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# The Need for Wholesaling in the Financial Services Industry

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To establish and maintain a competitive advantage, financial services organizations must provide a value proposition that gains the attention of financial professionals. To accomplish this, they leverage many approaches—from competitive products, pricing, and compensation arrangements to value-added services and support. Wholesaling is an important strategy in this mix, used by organizations to engage financial professionals and deliver their value proposition. A comprehensive wholesaling strategy not only can help a company get its products on an advisor's shelf, but also—and more importantly—can distinguish it as the company of choice.

- In the financial services industry, wholesaling is necessary since most sales are not through a company-owned sales force. This leads manufacturers to require a sales force to distribute products to the advisors.
- Furthermore, advisors today are "shortening their shelves." That is, they contract with fewer companies than in the past and place the majority of their business for a given product category through one or two manufacturers. So, the need for a wholesaler becomes even more apparent.
- Advisors are also facing increasing product complexity, which leads them to rely on a wholesaler to teach them about products they may want to sell and how those products fit into their practice. After all, advisors not only have to establish their own solid understanding of the products the manufacturer sells, but also be able to clearly explain them to their clients.
- Advisors are often challenged with understanding and delivering on the needs of a complex client base as well. Clients have changing and more demanding needs than they did years ago. Baby Boomers are moving into retirement, and Generation Y is now a primary target market. Further, the U.S. population increasingly reflects more culturally diverse backgrounds. Because of these and other factors, financial professionals are looking to manufacturers to:
    - Offer cutting-edge products and services,
    - Make it easy to do business,
    - Provide underwriting flexibility,
    - Price products competitively, and
    - Compensate sufficiently.

In an increasingly competitive environment, wholesalers can play a critical role in placing products within advisor practices, helping advisors meet client needs, and assisting them to grow their business. Almost all third-party financial professionals engage with (to at least some degree) wholesalers, and value their support. They engage not only with wholesalers representing product manufacturers, but also those who represent intermediaries such as broker-dealers, brokerage general agencies (BGAs), and independent marketing organizations (IMOs). Manufacturers from all corners of the industry are continuously approaching advisors for their business, and that's why it's necessary to have wholesalers who can break through the noise.

## WHAT IS A WHOLESALER IN THE FINANCIAL SERVICES INDUSTRY?

Carriers and other product manufacturers alike can have many different models to wholesale, but typically their models contain external wholesalers, internal wholesalers or a combination of both.

An external wholesaler is often the perceived face of the manufacturer, since they are the person who visits the advisor in their office and provides the sales support needed to sell the manufacturer's product. External wholesalers spend much of their time traveling to different advisors in their territory to build and cultivate their relationships with those advisors. This method is effective, but also tends to be costly.

On the other hand, internal wholesalers provide that support from a remote location, typically over the phone. An internal wholesaler's role becomes crucial in the wholesaling delivery model as external wholesalers' territories expand, and more advisors' offices are located in isolated areas. It becomes harder for the external to make enough contact with all advisors to truly build relationships. However, internals have the ability to make frequent contact through emails, phone calls, or even webinars with advisors. Internals are therefore creating the bridge with the advisor to establish a relationship that the external may not have the time to fully invest in.

The growing importance of the internal partner(s) can lead to expanded wholesaling opportunities for manufacturers. This increased reliance on the sales desk (the group of internals) allows advisors to build an ongoing relationship with the manufacturer, even though the external may not be able to travel to an advisor in a remote location, or justify frequent visits to an advisor who does minimal business with the manufacturer. Not only does it expand wholesaling reach, but it does so in a more cost-efficient manner than hiring another external wholesaler. It's important to note however, that many advisors rely more on their externals and that is why a team dynamic is optimal.

## WHOLESALING MODELS

While more often than not manufacturers structure their wholesaling model to be closer to a one-to-one model, some manufacturers have multiple internals teamed with one external. Typically this model works best when one external has an expanded territory with multiple designated sales desk representatives. This model allows for the advisor to have several different internals with which to develop relationships, so if one leaves they still have a relationship with another.

Manufacturers also may rely on just a sales desk of internals, however this model typically only works if the advisors in that market understand the product well enough. Additionally, many advisors still want the occasional face-to-face approach that they receive with an external.

Manufacturers that are in advisor markets who are unfamiliar with their products may rely very heavily on high-touch external wholesalers called point-of-sale (POS) wholesalers. These externals typically work in smaller territories, and actually help sell the product to the client in the sales process versus just providing the advisor with the tools they need to do so. It's more time intensive and costly, but advisors who aren't familiar with a product may prefer this.

Another model that some manufacturers have begun to adopt is the hybrid wholesaler model. Hybrid wholesalers typically spend 40 percent to 60 percent of their time on the phone and the balance visiting their territory. Benefits of this model include:

- Lower costs (staffing, travel, turnover, etc.) relative to external wholesalers;
- Being an attractive career opportunity, due to higher earnings potential than a traditional internal wholesaler role, and modest travel time; and
- Providing a bridge for those individuals who ultimately want to become an external.

## SO WHAT'S THE BEST MODEL?

The best model for a manufacturer will vary depending on the complexity of the product being sold, the channel(s) the product or products are being sold through, and the company's value proposition. A manufacturer that has a large career channel or that predominately distributes through insurance intermediaries, which already provide extensive support and training to advisors, may find the team-based model to be more efficient. While a manufacturer that sells complex financial products like annuities, may find a wholesaling model that provides more POS support to be best. At the end of the day, many models will work as long as the team of wholesalers effectively communicate and provide seamless support to the financial professionals they serve. ■

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