fpadvance
LEADERS IN TRANSITION PLANNING

PRICING

"Price is what you pay, value is what you get."
Warren Buffet

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Having decided what level of service you will offer each client segment, how do you decide what you will charge for it? This is an area most advisers struggle with. Usually, they have never stopped to think about the value they add to their clients and, when they do discover their true value, they struggle to communicate it effectively to the client.

Pricing doesn't have to be complicated – nor is it about fees versus commission. Either can work if properly positioned. The key issue is that it must be understandable and transparent for the client, profitable for you and, needless to say, the service delivered must add value to clients. Some advisers tell us that their clients won't pay fees. Our response is "They just won't pay you fees" – typically because the adviser has not helped the client see the value they will add.

When it comes to pricing, marketers talk about aligning the Four P's:

- **Product:** What are you providing to the marketplace?
- **Price:** How much will you charge?
- **Position:** Where will you position your product in the minds of consumers?
- **Placement:** How and where will people access your product?

By alignment, marketers mean that all these factors must be consistent and reinforce each other. Let's look at an example from the car industry and consider the Four P's for both Mercedes and Vauxhall.

	Mercedes	Vauxhall
Product	Prestige quality cars	Value for money family or first cars
Price	Expensive	Affordable
Position	Elite/Status/Executive	Good value/economy
Placement	Face-to-face via salespeople in spacious, high-quality, super-shiny showrooms	Face-to-face via salespeople in no frills showroom

What about you? What are your Four P's? The key issue is that they have to reinforce each other as well as your message to clients. If you are offering a top-end, high-quality service involving cashflow forecasting, risk-profiling and asset allocation software with quarterly face-to-face reviews, but charging below average fees for doing so, there's a conflict. Clients will spot it and you're also likely to go broke some time soon.

Start by thinking about where you add value to your clients, such as:

At various meetings	Other areas
• First meeting • Fact-finding • Plan presentation • Implementation • Review	• Tax savings • Being accessible by email or phone or for ad-hoc face-to-face meetings • Simplifying complex concepts • Providing reassurance and peace of mind • Acting as a sounding board • Providing education and understanding • Investment value-added (reduced risk/volatility)

Once you start to become clear about where you add value in the client relationship, you can start to consider the most appropriate fee structures (including commission or commission offset) for your business and service proposition. There are a whole host of different possibilities here, from flat fees to hourly rates to retainers and even performance fees – an apparent favourite in the HNW market.

In our next article we will look at your options and start to develop a typical fee structure.

Steve Billingham is managing director of FP Advance, which provides specialist consulting and business coaching to financial advisers across the UK. If you would like further information regarding these services or to receive free access to one of the company's Online Transition Toolkit Modules, please visit www.fpadvance.com or email enquiries@fpadvance.com