

RIGHT-SIZING

Small is the New Big

QUALITY OVER QUANTITY

By Duncan MacPherson

You may have heard the phrase, "it's not the quantity, but the quality that really matters." For most financial advisors, this statement is particularly relevant to their practices. Yet, many advisors have a difficult time with the idea that a bigger practice is not necessarily better. In fact, more often than not, advisors dream of building a very large client base.

We know one thing for sure - a large book means considerably more work! Gone are the days where an advisor can be confident that a client is competitor-proofed with an annual or even bi-annual call. If you want to achieve liberation and order in your business and personal life, you need to consider right-sizing your clientele. Small is the new big only when the advisor running the small, efficient and highly selective practice, thinks big - by clearing out the old, less-than-ideal clients and making way for the new Ideal Clients.



Client right-sizing is one of the first tasks we recommend that advisors address when they begin the Pareto System.

However, there is often resistance to this concept. Many advisors instinctively believe that their action plan should begin with increasing the number of clients in their book; not paring down their number of clients.

Are you looking to boost your income by increasing the size of your client base? Before answering, consider what each question listed implies:

- Could your business, as it is running right now, handle a drastic increase in new clients?
- Would a substantial increase in business create some level of chaos in your office? As you know, there is a lot of work involved in bringing in even one new client (or there should be!)

- Would an influx of new clients result in a compromised level of service for all of your clients?
- Would you need to add a new assistant to the team in order to keep track of all your clients and make sure that nothing falls through the cracks?
- Would the additional volume in new clients possibly cause you to lose focus of the clients who really matter to your practice - the top 20% who generate 80% of your business? And if, as a result, you lost even a handful of your top clients, would that have a dramatic effect on your practice?

When optimizing a practice, it is often important for an advisor to reduce their number of clients before adding new ones. In most cases, to remain at the same income level you are at now, you may drastically reduce your client base by letting go of less-than-ideal clients who are not significantly contributing to your business or your bottom line.

Consider this analogy: you have decided it is time to upgrade your wardrobe.

You own suits that just don't work anymore and, simply put, are taking up space. Every morning, you waste time sorting through these old clothes, trying to find something decent to wear. They clutter your closet. It makes sense to get rid of the old clothes. Once done it is then possible to take inventory of what you have and what you need. Now you can go out and buy that new Hugo Boss suit!

To begin the client right-sizing process, it is important that you first examine your existing client base.

Ask yourself:

- Who is your ideal client?
- Who is no longer suitable as a client
- Who takes up too much of your time?

By re-evaluating who an ideal client may be, and then letting go of the clients who don't fit the definition, you become much more efficient overall. At the same time, your income won't really suffer. The reality is that some clients are more of a hassle than they should be, yet advisors tend to keep them on as a sort of insurance policy hoping that these clients will acquire more investable assets sometime in the future.



The problem is that these less-than ideal clients can cause you to lose sight of the clients who really deserve your attention now.

If you right-size your clientele, you can regain control of your practice. By going through this process, you will be able to spend more time with the people who count. By offering consistent and personalized service to your top clients, they will feel as though you are looking out for their needs.

If, at the same time, you are in the habit of regularly sharing your referral process, those same clients will brag about you to their friends and family. Naturally, this means that you will begin to enjoy a steady stream of introductions.

So remember, before haphazardly taking on any more new clients, get small. Think big!

It's not picking through the rocks, it's finding the diamond that matters.

- Anonymous