



BY ELLEN UZELAC

Death OF THE Salesman

Advisors who fail to offer clients a unique value proposition may no longer be in the business just a few years from now.

How do you envision the next five years? As a chance to reinvent yourself and enjoy huge success? Or a time to do business as usual — and very likely fail as an advisor?

These questions are not casual ones.

In fact, some of the top thinkers in the industry believe sweeping change is about to reshape the advisory profession. In the line of fire: the financial advisor.

“The changes will be wrenching. The model that emerges five or 10 years down the road won’t bear much resemblance to what people have grown up with,” according to Dan Sullivan, co-founder of The Strategic Coach, a coaching program with offices in Toronto and Chicago. “A lot of financial advisors are in denial about this. They just don’t want to deal with it.”

And why would they? Most advisors today joined the profession before “sales” was a dirty word, when commissions ruled the day and disclosure — well, what disclosure?

Trouble is it’s a new day — and far too few advisors are waking up to the realities of their changed world.

“This is about the death of a salesman and the awakening of the entrepreneur. We’re creating new definitions here,” notes Chip Roame, managing principal of Tiburon Strategic Advisors, a consulting firm in Northern California. “But there are a lot of people who are saying ‘I was a salesman when I signed up, so what’s all this crap?’ Frankly, I think one of five advisors gets it today.”

A number of forces have combined to set the stage for the coming change: technology, increased competition, Wall Street scandals and the regulatory environment, chief among them. The result: the commoditization of products, services and, now, financial advisors themselves.

“In many of these areas, it may seem like people have been crying wolf for a long time and nothing has happened so they assume this is just more of the same. But it’s not. Most change is evolutionary until critical mass is

reached — and then it becomes revolutionary. I believe quite strongly that we are about to reach critical mass,” observes Joe Deitch, chairman and CEO of Commonwealth Financial Network, an independent broker-dealer with dual headquarters in Boston and San Diego. “The most successful advisors will realize that this is a serious issue and resolve to do whatever it takes to manage operational quality and expenses while focusing on niche markets where they can attract more business and earn a premium. They must also be able to take full advantage of technology and strategic partners to leverage their own resources. However, intentions are not actions — and actions are not results.”

A “housecleaning,” as Cerulli Associates’ Dennis Gallant puts it, has already begun. Cerulli reported a reduction in advisors in 2004 over 2003 at independent broker-dealers, wirehouses, insurance broker-dealers and regionals. The downward trend ranged from a 1.1 percent decline for independents to a 7.7 percent drop for insurance firms. It represents the first decline since Cerulli began tracking the category five years ago. Moreover, Gallant says, it’s been at

least 15 years since the industry has witnessed a fall in advisor numbers.

“There will be more people who look at the new regime and say it’s too much of a transition for my business,” says Gallant. “The reality is the pressure on advisors today has never been greater.”

For his part, Roame expects “somewhat less” than half of advisors will survive the new environment. And Sullivan says one need only look to the United Kingdom to get a picture of what lies ahead.

In 1995, there were 300,000 financial advisors in Great Britain. Today, according to Sullivan, there are 44,000 — the consequence of a massive exodus triggered by the move to full disclosure of fees and commissions. Sullivan believes that full disclosure will come to the U.S. within 24 months.

“It’s hard to predict but I would say that 80 percent of advisors who are not disclosing now will find it difficult to survive,” he adds. “Some advisors will say, ‘It won’t be that bad. They’re always going to need us.’ But in Britain they don’t need five-sixths of them. And once you get rid of 250,000 advisors, you can’t bring them back.”



"This is about the death of a salesman and the awakening of the entrepreneur."

—Chip Roame, managing principal, Tiburon Strategic Advisors

Do You Offer Any Value Apart from the Products You Sell?

The conundrum for advisors is that they are paid for products — not advice.

"All financial advisors get training on selling products of one kind or another. If you have nothing else to offer, then you're in immediate competition with anyone else. The way I look at a commodity, it's when you can't differentiate yourself any way except on price. That's what's happened here," according to Sullivan. "The difficult part is that the really good financial advisors have a whole qualitative side to what they do that's of immense value to clients. But, increasingly, they are being forced to give it away for free."

So how does one avoid becoming a commodity — and thereby a casualty?

Hone your niche. It may sound like

same-old, same-old, but niche marketing has never been more critical. "The bar is being lifted for advisors," says Roame. "Advisors will need to fully engage in understanding the customized needs of their target markets. It's no longer good enough to sell and market to rich people. If I'm an automobile dealer or a corporate executive, I expect you as an advisor to understand my particular needs."

