



Community Success Stories

O'Farrell Financial Services

www.ofarrellfinancial.com

Kemptville, Ontario

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INTRODUCTION

This community success story case study is part of the Monieson Centre's Knowledge Impact in Society (KIS) Project, a three-year endeavour to connect academic knowledge with economic development needs in Eastern Ontario. This case study highlights best practices from a real business in Eastern Ontario. The KIS Project is funded by the Social Sciences and Humanities Research Council of Canada. For more information, visit www.easternontarioknowledge.ca.

Offering a wide range of financial products including trust services, investments and mutual funds, insurance and estate planning, retirement savings plans, and small business solutions, O'Farrell Financial Services Incorporated is an independent financial advisory firm located in Kemptville, Ontario. This case study examines the key industry trends and company factors that have enabled O'Farrell Financial Services to achieve success in a highly competitive financial industry. Key takeaways will be identified from this rural business success story, identifying opportunities for continued profitability, and lessons learned for other growing rural businesses.

COMPANY OVERVIEW

O'Farrell Financial was founded in 1997 by the husband and wife team of Dermid and Donna Lee O'Farrell to provide the residents of Eastern Ontario sound financial advice backed by quality, professionalism, and a high level of personal service. Today, O'Farrell Financial continues to successfully provide customized solutions to a variety of different clients across the North Grenville area. By building strong relationships with clients and understanding what is important to them through the different phases of their lives, the O'Farrell team has successfully emerged as a leading niche provider of financial services in the community.

Since the company's inception twelve years ago, it has continued to grow based on client referrals. They have sustained such high levels of growth without compromising client interactions by ensuring there is sufficient support to handle all client requests. Today, 14 staff members contribute to providing comprehensive service to the clients of O'Farrell Financial.

INDUSTRY OVERVIEW

O'Farrell Financial faces competition from several local sources. Major Canadian banks (e.g., RBC and CIBC) and a larger number of independent financial providers (e.g., Sun Life Financial) operate within the Kemptville area. The ability of O'Farrell Financial to offer completely tailored investment solutions and unbeatable service has enabled them to be a key player in the community. These two factors, along with their complementary life insurance product offering, has led to countless referrals from local banks. It is interesting to highlight that these financial providers have been able to develop a somewhat symbiotic relationship; that is, a major bank will make referrals to O'Farrell if it determined that it could not meet all of a client's needs. Frustrated with the high advisor turnover at the banks, clients also come to O'Farrell because of the care and attention they can expect to receive.

The global recession which began in December 2007 has also changed the way individual investors purchase financial products and seek advice. In a "flight to quality," investors have begun moving risky portfolios (substantially weighted in equity and capital markets) towards safer investment vehicles, which are highly characteristic of a bear market. Only since the Toronto Stock Exchange's 30% rally since March 2009 have investors begun to purchase stock again. Generally, investors are sharing attitudes of portfolio security (preserving existing income), rather than basing investment strategies on high returns alone (gambling on high-risk securities). Predictable returns not only eliminate ambiguity and uncertainty but also complement the current price- and cost-sensitive attitudes of investors.

In addition to the scrutiny focused on investments, the financial services industry itself has been under worldwide examination as major global banking institutions have met their demise. Investors are becoming more conscious of fraudulent practices like Ponzi schemes, the legitimacy and credibility of their advisors, and of firms' ethical investment practices. More often, investors are asking themselves whether their advisors can provide what they need for the future and if their best interests are actively being pursued. For investors to remain at their current financial institutions and be satisfied with their service, advisors must focus on tailoring their services to address evolving client needs, providing transparency in their decision making, and communicating the value they add to the management of each client's portfolio.

KEY SUCCESS FACTORS

Strategic Business Partners

O'Farrell Financial operates as a detached office of London Life Insurance Company (Freedom 55 Financial) and subsequently offers its entire product line through third-party investment companies. The company is able to essentially eliminate the risk and liability of holding investments under its own name by instead using the products, tools, and software of London Life under license. O'Farrell has been pleased with London Life as their service provider because of their client retention rate of 22% compared with that of the industry, which is approximately 5%.

