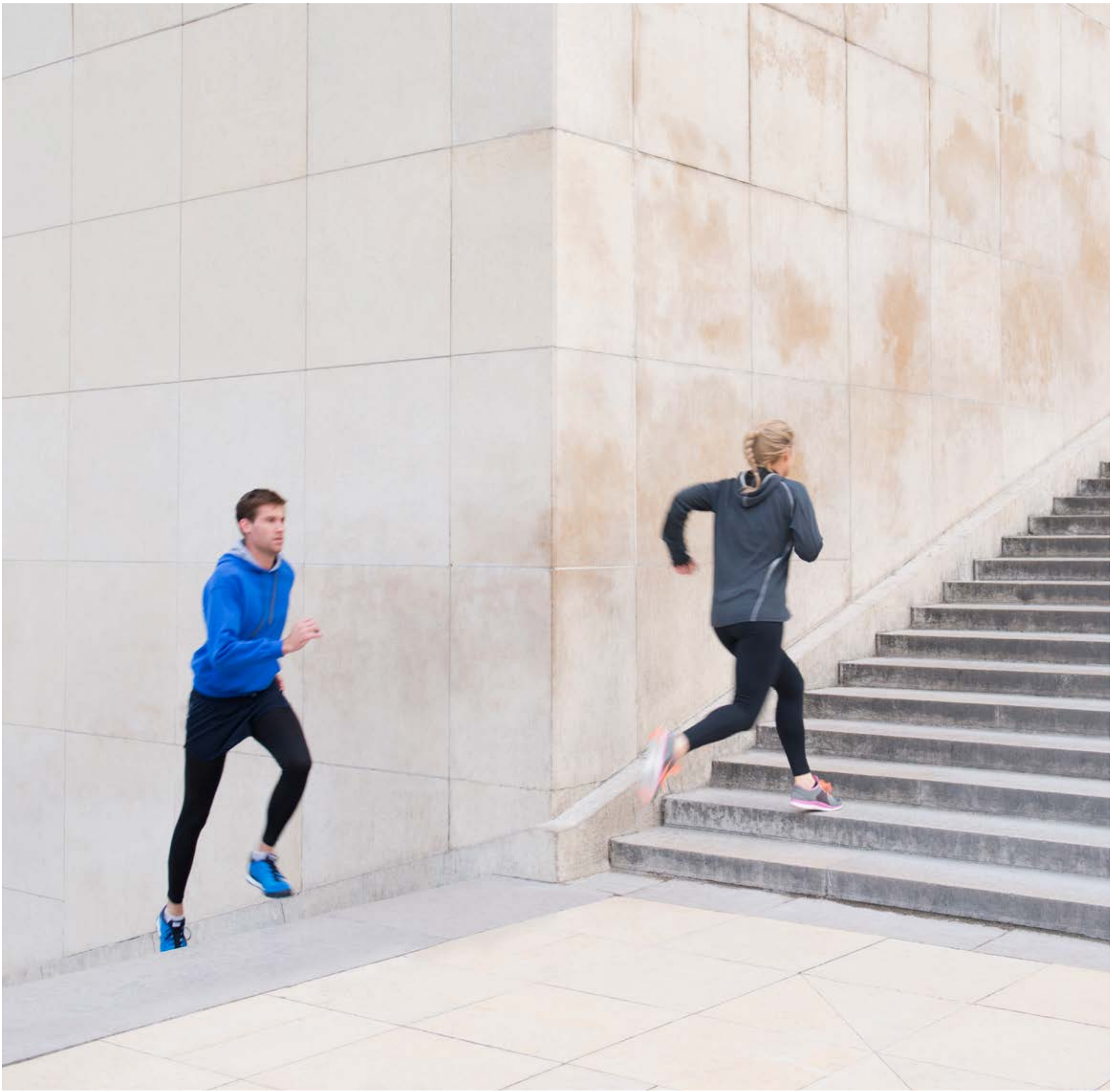
Responding to LIF.

Refining your Value Proposition.



What's your value proposition?

The term 'value proposition' is one financial advisers hear and read about frequently. The introduction of the LIF reforms – and their implications for adviser remuneration – has intensified the focus on how advisers can articulate (and charge for) their value.

27.2%

of active risk writers are exploring new service offerings

Value proposition

A statement of the benefit you provide, to whom, and how you do it uniquely, and well.

Another way to think about this is to ask yourself: Why would your clients choose – and pay for – your offering?

The ingredients of a strong value proposition:

- It is compelling and relevant to your target customers
- It is differentiated from your competitors
- It is supported by proof points (ie, you can deliver on it).

Think like IKEA, ALDI, or Jetstar – you can't be all things to all people.

One of the best ways to understand the concept of value proposition is to consider brands like IKEA, ALDI and Jetstar. These brands all have very clear propositions, focused on low prices, meaning customers need to trade off service and convenience elements.

