
AFA National Conference 2009

GOLD COAST October 4-6 • RACV Royal Pines Resort

NAB Best Practice Breakfast

creating the future...



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Welcome AFA National Conference 2009

creating the future...



Succeeding through Specialisation

Malcolm Arnold
National Manager
NAB Financial Planner Banking
October 2009

NAB Financial Planner Banking

- > Currently 25 dedicated business bankers nationally who specialise in provide banking services to financial planning businesses – and continuing to expand
- > Over 7 years experience as specialist bankers to the industry
- > Relationships already in place for in excess of 1000 financial planning businesses nationally
- > Services provided to all financial planners for any transaction sizes and under any licensing arrangement



Content

- > Who else is successfully doing it
- > Defining specialisation
- > Why does it work
- > Developing new business as a specialist
- > Staff and customers in specialist businesses
- > Business value ?
- > Pitfalls and traps
- > How do you get started as a specialist provider
- > Practical examples of financial planning practices who have successfully chosen to service a niche market.

Who else is successfully doing it ?



Trey Hardee
Current decathlon world champion



Usain Bolt
Current 100m world champion

What are some of the results ?

Event	Decathlon World Record	Specialist World Records	Difference
100m (sec)	10.64	9.58	-9.96%
Long Jump (m)	8.11	8.95	10.36%
Shot Put (m)	15.33	23.12	50.82%
High Jump (m)	2.12	2.45	15.57%
400m (sec)	47.79	43.18	-9.65%
110m Hurdles (sec)	13.92	12.87	-7.54%
Discus Throw (m)	47.92	74.08	54.59%
Pole Vault (m)	4.8	6.14	27.92%
Javelin Throw (m)	70.16	98.48	40.36%
1500m (min)	4.36	3.43	-21.33%
Total			24.81%

Who else is successfully doing it ?



