

# Beware the distraction of the quick buck

Advisers need a good business plan to weather the financial storm, to generate revenue and build on client relationships, writes **SUE VISKOVIC**.

There is no denying that times are tough right now. For many firms, declining asset values are leading to declining funds under management (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 from 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; and

- 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.

There is no doubt our industry is evolving, 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



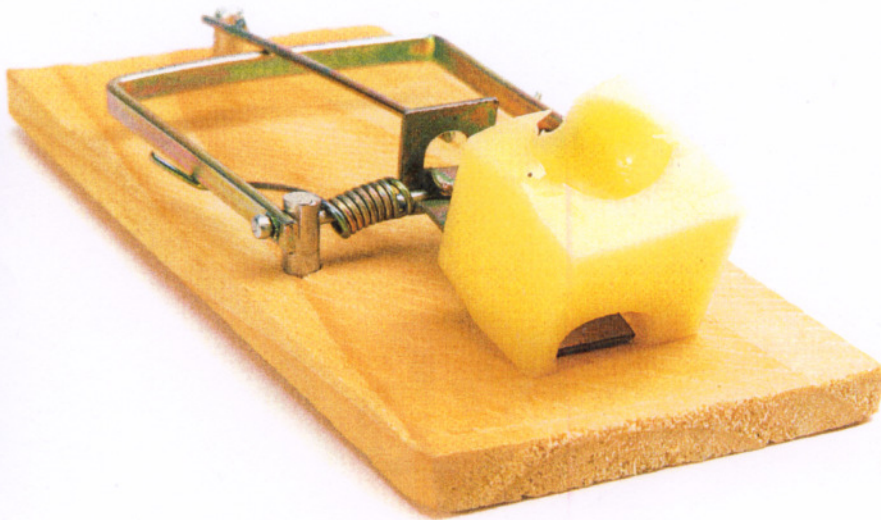
value. However, times were tough, so they were prepared to take on any client as long as they could make a dollar from them.

I challenged the adviser on this and worked through the issues that such a knee-jerk reaction would deliver. 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.

While you may relax the parameters of your ideal client slightly in this market, do not fall into the trap of taking on any client with a heartbeat. As practice development consultants, we generate a lot of our revenue working with advisers to fix the problems in their business that were largely caused 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. While 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 for attracting your ideal client, so you can spend the



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 is profitable for 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 sales targets or a desperate desire to 'win' this client.

In markets such as these, clients have a greater need for sound advice, 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, while your ability to ask the right questions to uncover the correct 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 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 appear to solve a client's woes in the current market. Thankfully, we've had some very recent product failures that should assist advisers to keep their wary/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 profiles 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; and

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 in this market.

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

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