Preamble not transcribed

(1.40)

*This is just the unique thing. This is for clients. You know when I do my transfer servicing now, with TP I’ve got an app for the iPhone and for these sorts of things so you can see, the client can actually log in and see how much money they’re worth.*

Who produces this?

*This is True Potential. It works on the back of all the fact finds and all the documents. Martin made a good point that, obviously, this will be obsolete going forward because everyone will have something like this but, at the moment, even the next 18 months is a driver for fees and anything you want in terms of, obviously... if I can remember my logon! So, this is the IFA bit but then if I logon just to my own plan, they can logon to your phone and I was just saying the great thing is it puts you at the forefront of their mind. They’ll be sitting on the train with their iPhone and you know the way people play around with it “wow, let’s see how much I’m worth today, that’s Steve’s stuff isn’t it” sort of thing.*

*I have had a client tell, “oh, I’ve lost 3,000 today”. And I sent an email back to him and said “yeah, you’ve done well, the market is down double that!” So this is effectively what each client gets. This is obviously mine. “Hello, mine name is...” and they can logon with this phone and they get the same and they can just drill down to their portfolio, it’s got all their assets, they update daily. You can drill down to what the investments are.*

That’s good software, isn’t it?

*Effectively it’s just there.*

So this is a part of your IP.

*Yeah, so this is what I will sell. When I go to my new clients now, transfer over to Jennings Wealth Management, I say this is what I’ve bought, this is what I provide and this is what you pay your service for this. The great thing is things like documents, instead of sending out reason why letters and that, all I do is upload the PDF, they’ve got it in their document library, they can view it, it’s all there.*

*Just send them an email to say it’s there.*

*And also, the secure emails, the FSA are saying now, obviously, you’ve got to be... they’re secure, encryption emails, so what they do is secure messages, I put a message in here, upload their documents, it sends a message to their normal email address “please logon to your site” because you get this as a website, and all their documents are there. it just makes things so much smoother, they don’t have to print stuff out. And even your risk profile, I sit down with a client here and I go through their risk profile. Like you say, USP, if other people were using True Potential as their back office then they’ll have this but they may not use it the same.*

Brilliant. That’s part of your IP. It’s the IP that powers the business. So, obviously, when you build the structure around you of individuals and systems, and that’s part of it. then, whether you’re there or not the IP is still there. That’s the beauty about the IP.

*Because you only need someone to run it behind and obviously it stops client meetings because you don’t have to have as many because “I don’t need to see Steve, I see it every day”.*

Absolutely.

*And it keeps going down so why?*

And this will sidetrack people who are charging fees to deliver reports of valuations and all that. They’re going to be able to get all that stuff online. So, very soon that will marginalise a lot of your competitors. Brilliant.

Is there anybody that would prefer their contact details not to be available to the rest of the delegates. It’s just that people keep saying “I’d love to keep in contact with... and I just want to know because she was saying this and I wanted to talk to her.” So, let me just give that. Hilary, could you just hand out some of those, thank you very much. If my team have got the details wrong please let me know. You might want to check your details to make sure we’ve got them correct.

*Actually, I’m Duchy Wealth Management Limited. Duchy Limited is actually the holding company for the Prince of Wales.*

So, which one would you rather they use?

*If it’s got space, Duchy Wealth Management Limited. I know that the website is Duchy but actually the company is Duchy Wealth Management. It doesn’t really matter.*

Got it, thank you Simon.

Tony, could you just hand out these, also, to the team?

Right, let’s get started. We’re winding down now. Going to answer Hilary’s question and do some more teamwork and then we’ll wind down. Who have we got missing? Craig needed to dash off. Who’s missing on your table, Tim?

