



Goodwill – the measure of value

Value has been a much discussed topic in recent months – both the value of advice itself and the value of financial planning businesses as baby boomer practice owners look to their retirement.

In any succession planning program, finding ways of maximising the value of the business to the present owner is clearly a critical element.

While a great deal of commentary has addressed what owners must do to show their business is investor-ready and not dependent on them, it seems to me the impact of goodwill on a practice's value, and how to enhance this, has not been given enough attention.

Reputation, visibility of brand, the messages it communicates and the profile of the practice are key elements in goodwill.

It is arguably the greatest part of a firm's value and the most important asset it owns. So how can a planner manage their practice's goodwill to enhance its value in the eyes of a purchaser?

For example, a visible brand name for the business, with practitioners who have a reputation for excellence, is more likely to attract and retain new clients. It also makes it a good place to work for other planners.

The earlier such communication programs are implemented, the better the value to the business and the bigger the impact on the goodwill.

To be successful, such communication activities do not necessarily have to be big budget items, but they will need a time contribution by the owner, or a delegated executive, and a disciplined approach to ensure they continue.

Some of the low-cost but effective methods that can be employed in a sustained program are outlined below.

COMMUNICATIONS PLAN

Any plan to maximise the sales value of a business should have a communications plan element (as indeed should all business plans). This does not need to be overly detailed or sophisticated, but just having a document that outlines communications needs and opportunities will be invaluable. It will help practice owners identify who they need to communicate with (target audiences); allocate priorities; work out what it is you want people

to know about the business and the services offered (key messages); and have details of methods that will be used as well as activities planned.

WORD OF MOUTH

Personal recommendations are always going to be the best way of attracting new clients. Having satisfied clients who are willing to recommend your services is always the best business development program available. While professional firms largely rely on this to create their reputation, it is often taken for granted and left to chance.

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VALUE-ADD CLIENT SERVICES

Services such as seminars for clients (bring a friend), informative newsletters (pass on to others or recommend others who may be interested in receiving this) and proactive contact and follow-up add value to client relationships as well as contributing to new business development.

Also, using, but not overusing, the Internet to maintain contact with clients and keep them informed of developments and opportunities is a very low-cost but effective approach.

The few mentioned here are obvious measures but are not always a standard and programmed part of financial planners' client relationships or annual timetable. A letter once a year suggesting a catch-up if the client wants one, or contact for a select few, who are often mates anyway, cannot be considered doing enough to maintain value-driven relationships.

THIRD-PARTY ENDORSEMENT

It follows on from this that all third-party endorsements help build reputation and

awareness. Whether it is word of mouth or being quoted in the media, endorsements from others, such as clients, friends, associates or other sources, are very powerful. Media relations should be seen as providing the twin benefits of showing knowledge to a number of people, as well as saying the publication thinks your views are worth repeating. Even letters to the editor can help in this.

COMMUNITY NETWORKING AND INVOLVEMENT

Involvement in the community and general networking activities add to reputation and awareness as well as helping capitalise on them. Such activities do not necessarily involve aggressive promotion of the practice's services – indeed this can be counterproductive. But meeting new people should include some type of follow-up or contact whenever possible – at least by distributing your business card as widely as possible, following up with an email or adding contacts to newsletter mailing lists.

PEER GROUP RECOGNITION

Involvement in professional and business associations, contacts in the wider planning community and media coverage in publications read in the financial services industry all help achieve recognition by one's peers.

When it comes to selling a financial planning practice, the chances are you will be doing business with someone already in financial planning. So a reputation of being knowledgeable and a good manager with a sound business must enhance your goodwill.

Clearly there are many other communication activities that can be included as part of a total program to increase awareness and add to reputation. Those mentioned here are examples of relatively simple, low-cost activities from a smorgasbord of opportunities.

Many planners will say "we already do this" and in many instances it may be done, but often only lip-service is being paid to it. It is not always done in a sustained, programmed way, where activities are given a priority. Instead, it is often done if and when time permits. By regularly and proactively using these activities to manage goodwill as an asset, financial planners will add value to their business. □