

Commonwealth FAs Go Back to Class

“DO YOU HAVE AN UNWILLINGNESS TO evolve with the market?” asks Harvard Business School professor emeritus Benson Shapiro. “Are you too comfortable with the status quo?”

These and a myriad of other thought-provoking issues were discussed and debated by 30 of Commonwealth Financial Network’s top-performing financial advisors (each with \$1.25-plus million in 2007 sales), four industry partners and 29 home-office staff members during a two-day retreat in mid-January at the Taj Boston hotel. This was the fifth year for the independent broker-dealer, which includes more than 1,000 advisors nationwide, to sponsor such a gathering; it was Shapiro’s second time to lead it.

Participants hammered out specific steps to improve customer service and practice management in small- and large-group discussions. And while participants spent most of their time pouring over a series of Harvard case studies on sales and customer service, including a discussion of Starbucks, Cooper Pharmaceuticals and the Architects Collaborative, they also toured the John F. Kennedy Memorial Library and competed in an Iron Chef contest at the Ritz Carlton in Boston.

“I love the case-study model,” says Tom Bartholomew of Bartholomew & Company in Worcester, Mass., who adds that he highlights the materials in discussions with his staff after attending the annual retreat.

One important theme at the ’08 conference was the need to clearly define and then maintain a specific client base. “Account selection is smart investing,” explains Shapiro. By looking closely at both the purpose and the personality of your practice, an advisor can begin to see

which clients are most appropriate and which clients can bring the greatest value.

“The danger or risk is to become a do all and be all for far too many client,” Shapiro cautions. Instead, advisors need to define and set boundaries for clients and the services being provided to them. Cultivating such a focus should lead to greater results and satisfaction.

“Are your clients consciously or unconsciously chosen?” he asks. “Do you

“I work with clients that take my advice consistently. This way, they’re happy and so am I,” explains advisor Joe Cox of Fleming, Perry & Cox in Stamford, Conn.

“I look at clients as potential centers of influence or connectors. Will they help you build your business?” asks Nick Giacomakis of New England Investment & Retirement Group in North Andover, Mass. “You don’t want to take on and then



Benson Shapiro

have a purpose or mission statement? Write it down! Very few companies work hard enough on getting their purpose and core values clearly laid out.”

This written exercise should include a detailed description of your ideal client, Shapiro emphasizes, and a process for discovering how each potential client is (or isn’t) a good fit for your practice. “Who’s my perfect customer? Do we understand the ‘personality’ of our firm and which growth avenues fit our aspirations and capabilities? And do we waste valuable resources pursuing the wrong customers?” the marketing expert asks.

fire clients. We want lifetime customers. This is our business.”

To be sure the right clients and only the right clients are “hired,” advisors have to do the hard work upfront, according to Shapiro. This means really listening to clients as they list their specific financial-service needs and desires. “We sell better because we listen better, not because we talk better,” he says.

Listening deeply “in a high-bandwidth way” is extremely important in building trust with clients, Shapiro says, and it establishes an advisor’s integrity and competence. “Will you put their interests

before yours?" he asks. "And are you communicating that this is what you do and how you serve your clients? This is their main concern."

Several advisors described that they work with older, high-net-worth clients. Their associates or partners service those with fewer assets, who may require less time on an ongoing basis.

"In the future, we will go even more upstream in terms of clients and wealth," Cox says. "It's more fun, and we perform better. This makes them bigger fans for us as clients."

Still, these clients can be demanding on an advisor's time, especially if they aren't living within 100 miles of your practice, Cox says. "You have to see them a lot, otherwise they may move on."

"A delighted client is one who sees you as providing special service," explains Shapiro. Starbucks has gotten into trouble when customers felt they were not getting the experience they expected at its coffee shops. "You can't hold customers hostage, but you have to give them positive 'stickiness,' good reasons to stick with you."

Plus, you have to remind customers of your value. "Businesses think they create value. But do they truly communicate that value to customers?" questions Shapiro. "And remember, when it comes to competition, the most dangerous source of rivals are those that don't look like you, those who look different," the marketing professor notes. "This means you really have to maintain your 'difference' and increase your value to the customer."

"The value advisors provide includes helping clients find the discipline they need to stay in the market when there's heightened volatility, like today," says Jay Diamond of Investmark Financial Services in Fairfield, Conn. Also, clients are seeking more general financial advice from advisors and want to spend less time

discussing investment management.

"They really see my valuable service as the advice I provide," rather than the transactions or investments made on their

behalf, explains Bill Bowman, Diamond's partner.

"Sometimes they need you to give them the security to spend," says Veda Cassells-Jones, CFP, of C-J Advisory in San Jose, Calif. To help pre-retirees prepare for spending and staying within their retirement budgets, she has them practice this new spending pattern for a couple

of years before they actually retire. This comes after she works out the numbers



Joe Deitch

with clients and calculates or "fast forwards" their cash flows.

The need to juggle the different needs of older and younger clients is another challenge affecting advisors. And many advisors have their younger associates tackle the younger crowd.

This type of market segmentation is one of many measures that advisors are taking to better manage the complex growth of their businesses. Other steps include hiring office managers or operating officers. The ultimate aim, says Shapiro, should be to install and implement a set of management processes that insures you are achieving your strategic goals and executing appropriately.

Commonwealth Chairman and CEO Joe Deitch acknowledged that this is no easy task, but urged advisors to grab the baton and run with it. "We know advisors can be pro-active with customers, but they also need to be pro-active with staff to help them become future managers and business owners."

Advisors say that, after the "break" of attending the Commonwealth chairman's retreat, they're ready to get back home and execute. "The conference really has me thinking more about how to change my business organization and management," says Chuck Bean of Heritage Financial in Norwood, Mass.

Commonwealth staff members — like Deitch, John Rooney, managing principal of Commonwealth's San Diego office, and practice-management vice president Joni Youngwirth — are there to facilitate this change. "The financial advisor is operating like a small-business owner, who needs help with scale and process," explains Rooney. "This event is good, because it shows us what issues are most important for us to be focusing on in concert with our advisors."

For Jim Ball of Ball Financial Services in Westborough, Mass., and other advisors, the real work lies ahead. "It's all about customer service and management," explains Ball. "This is a tough line to walk. If you want to grow, you have to have both skill sets and develop them in your practice." ●

Tracking FA Trends

As part of the '08 Commonwealth Chairman's Retreat, advisors and staff described the following industry changes as having the most influence on their practices:

- A growing number of younger clients with high-net-worth;
- The broadening impact of technology on how FAs and clients communicate and share information;
- The aging baby boomers, their need for financial transitions and the creation of legacies;
- The changing focus of clients from wealth accumulation to income preservation;
- The rising number of off-the-shelf products and new rivals; and
- The increasing variety of financial products, services and other options.

Wanna Go to Harvard?

To take advantage of some materials used at the Commonwealth '08 Chairman's Retreat, go online to www.harvardbusinessonline.com and search for Cooper, Starbucks and the Architects Collaborative. Cases can be ordered and paid for online.