- > Medicine
- > Accountants
- > Legal
- > Insurance
- > Travel

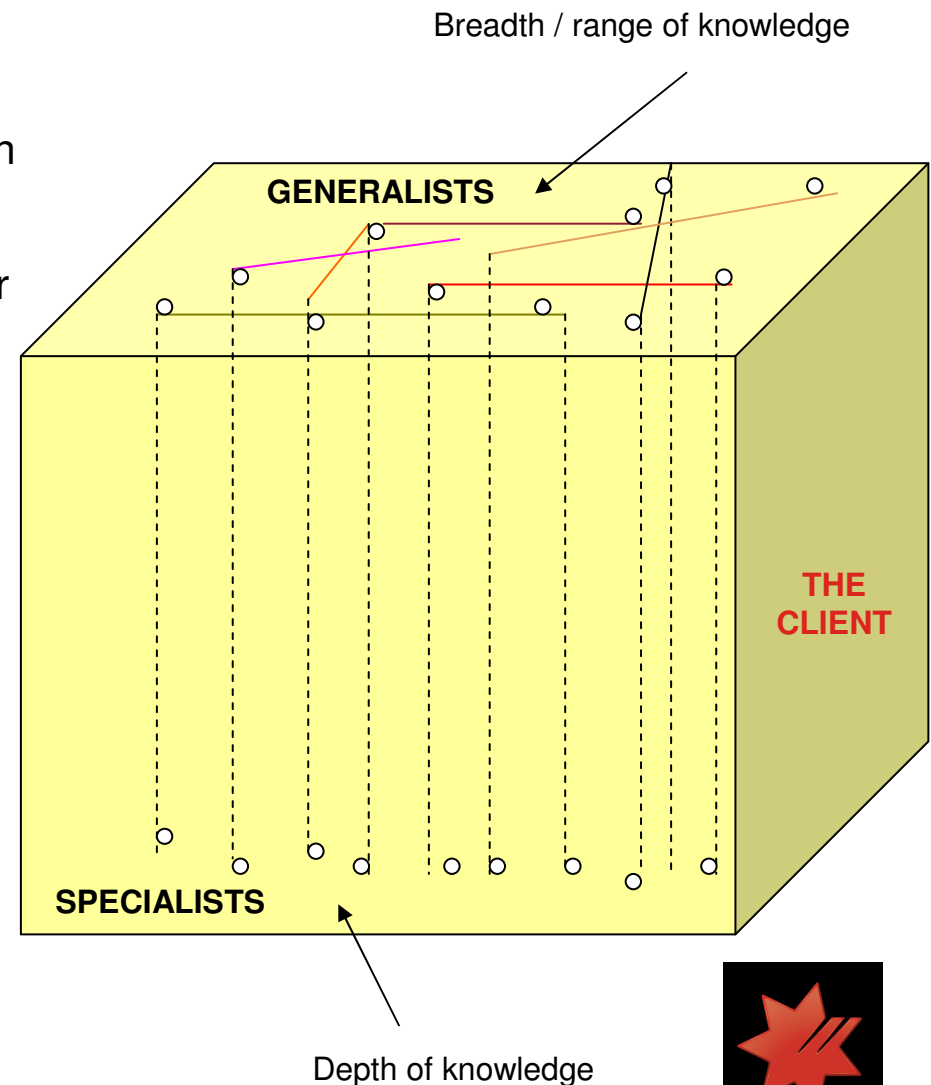


- > Banks
- > Teaching
- > Airlines
- > Athletes



Defining Specialisation

- > Care required to differentiate between product specialisation & client specialisation
- > Product specialisation can be dangerous - you leave your client base exposed to other advisers who provide services you don't.
- > The generalist will have a range of knowledge and try to be everything to everyone
- > The specialists has a depth of knowledge and will try to deeply understand their chosen clients and do everything very well for them.
- > Takes time to build scale – you may never reach the stage of pure specialisation

