



# OPEN DOOR POLICY

BUILDING PROPOSITIONS

Open Door Blog #5  
Five Suggestions

## Five Suggestions

We're in a fast developing profession where the Consumer Duty, especially Price & Value is creating a drive towards becoming, faster and stronger. Timesaving and streamlining the advice process will be essential in moving forward. Think about the pace and development of tech, how many firms can now offer great digital solutions, and the ever advancing AI revolution. Here's five suggestions that might help.

### 1. Hotels, Pods and Propositions

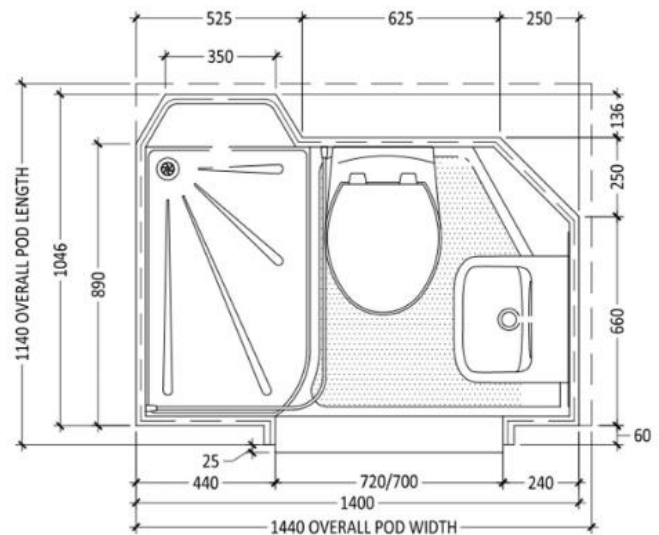
At a basic level hotels all do the same thing, provide shelter, food and a bed. The client outcome is more or less the same by delivering what is required based a budget. Although the way needs are met, or delivered, can be very different. Some hotels could do with an overhaul whereas others are a pleasure to be in.

Here, lets introduce the concept of modular construction. Some hotel rooms are brilliantly designed with a standalone 'pod' containing a shower/washroom facility, a desk/TV/bed 'pod' and a double bed/lighting 'pod'. All modular.

How easy is it for the hotel to do repairs, updates or changes depending on a guest's needs by having the ability to swap out individual units when required?

Our profession uses the term 'proposition', defined as a suggested scheme or plan of action, especially in a business context. Consider evaluating your business via three propositions:

- Client: how you charge and therefore identify your Value Statement
- CIP / CRP : your investment, platform and product solutions, a combined CIRP
- The Consumer Duty: Fastly becoming the industry benchmark



This makes it modular and interchangeable and also provides you with a robust method to ensure that each proposition is reviewable and updated periodically. Two questions you might ask yourself:

- Are my propositions robust and strong enough and are they clear, fair and not misleading, and will meet the rigors of the Consumer Duty?
- If I need to revise my propositions, how easy is it to do that?

## 2. Time Assets

This isn't a Dr Who thing, a time asset is simply spending time now to create process that saves you even more time later.

Here's a simple example, some devices allow you to create keyboard shortcuts so if your email address is 'a.macdonald@myemail.co.uk' you can create a shortcut of '@@'

The number of keystrokes to type out the full email address is 26, including carriage return. To type out the short cut it's 3. That's a time saving of 87% and the creation a robust repeatable process that saves time on every occasion an email address is required.

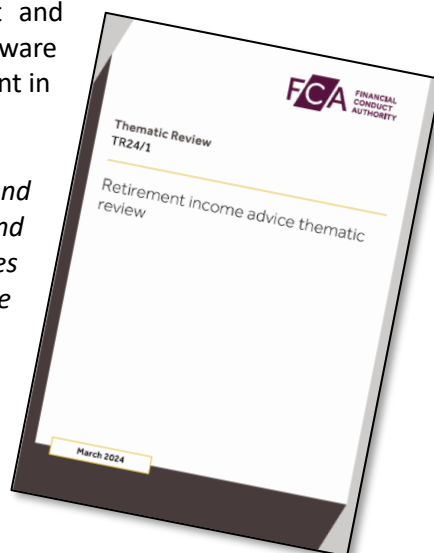
Let's scale that up, frequently advisers say they don't have time to master the software they use in their advice process.

There is a certain irony in that.

Consider reviewing your sales process and make it robust and repeatable by investing time in understanding and using software effectively. In fact the Regulator made mention of this exact point in TR24/1 (The one about Income in Retirement)

