DMWSC HELPS NATIONAL BROKERAGE ADVISOR USE CLIENT CENTERED PROCESSES TO INCREASE PROFITABILITY

Case Study

INTRODUCTION

Today's marketplace challenges many financial advisors with increased competitive pressures that are limiting revenue growth. Regulatory changes, diminishing profit margins, new technologies and shifting client expectations demand a strategic re-evaluation of practice management. This case study focuses on how competitive differentiation enabled one financial services practice to achieve measurable improvements to its bottom line by shifting from a sales-oriented model to one driven by service and experience processes.

SITUATION

A fee-based financial advisor with a large national brokerage firm came to us, seeking help to identify and overcome operational inefficiencies and to create a more client-centered business that would build greater client loyalty and decrease marketing costs by increasing referral-based business. The practice was seventeen years old and was staffed by the advisor and two assistants: an administrative support person and a client services manager. The client base had become large, diverse and unwieldy in terms of service delivery and management. Profitability had become impeded, service delivery lacked consistency, retention rate was declining as clients defected to other advisors, and existing resources were being taxed. The resulting clutter in the business was inhibiting the ability of staff to be productive beyond dealing with day to day issues.

DMWSC interviewed the advisor and the two assistants, and the following common issues were determined:

- Service demands of their large clientele were causing time and energy constraints.
    - $157,000,000 of assets under administration
    - 615 households being serviced by advisor and team
    - $255,000 average assets per client
- Service delivery overlapped between assistants, resulting in organizational waste.
- Work hours were excessive (50 hour work week for advisor), with the resulting feeling that the business was running them instead of their efforts driving the business.
- Team members lacked clarity about their corporate value proposition.
- Team members were unable to define their competitive advantage or core competencies.
- Client retention was an issue.

CHALLENGES

Implementation of an experience delivery model as a means of growing profits demanded a dramatic shift in thinking for all staff. Inherent in this shift would be right-sizing the client base so that the practice served the right type of client rather than a large number of clients. This meant a redefinition of the firm's value proposition and competitive differentiation. Each team member needed to accept a redistribution of labor to improve efficiencies. A system of metrics was required to measure performance and growth; the challenge lay in each member finding the time in his or her hectic work schedule to document activities for our evaluation.

DATA COLLECTION AND FINDINGS

Assessment of the business structure illustrated that the sales-driven business model, which had successfully served the company during its aggressive growth phase, no longer applied nor was it in the company's future best interests. It had helped to build a large revenue base, but it was no longer functioning to safeguard and service that base. Competitive and peer differentiation didn't exist, and the value proposition was not aligned to an effective client experience outcome.

> Client segmentation disclosed that low value clients formed the largest client group although they contributed a small percentage of total revenues generated.

Client service analysis revealed inefficiencies vis à vis client valuations and respective service levels associated with those valuations. Service delivery was largely marketing focused and not client focused. The service needs of too many clients could not effectively be met by the size of the team. There was no clearly defined ideal client profile or established asset minimum for new clients. The process of new client on-boarding was undefined and inconsistently managed.

Client segmentation disclosed that lowest value clients formed the largest client group although they contributed a small percentage of total revenues generated. Too much time was being spent with unprofitable clients, whose inbound traffic often consumed office resources, while important clients were not getting the right amount of attention.

In terms of operational assessment, a time-tracking record was implemented for each team member to measure business management concerns so that efficiencies could be built into redefined roles and responsibilities. Data from this record and from the organization chart revealed:

- Too much time was being spent on non-essential activities such as internal emails.
- A division of duties was not observed which contributed to undefined roles and a lack of specialization, especially at the assistant level.
- Multi-tasking contributed to disorganization and inefficiency.

STRATEGY AND SOLUTION

All team members were highly motivated to consider proposed solutions. DMWSC assisted the practice in implementing a client-focused business model to meet its immediate operational and client service challenges and to set a course for revenue growth going forward. Fundamental to implementation was to establish clarity among team members regarding the business they were really in, which was determined as being client focused and in providing clients with improved experiences that matched their value to the practice and their service expectations.

