



Sell So They Will Tell

To build your referral network, first build your selling skills

A lot of people devote time to building their marketing strategy, of which a key component is setting up a referral network. However, no matter how much time and effort you invest in this, if you haven't got the sales skills to go with your networking initiatives, then all your efforts will be in vain.

To establish a successful network for referrals you must have very good sales skills. Here are four reasons why:

1. Build confidence in you

Firstly, you need to sell yourself to your potential referral source so that they have sufficient confidence in you to refer you on to their valuable friends and business associates. A referrer has a special relationship with their contacts and associates and they are not going to damage their relationship and risk a referral if you have not demonstrated your ability to solve their problems.

"The key component in referral marketing is to make your referral source look and feel great."

To do that, you'll need to be able to clearly demonstrate that you know how to sell and that you can provide the products and services that they are referring you for. They will need to be reassured that you won't let them down and, even more importantly, that the person they are referring you to will be grateful and appreciative of the introduction. Getting a referral and then not having the selling skills to capitalise on the opportunity will result in two unhappy people: a disenchanted potential customer and, even worse, a damaged referral source.

The key component in referral marketing is to make your referral source look and feel great. To do that, you need to demonstrate that you know how to sell to a prospect in a way that doesn't embarrass or jeopardise their relationship with the referral.

2. Build confidence in them

Here's the second reason you need great selling skills. When you meet your prospect, you will need to be able to sell to them in order to get that first critical appointment. Your referrer has helped a great deal up to this point in time, but now you need to convince your prospect that the appointment is worth their time and effort and may produce a favourable outcome for them. To do that, you need to be able to demonstrate empathy, knowledge, professionalism, confidence and the ability to provide them with the solution they're looking for.

3. Build the relationship

Thirdly, once you have the appointment, you need to convert your prospect into a customer – again through your selling skills. Your ability and integrity is critical at this stage so that your prospect - now a customer – knows exactly what to expect, ie no hidden charges, no surprises, etc.

4. Complete the circle

Finally, it's vital to remember that closing a sale is not the end of the selling process. You need to make other sales to your customer, have additional points of contact and establish and maintain a long term relationship that ideally encourages them, in turn, to become referrers for your business.

To complete the circle, once you have made the sale and converted a prospect into a customer, make sure you report back to your referrer telling them of the outcome and the result. This further cements your status with your referrer and may well encourage them to refer you again. It's also a good idea to ask your new customer to report back to the referrer as well to express gratitude and satisfaction. This will cement your relationship with your referrer even further.

If you like the concept of referral marketing but think that you lack sales skills, talk to your adviser about how our WHK corporate training programme can help you become a better seller.



Are petrol vouchers worthwhile?

When it comes to buying petrol, many consumers will go out of their way to find the cheapest price in their area and beyond. That's not a bad thing – any money is better in your pocket than theirs.

Recently, I was asked whether discount petrol vouchers really make a difference. The answer is "sort of", you save a few cents, a couple of dollars at most, but that's all. It's proved to be an effective marketing campaign for larger supermarkets, especially as people will drive a few extra kilometres to save some money, not realising the extra petrol used to get there made this a false economy!

Now if only people put as much effort into making real savings, such as examining whether they have the best deal on their home loan.

For many the idea of investigating whether to refinance their home loan seems like a lot of hard work. Many people do think about it, but even contemplating a change is exhausting and before they know it, another direct debit has gone through and then another year has gone by. But it really is worth checking out, as the savings could be tens of thousands of dollars over the life of the loan.

So what aspects of your home loan should you check? See what kind of lower interest rates are available, check the fees involved and verify how flexible your existing loan is. Do your homework and you might never have to worry about saving 50 cents off your petrol again!



STRAIGHT TALK

Howzat!

Investment is like cricket. Some people like the short one-day game, hitting sixes all over the park and making quick runs. Others like the long-version of the game, where patience and discipline are rewarded. Certainly the spectacle of 'one-day cricket' investment pulls in the punters, and many active fund managers are keen to tap into that demand, promoting their short-term batting averages as the selling point.

But in the longer version of the game, the batsmen who are most valued aren't those with the high strike rates, but the ones who can accumulate runs steadily without losing their wickets. There may be fewer fireworks this way, but it's a reliable and rigorous approach to getting runs on the board.

So it is with WHK's approach to investment. Instead of trying to predict where the markets are going and playing the investment version of the hook shot by timing market moves, we look at things we CAN control...

One of our roles as an adviser is to continually look out for the best solution for clients. The industry as a whole saw active managers (and most still do) as the best resource available there are certainly some very sophisticated and smart investment teams.

