

Disagreeable, disorganised, transactional

Is he the future of your business?

No business can thrive unless it has a clear idea of who its potential customers are. The *Professional Planner*/Customer Champion customer segmentation project has identified the clients of the future.

The statistics on how many people use the services of a financial planner are fairly well accepted: conventional wisdom has it that only 20 to 30 per cent of people who could benefit from a planner's services actually use them.

What's less well known is what type of person uses the services of a financial planner and, more interestingly, what type of person could be enticed to use a planner's services, if only they could be reached effectively.

Consumer product companies routinely conduct client segmentation studies, to help them identify groups of customers potentially ripe for the picking. Few successful consumer product launches happen without the manufacturer knowing intimately which segment of the market it is aiming at, what that segment is looking for in a

product, and how to market the product to that segment.

The same approach to customer segmentation works just as effectively in service industries, including in financial services such as financial planning. However, segmentation studies are prohibitively expensive, and a great deal of marketing by financial planning companies is therefore conducted in the dark, or results in many companies chasing the same kind of customer.

The *Professional Planner Advice market segmentation study*, designed and run by The Customer Champion and sponsored by *Professional Planner*, has identified six clear customer segments, and sets out the groundwork for developing customer value propositions and marketing strategies to reach those segments. Each segment has its own characteristics and peculiarities.



KEY CUSTOMER SEGMENTS

- **Better things to do**
- **Avoiders**
- **Conservative DIYs**
- **Players**
- **Delegators**
- **Enthusiasts**

And it is precisely those attributes that should determine how a financial planning practice or licensee goes about attracting and cultivating new client segments.

Cultivating new segments will be critical to the future growth of the financial planning industry, says Scott Graham, founder and principal of The Customer Champion.

Graham says at least one of the segments the industry has traditionally targeted – the so-called “Enthusiasts” – is largely saturated. A high proportion of customers in this segment already have a relationship with a financial planner.

“The first thing to say with all of this is, when you run this segmentation, there’s something very, very clear. That is, the ‘Enthusiast’, which is where a large part of the current financial planning clientele exists, are pretty much maxed out. If you want to grow your business, it’s important to move beyond the current archetype of the wealth customer – which is older, wealthier.

“There’s not a lot of opportunity there with the Enthusiasts. We know that they’re quite happy with their planner – so not only is there no latent opportunity, or very little latent opportunity, there’s very little prospect of shifting them from one planner to the other.

“So it requires us to be a bit more lateral in the way we approach the other segments.”

Foremost among them is the “Better things to do” segment (see breakout), who have traditionally been regarded as hard nuts to crack, and therefore generally avoided. Customers in this segment are disagreeable, disorganised, not loyal, tend to live in the here-and-now and therefore are transactionally focused – but they may be the clients of your future.

Graham says reaching new customers successfully requires a business to be different from its competitors and – critically – relevant to the customer segment.

THE VIEW FROM THE TOP

Financial planning licensees face the same problem as individual planning practices: how to grow a business in a market that doesn’t appear to have any growth in it.

Scott Graham says the saying “a rising tide lifts all boats” describes the circumstances in which many, if not all of the leading businesses, have been built.

“But times have changed. Hope as we might, they’re not going to change back,” he says.

Graham says there would “not be a licensee in the market that has not said in recent times that we’re looking to build our business or reorientate ourselves around the customer”.

“The question is how? Which customer? And how do we make this a success?” he says.

Graham says a robust segmentation study puts “a fact base on the table”.

“Something like this is solid enough and broad enough that it gives everyone a common grounding,” he says.

“It’s really robust. It means it’s got internal coherence. It’s likely that it describes reality, and it’s something you can bank on. It ought to be actionable.

“If I was a financial planner, as intuitive as all this stuff might be, and someone was saying to me, look, you’ve really got to change your business to stop looking upstream to the manufacturer and start looking downstream to the customer, I’d get all that. But if someone was telling me to do it around a segmentation, I’d be looking for quant data. This study has that.”

“The two things that will attract a customer to your business are, first of all, being relevant to what they need and, secondly, being different,” he says.

“The more focused you are on a group, the better chance you’ve got of being able to make yourself relevant to them.

“If you’re trying to be all things to all people then you’re not going to be tight in your proposition to the needs of any particular group. You’re going to lose, every time, to someone who is.

“But that’s what a large chunk of marketing is all about: understanding customer needs, and creating an offering to meet those needs; and communicating that offering and connecting and selling to them.”

Graham says a good segmentation study identifies how consumers naturally group.

“It’s to allow the human characteristics to drive the segments,” he says.

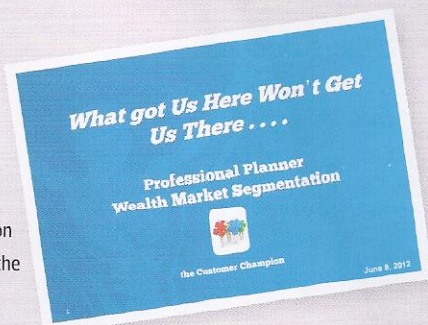
“But without getting too esoteric about it, you’re not that interested in high-end values, life values; you’re interested in the attitudes that connect to their values and connect their values to the industry.

