



Strategy Advice from Apple and Google

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June 15, 2010

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Last week I conducted a webinar for advisors focused on the key decision that will drive advisors' long term success, sponsored by Northern Trust Investments.

That decision, quite simply, is choosing where to focus your efforts and resources.

The power of focus

Over the past twenty years, there's been an explosion in research into what differentiates companies that succeed from those who fail, and what predicts which stock prices will outperform and which will lag.

As an example, the June issue of the *Harvard Business Review* featured an article titled "*The Coherence Premium*," summarizing research on top performers across a variety of industries.

The single factor, more than any other, that differentiates winning companies is the extent to which they build unique capabilities in two or three areas that are critical in the customer value chain.

Companies have to be disciplined about picking a small number of high impact areas where they bring true competitive advantage ... think Apple, Coke, Google and Walmart, all of which have brought incredible focus to a few dimensions of customer value.

And just as this research carries important lessons here for CEOs, there are also some important guidelines for advisors looking to build successful long-term businesses.

Competing time demands

It goes without saying that the CEOs of Apple and Google have lots of ways to spend their time – yet articles and books profiling them invariably comment on how they focus on a few strategically critical activities.

Similarly, as advisors you have lots of ways to spend your day.





Here are just some of the ways you could spend your day, divided among existing clients, new clients and practice management issues.

First comes serving existing clients – you could focus on portfolio construction and stock and manager selection, developing financial plans or providing clients with a broad range of advice on wealth issues.

Or you could make it your priority to ramp-up client communication and contact, organize client events and appreciation activity and build deeper one-on-one relationships with key clients.

Then comes attracting new clients.

You could focus on cultivating and nurturing referrals, building visibility and profile among one or more target client communities and explore strategic alliances and referral relationships with accountants and lawyers.

Alternatively, you could network to build a pipeline of prospective clients, or put time, energy and resources against broad community advertising and marketing.

Finally, under practice management, you could prioritize ongoing business planning and financial management, team communication and management, investing in continuing education or administrative functions such as paperwork, dealing with client service issues and compliance.

Choosing where to focus

It's clearly impossible to excel at everything on this list.

As a result, just like Steve Jobs at Apple and Eric Schmidt at Google, you have to choose a few key areas on which to focus your efforts and resources – for the rest, you have to either eliminate them entirely or do only as much as is essential.

At the same time, you need to look hard at whether you can delegate or outsource low priority activities, the ones which aren't going to be an area of focus.

Recently, a report from Boston-based Cerulli Associates highlighted the challenges for advisors in terms of allocating their time.



Here's a summary of how advisors spent their time in 2009:

Meeting with clients	27%
Client acquisition	16%
Client service problems	11%
Research / due diligence	9%
Trading / asset management	9%
Office admin and management	8%
Training and professional dev	8%
Compliance	7%
Other	5%

Three questions arise from this list:

1. Are advisors spending enough on the highest return activities, in particular getting in front of existing and prospective clients?
2. Are advisors doing things that could be delegated – for example, dealing with client service problems?
3. Should most advisors be spending almost 20% of time building and monitoring portfolios?

The answer to these questions can be found in new research on drivers of success with both existing and prospective clients.

Retaining existing clients

Many advisors believe that performance is critical to happy, loyal clients.

And certainly, good performance helps ... but not as much as many advisors believe.

In the Northern Trust webinar, I discussed research with 50,000 investors, conducted by Vancouver-based Corporate Insights.

If performance meets expectations, 60% of clients are very satisfied with their advisor.

If performance is below expectations but clients are happy with their contact level, 51% of clients are very satisfied – less of a drop than many advisors would expect.

And if clients are unhappy with both performance and contact level, satisfaction drops to 14%.

The message is quite simple: For many clients, strong communication is paramount in maintaining loyalty and patience through periods of market underperformance.



Maximizing share of wallet

A key success factor for Apple and Google is not just getting new clients, but once a client has signed on becoming their dominant provider.

On the webinar, I also outlined research by Corporate Insights on the share of client assets held by advisors.

Most advisors have significant opportunities to increase assets from their existing clients. This is especially the case among larger clients, where typically advisors have less than half of assets.

The good news is that there are eight drivers that increase share of assets and reduce share of assets if they're absent.

Four relate to communication and service levels – strong contact levels, clear communication on service levels, regular portfolio reviews and a good understanding by clients of their fees and charges.

Other things that increase share of client assets are providing advice on insurance, tax, estate planning, educational saving and charitable giving.

And the biggest driver of client assets of all???

The answer is having a written financial plan in place – advisors' share of assets increase if they've prepared a written financial plan for clients, and decrease if they haven't.

The webinar also talked about research on this issue by Boston-based Cerulli Associates, a leader in strategic research for the global investment industry.

Among clients with over \$100,000 in assets, 40% say that a financial plan is important; this number goes up to 50% among clients over \$5 million.

Attracting new clients

Another topic on the webinar related to attracting new clients.

One of the striking statistics in a recent Cerulli Associates report talked about how advisors attracted new clients in 2009.

Just under 75% of new clients came from referrals from clients and professionals, with community networking representing another 11%.



And what does it take to get referrals?

Last year, Julie Littlechild of Advisor Impact issued a report on this. Her research shows that the key to getting referrals is having clients who are “engaged” rather than just satisfied.

Creating engaged clients came down to some of the same things that promote loyalty and increase share of assets: You have to deliver acceptable performance, but once you’re at that performance threshold, what drives engaged clients to provide referrals are strong rapport, deep relationships and providing financial planning and comprehensive advice.

Picking your spots

The message from the research from Cerulli, Corporate Insights and Advisor Impact is crystal clear.

Just as Apple and Google need to focus on key areas of value to customers, so advisors need to be tough minded about picking those areas you’re really going to concentrate on and excel at. Try to do too much and you’ll end up watering down your efforts and failing to stand out anywhere.

This is the single most important decision you’ll make that, more than anything else, will drive your long term success.

To view the webinar and see all the research, click [here](#).

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