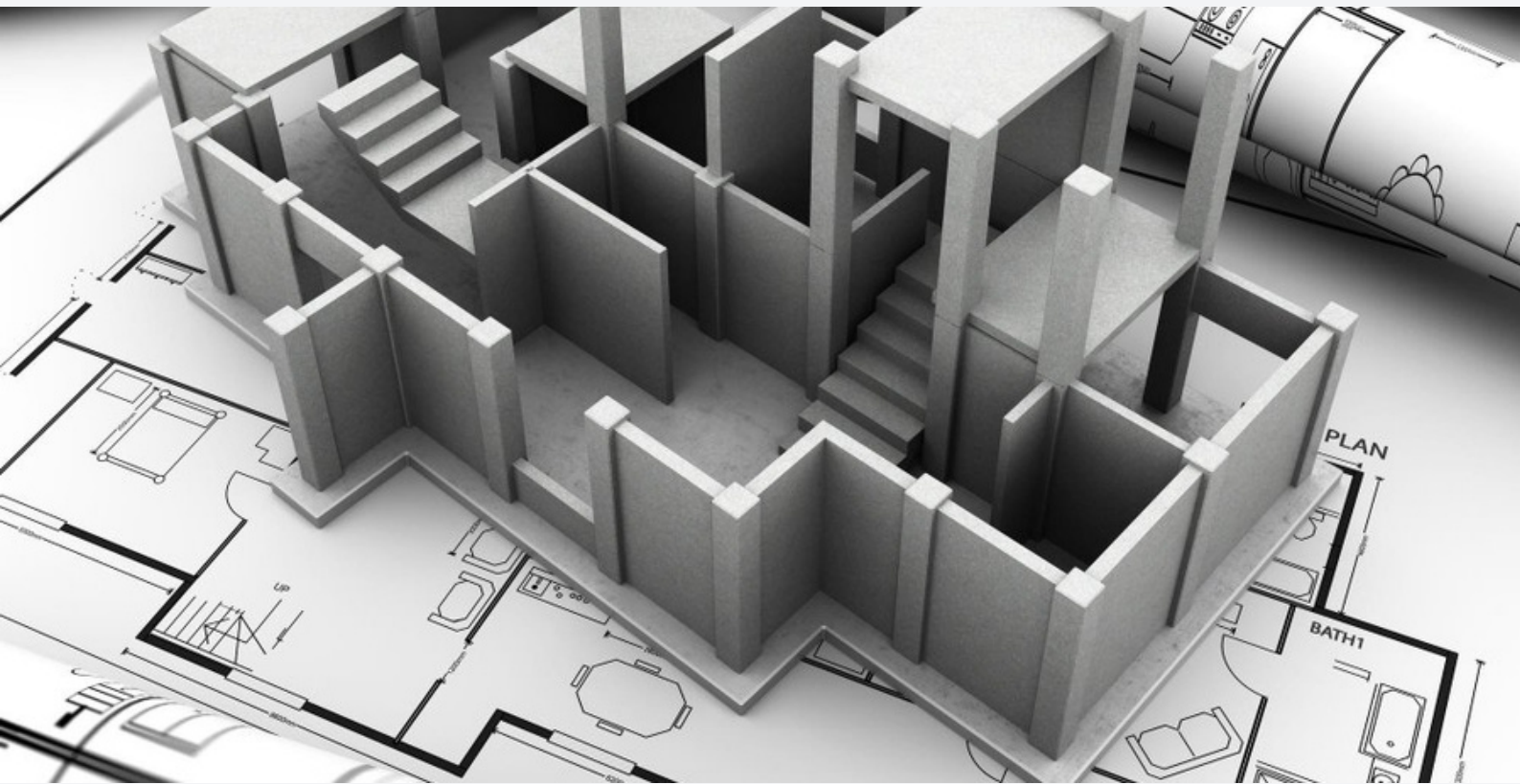


THE FRICTION AUDIT

Identifying where your distribution engine is bleeding



Executive Summary

When revenue growth stalls, executive boards typically default to increasing top-of-funnel marketing spend. This fundamentally misunderstands the mechanics of distribution. If your product is mathematically sound but adoption is decaying, you are dealing with structural friction—a misalignment between how your product was built and how the market actually buys it. Resolving this requires an architectural audit, not an ad budget.

Briefing

Stop Fixing Marketing: How to Resolve Structural Friction in Your Sales Cycle

The Symptom

Your marketing metrics appear entirely healthy. Click-through rates are hitting targets, your sales team is securing the initial meetings, and the pipeline looks full. Yet, the AUM is not following.

The conversion rate from "Qualified Lead" to "Live Partner" is decaying. In the boardroom, the prevailing narrative inevitably shifts to excuses: the market is "crowded," the intermediaries are "price-sensitive," or the sales team is underperforming.

