

SPECIAL: BETTER BUSINESS

The Better Business Club is an initiative from *Professional Adviser* that will enable interactive analysis and discussion of current business issues for advisers and provide insight and practical help in tackling those issues. This week we look at the practicalities of outsourcing.



TOPTIPS WITH F&C Investments

- Most clients come to see you because they don't know how to deal with a particular issue or want someone to handle it for them. If they could do it themselves they wouldn't be in your office
- Getting all the clients information collated in one place adds value
- Presenting your strategy is where you add 90pc of the value pre-implementation
- After the initial work is completed to put a strategy into action the ongoing review service becomes critical
- Charging even a little extra at new points in the advice process must have a positive can on your business and you can build from there

Survey

It seems inconceivable that there is still debate around the charging of fees to clients. Let's think about the issue for a second and answer this: are you prepared to do all the work involved in meeting with a client, collecting the detailed data you require in the fact find and preparing written advice in the hope that they will buy something from you that pays enough commission to make the weeks or months this has taken profitable? Wouldn't it be better in the very first meeting with the client to explain what you do, demonstrate the value it can add and then tell them what it is going to cost? At least that way if someone says they won't pay you for your advice you can stop right there having wasted an hour or so (not days and weeks).

There are three key issues to be clear on regarding fees:

1. What is a fee?
2. When can you charge one?
3. How much should you charge?

What is a fee?

For me a 'fee' is simply the price someone pays for your service. It is known beforehand and is given in pounds. How the fee is then collected is a matter of convenience or efficiency for you and for the client.

When can you charge a fee?

The key question to ask yourself here is at what parts of the advice process do you add value to the client?

The first meeting

The first meeting with a brand new client is usually free but it certainly adds value. Most clients come to see you because they don't know how to deal with a particular issue or want someone to handle it for them. If they could do it themselves they wouldn't be in your office. Although difficult to charge for unless your proposition is very slick it is still worth remembering that this is a valuable piece of kit you are giving away to get the relationship going (your investment in the process if you like).

The discovery or fact find

Getting all the clients information collated in one place also adds value. Many people arrive with absolutely no idea where they are currently at, let alone where they would like to get to in the future. Working through the discovery process

This month's survey looked at client segmentation and fees. It was clear there was still a degree of wariness among advisers in respect of justifying fees to clients and how to go about charging. We asked business consultant **Brett Davidson** for some practical advice in this respect



Davidson

helps you and the client understand where things are starting from. This adds value and can be charged for.

The strategy presentation meeting

Presenting your strategy has plenty of value. In fact I would argue that in the first half of the advice process this section is where you provide 90pc of your value added. Yet most advisers give this away for free and then wonder why clients don't value what they do. Having collected all the relevant facts, analysed them and come back with a written piece of strategic advice for the client surely this can be charged for. Please charge something for this, even if it is not fully representative of the value you are adding here.

Implementation

If you provide the greatest strategy in the world and the client doesn't put it into action nothing changes so implementing the strategy certainly has value. However, in the clients mind it appears that this step involves filling out some forms (not hugely value added) and yet this is where most advisers want to charge 100pc of their fee. It doesn't make sense and what if the client doesn't buy; they get your lifetime of experience and knowledge for zip.

Ongoing review

After the initial work is completed to put a

strategy into action the ongoing review service becomes critical. Financial advice perishes in value over time. You may have prepared the best strategy today only to find that 18 months later it is no longer relevant due to changes in legislation, or the client's circumstances. It is imperative that your advice is continually topped up via regular reviews (at least annually). This certainly has great value and can certainly be charged for.

How much should you charge?

Calculating how much to charge is a black art and varies from business to business. There are calculators around that tell you how much to charge to be profitable, but this takes no account of the marketing sophistication of your business and may just send you broke if clients refuse to pay. Assuming you are not going broke today, charging even a little extra at some new points in the advice process must have a positive impact on your business and you can build from there. You can still take a commission or placement fee at the implementation stage but draw a line in the sand around doing work for free.

A fee charging structure that charges a little at each stage of the advice process can generate the levels of income that match or exceed revenues under the commission based model, but most importantly they let the client match up the value at each stage with the price.

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Following her initial feature on client entertaining we asked the Savvy Club's Kim Rix to come up with ideas on impressive client entertaining without breaking the bank

Client entertaining is a vital part of business life. People like to feel valued as a real person rather than just another entry in your balance sheet. But gone are the days when a quick round of golf sufficed. Clients want originality; they want something unique, memorable and impressive. Basically, they want the 'wow' factor.

In today's cut-throat market clients are spoilt for choice. So you have to pull out all the stops if you are going to be noticed. After all, the whole point of entertaining clients is to get to know them better, to get their business or thank them for their business.

There are always the big sporting events but to be honest they are becoming old hat now. You need to be more creative – rather than just booking a restaurant but not consider taking your clients on a gastronomic market tour, an evening at the Opera with dinner, wine tasting, – use

your imagination. Visit or hold dinners in unique venues (such as museums, galleries etc.), use high-profile/celebrity speakers or opt for motivational activities. You could enhance your evening with calligraphers, caricature artists, ice sculptures or even mobile casinos.

Of course, in today's economic climate entertaining can often be forgotten about. But it is vital that you see it as an integral part of your strategy to win business. To rein in on costs organise one event to which many clients are invited or, alternatively, for smaller groups why not try a shared party night and always book well in advance as this is when you will get the cheapest deals.

It's all in the detail

Whatever you decide, you don't need to be extravagant to impress; it is all in the detail. Get to know your clients so you understand what

type of people they are and what would appeal to them – whether it should be formal or informal, dinner or lunch. Use your knowledge of their likes and dislikes to create bespoke entertaining events.

Client entertaining

If it is a dinner draw up a seating plan; it is vital to ensure that you have the correct staff to client ratio as you want to make sure that every client is engaged in conversation. After all a client standing alone is a lost piece of business.

Client entertaining can be exciting, enjoyable (for you and your clients) and above all it doesn't have to break the bank. With a little imagination and know-how you can create events that will impress and get you noticed.

Kim Rix is founder and CEO of The Savvy Club®



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