However after scrutiny and despite their impressive credentials these active fund managers have disappointed in most cases. They told us they would provide returns for our clients well over the market after their fees and taxes. They have not. Learning from the process we had to look for a better solution. This is not just our experience. There is academic evidence to support our findings.

In a paper written by Gary Brinson, "Determinants of Portfolio Performance", Financial Analysts Journal, 1986 and 1991, he showed that portfolio performance has three determinants - market timing, asset class selection and security selection.

As we know, the key determinant for variations in a portfolio's returns is asset allocation. So we really should be focusing our attention on an asset class approach rather than utilising managers who time the market and actively trade.

The academic evidence suggests that while some active fund managers have had great success at adding some value - the majority are lucky to beat the market. There are all sorts of theories why this occurs. Each manager we speak to explains that they can overcome this statistic because they are special. Whatever the reason or debate they on average just

don't outperform the market - especially when we look at the tax affect of their distributions.

It is a bit like every batsman for Australia saying they hope to average over 60. Most have the ability of course and many get off to a good start, but over time their average will be within a band. This is not a question of their ability or ambition but it is a statement of fact that most managers will not achieve the return that they say they will versus the market. In recent times this has been exacerbated by many fund managers leaving their employer to start their own fund. This has been rather frustrating as an advisory business. So what are we supposed to do - sell all units and follow them? At a huge cost to our clients? I don't think so.

"It is different to the majority of the market, but we know from experience it is better than the way we know."

It has become apparent that the goals of a fund manager are very different to that of our clients and a new approach is required. Goodbye active managers even if you do average 90, to follow you to another team would halve the average anyway, and we know that is likely to happen! No longer do we believe active managers are the best solution for our clients. (Note to Mike Hussey, please start scoring 50's rather than 100's, but then again who picked that?)

The solution is to not worry about chasing active managers around town but to construct a portfolio based on structure and an academically rigorous process. This strategy will have a far more reliable outcome for our clients. This will reduce management costs, transaction costs and improve after tax returns. This is starting to sound better. The outcome is a more reliable methodology to achieve better than market returns for clients.

If we can run a business to help you, our clients achieve this then we will be running a better business, which is what you want from us. The conclusion is that after spending a lot of time researching past performance



of managers we are setting out to implement an asset class approach across all clients, new and old.

It is different to the majority of the market, but we know from experience it is better than the way we know. We will keep the horizon in our sights but always look back to ensure the path we have travelled is a good one.

At WHK we fundamentally believe in the following process when constructing portfolios:

- Markets work. Rather than trying to outguess the market, we let it work for you. The majority of a portfolio's return comes from the market not an individual fund manager or stock.
- Risk and return are related. To achieve higher returns, investors need to take more risk.
- After tax returns are important. These are the returns that you actually achieve.
- Minimising fees and transaction costs is important.
- Our aim is to use diversification to increase return and reduce risk.
- We are investors not speculators. By rejecting the notion of costly speculation investing becomes a matter of identifying the risks that bear compensation and choosing how much of these risks to take. We do not try to take advantage of the way markets are right now.
- Outperformance is sourced via capturing returns from parts of markets with higher risks, that are worth taking.

A simple outcome is to relieve the stress and confusion of investing with a clear and empirical approach to wealth management. We implement the above approach accessing leading academic research and an investment approach that focuses on low turnover, lower transaction costs and tax awareness.

Should you wish to discuss further please contact your WHK adviser.

Article by Nigel Baker, WHK Horwath Sydney.

10 Keys to Generate Endless Referrals

1. Create and maintain your database eg. contact details, special interests, major achievement.
2. Make contact with current clients and prospects every 60-90 days.
3. Attend 1 or 2 Networking functions regularly and become known as the key person in your industry.
4. When you receive a referral, acknowledge the referral in writing –fax, card, email, at the time of receipt. Then get back to the person and let them know how it went.
5. Give away a referral a day to someone in your network, based on the law of reciprocity - what you give out is what you get back.
6. Send a thank you card every day.
7. Build a positive profile in your community - call people by name, wear a name badge, sponsor on a local basis. As Anita Roddick says: THINK GLOBALLY, ACT LOCALLY
8. Work your internal network more effectively.
9. Avoid keeping tabs on what you do for others: "Give Without Expectations".
10. Be open to opportunities - "The window of opportunity is so clear, sometimes we miss it".

By Robyn Henderson
International Networking Guru



When Are You Planning To Leave?

Getting your succession planning right.

