

Value Improvement Benchmarking Advice

Case Study: Building Relationship and Product Trust to Engage SMEs to Pay for Advisory Services

Grant Bloxham, Bstar

Background

Simon is a partner in a 4 partner Accounting firm with 300 small business clients. Simon is responsible for business services and is looking to grow his firm's advisory fee revenue. Simon has been providing mainly compliance services but has limited **relationship and/or product trust** for the provision of advisory services. Simon has purchased a range of business services tools with no real success.

His concern is that clients have generally pushed back on fees and he hasn't been able to achieve an acceptable level of engagement.

Relationship and Product Trust

The purpose of this case study is to highlight why establishing **relationship and product trust** with your business clients is essential to generate sustainable upfront and ongoing advisory fee revenue and to establish yourself as your client's most trusted and valued business adviser.

The definition of **relationship and product trust** for the provision of viba advisory services is:-

- **Relationship Trust** - you have been appointed as your business client's **principal** adviser to project manage all their future growth, improvement, succession and estate planning aspirations.
- **Product Trust** - you have been able to clearly demonstrate and quantify the value of your advisory services to your business clients.

Risk or opportunity?

Achieving principal adviser status and quantifying the value created are the prerequisites to secure both relationship and product trust.



The How To - Step 1

Simon needed to get his house in order by primarily changing the engagement methodology he had implemented and engaged Bstar to provide the process.

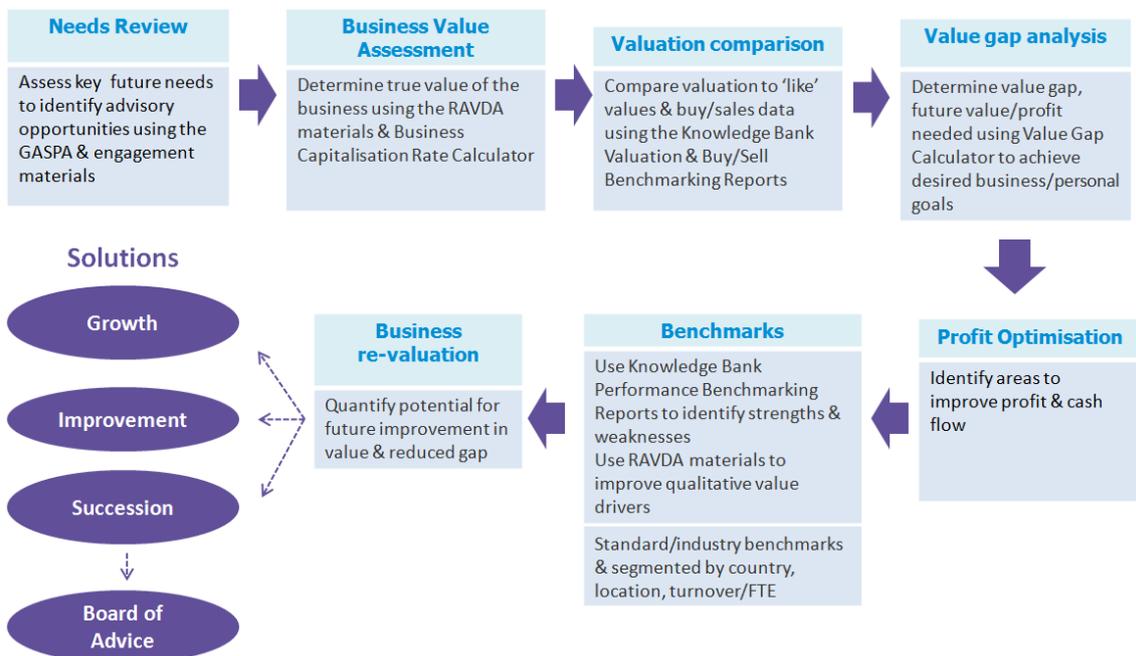
- 1. Business Development Plan**
 Simon prepared a formal plan addressing his business purpose, relevant objectives, identifying his ideal client, resource needs, client packages/offering, a time line for sales/marketing activity, financial return expectations.
- 2. Experience First Hand**
 Simon then treated his business as a client and took his business through Bstar's viba advisory process. This resulted in the decision to reposition his current advisory services offering as part of his business improvement solution and not just be THE solution.
- 3. Focus on the relationship**
 In the same way that Bstar was developing a business relationship with Simon, Simon recognised the need to focus initially on establishing a stronger business relationship with his firm's clients. Only then would it be possible to establish **product trust**.

