

Why sales skills matter more than ever

Tony Vidler | Strictly Business | 04 September 2013

In recent months, it's been fascinating to explore the concept of how to value the impact of advice. Regular readers will undoubtedly be pleased to know that I have discovered scientific evidence of the value that good advice creates! The value of advice can be captured with the following formula:

$$\frac{\Delta E(SR)}{\Delta FA} = \frac{\Delta P}{\Delta FA} (\overline{S > 0}) + \bar{P} \frac{\Delta(SR > 0)}{\Delta FA}$$

I kid you not. This is one of the conclusions by Claude Montmarquette, Nathalie Viennot-Briot in their July 2013 report "Econometric Models on the Value of Advice of a Financial Advisor".

While it's rather heavy reading in some areas, the 83-page report delves extensively into the issue of attempting to quantify the impact of good financial advice. The authors have gone to the point of exploring and trying to assess the degree of "calmness" that the advised enjoy over the non-advised. And, they have rather objectively broken the non-advised consumers down into passive and active investors to further test the degree of calmness that good advice may create.

Despite the testing and mathematical modeling to determine the impact of advice over and above other market performance and participation indicators, the authors state:

"This suggests that the impact of advice must arise from factors other than better stock picking, such as increased rates of savings, better portfolio diversification, and/or greater tax efficiency."

What DOES makes a difference for the advised client, according to the study, is the adviser's ability to convince the client to do something different. In general terms, the study found that advisers apparently struggle to add alpha over the long term through their technical competencies, but it is apparent they consistently reduce beta.



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This all suggests that the more valuable skill set today's finance professional can bring to bear in creating value through advice is the ability to create behavioral change.

Clearly, there is a fundamental requirement for the professional to have strong technical competency in order to be able to use sales skills effectively and ethically - the adviser has to know why a particular course of action is sensible before attempting to convince clients to take it!

But, apparently, the real value advisers create comes from getting clients to change directions or habits. That requires the strongest sales skills imaginable.



Tony Vidler is an AFA and principal of [Strictly Business](#) which provides advice to the financial advice industry to help financial advisers become better practitioners and build more profitable businesses. Tony was the financial alert Person of the Year 2011.

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