Client segmentation of the practice freed the team's time and energy from being tied up with unproductive tasks; non-revenue producing clients were offloaded to other advisors within the brokerage network. Once the team had profiled their ideal client, it was able to create a value proposition to align with serving existing ideal clients and attracting new ones. Client segmentation was based on assets under management, and ideal clients were determined to have a baseline minimum of $500,000 in investible assets. Grouping clients by asset size allowed the practice to create experience processes intended to underscore a higher level of understanding and belonging between client and advisor; increase delivered value by authentically focusing on client desires; foster involvement between the client and advisor/team; and build predictability and consistency in service and experience delivery.

> "One of our goals was to create more 'room' in the business so that they could engage and provide more value to those clients who were deserving."
>
> *Tom Frisby*
> *DMW Strategic Consulting*

Changes to business management included a clarification of roles and responsibilities. A procedures manual was implemented, and regular weekly meetings were set to ensure a constant focus on client outcomes. All operational activities were aligned to improve the client experience so that a client's value was underscored in every interaction with the advisor and his team.

RESULTS

Client Segmentation

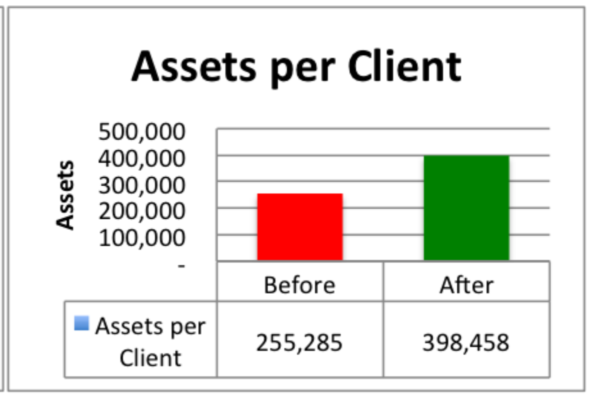
Through a progressive right-sizing of the practice that lasted over 16 months and involved reassigning clients when new clients/assets were secured, the following results were achieved:

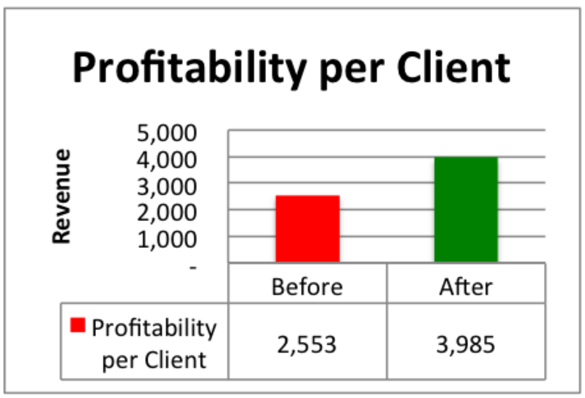
- Divested 242 clients (44% of households) with $14M in total assets (9% of total assets under administration) which had generated $140,000 (9% of total fees) in fees per annum.
- Increased average assets under administration.
- Gained 16 new client relationships with 12M in assets and $120,000 in fees per annum.

- Each team member gained back, on average, 2 hours of time in their workday to streamline office management and devote to servicing their remaining higher-revenue generating clients and client referrals.
- The advisor reduced his work week to 40 hours from 50.

