
Centric
Practice management and business strategy
Damon Riscalla, Betashares
Matthew Swieconek, Findex
Moderated by Kieran Canavan, Centric Wealth
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Strategy

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The concept of Strategy

An SME business strategy refers to a comprehensive plan of action that outlines the business intends to achieve its goals and objectives in a competitive market. This involves making strategic choices and allocating resources to maximise the business's potential for success and growth.

The Purpose of Strategy

The purpose of a small business strategy is to provide a clear direction and framework for the business to achieve its goals and objectives.

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Key components of strategy

Vision and Mission: Clearly defining the purpose, values, and long-term aspirations of the business.

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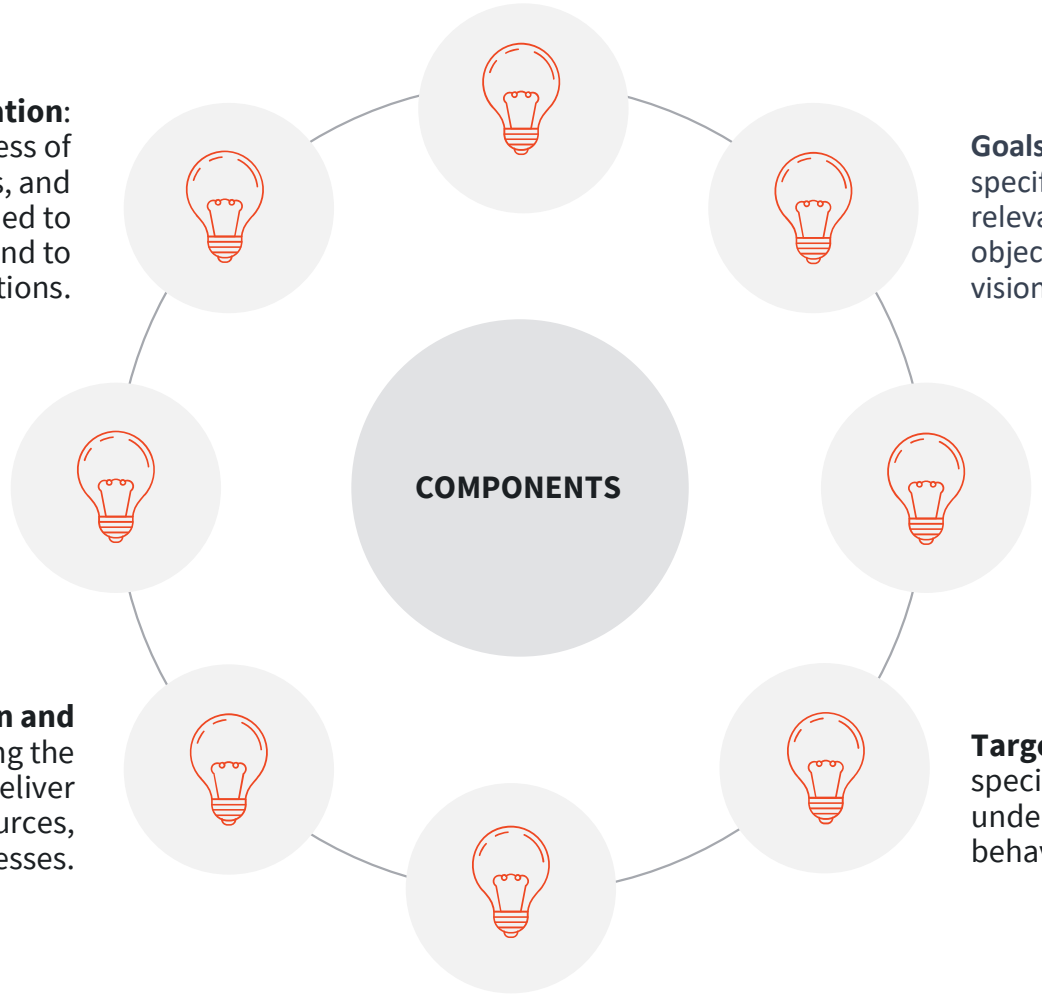
Monitoring and Evaluation: Regularly assessing the progress of the strategy, tracking KPIs, and making adjustments as needed to stay on track and respond to changing market conditions.



Goals and Objectives: Establishing specific, measurable, attainable, relevant, and time-bound (SMART) objectives that align with the overall vision and mission.

Implementation and Execution: Breaking down the strategy into actionable steps, assigning responsibilities, and developing a timeline for implementation.