What does that mean? Doing your research — starting with the websites of the segment's trade associations, industry newsletters and books about their profession. "If you learn about their industry, it comes across in your understanding, your vocabulary," says Roame. "My industry niche, for example, is the advisor. We spend all our time researching the clients."

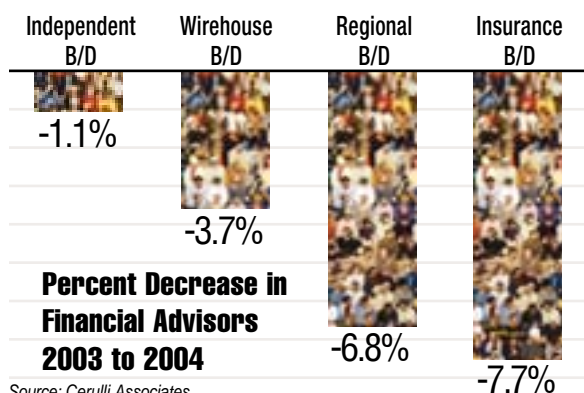
Make yourself indispensable. In the future, not only will advisors have to provide value-added services, the quality of their services will have to be both so good and so broad that clients would never consider going elsewhere.

"What is the advisor doing in addition to what can commonly be had elsewhere? What are they doing to not just make their service special but to ideally make it indispensable? If one has a trusted advisor who is fully integrated into the fabric of financial, business and personal affairs, it would be painful to change advisors. This is the premise of wealth management," says Deitch, whose firm recently rolled out a new technology-driven wealth management program. "If the advisor is involved in coordinating the vast intricacies of a

client's affairs and is doing a good job, she/he will not only have job security but the ability to charge a premium."

Become a wealth manager. Wealth management hasn't become the industry buzzword for no reason. Pundits say it is a platform that's sure to have legs, with Deitch calling it "the new standard of luxury."

As he puts it, "I think pure invest-

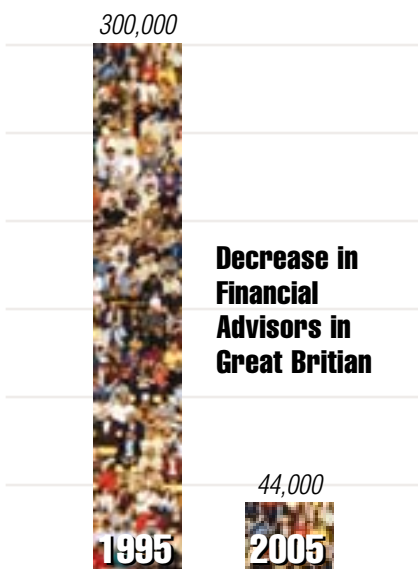


ment management and asset allocation are a commodity. You can slice them and dice them, but it's a commodity. Our lives in reality are so much richer and so much more complicated and we have so many more concerns that our actual need is over

What Not To Do

Have you heard the story about the financial advisor who decided to reinvent himself as a wealth manager? He spent \$15,000 on a stylish brochure that touted his newfound talents and then showed it off to a top client. After reading the brochure, the client told the advisor: "You don't do any of this stuff." He then closed his account.

True story.



the entire financial universe — estate planning, investment planning, pension planning, tax planning. And, now, you need someone to coordinate it all. People want to feel on solid ground and that's what wealth management is about. It's not only about increasing efficiencies, but allowing people to feel they can manage and are in control of their lives. This is huge."

Take a self-inventory. How would your top 25 clients describe what you do to a family member, a peer or a friend?

"If you're described as a broker or financial advisor who sells stuff, our research says loud and clear that the upscale market does not like salespeople," says author Matt Oechsli, president of the Oechsli Institute, an industry consulting firm in Greensboro, N.C. "Beyond that, the idea is that if you have a one-dimensional relationship with your clients — whether it's financial planning or money management — if it's one-dimensional you are perceived as a commodity."

The values in today's world are different than they used to be, Oechsli adds. Clients, he says, want their advisors to demonstrate a high level of learning, an extreme client focus, strong self-management skills, good interpersonal skills, personal accountability and planning and organization.

And "salesmanship," in the purest sense of the word, should not be abandoned altogether.

"The irony here is the people who will make the most money in this industry are those who have the best high-level selling skills. They are so refined, so practiced and so seamless at selling the relationship," according to Oechsli. "Then they have to manage that relationship on the highest professional level within the context of delivering everything they promised."

