

Why You Aren't Getting Referrals And What to Do About It (Part 2)

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In my [last column](#), I discussed seven misconceptions that prevent advisors from getting referrals. Today, I conclude with eight more referrals fallacies.

Something that puzzles and frustrates marketing managers of every advisory firm is why more advisors don't ask clients for referrals.

After all, research indicates that 85% of investors say that if asked they'd be willing to provide referrals ... yet less than 15% of advisors ever raise this topic.



This is one of life's great mysteries ... advisors want new clients, know that the best source comes from referrals ... and yet fail to introduce this in conversation. What's going on here?

Here are two explanations for this apparent disconnect.

First the notion that 85% of clients would provide a referral if asked by their advisor is simply wrong.

In last week's column, I wrote that there are two kinds of referrals – the ones that advisors initiate (“Who among the people you know should I talk to?”) and the ones initiated by investors' friends and family (“Do you have an advisor you could recommend?”).

Quite simply, when 85% of clients say they'd provide referrals if asked, they're talking about being asked by a friend or work colleague, not their advisor.

But there's a second reason that most advisors don't bring up the topic of referrals ... because many methods that are recommended for talking about referrals are uncomfortable and create stress for both advisors and clients. To make the referral conversation more productive, advisors need approaches that are fully professional and comfortable for both parties.



Here are examples of bad advice that advisors get on referrals ... and what you should be doing instead.

Misconception 8: You should discuss referrals at every opportunity

You need to mention referrals frequently to keep them top of mind with clients.

In fact:

You sometimes hear that there's a direct connection between how frequently you talk to clients about referrals and the chances that referrals will follow as a result.

For example, suppose you raise the subject of referrals on the phone to a client in the morning. If you happen to speak to that same client the next day, you would never say "*Since we spoke last, have you run into anyone I should be talking to?*"

While the "more the merrier" approach does apply to some aspects of the advisor-client relationship – that's not true of referrals.

The reason is quite simple. As I pointed out in my last column, clients provide referrals to help their friends, not their advisors. And if referral conversations become a recurring part of conversations, you risk being seen as a pest rather than someone committed to helping clients achieve their goals. Clients will think you are operating from your agenda, not theirs.

As a result, the focus of referral conversations needs to be quality, not quantity. Here's a useful rule of thumb. Unless clients raise the topic, you should bring up referrals no more than once every three meetings or every two years, whichever comes first. That means that if you meet with clients annually, you would raise referrals on every second meeting.

The exception is if a client has provided a referral, which gives you an opportunity to thank them and update them on progress on that referral ... more on this below.

Misconception 9: You should provide lots of low-key reminders of referrals

Subtle reminders help keep referrals top of mind

In fact:

In my work with advisors, I see lots of cases where referrals are mentioned indirectly. Recently I received an email from an advisor who had a message that referrals were welcomed beneath the signature line. Other advisors talk about referrals in newsletters or have signs in their offices saying "*Referrals are the most sincere form of appreciation.*"



Not only are these mentions wasted effort, they can actually be counterproductive.

In over 20 years working with advisors, I've seen few cases in which advisors got referrals as a result of these low-key mentions. In today's noisy world, subtle mentions fly underneath the radar.

And even if noticed, they operate from our agendas, not those of our clients and their friends and can undermine our image of professionalism rather than enhance it. When it comes to client communication, I like to think about "the private bankers rule" – advisors should communicate in the same way as a high-end private banker. And I have difficulty visualizing a private banker's office with a sign saying "*Referrals are the most sincere form of appreciation.*"

Misconception 10: Be indirect about your goals in getting introductions

You should mask your objectives in getting referrals to client networks

In fact:

Many advisors feel awkward about telling clients that they're looking for new clients. As a result, they have difficulty bringing this subject up directly, concerned about being seen as needy.

In my last column, I suggested telling clients that you have capacity for 15 new clients (or whatever your number is) in the next 12 months, should clients be talking to someone looking to make a change who you might be able to help.

Here's a straightforward, professional way to introduce this subject.

