



The Client Needs Model

Introduction

The financial services industry provides a piecemeal and splintered service to its consumers. Although consumer needs are holistic and comprehensive, the industry's players nonetheless select which service they wish to provide. Thus consumers only have their needs that a particular service provider wishes to address met. Ad hoc service providers may be able to get away with this status quo. Primary relationship holders are in a more difficult position.

Current approach

Bankers provide finance, insurance advisers risk solutions, financial planners assist their clients to create wealth, mortgage brokers consolidate and structure debt and solicitors are required for succession planning and estate planning and of course accountants ensure tax compliance and provide auditing and business consulting services.

It would be fair to say that our industry still sells products and services into the market, rather than providing relevant solutions to clearly identified needs. There are a few reasons behind this:

Due to the complexity of many of the services, players tend to specialise in only one or two areas. This specialisation makes it more difficult to see the "Big Picture" and appreciate the full spectrum of client needs.

The specialisation (fragmentation) creates a further problem. In order to provide clients with a comprehensive solution, different players would have to work together. No robust business model exists to ensure collaboration by different specialists working for different companies on the same client. The problems are varied:

- How to motivate the prime relationship holder to become proactive and address client needs, rather than simply to embrace the status quo and continue to provide the same services
- How best to manage the creation and implementation of the combined solution. Does one specialist identify the needs, obtain client approval and implement before the next specialist moves in, or do the various specialists interact to create a combined solution?
- How are the specialist remunerated? Are the total fees split in some ratio between the team? Are different methods of remuneration applied – commission for the risk specialist and an hourly rate for the accountant?
- Will the primary relationship holder's relationship be threatened or weakened when other service providers interact with their client?



Whatever the obstructions currently in place, it is clear that Australian consumers are currently receiving a piecemeal solution structured around the services the specialist is willing to offer, rather than according to the client's needs. Many specialists do highlight the other areas a client needs to cover via disclaimers and generic information. But it appears that few clients diligently follow this through.

A possible solution...

It seems that the main obstacle to clients receiving comprehensive, needs-driven solutions is the lack of a clear understanding between all specialists of the full spectrum of the clients' needs. This can be remedied through the use of a "Client Needs Model". This model simply identifies the full spectrum of client needs. The model can (should) be used by the primary relationship holder to educate their client. Once the client is empowered to make an educated decision, they will be in a position to decide which need they wish to address and when. The primary relationship holder can then introduce their client to the relevant specialist who will provide the necessary solution.

The benefits to both client and primary relationship holder are significant:

- The client receives a far more relevant service
- Additional fees are generated
- Services and products are not simply sold into the client base – relevant needs are addressed
- The ability of the client to change service providers (the threat of the primary relationship holder losing their client) is substantially lessened

The steps a primary relationship holder should take to give effect to this business model are:

Step 1: Develop a Client Needs Model for each significant segment of the client base

Step 2: Identify suitable specialists (alliance partners)

Step 3: Decide how the solution will be created (one specialist working on their area at a time, or all necessary specialists collaborating on a particular need) and how remuneration will be structured.

Step 4: Decide how the new service will be communicated to existing clients. Statements such as: "Our firm has decided to become more proactive in identifying and addressing the needs of our clients. We have secured the services of various specialists with whom we are comfy working. Our new approach is to identify and communicate a far broader range of financial needs that clients similar to you have and introduce you to people we believe will provide effective solutions".



This message can be communicated in seminars, by getting clients to complete a short questionnaire at the next meeting, face-to-face, or by mail with telephone follow ups.

Step 5: The primary relationship holder should facilitate the first meeting between their client and the specialist, and remain informed as to their client's progress.

An example of a Client Needs Model for the segment of SME owners appears on the next page.

The views expressed in this article are the authors. You should seek expert advice to determine the suitability and applicability of the content for your particular needs.



Client Needs Model

Segment: SME Owner

Needs	Details	Solution Providers
Insurance – Business	<u>General insurance</u> <ul style="list-style-type: none"> ▪ Business assets ▪ Public liability ▪ Professional liability <u>Owner / employee insurance</u> <ul style="list-style-type: none"> ▪ Succession funding and agreements ▪ Key person ▪ Loan guarantor ▪ Business expenses 	Insurance Adviser and solicitor
Insurance – Personal	<u>General insurance</u> <ul style="list-style-type: none"> ▪ Personal assets ▪ Public liability <u>Personal insurance</u> <ul style="list-style-type: none"> ▪ Death ▪ Disability [T&P / income protection] ▪ Trauma ▪ Health cover 	Insurance Adviser
Estate Planning	<ul style="list-style-type: none"> ▪ Wills ▪ Trusts ▪ Enduring Power of Attorney ▪ Medical Power of Attorney ▪ Estate equalisation ▪ Nomination of guardian 	Insurance Adviser and Solicitor
Cash Flow Management	<ul style="list-style-type: none"> ▪ Budgeting 	Accountant or Financial Planner
Taxation	<ul style="list-style-type: none"> ▪ Salary packaging / sacrifice ▪ Gearing ▪ Income splitting 	Accountant and Financial Planner
Wealth Creation	<ul style="list-style-type: none"> ▪ Cash ▪ Real property ▪ Standard investments ▪ Alternative investments [Within and outside superannuation]	Accountant and Financial Planner
Finance and Debt	<ul style="list-style-type: none"> ▪ Tax strategies ▪ Consolidation 	Accountant and Lending Specialist

Please note: This model is for illustrative purposes only. It should be used to stimulate thought and discussion when developing your own model.