Market Analysis & competitive advantage: Assessing the industry, target market, competitors, and trends to identify opportunities and challenges. Determining the unique strengths, capabilities, and value proposition that differentiate the business from its competitors.

Operations, Resource Allocation and Financial Management: Determining the most effective and efficient ways to deliver products or services, manage resources, and optimise business processes.

Target Market: Identifying the specific customer segments and understanding their needs and behaviours.

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Marketing and Sales Strategies: Defining how the business will reach and attract customers, including pricing, and customer relationship management.

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Key purposes of business strategy

Goal Alignment: A strategy helps align all aspects of the business to ensures that everyone in the organization is working towards a common vision, maximising the chances of success.

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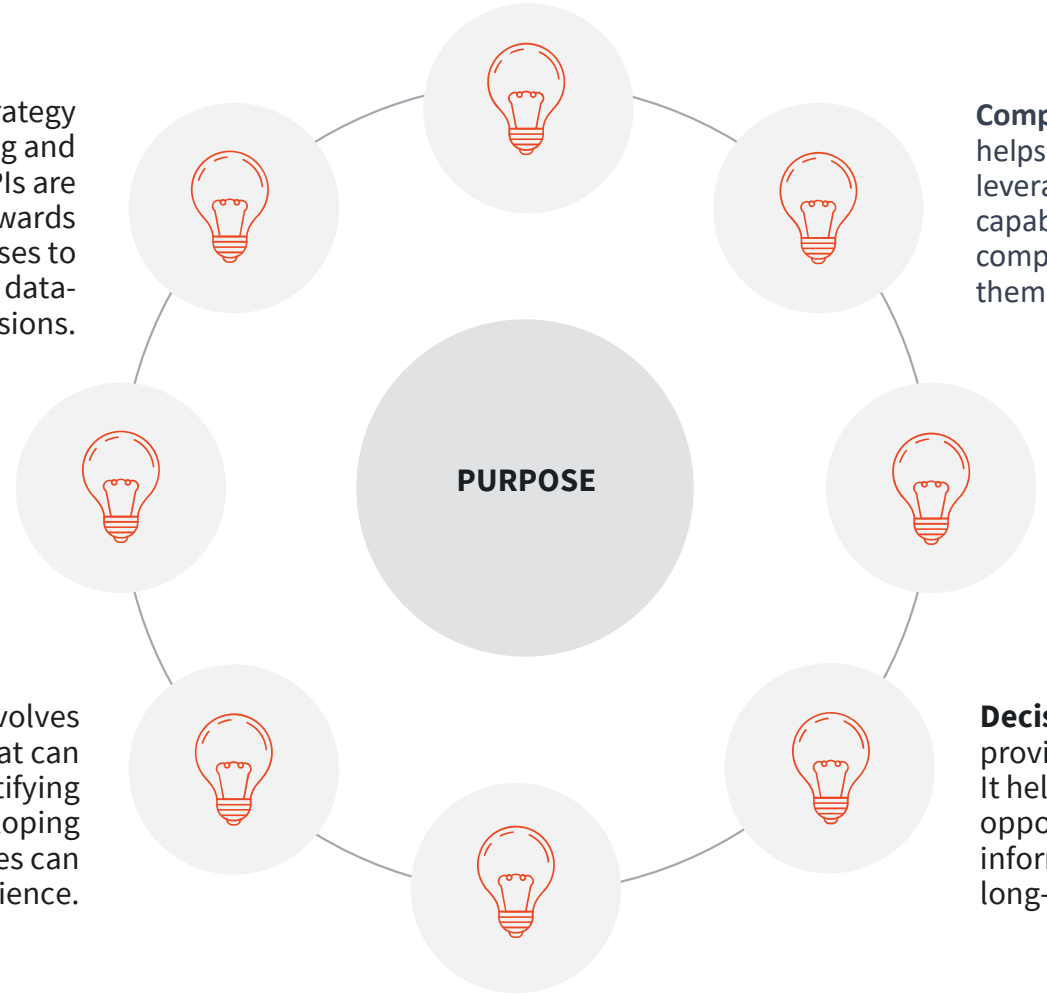
Performance Measurement: Strategy provides a framework for measuring and evaluating performance, KPIs are established to track progress towards goals, enabling small businesses to monitor their performance and make data-driven decisions.

Communication and Alignment: A strategy serves as a communication tool, ensuring that everyone in the organization understands the direction, goals, and priorities of the business creating a shared understanding of how individual efforts contribute to the overall success of the business.