Let me ask you four questions:

1. What would happen to your business if you were unable to return to work for a long period, or worse, never?
2. How can you assure a continuous supply of talented people moving through the business and being ready to take opportunities when key people retire or move on?
3. How can you plan for the future of the business without the confidence that the key positions will be filled with people able to carry on and take the business to a new level?
4. How do you protect the value of the business if you can't demonstrate a clear future?

As more and more baby boomers head towards retirement and an increasing number of businesses come up for sale, there's a very real need for business owners to face up to the daunting prospect of succession planning. This is one of those issues that generates anxiety, fear and concern in the hearts of many owners, but failure to properly plan your exit strategy can undo and damage the value of all the good work and huge amount of time you have invested in building the business over many years.

If you are planning on retiring within the next 3-10 years, it is essential you have a plan in place mapping out how you will exit with real value.

There are two key elements:

- Management succession - a plan for internally nurturing, developing and retaining talent who will take over more and more of the day to day running of the business.
- Ownership succession – this is how you, as the business owner, will transit out of management and ownership. Without effective ownership succession planning, you will miss out on a chance to maximise the capital value that you can extract from the business on exit.

Understanding Succession Planning

Ownership succession focuses on who will own the business and how and when that will happen, whilst management succession focuses on who will run the business, what changes will occur, when will they be accountable for results and how those results can be realised.

Succession planning will not be successful if these two processes are not co-ordinated or addressed together.

Documenting a well planned succession strategy is a blueprint for ensuring continuity and the future success of your business. It's not only a sound management decision, taking the business beyond its current positioning, it's also about taking control of the inevitable at a time when you still have the power and the means to make decisions that work best for you.

Well staged internal succession planning creates an environment that ensures the best people have been chosen and groomed appropriately to lead the business into the next phase. Ownership succession enables the business to be groomed attractively so that it is positioned for achieving the best price at sale.

The internal succession plan will cover the critical roles in your business and how they will be filled in the future. Identifying skill gaps is also a crucial aspect and, to make your internal succession plan a success, you must continually focus on the skills you will need in the future to ensure longevity.

Effective internal succession planning is continuous, while effective ownership succession plans will generally have a timeframe of 2-3 years. Not having a well staged succession plan in place will expose your business to a crisis.

Preparing for succession

A well documented succession strategy will cover both existing operational risk and potential risk associated with disruption to the business and mitigate these so that they do not negatively impact on business value.

To prepare a robust succession plan you must have:

- a clear vision for the business, and the ability to identify the type of talent you need to source and train;
- a strengthened business model, with a focus on sustainable profits for the future;
- the ability to make yourself redundant by appropriate delegation and the empowerment of your team;
- a valuation of your business and a plan for how you will maximise the potential price;
- a good understanding of the talent you have, and the talent you need to acquire;
- a list of likely successors – that is, those people who are ready, willing and able to take control;
- plans for continuity in the transition period when you exit the business, as well as a contingency plan in case the unforeseen happens and your intended successor declines the opportunity or is unexpectedly unavailable.

Finding the successful successor

This is a difficult area to address, especially within family businesses, as there is often the assumption that your son, daughter or family member will be the one to take over. But, in reality, they may not be the best person to lead the company into its next era.

In determining the successor:

- don't assume your family members will head up the business – ask them;
- recognise that good internal succession outcomes start with sound recruiting strategies;
- build in appropriate training periods into the timeframes;

- if you are recruiting from the outside, ensure there is time for the new person to gain respect, trust and confidence from the other staff;
- don't clone yourself – your successor should bring different skills and experiences to take the business to a new level;
- ensure that your successor can demonstrate the commitment to the core values that you have established in the business.



Keeping it in the family

Whilst this may be your ultimate dream you need to think through just how commercially sensible and viable this is. It is critical to balance your emotions with hard reality and, accordingly, is family succession the best option for you? If you are considering internal family succession, you should take into account the following:

- Will family values conflict with commercial decisions?
- Does your intended family successor possess the right skills, attributes and commitment to the business?
- Does your family member appreciate the business, where it has been, how it got there and where it's going?
- Does that person have the trust of all family members?
- Will nominating this person set up conflict within the business?
- Will your family succession provide you with the exit dollars you need for an enjoyable retirement?
- Will there be any threats of getting paid fair value for the business?
- If you are planning to leave funds in the business to facilitate the internal succession, would you be at risk and, if so, to what level?

All in all, succession is wide ranging and requires considerable input in planning in order to achieve your desired outcome. These issues are critical and the time to be planning for them is now.

To successfully activate your succession plan, contact your WHK adviser who has worked through many businesses in the past to help owners achieve the best outcomes.

Did You Know?

WHK Group is the fifth largest Accounting group in both Australia and New Zealand.

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