



DEFINING VALUE IN YOUR SMSF BUSINESS MODEL

Aaron Dunn, CEO & Co-Founder, Smarter SMSF

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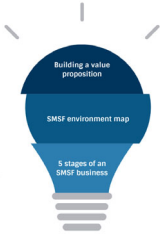
Aaron Dunn
CEO & Co-Founder, Smarter SMSF



Within the financial services industry, people look to Aaron as a trusted source to learn more about SMSFs and the direction of the sector. Highly admired amongst his peers, Aaron's insights into both technical and practice-based issues within the SMSF industry sees him regularly sort out to participate as a key stakeholder for Government reviews, and regulatory issues. Aaron is the CEO and Co-founder of Smarter SMSF, a business that supports accountants and financial advisers across CPD training and SMSF documents. He is the creator of the Future of SMSF report that provides key insights into the way in which practitioners operate within the SMSF industry. As a SMSF Specialist Advisor and CPA, Aaron has worked within the SMSF sector for more than 20 years. A lover of sport, in particular AFL football (Essendon) and athletics, Aaron was previously a nationally ranked high jumper having set a personal best jump of 2.14m.



Three steps process
EVOLVING THE FUTURE OF SMSF




Three step process to equip professional to building a successful modern SMSF practice

Building a value proposition
Developing or further improving the value in your SMSF business model

SMSF environment map
Understand what is impacting the current and future direction of your SMSF business model

5 stages of an SMSF business
Ensure that you understand where you are today



Business Model Framework

UNDERSTANDING THE TOOLS

Understanding the SMSF landscape today – competitive analysis, industry foresight, market analysis and macroeconomics.

The **Environment Map** helps you understand the context in which you create.

Create a SMSF business model understanding your client segments, value propositions, channels, relationship types, revenue streams, key activities, key resources, key partners and cost structure.

The **Business Model Canvas** helps you create value for your business.

Understanding the gains, pains and jobs to be done that create value for your SMSF clients

The **Value Proposition Canvas** helps you create value for your customer.

Ref: www.strategyzer.com

SMSF Environment Map

ZOOMING OUT

INDUSTRY FORCES

- Competitors (incumbents)
- New entrants (insurgents)
- Stakeholders
- Suppliers & other value chain actors
- Substitute products & services

KEY TRENDS

- Technology trends
- Regulatory trends
- Societal & cultural trends
- Socioeconomic trends

MARKET FORCES

- Market segments
- Needs & demands
- Market issues
- Switching costs
- Revenue attractiveness

MACRO ECONOMIC

- Global market conditions
- Commodities & other resources
- Capital markets
- Global market conditions

To help better understand the SMSF:

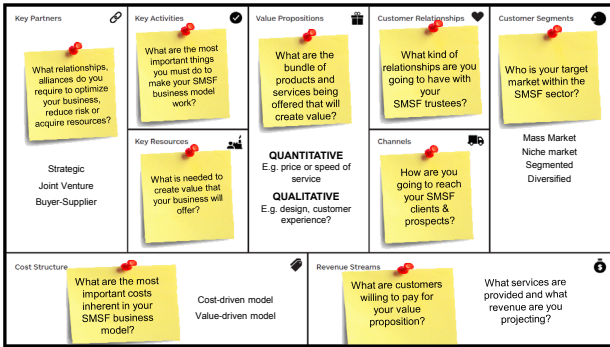
- Future of SMSF Report (Nov 2018)
- ATO SMSF Annual Statistical Report (2016-17 latest)
- SMSF Association research
- Class Quarterly Benchmark Reports
- Investment Trends research
- Other SMSF sector based research

5 stages of an SMSF business

ZOOMING ON DEFINING VALUE WITHIN YOUR BUSINESS MODEL

	Generalist	Generalist	Specialist	Specialist	Specialist
Operation Type	Generalist	Generalist	Specialist	Specialist	Specialist
Average Number of Services	<4	5	6	7	8
Service Delivery	Annual	Annual / as required	Regular (e.g. monthly)	Regular	Multi (incl. regular, daily)
Fees and Billing Cycle	Time, Annual	Time, Annual or as required	Fixed, regular	Fixed, regular	Fixed, regular

Regular Challenges: Resource Factor, Knowledge, SMSF Cloud, Business Process, Strategic Planning, Sales & Marketing



Let's get to work...

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Assess yourself

HOW WELL DO YOU SCORE?

