J.P. Morgan Asset Management

Outsmart the recession

Tips to help recession-proof an advisory business

For professional advisers only – not for onward distribution

Better insight + Better process = Better results

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Introduction

Tough thinking for tough markets

Economic downturn is daunting for almost any business. At a time when advisory firms are already contending with a raft of headwinds – including new capital adequacy requirements, proposed regulatory fee increases and the Retail Distribution Review – it's especially bad news.

Predictions for the impact on the independent financial adviser (IFA) market do look grim. Business analysts Plimsoll suggested in November 2008 that of 1,341 IFA firms it surveyed across the UK, more than 160 will struggle to cope as recession takes hold. Only 62 firms – fewer than 5% – have the business models to turn extreme market conditions to their advantage, Plimsoll claims.

At J.P. Morgan Asset Management, we recognise that advisory firms are the lifeblood of our industry – and it's in our interest to ensure that IFAs of all sizes are able to get through this challenging period.

In this guide, therefore, we've gathered together a diverse range of suggestions to help advisory firms weather the downturn. Our suggestions stem from one basic premise, that the way to streamline your business is to cut costs and increase revenue. From improving cash flow to sourcing higher margin clients, these ideas are intended to support IFAs over both the short and longer term. We have also asked a number of established IFA firms, what they are doing to safeguard their business.

We have also asked a number of established IFA firms what they believe advisers need to do to get through these difficult times.

The economic outlook looks challenging and is likely to remain so for some time. But the need for high-quality, impartial financial guidance is greater than ever. With this in mind, we hope this guide can go some way to inspire IFA firms not only to survive but to find new opportunities for growth in the months and years to come.

For more Adviser Insights please visit www.jpmorganassetmanagement.co.uk

1. Managing the bottom line

Cut costs – but cut the right costs

Cutting costs is the most obvious way to try to maintain profit margins. But it's important to cut the right type of costs. A golden rule is to not cut costs that will visibly reduce the quality of the service experienced by customers.

Instead, focus on cutting costs behind the scenes. Here are some tips that could make significant savings on the day-to-day costs of running your business:

Audit all costs

- Ask every department to itemise all costs over the last 12 months, then class them into 'essential' and 'luxury' and 'not sure'.
- For 'luxury' and 'not sure' items, try to measure the benefits they have brought to the firm. For example, was the cost outweighed by resultant business? Sending a bottle of wine to a valued client at Christmas might seem like a luxury but not if it resulted in a profitable new referral.
- Invite all staff members for ideas how costs might be cut so employees will feel more involved in the process.

Cut your energy bills

- Get staff to switch off computers (including peripherals such as screens and speakers), lights and photocopiers at the end of the day. Try not to have energy-hungry appliances such as coffee machines running all day, and don't leave equipment on standby mode at night. Switch to energy-saving light bulbs. These measures could cut energy bills by up to 20%.
- Unlike domestic consumers, small businesses can negotiate energy tariffs so take time to bargain for the best deal among suppliers.
- Check your existing energy contract – if it is on a fixed term see what notice you need to give if switching to a new supplier.
- Remember new equipment can be more energy efficient – and you may qualify for an Energy Efficiency Loan to fund the upgrade – see page 8.

Review telecom and technology costs

- Use price comparison websites to compare telephone and broadband packages. If you find a cheaper comparable offering, contact your current provider and see if they will match or better it.
- Check your business broadband speed. A new code of practice introduced by watchdog OfCom means if the service you are currently getting is much slower than originally advertised, your ISP should offer you an alternative package, if there is one, and allow you to switch without penalty.
- For calls between branches, use internet telephony software such as Skype, which offers free voice calls between broadband-enabled lines. See if associates and even clients can use Voice over Internet Protocol (VoIP) – it will cut their costs too.
- Check software licences – is the number of users you are registered for still correct?

Other ways to reduce business costs

- Seek competitive bids from suppliers on everything from office supplies to cleaning.
- Encourage staff to print out fewer documents and to print two-sided.
- Make draft quality printing the default for all internal documents.
- Use lower-grade printer paper for everything but external documents.
- Cut back on magazine subscriptions and use digital publications wherever possible.
- For hard-copy mailings, internet postal services like Viapost **(www.viapost.com)** claim to offer cost savings of around 25% on traditional post.
- If your business has a high meeting schedule, see how more use can be made of video-conferencing.

