



## Selling to High Net Worth Individuals

PETER BELSEY sector head at Huthwaite International, looks at the strength of the high net worth market and the requirement for even the most technically competent advisers to take a structured approach to improving their sales performance.

On the face of it, the high net worth (HNW) sector remains extremely attractive to providers of financial services as, by any analysis, it is one of the few markets which continues to grow. Globally, for example, despite increasing political turmoil and economic downturn, the Merrill Lynch and Cap Gemini Ernst & Young 2002 World Wealth Report showed a 3% increase in the number of high net worth individuals - those with financial assets of \$1 million or more - at the end of 2001. Looking ahead, it expects a return to earlier growth levels, predicting an average annual increase of 8% over the next five years.

Closer to home too, the privately held wealth by the richest individuals in the UK saw a nine-fold increase during the 1980 and 1990s, with a marked change in wealth distribution, shifting from the ultra-wealthy top 2% of the population to the rest of the top 20% of individuals. And, with the latest census reflecting longer life expectancy - 60+ year olds now outnumber the 16-21 age group for the first time, with money invested in property and greater amounts of surplus cash - there is no reason to expect the UK to buck this global trend.

Two years ago the New York Times summed up this

development thus: *"It used to be that only a privileged few could afford their own money managers, but in the last few years assets in privately managed accounts have swelled."*

Unsurprisingly therefore, advisers to the HNW market today come from a much broader range of organisations. "Traditional" private bankers and stockbrokers have now been joined by the Big Four clearing banks (such as Barclays Premier) and IFAs, all of whom are looking to provide personalised banking and investment facilities or, at the very least, brokerage or advice.

Though this article will focus on face to face service provision, it should be recognised that web based tools now play an increasingly useful role in the financial planning process. Indeed, millionaires are already 30% more likely than other consumer groups to go online in managing their money (Forrester Research).

### Delivery

Yet at the same time, the use of professional advisers has increased - a recognition that service delivery to HNW individuals remains essentially a people business - with delivery through a single point of contact.

### Expertise and Service

HNW customers are not the easiest to please. Typically successful, they are demanding and strongly opinionated yet, critically, with highly variable levels of financial sophistication, making them difficult to manage.

Yet historically, success in this market has been underpinned by a number of key attributes. Over time, HNW advisers have survived and thrived in building customer confidence on the back of their technical expertise. This has been paralleled by a record of examination success - within an increasingly tight regulatory framework - combined with an improved technical understanding of, or access to, relevant aspects of investment strategy.

By building relationships based on trust and confidence, it has meant that clients have sought their advisers' opinions and recommendations. Combined with strong networking skills, such advisers have, as a result, often established an enviable track record on the back of their technical expertise.

Another key attribute has been the emphasis on service. Long before it became a fashionable buzzword for a new "culture" of high quality delivery (where it is often observed



more in the breach than the execution), private bankers had worked hard on delivering a strongly service-orientated approach as a point of differentiation - on call and available 24/7, reacting quickly to a uniquely demanding clientele.

So, in a market which is continuing to grow and where many advisers have an outstanding legacy of successful business development based on technical ability and personal service, the argument for doing "more of the same" is both understandable and seductive.

### Challenges

Yet the HNW environment is undergoing change on a number of fronts, carrying with it significant implications for the wealth management industry. Firstly, the customers themselves are now very different, with inheritance of "old money" no longer the dominant feature. The number of sterling millionaires in the UK has grown by more than 17% per year since 1995 and today's HNWI's (high network individuals) are just as likely to be young entrepreneurs, employee investors or company executives exercising stock options.

The PricewaterhouseCoopers 2000/2001 European Private Banking Survey predicted that fully 46% of the client base would derive from "new money" by 2003, driving "substantial and unprecedented structural change" throughout the industry. This new breed of HNWI is seen as having very different needs and interests.

They are hungry for - and have access to - a broader range of better quality information, are more technologically aware and, in the

words of the Merrill Lynch study, "seek to be active participants in wealth building". This is a long way from previous generations, "(who) may have been content to give their private bankers something close to *carte blanche* in handling their affairs".

### Alternative

The challenge for HNW advisers is often how to make a strongly opinionated client understand the level of risk in any strategy the client may propose. In what are typically complex financial circumstances, this requires a higher level of consultative and persuasion skills to guide the client to an alternative, which is better suited to identified needs and criteria.

Technical expertise is essential but in itself insufficient and needs to be translated into terms the decision maker can understand. And, in a more litigious environment, it is even more important to ensure that advice given is both sound and presented in a way not open to misunderstanding or misinterpretation.

### Tough Markets

Like the client base, market conditions have changed. The 90s boom has been replaced with falling stock markets and tougher trading conditions generally, raising uncertainties in clients' minds and a resultant loss of confidence.

For the adviser, there are fewer options available in an era of low interest rates and the proven higher returns of the recent past are just not there. As a result, there is greater pressure to manage

expectations if client trust is to be maintained. Recent high profile cases involving poor advice, raising question marks about the independence of advisers who may appear to have vested interests in recommending certain investment solutions, will also have contributed to a lowering of such trust.

