

**Article from Suuqea for Financial Adviser, based around compass
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SUCCESSFUL CLIENT RELATIONSHIP MANAGEMENT

In the sixth of his series of articles, David Cox, MD of Suuqea, a consultancy advising intermediaries, looks at why developing an approach to client relationship management is essential in giving your business a competitive advantage over the competition and is an important step in becoming a “modern IFA”.



Today, all financial services intermediaries need to consider how they will respond to “Treating Customers Fairly” and the “Retail Distribution Review” - a robust approach to managing client relationships should therefore be central to their thoughts. This approach should be built around their contact strategy and marketing plan.

From a TCF perspective, developing the right contact strategy demonstrates your value proposition, develops trust and keeps you up to date with the circumstances and needs of all your clients.

The marketing plan is likely to include activities such as ISA mailings at the tax year end or circulating details of new funds being launched. This type of activity demonstrates a commitment to keeping the client informed.

The result of these two activities ensures your clients receive relevant information and advice in a timely manner so allowing them to make informed decisions about their financial future.

From an RDR perspective, developing the right approach to client relationship management will help demonstrate to your client the value of their relationship with you, assist in building long term relationships and, on the back of the changing circumstances of your clients, help identify your own professional development needs. This last point should ensure that you build your professional qualifications in those areas that will be of most benefit to both your clients and your business.

In one sense, all of this can be simplified as giving good client service. However, defining what makes up good service is almost impossible given the subjective and personal nature of the experience. That said, we all know when we have received good service and the impact this has had on our buying behaviour; at the very least, we are likely to go back, buy again and then tell others of our experience.

This sequence of events, where the exchanges between the client and the business are based on previous business history, is what lies at the heart of relationship marketing.

For the modern IFA, good service needs to be built on foundations that allow easy and frequent contact between the client and the adviser. This will in turn develop a sense of closeness which will help build a trustworthy relationship, with trust being essential for the client to feel that they can rely on your advice.

Building up a portfolio of profitable client relationships is an expensive and timely process. For the modern IFA, it will be critical that in doing so they are able to balance the need for investment in terms of both time and money with the commercial risk they are taking and the reward they are likely to receive.

Initially, it will be necessary to consider the structure of your client base. All clients need to be treated fairly but it is also important to remember that IFA businesses are commercial enterprises which, unless they are profitable, will cease to exist. On this basis, it will be necessary to cluster clients into groups where the selection criterion provides a cost effective basis for determining the contact strategy going forward.

When setting the parameters for the client groupings, it will be necessary to consider what criteria will form part of the relationship building activities. For some clients, this may involve multiple meetings per year supplemented with tax tables, budget updates, a diary and birthday cards. At the other extreme, it may just be a letter once a year to keep in touch.

Once the groupings have been decided, you then need to start the communication process with the clients to explain how you see the relationship developing and obtain their agreement.

As the relationship develops with the client and their circumstances change, it will be necessary to review the client groupings. Some clients may be progressing through their careers, inheriting assets and have an increasing need for advice. Others will reach a stage in their life where maintenance of the status quo is now the priority and this is likely to reduce the need for face-to-face contact albeit maintaining the relationship will be just as important.

In conclusion, the approach to client relationship management should build a history of meaningful contact between the IFA and each client which acts as a foundation for transacting business over the lifetime of the relationship. It should also provide evidence of the systems that ensure fair treatment is central to the culture of the organisation.

In the seventh, and final, article of this series, David Cox will look at the importance of defining your measures of success and evaluating on-going performance.