



SEGMENTATION LEADS TO BIG PAYOFF

SUMMARY/HANDOUT

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Ellen is commercial litigator with over 25 years of practice at prominent Canadian firms, and now with Babin Bessner Spry LLP. Her expertise is representing securities dealers and advisors in regulatory (IIROC, MFDA, OSC, FSRA (and other provincial insurance regulators) and FP Canada) and, employment and commercial litigation disputes.

Ellen is the Author of the bestselling book ***Advisor at Risk, a Roadmap to Protecting Your Business***, and the sequel, ***Communication Risk, How to Bridge the Client-Advisor Gap to Protect and Grow Your Business***, risk management tools for professionals in the financial services industry. To purchase or information on volume discounts email: kmcpeake@babinbessnerspry.com.

Ellen is an expert speaker and is a regular contributor to national, business and industry press.

Ellen was appointed to the Ontario Securities Commission's Expert Advisory committee, co-authored a paper on Risk Profiling commissioned by the OSC's Investor Advisory Panel and is a panel member for enforcement proceedings for the Certified Professional Accountants of Ontario (CPA).

For free e-alerts or information on Ellen's books, please contact Kim McPeake at kmcpeake@babinbessnerspry.com

Outline:

SEGMENTATION

1. Success and Segmentation
2. Advisors at Risk
3. Why Segmentation?
4. How to Segment?

1. SUCCESS AND SEGMENTATION

My Story

2. ADVISORS AT RISK

RULE BOOKS / REGS / POLICIES

CHANGES TO REGS AND POLICIES

GROWTH

- Entrepreneurs need to grow
- Growth can add risk if staff, education and processes not adjusted

AUDITS – regulators and dealer

COMPLAINING CLIENTS

Regulatory Enforcement and Litigation

HOW TO PROTECT?

- ✓ Licence
- ✓ Livelihood
- ✓ Reputation
- ✓ While Growing Your Business

SEGMENTATION

3. WHY SEGMENTATION?

Decrease Risk and Increases Growth

Clients' Viewpoint with segmented Advisor:

- ✓ Feel understood
- ✓ More likely to trust advisor who understands them
- ✓ Feel connected to advisor
- ✓ More likely to share their private information – (KYC – CFR)
- ✓ Want advisor to succeed

Advisor's risk reduction:

- ✓ Less client turnover
- ✓ Fewer and similar types of client
- ✓ Processes established and followed more consistently
- ✓ Easier to meet regulatory and legal requirements ex. know clients better, more likely get suitability right
- ✓ Eliminate higher risk clients who do not fit the segment(s)

Advisors' Growth – Organically/Naturally through segmentation

- ✓ Clients more likely to share information when good news – bonuses
- ✓ Larger purse from each client (from fewer # of clients)
- ✓ Can better focus on clients' needs than generalist
- ✓ More likely to meet clients' needs if understood better
- ✓ Less work to understand leaves more time to spend being productive
- ✓ Clients more likely to refer others like them – family/successors and friends (from same segment)

4. HOW TO SEGMENT?

- Earn the right to solve clients' problems
- Depth of understanding is prerequisite
- Authentic about challenges faced by clients in segment(s)

Step i. Know Yourself (Communication Risk, chapter 3)

- Strengths/Weaknesses – present tasks and types of clients
- Likes/Dislikes – present tasks and types of clients
- Your “Risk Tolerance” and “Risk Capacity” (take any client vs. scrutinize for client risk)

Charts to lay it out

Tasks	Good at it?	Like it?

Step ii. Know Your Business

- What services do you currently offer?
- What is profitable and not?
- What processes followed – work or not (communication, forms to be completed and note taking on CRM system)?

Step iii. Segmentation of Client List

CATEGORIES

Segment your existing client list:

- Ages
- Vocation
- Education
- Backgrounds
- Languages spoken
- Net worth
- Sophistication
- Interests and goals
- Health issues
- ANYTHING ELSE YOU THINK OF

Review Steps i. and ii. information collected and compare:

- Strengths/weaknesses and likes/dislikes
with
- Existing business in consideration of this segmentation

HOW?

- Is there any background or quality of person that you particularly enjoy or do not enjoy?
- Is there a particular background that you can add value to and really help in a way others do not or cannot?
- Even eliminating types you do not enjoy is helpful
 - ex. driving 100+ km from your office to meet clients may be a total drag especially in winter

WHY?

Identify in your chart:

- Why are the clients in your list ones that you like the best?
- Why do you dislike working with the ones identified as least liking?
- Do the ones you like/dislike have certain aspects in common with each other? Age, vocation, health, attitude, etc.

IDENTIFY SEGMENT(S) for consideration

- Pick a segment that is growing
- Pick a segment that is reasonably accessible to you
- Pick a segment that will gravitate to you
- The right size...

Segmentation of Client List

- Now that you identified segment(s), what changes to make re (ever-changing; revisit)
 - Licenses
 - Training/Education
 - Process – compliant and fit segment
 - Staffing

Step iv. Expertise and Processes... Stay Sharp!

- Continuing education about the segment(s) and how it changes
- Continue to ask clients in the segments what impacts them and continue to learn
- DO NOT GENERALIZE – even though segmented, everyone has their own journey
- KYCs need to be individualized

Step v. Prospecting Segment(s) chosen

- Industry Groups
- Ask for referrals
- Ask to meet successors to older clients
- Ask to meet extended family or others in segment(s)

Develop unofficial Board of Directors or Counsel, internal and external:

- Segment
- Compliance
- Business transformation/growth

Be Flexible

Sometimes a segment works and then it doesn't

- Becomes too small and needs to be expanded
- Becomes too big and needs to be refined
- Sometimes processes and staffing need to change as segmentation changes

Conclusion: Segmenting your business leads to big payoff because...

- ✓ Cannot be all things to all people – focus on who you relate to and can service best and most efficiently – knocks out competition
- ✓ Clients more likely to feel understood if you are expert in the segment
- ✓ More referrals / more from each client
- ✓ Less turnover of clients – less paperwork and less compliance risk
- ✓ Happier and more fulfilled work life



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