

Shifting from hunters to farmers

Alison Young, Director, The Coaching Platform (part of Focus Solutions Group) looks at the changing roles of individuals in light of the RDR proposals

The Retail Distribution Review (RDR) will have many far reaching implications for the distribution of life and pensions products in the UK, however, perhaps the most significant impact will relate to the remuneration of adviser firms and hence, advisers themselves. Specifically, independent financial advisers (IFAs) will no longer be able to negotiate commission deals directly with product providers, rather they will have to design and deploy their own 'client agreed' charging structures. This, in essence, means they will need to sell their own "professional services" rather than taking commissions for selling other people's products.

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In making this change from 'front-end loaded' commissions to 'annuity style' revenues IFAs could gain significant long-term benefits, most notably, through the increased capital values that will be attached to their businesses as their on-going revenues become larger and more stable.

However, as any IFA firm that moves towards an 'annuity style' revenue model will quickly realise, they will also need to change other aspects of their business.

Whereas in the past they could focus all of their sales effort on selling new products to new clients, and frankly pay little attention to after sales service, the "annuity style" business model will require a fundamentally different approach. Far greater attention will need to be focused on broadening and deepening relationships with existing clients, as this is where the majority of their revenues and hence, profits will be derived.

Finding new clients will, of course, always remain important if IFAs are to maintain and expand their businesses but the new "core" capability will be to create and develop long-lasting, productive and profitable relationships with existing clients. This means that adviser firms will need to consider whether their client facing people have the right skills, attitudes, behaviours and incentives to be successful in this new environment. Will they need to become "farmers" rather than "hunters", and if so what skills will they need to develop, or will the new model require a mix of both, and how will this play out in the organisation?

To assist with examining these issues it's worth looking at the responsibilities of, and drivers behind these different roles.

In sales terms, farmers are individuals who strategically *manage* clients or groups of clients. Across most sectors these would be either salespeople whose role it is to generate more business from their existing client base or highly skilled customer service professionals whose responsibilities include increasing revenue as well as delivering customer service. The farmer derives satisfaction from excellent customer service which results in further business. Farmers are in essence consultative.

A hunter on the other hand is a salesperson whose role is to find and develop business with new clients. A true hunter likes to move on once the business is concluded and go on to the next challenge. They are excited by new opportunities, by building an appropriate solution and by negotiating and closing. They are transactional sellers.

Historically IFAs have offered their time free of charge and if the customer didn't buy the products recommended then the IFA wouldn't get paid for the time they had invested. In addition rather than looking at the life time value of the customer IFAs have typically focused on selling products for customers' immediate requirements. Therefore it could be argued that this approach is reminiscent of the 'hunter' style and individuals operating in this manner would demonstrate the skills and abilities as described above.

However an annuity based practice requires the 'farmer' style approach in order to be successful. This group of people "farm" their client base by sowing seeds of trust and harvesting both profitable sales and customer loyalty. They focus on the needs and wants of their customers, operating as trusted advisers. Their goal is to bring strategic value to *each* interaction with the client. The customer begins to rely on the advice offered and what they get out of the relationship. Customer loyalty then begins to arise naturally out of the partnership and this allegiance begins to block out competitors.

This leap from selling their time speculatively to promoting a service is not insignificant. In practical terms, the industry needs to consider whether this shift will require an altered skill set and different behaviours as well as a transformation of job roles in the organisation. Many firms will face the challenge of transitioning their people into the new world and will need to reflect on what support and training they will require to do this. They will also need to look at what capabilities they are missing and look to introduce new disciplines to the organisation to cover the short fall. It is also likely that a mind-set adjustment will be required in order to encourage individual financial planners to change their own perception of the value of the service they are capable of providing.

Taking the new disciplines challenge for example, financial advisers will need to raise their profile and visibility in the new world and as such this will make the role of marketing far more critical.

Whereas the sales process is about the things that you do to close the sale and to get a signed agreement or contract, marketing is about the things that you do to make contact with and win over prospects. The role of marketing will be to take steps to reach prospective customers and to persuade them that your firm is right for them. Conveying the right messages about your "brand" will

require careful consideration and firms will have to develop a loyal client base through accomplished ongoing messaging and PR as they move away from the transactional type relationship between clients and financial adviser.

"Selling skills" are not high on the agenda for the professions that the financial adviser community is looking to emulate, such as solicitors and accountants, and yet these firms still have to engage with customers, promote their services and develop long lasting and productive relationships. Perhaps we need to explore what other successful professional firms do in order to execute agreements and connect with their clients and map those to the financial advice industry.

So how do IFA firms start to address the skills gap and re-modelling of their businesses? Finding a balance under a training and competency (T&C) regime between "tick box" checking and true development has not always been easy. And, although there has been much attention given to the qualifications requirements under the RDR, it is plain to see that the changes to business process are sure to drive out gaps in skill. Let us also bear in mind that the T&C sourcebook tells us that competence is about more than knowledge and skill and will also include achieving a good standard of ethical behaviour.

There are some steps that you can take now in order to prepare for the challenges ahead:

- Revisit your sales process and think carefully about the approach your business takes to sales. Are you hunters or farmers? What steps could be built into the sales process in order to grow customer loyalty through added value?
- Make a list of your unique features. Why do your customers buy from you and what's great about your business offering? You might look to poll some of your customers to see what they valued in the service they received.

□ Look at your client bank and analyse which of your customers will be willing to pay a fee for services and which are likely to migrate to a self service approach.

□ Revisit the networking practices in your business to identify opportunities for increasing brand awareness.

□ Consider the image you want for your business and gather relevant citations from existing clients which will help you to attract new clients.

□ Revisit existing clients with whom you have no current contact to test the appetite for farming this base.

□ Look at the skill set across your adviser group to identify potential training requirements.

□ If the skill set is diverse, can you deconstruct your business process in order to allocate specific parts of the process to appropriate individuals?

□ Identify whether your T&C scheme has the ability to provide a supporting framework for people development within your business.

□ Ensure that your supervisors have the necessary skills to support the change process.

The test for firms will be in ensuring that they continue to generate business whilst coping with the changes as they unfold. Future business success will depend on harnessing those critical skills sets. Not only are they essential to cope with times ahead, but efficient motivated and well-developed staff bring great benefits to any business. The RDR may be driving the agenda, but the industry landscape is altering and it is quite likely that what is being mandated to us turns out to be something we would have needed to do to maintain our position.