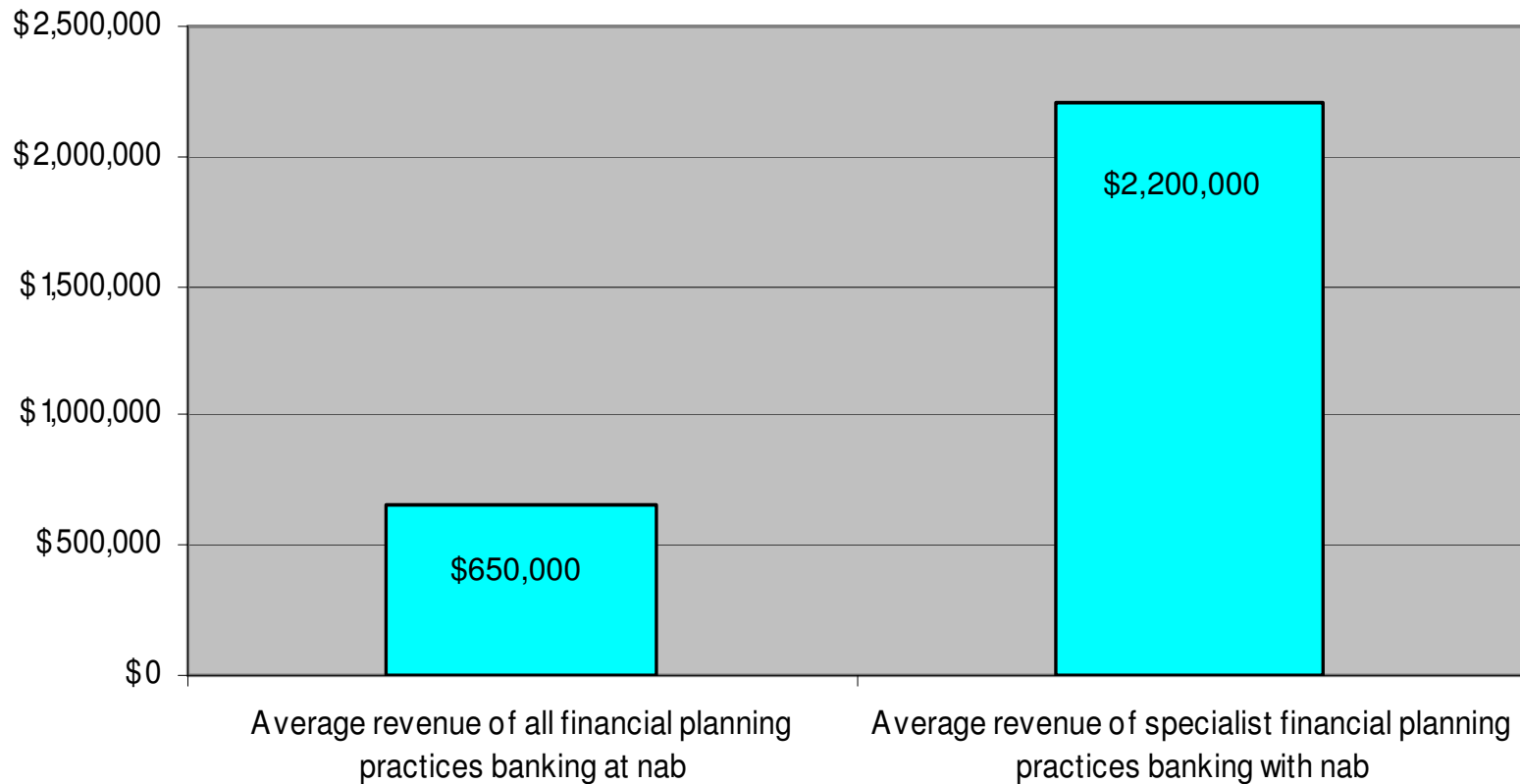


Why does it work ?

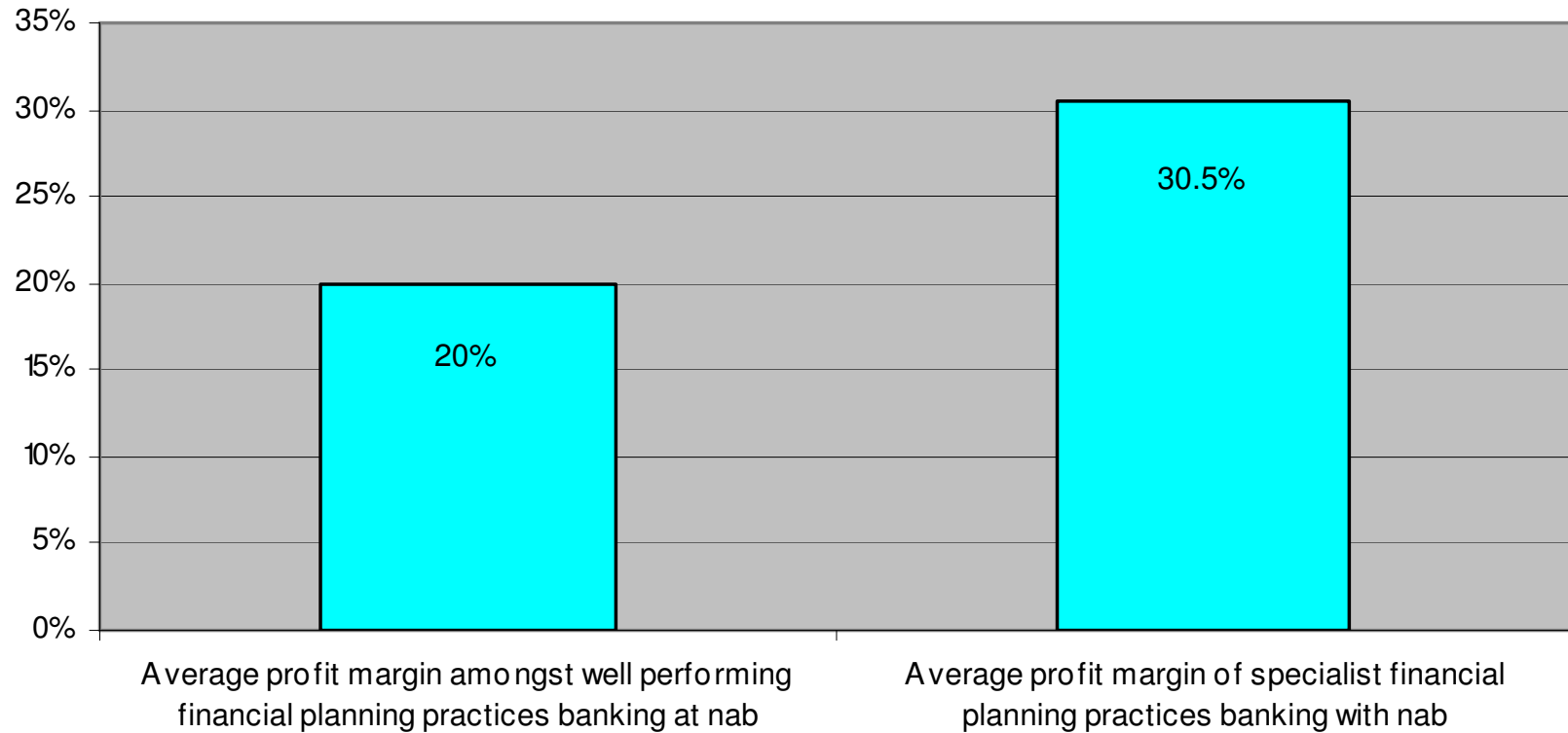
- > Business better understands their clients needs
- > Allows for deeper client relationships to develop
- > Provides for more effective tailoring of products and solutions
- > Problems and solutions easily transferred from one client to the next
- > Easier to keep abreast of key changes affecting your clients
- > Greater ability to predict future client needs
- > More opportunity to provide insight and thought leadership
- > Helps improve the effectiveness of marketing activities
- > Allows development of powerful referral networks
- > Provides for greater business direction and a clearer business strategy
- > Improved efficiency via greater knowledge of most critical resourcing needs