"While the main reason that I email clients the monthly articles you've been getting from Fortune, Forbes and similar publications is to keep you up to date, I've also found them a comfortable way for potential new clients to get to know me."

"Feel free to forward the emails you get to people you know who might find them of value."

"And should your friends wish to receive these emails themselves, either they or you can send me a quick email and we'll be pleased to add them to the list."

Or here's another tack that you could take that ranked first out of 30 referral approaches tested with affluent clients:

I'm glad you can join me on January 15 for the Board of Trade lunch with Ben Bernanke.

The table I'm hosting is primarily for clients but I do have one extra spot.



I wonder if someone you work with would like to come along, who might be interested in meeting me and who I should get to know. In the past, you've mentioned your CFO Patricia Barnes. Do you think she'd be interested in attending?"

Misconception 11: Ask broad questions

When it comes to referrals, open ended questions are best

In fact:

From day one, new advisors are trained that open-ended questions are good and closed-ended questions are bad ... if you want to get an existing or prospective client talking, you need to focus on open-ended questions.

And that's generally true ... but not when it comes to referrals.

The good thing about closed-ended questions is that they require minimal effort and are easy to answer as a result. .

Let's replay the conversation above in which an advisor is using a Ben Bernanke lunch to trigger an introduction:

"I wonder if someone you work with would like to come along, who might be interested in meeting me and who I should get to know. In the past, you've mentioned your CFO Patricia Barnes. Do you think she'd be interested in attending?"

This question is easy for your client to respond to – the typical reaction you can expect is "Quite possibly, let me check with her."

Suppose instead you'd asked the open ended question: "*Who among the people you know might be interested in attending?"* or the slightly narrower, "*Who among the people you work with might be interested in attending?"*"

These questions are harder for clients to answer. By asking a specific closed-ended question, you reduce the effort and stress and increase the likelihood of a positive response.



Misconception 12: Wait to thank clients until referrals sign up

You should thank clients when someone they refer becomes a client

In fact:

It goes without saying that every advisor thanks clients when someone they refer becomes a client.

The difficulty is that few advisors have as many opportunities to express these thanks as they'd like.

Instead of focusing on the outcome of a referral, someone becoming a client, consider instead reinforcing the process of the referral being provided.

Smart advisors don't wait for new clients to thank a client who's introduced a friend. One advisor sends clients who provide referrals a thank-you note as soon as the referral is received, including a \$5 Starbucks coffee card – even before following up with the prospect who's been referred.

Here's what that note looks like:

"A quick note to let you know how much I appreciate your confidence in suggesting to Mary that she give me a call ..We're meeting next week to talk about his situation.

I'll keep you posted on how things go – in the meantime, thanks again for your confidence

Dan

P.S. Recently, I've begun using Starbucks cards for my morning coffee. I've found them handy and am including one for you ... your next coffee's on me!"

Misconception 13: Preserve client confidentiality at all costs

Once a referral has led to a new client, confidentiality prevents you from keeping the client who made the referral in the loop on how things are going.

In fact:

It's clear that client confidentiality needs to be paramount. At the same time, there are ways to keep clients who refer someone who becomes a client abreast of what's happened.

One advisor has a disciplined strategy to welcome new clients.



That starts with a clear agreement on the frequency of ongoing communication ... let's say an annual meeting supplemented by quarterly calls. He goes on to say that the new client will be hearing from him a bit more initially, to ensure things get off to a good start.

In the first 90 days, there are normally four points of contact:

- One week after signing transfer forms, he calls new clients to ensure they've received follow up documentation in the mail.
- Thirty days out, when clients receive their first statement, he calls again to review this with them and to answer questions.
- At 60 days he calls to check in to answer any questions
- At 90 days, he schedules a 30-minute "check-up meeting", to ensure that everything is on track – this can be at his office or at their place of work or home.

At that point, he does two things.

First, he reminds clients of the ongoing frequency of contact they initially agreed to – and says that they can expect to get a call in 90 days and another meeting will take place in nine months.

And second, at the very start of meeting, he asks clients to complete a short five-question report card asking them to rank their satisfaction on clear communication, frequency of contact, answering questions, addressing any problems and meeting their expectations.