### Competence

Finally, the provision of wealth management advice itself has become a highly competitive market, with stockbrokers, high street banks and IFAs joining private bankers in offering broadly similar services, making it more difficult to differentiate on traditional criteria. HNWI's still place high value on perceived competence and service quality. As Lesley E Bains, executive vice president of HSBC Bank USA, puts it: *"They still want a trusted adviser who is interested in cultivating relationships, not in pushing products."*

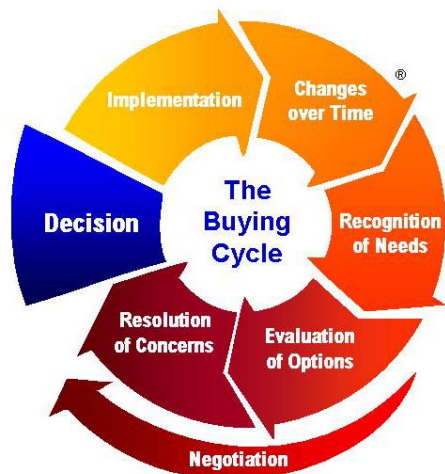
Yet, with today's breed viewing technical expertise and special service as givens, there is less hard differentiation between a greater number of potential suppliers and their solutions. The relationship element thus becomes especially important in creating strong long term partnerships. In short, a market which has been well served by providers of exceptional technical quality and commitment has moved on.

### Consultative Skills

**So how can we build on these "good" legacy attributes and adapt to this new, tougher environment, to establish**



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**profitable new business and develop client loyalty?** The key lies with understanding how clients make decisions and the skills, strategies and tactics needed to influence that process. The skills of the person facing the potential client and the ability to show how his/her solution better meets that client's needs are now usually the main differentiator between apparently identical providers.

The crucial challenge is to identify what happens in a successful sale which makes it different from a failed sale and what it is that top performers are doing which differentiates them from their less effective colleagues. The strongest single message to emerge from research is: "Don't think about how you want to sell - think about how the client wants to buy". The most effective advisers understand the client decision making process, know where the client is within it, and have the skills to influence the decision at each critical phase.

The figure in this article illustrates the complete decision making process, from an initial recognition of needs, through the evaluation of options and resolution of concerns (negotiation), to decision, implementation and subsequent changes over time which may set the process in train once more. **Please see the figure.**

To be successful, advisers need both to understand the process and recognise where each client's thinking has reached in his/her decision making. A client may, for example, already believe he/she knows what the investment strategy ought to be (late in "evaluation of options"), or may not see the need for any change at all (early in "changes over time"). Different starting points therefore require differing approaches on the part of the adviser, yet the fundamental skills required to help that client recognise his/her real financial needs before developing and agreeing a suitable investment strategy remain the same.

Sadly, too many experienced advisers are now disadvantaged by their sheer expertise. With their client experience and technical knowledge they can diagnose a problem and present the "right" solution before the client has recognised that they have that need. The client sees potentially a sophisticated and/or expensive solution that may involve considerable change to his/her present approach and they weigh it against the half-formed needs they are feeling. Unsurprisingly, the advice is rejected.

From this it should be clear that effective HNW advisers need consultative influencing skills which

harness their technical expertise with an ability to think in the client's terms. They need to talk to clients in a language they can understand and take them from whichever part of their thinking they are at, either forwards or backwards, to reach a mutually beneficial and commercially sound conclusion.

#### Developing Skills

The financial services sector is no exception to the need to improve sales performance and this applies to banks, insurance companies and IFAs. Private bankers in particular should be included in any exercise which has the aim of improving sales performance.

Asking top advisers what makes them successful tends to elicit one of two responses. Some simply cannot say - in other words their skills are largely intuitive. Others believe they know precisely, yet observation proves that either they do not work in the way described, or it is something else which is having a positive impact.

Once one knows what the "best" advisers are doing, this can then be used as a benchmark against which to give others feedback on the extent to which they exhibit these behaviours. The initial goal should be for colleagues to understand and recognise what they are doing right and wrong - moving from



unconscious to conscious competencies and incompetencies. Skills can then be developed to the point where these are put into practice without thinking - reaching a new level of unconscious competence.

But, coaching can't just be left to individual managers based largely on their own experience of selling. Management needs to equip coaches with a series of tools for diagnosing current skills and giving feedback objectively and

persuasively, helping advisers integrate the particular sales model into their own style and make appropriate changes to their behaviour. Senior client management should then measure the overall change in behaviour by advisers and see its impact on sales performance.

The HNW world today is very different from that of a decade ago. To sell it successfully requires a structured approach to behavioural and skills development which can

help ensure that technically skilled and historically successful advisers will continue to enhance their value to the client and contribution to their own organisation.

**Huthwaite International**  
**Tel: 01709 710081**  
**Email: [info@huthwaite.co.uk](mailto:info@huthwaite.co.uk)**  
**[www.huthwaite.co.uk](http://www.huthwaite.co.uk)**