Your Value: A New Perspective

People do business with you because they find something of value in the relationship that they have with you. Your ability to communicate this value will attract similar clients. This is the essence of capturing and articulating a client value proposition.

Different target markets require different value propositions.

Clients with less complex needs, will tend to view the relationship with their financial adviser as transactional. Decisions will be based on pricing and how easy it is to do business.

Prospects in this market seldom scrutinise their adviser. As long as you have a good reputation, seem like a nice person and are located in a convenient area (or are even prepared to do house calls!), they're happy to do business with you.

I'm not going to focus on this market in this article. I'm going to discuss how you can communicate value in the tougher, more sophisticated, more lucrative markets – the business owner, the professional, the high net worth and the respected centre of influence.

These people will make a more considered judgement before they do business with you.

A new perspective

The accepted approach to developing a client value proposition is to make use of some sound bites and to incorporate these into marketing material and the early "discovery" conversations.

Value propositions commonly found in adviser literature include: *we make your money work as hard as you do, I help you to make smart financial decisions, we create and preserve wealth; I help you build a solid foundation for your future.*

This may appeal to less sophisticated clients. But the top end of the market is looking for something else. *They are searching for comfort and appeal in two different areas.* They are looking at your business model and they are looking for a deeper understanding of how the relationship will benefit them.

The four "hurdles"

Let's talk about your business model first. I have identified four common "hurdles" that if not cleared will negatively impact on an adviser's value proposition in the eyes of many sophisticated prospects.

The four hurdles are:

- ☐ Service suites that don't respond to market needs,
- ☐ Outcomes that are not under the adviser's control,
- ☐ Pricing that is not linked to the service provided, and

- ☐ The confusion between advice and product

Service suites that don't respond to market needs

From a sophisticated client's perspective, it is of far more value to have all their major financial needs addressed, rather than selected needs. And yet it seems that the majority of financial professionals *choose* which services to provide their clients.

Instead of selecting a type of client to service and then building a suite of services around this client's needs, the popular choice is to select the service suite and then offer this to a range of different clients.

More and more advisers have identified this as a weakness and have expanded their service suite by employing additional staff or forming alliances.

Using disclaimers when not addressing a clients needs may satisfy compliance requirements, but it will surely damage your value proposition.

Outcomes not under an adviser's control

The ability to consistently deliver is of value. The perceived value of doing business with a financial adviser should not rise and fall along with asset markets.

Those advisers who link their value to producing results that are not under their control are destined to damage their reputation and existing relationships.

The bull market that started in 2003 has done our profession no favours. It has created the impression in a significant part of our market that financial advisers are investment specialists able to produce consistent, above average returns.

Many trade journals carry glowing surveys about how happy the average client is with the performance of their financial adviser. I don't want to minimise the excellent work that many advisers are doing, but I cannot help but be cautious as to the reasons behind the satisfaction.

Long-term strategic advice seldom results in such high short-term satisfaction. The value of this advice is often only revealed many years later. Similarly the benefits of insurance only make themselves apparent at claim time.

Pricing that is not linked to the service provided

I don't believe for one minute that disclosing the commission earned in the Statement of Advice provides any value to our clients.

On the contrary, any payment for an adviser's services based on the premium payable (insurance commission) or the quantum of assets (trail commission) is viewed by many as creating a conflict of interest and sorely damages the adviser's value proposition.

I agree that transparency is important. But so is a clear link between services provided and fees paid.

It makes no sense to receive $3,000 commission on a “clean skin” and $1,500 for an overweight smoker, who injured their back in a skiing accident, just because the clean skin needed a higher sum insured. This form of cross-subsidisation is viewed with great concern by fellow professionals whose own fee structures tend to closely track the amount of time spent on providing the required solution.

The trail commission approach seems to throw up even more anomalies. Many practices charge trail commission on a sliding scale. But the scale steps are usually quite big. For example 0.8% for amounts from $250,000 to $500,000. Assuming that the adviser has a separate service suite for each segment, a client paying $2,000 would receive the exact same service as a client paying $4,000.