Dan Sullivan's 12 Predictions



1. The financial services industry will increasingly become the target of lawsuits.
2. Marketing policies, practices and activities of financial services organizations will be increasingly governed by lawyers.
3. Every financial services product and service will become more and more commoditized.
4. Because of commoditization, fees and commissions paid for product and service sales will steadily decline.
5. The complexity and cost of being a commoditized financial advisor will steadily increase.
6. Financial advisors will increasingly be forced to make a career decision: leave the industry, become a salaried employee or become a privately branded entrepreneur.
7. The most innovative and independent advisors will transform their practices into "unique processes" in which they are able to charge for their packaged wisdom — and for the commodities.
8. The financial services bureaucracies and regulatory bodies will try, but fail, to prevent entrepreneurial advisors from developing their own privately branded unique processes.
9. Those financial advisors with successful practices will increasingly become immune to the forces of competition and commoditization.
10. The advisors with the most successful unique processes will be able, if they choose, to relinquish their licenses and escape from regulation.
11. Successful financial advisors will develop more and more innovative solutions to economic, political and social issues.
12. The entire financial services industry will be continually transformed and improved by the unique processes of innovative financial advisors.

—For more on Dan Sullivan, visit www.strategiccoach.com

Charge for advice. Ask your clients what they value most about you — products or service — and most will choose the latter. Yet advisors charge for the former.

"The thing clients value the most you're giving away for free and the thing they value least you're charging for," says Sullivan. "I think clients of financial advisors have always found it fishy why they would do this wonderful work and not charge for it."

The entrepreneurial advisor, according to Sullivan, can create value by providing just three things: leadership, relationship and creativity. As part of the process, he adds, advisors create a clear path for clients and then transform it into a package — a graphic or a workbook, for instance — that they charge for.

"You get two surprised people out of this. First is the client who says, 'why didn't any financial advisor do this for



I believe quite strongly that we are about to reach critical mass."

—Joe Deitch, chairman and CEO, Commonwealth Financial Network

me before? And for the FA, they realize: 'I just got paid for myself and not for something I got from an insurance company or a wirehouse.' As you do this once, then five times, then 30 times, a tremendous confidence builds up," says Sullivan. "The amount of money you charge for a product is always going to come down. As your reputation spreads and you get better and better at this, your fees actually move up."

Create a "unique process." Sullivan has coined the term "unique process" to describe the private brand or "packaged wisdom," as he puts it, that the advisor develops — and then charges for.

That process, with copyright and trademark protection, can't be copied. "Basically you formalize what you were doing in an informal way," he says. "It has to be named. It has to look like something."

And it doesn't have to be complicated.

One of his clients created "The Divorce Mediation Program," making him a role model for hundreds of others trying to do the same thing. Another advisor, specializing in bringing generational integration and teamwork to affluent families, constructed "The Empowered Wealth System," now being used as a curriculum in universities. Still another created "The Process for Protected Tomorrows," a reflection of her work with clients with disabled relatives.

"This is all about getting very, very clear about what you want to do with

your future. Not everyone can do it. I have people in my own program whose faces just go blank," says Sullivan. "I think the No. 1 thing that has to happen for a person to adopt this approach is their belief that they are worth something apart from what they're selling. There are a lot of successful people with 30 years in the business that to this day don't believe their personal counseling has any value."

Move Forward or Be Left Behind

So the challenge for advisors is out there: "You're going to have to reposition yourself one client at a time and it has to be done face to face where you are developing a process," says Oechlsli.

"Easy? No. But in a world of intangibles, this is arguably one of the best business development opportunities of our lifetime." **RI**

Utilize *Research* Marketing Services for:

✓ **CLASSIFIEDS** ✓ **EDITORIAL REPRINTS** ✓ **DATABASE LIST RENTALS**



FOR CLASSIFIEDS CONTACT:

Jennifer Testa (847) 526-7434
Fax: (847) 526-7435 jtesta@aip.com
833 W. Jackson, 7th Floor
Chicago, IL 60607

FOR EDITORIAL REPRINTS CONTACT:

Marla Leopold
Foster Reprints
(866) 879-9144 x138
mleopold@fostereprints.com

FOR DATABASE LIST RENTALS CONTACT:

Cheryl Naughton
(770) 995-4964
Fax: (770) 995-4983
cnaughton@aip.com

Where Financial Advisors Find Results.
Research