

One resolution well worth keeping

Martin Mulcare asks whether you're looking for a new year's resolution or two to help you REALLY be successful on purpose?

Here's a simple and effective new year's resolution: get in front of your clients more.

Statistics from our Dashboard reports highlight huge differences between so-called advice firms where their advisers spend less than 20 per cent of each week in front of clients, and those that spend almost half their week in front of clients.

(Face-to-face time refers to being in front of clients or prospects, with strategic alliances or centres of influence - a definition, meant to reflect the time advisers spend with people, actually advising or attracting clients.)

Most firms only average around 30 per cent of each working week actually advising. We probably should rename our profession the administration profession, rather than the advice profession. Imagine if we could increase the amount of time we spend doing what most of us really like - that is, being in front of clients.

The performance differences between those firms that average high advice time (an average of 48 per cent of each week in front of clients) and low advice time (an average of only 16 per cent of each week in front of clients) are staggering.

High-advice-time firms generate 139 per cent better net profit per business owner (\$509,974 EBIT versus \$212,501). These figures are before owners' drawings/packages. By spending more time with clients, high-advice-time firms enjoy a 69 per cent premium on the income earned per active client per annum (\$4638 compared to the low-advice-time firms' average of \$2745 per active client per annum). There are a number of factors contributing to higher income per active client, apart from giving them more attention. We also believe they can and do charge a higher fee for their services due to a broader and more extensive range of services being offered.

It is logical therefore that the high-advice-time firms are managing 21 per cent less active clients per employed adviser than the low-advice-time



Martin Mulcare

firms (114 active clients per adviser compared to low-advice-time firms having on average 144 active clients per adviser). This reduces the number of clients being served, resulting in better service per client, resulting in better fees per client, resulting in less hassles. The high-advice-time firms have a high-touch, quality client focus rather than the low-touch, quantity client focus of low-advice-time firms. It's ironic that the firms with fewer clients per adviser are spending more time each week in front of those clients - but that's why they are good performers.

The high-advice-time firms enjoy a 40 per cent improvement in income per staff member (\$209,752 per full time equivalent staff member, including owners) when compared to the low-advice-time firms (\$149,675).

If you consider that the majority of your business cost always has been and always will be staff costs, this indicator is priceless. Considering the average for accounting firms is in the order of \$130,000, being able to generate over \$200,000 per team member employed is a great productivity outcome. (Remember that too high a result, say over \$275,000, can be dangerous for service firms as this can indicate far too much dependency on

too few people - no one can afford to take a holiday or get sick.)

So if improving your firm's face-to-face time brings such great benefits, how are you going to do it?

Is there one significant tactic that the higher-advice-time firms use or practise that enables their advisers to get in front of clients and prospects for nearly half of their time each week?

Is it being investment- versus insurance-based? Is it being based in the suburbs versus being downtown? Is it the age of the client bases? Is it having multiple owners? Is it being fee-based?

The results suggest that it's none of these things. It seems to be about management. That is, you get the performance that you measure and you manage. Quite simple, really.

The firms that have better face-to-face results hold their advisers accountable for advice activity and they reward their advisers based upon their activity - not just products placed or premiums charged.

In these most uncertain of times, we have little reason not to be trying to get in front of clients, talking to them about their uncertainty, reassuring them that they are still on track, and ensuring there are no new surprises in their financial life as a consequence of the last couple of months.

Your job is to maximise your clients' probability of achieving their financial objectives. Contrary to popular opinion, you don't do that from your back-office in front of a computer screen altering asset allocations. Asset allocations and risk tolerances are important, but the most important aspect of your job is to get in front of your clients and advise.

Make your new year's resolution now. Put simple systems in place to manage and record advisers' face-to-face time in order to improve this vital indicator. Then sit back and watch the benefits. ■

Martin Mulcare can be contacted on martin@scat.com.au