

Practice Lifecycle

The indispensable practice management tool for advisors

Eliminate the Competition

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Several years ago when I worked for a major broker/dealer, I remember thinking that their top four or five project priorities seemed timely, appropriate and well-thought-out. My opinion changed when I scanned a few websites and saw that the same priorities were being pursued by all the firm's competitors.

I have similar concerns as many mutual fund, brokerage and insurance companies develop strategies to help the 77 million Baby Boomers with their retirement. Not only are they focusing on the same issue, they all seem to be using the same consultant to create their strategies. No wonder advisors at these firms have a hard time differentiating themselves!

To be fair, the retirement of the first Baby Boomers is an external event. A firm might have a strong brand identity and seek the help of a consultant who is an expert in that event (Baby Boomer retirement) to frame a brand-appropriate response to the retirement issues. If so, the results of that consultation might be different for each of the firms working with the consultant.

Of course, if the entire industry is developing strategies to deal with Baby Boomer retirement, it is harder to differentiate yourself with a retirement strategy. Since that retirement strategy just became the cost of entry into the industry, you now have to delve deeper to create a strategy that will differentiate you amongst so much competition.

Honestly, a broad retirement planning offering was never the best way to differentiate your practice because many advisors claim retirement planning expertise. Anytime you have a topic that all clients have to address and a topic that coincides with the client's highest level of investable assets, it will attract a lot of competition.

While some advisors like the idea of competing directly with other advisors (victory is a little sweeter when it is against tough competition), the purpose of differentiation is to eliminate the competition. My brother once told me that Ian Anderson of the Jethro Tull band was the best one-legged, flute playing, band leader in the world. He admitted that Anderson was also the only one-legged, flute-playing, band leader in the world. (He also admitted that Anderson has two legs but stands on only one while he plays.) Ideally, your practice is a one-of-a-kind practice just like Ian Anderson is a one-of-a-kind band leader. Ideally, you will eliminate the competition.

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By going deeper and narrower into some type of differentiator, including retirement planning, you can find ways to further differentiate your practice. In most practice areas, you barely have to dig to find a way to differentiate yourself.

If you are concerned that by identifying great clients, those you most enjoy serving, you may chase away a good client who has other characteristics, you are not alone. However, by not telling the world who you want to serve, you give great clients no reason to consider your practice over the one down the street. You do not want to be a prospector, scooping up scores of prospective clients and using a sieve to identify the nuggets. You want to be a magnet for great clients—pulling into your practice those who fit your profile.

If you are having trouble differentiating yourself, it is not because you do everything the same as everyone else. Your practice is different than that of your competition. You just have to identify and articulate those characteristics that set you apart. Financial firms most often differentiate themselves through one or more of the following descriptors:

- Success stories
- Business values
- Style of client interaction
- Reason for entering the business
- People served
- Planning theme, or
- Specialized skills or processes

Success Stories

List some of the successes your clients have enjoyed due to your work together. Not only will this help you with marketing, this can be an insightful and fulfilling exercise all by itself. List as many different stories as you can—filling a couple of pages with two- or three-sentence stories if you can.

Once you have listed the success stories, categorize the stories into themes. Identify which of those successes mean the most to you. Select one or two success stories that reflect the impact your practice has on the lives of your clients:

- Mary and Bill faced a lay-off and an uncertain future. You evaluated their situation and were able to assure them that they would be all right.
- Karen wanted to save as much as possible so she could retire and care for her disabled husband. You helped her realize that she needed to pay attention to asset protection as well as asset accumulation.

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- George had achieved financial success. You helped him find a purpose so he feels successful.

Business Values

If you are true to your values, they are reflected in the way you live your personal life. Your business can reflect your values as well. Your business can be as committed to community service as your family if that is your value. You can be just as generous with business resources as personal resources if that is your value. You can be just as committed to education in your job as you are at home. You can be as thrifty with business resources as your personal resources. Whatever your values, you can live them at work as well as at home.