Protect your cashflow

Fee-based advisers may have to tighten up their invoicing processes to ensure prompt payment

Inability to manage cashflow is one of the key reasons why small businesses fail in a downturn – often as their own clients and customers fail to pay bills on time.

IFAs can be relatively insulated from this in so far as revenues such as recurring trail commission will be paid automatically by fund managers and life offices. However, fee-based advisers may have to tighten up their invoicing processes to ensure prompt payment.

To protect your cashflow:

- Bill early and set up automatic late-payment reminders;
- Review cashflow weekly for five to six weeks, assessing every item of income and expenditure, to ensure you have a genuinely accurate picture of what is being spent in the business;
- Diversify your business banking between a number of banks to increase your negotiating power and borrowing capability;
- Talk to your accountant or finance department about timing new expenditures to give the most immediate tax benefit;
- If you foresee cashflow problems, negotiate loans and payment holidays well before you actually require them.

Spread your tax

HM Revenue & Customs has set up the Business Payment Support Service to help businesses worried about being able to meet tax, National Insurance, VAT or other tax payments.

By calling the service, businesses can swiftly agree an extended timetable for paying due tax without incurring additional penalties or surcharges, although interest will be payable. The BPSS can be contacted on 0845 302 1435 from 8am to 8pm Monday to Friday and from 8am to 4pm at weekends.

Small and medium-sized businesses can now also offset losses of up to £50,000 against profits made over the last three years.

Get free business advice

There are many sources of free expert advice for small businesses. So before you pay for expensive consultancy, check out these sources first.

businesslink.gov.uk looks to provide business owners in England with clear reliable information on a range of issues on setting up and growing a business. It includes a searchable online Grants and Support Directory to see what financial assistance you might be eligible for to develop your business.

Other regional business support:
Scotland - www.bgateway.com
Northern Ireland - www.nibusinessinfo.co.uk
Wales - www.business-support-wales.gov.uk

Local authorities and regional development agencies (RDAs) can also offer free advice and support to companies in their area.

England - www.englandsrdas.com
Scotland - www.scottish-enterprise.com
Wales - www.wales.gov.uk

HM Revenue & Customs (HMRC) Advice Teams run free workshops and presentations on a variety of company tax-related subjects at locations throughout the country.

The Business Debtline is a national charity and part of the Money Advice Trust – offering expert advice on the full range of debt issues from dealing with tax arrears to avoiding repossession of home and business – call **0800 197 6026** or go to **www.bdl.org.uk**

Support services with paid membership
The Federation of Small Businesses represents 215,000 small firms across the UK and runs finance and legal helplines for its members **www.fsb.org.uk**

The Forum of Private Business offers a range of products and services aimed at saving money for members and has a business support line to help with all aspects of running a smaller business including a legal helpline **www.fpb.org**

Draw up a worst-case scenario plan

Weathering recession means being willing to face what would happen in the very worst market environment.

Rather than waiting for the worst to happen, discuss with your co-directors what the company would do at different stages of decline. For example:

- Classify your costs as luxury, nice-to-have and essential (see page 1), decide which costs you would cut if your quarterly net profit were to drop by 10%, 20%, 30% and so on.
- Decide at which level of revenue/profit decline you need to consider major action such as selling premises or reducing the workforce or asking employees to reduce hours.
- Have an unfettered brainstorm of tactics to apply to keep the business going – for example, how feasible would it be to manage the whole business remotely?

Do this now and you are more likely to take decisive action when it's required. Also, seek out directors of firms that weathered recession in the 80s and early 90s and ask what they believe they did right – and wrong. Consider how these lessons might apply to your own business.

What we are doing **Jamie Ware of Churchill Investments, Somerset – five Registered Individuals**

"In this climate, our number one priority is make sure we meet – if not succeed – all of our commitments in terms of servicing clients and that we are absolutely diligent on compliance. When markets go down, complaints go up – so you need to make sure you are unimpeachable in terms of what you've promised for clients and how you are supporting them.

Currently we are focused on keeping the assets we have and keeping clients reassured. However, recessionary times can generate a lot of new business as investors look for a solution to low interest rates. Many clients have learnt the lesson that markets go down as well as up and are keen to assess buying opportunities. But we don't try to time the market – instead we encourage clients to invest on a monthly basis.