	Poor	OK	Excellent
We have a key focus on SMSF specialisation within our business	0 1 2 3 4 5 6 7 8 9 10		
Built a process to ensure regular fund processing (incl. feeds & rules)	0 1 2 3 4 5 6 7 8 9 10		
My clients have online access to view up-to-date fund and member information	0 1 2 3 4 5 6 7 8 9 10		
We are providing prospective communication to clients on fund and member issues	0 1 2 3 4 5 6 7 8 9 10		
Leveraging software integrations to complete work (e.g. actuarial, documents, valuations, etc).	0 1 2 3 4 5 6 7 8 9 10		
Consistency in fund documents with strong linkage back to fund's deed	0 1 2 3 4 5 6 7 8 9 10		
Created a pricing model that provides an annuitised revenue stream within your business	0 1 2 3 4 5 6 7 8 9 10		

Value propositions in the SMSF sector



A value proposition creates value for the customer through a distinct mix of elements catering to that segment's needs

VALUES MAY BE:



Quantitative

e.g. price or speed of service



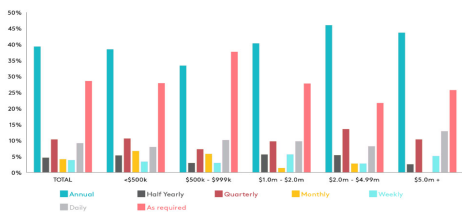
Qualitative

e.g. design or customer experience

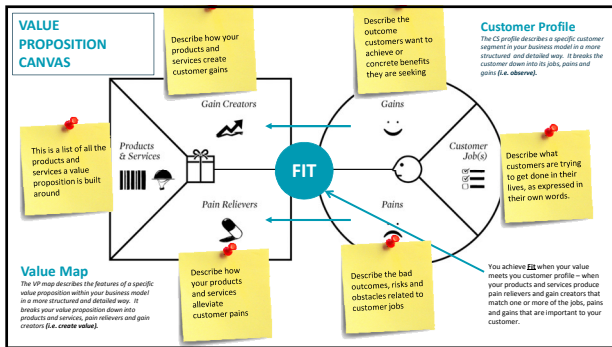
Regularity of offering to SMSF clients

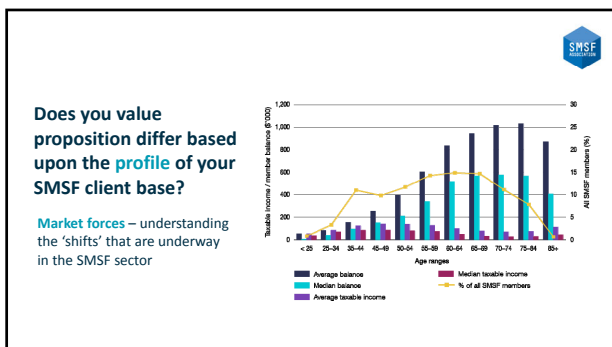


BY REVENUE SIZE



<p>NEWNESS Some VPs satisfy entirely new needs - e.g. through new technologies.</p>	<p>PERFORMANCE Improving product or service performance in a traditional way to create value.</p>	<p>CUSTOMISATION Tailoring products or services to the specific needs of individual customers or segments creates value.</p>	<p>Value Proposition Elements that can contribute to value creation with your SMSF client</p>
<p>GETTING THE JOB DONE Value can simply be created by helping clients to get certain jobs done.</p>	<p>BRAND/STATUS Clients may find value in the simple act of using and displaying a specific brand.</p>	<p>PRICE Offering similar value at a lower price is a common way to satisfy the needs of price-sensitive clients.</p>	
<p>COST REDUCTION Helping clients to reduce costs is an important way to add value.</p>	<p>ACCESSIBILITY Making products and services available to those who previously lacked access creates value.</p>	<p>CONVENIENCE & USABILITY Making things more convenient or easier to use can create substantial value.</p>	





Activity

REFER TO YOUR WORKSHEET

What do you believe are the three most important elements to your SMSF value creation?

From these three most important elements, what are the key pains, gains and jobs to be done for your SMSF clients?

Having understood the above, what gain creators, pain relievers and product and services are needed for your SMSF clients?

Is there a consistency within your SMSF business to support the above? If not, what actions need to be taken to implement?

SMSF
MEMBERSHIP

Defining your SMSF client relationship

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SMSF
MEMBERSHIP

SMSF client relationships

- Understanding the nature of how you establish a relationship with your SMSF clients
- Specifies a process/strategy as to how you acquire, retain and grow your SMSF client base
- Based on a Channel(s) (i.e. how you will communicate)

4

Themes that can help us better define our customer relationships

SMSF
MEMBERSHIP

4 themes to better define your SMSF relationships

SMSF CLIENT RELATIONSHIPS

Type of Relationship	Bond established with customers
indirect	direct
<small>Clients only deal with intermediary</small>	<small>Clients only deal with you</small>
transactional	direct
<small>Loose bond with client (easy to leave)</small>	<small>Tight bond with client (hard to leave)</small>

What are some SMSF service provider examples you can think of in the marketplace today?

