Lip SERVICE

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PLANNING FOR THE FUTURE AND PUTTING CLIENT NEEDS AT THE CENTRE OF YOUR PRACTICE ARE THINGS ADVICE BUSINESSES TALK ABOUT A LOT BUT THE DATA SHOWS THEY'RE NOT ACTUALLY DOING THEM.

Some financial advice practices will be more immune from the Hayne royal commission fallout than others – and not by accident.

Practices that are genuinely client-centric and have planned seriously for the future will find they have a highly engaged client base and their businesses are in good shape for a transition – either to sell or to explore new remuneration or business models – depending on the direction policymakers decide to move.

Despite all the talk about client-centricity, however, the data shows advice businesses are getting worse – not better – at understanding and managing client expectations.

Not only are advice businesses less client-centric than they think, they're also not as prepared for the future, says Terry Bell, founder of advice consultancy Business Health.

Business Health collates data from advice practices. Its latest findings are based on the detailed results from 226 Australian practices that have taken the firm's HealthCheck over the last 18 months, plus data from about 5000 clients who were surveyed during this period using Business Health's proprietary client survey tool.

Bell will be presenting findings from his advice practice audits at the *Professional Planner* Best Practice Forum in Sydney and Melbourne in August.

FREQUENT AND RELEVANT

To be truly client-centric and meet best-interests requirements, advisers need to get better at understanding their clients, Bell says.

This means frequent, relevant communication that is meaningful and easy to understand, he explains.

"Setting up interaction as and when the client wants it, listening to what clients are telling you, and regularly reinforcing the value you're providing are all ways to demonstrate this centricity," he says.

The research supports the notion that advice practices might be regressing when it comes to truly understanding and fulfilling their clients' needs.

Indeed, advice practices are spending less time on client communication, client feedback and face-to-face meetings with their best and most valued clients than they have in the past, Bell says.

GOING BACKWARDS

Just over 1-in-3 practices communicate with their best clients 10 or more times a year – including contact that is written, electronic, via telephone, in group functions or face-to-face meetings – Business Health data shows. This result is well below the consultancy's prior year finding of 43 per cent, Bell says.

Meanwhile, just 34 per cent of practices seek feedback from their clients through a formal survey, Bell notes.

"Seeking feedback from clients through a formal survey process is so important to communicating with and understanding clients...This result is one that continues to frustrate us as consultants," he says.

Bell adds that 28 per cent of advisers only meet face to face with their very best clients once a year to review their current personal circumstances and their progress to plan.

Finally, only half of practices indicate they have a current client value proposition, a result that is down 6 percentage points from the prior year, Bell says.

"Actions speak louder than words and, in a world where [advisers' image] has been somewhat tarnished of late, advisers must be able to regularly demonstrate that they always have the client's best interests at heart," he says.

HARDLY CLIENT-CENTRIC

- Just over **1-in-3** practices communicate with their best clients **10+** times a year. This is well below **43 per cent** from the survey three years ago.
- Just **34 per cent** of practices seek feedback from their clients through a formal survey process.
- **28 per cent** only meet face-to-face with their very best "A" clients once a year to review their current personal circumstances and their progress to plan.
- Only **half** of practices indicate they have a current client value proposition, down **6 percentage** points from three years ago.

PLANNING TO FAIL

- Only **35 per cent** of practices have a longer-term strategic plan for their business.
- **38 per cent** have an operational business plan covering the upcoming 12 months.
- **41 per cent** of business plans are light on content or detail.
- **15 per cent** monitor their progress annually, while **9 per cent** don't track it at all.
- **Seven out of 10** business owners haven't yet documented their plans for transitioning out of their practice, while just **10 per cent** of these have identified a potential successor and arranged funding.
- **35 per cent** of owners don't involve an external adviser to help them along this journey.

MANY ADVICE PRACTICES AREN'T MOVING WITH THE TIMES WHEN IT COMES TO NEW DEMANDS FROM AGEING CLIENTS

NOT MEETING DEMANDS

Forgoing client communications might leave practices not fully apprised of the changing demands of their client base, Bell explains.

"Clients are ageing. While this fact alone is not exactly a scoop, when you consider the current state of play for many Australian practices...more focus and attention will be needed over the next few years, at the very least, to successfully address the greying client demographic," Bell says.

Many advice practices aren't moving with the times when it comes to new demands from ageing clients, Business Health's data shows.

Among clients, 53 per cent are aged 60 and 44 per cent are already retired but 34 per cent don't have a will, Business Health shows.

"Range of services is now one of the lowest-rated indicators by [ageing] clients through our client-satisfaction tool, yet we're informed from our latest analysis that 67 per cent of business owners won't be looking to expand their service range over the next 12+ months," Bell says.

PLAN AHEAD OR...

No matter what their stage of maturity, advice businesses need to be thinking about planning operationally (next 12 months), strategically (next three to five years) and for succession, Bell says.

"By planning seriously, I mean document your plans, include clearly defined goals and the actions to be taken, accountability and time frames," he says.

These plans should be reviewed regularly to ensure that the business is still on track and practices should be thinking about empowering an external person to review their progress, Bell adds.

Many advisers might like to talk about business planning but the data shows progress is likely slow.

Only 35 per cent of practices Business Health surveyed have a longer-term strategic plan and 38 per cent have an operational business plan covering the upcoming 12 months, the data shows.

Further, Bell says 41 per cent of business plans in the Business Health universe are light on content and detail; only 15 per cent are monitored annually, while 9 per cent don't track progress at all.

"Without a carefully thought out plan to navigate the challenges of today's world, how will practices cover the potential loss of income through conflicted remuneration, and caps on soft dollars and commissions, for example?" Bell asks.

Seven out of 10 business owners haven't yet documented their plans for transitioning out of their practice, and just 10 per cent of these have identified a potential successor and arranged funding. Finally, 35 per cent of owners don't involve an external adviser to help them along this journey, Bell says. ■

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