

## How to Turn Acquaintances into Clients

By Dan Richards  
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The transition from a casual social conversation to a business-related one is tricky, requiring us to do it in a way that's not intrusive and doesn't make the person uncomfortable. Here's an approach that worked for one advisor.

Recently, I got an email from an advisor I've known for many years who works for a regional broker-dealer – let's call him Allan.

Here's the email, reproduced with Allan's permission:



*Last night my wife and I attended the 50<sup>th</sup> birthday party of a client who's become a friend. I ended up talking for a good length of time with a guy named Paul, someone I knew vaguely; we work out at the same gym, our wives know each other and we share a number of common interests.*

*He and his wife are both partners at large law firms, so chances are they would be excellent clients. We had a nice, engaging conversation, but nothing to do with markets or my work. I am thinking of approaching Paul with a gentle email saying I enjoyed our chat, and that I'd love to learn more about how he and his wife are set up with regard to their investments and retirement planning. Do you think an email approach is too "chicken" and that I should just pick up the phone instead? How would you approach it?*

In my follow-up phone conversation with Allan, I agreed that he deserves credit for intending to follow up on this conversation; many advisors would fail to seize this opportunity. The challenge is how.

Many advisors struggle with how to approach casual acquaintances about the possibility of working together. Beyond our personal comfort level and the risk of awkwardness when we encounter someone down the road who's rejected an approach we've made, there's reputational risk to consider – no one wants to be known as "the guy" who's constantly hustling for business in every situation.

The best way to address this is through indirect communication that academics call "signaling." For example, when there are gas stations at all four corners of an intersection



and one raises its price by two cents, it's sending an indirect signal to its competitors: "*Do you want to raise prices?*" If they don't raise prices to match, they've sent a signal back and the first gas station takes its price back down. A different form of signaling takes place at bars, as people make eye contact – and either maintain that eye contact or turn away.

You can use the same "signaling" principle in communicating with people you know socially.

Here's an email that's an example of signaling:

*Paul, I very much enjoyed our conversation last night. It occurred to me that you might be interested in receiving my monthly emails to clients on the outlook for markets; let me know if this is of interest.*

To be even gentler, Allan could add a P.S.: "*I know that none of us are lacking for emails, if you're not interested in receiving another email each month, my feelings won't be hurt in the slightest.*"

An example of more indirect signaling would be for Allan to send an email saying: "*Paul, I enjoyed the chance to chat last night, I'd like to know more about the bike trip you took through Croatia, but I know you said you're going through a busy period right now. At some future point perhaps we can grab coffee one morning after our workouts.*"

After our conversation, Allan sent an email offering to put Paul on his email list, an invitation which was welcomed; Allan plans to follow up for a coffee in a few months.

Sometimes the best path to our goal is an indirect one. In the example above, there's virtually no pressure on Paul; he can respond or not based on how he feels. Allan has sent a signal, and now Paul can respond as he sees fit. That's why for this kind of approach I prefer sending an email to calling. An email provides the chance to think about a response and puts the recipient in control of what to do next – and avoids the awkward prospect of several voice mail exchanges culminating with your friend saying: "*Sorry to be so tough to get a hold of, I'm returning your call. What were you calling about?*"

As you think about your own casual acquaintances, consider whether some of them are candidates to work together – and also whether the same low-key signaling approach that worked for Allan will work for 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, go to [www.clientinsights.ca](http://www.clientinsights.ca). Use A555A for the rep and dealer code to register for website access.*

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