

Rethinking the Fundamentals of Client Communication

By Dan Richards*
February 23, 2010

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Surely you've heard of massive numbers of investors who have severed relationships with their financial advisors as a result of the market tumult over the past year and a half.

In truth, that's not much more than a popular myth portrayed in the financial media. The vast majority of investors are working with the same advisors they were with a year ago – who they work with hasn't changed one bit.



What has changed, however, is how they're working with those advisors.

One outcome of the last while is that advisors will need to fundamentally rethink both the information they communicate and – just as importantly – how they communicate.

Changing these two key dimensions of your communication strategy – what you send clients and how you send it – will be critical to future success.

A major shift in mindset

In understanding the need to shift our thinking on communication, it's important to look at the broader shift in mindset among many clients.

Until recently, most investors would respond to a recommendation from their advisor with *"If that's what you think, fine."*

Today, even if the same decision is ultimately reached, conversations are taking longer and investors are asking tougher questions – and often looking for back-up via direct access to experts.



Indeed, many investors are looking to collaborate on decision making – that’s especially true of younger clients in their forties and fifties, but in fact can cut across all ages.

This is reflected in a comment from Paul Allan, Senior Vice President with Mackenzie Financial regarding research with high net worth investors from the consulting firm Investor Economics:

“High net worth investors are trying to get closer to their money and are listening to multiple sources of information beyond their financial advisor.

As a result, advisors need to spend more time addressing different viewpoints. Three years ago, clients would typically agree with financial advisor recommendations. Today, they want advisors to explain exactly why they are recommending solutions and strategies – and to provide evidence and support.”

Empowering skeptical customers

Of course, there’s nothing new about increasingly skeptical consumers – starting in the 1960s, the baby boom generation led the charge on questioning authority. You could see this in attitudes toward just about every traditional institution – churches, Government, the media, big business.

What’s different today is how this skepticism has translated into changed behavior, with the internet playing a crucial role.

Sometimes it’s hard to remember the days before the internet. Fifteen years ago, information was hard to come by – perhaps the greatest long-term impact of the net will be the remarkable fashion in which it’s leveled the information playing field. Access to information has dislocated business models of intermediaries such as travel agents and put traditional media like newspapers under huge stress.

And it’s also led to much tougher questions from consumers to everyone they deal with – for instance, doctors talk about patients coming in with pages of questions they’ve printed off the net.

Many Americans changed their attitude to their financial advisor and the financial industry as a result of the events of last year. That said, when you look at what’s happened elsewhere, you can make the case that this spike in skepticism was overdue – and the financial industry is just playing catch up with everyone else.



A short attention span world

It's not just the amount of evidence needed to back-up recommendations that's changed – it's how investors want to receive that evidence.

Investors are less tolerant of financial baffle-gab and industry-speak and more demanding of candor, substance and transparency on things like fees.

And there's less appetite for reading.

Historically, financial communication was paper-based – articles, newsletters and lengthy reports. Clients have long complained about the avalanche of paper they get – long on disclosure to satisfy legal requirements, short on meaning.

Many financial advisors doubt whether most of what they send gets read.

“Our firm's economist publishes a monthly report that we're encouraged to send clients,” one advisor told me. “In my view, the chances of most clients looking at that report approach zero. The firm would be much better off sending a short video.”

The power of video

In early 2009 I conducted a series of full workshops, outlining strategies to improve communication with clients.

Among the ideas I covered was supplementing face-to-face and telephone conversations with regular emails of articles from credible sources such as the *Wall Street Journal*, the *Economist* or *Fortune*.

A few weeks later, I got a call from an advisor who had attended the workshop. He had started emailing clients articles and had received a generally positive response. Then one day he decided to try emailing a video of a CNBC interview with Warren Buffett instead – and was blown away by the feedback.

As he put it: “The response to the articles was good but the feedback from the video was great. Partly because it was Warren Buffett, but a big component was that for the first time clients could actually see and listen to him and get a feel for the man. Even if I'd sent an article by Buffett, it wouldn't have had anywhere near the same impact.”



Introducing sight and sound

What makes video so powerful is not just that clients are more likely to watch it than read an article – it's also the impact of the sight and sound that video brings.

Of course, the impact of sight and sound on the effectiveness of communication is far from new.

Advertising as we know it today first appeared with the launch of newspapers about 1700 – and for over 200 years, newspaper ads were how companies communicated to customers.

In the early 1920s, radio came along – and the first major revolution in customer communication entered the scene – now firms could take static words and pictures and add sound to the mix.

And in 1941, the first television ad appeared, a commercial for Bulova watches targeting 7,500 households with television sets in New York City – and with that sight was added to sound and mass communication changed forever.

Debunking Harry Dent

In the interest of full disclosure, I should mention that in the fall of 2009 my company launched an initiative to allow financial advisors in my home market of Canada to send clients videos of short interviews with portfolio manager and financial experts. Today, there are 250 short videos on the site, with an all-star cast of expert authorities.

Among these interviews are several with David Foot, an economist at the University of Toronto who's a leading authority on demographics and co-author of the best selling book, *Boom, Bust and Echo*.

One of Foot's interviews related to the thesis in Harry Dent's book "*The Great Crash Ahead*" that demographics will cause a market collapse.

Last fall, an advisor called to tell me about an experience he'd just had.

A million-dollar client had called him, said he'd just finished Harry Dent's book and had decided to go to cash as a result. Despite all the advisor's best efforts, nothing could change this client's mind.

In talking about this with some colleagues at lunch, he was made aware of the Foot video. After viewing it, the advisor arranged for a short meeting at the



client's office that afternoon – and played Foot's interview on the client's computer.

Afterwards, the client first thanked him, said that now he understood the advisor's perspective, apologized for wasting his time – and asked if they could just pretend that morning's conversation had never taken place.

"What made this work" the advisor said "was that my client could see and hear David Foot in real time. Even if I'd sent an article by David Foot making the identical points, it wouldn't have had the same impact."

Click [here](#) to watch David Foot's views:

Adapting to a new reality

Let's be clear, the written word will always be with us. In a time-pressed world, reading is still the most efficient way to assimilate information. And with the launch of digital devices such as Amazon's Kindle, Sony's E-Reader and Apple's iPad, reading in real time will become easier.

Further, there are some complex topics that just don't lend themselves to video. And of course there are some clients who will always prefer to receive information in writing.

For good or for ill, however, those clients are shrinking in number. We live in a world that's moving to shorter and shorter attention spans, with greater emphasis on immediacy and on the visual medium.

Radio and television revolutionized advertising by introducing the emotional impact of sight and sound – video is doing the same in the online space. One result has been phenomenal growth in online videos – Cisco Systems predicts that by 2012, 90% of consumer internet traffic will consist of videos.

As you move into 2010, take a hard look at every aspect of your business. As part of that, it's essential that you closely examine not just WHAT information you send to clients – but HOW you communicate that information.

Only by fundamentally adapting how you communicate will the shifts in client communication preferences taking place today and tomorrow work for you rather than against you.



** 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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