The Specialist Vs the Generalist

What kind of Broker should I be?

I was recently asked whether it was better to be a general broker or a specialist. The broker who asked me this question was seeking some advice in relation to which direction his business should take in 2005. He has been a broker for about 5 years, writing predominantly home loans, he is in his words reasonably successful but wanted to make some changes. This got me thinking about where the industry is headed. So let's have a look at these two broking models and explore what makes them work.

The Generalist

So let's start with the generalist model. I am not talking about the one stop shop approach where a broker deliver insurance, accountancy as well as mortgage broking services, we will cover this at a latter date. I am talking about being able to cater for all your clients borrowing needs. One of the strategies that I promote for generalists is the "Traditional Bank Manager" model. What I mean by this is simple. Position yourself between your clients and their every borrowing transaction. If you think about it not so long ago the local Bank manager was the person you spoke to before you entered into any borrowing contract. You did this because your manager was a trusted advisor and knew a bit about lending. There are very few managers like this left. So where do people go for advice of a borrowing nature. The answer is of course, to you. But this takes a lot of work as being a generalist you need to know a bit about everything. On top of this you need to know a lot about your clients and most importantly you need to know where to go when your clients need specialist help. There are a couple to keys to being a successful generalist.

- ✓ Know your people. Being a generalist means 90% of your job is knowing your people and 5% is knowing your products. Just make sure you know 100% of your 5%.
- ✓ Know when to ask for help. Just because you know a bit about factoring doesn't mean you know how to do the deal. Ask for help or refer the deal on to someone who knows how to do it.
- ✓ Invest in training. Keep up to date with what is happening. Remember if you don't use it you'll lose it.
- ✓ Invest in your clients. If you want to truly look after your clients you must have a relationship that is based on more than doing a transaction. They need to know you, so invest in client functions etc.

Just as your clients have a health professional, a tax professional and a law professional, for this model to really work you need to become their finance professional.

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The best piece of advice I can give you in relation to this is don't let circumstances decide what type of business you are going to do. Make a conscious decision and stick to it. And the broker who rang for my advice is sticking with the home loans. Although he has recently developed business relationships with a commercial broker and a leasing and HP guy.

The Specialist

The basic principal of the specialist model is to do one or two things exceptionally well to the exclusion of a lot of other things. By and large it entails doing fewer deals with more people. When we think of specialists we tend to think of people dealing in the difficult or exotic. Although there is an element of truth to this, it's not always the case.

I recently spoke at a series of seminars where one of the other speakers was Prof Neville Norman an internationally recognised economist. His observations of the economy were very enlightening particularly the following observation. He said "every time you have a housing boom it is followed by a business boom". The reason for this is quite simple Small to Medium size Enterprises (SMEs) tend to be owned by individuals. After a housing boom these individuals have an increased borrowing capacity due to the increase in the value of the real estate they own. So they decide to expand their business using the increased equity in their real estate. If I were thinking about specialising in a particular market this is exactly where I would be heading.

Just as there are some keys to success for generalists there are some keys to success here as well.

- ✓ Focus. If you are going to specialise know when to say no. The allure of potential commission on a non core deal can have you heading off on the wrong path quick smart.
- ✓ Know your value. A wise man once said business is easy, price the job right, do the right job then collect your money. Being a specialist means being exclusive so charge accordingly and make sure you collect.
- ✓ Know your stuff. The 95 -5 equation is almost reversed for the specialist. Its almost 95% about the product and 5% about the people but once again you must know 100% of your 5%.
- ✓ Know your market. Who are you clients and who are your customers. As a specialist your clients may be other brokers and your customers may be the borrowers they introduce.