

Diversify or specialise?

Heeding client trends

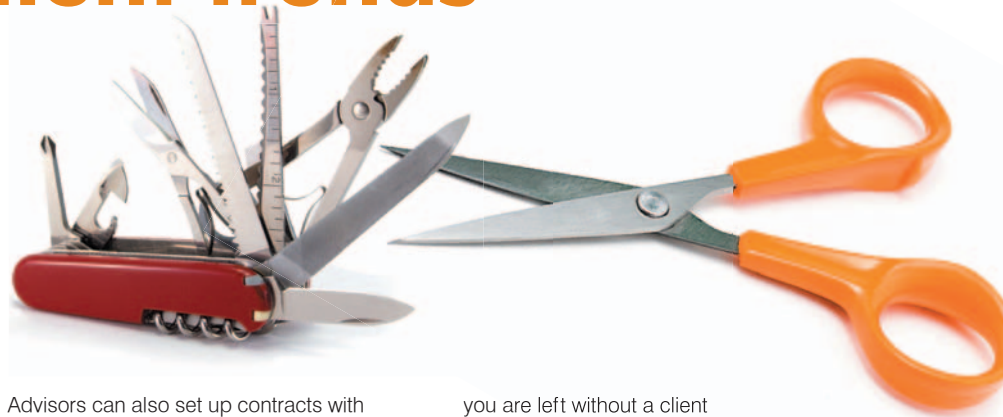


Today's trend towards one-stop shop convenience has extended to financial advisors, who are expected to offer a wide range of financial services with the appropriate professionalism, knowledge and experience.

“**T**he outcome of the specialist versus generalist debate has mostly been swayed by what clients want,” says Ian Middleton, managing director of Masthead. “Due to time consciousness and the desire for simplicity, many clients prefer to leave their financial planning in the hands of one advisor. The advisor is trusted to keep in mind a holistic image of the client and give the best advice on this basis.”

Well-designed value proposition

To meet this client expectation, financial advisors can extend their offering through a well-designed client value proposition. By forming or joining a larger practice which can sustain several specialists, financial advisors can work together for the benefit of the client. According to Middleton, a partnership of this nature can function well provided that it is based on similar values and work ethics.



Advisors can also set up contracts with reputable specialists and refer clients to each other. “Clients should be aware that the additional service or product is offered in association with another advisor, rather than as an offering of the original business. This ensures any come-backs are directed to the right practice,” says Middleton.

Diversification benefits

Some advisors may opt to continue operating on their own as specialists, attracting a target market that seeks their services because of their reputation and niche expertise. Clients with specific needs, such as those who require specific offshore investments, may prefer to consult with an advisor whose focus lies solely in that area.

“Financial advisors who have yet to decide whether to diversify their offering should consider the benefits for their practice,” says Middleton. “Having diverse income streams in today's world is a necessity to survive financially tough times.”

A larger, attractive value proposition helps to ‘ring-fence’ clients. Advisors are more likely to keep the competition at bay if their propositions satisfy their clients’ full needs, or if there is a referral system in place. “With a wider offering, advisors can also capitalise through cross-selling and up-selling to existing clients. It is easier and more cost effective to service existing clients than to find new clients,” says Middleton.

Furthermore, external factors such as location may warrant diversification in offering. “There is very little point in running a specialised investment practice in a small town. Specialisation has the added risk that if the market shifts away from your offering,

you are left without a client base and income stream,” he says.

Pertinent considerations

“To work cooperatively with others, assess the merits of in-sourcing versus outsourcing,” Middleton advises. “Investigate how diversification will affect you and your practice. Some considerations to keep in mind are cost, control and quality. Think about whether your ‘referral partner’ maintains the standards with which you and your client are comfortable.”

The most suitable solution

The generalist/specialist decision should ultimately depend on what the advisor's client base requires and the business strategy to reach that client base. “The most important issue is to maintain a structured practice which optimally utilises all its resources to ensure that your strategy supports the delivery of professional services to clients and a profitable business model.”

Masthead assists advisor members to successfully diversify their practices through its practice management services. “When Masthead's practice consultants combine their input with the advisor's knowledge of the practice, the most suitable solution is achieved for the business,” says Middleton.

To find out more about Masthead, please contact your local Masthead consultant or visit www.masthead.co.za.