Differentiated Service

The company prides itself on providing uncompromised quality of service to clients and targeting investment strategies to their unique goals. A qualified staff team that shares these objectives works with Dermid and Donna Lee to ensure their clients are well cared for and that guesswork is taken out of financial planning. Many of O'Farrell's clients prefer face-to-face appointments and appreciate the time set aside for comprehensive reviews of their financial position. O'Farrell aims to provide the full client experience at every visit: friendly staff, comfortable spaces for meetings, and ensuring that no request goes unaddressed. The team also shares the vision of providing custom-made solutions for each individual client, thus avoiding a generic approach. This focus on personalized client relations makes trust and reputation competitive advantages for the firm. Every client's personal preferences and even their children's names are important to the staff as they are all relevant to clients' long term plans and thus become a part of the approach to delivering unparalleled levels of service. As part of service excellence, advisors strive to connect with clients on a personal level – be it through a specially selected birthday card, demonstrated understanding of personal interests and hobbies, or the provision of support for achieving personal goals that goes beyond the financial realm. For example, one advisor thoughtfully provided a pair of tickets for a client to see a Billy Joel/Elton John concert, knowing that these were the client's favourite artists. It has been by going above and beyond what is expected that O'Farrell Financial has developed a unique identity to which clients develop a strong sense of loyalty.

Strong Code of Ethics

O'Farrell financial operates with the highest standards of ethics and client wellbeing in mind. All products sold are from ethics-minded companies that are triple rated and third-party bonded. No fees for O'Farrell's services are collected directly from clients – cheques are only written to third parties and those revenues/commissions are paid out at a later date. This ensures that O'Farrell is able to mitigate additional risk and liability when facilitating these transactions. In the face of recent industry scandals, including newly uncovered Ponzi schemes, such policies also mitigate concerns regarding illegitimate investing practices.

Junior Partners

Junior Partners at O'Farrell have the option of buying a portion of the company and sharing the retained earnings at the end of each fiscal year. This encourages advisors to work harder to bring in new business and take responsibility of their own portfolios. It also supports succession planning as Dermid and Donna Lee plan for any unexpected changes in their availability to manage the business on a day-to-day basis.

Visible Community Leadership

O'Farrell Financial spends its marketing budget to sponsor local community initiatives, rather than using sponsorship dollars on media advertising. For example, the company funds children's hockey teams, which in return display the company logo on their jerseys. The owners at O'Farrell see sponsorship as a means to be good corporate citizens, a way to directly give back to the Kemptville community, and build their reputation as a responsible local service provider.

Opportunities for Continued Success

With a growing team of advisors, Dermid and Donna Lee have made strides to manage organizational knowledge. For example, their detailed electronic client records are networked across the organization to ensure that the team's growing size does not diminish the level of service when clients interact with various members of the organization. With this information management system fully integrated into the business, the O'Farrells have the opportunity to shift their focus to succession planning and knowledge management in order to enable the current team to operate with reduced support from the husband and wife team.

Succession planning and knowledge management are responsible risk-mitigation tools that can ensure the organization will be able to thrive in a short or long term absence of the O'Farrells. This effort is necessary not only to prepare for any unexpected events that may take the principal owners away from the business, but it also presents the opportunity for the O'Farrells to devote a larger proportion of their time to strategic growth opportunities. For example, opening a second office in the region to expand the geographic area from which clients are drawn or actively pursuing high-net-worth clients which require significantly larger time commitments. While these are attractive options, their pursuit should not come at the cost of reduced service quality to existing clients.

CONCLUSION

Through successful organic growth, O'Farrell Financial Services Incorporated has developed a niche segment in the Kemptville financial services sector. Sound investment strategies backed by the business' core competencies – unique business structure, differentiated service, strong code of ethics, employees as owners, and visible community leadership – have made O'Farrell the benchmark for financial planning quality and integrity. Combining their approach to customized service with enhanced information systems and long-range succession planning will help this success story achieve continued growth.