



The State of Client Understanding

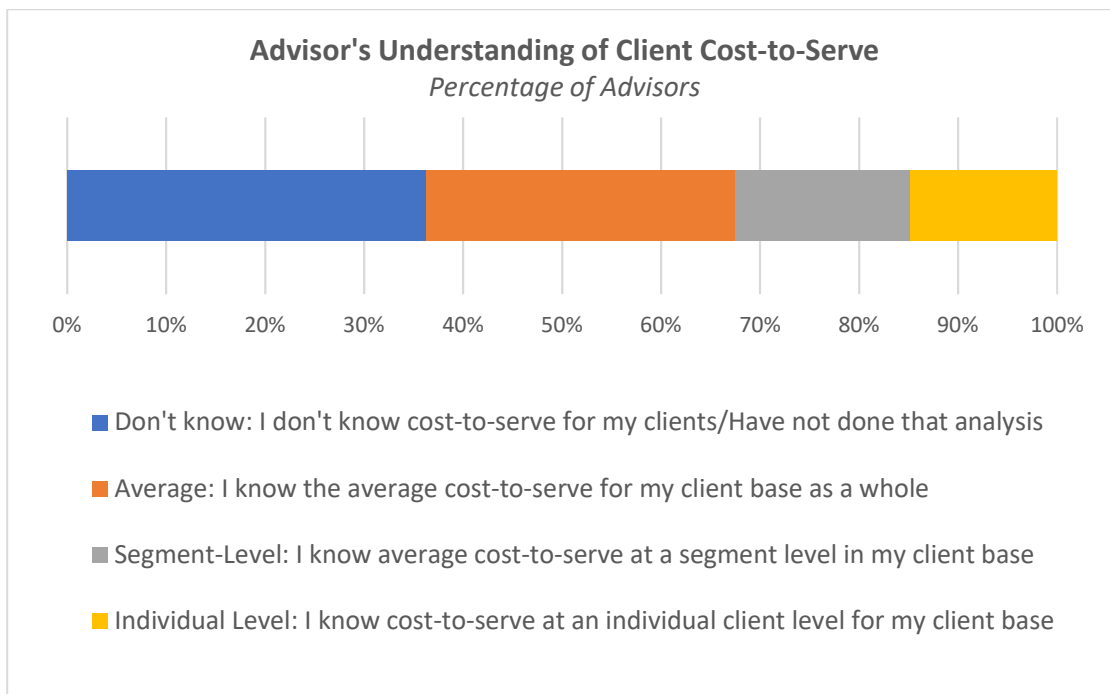
UNDERSTANDING CLIENT COST-TO-SERVE

Cost-to-Serve Analysis

Cost-to-serve (CTS) is an important input for managing your client base effectively. By understanding the true cost of servicing clients (by measuring their burden on your time, your staff/team, and your overhead), you can better understand their profitability and prioritize resources across the client base accordingly.

There is a predictable series of analyses advisors can do to move up the curve to more precise measures of cost-to-serve—starting with an understanding of what they spend to serve clients “on average” and then progressing to more meaningful segment-by-segment analyses.

Our data shows that about one-third of advisors do not have even a basic sense of the cost-to-serve for their average client. Another one-third of advisors has only sense for the average cost-to-serve across their client base, and the top one-third of advisors have developed at least a segment-level view of cost-to-serve.



Getting Started:

How much time do you spend to serve clients?

For advisors who do not have a sense for how much it costs to serve any given client—we recommend starting with a very simple analysis focused on time-spend. Start by estimating the range of activities you engage in with clients and the amount of time each activity tends to take and the frequency that it occurs: Client Activities x Time-spend x Frequency.

Directions: Using the table below as a starting point, outline the range of activities you typically engage in with a client and how much time you would typically spend for each individual instance of an activity. Then note the frequency that you engage in this activity with a typical client in a given year. Multiply each row to arrive at a Total. The sum of the Total column is your estimate of the total amount of time spent on a typical client.

Client Activity	Time-Spend	Frequency	Total (t x f)
Facilitating Client Meeting (In-Person)			
Facilitating Client Meeting (Virtual)			
Sending/Responding to Email (with Clients)			
Researching Financial Planning Questions			
Creating New Financial Plan			
Updating Financial Plan			
Managing Service Request (Minor)			
Managing Service Request (Major)			
(Other)			
(Other)			
(Other)			

Total Time-Spend

Tips in estimating time-spend

- Are you considering preparatory or follow-up items involved with a given activity when creating the time estimate? Be conservative in your estimates.
- How much of a role do support staff have performing certain aspects of client activities? If you have support staff, you may consider creating a second table that captures the relevant information for them and totals up their time-spend per client as above.
- As you will no doubt find variability across clients for each of the activities, make notes of where the variability tends to be the greatest as an input into later segment-level analysis.

This same formula can be followed to get more precise understanding of time-spend for clients at any level—from segments down to individual clients.

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