

BUSINESS BEST PRACTICES

Not Your Ordinary TPA (Part 2)

This article is part two of a three-part series on how not to be an ordinary service provider. Part 1 explored who you are and how to identify your customers. Part 2 will discuss the relationship with the customer and what services customers value. Part 3 concludes with the products and services you should be considering and how to innovate with technology.

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This quote is from a widely read blog:

“Two words: Return Policy. Another two: Customer Service. They get it. If you treat your customers with respect, they will come back over and over. I love them for this reason.”

The company? Nordstrom. The same retail giant is also famous for its two-rule employee handbook: “1. The customer is always right. 2. See rule #1.” Nordstrom has built a \$10 billion dollar business on treating customers with respect. They were one of a handful of retailers to come out of the recession with their customers intact, and they have posted double-digit earnings growth over the last four years.

What Do Customers Value?

My husband, Peter, speaks six languages and is one of the smartest people I know. He has a retirement plan for himself and his eight employees. I recently started a conversation about his plan. “Peter, we need to talk about your 401(k). There are some new rules about fee disclosure...” He cut me off, put up his hand, and said, “You lost me at ‘401(k).’

Remind me again about why I have this plan and what is it in for me?”

The conversation reminded me of what small business owners care—and don’t care—about with regard to their retirement plans. They want to know: is the design working for me and are the benefits worth the hassles that the plan often brings? Can we mitigate the small business owner’s fiduciary liability? When Peter says, “I lost you at ‘401k,’” you can bet he certainly doesn’t care about a well-run ADP test, a timely filed 5500 form, or an up-to-date plan document. Nor should he. A valued service provider would be one who can focus on what is important to his client, such as the plan design and why it works for the owner. Even better, a good service provider would annually review the plan design and plan provisions with the owner(s) to make sure they are still meeting the business’s goals and objectives.

Plan sponsors of mid-size plans also value plan design, but they are more focused on how the design benefits the principal employees and fosters good participant retirement outcomes. TPAs and advisors should be explaining how dual plan options, auto-enrollment, and managed investment options can help both key and rank-and-file employees. Because larger companies’ goals are more complex, it is critical that the TPA, the recordkeeper, and the advisor all work seamlessly as a team—not just during the sales and conversion process but throughout the plan’s tenure with the service provider. In an unbundled model, it is dangerous to appear fractured and uncoordinated to the employer or, even worse, having service lapses that one team member blames on another. In bundled service arrangements, employers express confusion about the roles of relationship managers, compliance analysts, and distribution processors. As George Bernard Shaw quipped, “The single biggest illusion in communication is that it has taken place.”

Communicating your firm's value of customer service is essential to winning and keeping business. Almost every service provider's marketing materials say something like "We are the best at what we do. We provide great service. We make sure your plan is correctly and timely administered." Unfortunately, none of these statements communicates what differentiates the firm from any other service provider. Consider quantifying what customers value: "We are one of only thirty ASPPA Service Provider Certified firms in the country. One hundred percent of our senior administrators are credentialed with ASPPA or NIPA. Ninety-five percent of customer issues are resolved in one phone call. All emails are answered within one hour. Eighty percent of our clients have been with us five years or more."

We wrote about SI Group in Part 1. Remember that SI Group uses surveys of clients and advisors to get an external perspective. More importantly, SI Group surveys revealed that customers wanted fiduciary services in addition to the services that SI was currently providing. SI Group has added a fiduciary service option for those plans whose advisors cannot take on this responsibility and this option has become a revenue-generator for the firm.

Providing services the client wants and effectively communicating your value will command higher fees and increase client retention.

What Is the Relationship with the Customer?

Customers will not remember what you did on a technical basis with their plans, but they *will* remember how they were treated. Customers leave when they are not listened to, when they are ignored, or when they feel a sense of disrespect. Malpractice companies have found that the main reason patients sue their doctors when problems arise is not because the physician made a mistake, but because they didn't like the doctor to begin with. The source of this dislike often begins with curt communication by the physician, especially when he or she didn't listen to the patient on the first visit.

Communication by service providers is critical when developing a relationship with the plan sponsor's staff. Peter's office manager, Jeanne, is often

jokingly called his "office wife." As with Peter's other wife, it is critical to keep Jeanne happy. When I asked her about Peter's plan and what she valued, she said "Make my life easier. Answer my calls and emails quickly—if I am contacting you, it is important to me." Jeanne has developed a good relationship with Peter's TPA because she makes Jeanne's life easier and stays in constant contact. The customer loyalty resides with Jeanne, even though Peter pays the bills, because she is the one involved in the management of the plan. As a result, even if Peter is happy with the TPA, a TPA that makes Jeanne unhappy will cause him to change service providers. TPA owners and managers should know how and when their staff is communicating with clients and especially with clients' HR personnel. Staff turnover, curt emails, and slow response times will send customers looking elsewhere.

Advisors and brokers are also customers of retirement plan TPAs and recordkeepers. Their primary concern is getting sales support from TPAs and recordkeepers, especially when they have a short timeframe before they meet with a prospect. Service providers who have dedicated sales support, especially during tax season, will win and retain more business from advisors and brokers. Even more importantly, sales support staff who view the word "no" as meaning "needs options" will foster great relationships with referral sources for the firm.

Lastly, remember the Apple and Microsoft comparison from Part 1 of this series. Steve Jobs of Apple famously said, "A lot of times, people don't know what they want until you show it to them." He didn't mean to ignore customers' relationships and what they value, but instead he pointed out that companies only remain relevant by anticipating customer needs. In an increasingly commoditized business, part of the equation for success for retirement service firms will be to provide great customer service. Firms should be looking for what customers *will* want in the future. Much of these services will involve technology, but technology should allow staff to spend more time building relationships with customers and referral sources. To paraphrase Steve Jobs: the human connection will always be something people want. ■