We've worked on a fee basis since we started the business in 1996. Consequently we don't tend to suffer as much as commission-based firms when there's a downturn. We've also invested heavily in technology and that's kept our cost base and head count very tight. I really don't understand firms that say they can't afford to invest in technology when the benefits are so evident.

There will be a contraction in the advisory market but IFAs are a resilient lot – market downturns are a fact of life for us."

2. Investing in your business

Keep networking

Even in a recession, new opportunities do exist

The best way to find new opportunities in a recession is to make your network of contacts as wide and diverse as possible, aiming to nurture strong long-term relationships.

- Membership of the Confederation of British Industry (CBI) is a great way of making business contacts at a national level – **www.cbi.org.uk**
- British Chambers of Commerce can be particularly effective for networking with professionals in your region. To find your local chamber, go to **www.britishchambers.org.uk**
- The BCC also offers an online network for accredited members at **www.thebusinessnetworkonline.com**

Online networking

As well as having your own website, you can enlarge your online presence by joining leading online networking forums – this can also improve your ranking in search engine enquiries.

www.LinkedIn.com – a global business network with 34 million members in 200 countries enabling users to find and be introduced to new contacts, collaborate on projects and find new business opportunities in your sector.

www.Ecademy.com – offers both online networking and face-to-face business networking events.

www.IFAlife.com – a business and social networking site exclusively for IFAs, which now has over 1,000 members.

Networking tips

- When meeting new people, make sure you focus on being interested in them – rather than trying to make them interested in you.
- As well as promoting your own skills, advocate other people in your network. They in turn are more likely to recommend you.
- “When networking online, don’t sell yourself – instead, look to add value by posting regular financial tips, hints, ideas, comments, facts, short articles and blogs”, advises IFA Life.
- Treat all networking as a long-term investment – don’t expect short-term results.

Leverage platform technology

In a downturn, you need to be able to focus on value-adding activities while minimising how much resource is spent on non-revenue generating tasks.

One way to help achieve this balance is to move your investment business onto an online investment platform, where all your clients' collectives, ISAs and other investments can be administered electronically at a single point.

Functionality varies but a platform can typically offer:

- Online fund purchases, switching and redemption
- Consolidated client reporting
- Online daily portfolio valuation and analysis
- Streamlined investment income payments
- Consolidated commission reconciliation
- Pre-populated application/re-registration forms.

In this way, many essential back office tasks such as processing and reporting can be automated, freeing up resources to be deployed elsewhere.

Platforms can also actively enhance the client experience – for example, enabling them to view all their investments as a single portfolio and access online tools and functionality – at little or no extra cost to the advisory firm.

Also, every transaction is recorded electronically, so a firm can maintain a constantly updated picture of each client's portfolio as well as the activities of each adviser. Such management information (MI) can be invaluable in staying ahead of sales trends, identifying potential risks and spotting further client opportunities. It can also be used to support Treating Customers Fairly (TCF) activities.

Keeping marketing

Advertising and PR is often one of the first costs to be cut in a downturn so firms that continue to market can attain ever greater 'stand out'. Plus, publications are highly amenable to negotiating on cost – often offering firms a combination of display advertising and editorial to keep their pagination up.

Target publications carefully – for IFAs, local press is often far more effective than national publications.

Get paid to invest in your business

There is evidence that the strongest companies are those that don't cut back to the bone when markets get tough but keep investing in areas such as training, technology and marketing.

The government is keen to support British enterprise so if you are looking to develop and invest in your business, check out what financial support is available.

- Various local and national grants are available for businesses looking to invest in certain areas such as investing in technology or training new people. Go to **www.businesslink.gov.uk** and click on 'Finance and Grants'.
- Interest-free Energy Efficiency Loans are available via the Carbon Trust to SMEs embarking on projects to make their business more energy efficient. The size of the loan is based on the projected energy cost savings – **www.carbontrust.co.uk**
- The Skills Brokerage Service, part of the government's Train to Gain initiative, aims to help businesses identify their skills requirements, then access the training and potential funding sources to help pay for it – **www.traintogain.gov.uk**

Guaranteed loans

If you are finding credit hard to come by, the Enterprise Finance Guarantee Scheme aims to provide businesses with turnover of up to £25 million with loans of £1,000 to £1 million, repayable over 10 years. The government guarantees 75% of the loan, while banks cover the remaining 25%.

