

STRATEGY

Building adviser-broker relationships

Integrating lending solutions into your practice is essential amid industry changes. However, not all referral relationships with brokers are tension-free



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THERE ARE a number of factors shaping the way the financial services industry is evolving, including consumer behaviour, access to information, choice, technology, and increased consumer and legislative scrutiny.

These factors are all placing pressures on advice businesses to adapt. And while a lot of firms successfully run a profitable and well-oiled service proposition, as a specialist in a niche field, we are seeing business models being more and more shaped by the convergence of offerings.

In fact, the *2015-16 Accounting and Financial Services Benchmarking Report* released by Macquarie found “the most profitable firms ... have articulated client value propositions that seek to drive revenue from adjacent

services. For these firms, a focus on the long game means an acceleration towards a multi-disciplinary business model that attracts new ideal clients with a whole-of-life offering”.

The reasons for this convergence will vary from practice to practice, however some consistent themes that emerge include:

- The evolution of advice practices to deliver values-based whole-of-life propositions to their clients;
- The transition to a ‘house of specialists’ driven by the client expectation that their trusted adviser will deliver a fully integrated view of their planning needs and provide all services under one roof;
- The cost to produce advice is under extreme pressure from increased compliance, staffing and operational costs, forcing business

owners to look at ways to grow their revenue per client; and

- Responding to the ongoing challenge of customer value creation, by introducing adjacent services to deliver on both new and existing client needs, leading to increased revenue per client and advocacy.

So, with this convergence happening, what are the key ingredients to building an effective referral relationship, and with the appropriate structuring of credit now being a central component of most financial plans, what are the options for integrating a lending solution into an advice offering?

While both the adviser and broker have the client at the heart of the relationship, some adviser-broker relationships have been uneasy bedfellows.

This apparent tension lies in the different mindset and time horizon advisers and brokers have in their approach to the client relationship.

The different engagement cycles with clients can lead to inconsistent client outcomes and experiences, and an environment of referral fear.

So how can advisers and brokers bridge that gap to build an effective, more closely aligned relationship and bring a more consistent view around the client relationship and experience?

The start point for advisers is understanding how a lending solution fits

into your growth plans. Ask yourself, what are you trying to fix, avoid and achieve? For example: is your existing relationship adding the value to your clients and practice that you want? Do you want a residential and commercial offering? Do you want to make the client stickier?

This answer will determine your objectives and the type of broker relationship you are looking for.

The next step is to assess and understand the costs and benefits of the different models to ensure the model you integrate suits your objectives.

And finally, align yourself with the right broker/broking firm who has similar values and who takes the time to understand your personal and business objectives, your service offering and the advice you offer your clients. Additionally, ask them about their value proposition and process around engaging and working with your practice, as well as how they would service your clients.

Once the basics are established, you can then integrate the solution into your processes, offering and marketing collateral, and leverage the opportunity through educating your staff, educating and servicing your client and through your ongoing partnership review meetings.

Referrals, client advocacy and additional revenue streams (if a split is agreed upon) will look after themselves if the foundations are properly established. ●