Risk Management: Strategy involves assessing and managing risks that can impact the business. By identifying potential threats and developing contingency plans, small businesses can mitigate risks and improve resilience.



Competitive Advantage: Strategy helps small businesses identify and leverage their unique strengths, capabilities, and resources to gain a competitive edge and to differentiate themselves.

Resource Allocation: Strategy guides the allocation of limited resources such as time, money, and human capital. This helps small businesses optimise their resource utilization and achieve better results.

Decision Making: A well-defined strategy provides a framework for decision making. It helps business owners evaluate potential opportunities, assess risks, and make informed choices that are aligned with the long-term vision of the business.

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Adaptation to Market Changes: Strategy enables small businesses to anticipate and respond to changes in the market environment. It helps them stay agile and flexible.

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Practice management insights

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Segmentation

Client segmentation insights

Building your CVP

Pricing

CVP and pricing insights

Investment Solutions

Investment offering and management insights

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Strategy in practice – Why?

Client Needs

Your business will outlive you- ensure clients have continuity

Client require advice tailored to their lifetime

Clear strategy helps you focus on client needs (training, resources, marketing)

Selling the business

Turnkey businesses are easier to sell

Cashflow + Equity value =reward for work

Strong strategy highlights your CVP

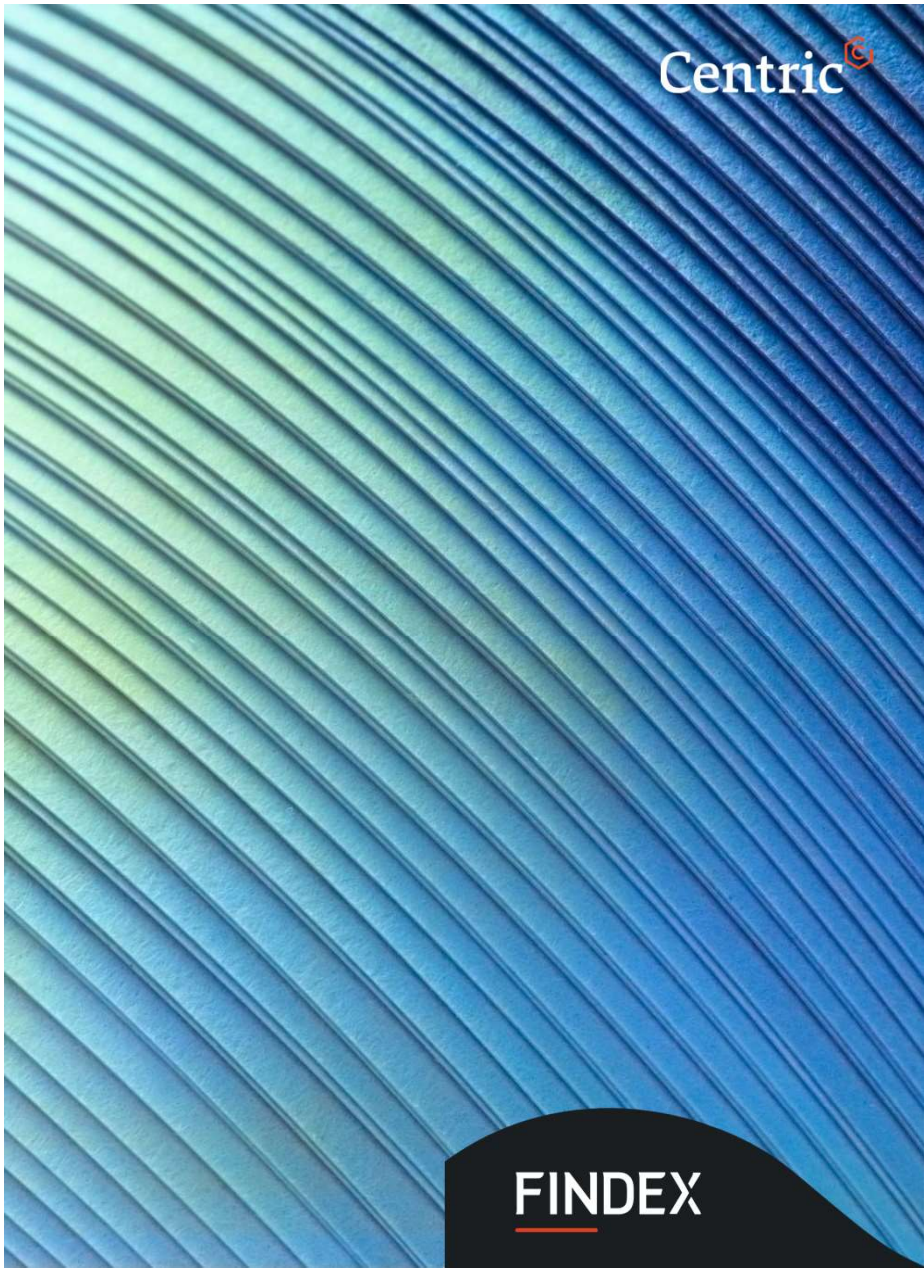
Maximise efficiencies

M & A / Succession

Strong policies and procedures make integration easier

A compliant business is more attractive for mergers

