EVALUATING "VALUE"

Seems "value" is in vogue.

Everyone in our industry seems to be fixated on "value". You hear these ad nauseam – valued advice, valued proposition, value creation, value-added. Even the no longer unique phrase "unique selling proposition" is basically about the value of being uniquely different.

But what exactly is "value"? The thing that comes to mind (if you have a good memory) is the saying about there being a difference between price and value, that is, high price does not necessarily mean high value. Or you should go for value not price when evaluating a proposal. But brand experts would object that value is not a quantitative thing but more of perception. Otherwise, branded goods would not fetch the price they are able to garner.

"Perception is reality" is now the marketing mantra and many of us are beginning to understand how powerfully true this is for those who may not know the truth or who may value non-quantitative or "subjective" things like fashion, style, beauty, art, design, etc.

Talking about perception, I gather that the perception today is that financial planning and insurance and investment are simple and anyone who bothers to read "The Sunday Times", for example, can be sufficiently confident to plan and buy insurance and invest on their own. But is this true?

Fintech companies which promote online purchase and robo-advice project the impression that insurance and investment are like most commodities which you can shop in a supermarket. Online channels focus on lower price (not necessarily true) and time-saving as of greater value than the value of advice from a qualified and experienced financial adviser. The value of advice, of course, depends on the complexity and range of financial needs of the client and also the professionalism and experience of the adviser and the products and services he can offer.

The value of advice is thus difficult to quantify as it depends on so many factors but financial advisers must be convinced their advice is more valuable to clients than what the other channels offer. We must make a systematic, sustained and strong case to our target market, that the value of the financial advice that our firms and representatives offer, far outweigh the "perceived" value of buying online and the offerings by the other channels.

Insurers, banks and online platforms, which offer the products of only one insurer, limit clients' choices. Since a single company does not have all the best of class products, this means clients' interests are not served.

Most financial advisers are able to offer not only advice but also sourcing of "best" of class products from more than one product provider. Those who are independent are able to provide fair and objective advice beyond the "reasonable basis" expected of the rest. This is the key message that the AFA(S) and financial adviser firms must sound forth.

As an association, we should ask how we can communicate and convince the market of the value of our advice and the value of the product solutions and services because we are able to distribute for most, if not all, of the insurers and fund houses.

How can we use our own communication, how can we use the news media and social media? How can we differentiate ourselves from the other channels? How can we gain the high ground like in the developed nations?

I hope all member firms and member representatives will think about this and share ideas. It is far easier to think about our own firm and about our own business, but if we lose the battle of control of the mind space of our markets, financial advisers would be seen as just one of the many channels with no particularly unique or valued proposition.

By: David Choo
AFAS, Immediate Past President