As you'd expect, he almost always gets top grades. At that point, he tells his new clients that he's delighted they're happy and he's committed to making sure they stay that way ... and asks for permission to share their report card with the person who referred them.

Having received that, he's now in a position to drop clients who made the original referral a short note, thanking them again and telling them that he'd recently met with the people they referred and that their friends had given their permission for him to share a report card on their initial satisfaction.

That note has a powerful impact. The clients who made the original referral feel good about their decision and the risk of future referrals drops dramatically – and the top-of-mind awareness of referrals goes up sharply. As a result, by doing this and this alone, this advisor often sees further referrals follow.



Misconception 14: Once you've got a referral, you've achieved your primary goal

Getting a referral is the key to winning a new client.

In fact:

At one time, getting a referral to a client's friend or family member had a high likelihood of leading to that friend or family member becoming a client. Not quite a slam dunk, but close.

Today the world has changed in all sorts of ways. One of them is the number of cases in which investors who've decided to change advisors are soliciting multiple referrals and interviewing two or three different advisors.

At one time a referral got you the business. More and more today, it gets you into the game to compete for that business. And you need new strategies after you get referrals as a result.

Here's what one advisor does.

When he sets up a meeting as a result of a referral, his assistant couriers an information package with background information on him, his process and his firm.

And then, the day before the meeting she calls the prospective client and says:

"Dan asked me to give you a call to confirm your appointment tomorrow at 3.

And he also wanted me to tell you that at that time of day, sometimes the parking lot for our building is full. So when you come into the parking lot, look for the space with your name on it."

And sure enough, when the prospect drives into the parking lot, right next to the door is a spot saying "Reserved for John Smith."

When the prospect goes to the receptionist and asks for Dan Richards, the receptionist says: "Are you Mr. Smith? Dan told me he was expecting you and to let him know as soon as you arrived."

Since this advisor began doing this, his success rate in converting prospects to clients has climbed sharply ... this approach conveys attention to detail and a genuine desire to acknowledge clients at a personal level. And it also sets this advisor apart from everyone else this prospect might be talking to.



This strategy is specific to this advisor – chances are it won't work for you. But you do need to think about how you're going to differentiate yourself when competing for a prospective client's business.

The one downside to this approach, by the way – you can't stop doing this when someone becomes a client. This advisor has established an expectation of a reserved parking spot for future meetings and he has to keep delivering.

Misconception 15: All clients are equally good candidates to provide referrals

Every client is a potential source of referrals

In fact:

Over the past 20 years, I've spent a great deal of time having in-depth conversations with investors. In the course of doing that, I've identified something called *Referral DNA*. Quite simply, clients vary dramatically in their comfort level for providing referrals – this has nothing to do with their advisor; it's purely a function of their personality type. As a result, there are clients who will never provide referrals.

Some advisors get frustrated when they've done a great job and referrals fail to follow. That's the wrong mindset. We should value all clients for the opportunity to work together, regardless of whether they give referrals – but simply value clients who provide referrals a bit more.

As an example, one advisor hosts an annual dinner for clients who've given him referrals in the past year, telling them that this is his opportunity to say thank you for their confidence. He sees the same faces each year – the best predictor of the clients who'll provide referrals in the next 12 months are those who provided referrals in the last 12 months.

My conclusion

Many advisors harbor the fantasy that there's a silver bullet when it comes to referrals – some magic combination of words that will unlock the door to a flood of eager new clients.

Just as 17th century Spanish explorers spent decades searching for *El Dorado*, the rumoured South American lost city of gold, so some advisors spend their careers searching for a referral panacea.

I've studied advisor-client dynamics for over 20 years – and this magic bullet doesn't exist.

What does exist are some core principles that if implemented consistently and with patience and discipline will lead to a significant increase in referrals and in new clients.



Pick one or two of the 15 approaches I've outlined in these two columns and make them a focal point of client conversations in 2011. While not a silver bullet, executed properly, those one or two approaches will pay dividends and make a big difference in your business.

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