Applying the Value Improvement Benchmarking Advice (viba) Discipline - Step 2

Bstar then worked with Simon to apply the principles of the viba advisory process to build both **relationship and product trust** with his first client; the owners (Brian and Linda) of a Mining Engineering Business (compliance fee **\$5,000**) that had been with Simon's firm for 5 years.



VIBA - The Advisory Process



Needs Review with Brian and Linda - Step 3

The purpose of the Needs Review was to help Simon better understand Brian and Linda's future needs. Simon used Bstar's Growth and Succession Planning Assessment 'GASPA' for the Needs Review and was able to build more **relationship trust** with Brian (59) and Linda (57) because they discussed issues with Simon that he was previously unaware of.

Prior to undertaking the Needs Review, Simon had incorrectly assumed Brian and Linda's key concern was profit and cash flow improvement; the numbers. Instead, the major issue to come out of the Needs Review was Linda's concern with the amount hours being worked by Brian in the business (over 80 hours a week). Both Brian and Linda also nominated succession planning as an 'ACT NOW' issue so Brian could more sooner than later spend more time doing the things he enjoys.

Simon also learnt that Linda had recently experienced a health scare and wants to be financially independent from the business within 3 years.

Limited **relationship and product trust** was required to undertake the Needs Review because no fees were charged at this initial stage.

*The higher the advisory fee the more **relationship and / or product trust** required.*

Immediately following the Needs Review interview, Simon noticed a marked increase in **relationship trust**. One of the reasons was the GASPA highlighted that Brian and Linda had different aspirations but importantly had provided them both with an opportunity to discuss matters about themselves and the business that they had either been avoiding or had not considered. However, to secure an engagement to assist Brian and Linda with developing a succession plan (which would involve completing a Business Value Assessment and Value Gap Analysis) Simon had to establish **product trust** with Brian and Linda by managing 4 **product trust** strategies.

Simon's 4 Product Trust Strategies

1. Bridging the "awareness" gap between Brian and Linda's needs and their understanding that Simon could provide such advisory solutions.

3. Providing Brian and Linda with a Business Life Plan report of a similar business (Bstar had a detailed case study of a mining engineering services business succession plan undertaken in October 2012 with names and details altered).

2. Educating Brian and Linda on the benefits to them of engaging his services.

4. Providing Brian and Linda with a Mining Engineering industry valuation benchmark report demonstrating not only Simon's detailed understanding of this segment (further building relationship trust) but also the difference in up-to-date values between an average and benchmark business in this segment (building product trust).

*"Previously Simon would have presented a solution and a proposal, without first establishing **relationship trust** and/or creating the necessary **product trust** to secure the engagement. As Simon had already valued his own accounting business using this process he was now able to speak with authority about the specific benefits of undertaking the process on his own business."*

Business Value Assessment, Value Gap and Value Improvement Benchmarks - Step 4

The provision of the case study to Brian and Linda in Step 3 sealed the engagement for Simon.

Simon first completed a Business Value Assessment and a Value Gap Analysis for Brian and Linda (total fee **\$4,000**). Both **relationship and product trust** improved because:-

- Brian better understood the focus required to grow the business. This arose from the Needs Review, the Risk and Value Driver Assessment (part of the valuation process) and from access to Bstar's Knowledge Bank mining services benchmarking information;
- Brian and Linda could see the rewards for their hard work (true value of the business with direct comparisons to recent valuation data of equivalent businesses);
- Both agreed not only that it was now possible to build a benchmark performing business but also that it would be then more attractive to a successor or buyer. Simon was also able to show how it would be possible for Brian to improve his existing productivity to reduce the current hours worked in the business (Linda was ecstatic).
- Simon's cornerstone strategic planning process uses the Business Life Planning Program and whilst Brian and Linda's business and personal circumstances were ideal for this solution getting Brian and Linda to invest more money (**fee \$8,000**) required Simon to establish a deeper **relationship and product trust**.