Table 1: Client Segmentation Results

	Before	After	% Difference
# of Clients	615	389	-37%
Total Assets	157,000,000	155,000,000	-1%
Total Revenue	1,570,000	1,550,000	-1%
Avg. Assets per Client	255,285	398,458	56%
Avg. Profitability per Client	2,553	3,985	56%



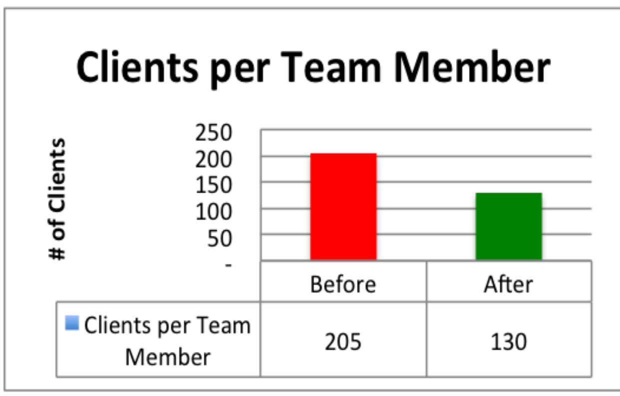


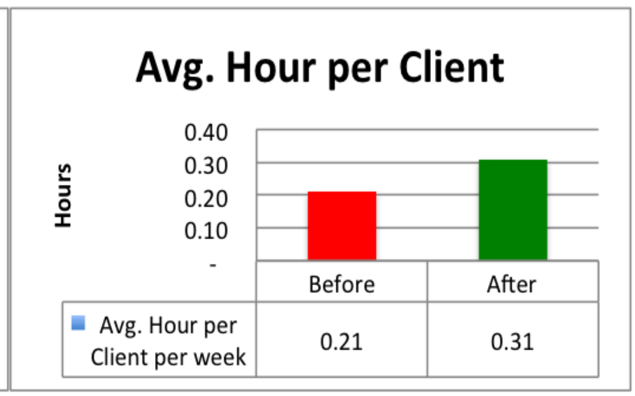
Team Effectiveness

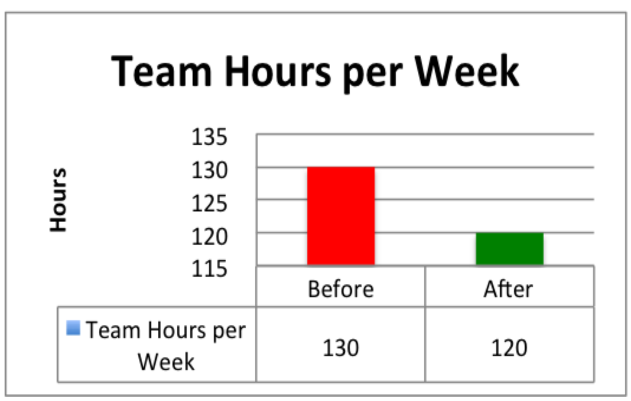
The team was able to find more time to complete key activities towards experience/service delivery and as a result were less harried. Weekly team meetings created clarity for all team members about roles and key tasks, and reduced stress allowed for innovation to occur which further increased efficiency and enhanced client experience. These shifts enabled staff to take advantage of external opportunities for delivering on the key requirements of experience delivery, as opposed to fighting rear guard actions where the resources of time, energy and money were used to 'fight fires' serving unprofitable clients and completing unnecessary tasks.

Table 2: Team Effectiveness Results

	Before	After	% Difference
Clients per Team Member	205	130	-37%
Team Hours per Week	130	120	-8%
Avg. Hours per Client per Week	.21	.31	46%







CONCLUSION

Experience delivery based on proper segmentation resulted in clients who became more loyal, invested more assets and, through advocacy, became active referral sources. Of the sixteen new clients, all came via word-of-mouth from existing clients. Their on-boarding process was predictable, was consistent with alignment expectations, and it set the appropriate foundation for the new relationship.

Of significance to the advisor and his team, however, was the stability and efficiency gained within the workplace. It allowed staff to isolate tasks essential to delivering client experience and ensure that they were homogenous, predictable, thorough and professionally executed. Time gained led to greater creativity and innovation within the client experience framework.

Since 1996, Dennis Moseley-Williams Strategic Consulting has become a leader in helping financial advisors transition to the Experience Economy.

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