and Measure Wallet Size.** At many banks, data fragmentation and siloed management practices leave sales teams with a limited view of the client. Without seeing the whole wallet or knowing the balance of trade, members of the sales team often can’t tell whether they should be asking a transaction banking or other client for more traditional business or structuring a hedge in a different way to give the client a better solution. At one bank, the markets division earned zero revenue from more than 25% of its top transaction banking clients, even though those clients were active users of other bank services. At another bank, capital committed to the heaviest borrowers among corporate lending clients returned an average of less than 1% across the company.

- **Ineffective Segmentation and Coordination.** Sales teams are often assigned a heterogeneous portfolio of clients with different value profiles. Targets that seem attractive based on historic revenue performance may turn out to be less attractive when the client’s total value and profitability are considered. In addition, blind spots and misaligned priorities between divisions can result in the client wallet being drained by lower-value opportunities. The markets division at one bank struggled to get risk approval for transaction opportunities with high return on equity, because the available client counterparty limit had been allotted to lending opportunities with much lower return profiles.

- **Heavy Administrative Loads.** Inadequate digitization and task alignment leave many sales forces saddled with unnecessary paperwork. The average salesperson at one CIB we studied spent 45% of the week on administrative matters. In the absence of high-quality, easily accessible data, sales teams are required to spend valuable time searching for risk, industry, benchmarking, and other information they need. Many lack digitally enabled sales support tools that could guide pricing decisions, automate reporting, assist in account planning, and generate recommendations.

- **Unbalanced Coverage.** Cost-to-serve also varies. Yet, undifferentiated coverage models and a failure to promote client-friendly digital interfaces can leave sales teams spending as much time serving lower-value clients as they do their most profitable ones. Two-thirds of one bank’s lowest-value markets clients, for instance, did not use its e-trading platform actively, thus further burdening an already stretched sales force.

- **Lack of Cultural Cohesion and Slow Pace of Change.** One institution aggressively upgraded its sales organization (including management) in an effort to improve results. But within 12 months, many of the new hires had either left or were underperforming, citing cultural, operational, and process issues and the bank’s slow embrace of change. These organizational blockers can create an inhospitable environment for high-performing salespeople, leading to disaffection and attrition.

For many CIBs, these findings won’t come as a surprise. A number of institutions have attempted to address performance problems on several occasions only to be hamstrung by resource constraints or by a lack of organizational willpower to effect change. Each unsuccessful attempt comes at a cost, raising fresh skepticism across the bank about the markets division’s ability to reinvent itself. At institutions where repeated internal initiatives to boost markets
revenues have not yielded the desired results, shareholders and executive boards are losing patience—both with their CIB’s attempts to generate a higher return on lending capital and with the markets division’s inability to increase wallet share and client revenue. While bank leaders generally appreciate the leverage that lending capital gives them in the pursuit of ancillary revenue with key clients, they often fail to bring all parties together to monetize those opportunities.

Inaction is not an option. CIBs that do nothing will see their already reduced share of the global markets wallet shrink further. That slide could put the future viability of the business into question, prompting bank executives to slice costs significantly or even shut down the division to stem the drag on shareholder returns.

Yet CIBs can avoid this fate. By increasing revenue in the near term and eliminating key operational barriers, CIBs can reverse the negative cycle of underperformance and turn their markets businesses into a source of significant long-term value.

A Two-Pronged Approach Can Boost Markets Revenues by Double Digits

Through our client work, we have found that CIBs can achieve powerful results by embracing a parallel effort focused on delivering near-term revenue growth while laying the groundwork for lasting productivity improvements. By applying rigorous analytics, targeting high-value clients, and working within specific agile client teams, CIBs can increase top-line client revenue by as much as 10% within 12 months. At the same time, a program focused on removing structural and cultural impediments to revenue growth and hardwiring process efficiencies can generate a 20% improvement in overall productivity.

Accelerate Near-Term Wallet Share Growth

With the right data, teaming, and performance management practices in place, CIBs can generate rapid performance improvements. Doing so requires that they take the following steps:

- **Run the numbers.** Banks need to revamp their client-targeting efforts to isolate qualified wallet growth opportunities. Using detailed diagnostics that assess client revenue, risk-weighted assets, and other financial information, leaders should identify an initial set of promising target clients. We recommend something in the range of 50 targets—large enough to create impact, but small enough to keep the effort tightly focused.

- **Create agile client teams.** To exploit these opportunities, banks should apply agile working techniques and establish dedicated cross-divisional (lending and markets) and cross-functional (risk, operations, and compliance, for example) client teams for the 50 targets they have identified. These client teams should be organized into several thematic clusters based around specific short-term business initiatives. For instance, one cluster might focus on increasing foreign exchange revenues for transaction banking clients. Another might focus on boosting the rates business with large lending clients. By channeling attention and resources toward specific goals with clear deadlines, the CIB client teams we have worked with have achieved significant and rapid results.

- **Establish strong program governance.** In addition to formalizing account planning, CIBs need to enforce collaboration on high-value opportunities between divisions using regular check-ins, metrics that track incremental revenues, and escalation steps to senior management that are clearly laid out to speed issue resolution.

Deliver Long-Term Productivity Gains

To ensure sustainable revenue growth, CIBs need to overhaul their client segmentation and coverage models, automate core processes, and realign their performance management systems. Our clients have
been able to substantially improve efficiency and sales productivity in the following ways:

- **Redesign segmentation, targeting, and coverage models.** CIBs need to segment clients and targets based on a holistic understanding of their current wallet size, growth potential, and profitability. They also need to establish processes that align market risk and credit risk so that counterparty limits are allocated to the best product opportunities. Coverage models also need to adjust, for instance, by shifting smaller clients to digital channels so that relationship managers (RMs) and sales teams can spend more time with larger clients that have more complex needs.

- **Reduce administrative burdens.** To maximize customer-facing time, banks need to automate and delegate non-revenue-generating tasks and create digital tools and sales enablers to make it easier for sales teams to get the information they need. Centralizing and automating common activities, such as account planning, call reports, issue resolution, and post-trade settlement procedures, and staffing those roles with specialized talent can also reduce administrative loads.

- **Align incentives and performance management processes.** To encourage the right behaviors, consistent performance goals should be laid out for salespeople and RMs, such as client profitability, ROE targets, or wallet share objectives. Only in this way will client teams be aligned around a common goal and able to work effectively across divisions.

- **Do risk, operations, finance, legal, and other functions cooperate as closely with the markets front office as they do with lending teams?**

- **Are markets revenues driven primarily by client flows rather than trading risk?**

- **Do RMs and markets salespeople have the necessary incentives to work together and maximize the return-on-capital commitments made?**

- **Do RMs and markets salespeople have the data and tools needed to work efficiently without being bogged down on administrative tasks?**

- **Is there an effective escalation process to tackle risk, documentation, compliance, onboarding, and similar blockages for important client opportunities?**

- **Are clients prioritized consistently across CIB divisions according to their holistic potential? And is the markets opportunity—identified against individual clients—matched to the strengths of the risk-taking franchise?**

If the answer to any of these questions is no, then executives need to re-engineer their sales approach. Repurposing a markets business to bring CIB divisions together, modernize institutional ways of working, and align clients, products, and services with the core strengths of the bank is a serious undertaking. Yet the ability to achieve potential double-digit revenue and productivity improvements makes it a journey well worth taking.

**Plotting the Way Forward**

As CIB leaders evaluate the challenges facing their businesses, the following questions can be a useful starting point in weighing the strength of a bank’s existing revenue and sales processes:
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