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Kon Costas is head of BT Principals' Community, a market-leading self-licensed community offering. He has over three decades' wealth management experience spanning banking, financial planning, business coaching, licensee establishment, management and development. Kon leads a team that provides a suite of professional services and business solutions for Australian licensees, dealer groups and financial advice firms.

Using data to drive operational efficiencies

Tapping into peer group insights

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This paper looks at how financial advice businesses struggling to contain costs can use insights from benchmarking data to support better operational and strategic decisions.

As advice practices struggle to contain costs due to the growing complexity of compliance responsibilities and other legislative change, it is more important than ever for advisers to rigorously reassess the way they operate.

Benchmarking is a process of comparing your business with others and continues to be a key tool for businesses seeking to improve performance, whether through increasing productivity or profit. Benchmarking can help principals of advice businesses understand where they can make improvements or even adjustments leading to greater efficiencies and better outcomes overall.

Comparing like with like

Results of benchmarking initiatives in the financial advice industry are now widely available. For example, practice principals can draw on insights ranging from average advice fees right through to technology solutions advisers are using. However, data drawn from too broad a group may not provide the most helpful insights. The selection of peer groups is crucial to effective benchmarking.

BT's Principals' Community (Community), a community of successful self-licensed advice businesses, identified increasing demand from members for help in understanding how their practice compared to others as a key issue. When it came to delivering quality advice to clients, the principals of these businesses wanted information to enable them to objectively assess the performance of their practice relative to other self-licensed businesses of similar size and culture.

A benchmarking process for advice businesses

This demand prompted the Community to begin its own benchmarking and insights initiative with members early in 2020 (with further work to be continued in 2021 and beyond). A detailed and personal survey was conducted of nearly 100 self-licensed businesses, across three distinct groups based on ongoing financial planning revenue:

- Less than \$2 million
- Between \$2 million and \$4 million
- Greater than \$4 million.

This gave principals a chance to better understand how their practice compared to others of a similar size—their peers.

In a series of one-on-one interviews, businesses discussed key ratios, metrics on EBIT (earnings before interest and taxes), client numbers, expenses, resourcing, and the strategic approaches used

by individual practices and the results these approaches delivered.

The questions asked during these interviews included:

1. What is your revenue per client, per adviser and per employee?
2. How many active clients do you have per FTE (full-time employee) adviser?
3. What is your PI (professional indemnity) cost as a % of revenue?
4. Who are your service support providers and what are the associated costs?

Community members were also asked about their current priorities, opportunities and challenges in running an advice business in today's environment, in areas ranging from staffing to pricing.

Once the interviews were completed:

- The output was collated and reported in a way that enabled practice principals to compare their key metrics against the averages shown for their peers—they were given a scorecard rating for each metric, highlighting their individual rating versus the average for each of the revenue bands measured across the Community.
- The Community's account directors were able to facilitate discussions between those who rated highest in a particular metric and other members keen to understand how they could achieve similar outcomes. This was a good example of the power of sharing and learning from each other's experiences.

These new insights prompted members to identify and act on opportunities for business improvements.

Insights drive positive changes for advisers

Here are a few of the positive changes Community members were able to make off the back of insights from the benchmarking:

1. Having seen how much they were paying for their Australian financial services licence audit costs compared with peers, one member changed their provider, making a significant cost saving.
2. Other members have gone back to the market for a more cost-competitive PI provider, with one business saving over \$50,000 p.a.
3. With access to the tools they need for a more considered and comparative analysis of revenue and expense ratios, some businesses are exploring merger and partnership opportunities with other Community members, to benefit from scale and back office efficiencies.

As Alison Smith, a Community member and executive director of ASET Wealth Management Pty Ltd explained:

“When running your own business and licensee, you don't get many formal opportunities to compare your business to other self-licensed firms of a similar size. By participating in the benchmarking survey, we were able to critically assess our metrics, costs structures and identify opportunities to further enhance the business.”

Key benchmarking takeaways for adoption

Align with a group of likeminded businesses

Cultural alignment is important. You can then share and learn from each other's experiences, strengths, weaknesses and strategies, then use this information to set and support your future directions.

Comparing 'like with like' is important but comparing yourself to businesses you aspire to be like is also beneficial

Benchmarking against peers is one approach. Benchmarking against best practice is another popular method. The Community benchmarking exercise benefited from having participants that fell into both camps.

Plan your approach

Decide what you want to measure, collect the information, analyse the results, and act on the insights.

It sounds easy, but having access to support that has 'done it all before' can make a big difference; not just to what insights you get, but what you do with those insights to improve your business.

Leverage real-life experience

Whatever area might be concerning you most about your business—technology, paraplanning, administrative support, insourcing/outourcing—tap into the experience of your peers and use those insights to complement the other information you use to make decisions (for instance, input from a vendor). **FS**

Reference

Valdes-Perez, R, 'Smart benchmarking starts with knowing whom to compare yourself to', *Harvard Business Review*, October 2015.

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The quote

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