

## Improving Sales Performance in Private Client Wealth Management

### Introduction

There is now an air of some stability in the private client markets. Even though there are still costs to be cut, the attention is turning to asset gathering, and this in turn leads to a close scrutiny of the processes by which private client firms go about acquiring new clients and increasing their share of managed assets of existing clients. In this article, we argue that the concept of 'sales force management' can have much value for the private client business, if applied sensibly to take account of the nature of the clients and sales processes involved.

### The coming pressure to gather assets

A recent study amongst private client firms cited acquiring new clients and retaining existing clients as two of the highest rated internal drivers for the organisation. The report also said private banks were facing 'slow death' caused by high costs and low revenues. This should mean that more attention will be placed on the relationship management and sales effort.

However, few firms, in the past, have attended to their sales processes in great detail, the working assumption is that relationship managers find new clients, either directly, via client to client referral, or through professional introducers. When an individual RM reaches quota, their new business generation declines, and the task falls to others. Some firms have variations on this theme: some have adopted segmented approaches, ie RMs focus on clients with a particular profile, and some have team-based approaches, in which specialists support generalists, or where there are 'hunters and farmers'.

Whichever model is used, an important means of achieving growth is widely seen to be by attracting RM staff from other institutions with an existing book of business. A recent study by Norman Broadbent noted that this is also a measure of confidence in the market: when confidence is low, executives place a higher emphasis on a recruit's assertions to bring a book of clients. The benefits appear to be obvious: the institution gets trained staff, new clients and assets under management in one fell swoop, as well as a hedge against the costs of hiring

However, the practice is not likely to yield good longer-term returns largely because the extent to which RMs can bring new clients is likely to diminish. Firstly, the RM himself is likely to be implicated in any loss of assets over the last 2-3 years, and so will have less 'pull' than hitherto, and secondly the banks themselves are seeking to strengthen their relationships with clients directly. So the high recruitment costs and base salary associated with RMs who promise to bring clients with them, may not be recouped.

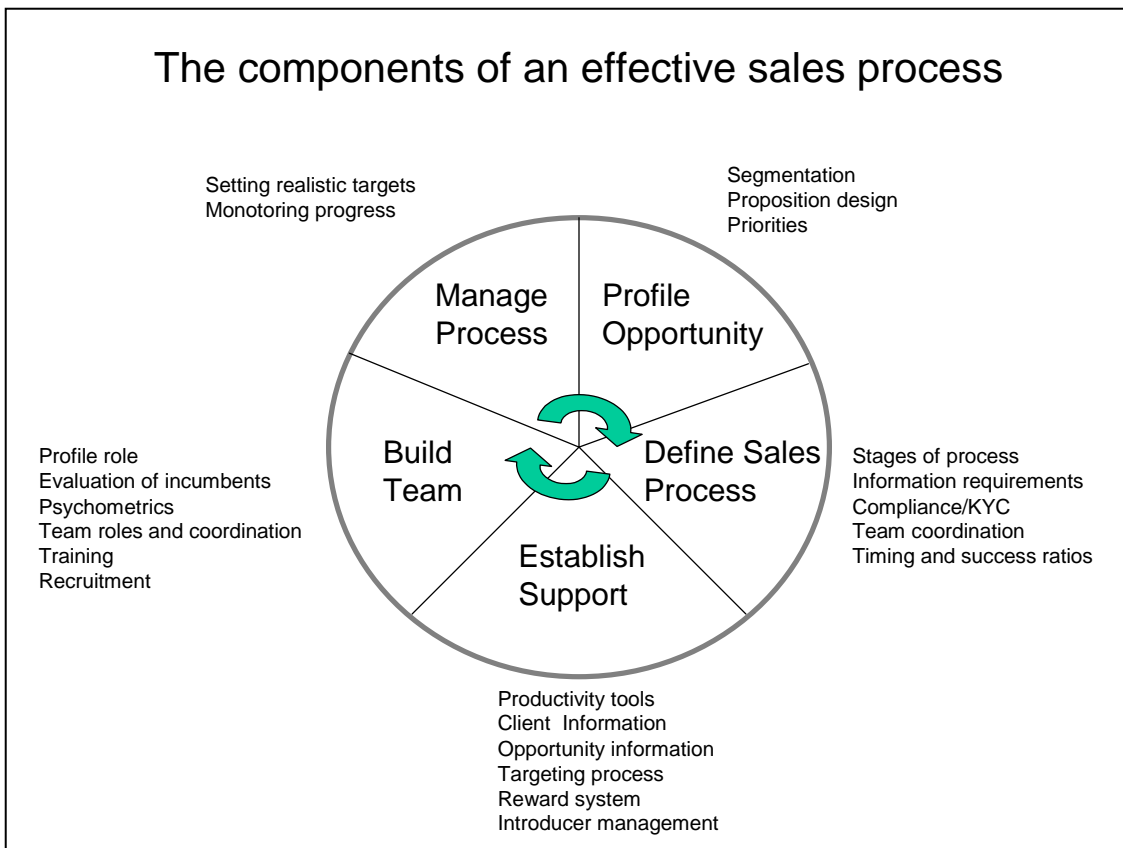
There are other reasons why the practice may be strategically undesirable: client acquisition in this way reinforces client ownership by the RM not by the institution; selecting an RM on the basis of an existing book, is no indication of the person's ability or motivation to find new clients; and the institution will have less flexibility to enhance its service proposition in the future.