*Biscuit man.*

*He was here a second ago.*

*Craig has gone.*

Craig needed to go home. Gail needs him. Who have you got sitting there, who’s there? Good. I’ve also given you the number, the details of the northern team and the northern delegates for this week. Some of those are guests, some of those are the northern team. You’ve never spoken to each other, most of you, haven’t spoken to each other. Some of you have. I would recommend. So, the northern team that’s currently attending – we’ve given them out, Tony has been very good – if you just want to take a pen, people on the northern team, currently, that are attending Thursday, some that are not are Alastair, Martin, Simon, Stuart, Eric, Andrew, Graham, Fred, Gary, Nigel and Paul. So, if you want to, don’t call, for example, Sarah and say I hear you’re an Adviser Gym member, because she’s not.

So, get to know each other. Contact each other, ask questions of each other, inner circle team. If someone has been there for three years, or two years, you might want to talk to them because they’ve been through this stuff and are just romping ahead and have things to share with you. I’ve found that the team members are very generous, very generous indeed. I know one or two of you have spoken to each other, shared time together up in the north we’ve had people travel down from Edinburgh to Manchester just to visit each other, spend a whole day together. I would recommend that, don’t isolate yourself. This business can get so isolated. Tony, how many people do you have in your business?

*We have two advisers and we should have a back office team of three, we’re two at the moment. I’m currently recruiting a replacement.*

These micro-businesses of ours are very isolated and you think you know what’s going on out there and it may be just what you think. There may be other things going on and if you just spent time with each other you would realise “blimey, he/she thinks differently to me and maybe I could use some of that, we just see it differently.”

Let’s try and answer Hilary’s far too intelligent question.

We’re now on Page 27. Let’s spend some time on this one and some team time.

Sorry, there is one interesting page which is Page 24. Go back to 24, intellectual property. I find the intellectual property question really quite hard to work with. So, who can tell me what is McDonald’s product, on Page 24, what is their product?

*Dead meat.*

In the shape of? Hamburgers, Big Mac. So jot that down. I know this is really simplistic but just get used to the mental process, jot it down, Big Mac, hamburgers and fries because you are always asked “do you want fries with that?” So, what is their intellectual property?

*Speed.*

Ok, let’s just jot this down.

*Value of consistency.*

What do you mean by that?

*It’s the same wherever you go, they’re the same ones.*

Oh, consistency. Ok, consistency. Anybody ever watch that lovely little film Memphis Belle? Watched that film? It’s a fabulous little film about World War II pilots who actually got home after their 20th mission, or something like that, it was a great film and in there the pilots say “I’m thinking about this business where I’m going to deliver hamburgers but they taste the same wherever you go”. Someone says “that’s seriously boring, who would want a hamburger that tastes the same wherever you go?” OK, speed, consistency, what else is their intellectual property. What is their biggest intellectual property?

*Is it the logo?*

*I think the logo is in terms of it is advertising so you can identify them.*

Ok, what else is their intellectual property?

*Years ago it was price. It was value of a burger in a dollar, terms. So you would pay £1 for a burger, you would pay $1 for a burger.*

Where do they make their real money?

*Supersized meals.*

*Cross selling I would say, drinks and fries.*

*Happy meals.*

McDonald’s are in the business, their intellectual property over and above the product, that’s the product. The key intellectual property of McDonald’s business is franchising. That’s what they’re in business to do. Hamburgers are just stuff they move. They move it brilliantly and consistently like a machine and Ray Kroc was passionate about the consistency and the quality of the hamburger, that was his passion. But, eventually he worked out that once you’ve got the model correct and the product looked good and tasted ok and was consistent and was passionately perfect, the real money came not from the product, it came from the franchise. That’s the business that McDonald’s are in. McDonald’s are in the franchise business, they’re not in the burger business. That’s their intellectual property, do you get it? They are a business that’s into property. They have a huge estate portfolio but they are in the business of franchising with a brilliant little product that works like a machine and spotty nosed teenagers that could destroy any business on the planet somehow run this business, amazing!

*Are you saying speed, consistency, logo is product and not IP?*

Well, it’s part of the product intellectual property but the real key, core part of the business that is their real intellectual property that they’re brilliant at, absolutely brilliant, and which they structured before all the other franchises that we now hold as norm ever thought of being, ever came into existence, long before they ever came into existence, McDonald’s was there first with the franchise concept. Almost every other franchise on the planet that you know about, today, followed that concept, every one. Costa, I don’t care who it is, they all follow the concept. McDonald’s are franchise business with a brilliant consistent product hat you may hate to eat, as I do, but nevertheless it’s a consistent product. I can’t stand the stuff but there you go.

