



A Brave New World – Follow Up

Last issue you may recall I spoke about the brave new world that had arrived for brokers. Since then a part of my, not so Nostradamus like, prediction has come true. When ANZ released their commission paper announcing they were proposing to drop upfront commissions to .45%. It was the best evidence so far that the new world is indeed upon us. Subsequently it was withdrawn and this was the part that sparked my interest.

You see the release of this paper was not earth shattering, it was in fact akin to a roundhouse punch, it was seen coming a mile away. What was earth shattering was the united and immediate response by the broking industry and the speed at which it was withdrawn.

Why is this earth shattering, I hear you say? It's earth shattering because it's the first evidence I've seen of our industry presenting a united front, taking responsibility for our future and affecting the decision process of a lender for our benefit. In 2005 when trails were cut it was almost as if a collective cry went up saying "why didn't somebody do something"? Well this time the some bodies did do something and you can thank Megan Salt and Geoff Bawden and the NZMBA for being the force behind the somebody's. This has been a clear demonstration of the power the NZMBA has when it is supported. Well-done Megan, but I digress.

Our brave new world is here to stay and you have a question to answer. It comes from the movie *The Untouchables* and the question is this "what are you prepared to do now?" What are you prepared to do to ensure your business will remain sustainable in the long term? What strategies can you implement to combat the inevitable loss of income from reduced commissions? What other products or services (solutions) can you provide your clients? Do you have clients or just a bunch of names of people who have done business with you? NOW is the time to ask and answer these questions not three months down the track. It's a bit like Christmas, we know it's coming yet every year we find ourselves in a mad rush at the last minute to buy presents and get ready. I catch myself saying this almost every year "where has the year gone?" Well this is too important to leave to the last minute because by then it will be too late.

If you cast your eye overseas and have a look at what happened in the UK for example, you will more than likely find some clues to help you answer the powerful questions you must ask yourself. For example five years ago brokers received all of their income from lenders, now a large proportion of brokers earn a third of their income from lenders a third from risk sales and a third from fee for service. Not a bad model if you ask me. Why be a victim of a lenders commission policy when you can insulate yourself from it? Just because things have always been done a certain way, doesn't mean they have to always be that way.



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When I was a child my mother would cook a roll roast most Sundays, as I was watching her one-day and noticed she cut a slice off each end before she put it into the oven. When I asked her why she did this, she told me that the meat cooked more evenly, tasted better and besides that's how her mother did it. My Grandmother lived with us for a time, so I asked her why she cut the ends off her roll roasts. She said, the meat cooked more evenly, tasted better and besides that's how her mother had cooked it. I was lucky that my Great Grand Mother was still alive. She lived in the same house she had lived in since 1927. It still had the same kitchen with the old wood fired oven. We visited her not long after my discussion with my Mum and Grand Mother, so I asked her why she cut the ends off her roll roasts and she told me "I have to, otherwise it won't fit into my baking tray".

Being able to question the order of things is one of the great gifts of the free society we live in, yet we often take it for granted and leave it to "somebody else". Taking responsibility for yourself, your business and your industry is critical to your survival in this changing business environment in which we live. So the question remains "what are you prepared to do now?"