This simplistic approach to pricing is often unfair to many clients and will greatly damage the adviser’s value proposition in the eyes of many sophisticated clients.

I was somewhat taken back when I heard a leading thinker state that advisers must never give up the control they have of linking the pricing of their services to assets under management. On the contrary, this must be delinked!

One of my favourite commentators, Jim Stackpool, repeatedly states that insurance commission and asset clipping is a method for collecting fees. The dollar value to be charged must be discussed with each client after the adviser has had an opportunity to asses what is required in the engagement.

Those who attended the opening presentation of the FPA’s 2007 National Conference would have heard the speaker – Roger Corbett – say some very strong words about our current pricing methods.

The confusion between advice and product

What signals do we give clients with regard to the value of advice and the value of product selection and implementation?

There are many advisers who do not charge for a Statement of Advice, or who charge a clearly uncommercial rate when one considers the amount of time invested in creating the document. Some advisers still view the SOA as a compliance requirement and an impediment to getting to the real action – the sale of a product.

More and more of our market is starting to appreciate that insurance and especially investment products are easy to purchase online. Clients can subscribe to the same research as advisers. Product selection and implementation is no longer viewed as great value. Contrast this to a few years ago when some hushed words with your stockbroker guided all your investment decisions!

If the advice contained in the SOA is generic and the emphasis is on the product, the effect will be to lower the adviser’s value proposition. The top-end of the market values strategic advice, not product selection.

Where do you stand?

So how does your business stack up so far?

Does your business respond to the needs of your target market, or have you selected the services that you wish to offer?

Are the outcomes that you discuss with your clients under your control, or do you rely on favourable asset markets to demonstrate the value of your services?

Is your pricing linked to the value of the advice you provide, or based on the amount of commission payable by the product recommended in the SOA?

Do you provide financial advice that is customised and relevant to each particular client, or is the SOA a compliance step on the path to selling a product?

Your value proposition will be greatly affected by how you answer these questions.

Communicating positive value

I mentioned earlier that there are two areas that the sophisticated client looks for when scrutinising an adviser – your business model, and the value you will bring to the relationship.

Once you have developed a business model that is perceived as fair and of value, what can you say when you're sitting in front of someone who wants you to tell them why they should be doing business with you?

I think Dan Sullivan, The Strategic Coach (www.strategiccoach.com), has got closest to what your clients are looking for from you. Dan offers a framework around which you can build an awesome value proposition.

Dan believes that every one of your clients is looking to you for three things: leadership, relationship and creativity.

Leadership

Your clients want direction. They want to be able to make the right choices. Things have got so complex that our ability to understand and manage all the parts of our lives has passed.

We need a plan and path to follow. You have the skills, expertise and knowledge to ensure that the plan is of the highest quality and the path takes your client to where they want to go.

Your clients need accountability. The concept of accountability is well established in health plans such as diets and fitness regimes. Only now are people beginning to appreciate the value and importance of having a financial coach.

Relationship

A relationship of trust with a person whose guidance you rely on is valuable. As an immigrant I sorely felt the absence of these sorts of relationships in my early days in Australia.

Having a core of key advisers with whom you are familiar and comfortable is of great value. There will be many situations when your client will want to discuss important decisions. Can they afford a new car, a new house, private schooling? Should they increase their risk profile and gear their investments? These are the kind of decisions that are preferably made with someone who is familiar with their circumstances, understands where they've come from and appreciates their fears and dreams. A relationship of trust is valuable.

Creativity

You provide your clients with options. You can stimulate their thinking on how to address issues to get the best result. Often there are many ways to achieve a similar outcome. With your experience you can provide alternatives and the pros and cons of each so that when a decision I made, it is made with confidence and resolve.

You will gently educate your clients so that they become more confident and empowered. You are the one investing considerable time researching new legislation, new strategies, new products and the general financial environment that will impact on your client's journey.

You are able to condense this, summarise this in a way that suits your clients, saves them time and builds their appreciation of the value of their relationship with you.

Bottom line…

Your value proposition answers the question "why should I do business with you?" How you respond to this question will impact considerably on the success of your business.

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