The guarantee can be used to support new loans, refinance existing loans or to convert part or all of an existing overdraft into a loan to release capacity to meet working capital needs.

The guarantees are available through Barclays, Clydesdale/Yorkshire Bank, HBOS, HSBC, Lloyds, RBS/NatWest and Northern Rock. Firms need to prove their case on merit and show how they plan to repay the loan.

3. Building your client book

Make your clients your salesforce

In a recent J.P. Morgan survey on wealth management, 75% of respondents said personal recommendation was important or very important when shortlisting a wealth manager.

Personal recommendation is so effective that advisory firms need to think seriously about having a process in place to ensure they are maximising referral opportunities from existing clients. Strategies might include:

- Incentivising clients by offering them a case of wine for each new prospect they introduce;
- Holding investment seminars and networking evenings where clients can bring along colleagues and contacts;
- Offering to hold a client's annual review at their office – and scheduling time to informally meet other colleagues who are thinking about getting financial advice.

Obviously, encouraging a referral is an art not a science and a hard sell on existing clients must be avoided at all costs. Nonetheless, never be reticent about asking highly profitable clients if they know anyone of the same calibre who may be interested in your services.

Offer topical seminars

Holding financial-planning seminars in a nearby venue is a great way for an IFA to raise their local profile and market to multiple prospects simultaneously.

In the current environment where everyone is worried about money, certain topics should pretty much guarantee you an audience – and potential client prospects as well.

Ask yourself which topics if advertised in the local paper or on a poster would stop people in their tracks and take notice – for example:

- Planning your finances for redundancy
- Keeping your pension safe in a credit crisis
- Low savings rates and how to beat them.

Choose topics that are most likely to draw high quality prospects. Seminars solely on debt management may attract interest but not necessarily individuals with assets to place under advice.

Seminar tips

- Promote the event long enough for people to clear their diaries – say four to six weeks ahead.
- Charge admission to attract serious, high-quality attendees and to show that the event has real value attached to it.
- Genuinely involve your audience to show your value - for example, use audience members to conduct live case studies on the night.
- Don't attempt a hard sell on your own services – but do give people the option of a further personalised review at home or your office.

Package redundancy advice

With UK unemployment predicted to rise to 3.4 million by 2011 (source: Ernst & Young Item Club), advisory firms offering specialist redundancy support have the potential to tap into a large and growing audience – either by marketing directly to individuals or through local employers and job-seeking services.

Most people being made redundant will be offered some basic advice through their employer – but this is likely to focus primarily on their redundancy, pension and benefit entitlements. An IFA can complement this process with guidance in areas such as:

- Determining financial priorities after redundancy
- Refinancing to optimise cashflow
- Investing a redundancy payout to supplement income
- Planning for early retirement.

As this advice is unlikely to be sales-based in the short term, such packages may be best offered for a time-based fee or marketed at a fixed cost.

While advising the unemployed may not seem a lucrative option, providing support in hard times may yield benefits when these individuals find work again. Many IFAs may want to market services to different employment segments – for example offering a premium advice package to executives. If this is your preferred market, see if you can affiliate your firm with an executive coaching practice.

What we are doing **Brian Dennehy of Dennehy Weller & Co, Kent – five Registered Individuals**

“One of the key things to do in this environment is to let people know you are open for business. For example, we are currently the only IFA advertising in the national press – that’s giving us high visibility.

That said, the smartest marketing is done on a small budget – for example, do you have email addresses for all your clients? You might think some clients don’t like email, but you’d be surprised. We email clients in their 80s.

Adopt a clear e-comms strategy. Email regular notes giving clients your take on events – or sharing those of fund managers – and letting clients know you’re available whenever they need you. Simply show that you care – can mean an awful lot in this market.

Illustrate your expertise regularly to your clients, show you have something to say and you have some value to add. There are investors and savers out there who desperately want and need to talk to a skilled adviser but you need to let them know you’re out there.

Above all, be positive – what can really kill your business is your own fear.”

4. Gathering assets

Identify consolidation opportunities

At a time when acquiring new clients is set to be a more protracted and intensive process, advisers need to do all they can to see what opportunities exist among their existing client base.