What are some of the results ?



What are some of the results ?



Specialisation at nab

Andrew Ward
Head of Specialisation
nabbusiness
National Australia Bank

nabbusiness



Why has NAB Specialised?

Market Complexity

- Increased regulation
- Industry diversification
- Breadth of Industries
- Breadth of needs / solutions
- Increasing customer sophistication

Other industries have been doing it !

- Legal firms
- Accounting Firms
- Engineering firms
- Medicine
- Management Consultants
- Monoline players
- Manufacturing

Customers want Bankers who understand their business

Customers want dedicated Managers who:

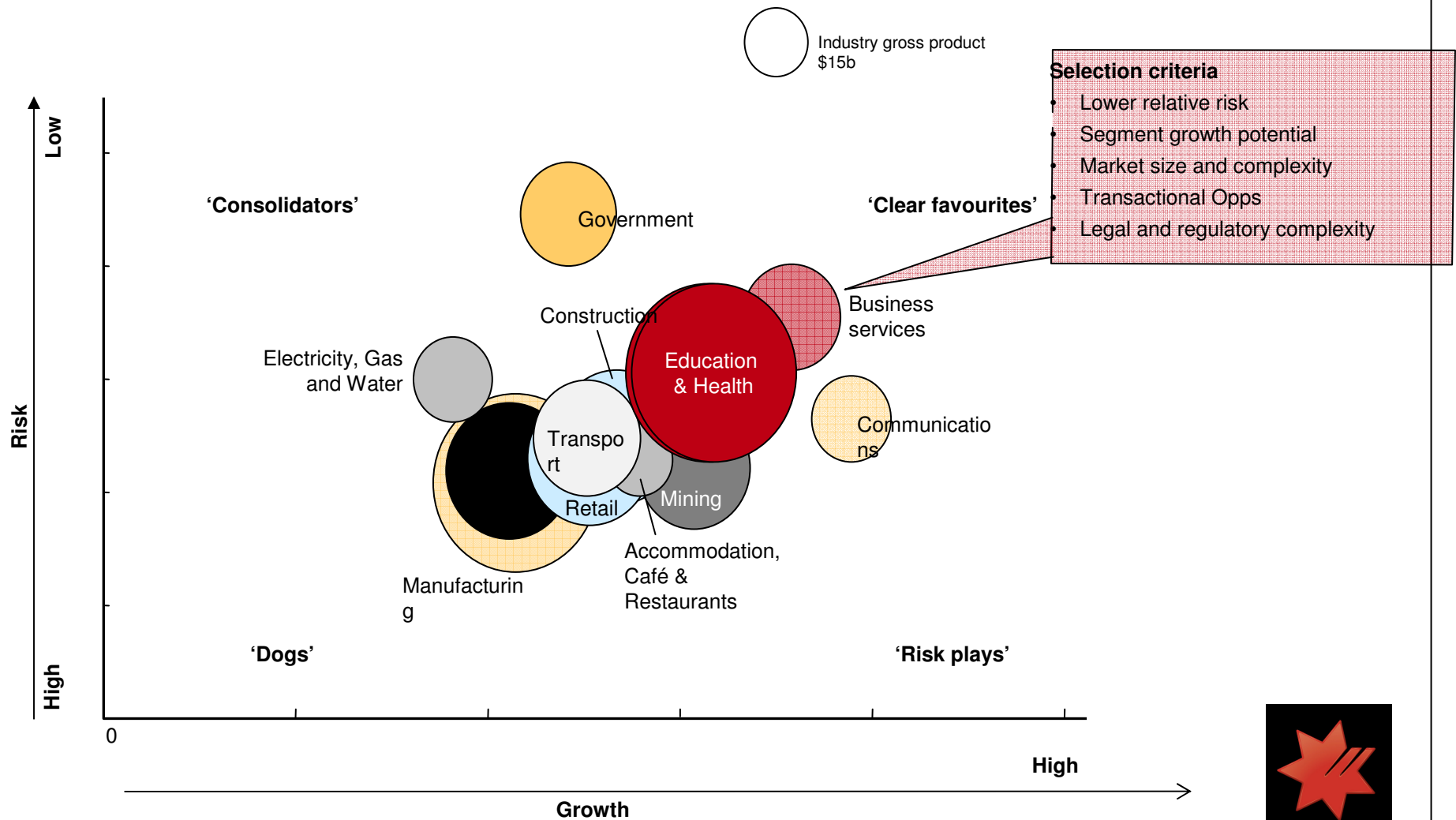
- Knows the language and key business drivers of their industry
- Knows how to diagnose what's working and what's not
- Knows how to prescribe solutions tailored to their business needs