With IKEA, there are only a few store locations, and you need to build your own furniture. There are generally long queues at the checkouts. At ALDI you are buying 'house brands', there is less choice and you have to pack your own bags and pay for a trolley. With Jetstar you have to pay extra for catering or to reserve a seat.

All these elements allow the price to consumers to be shaved to the bone.

This clarity around value proposition allows these brands to deliver cheaper prices to customers – and the commercial success of these brands suggests many people are happy to trade off some 'niceties' in order to save money.

Why is it important for financial advisers?

Financial advisers who can demonstrate value to clients will be more successful at generating referrals, converting prospects into clients, and retaining existing clients.

Importantly, they will be better able to charge a fee for their services, leaving them less vulnerable to any future changes around commissions.

Many advisers are comfortable explaining the value a client receives from an initial meeting but find it challenging to articulate the value a client will receive from an ongoing relationship. If this sounds like you, it would be worthwhile taking the time to revisit your value proposition.

This guide has been designed to help uncover the value in your complete advice offering and develop a compelling value proposition that's relevant for your clients and today's market.

Common problems with value propositions.

The value of financial advice is often overlooked because many people underestimate the complexity involved in financial planning. For this reason, it's important to be able to clearly explain the value a client will receive from your advice.

All too often, value propositions simply explain service deliverables rather than what's in it for the client.

For example, the value propositions of many financial planners sound something like this; 'to provide a comprehensive and tailored financial plan that helps clients protect and grow their wealth'.

But this describes what financial planners do, not the value a client receives.

A more compelling value proposition relates the benefits of advice to the particular needs of clients, and may read something like this; 'to help time-poor professionals make informed financial choices that will allow them to protect and grow the wealth that will underpin their lifestyle goals'.

As a general rule, your value proposition should focus on the benefits that matter most to your clients and explain in simple terms what they can expect to receive.

Assessing your value proposition

Here's a quick list of questions you can ask yourself to determine how effective your current value proposition is.

1	Do you find it easy to provide ongoing services considered valuable and/or justify ongoing fees?	
2	Are you aware of what your clients value most about your advice?	
3	Do you think clients understand the value that you can provide beyond product recommendations and the initial financial plan?	
4	Does your value proposition relate directly to the needs of your target clients and use specific, clear language?	

If you answered NO to any of these questions, you would benefit from taking the time to develop a new value proposition or revisit your existing one.

What do your clients value? Don't guess, ask.

Understanding what your clients are looking for from a financial adviser, is essential in order to create a strong value proposition. The best way to validate this is to carry out some research.

The research doesn't have to be extensive. You can get a good idea about what drives your clients and what's most important to them, and therefore to new clients also, by asking them the following questions:

- How would you describe your long-term financial goals?
- Why ultimately did you engage a financial planner?
- When you first started your search for a financial planner, what criteria did you use?
- Why did you choose me as your financial planner?
- Would you recommend me to another person? Why? Why not?
- If you were going to recommend me to another person, what would your reasons be?
- Have I met your expectations? Why? Why not?

It's also not necessary to spend a lot of money on research or engage an external research company. You could consider conducting your own research in the following ways:

- Email or post a client satisfaction questionnaire to all your existing clients.
- Arrange a 'focus group' by inviting small groups of clients into a meeting to discuss what they value most about advice. (consider having someone else facilitate this session, you may get more feedback if you aren't there)
- Ask a question about what a client finds valuable in each client meeting.

Generally people are often quite happy to participate in research, but offering a small, inexpensive incentive (such as movie tickets) can increase the number of responses you get. And the more responses the more representative your research will be.

Survey Monkey: Many financial advisers use 'Survey Monkey', for their regular client check ins or for one-off research. Survey Monkey is a free online research platform that allows you to create surveys, email links, and analyse results. There are even templates you can use to suit the type of survey you wish to run. Simply sign up at www.surveymonkey.com and create your survey in minutes.

Developing your value proposition.

To create a truly effective value proposition you need to have a clear understanding of what matters most to your clients and how the benefits of your service offering create value.

Once you're ready to begin, the process of creating a value proposition involves three main steps:

Step 1	Knowing your clients and what matters most to them
Step 2	Knowing how your service offering relates to the needs of your clients
Step 3	Writing a short statement that explains what value your clients can expect to receive

Note: keep in mind that you may need more than one value proposition, depending on how diverse your client base is.

Rethinking your target client and service offering.

Closely linked to the process of defining your value proposition is clarity around your target market and your offering to them.

Zurich research found that – in response to LIF – a significant number of advisers were considering pursuing higher value client segments, and/or rethinking specialist areas of advice (see research findings later in this brochure for more details).

The decision to make changes in your offering and/or target market is likely to have flow-on implications.