4 themes to better define your SMSF relationships

SMSF CLIENT RELATIONSHIPS

Intimacy of relationship

automated → direct

Client deal with machine/process (low touch) → Client deals with same person (high touch)

Relationship life cycle

Acquisition strategies → Retention strategies → Cross-selling strategies

How do you get customers? → How do you keep customers? → How do you earn more from customers?

What are some SMSF service provider examples you can think of in the marketplace today?

Activity

REFER TO YOUR WORKSHEET

What type of relationship do you define with your SMSF clients?

- Is the type of relationship consistent with all clients? If not, why?

Is the relationship type transactional (e.g. annual) or direct (e.g. regular)?

- If not direct, what steps can you take to mitigate loss of clients?

How do you structure your client relationship with your SMSF clients?

- Low-touch or high-touch? How do you articulate this as a point of difference to others?

What steps can you put in place to improve existing SMSF client relationships?

- How to retain or improve average client value (\$)?

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Pricing & Revenue

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Revenue & Pricing

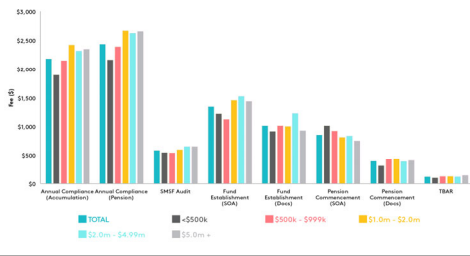
CAPTURING REVENUE FOR DELIVERING VALUE



- How does your SMSF business model capture value (revenue) in return for creating and delivering customer value?
- Revenue is an outcome of **your choices** regarding the:
 - value proposition that is formulated for your SMSF clients +
 - type of SMSF clients that you work with (segment) +
 - channels in which you communicate (attracting the right client) +
 - Type of relationship you establish with your SMSF clients

Average Fees (by revenue)

FUTURE OF SMSF



Revenue / Pricing

SMSF BUSINESS MODEL



- How have you established price within your practice for your SMSF clients?
- Is how you charge based on the **value** and **relationship** with your Customer Segment?
- Is your SMSF revenue recurring (annuitised) or once-off (activities-driven)?
- Is it driven by time (dynamic) or fixed?
 - If fixed, what variables do you allow for?
- What impact do your Key Partners, Key Resources, Key Activities and Cost Structure have on pricing?



By Revenue Size:

	TOTAL	<\$500k	\$500k - \$999k	\$1.0m - \$2.0m	\$2.0m - \$4.99m	\$5.0m +
Pricing Model						
Time Cost	52.61%	41.79%	52.27%	50.98%	66.67%	55.56%
Fixed Fee	39.65%	49.25%	43.18%	39.22%	25.00%	29.62%
Other	7.84%	8.96%	4.55%	9.80%	8.33%	14.81%
% changed fee structure in the past 2 years	15.73%	21.88%	18.60%	18.37%	11.43%	11.13%

By Generalist vs. Specialist:

	Generalist	Specialist
Pricing Model		
Time Cost	51.89%	50.63%
Fixed Fee	37.84%	43.04%
Other	10.27%	6.33%
% changed fee structure in the past 2 years	13.33%	22.08%

Cost Structure



COST DRIVEN

- Focus on minimising cost
- Competing on price
- Big focus is on backstage to compete on price
- Economies of scale
 - cost advantages based on size
- Economies of scope
 - cost advantages due to large scope of operations


VALUE DRIVEN


- Less concerned with costs
 - more on value
- Premium value propositions
 - private client experience?

Is your SMSF business model cost driven or value driven?


Activity



How are your SMSF clients currently paying you? Once-off (activities-driven) each year or recurring? 

How do you determine price for your SMSF clients? Is it driven by time (dynamic) or fixed – if fixed, what variables do you allow for? 

Is your SMSF business model cost-driven or value-driven? Is this directly reflected in your value proposition? 


How will price be impacted by the continued change of technology within the SMSF sector – what steps should you take to respond? 



Assessment & Summary


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Assessment of your SMSF business model for future success



	Poor				OK				Excellent			
	0	1	2	3	4	5	6	7	8	9	10	
1. Switching costs	Nothing makes my costs high for switching								My clients are locked in for several years			
2. Recurring Revenues	100% of my revenues are recurring								100% of my work is automatically recurring			
3. Earning vs. Spending	I earn 100% of my cost of goods and selling expenses								I earn 100% of my business before paying my cost			
4. Cost Structure	My cost structure is at least 50% fixed for my competitors								My cost structure is at least 20% lower than my competitors			
5. Others Who Do the Work	I have control of the value creation in my business								All the value creation is owned by me or my partners			
6. Scalability	My business model requires additional resources and effort								My business model can actually be fully automated			
7. Protection from Competition	My business model has no barriers and is vulnerable to competition								My business model has barriers that are hard to overcome			

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