

Building a financial strategy



AT8 Group's Mark Loosmore continues his series for *Professional Adviser* with a look at how Citywide Financial Partners is helping its clients meet their investment goals

As we travel around the country talking to IFAs about their preparation for RDR we get one consistent message: in order to charge fees IFAs need to have a clearly defined and well-articulated proposition. While this sounds obvious, it is clear that a number of IFAs have struggled to articulate a strong value proposition and most importantly, to have done so in a way that is convincing to their customers.

This week's participant in our case study series is Citywide Financial Partners, which seems to have come closer than most at addressing the articulation of value. Indeed, anyone reviewing their market proposition should visit the Citywide website at www.citywidefinancial.co.uk to see how it puts its proposition across to clients.

'Productising' the proposition

It sells only one product, called its 'Financial Success Programme'. I hesitate to call this a 'product', because this is a service-based firm and financial products are at the bottom of the list of what it provides. Citywide, though, has spent a lot of energy in 'productising' its customer proposition, so to not use the 'product' label would be in some ways doing the firm a disservice.

The Financial Success Programme is about understanding the client's needs and requirements, then building a financial plan to meet these. You may not think this is particularly radical or different from other advisers,

but in the words of their founder Clinton Askew: "It is about how our clients manage their lives and the lives of those around them. We build them a strategy to meet their financial and investment goals and so enable them to live the lives they want to plan for."

The approach is a long way from that of the previous firm that Clinton helped to run. It had a more traditional, 'transactional' (product retailing) approach that provided a gap-filling service for their clients – procuring financial products to meet unfulfilled needs but not providing a holistic financial planning solution.

In founding Citywide, Clinton's decision to change the business proposition prompted a different remuneration model too. Gone are the commission and transaction fees, replaced by fees based on funds under management and therefore rising with success and shrinking in tougher climates (shared risk, shared reward). The general consensus seems to be that the market to support fees is relatively limited. However, with a clear focus on its target market and by partnering with other professional firms, Citywide is enjoying success and growth, with many new clients being introduced by existing client referrals.

The Financial Success Programme is clearly defined. It starts with a pre-qualification conversation, usually by phone, where some basic information is collated and the next steps in the process explained.

Next, the client is invited to a 'Discovery meeting' which takes about three or four hours and enables the adviser to get to understand the aspirations of the client. The interview is anything but a traditional fact find meeting. The agenda and meeting is run from a mind-map of issues, created using Mindjet's MindManager software, then printed on a large sheet of A3, covering information

from previous visits, or in the case of a new client on knowledge of similar clients and the pre-qualification call. The adviser and client then navigate around the mind-map, discussing the major issues and how they may affect the client's objectives. A formal fact find which captures details such as which policies are held and confirming the details of income and expenditure is done remotely via the phone and email by a client service manager assigned to each client.

Knowing the client

Having held this meeting and collected the additional data, Citywide feels the adviser is in a position of knowing more about the client than most people ever acquire. The data is used to begin the process of creating an investment strategy document to be discussed at the second meeting.

Subsequently, the adviser marries the outputs of risk profiling and cashflow planning to bring the client to the point where they both agree on the desired goals and the investment returns needed to meet the goals. The agreed plan is then documented, before a third meeting is held to discuss its execution.

The process is incredibly detailed and needs a wealth of information to drive it. As such, the back-office system chosen is vitally important, as is the manner in which it is used. Citywide uses Adviser Office from 1st – The Exchange for:

- Contact Management;
- Electronic Valuations;
- Cashflow planning;
- Generating client reports;
- Providing MI on performance.

Citywide's use of contact management is worth pausing to consider in more depth, because it does this to a greater depth than many in the market. The wealth of data it collects in its Financial Success programme is seen

as a key strategic advantage. It claims to know more about its clients than anyone else, so can produce more personalised plans and provide better historic performance data. As a result, it needs to store all of the information it gains about the client in a central place, including all transactions at a detailed level right, down to the individual purchases and disposals.

All client contact is stored in Adviser Office, providing a quick audit trail of activity and simplifying compliance reporting. Importantly, information is also quick to access when needed to help provide a swift, effective service for clients.

Detailed client reports are generated from Adviser Office, but Citywide now also creates a one-page summary for clients. It is this one-pager that clients say they value most. While some clients require more detail, many use Citywide to outsource their need to fully understand and manage the detail; with this approach the client can operate at the high level or delve into the detail as required.

No magic answer to risk

Risk profiling is based on the risk profiler in Adviser Office supplied by Silent Partner. This is seen as a starting point for a risk-related conversation. The software is not considered a magic answer that identifies the exact risk profile, but it does set the background for explaining the concepts of risk to client, which is then married to all of the other information gained about the client.

Wraps have been a big part of Citywide's strategy since inception. At the start (2004), it chose to work with Abbey (James Hay), which was selected at a time when the other major player was Transact. However, its pricing structure was seen as expensive and inappropriate for large

numbers of its clients. Today Citywide still works with James Hay, although it has been disappointed with the delivery and support since the Santander takeover. It has had concerns that Santander has not understood the role of wraps in the UK market and felt the recent sale of James Hay was inevitable.

Multiple platform adoption

Moving forward, Citywide believes it will need to adopt multiple platforms, as different client needs will be better served via different platform solutions. It remains concerned that the platforms are still too expensive and believes there will be downward pressure on platform pricing as the race to grab market share accelerates. It also believes a move to a fixed-price model similar to the SIPP market fixed-price administration charges is likely in the longer term.

As well as the core technology platforms mentioned, Citywide also uses Mad MiMi to create newsletters and manage email campaigns. Clinton finds this to be an excellent product, because the newsletters created have a professional image (not looking like an email at all), and the Management Information on campaigns is invaluable. Citywide is also trialling FinQS's TCF Centre to manage the client feedback process.

What is impressive about Citywide's approach is that it appears to have its priorities right. It has defined its market proposition clearly. It has then used this to define its administration processes and looked at building an effective IT platform to support this. It is ready for RDR already and has been for some time, although its motivation was not driven by the new regulations but by a desire to provide top-end wealth management services.

KEY INSIGHTS

- A clear and purposeful vision;
- Differentiation;
- Clear articulation of proposition and value;
- Investment in client service;
- Mapping the technical architecture to the business architecture.

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