Business Revaluation - Step 5

After 6 months of the implementation of changes established in Step 4, Simon improved both **relationship and product trust** by completing a business revaluation prior to issuing a Business Life Plan engagement proposal.

The revaluation quantified not only the success achieved in the 6 month period but also the potential for further value improvement and as Simon had already produced comparative industry valuation and buy/sell benchmarking data validating the revaluation target as realistic and achievable in Step 4, Brian and Linda clearly saw how Simon could add real value to their business.



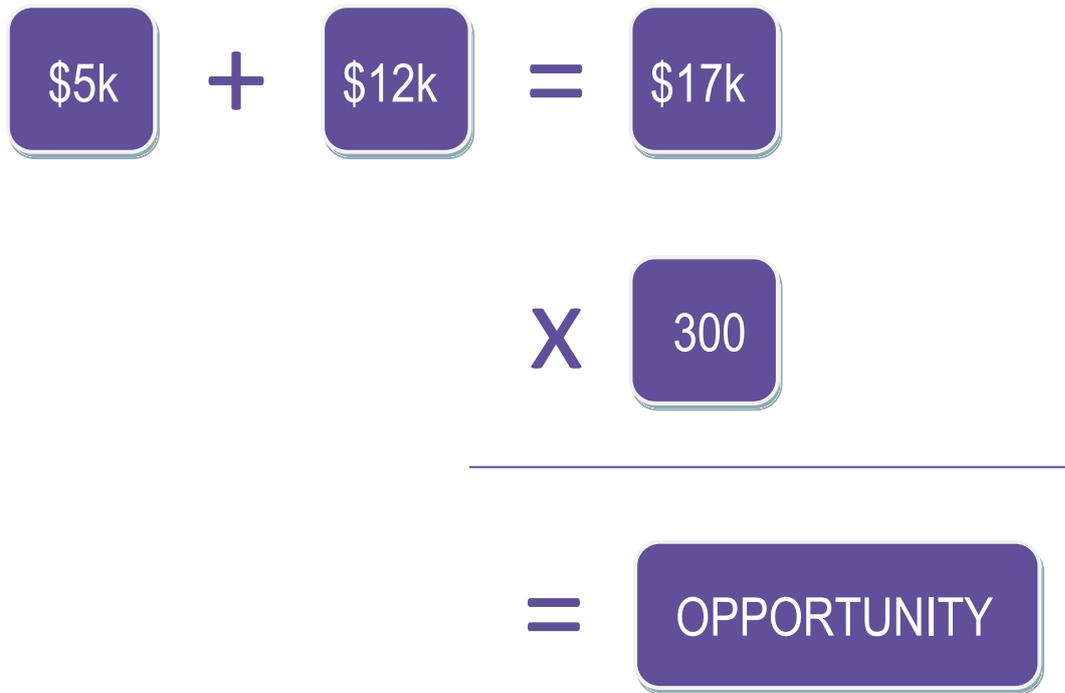
Positioning the need for a documented formal plan to achieve the revaluation target was necessary to create **product trust** and demonstrate value.

Brian and Linda realised Simon's support was integral to keep them accountable for the implementation of their goals and action plans so **relationship trust** was certainly dramatically improved.

Simon was well on the way to becoming their most trusted and valued business adviser.

Most trusted and valued business adviser opportunity

This case study highlights the opportunity to work with a client with compliance fees of **\$5,000** and then generate another **\$12,000** in advisory fee revenue over a twelve month period.



Establishing **relationship and product trust** is required for you to become your client's most trusted and valued business adviser.

Contact Us

To learn more about our viba advisory process you can contact us:-

Australia

Toll Free 1300 552 577
 Phone 07 3370 8400
 Fax 07 3844 6813
 Email bstar@bstar.com.au

New Zealand

Toll Free 0508 278 276
 Email bstar@bstar.co.nz

Canada

Toll Free 855 722 7827
 Email bstar@bstar.ca

United Kingdom

Phone (+44) 0845 609 1696
 Email bstar@bstar.uk.com

Head Office

Unit 3, 80 Hope Street
 PO Box 3554
 South Brisbane, QLD 4101