

Beware the lure of the Quick Buck!

There is no denying that times are tough right now. For many firms, declining asset values are leading to declining FUM, resulting in declining revenue, which creates greater pressure to meet sales targets and generate new income for the firm. In markets like these, it can be all too easy to be distracted by the need to make a dollar, and an adviser's ethics and view of the long-term are put to the test.

Let's forget for a moment, the need to generate new revenue and reflect on what constitutes a great client relationship. Arguably it is one in which:

- both the business and the client profit greatly without taking undue risk,
- the adviser is able to continue to add value to the client (and generate revenue) for a considerable number of years,
- both the adviser and the client enjoy the relationship,
- both the client and adviser are open and honest in their communication, so they can deal with the real issues in real time.

Notwithstanding the fact that a good Business Plan should include growth targets and perhaps the need to diversify or increase revenue streams, it is even more important in this market, that advisers are focused on their ideal client for their value proposition and don't get distracted by the desire to make a "quick buck". Our industry is evolving - of that there is no doubt, but it turns out that some habits die hard, and it can be those very habits that advisers fall back on when times are tough.

Ideal Client

I was chatting to an adviser recently who said that under normal circumstances they were very clear about who they wanted to attract to the business, and would only take on new clients who fit their business model and service offering, and for whom they could deliver value. However, times were tough right now, and so they were prepared to take on any client, so long as they could make a dollar from them. I challenged them on this, and worked through the issues that such a knee-jerk reaction would create. This old-school way of thinking may be a fast way to cover next month's bills, but it is certainly not the thinking that will build a sustainable, valuable business that will deliver outstanding returns over the long-term.

Whilst you might relax the parameters of your ideal client slightly in this market, do not fall into the trap of taking on any client with a heart beat. As Practice Development consultants, we generate a lot of our revenue working with advisers to fix up the problems in their business that were caused largely by accumulating the wrong type of client.

Spending time with the wrong client may make you a small amount of revenue in the short-term, but could cost you greatly in the time you have not been able to spend with the right client. Whilst they may be easy to get now, you might find that you will only be able to generate a fraction of the revenue per time unit spent compared to your return on those clients who are more suited to your advice model. This time is arguably better spent on marketing activities to attract your ideal client, so that you can spend whatever time you have available for new clients in the most productive manner.

Success is in the Process

When you get in front of the right new client, don't waste the opportunity. Ideally, what do you want to do with a new client? You want to give them the very best advice possible, you want to build a long-term relationship with them that profits you both, and you want them to trust you and your advice. THESE are the thoughts that should lead you into your meeting rather than thoughts of your sales targets and a desperate desire to 'win' this client.

In markets such as these, clients have a greater need for sound advice, and yet this can be overwhelmed by their nervousness about markets and a reluctance to invest.

If you haven't already, you should review your processes and look at how you 'sell' your advice to your clients. The Rules of Engagement don't change in a difficult market. If anything, they get more important. Your listening skills need to be up to scratch, your ability to ask the right questions to uncover the right level of information, and your ability to process that information and convert it to appropriate advice is as important as ever.

You should ensure that your process is designed in such a way as to foster trust and to allow the client to make an informed decision about your advice. Allow yourself the time to really get to know your client. Listen to their fears and needs, and don't allow your own need for a sale to overpower the client's need for the right advice.

Investment Quality is more important than ever

With recurring revenue down and new clients thin on the ground it can also be very tempting to look at alternative investment products that pay up-front commission and can appear to solve a clients woes in the current market. Thankfully, we've had some very recent product failures which should assist advisers to keep their wary, perhaps cynical eye-for-detail sharpened when analysing new products.

In summary, the solution to increasing revenue and perhaps saving your business is not to start looking for the "quick buck"; it's to go back to basics:

1. Keep up to date with your client reviews and provide your clients with additional communication *between* their reviews,
2. Ensure you're rebalancing your clients portfolios in line with their risk profile and objectives,
3. Ensure your business provides solutions to all your clients' financial needs – advising and implementing their risk insurance needs will not only protect their family and their finances, it will also diversify your revenue stream. The same can be said for estate planning, and even mortgage/finance broking,
4. Do not stop your marketing activities. If you are communicating to and servicing your clients well, they should also be providing more referrals to you as they encounter friends and relatives who have a greater need for excellent advice and support in this market,
5. Don't neglect your accountants and other Centres of Influence. I spoke to an accountant recently who said he wasn't ready to get back into the market yet, so he was holding off on referring his clients to his financial planner. It was only after our discussion that he recalled that the adviser was still likely able to assist those clients with strategic advice to ensure they were in the best position to act - tax, cost, and time-efficiently when they felt the time was right to re-enter the market, and to ensure their personal risk and estate planning affairs were in order. All this with the added upside of educating them and giving them some reassurance about their current position and about what was happening in the market in general. He made his first referral in a while that very afternoon.

It is times like these that will differentiate the excellent advice businesses. Those who are easily distracted by short-term gains and do not have a clear focus on their ideal business will flounder and will inherit more problems. Those

who remain focused and loyal to their goals will emerge from the Global Economic Crisis with better businesses, with stronger client relationships and greater certainty of revenue.

If you are focusing on the right client; if you have structured your pricing model appropriately, if you are able to put aside your own issues long enough to really listen to your clients and solve *their* issues - you will still make money in this market - and you will build an outstanding business rather than one that is merely mediocre.

Elixir Consulting has developed a range of training workshops specifically designed to enhance the sales and communication skills of financial advisers, and provide personalised coaching through a combination of group-based discussion and individual role plays. For more information, email info@elixirconsulting.com.au.