## The need to manage sales processes more actively

So, **how should firms go about building their client base and assets**, if the quick fix poses so many problems?

The answer, although not simple, is to develop and adapt processes, common elsewhere in the financial services industry, for managing the prospection and sales process. Acquisition of external individuals and teams can still take place, but into an environment much better suited to evaluating the new additions and to managing and integrating the newcomers. The challenge for private client businesses is to build the required managerial expertise to give these processes teeth.

There are five headings, which could be taken as sequential steps, but rather are better treated as essential, interrelated components of a single approach



### **1 Be clear about defining the market opportunities, and set objectives**

The starting point is to profile the opportunity in order to set realistic objectives. This should start with market analysis and a description of the desired clients, involving a segmentation process.

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A key driver of the sales process is the balance of effort required between existing clients and gaining new clients. Existing clients will, without doubt, have more assets elsewhere, and, ordinarily would represent the most fruitful gathering ground, but in today's market, this may not be the case. The emphasis with existing clients should be on retention, since the economics are overwhelming. It may, therefore be essential to attract new clients. These could be people switching firms, or those generating new assets. In either case, professional introducers are likely to be involved, and will be the locus for new wealth because of the professionals' involvement in the wealth creation or passing-on process.

Professional introducers will add a significant complexity to any sales process, because they represent a market in their own right, initially between the firm and its prospective clients. Dealing with introducers requires a particular approach to account handling, but could constrain activities aimed at establishing direct contact with clients, and could also constrain the product proposition – for example, in the provision of taxation services to clients introduced by tax accountants!

## 2 Define the process for finding and signing-up new clients

For each channel/segment combination, it will be necessary to define the expected process that clients and prospective clients should go through, not only to comply with KYC and money-laundering rules, but to ensure that prospects and their advisers are presented with the right intervention and right information at each stage in their decision-making process, and to shape how the relationship should be built thereafter.

This should include

- The stages, and their sequence
- The information requirements and flows
- The compliance/KYC rules
- The firm's distinctive competence
- The ways in which the firm will be creative in helping the client and the introducer
- The other sources of expertise that may be brought in
- How the broader team will be coordinated

And for the process as a whole:

- The likely timings of each stage
- The likely success ratios at each stage

## 3 Ensure that the supporting processes are in place.

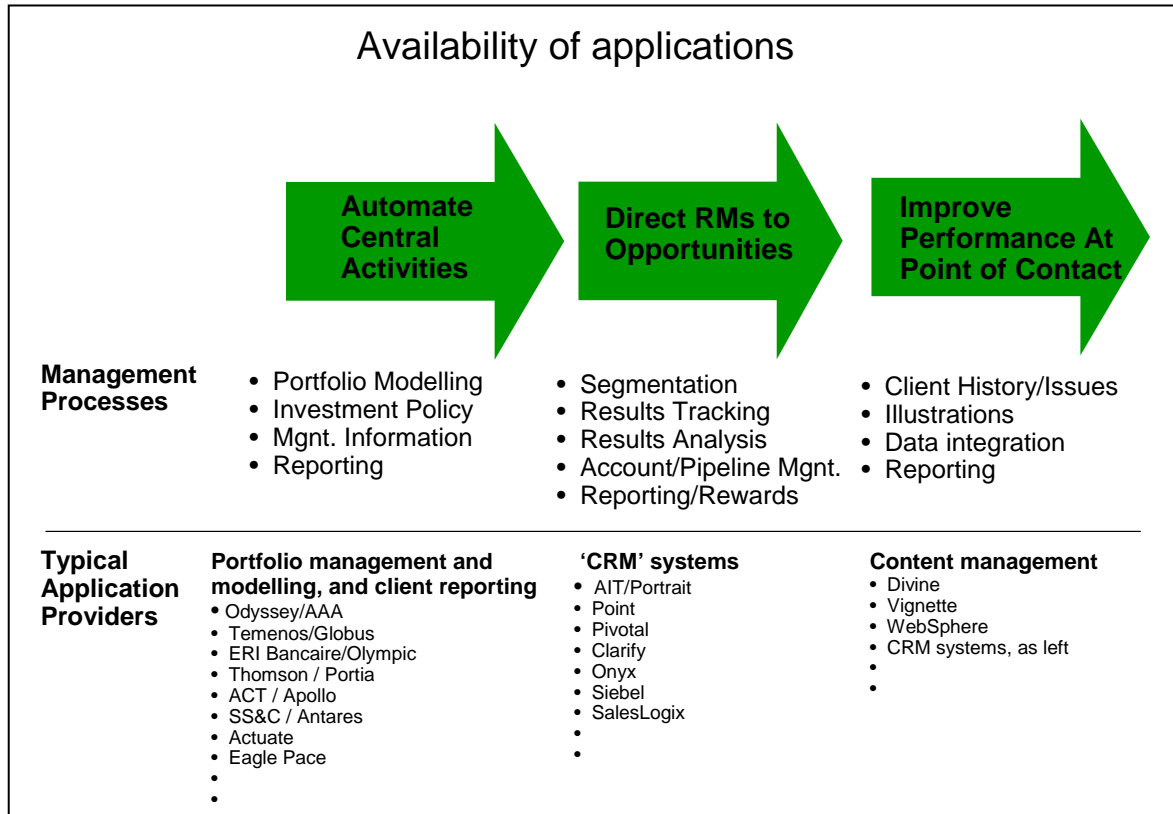
Supporting infrastructure is essential for running an effective sales process, and it is in this area that many firms falter. The key resources are information, and information management, deployed in at least five areas

- **Defining opportunities.** Clear information is necessary to answer such questions as: Where are clients or prospects to be found, what are their needs and what opportunities are there for the institution to manage additional assets? *Firms frequently do not have good information on their existing clients.*

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- **Managing the sales processes.** It is important to clarify what is happening in the ‘pipeline’, from introductions to professional introducers through to signed mandates from clients, and to build enough experience with the normal characteristics of the business in question to be able to judge how things are going.
- **Managing the relationship staff.** It will be essential to establish sensible metrics for activity and performance, which relate to the financial goals of the business, in order to point sales staff towards opportunities.
- **Managing client relationships.** Private client businesses will need to enhance their propositions by the quality of information they provide to clients, as well as through instruments adapted to a lower return world. This will mean better diagnosis of needs, more information and advice on the options and clearer reporting, likely against absolute benchmarks.
- **Managing introducer relationships.** Active account management of introducer relationships will also require information support because of the need to be transparent in what should be a complex context. It is essential that the introducer relationships that are to be fostered are those likely to yield an acceptable flow of new clients. To ensure this happens, management will need monitoring systems and metrics.

In addition to information systems directly relevant to the sales process, some firms may require more automation in administration and fund management tasks in order to free up relationship manager time to be with clients. There is a wide array of information management and productivity tools available, some of which are shown in the exhibit.



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Some of these applications can be plug and play, but most involve some form of deeper integration with existing systems, and so will represent an investment requiring a business case.

## 4 Profile the ideal RM role, and build the RM team

The RM role is challenging because of the blend of requirements: the motivation to acquire new relationships with the ability to manage and sustain existing ones; the understanding of financial markets and instruments and the personality to deal with people.

A starting point should therefore be a clear profile of the individuals and teams that will be required to support the organisation's goals, in order to build a profile for the desired relationship manager, the balance of tasks to be undertaken and attributes required e.g.:

- Professional Introducer account management;
- New client identification and acquisition;
- Existing client management;
- Team coordinator;
- Etc.

Then assess the existing team and decide the extent to which their capabilities fit the bill, or where they can be enhanced through development, e.g.:

- On the job training;
- Explicit training in key sales skills;
- Sales management training.

Psychometric testing is a tool that is now being applied to this sector and, in conjunction with other tools is to be recommended for assessing capabilities and fitness for role, both of existing staff and to recruit new RMs to the profile.