*America are called a fast food nation.*

*??? (16.56)*

Can you see the difference? Now, what that means is whatever the product it really doesn’t matter anymore as long as the product is a decent product and the public like it because the core of the business is the franchise operation. So, they can shove any product down the core. Does that make sense? It doesn’t matter whether it’s chicken or... it doesn’t matter, it’s irrelevant now as long as it sells. The business is about franchising. So, the question is, I wonder what your business is really all about because I don’t think it’s got anything to do with pensions, insurance and investment. That’s just the product. That’s not the intellectual property that you are really all about. It’s not about you, either. Because then it’s you dependent, it’s not independent of anything.

Here’s another question about your intellectual property, ready? This is a really unkind one. Are you ready? I now want you to take away from the industry all commission of any type from any product, it doesn’t exist anymore, no trail, no initial, no indemnity, nothing. Now, tell me, I’ll give you 60 seconds to work out the annual revenue of your business. Go. There is no commission, it does not exist. You are not allowed to take anything from a product provider through the product. They are not allowed to give you anything. Now tell me the annual revenue value of your business. 60 seconds.

*And we’re allowed to restructure it, so it’s where what we think we can make it in short order.*

Yes. It doesn’t matter if it takes you two years to restructure it, tell me the value of revenue of your business, what is it now, tell me what it would be now and tell me what it would be in two years’ time. What is the revenue value of your business now with no commission from any product provider whatsoever, none. I don't care what you call it, you can’t have it. This will drive you to work out, finally, once and for all what your intellectual property really is and it can’t be about pensions and insurance. 60 seconds. This is a really hard question at this time of the day but it will drive home intellectual property. Who dare’s first? Go on David.

*If it was only fees I’m collecting now, probably 20,000. If I could restructure trail it would probably be about 130.*

When you say restructure trail what exactly does that mean?

*Well, I’ve got fee agreements in place to take 0.5% but I do take them via the product. Clients sign those agreements and because they’re not physically paying it they may not... it’s not a close relationship. The fees I was talking about are fees where we physically receive them by cheque. So, that’s a guaranteed. But, we have worked on, a long way down the fee route, and I’m undercharging. I just haven’t decided how far up the scale I’m going to go.*

So, today’s revenue would be how much?

*What, from all sources?*

Yes, no commission, nothing, no trail.

*No, not as we are now. Easily, restructured the core clients I suppose we got down to 100.*

So if there was no commission from any product, trail, nothing, in the next year you collect 100K.

*If you allow me to change what’s coming in from the product, yes. I would guess there would be a few clients who might say we’ve lost contact with them, I’m figuring in that reduction that the physical fees is as low as 20,000, actually by cheque.*

So you would have to stop the product commission being received and ask them to pay you direct.

*No, that’s the money I already get via cheque.*

Sorry, my question is, because I’m still not quite clear what you’re saying, there is no trail commission how are you...

*My question back is am I allowed to restructure that? I’m actually physically receiving those trails though we have the agreement in place so it’s an offset, I suppose, are you allowing me to bring that back in or not?*

From where?

*By the client paying me direct.*

Yes, absolutely. So, if I forget the product and pay you direct, it would be about 100? Ok. Any other examples? I get it, I’m slow, sorry, I get there in the end. From this table here? No commission of any sort, no trail, nothing.

*About 15,000.*

15,000. Ok. Nicolas you are fairly a way along the fee path.

*Well, I am but a lot of it is offset so if you take away all commission today my retainer income is 4,900. That assumes I’m not doing any new work.*

Yes. Anybody else?