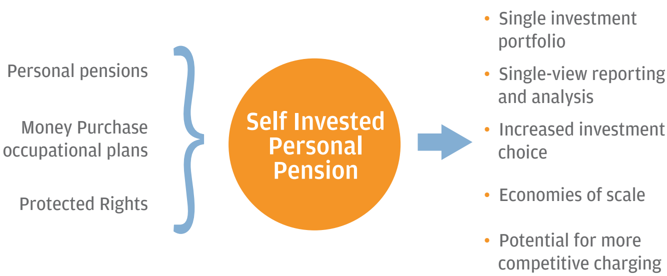
For example, by the time a client is in their mid-40s to 50s, they may have multiple pension arrangements held in various personal and employer arrangements.

Consolidating multiple pension arrangements in a single self-invested personal pension (SIPP) can bring new assets into your business. But it could also enable the client to benefit from economies of scale, greater investment choice and control – and potentially more competitive charging structures. By having all their pensions in one place, the client can get a better picture of their whole pension-planning position.

Obviously, it may not be suitable to transfer certain pension assets, such as generous final-salary arrangements. But assets from money-purchase and personal pensions – and even protected rights in some cases – could benefit from being managed and reported as a single portfolio.

To streamline their planning, clients may also be interested in consolidating other assets such as ISAs, which can create significant growth in assets under advice. Investment platform Cofunds reports the average portfolio held with an adviser by a client who has consolidated assets is three times larger than that of an unconsolidated client.

Pension consolidation benefits



Offer safe havens

Some private investors may view the current downturn as a valuable opportunity to get into the stock market at low valuations. However, many more may be looking to shield their capital from further market declines.

To retain assets, it is therefore essential to be able to offer 'safe haven' investments that clients can retreat to when they are concerned about market volatility. These might include deposit accounts – and many investment platforms now integrate these.

A more rewarding option may be liquidity funds. These can potentially offer a lower-risk profile than deposits as capital is diversified across a broad range of counterparties. Many will have a remit to look to outperform interest rates over the medium to long term (after fees). Plus, if classed as 'stable NAV', a fund will be expressly risk-managed so that investors should see no decline in capital values.

A final benefit for advisers is that liquidity funds may pay annual commission.

Stable NAV Liquidity funds: the benefits

- Actively managed to outperform benchmark interest rates
- Large asset pool offers enhanced yield potential
- Diversified portfolio of counterparties reduces reliance on any single financial institution
- Daily access for investors
- Commission options for advisers

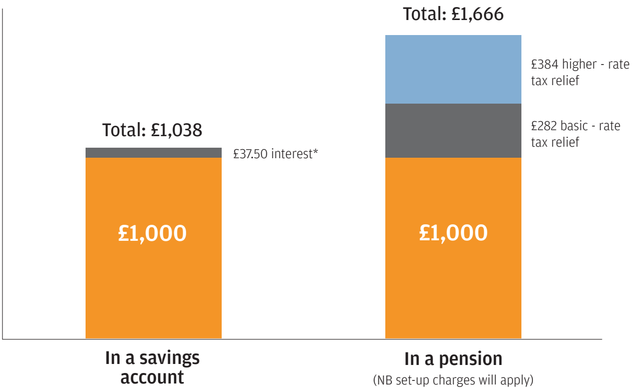
Promote pension tax relief to beat low interest rates

As many pensions have seen a third of their value wiped off their plans over 2008, now may not seem like the best time to sell the idea of pensions. But given the low returns offered elsewhere, the tax relief 'uplift' offered on a pension can look particularly attractive.

For example, a higher-rate taxpayer putting £1,000 of taxed income in a savings account may earn less than £40 in interest in a year (which may face further tax), given current rates. Place the same amount in a personal pension and it immediately attracts basic-rate tax relief of £282, while a further £384 in higher-rate relief can be claimed through self-assessment.

Of course pensions and savings accounts are not directly comparable – in particular a pension involves set-up and ongoing charges. Also, it's vital that investors have sufficient cash savings before considering a pension.

Investing £1,000 of taxed income:
savings account v pension



*Based on best variable rates available for £1,000 at 30 days' notice as at 01.02.09
source: MoneyFacts

But in the current market, it's important to stress to clients that saving in a pension doesn't necessarily mean taking investment risk. Many pension plans offer deposits, money market funds and low-risk bond funds. Nervous investors can shelter their money in these safe havens until they feel comfortable enough to go into equities – but still attract generous tax relief on their contributions in the meantime.

