Picking the right time to pitch

Working out when to tell clients how much your services cost requires careful timing, says Martin Mulcare.

The timing of your pitch to your prospective client is a critical element of your client engagement process. For many potential clients it may be the difference between them signing up, or not, and between being profitable, or not.

Here are three options for the timing of your pitch to a prospective client:

AT THE FIRST MEETING

The initial or discovery meeting is an obvious possibility. If the prospect has enjoyed your first meeting and you believe that you can add significant value, there is a strong temptation to secure an engagement at that point. The benefits are: it is an efficient process, as they are signed up in just one meeting; and it capitalises on the quality of that first meeting.

There are, however, some significant disadvantages.

The risk of "buyer's remorse" is accentuated with a sale at the first meeting. The client may well be wondering two days later what they have signed up for and how they were convinced to do so. This may lead to a re-think and/or a lack of trust.

The opportunity for a sale may adversely impact the rational pricing of the adviser. I can imagine an adviser thinking, consciously or sub-consciously, "I think the right fee is $10k but I know they will sign up for $8k". And guess what? The adviser has just given away the profit margin.

AT AN "ENGAGEMENT MEETING"

After a mutually satisfying discovery meeting, a second meeting might be scheduled with the primary aim of agreeing scope, fees and the terms of engagement. The period of time between the first and second meetings is used to brainstorm the potential scope of first year activity, to capture the client's financial life on a mind map, to price the engagement and to draft a "terms of engagement" (TOE) letter. The benefits are: the second meeting provides a balanced environment to make considered decisions with suitable documentation to assist; it permits time to get the pricing right (or perhaps less wrong) and to utilise the skills and experience of the team and perhaps the adviser's professional network; and it enhances the implied promise to the client that everyone is treated as an individual with a tailored strategy.

There are, however, some disadvantages. If the prospect has enjoyed a productive discovery, the "warmth" generated may have worn off by the engagement meeting. It is important, therefore, to schedule the engagement meeting within two weeks of the first meeting.

For busy clients the second meeting may represent an imposition on their time. It is important to manage this risk by stressing the importance of the meeting and managing expectations about the process.

There is some work involved in preparing for the engagement meeting and this needs to be factored into the pricing model.

AT THE PLAN PRESENTATION MEETING

Many businesses adopted the habit of pitching at the same time as delivering the client's detailed wealth management plan. The benefits of this approach are: it enables the adviser to demonstrate value and capability in tangible form (that is, the plan); it enables a detailed understanding of the fees required to deliver the service; and it may entice the prospect to sign up as an act of good faith, given that the adviser has already undertaken so much work.

Again, there are some significant disadvantages. There is a risk that the client will not sign up, and the time and cost involved result in a material loss to the business.

The client proposition may be puzzling for the client who may be wondering what he or she is buying if the plan has already been prepared before they sign up.

I think that the real test of the best time to pitch is whether the adviser is confident to quote at that point and whether the client is equipped to accept the offer at that point, without running any material financial risks. In that context there is no doubt that the best time to quote is at the engagement meeting. It is important to recognise that the success of the meeting is still dependent on the quality of the materials (the advice map and the TOE letter) and the confidence of the adviser.

In the brave new world of quoting fees in a transparent manner, using dollars not percentages, many advisers lack confidence. There are several possible reasons.

It may be a lack of experience or a lack of practice. Practise using role plays. Record engagement meetings and learn from listening to both the wins and the losses.

It may be a lack of belief in the value being added. Step into the client's shoes. If you truly understand what is important to them and you really believe that you can help them achieve that then it becomes a matter of communicating that in pictures (the map), written word (the letter) and spoken words (the pitch).

It may be a fear of rejection. Think like a business owner, not as a sales person. It should be factored into your business plan (and your personal expectations) that about 20 per cent of prospects will not sign up.

In reviewing the original question about the best time to quote, in this context it is timely to review the three options I presented. A more provocative conclusion might be that Option 1 is for sales people, Option 3 is for planners and Option 2 is for professional advisers.

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

Saving money in difficult times

Last month Ray Henderson looked at tips for making money when times are tough. This month he examines how businesses can cut costs.

The best professional financial advisers around the world provide many insights into how to improve the efficiency and profitability of their practices.

Even though the worst of the GFC is now behind us, we should always be thinking about what we're doing, how we're doing it, and whether we can do it better. Over the past couple of years, as many businesses were doing it tough, we constantly asked: "What are some changes you have made to survive and thrive in difficult times?"

Last month, we listed six ideas to make money in difficult times (refer to last month's *Professional Planner* magazine for details).

Here are six simple ideas to save money (or increase efficiency) for your interest and consideration. Maybe one or more of these is something you should consider in your practice too?

STAFF

Employment costs are usually our biggest expenses - but don't be tempted to immediately reduce numbers (good people are always hard to find). A good first question to ask yourself is, "Are my staff fully occupied and effective in the role(s) they have?" If the answer to this question is "no", here are a couple of thoughts.

Would a four-day working week or nine-day fortnight work for you and some of them? This could translate into a 10-20 per cent saving but should only be considered if there is spare capacity in the practice and client service standards can be maintained.

If you have a staff bonus or incentive scheme, could it be modified to provide non-cash benefits like additional days off or peer recognition instead?

If you do have poor or underperforming staff, take appropriate action to correct this ASAP. Failure to do so is not only expensive but could affect morale as well.

RENEGOTIATE YOUR CURRENT FINANCIAL ARRANGEMENTS

Are lower interest rates or better terms available with your current bank? Sometimes we don't know until we ask the question! There has probably never been a better time to do this, as bank competition heats up - they need you as much as you need them!

What about leases? Office, car and equipment. For example, negotiating your office lease ahead of time might be a big plus for your landlord as well as your business. Landlords need some certainty about their clients as well and may be prepared to negotiate to keep you for the longer term.

Don't forget about other service providers such as IT and compliance.

HOLD MORE APPOINTMENTS IN YOUR OFFICE

(If you're not doing them there already!)

Australian practices that conduct more than 90 per cent of appointments in their offices are 124 per cent more profitable than those who conduct less than 50 per cent of appointments in their offices (Business Health Future Ready 1V). It not only saves time and money but clients appreciate it as they meet other members of the team and take comfort in the fact that they are dealing with a business, not just an individual.

Where this isn't possible, consider using various forms of new technology (video conferencing, Skype et cetera) for some meetings.

ARE YOU USING YOUR OFFICE SPACE EFFICIENTLY?

We see many practices where space is underused. If this applies to you, maybe a portion of it could be sublet to a colleague or alliance partner?

Perhaps you could consider sharing with a like-minded business associate to allow you to share some overhead costs?

Should you consider archiving old files which take up valuable space?

CUT OUT UNPROFITABLE SERVICES

The first step is to work out what it costs you to deliver the services you offer. If you know (even approximately) what various services cost, you will be in a position to determine what is profitable and what is not. You may need some help to do this but it will be worth the effort.

We have all heard about the Pareto Principle. Do you know what percentage of revenue/profit is generated by the top 20 per cent of your client base? What about the bottom 80 per cent? This is a good simple first step in the process to determine what services you should, or can afford, to offer.

EMBRACE TECHNOLOGY

Invest in up-skilling your staff in IT. Learn how to optimise software to increase efficiency.

Consider using e-mail instead of printed letters and documents. From our CATScan client survey database, the vast majority have access to email and are happy for you to communicate with them in this way as long as the communication is personalised and of interest to them.

These are another six simple ideas that some have used to increase activity, revenue and profit. ■

Ray Henderson is a partner and director of Business Health - www.businesshealth.com.au