We have been doing it for a number of years!

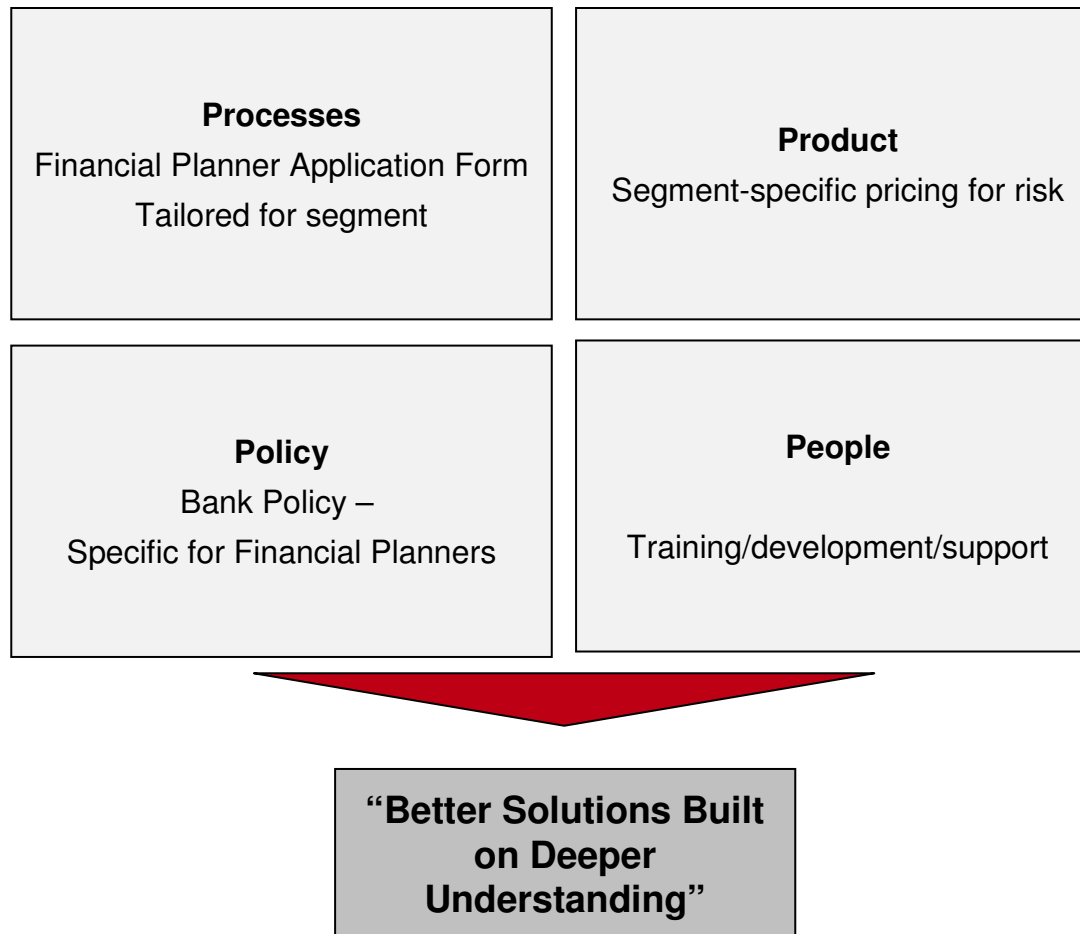
- Business Banking late 80's / early 90's
- Establishment of Agri in the late 90s
- Creation of MCG 1998
- Creation of Property Finance Group within MCG during 2000
- Corporate Banking

