Financial Adviser

FT Business
FINANCIAL TIMES

RELATIONSHIPS NEW CLIENTS

Meeting people can be easy

Since the end of cold calling in the US, advisers have had to adopt and adapt different strategies to attract clients

FINANCIAL Advisers continuously add new relationships to grow their business. In the US, Do Not Call legislation has changed the landscape forever.

Since advisers cannot cold call any of the 87m plus people (Advertising Age, April 2005) who have signed up on the national Do Not Call registry they need to use alternative strategies.

Ask a financial adviser in the US what strategies they use to add new high net-worth relationships to their practice and you get the popular answers. Unfortunately almost every popular strategy has a major drawback limiting success.

STRATEGIES

Here are the top five strategies volunteered by US financial advisers in a survey on prospecting:

First, referrals tops the list. It is the best overall strategy because a client has advised a trusted friend he should do business with you. The strategy has a major drawback. The friend will often ask: "How has your adviser done for you lately? Has he made you any money?" The market environment has been difficult for the past five years. Your client may not be able to articulate the value you have provided in a difficult market environment.

Public seminars were the second most popular strategy. Invitees are solicited by mailing or newspaper advertisements and call to reserve a seat. The major benefit is the immediacy of results. If a prospect does not open an account in the first three weeks after the seminar it is unlikely they will ever open an account. For this reason, experienced financial advisers often schedule seminars in a series of three, on the first Wednesday of each month for example.

Assuming they attend the adviser gets several opportunities to convert the prospect into a client. The disadvantage is the difficulty in filling the room. The size of the mailing must be dramatically increased to fill the room.

BRYCE SANDERS

Introductions and networking form the third most popular strategy. The financial adviser can target the high net-worth individuals they want to cultivate and meet them socially or be introduced through mutual friends. The strategy is long term and most advisers want fast results. Remember one of the rules of dating: people do not want to go out with desperate people. If you push you look like you need the business.

If you take a genuine interest in others and do not dwell on "what you do" you often come across as successful. Successful people often prefer to do business with other successful people.

Cold calling is still a popular strategy. It can be done during business hours. It is straightforward. The challenges faced by financial advisers in the US are related to the DNC list. Clearly many of the best prospects have opted out of the cold calling universe. Advisers often cold call owners of small and medium sized businesses. The DNC list applies to personal telephones and cellphones, not businesses. The challenge is screening. Often someone at the business is paid to see your call does not get through.

Finally, the fifth most popular strategy is the client and prospect dinner. The financial adviser invites a couple of clients to dinner at a fine restaurant. The clients are asked to bring a neighbour, friend or co-worker. The adviser may have included a portfolio manager from a money management firm to provide an overview of the markets. The group is often no larger than 10 to 12 people. The advantage is the presale of the prospect by the client. The prospect is either actively presold – "You should meet my adviser, he is good" – or passively presold – "He would not be introducing me to his adviser if he was not any good". The challenge is the 'freeloading wealthy client' who agrees to attend but does not bring anyone. The adviser is entertaining a person who already does business, often at high cost.

ADAPTING

Successful financial advisers have developed strategies that reach their target audience in unique ways or adapted a popular strategy to overcome the key drawback.

The first of five key strategies is exclusivity. This can be created if you are experienced in the business with an established practice. Many clients know why you are good. They understand the size relationships you seek. They do not see a sense of urgency to provide referrals because they assume you accept referrals all the time and you can bring an unlimited number of qualified people aboard as clients because you have no capacity restraints.

Do a business plan. Ask yourself how many large relationships you could add and still conform to three rules:

- you cannot displace any existing clients to make room for new clients;
- you cannot add staff support to handle new clients;
- finally you must maintain the same service level for all clients including the new ones.

> "The advisers buy snacks for the audience, speak briefly before the film and send people home with literature"

Many US advisers have a clientele of 150 to 450 households and are pretty busy with service already. They may determine they can only add about eight to 10 really large relationships.

When trying to attract new clients for your business, sometimes the basic rules of dating can also be applied

Approach your best clients. Explain you have developed a business plan and determined you can add eight new relationships to your practice in the next 12 months.

Before you add them in the traditional way is there anyone they would like to recommend to be 'one of those eight' new relationships? They know you are good – they appreciate your level of service. Suddenly they understand why you are good. You have a certain number of clients and growth is contingent on maintaining your current level of service.

People love exclusivity. They may suggest one or two people. They may even 'presell' the other person and explain they must act immediately. Your best clients will probably assume the slots will go quickly.

You must be very honest in the determination of your numbers and you abide by them. You can do another business plan to add additional clients in the future when you have absorbed this group of new relationships.

Retirement parties for clients are a good way to meet peers at their company. An established client is retiring. You suggest a retirement lunch. They invite four to six fellow managers from the office.

Client confidentiality prevents you from discussing their business, however they will probably do it for you. Another manager says: "Thanks for inviting me." The client replies: "Do not thank me, thank my financial adviser. They are hosting the lunch. They have spent years getting me ready for retirement." They position you and you chat with them over lunch and bond on a personal level.

CHILDREN

Couples with young children are difficult to pursue because they are always busy. Successful financial advisers in Connecticut have targeted this market by hiring out one of the small theatres in a multiplex cinema. In Los Angeles, theatre owners actively prospect financial services firm.

The adviser invites parents to bring their children for the movie. He encourages them to invite other parents and children from the play group, car pool or school association. Parents with young children always need activities for the family. The advisers buy snacks for the audience, speak briefly before the film and send people home with literature. The strategy is repeatable and scalable.

It is highly likely the parents who attend know other parents with children, and so on.

Conference calls are a preferred form of communication for busy executives: they do not need to leave their desk and they can jump off and on if a serious issue develops in their office.

Advisers in Chicago have had success using this format They send out wedding-style invitations for a seminar. The seminar has a time and date but no location. Participants dial in to participate.

The call requires a password – the executive must call to reserve their space and get the code. The length of the call is limited. Executives know it starts at 10 am and ends at 10:30 am.

The topic is one applicable to that industry or profession. The advisers do not need to be experts – they can arrange for a specialist from the home office to dial in as the featured speaker.

Follow-up is immediate after the call. The advisers call people who want to continue the conversation immediately after the presentation is over. The ability to view slides online is an additional benefit but not a requirement. The executive does not need to travel, knows how much time the call will take and can leave if necessary.

Senior executives often relocate to new cities. Another successful adviser buys a magazine giving the "Best of..." for the home city. It gives top 10 lists for best neighbourhoods, golf courses and schools, for example. The adviser writes a cover letter – "Welcome to the area. Enjoy the magazine. I'll call soon." Then he uses overnight mail to send the magazine and cover letter to the executive at their new location.

The magazine is useful. The executive needs to make decisions on where to buy a house, for example, in a short period of time. Spouses may want to know more about the area. Overnight mail is still unique.

The adviser is frequently able to reach the executive because they have sent something practical and useful.

Finally, prospecting rules and regulations can vary from country to country. Please consult local laws and rules and discuss strategies with your compliance and legal manager before implementing them.

KEY POINTS

- Ask a financial adviser in the US what strategies they use to add new high net-worth relationships to their practice and you get the popular answers
- **Remember one of the rules of dating: people do not want to go out with desperate people**
- Conference calls are a preferred method of communication for busy executives

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