Staff retention and equity buy-ins are more attractive



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Strategy & Process Considerations

Processes

Regular review

Outsourcing

External review

Client profitability

Annual planning

Segmenting a client base

Technology

Investment Admin

CRM & Sales

Para-planning

Automation

Communication

Client Delivery

Investment Philosophy

CVP

Staff & team configuration

Service delivery

Client feedback

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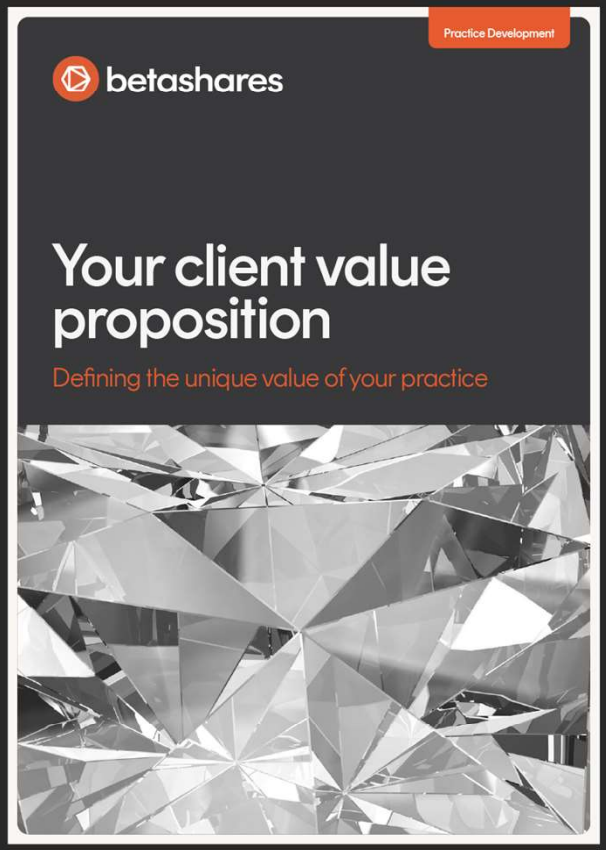
Findex Business Planning Process

3-5 Yrs	Findex Executive sets a 3-5 year Group strategy.
3-5 Yrs	Each Division sets a 3-5 year plan to align with Group strategy.
Annually	Findex Advisers required to submit Business Plan every FY – qualitative and quantitative.

Where can I get help?



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Developing a CVP

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1. Build resources where you have strengths
2. Differentiate your firm
3. Focus on areas of high firm performance and uniqueness
4. Avoid exaggerations and generic speak
5. Consider client pain points, jobs to be done, and gain creators
6. Consider the firm descriptors
7. Spread the word

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Client Segmentation

- Why is it important?
- Are all your clients a good fit?
- Move up or move out strategy
- Dedicate resources in the right areas
- Do you need to expand capabilities ?
- Do you have an identifiable gap in your client base ?
- Better understand segment risks (compliance, regulatory, longevity)
- Refine marketing capabilities

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Methods of Segmentation

- Value to firm (total of direct and firm revenue)
- Industry categorization (defined benefits, industry super)
- Stage of life segmentation
- Family-linked offerings
- Service level offerings (static service offerings)
- Complexity based service packages (pre-determined)
- Does it pass the BBQ test?