The Diagnosis: The Factory Gap

You are attempting to push a high-fidelity product through a high-friction pipe.

In my experience operating on both sides of the financial services ecosystem, I see a recurring structural failure: The Factory Gap. The "Factory" (your product development, actuarial, and pricing teams) builds for mathematical elegance, risk mitigation, and regulatory compliance. Conversely, the "Shop Floor" (the retail distribution channel or end-user) buys for psychological ease, immediate clarity, and operational efficiency.

When there is a mismatch between these two environments, marketing simply becomes an expensive way to accelerate the discovery of your own flaws. You do not need more leads; you need a Friction Audit.

The Math of Friction and Capital Drag

From an actuarial and commercial perspective, friction is a "leakage"

of yield. Every point of friction in your distribution engine functions as an un-priced tax on your enterprise value. It bloats your Customer Acquisition Cost (CAC) and delays revenue realization.

Consider the Friction Coefficient. While not a standard IFRS accounting metric, it is the heuristic I use to evaluate distribution health in the boardroom:

Friction Coefficient:

Average Days to Implementation

divided by

Number of Human Touchpoints Required

If your Friction Coefficient is rising while your competitors' is falling, your product is bleeding margin during the sales cycle. You are essentially paying your sales team to act as "manual overrides" for a broken structural process.

To quantify this, consider the capital drag. If your baseline CAC is £3,500 and a complex onboarding architecture delays revenue realisation by an average of 45 days, the internal rate of return on that acquisition capital plummets. You are funding a 45-day operational lag rather than compounding capital.

The Friction Audit Framework

A Friction Audit systematically maps your distribution engine across three distinct layers. It identifies exactly where your architecture is making it difficult for the market to give you capital.

Friction Layer	The "Factory" Perspective (Mathematical)	The "Shop Floor" Reality (Psychological)	The Distribution Leak
Pricing Friction	Logic-led, multi-tiered, and risk-adjusted.	Requires a calculator to explain to the end-client.	The Decision Tax: Sales stall at the fee disclosure stage.
Operational Friction	High-security, multi-step data capture.	Requires re-keying data across disparate systems.	The Implementation Gap: Partners sign up but never fund the account.
Cognitive Friction	Comprehensive, 40-page technical whitepapers.	Intermediaries require a 2-minute "Clarity Hook."	The Narrative Stall: Prospects agree in theory, but cannot pitch it to clients.

Identifying the "Bleed"

To conduct this audit effectively, leadership must transition from operators to architects. You must view the business as a series of integrated pipelines rather than siloed departments.

1. The Operational Chokepoint

I recently audited a scaling technology firm that boasted a "frictionless UI." The mathematics of their proposition were perfect. However, a structural audit revealed that their onboarding process required an intermediary to manually export and format data from a legacy back-office system before integration could begin.

This single structural flaw added 14 to 21 days to every deal. It introduced a 22% increase in their effective CAC due to the human capital required to chase the data. No amount of LinkedIn thought-leadership or digital ad spend can fix a 14-day operational bleed.

2. The Narrative Complexity

If your sales team must spend the first 20 minutes of a meeting explaining how the underlying math works, you suffer from severe cognitive friction. In the "factory," detail is a virtue. On the "shop floor," detail is a defensive mechanism. If an adviser cannot prove your commercial utility to their client in three sentences, you are demanding too much cognitive labor. The market will default to the path of least resistance—your competitor.

3. The "Manual Override" Culture

Examine your top-performing sales representatives. If their success is primarily derived from "knowing how to navigate the internal system" or "pushing things through compliance," you have a systemic failure. You are relying on human heroics to bypass structural friction. This is fundamentally un-scalable and will destroy your EBITDA margin as transaction volume increases.

The Structural Fix: Engineering the Path of Least Resistance

The goal of a Friction Audit is absolute Structural Alignment. This requires re-engineering the "factory" outputs to seamlessly match the "shop floor" realities.

- **Productize the Pricing:** If the fee structure is hard to calculate, it is hard to buy. Strip away the actuarial complexity at the point of sale. Consolidate tiers to present a clean, binary commercial choice.
- **Automate the Handshake:** Identify every manual data entry point in the pipeline and classify it as a risk to enterprise value. Architect API integrations or secure direct-wrappers that eliminate the need for re-keying data.

- **Shorten the Feedback Loop:** If the product development team is not receiving unvarnished, weekly data regarding the friction on the shop floor, they will continue to build mathematically elegant, commercially un-buyable solutions.

Marketing buys you an audience, but structural architecture buys you AUM. Before you approve the next budget increase for lead generation, audit your friction. Stop trying to push harder, and start smoothing the pipe.

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