5. Managing revenue

Audit your client book

When people may be losing jobs and cutting back on expenditure, it's vital to know who your clients are and assess the probability that they will continue to use your services. Auditing your clientbase can enable you to identify where your main client risks lie. For example:

Sources of income – Do you have a high percentage of clients working in a sector that's particularly vulnerable to recession (e.g. construction, retail or banking) or with one local private employer? Can you increase the number of clients in more defensive areas such as healthcare, law and the public sector?

Major clients – Assess whether there are any clients that account for a sizeable percentage of revenue/profits. Do all you can to keep these onside and try to reduce your level of reliance on any individual client.

Key loss-bearers – Do you know which of your clients have sustained the biggest investment losses as a percentage of their assets under advice? These clients should be prioritised for support and reassurance as they can often be the first to redeem investments once markets rise and losses narrow to more acceptable levels.

Review how you charge

The perceived cost of advice may deter many people from seeking out the financial guidance they need in the current climate, so rethink how you charge and how this could be made more appealing.

Be transparent – Take a leaf out of dentists' books and advertise a fixed cost for certain procedures such as a debt review, protection review or helping a client track down old pension policies. If potential clients can see a finite price for a particular service, they may be more willing to come and talk to you – which could set the ball rolling for further business.

Be inventive – A recent Money Marketing article mentions one IFA that has introduced a "Pay What You Like" scheme, where clients pay what they think the advice is worth. The more a client decides to pay, the greater the level of commission rebated.

Be diversified – Diversifying remuneration to include fixed or time-based fees may also help to offset the impact of market declines on ad valorem revenue such as trail commission and annual portfolio management fees. It also means you don't need to wait for clients to make a purchase before you get paid.

Be creative with client servicing

As we've said, it's a golden rule of business budgeting not to cut costs that will directly impact clients. However there are some ways to reduce client costs without sacrificing quality of service – and could even improve your servicing levels.

Offer online reporting: save on print, postage and administration by giving clients the option to receive all their investment reporting and literature requests online. Some of the leading investment platforms will offer this functionality at no extra cost – and may even build a microsite into your own website.

Optimise email: Consider how email can be used more effectively to service clients. In a recent J.P. Morgan survey of affluent and high net worth individuals, 55% of respondents cited email as their preferred way of communicating with a wealth manager, compared to 16% for telephone and 3% for post. Moreover, the vast majority of prospects aged 35 or under said they would expect to be emailed once a month or more.

Standardise reporting: Decide how much of a new client report should be standardised and how much should be personalised to the individual: a ratio of 70%:30% may improve efficiency without sacrificing quality.

Segment your service proposition: Segregate clients by level of profitability/AUM then clearly define the level of service each segment will receive (e.g. number of face-to-face meetings, depth of reporting, etc). Make it clear to each client what they will receive for the service level they have selected.

Ask the client: Face-to-face reviews with clients are resource-intensive, so ask clients how often they want to meet up and log this on their case file. You may be surprised how rarely even your most valued clients want to see you – freeing you up for other activities.

What we are doing **Andrew Merricks of Skerritts Consultants, Sussex – 11 Registered Individuals**

"To be honest we've never been so busy. If you are an adviser who deals in mortgages or who is transaction-based and needs to generate commission, you're in trouble.

But if you are an investment IFA working on a recurring fee basis, the opportunities in the current market are significant. The two things that people usually put their money in – cash and property – aren't delivering so they have to look elsewhere and that's when they'll come to you.

We rebate all commission and charge clients between 0.8% and 1.25% a year of their portfolio value. A recurring fee model like this means you can focus on offering sound investment advice, not selling policies. For example, the biggest value-add we have provided for our clients recently was our decision to move discretionary portfolios 65% in to cash after the Lehman Brothers collapse in September 2008.

It wasn't great insight – it was common sense given that market events presented limited upside but massive downside. But clients really appreciate that kind of thinking.

Communication is the other vital element in this market. Since September 2008, we have been writing to clients on average every two months updating them on market events and what we are doing in response. Clients can take real heart from that – I don't think we've seen any assets go out the door because clients are nervous.

Be visible to your clients and be honest. Anyone who says they know what's going to happen in the stock market is bluffing. None of us know. All you can do is focus on managing risks and using common sense."