## 5 Manage the sales effort actively

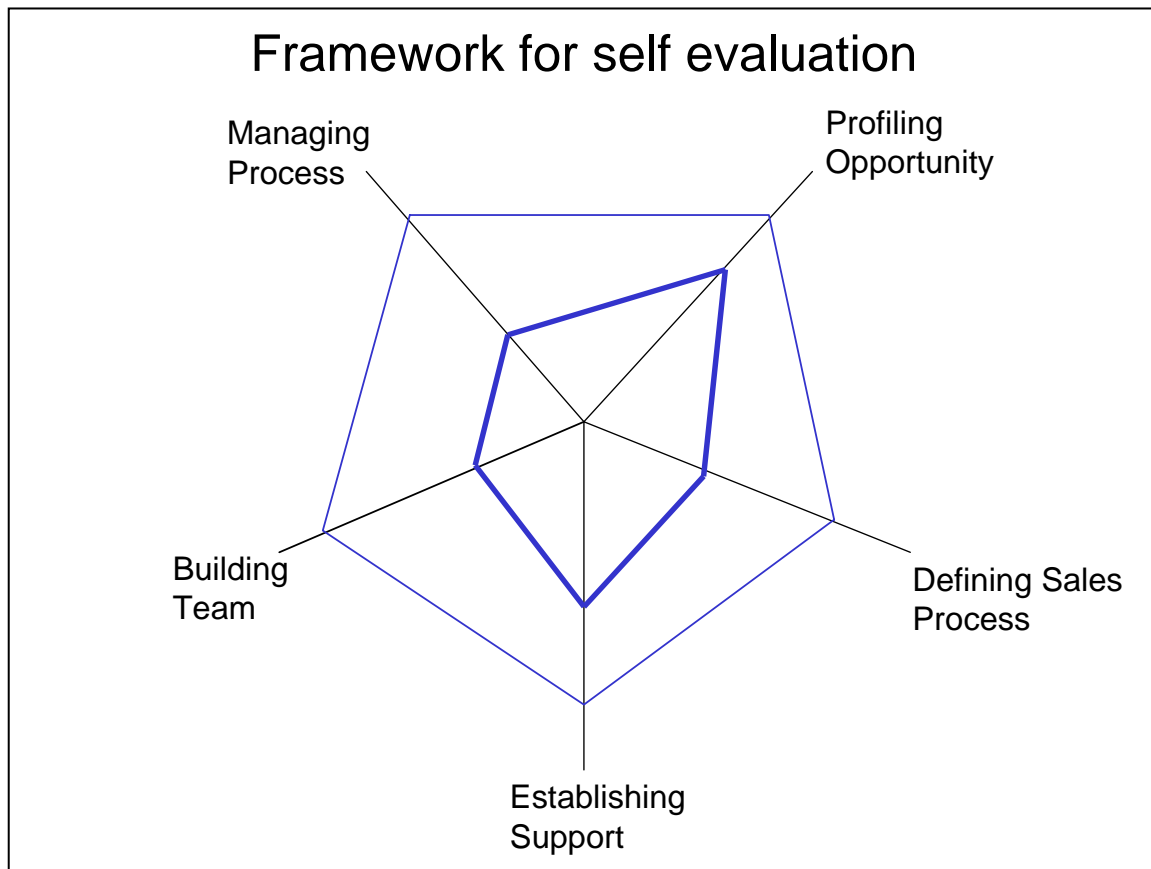
There is no substitute for active, regular management of the sales effort – something that can be difficult to do because it is not embedded in the culture of many institutions. The pitfall here is to focus on activity rather than results, but the challenge is to encourage those behaviours and activities that lead to results. *The crucial aspect of effective management is to focus on the right things - this can only be done effectively for each institution because its market focus and process will be tailored to its circumstances.*

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At a broader level, is especially important to manage all the components of the sales process together in harmony. There is little value in seeking to provide all the right information tools, if the people are not right, or putting effort into managing the achievement of metrics which do not relate to realistic business objectives or target markets. One framework that is useful to illustrate

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this idea is shown in the exhibit in which an evaluation of 'actual', even if it is a qualitative assessment can help a team highlight where improvement may be required.



Given a product range that is well suited to today's market conditions, the firms that are able to manage the process whereby their front line staff are able to attract clients and their assets will stand the best chance of growing.

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Please see the related papers: 'Using Technology to Improve RM performance', and 'Building Trust in Private Client Businesses', in the library.