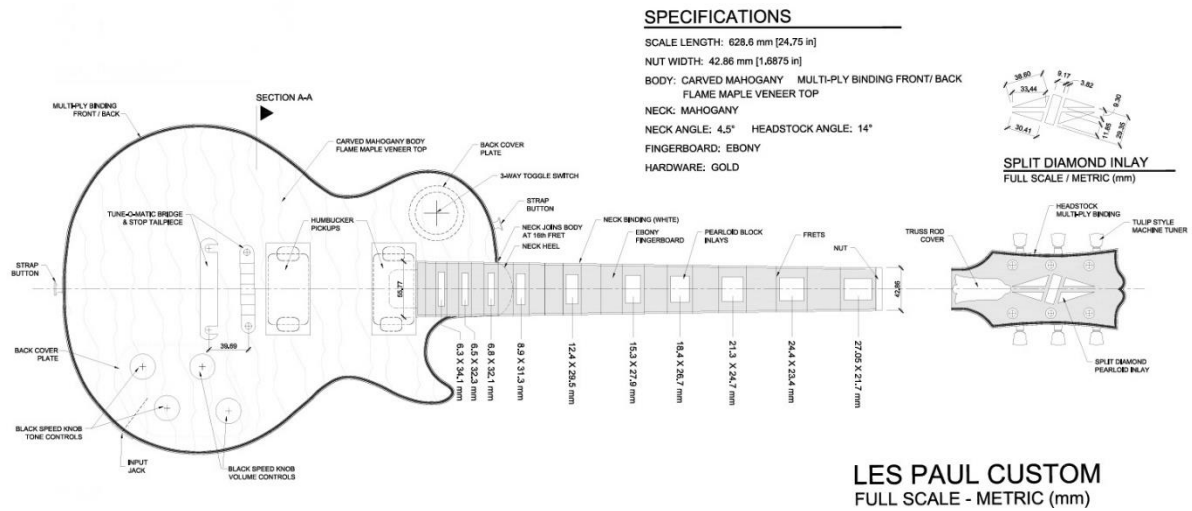
*Third parties play an important role, providing firms with tools and services to help them manage their business more effectively and support delivery of good advice. Firms should satisfy themselves that any service providers they use are competent, and tools are fit for purpose. Given the complexity of financial advice, many firms rely on external assistance, particularly for software tools that help to shape their recommendations. (TR24/1 S4.25)*

Consider getting the experts in to look at your tech stack and how it can be approved.



### 3. Les Paul

Gibson is a world renowned guitar manufacturer, founded by Orville Gibson in 1902 and their flagship brand is the Les Paul electric guitar. Instantly recognisable, there are many editions with the Custom model being high up within the range.



‘Binding’ is a contrasting strip on the outer edges of a guitar and because of its nature it’s a bespoke process to apply it. This comes at a cost, and your average guitar player is priced out of the market when it comes to the Les Paul Custom model.

Gibson developed an automated manufacturing process, resulting in a model without binding thus reducing the cost and making models accessible to a wider audience. This doesn’t make them less appropriate and indeed a lot of today’s professional guitarists will use entry level guitars.

We’ve all heard of the ‘advice gap’ in our profession. The dilemma being it becomes difficult to advise client with smaller investments the associated costs to ‘manufacture’ the advice being too high, thus making a solution unaffordable.

Let’s look at it from a different angle, how about changing or introducing a ‘less bespoke’ advice process, thus reducing the cost of advice. Manufacture an advice process which addresses client’s needs effectively but in a centralised streamlined fashion.

Consider a more streamlined approach, lowering the cost of advice to bring back into the process clients that may have originally been priced out.

## 4. The Matryoshka Principle, dolls and modelling your business.

You will have heard of Matryoshka in its more common name of Russian Dolls. The idea is that each doll is smaller so they nestle inside each other, when they are all fitted together you see one.

The Matryoshka Principle is a technique to bring order to your business model, enabling you to adapt, enhance or create new processes when circumstances dictate.

Originally a principle used in the computing industry, where systems and processes can be built one inside another, it can be adapted to modelling a financial advice business. If you read any of the Finalised Guidance or Thematic Reviews from the regulator you will find it littered with references to ensuring controls and processes are in place in order to promote good client outcomes.

The Matryoshka Principle will allow you to document a large portion of your business practices in a logical format of Methodology, Process and Criteria, I cannot think of a better way of following regulator guidance than by constructing a high level framework based on what the FCA see as good practice.



Methodology: High level principles, thoughts and philosophy

Process: What do you practically need to do to deliver your methodology

Criteria: What specifically do you need to consider from a customer's viewpoint to deliver your services.

Flesh this out and you have a framework that you can adopt when setting charges, creating investment solutions and choosing the most appropriate platform/product. When things change within the industry and they affect your advice process, you have a framework that allows you to easily identify and revise accordingly.

## 5. Things take longer than you think even when you know things take longer than you think.

In amongst consultancy meetings there is constant which always surprises advisers and that is how long it actually takes to do a set of tasks.

Hofstadter's Law, proposed by Douglas Hofstadter is a statement regarding the difficulty of accurately estimating the time it will take to complete tasks of substantial complexity.



The Planning Fallacy is a phenomenon in which predictions about how much time will be needed to complete a future task display an optimism bias and we underestimate the time needed.

Does this have a bearing on the advice process? RDR introduced a basic retail model to our profession. An adviser takes products and investment solutions from manufacturers at a 'factory gate' price, adds value through their expertise and sells that to customers at a profit or adviser fee.

An advice process will create a strategy relevant to the client, but it should also be profitable. Quite simply, take the charge per hour and multiply the amount of time it takes to conduct the advice process, thus creating the minimum charge.

Data Bulletin 7 focused on the retail intermediary sector, based on analysis of Retail Mediation Activities Return (RMAR) submitted by approximately 12,000 firms. The national average minimum and maximum rates vary between £150 and £195. So let's choose £170 per hour.

The initial advice process does vary from firm to firm, but in Open Door Policy's experience, the time taken for initial advice is averaging at 11.5 hours and ongoing advice at 6 hours. In all consultancy sessions the time taken was underestimated, in other words the cost of advice may be greater than you think.

Consider doing this exercise yourself, as you have options if your minimums are lower than expected. Increase charges, reduce the time taken or a mixture of both.

Website



[www.opendoorpolicy.co.uk](http://www.opendoorpolicy.co.uk)

Email



[info@opendoorpolicy.co.uk](mailto:info@opendoorpolicy.co.uk)

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