

Dear salesmen, please don't sell ice to an eskimo!

It is high time for salesmen of financial services products to transform themselves into professional advisors and the entire financial services industry should create opportunities for them and catalyse this transformation process.

Have you heard the following statements being told to consumers of financial products?

- “Sir, you must invest in this NFO, it is only Rs 10 per unit...”
- “Madam, if you really love your children then you should buy an insurance policy in their name...”
- “Please sign this power of attorney so that you don’t have to bother about day-to-day decisions, our experts will churn your stocks and mutual funds portfolio to maximise returns for you...”
- “A term insurance plan is not good because if you survive the term then the entire premium paid is lost; I will recommend you a plan where you will get money back even if you survive...”

It is quite likely that you would have heard these statements from salesmen of financial products. And if you carefully

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look at the sample statements mentioned above, they all sound as though the recommendation is made for the benefit of the client. But more often than not, it is influenced by sales target or a self-seeking motive of salesman, which I call as “Mission Commission”.

We are not indicating here that all insurance plans other than term plans are useless and all NFOs should be avoided. In some cases it may make sense to go for a ULIP or a specific NFO can be a unique opportunity. The issue that we want to highlight and which is a big point for us is the fact that in our industry today many salesmen are selling financial products for wrong reasons because they lack sufficient product knowledge and/or are biased with the commission they get by selling products.

Now, before the salesman community starts thinking of writing hate-mails to us, we would like to give one disclaimer:

“Not all salesmen are biased and there are people who will sell product only based on what the client needs.” We personally don’t have anything against salesmen who don’t mis-sell. But we do have a problem with salesmen who feel proud to say that they can even sell ice to an Eskimo and in practical life sell inappropriate financial products to consumers.

Is Salesman also an Advisor?

Another argument could be this: if a person takes the effort to understand the needs of the client and then sells a product, doesn’t it make him an advisor? So how do you define who is a salesman and who is an advisor?

Technically, if you are salesman of financial services products then your job is to explain the product features and then give logistical service of executing transactions for buying/selling

the financial product, e.g., filling forms, collecting cheques, submitting application etc. And if you are an advisor then your job is to understand the requirements of the client and recommend specific financial products that suit their needs.

In today’s dynamic market conditions, because the process of selecting specific financial products is complex, a vast majority of clients need an advisor to tell them which product is right for them. And as mentioned earlier, because there are no regulations to differentiate advisors and salesmen, most of the time people double-up as a combination of salesman and advisor. This gives birth to a problem where you can meet a salesman who isn’t qualified to be an advisor but is disguised with fancy designations like “Relationship Managers”, “Investment Advisors” or sometimes (unjustifiably) even “Financial Planners”.

A part of this problem can be solved

if you create separate regulations for salesman and advisors in our industry. FPSB India, in association with regulators like SEBI, is championing this cause and we are quite positive that it will succeed in this endeavour.

But apart from regulations and legalities, it is the moral responsibility of every salesman of financial products to answer questions like: “What is the purpose of my profession and am I giving the client what he really needs?” or “If I was a client and if somebody sold me products in a way I am selling them to others, would I be happy?”

Also, with the advancement of technology it will become easier for investors to execute their transaction online and will thus reduce the role of an intermediary salesman. So a salesman will either have to transform himself into an advisor and provide value-added services or be prepared to have his role reduced to a courier delivery person.

Personally, I (Charul Shah) began my career in the financial services sector more than a decade back by offering stock broking services and then moved on to insurance, mutual funds and other investment products. Then came the realisation that rather than looking at pieces that make up the whole, why not offer holistic personal finance solution. That’s when I started looking at Financial Planning as a career and later enrolled myself for the CFP Certification. Today, having clients who trust me completely for their financial decisions and knowing that I am making a positive impact in their life gives me immense pleasure. I would like to share my thoughts on how a salesman can transform himself into a professional advisor.

Four Stages of Transforming a Salesman into a Professional Advisor:

1) Recognize your motivation for being in the financial services industry

You really have to do some soul-searching and answer the question “Why are you

in the profession of selling financial products?” No, I am not suggesting that you go into meditative contemplation and ask yourself “Who am I and what is the purpose of my life?”. From a professional perspective, what motivates you more, just making money for yourself in any way possible or doing it in an honest and ethical manner?

I have made a small checklist of questions you can ask yourself or any salesman:

- a) Do you start your meeting with clients by reciting a product sales pitch and highlight product features, which you want to sell even before you have completely understood their requirements?
- b) When recommending products to your client, do you simultaneously do a mental calculation of the commission you will potentially earn and does that make your recommendations biased?
- c) Do you sell a product just because

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you have to complete your sales target or because it will win you some prizes?

- d) You were earlier in the profession of selling non-financial products and have no formal education or background in financial services. Is your sole motivation to sell financial products because it is financially more lucrative?
- e) Do you think that by passing IRDA/AMFI/NCFM exams you have acquired sufficient knowledge and hence don't care much about constantly reading, attending seminars and enhancing your knowledge in the chosen field?
- f) Do you recommend clients to churn their portfolio frequently without assessing the impact on the post-tax returns that your client earns?

If you answered a “Yes” to any one or more of the questions mentioned above

then you should give a serious thought on transforming yourself to a professional advisor.

2) Do whatever is required to bring this positive change in yourself

Once you have decided that you want to bring about a change in yourself, leave no stone unturned in achieving your goal. This will mean that you will have to make a clear plan for acquiring knowledge systematically. It would mean pursuing a formal course, reading, attending trainings and seminars. You should also try and collaborate with other professionals in your field and try and learn from them, it really helps if you have a mentor who can give you guidance. It will also be very important to win the trust of your clients who may still perceive you as a ‘salesman’. The best way to do this is to educate them and be as transparent as you can in your transactions. This could

range from clearly highlighting the risk factors of the investment products you recommending to sharing with them the commission you are earning by selling.

3) Resolve to be honest, no matter what

One thing that is guaranteed in this transformation process is that you will face a lot of challenges. The key to your success will be how strong you are in your determination to convert them into opportunities. One of the biggest challenges you will face is to control the lure of immediate gains and going for long-term benefits.

George Ainslie, a renowned Psychiatrist in his book Picoeconomics, 1992, has stated: “Human nervous systems are hardwired to choose the poorer but

earlier of two goals when the earlier of two goals is close at hand”.

A product salesman's primary source of income is the commission earned from the products sold and hence there is an obvious tendency to ‘sell’ high commission-yielding products. The first and foremost change that you will have to incorporate in your approach is to mentally switch-off the calculation of commission that you may earn and only recommend products based on what the client needs. This will mean that many times your immediate income as an honest advisor will be less than what it could have been if you would have recommended some other product. Accept this and believe that the only way to achieve real long-term success is by earning the trust of your clients and getting maximum repeat business and referrals from them.

The ideal way to be compensated in a fair manner is by charging a fee for your advice. You can refer to previous issue of the Financial Planning Journal for some great insight and help on becoming a fee-based Financial Planner.

4) Enjoy the Journey

The last but not the least is to enjoy this whole transformation process and be proud of what you are doing as a professional. Personally for me, this journey has been very satisfying and I believe that this expedition has just begun. I will be constantly learning, making mistakes and improvising as I progress.

With this we conclude this article and hope it helps at least some salesmen in transforming themselves into professional advisors.

And yes, we also look forward to a day when advisors are the only professionals who serve the Financial Consumers and all the ‘hardcore salesmen’ migrate to Antarctica to sell refrigerators and air-conditioners made for Igloos.

*charulshah@gmail.com
deven@moneymentor.in*

