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ADVISER SNAPSHOT

Communications: Tweet nothings!

Adviser Snapshot 5: Straw poll on client management, segmentation and communications November 2013

Introduction

In Action Consulting's Adviser Snapshot Survey Summaries 1 to 4, we have reported on some of the impacts the RDR has had on advisory firms' practices and thinking. In Adviser Snapshot 5 we report on a 'straw poll' we conducted amongst a small sample of advisory firms to gain a flavour of how the RDR has changed aspects of client service and some of the strategies firms are taking with client communication.

Overview

- **Around a third of firms have clients whom they will no longer actively service**
- **Just over a half of firms feel that more than half of their clients are highly valued**
- **Firms are split between those who are charging broadly the same amount as pre-RDR and those charging less.**
- **Most firms report that most of their clients view RDR either positively or neutrally**
- **Most firms say that social media is either of little importance in their communication strategy, or not used at all.**

Segmentation

As a result of the RDR and changes to charging structures, it was expected that many firms would have to consider how profitable their clients are and segment their service offerings accordingly.

In our Adviser Snapshot 5 sample, just under half said that they had not segmented their client banks, with about a third saying they have clients to whom, on economic grounds, they will no longer be offering any service.

We also asked firms to break down both their existing client banks and newly acquired (in 2013) clients in terms of anticipated 'on-going value' to the firm. Only just over a half indicated that 50%+ of existing clients are highly valued, with a significant number of firms stating that over a third are of little or no value and may cost more to service than they contribute in income.

Whilst the majority of new clients are highly valued, some firms told us that 50% of their new clients were of little or no value.

Client acquisition

We asked firms how many new clients they had acquired in 2013. No firm stated they had acquired more than 30, while firms with larger client banks had generally acquired the fewest clients, expressed as a percentage of existing clients. This might indicate that larger firms are concentrating more on retaining and developing existing clients than trying to find new ones.

Fees and charges

Two thirds of respondents still primarily charge for initial advice either wholly or partially as a percentage of the amount invested.

For these firms, we asked how these charges compare with what they received in commission pre-RDR and this was split evenly between those whose charges are broadly the same as before and those with lower charges than before. No one answered that their charges are now higher.

For on-going service, only 2 firms indicated that their charges may not meet the costs of providing the services being paid for and that, therefore, they will need to review this.

Two thirds of respondents stated that they have not introduced any new services post-RDR.

Communication

Communicating the impact of the RDR

Most firms we questioned said they had already communicated the RDR changes to their clients or are still in the process of doing so.

We asked for client reaction to the principles of the RDR, both in general terms and specifically relating to their relationship with their advisory firm and, perhaps surprisingly, in both cases the great majority of clients viewed the changes either positively or at worst neutrally.

Ongoing communications

We asked the advisor firms about how they communicate information about topics like new products, or changes in legislation or tax rules.

This is done to the entire client bank once or twice a year by some, but mostly on an ad hoc, client specific or event-driven basis, mainly via email, post or face to face, with only two firms in our sample using their website for this.

Interestingly no respondents communicate this sort of information via Facebook, Twitter or any other social media.

Social media

The relevance of social media to firms' communication strategies for both acquiring and informing/retaining clients was low, with the majority saying it was of very little importance or that it is not used at all.

Nearly half say they have no plans to use it at all in the future. Reasons for this include:

- potential benefit not worth the effort to set up and maintain
- not appropriate to client requirements
- no perceived business benefits

Nobody cited compliance barriers as a factor.

Those that do use social media do so primarily to communicate proactively with clients and/or their peers, and in the main see little to moderate growth in its use over the next 12-24 months.

Inferences

- **To maintain sustainable businesses, firms have to understand their costs and ensure their charges match these. Those with significant numbers of 'low value' clients should be re-thinking their approach to such clients, segmenting them to provide services that are economically sustainable, including no service in some cases.**
- **While most firms report that the majority of clients viewed RDR changes either positively or neutrally, this may simply reflect the fact that these clients already had strong relationships with their advisers and were largely unaffected by the RDR.**
- **It was encouraging that most advisers felt that their clients broadly welcomed the RDR changes or viewed them neutrally, and this mirrors other studies. The RDR may though be having a greater impact on ‘non-clients’. Does the industry need to research how many people are *not* accessing advice and why? We need that view to see if the RDR, particularly Adviser Charging, is disenfranchising the non-HNW.**
- **Social Media seems to have little relevance for many advisers and, from what they say, for their clients. While the value of SM may be overplayed by some, advisory firms do need to keep abreast of developments in this and in all areas of technology. Without doubt the way consumers access products and, in time, advice will follow the way they purchase other products and services.**

Next steps

If you would like to participate in future research and find out what other adviser firms are doing, simply email us at:

enquiries@actionconsulting.co.uk

and ask to be added to our research panel.

The Adviser Snapshot 5 research was carried out from 29th October to 6th November 2013.

Action Consulting is a research-based consultancy that helps professional services businesses to improve the loyalty of their customers, the performance of their staff, and the effectiveness of their marketing and service propositions.

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