



Page 34: Life in the Fast lane

Spotlighting adviser mergers and fundraising on the edge

Consultant view

What Linda Evangelista can teach you about pricing

Handling exceptional jobs can be key in moving a business forward. This article considers ways in which advisers can approach particularly complicated prospects

BRETT DAVIDSON

Chief executive, FP Advance



Getting your pricing right is vital if you want your business to run effectively and profitably. Firms trial a lot of different methods but usually end up with a charging model based around three lots of fees to cover: the initial planning and strategic work; implementation; and ongoing service and advice.

This all works well enough for clients that are 'normal' but in any service-based business there are clients who are exceptions to the norm. These seem to cause financial advisory practices great anguish and so knowing how to handle them is an important phase of your firm's evolution.

There are two main types of exceptions:

- The really complex job
- The accumulation client

This time we will look at the first of these.

The really complex job

The 'really complex job' will involve a lot of work on your part with an unquantifiable outcome for you and often the client as well. There may be neither assets to invest at the end, nor an ongoing relationship for which you can charge and sometimes it can even be hard to quantify what value you will add.

But let's be honest, there are times when you do want to rise to the challenge. It might be because you think you can help the person and if they go elsewhere they will be taken advantage of (the 'knight in shining armour' reason). On the other hand you might believe no one else will be good enough to sort out this mess except you (the 'ego-based' reason). Alternatively, the impossibility of the challenge might really get your technical juices flowing (the 'road to true mastery' reason).

Three ways to approach the task

1. If the job is difficult and you suspect there will be nothing at the end, it is not really a great opportunity so the best option is to reject it. Just save yourself the hassle and say 'No'. However, if for one reason or another you do decide to take it on you have to price it really hard. Supermodel Linda Evangelista once said 'I won't get out of bed for less than \$10,000' and that was a good few years ago. The same might be true for you on a complex job. Price it high enough so that if they do say 'Yes' you will be happy to devote as

many hours as necessary. They might end up saying 'No' but that is still OK because it is a messy job.

2. If the job is difficult but has clear future potential take the one-step-at-a-time approach and quote a reasonable planning fee for the initial work. This may not cover all of your costs if the client doesn't move beyond the planning phase but at least you won't feel you are being taken for a ride as you might if you did it for free.

Next time we shall look at how to work with accumulation clients, those starting to build some wealth for the future but with no real money now.

Supermodel Linda Evangelista once said 'I won't get out of bed for less than \$10,000' and that was a good few years ago. The same might be true for you on a complex job

3. If the job is difficult but you are 'the governor' in this area, that is, no one else can really do it, then price it hard and let the client squirm a little (some detailed pension calculation work can be like this). However, also make the effort to quantify the value added, if it is possible, on two fronts. Firstly, what financial value will it add to the client? Secondly, if they do not go ahead with your proposal, or worse still take a cheaper option and get it wrong, what might the costs be? Show them case studies of both situations that you have worked on in the past to drive the point home. This helps position the fee relative to your value.

A key stepping stone

Knowing how to handle the exceptions that come along is critical if you want to move seamlessly to the next level of performance. You have to know who to reject and then how to handle the exceptions you do accept effectively.