The Financial Planning industry exhibited characteristics that the NAB was looking for in terms of growth / risk.....

Industry growth/risk matrix



Our specialisation strategy is built on 4 elements: Processes, policy, product and people.



nab's Specialisation Approach

Developing specialised units

Specialised risk knowledge

- Develop specialty groups that target industries that are poorly understood:
- Clients are more likely to value expertise
- Less competition in early stages – more defensible position
- Requires investment in risk assessment & management systems

Existing exposure & knowledge

- Develop specialty groups based on industries & clients where the bank has significant experience
- Quicker to implement, less disruption
- Easier for competitors to copy

Picking the industry

Industry concentrations in existing portfolio

Vertical integration in expanding industry definitions – upstream & downstream

Focus on growing industries

Availability of appropriate product sets

Alignment with current distribution model

Our specialisation pathway is a combination of these approaches

Results of Specialisation at nab

> To Be Inserted

Developing new business as a Specialist

- > Clients of specialist practices are much more likely to mix regularly with potential new clients of the business.
- > Marketing becomes a lot easier when you can easily define your market and have greater clarity around your Customer Value Proposition – you don't need to be everything to everyone.
- > Success in partnering with industry bodies, associations etc
- > Easier to build business brand



Staff in Specialist businesses

- > Greater clarity around their role and purpose within the business
- > Can more easily build deeper client relationships
- > More passionate about their work
- > Greater job satisfaction
- > Greater staff retention



Customers under Specialist businesses

- > They feel you really understand them
- > Happier and more satisfied
- > Become are more likely to refer others
- > Less likely to leave / few comparable alternatives
- > Easier to transition to fee remuneration models when clients can see the value



Business value ?

- > More engaged clients > fewer passive income streams
- > Services able to be priced at a premium – price is not the only differentiator
- > Premium paid translates into increased revenue and profit – hence increased business value
- > Greater efficiency > stronger cashflows > Increased value
- > Often traded at a premium to a general practice – but can take longer to sell



Pitfalls and traps ?

- > Lack of diversification within client base – increased impact from certain events
- > Additional education requirements for staff
- > Requirement to service all customers in the chosen segment
- > Live and die by the sword mentality
- > Harder to find prospective buyers for the business

How do you get yourself started ?

- > Investigate concentrations within your existing portfolio of clients
- > Consider existing networks available from social circles, hobbies etc
- > Look for clients not being serviced very well
- > Look for clients not being serviced at all
- > Complete an opportunity analysis



Real example of a business that specialises

Lee Wallace
Edplan

Edplan

- > What type of clients does your business specialise in ?
- > What percentage of your clients fit the specialisation ?
- > What do you do with clients who don't fit your chosen market ?
- > How long have you been doing it ?
- > What size is the business today ?
- > How did you get started ?
- > What are the benefits for your customers ?
- > What are the benefits for your staff ?
- > How do you market the business in your chosen market ?

Thank You