“We’re trying to get into the beliefs about wealth and advice and all the constructs that sit around that: family, the future, ageing. And the way you get to beliefs is through attitudes. Attitudes are an expression of belief. That’s why you talk about attitudinal segmentations.

“And you’re only interested in the beliefs that are

The *Professional Planner* Advice market segmentation study was sponsored by *Professional Planner* and designed and run by The Customer Champion.

To learn more about the report, contact The Customer Champion on 0431462 588 or info@thecustomerchampion.com.au, or visit www.thecustomerchampion.com.au/
An edited version of Scott Graham’s presentation to the Dealer Group Summit will be available on the *Professional Planner* website in July – www.professionalplanner.com.au



BETTER THINGS TO DO

- **Young.**
- **Slightly more males in this segment than females.**
- **Below-average penetration of this segment by financial planners.**
- **Customers in this segment are distinguished by being disagreeable, disorganised, transactional, emotional, not practical and living in the “now”.**
- **A distinguishing attribute is that they’re prepared to take a big risk for a higher return.**

Scott Graham says the “Better things to do” segment is a young segment, and as such it has some “life-stage characteristics that are to do with having other priorities in life”.

Graham says this segment does not engage particularly well with institutions and experts; and “financially they have little wealth, as yet, which causes the industry to shy away from them”.

“However, they are a large chunk of the future of the industry, and that is in spite of the fact that their attitudes are quite negative to financial advice,” he says.

“A large proportion are prepared to acknowledge that they will end up in an advice relationship in the next five years.

On that basis, they’re almost acknowledging that shortly they’ll be ready to move on.”

But Graham’s segmentation research also shows, in a broader sense, that once an individual has a relationship with a financial planner, that relationship tends to be “sticky”, and it’s difficult for one planning firm to entice customers away from another.

The key to growing a customer base, therefore, is to try to avoid relying on poaching clients from other planners. It’s likely to be more productive, and more profitable, in the long term to cultivate new segments, and get your hooks into them before someone else does.

“But ‘getting your hooks in’ is a relative thing, because some of these groups are quite transactional,” Graham says.

“So when we say they’re not loyal...they are, interestingly, transactionally loyal, if they’re properly treated. So the trick is recognising the needs of this group, and dealing with them well, and then you’ll get those recurrent transactions which over time will have a chance to build into a relationship.”

But this segment is quite distinct from others in having a clear idea of the kind of adviser they are prepared to engage with.

“This is the group that said ‘I want someone who looks like me sitting across the table,’” Graham says.

“They’re the only group that said that. And they don’t mean a bloke; and they don’t mean someone with the same haircut as me; they mean, ‘Not a geezer, please’. It’s about age, and about not talking down to them.”

The segmentation study also reveals that the “Better things to do” segment is distinguished from other segments by being willing to take big financial risks in pursuit of potentially higher financial returns.

motivators. It’s really critical to have in your methodology the ability to separate out the things that are highly correlated with wealth behaviours – that is, did they take up advice? How much product do they have? Which channel did they choose? Where there are high correlations, those are the beliefs you want in your model, and where there are not, you get them out.”

Bad segmentation, on the other hand, tends to treat customers as economic units, rather than as people.

“And it groups them according to how the industry wants to see them, not by how they are,” Graham says,

“Typically, the way the industry segments customers is according to footings – that is, how much debt they’ve got, or product holdings – or according to their channel behaviours, according to current relationships.

“So they group them according to how they connect to the industry. That’s the classic old-school segmentation methodology. And it’s not useful because it does not predict anything about their future behaviour.

“It tells you where they’re at, but it does not tell you why they’re there. It’s often very superficial.”

There are two reasons a financial planning business might want to know the key customer segments. One is if it has already developed a client value proposition (CVP), and wants to know which segment to pitch it to.

The second is if it wants to target a specific customer segment, and wants to know how to tailor a CVP to suit.

“In the abstract, it’s better before you enter a market to understand the market and make a decision about where you want to go, and build yourself purposely around that particular group,” Graham says.

“It’s very rarely possible to do that, because most of the time, by and large, we’ve already got a position in the market, and the customer set is already defined, and so we’re refining and optimising.”

Graham says the foundation of business growth is to “meet the customer where the customer is at, rather than trying to force the customer onto the business’s historical terms”.

“That’s the secret with all of these segments,” he says.

Graham says that some segments initially approach financial planners with transactional needs, while others will remain transactional forever.

“And if we want to have their custom going forward, we have to meet them on their terms,” he says.

We need to be comfortable that we can find a way of making money out of that – and we need to be comfortable that we will know the time to talk to them about shifting from a transactional into a contractual relationship.

“And we need to build a communications ability to bridge the transactions, so it feels like a relationship.” ■