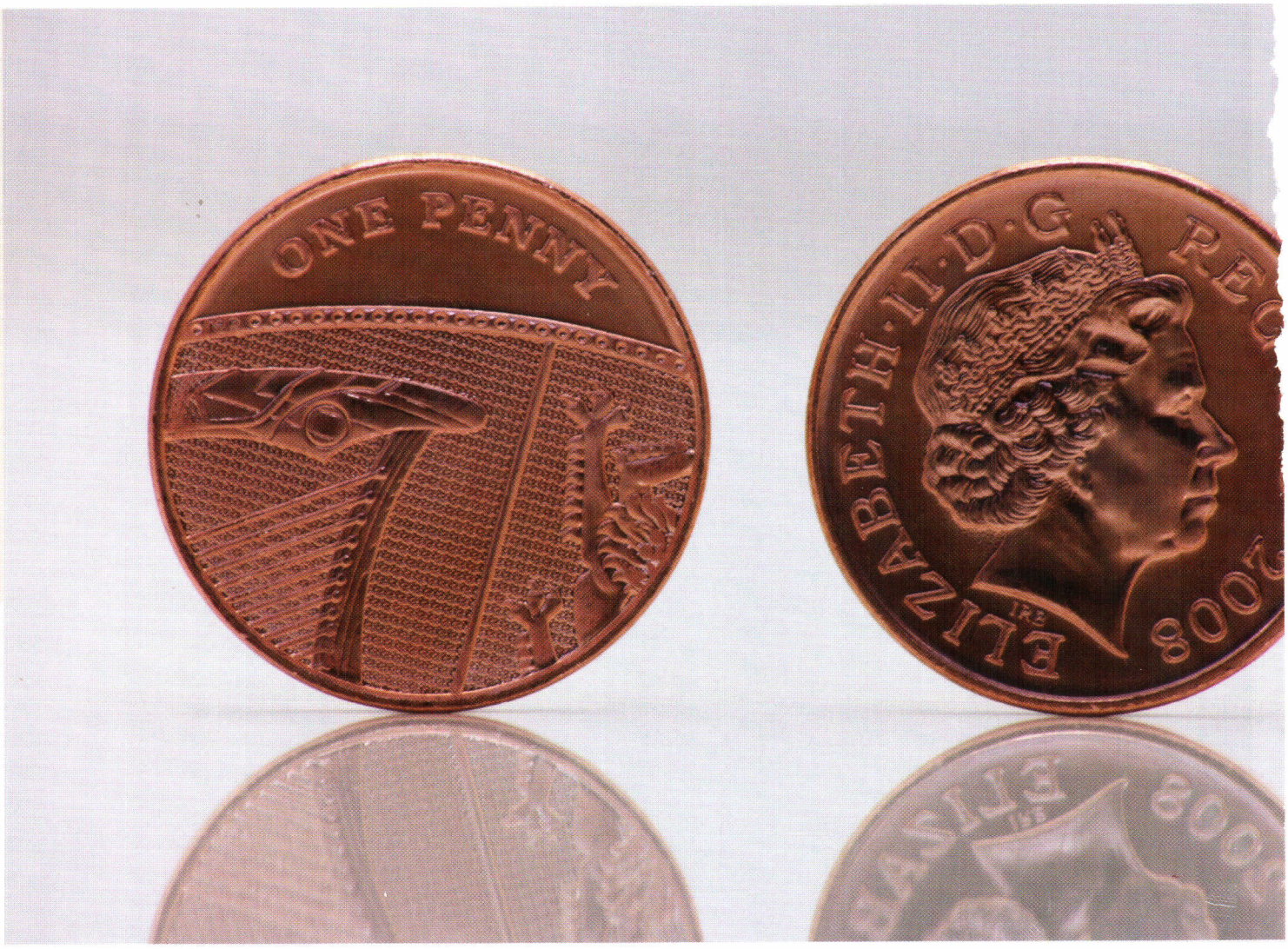

Ian Patterson says the market can accommodate different styles of advice – but warns that advisers must continue to adapt if they wish to survive

Go your own way

The role of any manager or business owner is not just to see the business as it is, but also to see it as it can be in the future.

This is perhaps easier said than done in the current environment where, in the short term, many firms are looking to keep costs to a minimum and focus on their core business – for many, day-to-day survival is taking precedence over longer-term strategic planning.

This is a very natural response to the uncertainties that surround us with the economy, markets and regulatory landscape. But it is also a great opportunity to look with renewed clarity about what we do and how we do it. And the information we derive from such an analysis can provide the foundation for future growth and development.