6. Looking to the long term

Stay focused on your core proposition

Long-term sustainable business growth is linked to 'core business develop-ment'

It can be tempting to diversify into new areas to expand opportunity in a downturn – or take any business that's offered to you. However, David Molian of Cranfield School of Management says data from their programmes suggest that long-term sustainable business growth is linked to 'core business development'. Examples are:

- Identifying a profitable niche
- Building a strong position
- Selling more of the core products and services to your existing customers and others who are like them.

Molian suggests staying firmly focused on those areas where your firm has a competitive edge. Assess level of resources for each client/project and be willing to turn away work that's unprofitable – as counter-intuitive as that might feel.

Safeguarding your proposition

- Define the profile of the clients you want to attract and your advisory focus – then market the business accordingly.
- Just as important, define the client profiles you don't want to recruit and make this explicit across the business.
- Don't be tempted to take on business you know to be unprofitable even if your advisers have spare capacity.
- Ensure your most talented advisers and relationship managers are free to maximise time on clients and prospects and are not tied up with menial tasks.
- Stay focused on a long-term strategy not short-term business wins.

Know what makes a ‘Super Small/Medium Enterprise (SME)’

In a recent survey for office technology firm Plantronics, David Molian of Cranfield School of Management also summarised 10 attributes of small and medium-sized enterprises that don’t just survive during recession but actually thrive and grow.

1. Customer-focused – Continually seek out feedback from customers to inform their business strategy and always go the extra mile for their most profitable and loyal customers;

2. Innovative – Continue to develop new unique products and services to distinguish themselves from the competition;

3. Talent-focused – Focus on developing and rewarding talented employees and giving them the flexibility in the workplace to make full use of their skills;

4. Maintain quality – Don’t cut costs that are visible to the customer in the short term, which could compromise reputation in the long term;

5. High financial control – Super SMEs have extremely tight internal financial procedures to manage cashflow and keep debt at acceptable levels;

6. Responsive – These firms look to capitalize on their size and ability to change direction quickly when required – without losing focus on their core expertise;

7. Marketing-focused – The most successful businesses use slowdowns as an opportunity to grow, share and broadcast their message louder than the competition;

8. Well-prepared – Super SMEs tended to have a ‘slowdown plan’ in place. Internal communication is open and honest to ensure strategy is realistic;

9. Deep market knowledge – Super SMEs are often recognised as the thought-leaders in their particular field;

10. Technology focused – These companies constantly look to see how technology can be used to improve productivity, reducing wastage and enabling smarter working.

What we are doing **Harry Katz of Norwest Consultants, Middlesex – one Registered Individual**

"Quite truthfully, there are only three ways to weather a recession: cut costs, cut costs and cut costs.

There are many costs that an IFA can reduce – and you can become more engaged with your business as a result. For example, instead of outsourcing report writing, I believe it's of more value to adviser and client to write all communications yourself. After all, you know your clients best. Likewise, by gaining a deeper understanding of the regulatory regime, you can both cut back on compliance consultants and be more confident in your dealings with the regulator.

It may mean working harder and longer but, quite frankly, if you are working less than 55 hours a week then you will find it a challenge to weather recessionary periods.

Also, don't retain expensive offices. You don't need them now that most business is conducted remotely – and I know advisers who have gone out of business simply because of the rent they were paying.

Now is also the time to lavish attention on your existing clients. If you thought you spent a lot of time on your clients before, now you have to double that effort. This will help you retain existing business. But just as important, happy clients will invariably recommend you to their friends.

There is plenty of business out there for skilled and trusted IFAs. Remember that people are now desperate for reliable guidance about money and investments. If I go to a social occasion now and tell people what I do, I'm surrounded in minutes by people asking my opinion. If you want an effective new-business strategy, go to a dinner party, tell people what you do for a living – and remember to take lots of business cards."

Last word

The coming months and years are likely to remain challenging for everyone in the financial services community. But what is clear from talking to IFAs around the country is that many believe the opportunities for their business are as great, if not greater, than ever.

Many believe the current climate presents a fresh impetus to review costs, build in efficiencies and reinforce client relationships.

We hope this guide has provided some points of interest and practical value. As always, J.P. Morgan Asset Management is committed to supporting the IFA community in every way we can.

So if you believe there is more we can do to support your investment advisory activities please get in touch.

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