

Scott's Bike Shop – business development for financial planners

It is shaping up to be an interesting period ahead for financial planning firms. By now, I am sure everyone appreciates the need to review their value proposition and how they charge for services provided.

Of course, it's easy to say this, much harder to actually implement. In addition, you most likely have had experiences which have caused you to question the value of what you do. Perhaps it's been a prospect that has "shopped around" and gone with someone cheaper. Maybe it has been long-standing clients who have raised fee queries, or possibly doubts have crept into your mind based on the performance of clients' portfolios during the past two years.

Alan Weiss, who many consider to be the *Doyen of Value Pricing* says, "The first sale is to yourself". You need to be absolutely confident of the value you are providing. Make it a focus as you go through your review to get clarity about this. Even better, look for ways in which you can provide even greater value in what you are doing.

At times like this, it is useful to step outside your own business and look at something altogether different. It's amazing how easy it is to advise someone else about running their business better!



As there are many keen cyclists amongst the financial planning community, let's look at the business of running a bicycle shop.

At first glance, it would seem that this is a great industry to be in. After all, for many years now there have been more bikes sold in Australia than cars. Interest in cycling is at an all time high and it's an activity which can be undertaken by the very young to the very old.

Yet when you look more closely, bicycle shops are facing pressures from a number of directions:–

- Larger competitors with strong purchasing power are setting up chains of branded stores
- Increasingly savvy consumers are buying wheels, consumables and even bikes over the internet
- The capital required to carry a wide selection of bikes and brands to cater for different riders
- Back yard mechanics who are taking a portion of the service work

Interestingly, when you step back and compare this to financial planning there are remarkable similarities:–

- On the surface there is great opportunity. After all, shouldn't everyone have a financial plan?
- The presence of the major banks and institutions in financial services, all of whom are able to apply big budgets to their marketing campaigns
- Clients (who you have helped to educate) are much more aware of financial concepts, rates of return, DIY investing and alternative providers
- The challenges involved in taking on all comers as clients of your firm

- Advice your clients receive at BBQ's, from the newspaper and from talking to mates



So, with our *business strategist* hat on, how are we going to run an extremely profitable bicycle business, where we love coming to work and there is a loyal following of clients who pay our fees without question?

Let's start by getting very specific about our preferred client. For example, we could choose to concentrate on clients who meet the following criteria:-

A reasonable level of discretionary income. After all, it's not unusual for cyclists to pay many thousands of dollars for a new

bike. Do they really need the latest in carbon fibre and aerodynamics for a gentle perambulation around the *River Loop*? Nope -part of their purchase decision is *emotional*. When cyclists are hanging out at the local café, our clients would like to know they paid at least as much as the person sitting next to them.

Time poor. Let's concentrate on clients who have busy lives - those who would rather be working, riding or doing other things than comparing prices, changing providers and taking time out to drop their bike in to be fixed.

Mechanically challenged. Let those who prefer to maintain their own bikes procure their parts over the net for the cheapest price they can find. We want clients who don't have the time and/or ability to do their own servicing and will take our recommendation as to what consumables should be used.

Now, let's consider how we might increase the lifetime value of the client. If someone has paid \$10,000 for an imported Italian thoroughbred, it makes sense to ensure that it is always running at optimum performance.

Upon purchase. We will make every effort to ensure that the bike is absolutely tailored to its owner, including a very thorough measuring up procedure which includes taking video footage of the client riding the bike on a stationary trainer. We'll assign an impressive name to this process and include an equally impressive lifetime guarantee to ensure that the bike (and any future bike) is always at optimum settings for the rider, thereby increasing the barriers (real and perceived) to going elsewhere.

Regular maintenance. Every six months through our *Concierge Service*, we will arrange for the client's bicycle to be picked up, cleaned and serviced then returned to the owner that same day. Our guarantee will be that all parts which are showing signs of wear such as tyres and chains will be replaced. We will follow up with a phone call the next day to ensure that all went well with the service. As a result our clients will enjoy their cycling more and experience fewer mechanical problems, whilst avoiding the hassle of getting their steed to and from the bike shop.

