Competing for Referrals

By Dan Richards*
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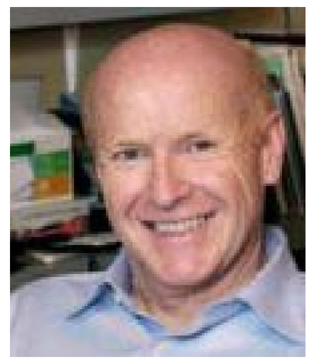
A list of Dan Richards' previous articles *appears at the end of this article.*



In past articles, I've discussed how to get prospects off-the-fence when they are thinking about leaving their advisor – by providing concrete proof as to why they would be better off with us than where they are now.

It's not only investors on-the-fence that need this kind of evidence – even when prospects have been referred to you, you still need to marshal compelling arguments about the benefits they'd get by working together.

At one time in the distant past – say ten to fifteen years ago – receiving a referral was highly correlated to converting that referral into a new client. It wasn't quite a slam dunk, but it was pretty close.

In our ongoing research with clients who have selected new advisors, we see a couple of important findings.

First, referrals continue to be critical in attracting clients – half of investors utilize a referral from a friend, neighbor or colleague when selecting a new advisor.

Second, over half of clients who use referrals talk to multiple advisors before settling on who they'll work with – in essence, they shop for advisors the way they would for any important purchase.

This has huge implications – unlike in the past when getting a referral won you the client, today getting a referral increasingly only gets you into the game and gives you the right to compete for a client.

The next question: what's your strategy for winning that competition?

A while back, I talked to highly successful advisor located in a major city about his approach.

When he receives a referral, he contacts the prospect, has a brief discussion and arranges a meeting at the advisor's office. (A strong case can be made that this first meeting should instead be at the prospect's office or over a coffee near their workplace, but that's not this advisor's approach.)

This advisor then emails the details of the meeting to his assistant and a letter goes out confirming the date and time and providing directions. With that letter goes a folder with five or six sheets of paper – background on the advisor and his firm, a recent report from his firm's research department and two or three articles which this advisor has written in a local paper.

The advisor could wait to mail this package out – but instead sends it by courier.

There are two reasons for spending the $5 on this courier. First, it sends the right signal about the importance of the meeting and the advisor's professionalism.

And second, this advisor has found that, since doing this, no shows and cancellations have dropped to almost zero; it seems that receiving confirmation by courier increases the prospect's commitment to the meeting.

The day before the meeting, the advisor's assistant calls the prospect: "Mr. Smith, I'm calling on behalf of Dan Richards to confirm tomorrow's meeting at 3 o'clock. Dan also wanted me to let you know that at that time of day our parking lot can sometimes be congested so when you come in, look for the spot with your name on it."

Sure enough, when they pull into the lot, five spots from the door there's a spot with a sign "Reserved for Bill and Mary Smith."

Prospects take the elevator to the ninth floor – when they walk into the reception area and ask for the advisor, the receptionist says "Oh, are you Mr. and Mrs. Smith? Dan told me he was expecting you and to let him know as soon as you're here."

Now you may view this as completely and totally over-the-top – that was certainly the view of some of this advisor's colleagues when he began doing this.

Think however about the message that this advisor is sending prospects – about his attention to detail, organization and client focus, all without ever having met face-to-face.

This strategy achieves one more thing – it sets him apart.

In our research with clients who moved to a new advisor, a common comment is "I spoke to three advisors and my problem was that they all seemed smart, professional and interested. My problem was making a decision between them."

The advisor explained why he does this: "When I came into the business in the late seventies, I was trained to monitor the outcome of every meeting with prospects and to track my success rate.

Thirty years later I still do that. In 1990, my conversion rate on referrals was almost 95%. By 2000, it had dropped to barely above 60% – even though I was more experienced and had much better support staff. My conclusion was that I needed to raise my game – I know I'll never hit 95% again, but since starting to do this my success rate is well above 80%."

As clients get more knowledgeable and competition intensifies, advisors will need strategies to obtain referrals and methods to win the ensuing competition for clients. What I've described works for this advisor – and likely won't work for you.

The specifics of this advisor's approach aren't important. What is important, however, is that you have a plan in place in place to send the right messages, differentiate yourself and set you apart when a referral comes in the door.

** Dan Richards conducts programs to help advisors gain and retain clients and is an award winning faculty member in the MBA program at the University of Toronto. To see more of his written and video commentaries and to reach him, go to www.strategicimperatives.ca.*

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