

Relationships are the Foundation of 'Sticky Business'

By Joe Perri, Joe Perri & Associates Pty Ltd

For decades commencing in the 1980s, life companies and more recently regulators have been obsessed with finding ways to displace the role of the adviser as the 'glue' that connects the consumer to the institution.

It first started at the height of the Readers Digest era when direct mail suddenly became flavour of the month by a new generation of university qualified managers.

This was the first of the programs that hoped to diminish and ultimately replace the importance of the financial adviser as the traditional conduit between manufacturer and consumer.

However, the 1980s ended with an economic downturn that did the opposite and actually served to reinforce the importance of financial advisers.

As the shockwaves of the downturn intensified, the direct mail contracts were the first to be jettisoned by consumers. In contrast, those contracts that had an adviser i.e. a relationship attached to them were the ones that stuck.

They were that most valuable of business assets... 'sticky business'.

So instead of the industry's first attempt to use modern marketing practices to displace the importance of the adviser and the power of the interpersonal relationship with policyholders – it did the exact opposite.

Since then, much has changed, and the world has literally been turned on its ear. We have seen advances in technology, mass communication and industry reform / rationalization. In addition, the 21st Century has been characterized with economic downturns nearly every seven years commencing with the Dot Com crash of 2000, the GFC and more recently Covid-19.

But that lesson has stayed with me all these years and the power and importance of relationships only continues to grow and be reinforced.

In fact, talking with a veteran financial adviser earlier this week who was bemoaning the insanity of two decades of reform since the introduction of FSR to the present – with four words he put the importance of advisers into context "We make a difference".

Yet institutions, politicians (and their consultants) the media and consumer groups all collectively fail to understand and appreciate why 'sticky business' is so important.

In fact, it was 'sticky revenue' streams that made so many life companies so valuable and attractive as acquisition targets that resulted in the industry devouring itself until only the major banks were left.

One of the many positives linked with deep adviser/client relationships is longevity of the business – longevity with benefits that cascade down to the consumer, adviser, institution and economy.

This is more important now than ever before for two key reasons that relate to current-day circumstances:

1. The Covid-19 crisis
2. Life industry sustainability/viability

Covid-19

The pandemic has really served to demonstrate the importance of the adviser / client relationship.

It was financial advisers that were quite literally on the frontline helping clients and consumers when fear erupted as the enormity of the pandemic engulfed the nation.

Advisers were inundated with an unprecedented volume of calls from clients as they dealt with both the emotional and financial consequences of businesses forced to shut their doors, unemployment and lost value of investments and savings.

It was advisers working extraordinarily long hours, many at greatly reduced rates to find solutions and alternatives for clients to cashing in investments, accessing super or cancelling their insurance and protection cover.

Regrettably, over the past two decades commencing with the introduction of FSR and a never-ending regime of constant legislative/regulatory changes, many of the most experienced practitioners have elected to terminate their careers and exit the industry.

Life industry sustainability/viability

APRA has intervened in the IP market due to insurers bleeding losses driven by a combination of rising claims, overly-generous policy terms, pursuit of top quartile research house ratings, overly-complex products and overly-competitive pricing - and the industry has to get its act together.

Part of the solution is lower lapse rates and higher business retention, which is delivered in part by advised client relationships, which are proven to deliver more 'sticky business'.

In summary, since that first experiment with direct insurance as a potential replacement for a proportion of the advised business stream, time and time again the value and importance of deep client relationships has been demonstrated and reinforced – for the client, the adviser AND the insurer.

It's for this reason that I have come to view relationships as being no different to the foundations of a skyscraper.

They are not seen – are incredibly important – and the deeper / stronger they are – the higher and more structurally sound will be the building constructed on top.

As my adviser friend said in those few profound words, "We make a difference".

It's about time the legislators and advocates of change for the sake of change really look at the role and importance of financial advisers. They should acknowledge the contribution they have made to client / consumer financial well-being in the most trying of circumstances – and appreciate them as being a consumer asset and a valuable contributor as well as being part of the solution to industry sustainability, especially post Covid-19.

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About Joe Perri

Managing Director Mr. Joe Perri founded the company in 1995 after working for more than 22 years in the corporate sector. Since then, Joe Perri & Associates has grown to provide PR and marketing focussed communication strategies / solutions for clients in the corporate, SME and non-profit sectors that help them achieve their strategic business aspirations.

Joe Perri's goal is to help clients more clearly define their overall communication objectives and then implement the most appropriate strategy to reach their target audience more effectively.

Every day, Joe Perri draws on his experience to enable clients to improve their business relationship, communication and brand / profile with customers, shareholders, distributors, the media and staff.

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