



Winning Hand

How can successful financial sales advisors build on existing technical strengths in a tougher high-net-worth marketplace? PETER BELSEY investigates.

On the face of it, the high-net-worth (HNW) sector remains extremely attractive to providers of financial services as, by any analysis, it is one of the few markets which is continuing to grow.

Globally, for example — despite increasing political turmoil and economic downturn — *the Merrill Lynch and Cap Gemini Ernst & Young 2003 World Wealth Report* showed a 2 per cent increase in the number of high net worth individuals (HNWI) — those with financial assets of \$1 million or more — at the end of 2002. Looking ahead, it expects a return to earlier growth levels, predicting an average annual increase of 7 per cent over the next four years.

Closer to home, the private wealth held by the UK's richest individuals saw a nine-fold increase during the 1980s and 1990s, with a marked change in wealth distribution, shifting from the ultra-wealthy top 2 per cent of the population to the rest of the top 20 per cent of individuals. With the latest census reflecting longer life expectancy (60+ year-olds now outnumber the 16-21 age group for the first time, with money invested in property and greater amounts of surplus cash), there is no reason to expect the UK to buck this global trend.

The *Near York Times* has summed up this development thus: "It used to be that only a privileged

few could afford their own money managers but, in the last few years, assets in privately managed accounts have swelled."

Unsurprisingly therefore, advisors to the HNW market today come from a much broader range of organisations. "Traditional" private bankers and stockbrokers have now been joined by the Big Four clearing banks (such as Barclays Premier) and IFAs, all of whom are looking to provide personalised banking and investment facilities or, at the very least, brokerage or advice.

Although this article will focus on face-to-face service provision, it should be recognised that web-based tools now play an increasingly useful role in the financial planning process. Indeed, millionaires are already 30 per cent more likely than other consumer groups to go online in managing their money, according to Forrester Research. At the same time, however, the use of professional advisors has increased, with delivery through a single point of contact. This is a recognition that service delivery to HNWIs essentially remains a people business.

Increasing Expectation

HNW customers are not the easiest to please. Typically successful, they are demanding and strongly opinionated yet, critically, they enjoy highly variable levels of financial

sophistication, making them difficult to manage. Historically, success in this market has been underpinned by a number of key attributes. Over time, HNW advisors have survived and thrived in building customer confidence on the back of their technical expertise. This has been demonstrated by a record of examination success within an increasingly tight regulatory framework. This is combined with a strong technical understanding of, or access to, relevant aspects of investment strategy.

Utilising strong networking skills, such individuals have often established an enviable track record by building relationships based on trust and confidence and adopting a 'push' style advisory strategy. Another key attribute has been the emphasis on service. Long before it became a fashionable buzzword for a new 'culture' of high quality delivery (where it is often observed more in the breach than the execution), private bankers had worked hard to deliver a strong service-oriented approach as a point of differentiation... on-call and available 24/7, capable of reacting quickly to a uniquely demanding clientele.

So, in a market which is continuing to grow and where many advisors have an outstanding legacy of successful business development based on technical ability and personal service, the argument for



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Money in the Bank

The HNW environment is undergoing change on a number of fronts, carrying with it significant implications for the wealth management industry. Firstly, the customers themselves are now very different, with inheritance of 'old money' no longer the dominant feature. The number of sterling millionaires in the UK has grown by more than 17 per cent per year since 1995 and today's

HNWI is just as likely to be a young entrepreneur, employee investor or company executive exercising stock options. The *PricewaterhouseCoopers European Private Banking Survey* predicted back in 2000/2001 that a full 46 per cent of the client base would derive from 'new money' by the end of 2003, driving 'substantial and unprecedented structural change' throughout the industry.

doing 'more of the same' is both understandable and seductive.

Getting Complex

The new breed of HNWI is seen as having very different needs and interests. He is hungry for – and has access to — a broader range of better quality information, is more technologically aware and, in the words of the Merrill Lynch study, 'seeks to be an active participant in wealth building'. This is a long way from previous generations, 'who may have been content to give their private bankers something close to *carte blanche* in handling their affairs'.

The challenge for HNW advisors is how to make a strongly-opinionated client understand the level of risk in any strategy that the salesperson may propose, or to present an alternative better suited to an identified need. (In order to help this need recognition, it is necessary to use a 'see-saw' model, which identifies and then balances the cost of change against the value of that change and associated cost of staying put.)

In what are typically complex financial circumstances, this requires a higher level of consultative and persuasion skills to direct the client. Technical expertise is essential but, in itself, is insufficient and needs to be translated into terms the decision-maker can understand. In a more litigious environment, it is even more important to ensure that all advice given is both sound and presented in a way not open to misunderstanding or misinterpretation.

Sign of the times

Like the client base, market conditions have changed. The '90s boom has been generally replaced with falling stock markets and tougher trading conditions, raising uncertainties in clients' minds and a resultant loss of confidence. For the advisor, there are fewer options available in an era of low interest rates and the proven higher returns of the recent past are just not there. As a result, there is greater pressure to manage expectations if client trust is to be maintained. Recent high profile cases involving poor advice have raised question marks about the independence of advisors who may appear to have vested interests in recommending certain investment solutions and will also have contributed to a lowering of such trust.

