

ADVICE CENTRE CONSULTING

Media Release

Advice businesses still demonstrating growth in current environment

Friday 13 March 2009. Three emerging trends are contributing to the continued success of a number of advice businesses even in the current difficult business environment according to the principal of Advice Centre Consulting (ACC), David Fox.

Commenting in the ACC publication, Growth Focus Quarterly, Fox said the trend having the greatest impact on continued growth of advice businesses was that clients were now being attracted to such businesses in non-traditional ways.

“These businesses have realised that potential clients have many financial related advice needs, but more often than not their priority need is not around where their money is invested,” Fox writes. “In fact, a growing number of clients are realising that they need to understand what their advice needs are.”

These practices are attracting markets such as the small business owner by providing advice on –

- growing their business
- funding business expansion
- structuring their business ownership in the most tax effective way
- etc.

Health practitioners are another group that are seeking professional counsel around issues relating to leasing expensive medical equipment or managing their professional risk.

Yet another group are Executives in the Senior Public Service requesting advice on funding home renovation or acquiring an investment property or buying a holiday home.

Fox says that by responding and addressing these priority advice needs and helping potential clients to better understand their advice needs, they are reinforcing the relationship and bond thus providing a solid platform for the future.

“Eventually the priority advice needs of the client will emerge to be advice around their current investments or preparing for retirement or funding a future lifestyle with minimum tax liability – the more traditional advice areas of ‘financial planning’ businesses of the past. But when these advice needs do become the priority the trusted adviser relationship has been created so the client is only going to seek such advice from one place!”

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Fox said this change in client / consumer need was the basis for two additional trends that were also emerging to significantly impact the future advice business.

“Because there is a need to have a number of professionals working in harmony to deliver to all the financial related advice needs of clients, there was a need to partner with other businesses that had different advice delivery capabilities”.

But Fox was quick to point out that this was not about referrals.

“These businesses are creating relationships with other specialist advisers to ensure the client is receiving the appropriate and comprehensive advice according to their needs, not the income generation needs of the practice.”

For example where the target market of the advice business includes small business owners an alliance or partnership would be developed with a business consultant who may provide advice on business growth strategies or mergers or acquisitions. Where the target market had a need for advice on property acquisition an alliance would be required with a real estate professional and lending specialist.

As the advice business grows it may be required to incorporate or recruit these in-house capabilities in order to respond to these advice demands and needs.

But Fox believes that most advice businesses will access these advice specialists through alliances or partnership relationships.

The other emerging trend identified by Fox was the separation of accountability for sales and marketing.

“Most advice businesses evolved from a principal dependent model where the business founder did everything. They sourced potential new clients, converted them into a client and provided some ongoing service to contribute to retaining the client.”

“On top of this they managed the practice, developed the business, recruited new people and were responsible for the operational and administrative activities.”

Fox continued, “As new advisers were employed in the growing business they were expected to do the same as the Principal – especially source new potential clients and convert them into clients”.

However as the need for more sophisticated and complex advice grew it became more difficult to find people who could both generate a stream of potential new clients and advise them according to their specific advice needs.

Today the very capable and skilled adviser finds it difficult to source new clients. And the very effective marketer rarely has the skills to advise.

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“Therefore”, Fox concluded “the trend of separating the accountability for sales and marketing has emerged. Dedicated marketing managers are being employed to source large numbers of potential clients who will be converted to clients through the personal advice delivered by the most experienced advisers”.

Fox insisted that advice businesses that did not respect these trends would find the current business environment extremely challenging and approaching business in the same way as in the past would rarely result in growth.

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