Client education and selling additional services. Periodically we will provide clients with information about how they can improve their riding experience. For example, an excellent remedy for the hardship akin to sitting astride a fence post for hours on end is to purchase a specialist cycling seat, for up to \$400. The best way of keeping tyres at the right pressure is to have the type of pump the professional mechanics use –

value \$150. Plus there are racks to hang bikes on garage walls, gloves and jackets for winter riding and carry bags by which clients can take their bikes on planes.

Then we can look at ways in which we can provide further value which will result in extra bike sales:-

Workshops. We will conduct free classes to introduce clients to the world of off-road cycling (for which the clients will require a different type of bike). On alternate years we will run a clinic in time trialling (for which, you guessed it, best results are obtained by having another specialist bike). We will also conduct road safety awareness clinics for our clients' children, with those kids who don't yet have bikes provided with the loan of a demonstrator in their size and being give a "rider in training" sticker they can place in a prominent spot where their parents can see it often. 😊



Newsletters. We will tell clients about new arrivals in store, give them case studies of customers who have completed cycling events, provide profiles of the team members on the maintenance team and acknowledge clients who have referred friends to the business.

Onto this, we can then add ways to foster the enjoyment clients get from their cycling whilst at the *same time building their loyalty*:-

Build a community. Make sure our clients can identify other fellow clients. Organise community bike rides (which start from our shop), provide them with an attractive cycling shirt bearing our logo, plus provide news and information about fellow riders on the website.

Astute database management. By keeping records of our clients we will know:-

- (i) when to send them a birthday email (with a time-limited discount voucher for their next purchase),
- (ii) to send an SMS message when the latest release of their favourite brand has come into the store
- (iii) how frequently they purchase bikes and when they are likely to be considering their next purchase
- (iv) the names and ages of other family members and whether they currently ride bikes



Regular Rider loyalty card. Clients who purchase frequently will qualify for price benefits and go into a draw to win cycling gear.

In addition, we will ensure that we regularly gather client feedback on our how we can improve service and add more value.

Client relations officer. One of our team will be assigned the responsibility of contacting each client after a bike purchase and following every service to ensure that all is going well. The CRO will also call the *Platinum* clients periodically to see if they need anything to improve their riding experience. Naturally, notes from all such interactions will be added to the clients' records in our database.

Client advisory panel. Periodically, we will invite up to a dozen clients at a time to a private room at a local restaurant to ask them how we can improve our service.

Of course, we'll want to grow the client base as well as look after existing clients. Keeping in mind that we have a very specific niche we will focus our energies on specific areas:–

Database. We will offer to send our newsletter to every customer who purchases from us or makes an enquiry. We will also build the database by capturing contact details from visitors to our website who subscribe to our newsletter and download our free cycling guides and bike reviews.

Targeted marketing. Using the tried and tested method of *Who else services the people we want to get close to?* we will market our *Concierge Service* by way of attractive vouchers containing introductory offers. These vouchers will be handed out with every cup of coffee served to people clad in lycra at selected cafes favoured by the cyclists we want to do business with. In return, we will endorse these cafes to our clients. To ensure the vouchers get to the cafes, to promote and organise the cycling clinics and keep our website fresh we will appoint a part time *Marketing Coordinator* to our team. In this way, our sales staff and mechanics can keep doing what they do best.

Referral program. We will provide a free piece of branded cycling kit for every referral received which results in a bike sale.

Sales process. We will adopt a very specific process that all sales staff will follow for bike sales. This will start with sitting down in a quiet area of the shop and finding out what the client is looking to achieve, their budget and particular requirements, all well before we show them any bikes. From there we will provide the client with three (progressively more expensive) options, with the final option always above the budget provided. Our sales manager will be responsible for training the sales team and will keep detailed records of number of appointments, conversion rate and average sale value.



I could go on, but I'm sure you have now got a clear picture of how this bike shop is going to generate stellar results.

Your challenge now? Well, that's easy! Provide this article to every member of your team. Ask them to read it. Then organise a team meeting, perhaps over a sandwich lunch or at an offsite planning venue.

The team's mission for the meeting will be to discuss the ways in which value has been created (and \$captured) in our imaginary bike shop and to come up with ideas based on how the above points for the bike shop can be applied in your financial planning business.

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