For example, if you decide to focus on high net-worth clients, or a specific profession, how equipped are you to deal with such clientele:

- *Do you have existing clients in this segment?*
- *Do you understand their unique needs?*
- *Do you understand the language they speak?*
- *Are you comfortable dealing with them?*
- *Do your premises and branding reflect that clientele and meet their expectations?*

In terms of specialist areas of advice:

- *Do you have any technical knowledge gaps you need to fill?*
- *Do you have the right tools to support you offering this kind of advice?*
- *Will you need to rethink your referral sources?*
- *Are your existing client base and target market compatible with this new offering? (for example, if your client base is young tradespeople, is Estate Planning or SMSF advice really going to appeal to them?)*

Value proposition template.

It’s time to put pen to paper and create your value proposition. Use our question prompts to guide you through the process, and make sure you take the simple test to check the strength of the proposition.

What is most important to your clients when seeking advice?

Explain how each aspect of your service offering relates to the needs of your clients?

Combine the responses to the above two questions into a statement about the value you can provide

Testing your value proposition

Once you have created a value proposition you should test it against the following criteria:

Can this be supported with proof?	
Test your value proposition out on your colleagues, referral partners and most importantly, existing and potential customers. If the response to your value proposition is ‘so what?’ you know that it’s not strong enough.	
Is it a point of difference?	

What's valuable about your advice?

Clients will value your advice if it satisfies a particular need they have.

For this reason, it's important to think of your service offering from a client's perspective and relate the benefits of your advice to the particular needs of your clients. To help you start thinking about what's valuable about your advice, we've listed some of the intangible key benefits of financial advice that came out of forums Zurich has held with financial advisers and practice development managers.

Benefits of financial advice	Why it's valuable
Leadership, strategic direction and goal clarification	Advisers make every effort to understand (and in many cases help a client to understand) what a client wants and then set a strategy to reach it. Clients get a leader to guide them through the complexities of financial planning.
Behaviour management and support	Few of life's journeys are smooth rides and often hit a bumpy road. Advisers provide empathy, emotional support, perspective and confidence in order to help clients stay on course and avoid making inappropriate decisions when they're under pressure.
Expertise	The sophistication behind a financial plan is often underestimated. This is because many of the benefits of financial advice are intangible and only apparent after the passing of many years. Advisers have the skill, knowledge and experience required to help clients reach their financial goals.
Time saving	Advisers save clients time. Advisers take care of monitoring the elements of a financial plan, lodging applications, undertaking research, compliance and handling all administration tasks.
Focus	Particularly in times of uncertainty, it's easy for people to lose sight of their long-term plan. Advisers constantly monitor clients' plans to ensure clients remain on track.
Score keeping	Clients tend to believe that the chances of a successful outcome are much higher than they actually are. This is a common bias found in behavioural psychology called 'optimism bias'. Advisers provide a rational and unbiased perspective, which allows clients to formulate realistic goals.
Ongoing discovery, identification of problems or opportunities and course correcting	Goals change, attitudes change, relationships change. Not only must a plan be monitored, but the goals and relevancy must be tested. Advisers use sophisticated questioning to ensure that the plan is still relevant for the client's circumstances.

Useful Data

How are advisers responding to LIF?

Activity	%
Explored ways to become more efficient	38.1
Better understand cost of providing my service	35.6
Explored new service offerings	27.2
Explored new target markets	13.4

How are advisers becoming more efficient?

Activity	%
Simplify processes	56.5
Invest in technology to automate more processes	34.0
Make more use of tele-underwriting	41.6
Make more use of online insurance applications	37.8
Reduce time spent on client tasks	28.2
More use of other services provided by life insurers	22.5
Outsource to external suppliers	22.0
Reduce time spent face to face with clients	13.4

Changing target client segments

Net change in adviser participation	%
White collar professionals	+ 34.0
Pre-retirees	+26.8
Small business owners	+26.8
Families	+23.0
Retirees	+19.6
Medical professionals	+12.0
Young singles	(-2.9)
Tradies	(-4.3)
Blue collar workers	(-9.6)

Changing service offerings

Net change in adviser offering	%
Life insurance advice	+28.2
Estate Planning	+25.8
Full financial planning	+23.4
Retirement planning	+23.4
Investment advice	+19.1
Business Insurance and succession planning	+17.7
Limited or scaled advice	+12.4
SMSF advice	+12.4
Finance and mortgage services	+0.9
Household budgeting	(-6.9)

Marketing activities

Net change in activity/channel used	%
Development of referral sources	+55.5
Marketing to existing customers	+48.8
Face to face networking	+35.4
Email marketing	+19.6
LinkedIn	+13.4
Video	+3.4
Facebook	+1.4
Online advertising	(-9.1)
Direct mail	(-13.4)
Twitter	(-22.5)
Newspaper/magazine advertising	(-28.7)
TV/Radio advertising	(-29.7)
Letterbox drops	(-32.1)

Notes: Data sourced from quarterly Pulse check surveys conducted for Zurich by Lewers research since October 2015.

Need help with your value proposition?

Your Zurich BDM can give you access to a wide range of tools and resources that can help you tap into new markets or change your service offering.

Call 1800 252 650 for more details.

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Important information

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