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Findex Client Segmentation

- Primary and Secondary client segments;

Primary (Ongoing Service)

- Four distinct client service packages;
- Determined by revenue and complexity – whole of firm;
- Defined touch points, communications, events, reporting etc.
- Managed under a documented CSA and OFA;

Secondary

- Segmented by location;
- Segmented by age;
- Segmented by client type e.g. Business owner, accumulator, pre-retiree, retiree;

Pricing – AUM %

- Performance Linked
- No need to officially increase fees
- Inflation Linked
- Can lead to over/undercharging
- Ignores clients with low assets who are prepared to pay for advice
- No official structure

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Flat Hourly Fee

- Links fees to complexity
- Prices reflect the effort to complete work
- Avoids cross-subsidization
- Easy for clients to understand- similarity with other professions
- Requires billing and fee collection
- No reward for efficiency
- Lumpy workflow can create capacity constraints
- More subject to the duration effect

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Service package

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Consistent income Streams

Smooths out workflow across the year

Easy to advertise – no personal quotes needed

Clients may underestimate the service they require

Does not factor in capacity constraints

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Cost-plus pricing methodology

- Allows precision in generating profit margins
- Provides a predictable income stream
- Easy to establish
- No reward for efficiencies
- No alignment between value and cost for client
- Requires accuracy of cost to serve calculator

Capacity and Value Based Pricing

Incorporates stand-alone value into pricing

Difficult to calculate for advice practices

May allow you to charge more

Sets price based on value in clients' eyes

Requires a calculation of subjective value

Eg = Value of being diversified, having the right risk profile, tax benefits etc

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Considerations for Pricing

- What are your clients used to?
- How old are your clients?
- What prevents cross-subsidization?
- What is the average risk profile of your client base?
- How do your peers' price?
- How much does a change in pricing policy affect you?
- Does your product set enable your pricing policy?

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Creating an Investment Philosophy

- What are your personal beliefs and experiences
- Different philosophies for different segments
- Consider other aspects such as tax and rebalancing strategies
- Set client expectations
- Dedicate resources to due diligence (governance, IC's)
- Consider the delivery format (MDA,SMA, Bespoke)
- Active v Passive, Combination, SAA, DAA, Core & Satellite, Smart Beta, Life Cycle, Risk Budgeting, Ethical Investing or Factor Investing
- Make sure you communicate to referral partners, clients and staff

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Findex Pricing Methodology

Findex Wealth Management

Strategic Advice → Behavioral Coaching & relationship → Risk profiling, goal alignment, preferences

Advice fee

- Fee-for-service
- Job-costing model +
- Influenced by risk, complexity & work required
- Typically fixed dollar
- Standard national rate card

Findex Investment Management

Portfolio Construction → Investment monitoring, corporate actions, future proofing → Implementation MDA/ SoA

Portfolio Construction & Management fee

- % or $ based – client preference
- Standard rate card
- Influenced by account size, complexity & customization i.e. MDA | SMA | IMA | SoA

Advice fee + Portfolio Construction & Management fee = Total fee

Family Fee Aggregation

Investment Management Considerations

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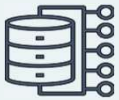
Investment Framework:

- Governance
- Asset Allocation
- Portfolio Construction
- Execution
- Communication

Governance:

- Top-down or bottom-up?
- Investment Committee structure & meeting cadence
- Committee Independence
- Adviser flexibility & approval process



Asset Allocation:

- Risk profiles supported
- SAA & TAA?
- Frequency of review
- External Asset Consultant or conducted internally?
- Governance process

Portfolio Construction:

- Investment philosophy i.e. Active/Passive/Core-Satellite or a combination
- Research, blending & construction – internal or external?
- Listed | Managed | hybrid
- Unlisted assets?
- Liquidity management
- Governance process

Execution:

- MDA | SMA | IMA | SoA or Hybrid
- Platform/s supported
- Rebalance frequency
- Back-office resourcing requirements

Communication:

- Client / Adviser Communication

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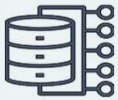
Findex Investment Philosophy

Investment Framework:

- Governance
- Asset Allocation
- Portfolio Construction
- Execution
- Communication

Governance:

- Findex IC oversees all AA & PC decisions.
- Meets monthly
- Includes three independent voting members – right of veto.
- Findex Advisers are required to follow IC outcomes.
- Approval process for customization.



Asset Allocation:

- Findex supports seven risk profiles
- SAA – reviewed every 3-5 years.
- TAA – reviewed monthly
- SAA & TAA guidance provided by SSgA and the Findex Inv Team (FIT), amongst others.

Portfolio Construction:

- Findex Portfolios cater for Active/Passive/Core-Satellite or a combination
- Research, blending & construction conducted by the FIT (internal)
- Listed | Managed | hybrid portfolio options available

Execution:

- MDA is our primary method of implementation
- Findex MDA Models are supported on several Platforms.
- All Findex Custom Portfolios rebalanced quarterly
- All execution conducted internally

Other Considerations:

- Monthly Adviser briefings
- Quarterly client communication
- Client review