Differentiating your practice through your values requires concrete implementation of the values, not just listing the values on a plaque:

- As a firm, we value financial education, so each staff member donates two hours per month to financial education in our schools;
- Ten percent of our revenues are donated to causes identified by our clients and staff;
- We provide our employees with flex-time and telecommuting options to emphasize that family comes first, or;
- Each of our staff is offered paid continuing education to encourage exploration of topics that can enhance their work.

Style of Client Interaction

Different advisors interact with their clients in different ways. Everyone has styles of interaction they are most comfortable using. While having the skill to operate in a variety of styles is helpful, operating in your most comfortable styles will lead to less stressful days. Some of the following might be styles you prefer:

- Teacher
- Specialist
- Generalist
- Collaborator, or
- Coach

Reason for Entering the Business

Every one of us is in our business for a slightly different reason. For many of the most successful financial planners, concern for their clients plays a huge role in getting them into the business.

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Whatever your personal reason, if it is centered on clients, it can differentiate your practice. No one else will have entered the profession in the same way.

- Perhaps you are in the business because you knew so many people who needed remedial help with their finances;
- Maybe you are in the business because your father was so successful with his family's finances... or so inept with his family's finances, or;
- Maybe you are in the business because of the impact you can have on each of your clients' lives.

People Served

Identify clients who come from distinctive markets as your point of differentiation. Some examples might include:

- Teachers at the local public schools
- Small business people from the west side of the city
- Executives from Fortune 500 companies
- People working in your previous industry before you became a financial advisor, or
- Construction company owners

Planning Theme

Some advisors use one or two strategies consistently in their clients' plans or have a specific area of the plan that they emphasize. These may be specific solutions that are common to your clients:

- Tax strategies used to find money for investment
- Providing accessible funds for any emergency
- Smart debt usage or debt reduction strategies
- Encouraging some exposure to a particular asset class, or
- Stable investment portfolios

Specialized Skills or Processes

If you have strong skills in a particular area of financial planning you can differentiate yourself from others. Because of the complexity of financial services, most advisors who successfully position themselves as an expert have a narrow area of expertise. It is not impossible to become known for a broad knowledge base, for example Stephen Leimberg knows estate planning,

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insurance and retirement planning, but it is much harder to define your expertise to clients and to be accepted as a true expert. After establishing your expertise in a narrow field, you can expand the field over time.

You can differentiate yourself by product as well as by skill or by process. In fact, we need some people to become highly knowledgeable about products to help us identify uses for the products. Although it depends on the situation, I have found that the more sophisticated clients generally prefer a process rather than a product solution to reach their goals.

Some examples of skill, process or product solutions might include:

- I help parents with late-stage college planning;
- I guide clients to reduce the risk of excessive health care costs in their retirement;
- I coach clients to minimize the impact of their annual tax bill, or;
- I coach executives to reduce the risks of concentrated stock positions on their retirement.

Differentiate

Driving through a small town one day, I saw a business that specialized in carving monuments for cemetery plots and dry cleaning. It struck me as an odd combination of services and I wondered how they arrived at that particular offering.

Few financial advisors are also barbers, or hardware store owners. All financial advisors have limited their service offerings and their clients both consciously and unconsciously. Every practice is a combination of attempting to mimic other business models that the advisors view as successful and attempting to avoid association with business models that the advisors view as unsuccessful or undesirable.

When I began as a financial advisor I was encouraged to meet with clients in my office to help raise my image on par with attorneys and accountants. Some advisors expand their range of services to include helping with automobile purchases and home mortgages. Some focus on their client's budget; some avoid the topic. Some advisors have specific processes they use with all clients; others are happy to design a new process for each client.

You have differentiated your practice. How well do you articulate your differences? By making yourself different from the advisors down the street, you are eliminating the competition and giving prospective clients that fit your profile a

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reason to hire you. You are determining the clients you want to serve and telling those clients they are welcome and desired in your practice.

If you do not articulate how your practice is different, how will those clients know they should walk through your doors?