Finally, the provision of wealth management advice itself has become a highly competitive market, with stockbrokers, high street banks and IFAs joining private bankers in offering broadly similar services, making it more difficult to differentiate on traditional criteria. HNWI's still place high value on perceived competence and service quality. As Leslie E Bains, Executive Vice President, HSBC Bank USA puts it: "They still want a trusted advisor who is interested in cultivating relationships, not in pushing products."

Yet, with today's breed of customer viewing technical expertise and special service as a God-given right, there is less hard differentiation between a greater number of potential suppliers and their solutions. The relationship

element has thus become especially important in creating strong long-term partnerships. In short, a market which has been well served by providers of exceptional technical quality and commitment has moved on.

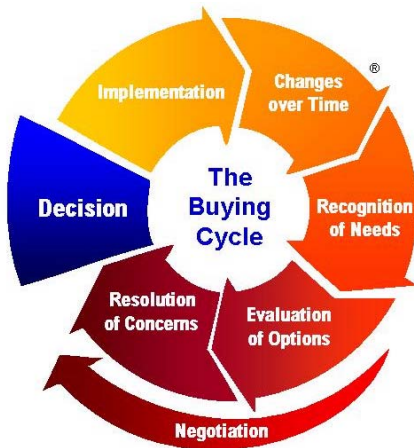
Knowing how it works

How can a sales professional build on these 'good' legacy attributes and adapt to this new buying environment to establish profitable business and client loyalty? Experience has shown that the key to success lies with understanding how clients make decisions and the skills, strategies and tactics needed to influence that process. Three decades of research, involving hundreds of interviews with salespeople and clients, and subjecting thousands of sales meetings to behaviour analysis (a technique for observing and qualifying interactions between client and seller), has provided the world's largest database of research identifying key success factors in HNW-type major sales.

The twin goals of this project have been to identify what happens in a successful sale to make it different from a failed sale and clarify what top performers do that differentiates them from their less effective colleagues. The core analytical model which has emerged is the buying cycle, which looks at the complete decision-making process – from an initial recognition of needs, through to evaluation of options and resolution of concerns (negotiation), to decision, implementation and subsequent



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changes over time, which may set the process in motion once more.

To be successful, advisors need both to understand the process and recognise where they are in each client's decision-making policy. A client may, for example, already believe he knows what the investment strategy ought to be, or may not see the need for any change at all. Different points of entry may therefore require differing approaches on the part of the advisor, yet the fundamental skills required to help that client recognise his real financial needs before developing and agreeing a suitable investment strategy remain the same.

From this it should be clear that effective HNW sales advisors need consultative selling skills which harness their technical expertise with an ability to think in the client's terms. They need to talk to clients in a language they can understand and take them from their current stage of thinking, either forwards or backwards, to reach a mutually beneficial and commercially sound conclusion.

Set in Stone

In my experience, asking top salespeople what makes them successful tends to elicit one of two responses. Some simply cannot explain it – in other words, their skills are largely intuitive, whereas others believe they know precisely why they are successful. Yet observation proves that either they

do not work in the way they describe, or it is something else which is having a positive impact.

Initially, therefore, research is validated by proving that a company's sales advisors are, in fact, doing what would be expected of them. Establishing what the 'best' people are doing can be used as a benchmark against which to give others feedback on the extent to which they exhibit these successful behaviours. The initial goal is for all salespeople to understand and recognise what they are doing right and wrong; moving from unconscious to conscious competencies and incompetencies. Skills can be developed to the point where they are put into practice without thinking - reaching a new level of unconscious competence.

This can be approached via a structured process of skills development, combining learning and coaching, and not simply a one-off training activity. Such training is often modular and is based on a series of short training events. 'Short', however, typically means two days rather than two hours, as the focus is in skills development rather than simply imparting knowledge. Indeed, the knowledge-transfer element is often undertaken in advance, through the use of linked CD-ROMs - enabling participants to arrive with an understanding of the model so that the training can concentrate fully on developing behaviours, using practical exercises and feedback based directly on their real-world

experiences. Equally important is follow-up coaching, used to reinforce and realise the full benefit of the classroom learning by ensuring that the new skills and behaviours are fully understood and put into practice - to the level of unconscious competence - over the longer term.

Historically, coaching has been undertaken by individual managers based largely on their own experience of selling. By contrast, behavioural 'baseline sales models' enable coaches to understand what the best advisors do and provide a logical framework in which to think in a more organised and effective manner. Coaches are usually equipped with a series of tools for diagnosing current skills and giving feedback objectively and persuasively. This helps advisors to integrate the sales model into their own style and make appropriate changes to their behaviour. When circumstances allow, this is ideally achieved through field accompaniments, at which time post-meeting objective feedback can be given on observed behaviour.

The HMV world today is very different from that of a decade ago. In response, a research-based, structured approach to behavioural and skills development can help ensure that technically-skilled and historically successful sales advisors will continue to enhance their value to the client and contribute to their own organisation.

Put simply, the good can be made even better!