Expansion may be on ice at the moment, but it won't always be that way.

The way we provide advice is one area worth putting under the analytical microscope. I cannot claim to have an authoritative view across the whole marketplace, but from my interaction with a range of advisers up and down the country, I do get a sense that there is a growing distinction in the way advice is being provided – a distinction that is likely to become more pronounced in the future.

On the one hand, there are those who provide targeted advice – they identify specific needs and devise and deliver a solution in each instance. On the other hand, there are those that look to address a range of planning needs in a more holistic fashion, usually by identifying and agreeing with clients their financial and personal goals and composing a strategic approach in response.

Often the same practice or firm will operate both approaches, depending on the client. So making this distinction isn't about which method is right or wrong, but acknowledging that these differences exist.

I'll label those that target their advice

Types of advice

	Value Communicator	Value Adder
What they do	Value (or why the client buys) is largely inherent in the product or service, i.e. quick, cheaper, more flexible. The adviser's role is largely to communicate this.	The value (or why the client buys) is the experience provided by the adviser. The adviser is the 'added value'.
Who does the client trust?	The product or brand	The adviser
Characteristics of the relationship	Relatively brief meetings, single need-based, one-off or intermittent relationship	Regular contact, often client-initiated, deep understanding, trusting relationship
Some of the skills the adviser needs	• Identify and qualify specific need • Focus on hard facts • Sell the benefits • Handle objections • Explain and communicate clearly • Match the solution to the clients need (often following a repeat formula basis)	• Identify and analysis of a wide range of issues • Consultancy style – probing skills • Advanced diagnostic skills, e.g. identifying client life goals • Equal balance between hard and soft facts • Providing customised or bespoke solutions • Building effective relationships • Provide holistic and advice on planning issues • Applying a wide range of knowledge to client-relevant situations

to meet specific issues as 'value communicators'. This reflects the fact that, what clients regard as 'value' is often largely inherent in the product they receive. Typically, the client recognises they have a need and the advice process is primarily the means to address this need.

The holistic planners are 'value adders' because they use their experience and skill to take the client beyond an immediate and specific requirement into the realms of strategic planning, perhaps identifying beneficial courses of action where no product solution is required.

Confusion often arises because the 'value adder' will share many of the skills and processes with the 'value communicator', and the two are often seen as being complementary. Yes, there are some similarities, but there are also some quite dramatic differences. For example, the 'value adder' will typically:

- Spend more time with the client;
- Invest time positioning the service, perhaps holding an initial 'chemistry meeting' to position the services and establish if this is suitable for a particular client;
- Work with them to identify and achieve their goals, not only to establish a financial need;
- Provide advice across a range of areas, often including those not identified by the client;
- Engage in planning areas with a greater degree of complexity.

> **In financial services, those that communicate value and those that add value can and will continue to live side-by-side**

The table is intended to illustrate some of the potential differences: In no way am I suggesting either is right or wrong. There may also be shades of grey in between. What this table does, however, is start to identify some of the very different skills required by each type of adviser.

I mentioned earlier that seeing the business environment of the future is part of the role of the manager or business owner. What we can say, with some certainty, is that the future is likely to be shaped by two key drivers:

- **The RDR** – changes to the disclosure regime and the drive for 'professionalism' are expected to deliver a step-change, and;
- **Increasingly demanding clients** – the process of providing advice will clearly need to create value – either by providing cost-effective products and services (value communicator) or by delivering services clients are willing to pay for (value adder).

Implications?

When contemplating how the advice market will develop, it is possible to see broadly similar comparisons elsewhere. With the supermarkets for example, the Aldi proposition is one based in price. Waitrose and M&S, while still providing for cost-conscious shoppers, are primarily perceived as high quality shops supplying high quality goods. Both have a place on the high street.

In financial services, those that communicate value and those that add value can and will continue to live side-by-side. Essentially, this will boil down to segmenting the client bank and offering the right service to the right client.

This means that someone who is effectively a value communicator is likely to find they will need to be ever more efficient, transactional- and cost-effective to satisfy their clients. To remain working with clients where cost is an important element may be an increasingly uncomfortable place for the value communicator to be.

For the value adder, they're likely to be working increasingly with clients on a form of lifestyle financial planning and broadening their already strong knowledge to work on complex planning cases. They also recognise that not every client will pay the costs associated with this and so they need to re-focus on those that will.

Any change begins with the need to let go of something. Recognising that change is necessary is often the first step. The challenge then becomes one of building and developing the skills and advice processes that clients will demand in the future. FS

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