*I’m in the same position. About £5,000 for fees and the rest is in products and if that’s gone then...*

So, part of what I am trying to do through the Adviser Gym in this mantra of next generation IFA is to help you make your own decisions about how you go about doing it and to help you get there with coaching and programs and projects and what have you but to ask yourself the question consistently, what exactly is it I’m marketing and selling? What exactly is my intellectual property? Point number 2, am I genuinely independent of anybody and every product. If there were no commission from product providers, they did not provide that facility, am I now an independent revenue creating business, yes or no? It’s really simple.

I get no commission. My commission is zero. I have to be paid by fees. If I can do it, then you guys are brighter than I am, you can too. Most of you are bright. I know most of you personally and you are really bright so my challenge to you is this is what I mean by let’s stop being financial advisers and let’s turn into business leaders and entrepreneurs of small, brilliant businesses, within which financial planning is done. My suggestion, as maverick as Paul Armeson is, look, guys, if we’re receiving revenue from product providers we are not independent. We are dependent upon that revenue stream from the products. So, let’s talk the real language here between us. How do we turn our businesses into a business which is completely product provider independent? How do we do that? because you desire to do that which is why you’ve started doing what you’re doing. That is the road you are on. How do we really do it? One of the answers is learn to build a business not a practice, learn to become an entrepreneur not a financial planner, learn where your real intellectual property is that people really want to buy and charge effectively for it. Charge properly for it because you’re worth it.

In my view, every financial adviser in this room, knowing what you’ve been through to get where you are and the stuff that you know and the way you work with people and change their lives, that to me has got to be a quarter of a million pound proviso business. Absolutely, without question. When you work for Gerrard, you are not allowed to keep a position at Gerrad, you were removed from the team if you could not create non-indemnity, non-initial commission revenue of 200K. You simply did not exist. You were out. That was eight years ago. I wasn’t... you know, I was the weight on the team, I was the worst performer ever. I’m not that bright, and you are brighter than I am.

The only challenge is someone taught me how to run a business, Chris Woodhams, I was so lucky. That’s what I’m trying to pass on to you, it really is all about pay it forward. Craig here, and I talk about him behind his back, when I met Craig, this kid is a brilliant salesman. I won’t tell you how much he turns over as a one man band with three support staff but it’s three times the industry average. He’s really good. He is so charming and persuasive and clients just love him to pieces. He’s also technically very good. I think he’s CFP, double CFP so he’s nobody’s fool.

He said something to me the other day, we spent a whole day, very private, a lot of it quite sacred to Craig but one of the things he said to me was “I’m just not bothered about the money anymore. It’s not about being the top anything”. I said, “well, what is it about, Craig?” He said “the two things I love to do...” and then he got quite emotional, he said “I love it...” and I’ve never heard him say this before, I’ve been working with him for a while “I love it when the lights go on in their eyes. I love it. I would get out of bed for that.” Number 2, he said “I used to come to these workshops, I used to get really angry with you.” I said, why? He said “because I wanted you to teach me, I wanted the rest to shut up! And I didn’t want to take part in the team exercises, I wanted you to teach me, that’s what I’m paying you for.” I said, what’s different now? He said “I think I’m a good teacher. I love coaching. I love sitting with the team and coaching them to be better. I love it. I can get up in the morning for that.” That’s what I’m talking about, does that make sense? That’s what I’m trying to create here. I want to back off this thing and let you go and do it and you teach the industry. That’s what he wants to do.

I had a call from Lee Dickinson, he said “is there any chance me coming along and working with you so that I can go and teach your stuff elsewhere?” Brilliant! I can go home then and you can do it better than I can.

Let’s answer this question. Poor Hilary has been waiting for ever. Turn to Page 27. OK, as a team I want you to explain that to Hilary and your colleagues. Page 27 and then we’ll move to page 28. 27 first, I want you to work as a team and explain that to each other. You have to answer Hilary’s question. Why is moving towards the product level perceived lower value? That’s the question on this page. See if you can answer that to each other. Why is moving towards the product type of business, positioning, lower perceived value in the clients’ eyes? Why is selling products and positioning as a product provider a lower perceived value. Why is that positioning lower perceived value?

When you’ve studied Page 27, you then move to Page 28 and try and link the two and see what the message is between 27 and 28.