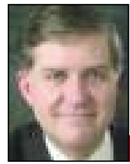

BRYCE SANDERS

How to hold on to your clients

Losing existing clients is wasteful of the time and effort expended getting them, so learn to spot signs of dissatisfaction

Many financial advisers invest time and effort into gathering new accounts and new assets into their practice.

Often the hard work it took to bring in new relationships can be undone when existing relationships choose to leave – often without warning. Why do 'good' clients leave? What are the warning signs? What proactive strategies can you implement to rescue the situation?

Interviews and surveys of financial advisers in the US told two different stories. When surveyed by mail, 54 per cent of financial advisers responding indicated a large client relationship transferred out or became inactive – barely more than half the surveyed population.

When interviewed by telephone (the flow of information is significantly greater) 83 per cent of financial advisers interviewed indicated they had lost a large relationship or it had become inactive. You might expect financial advisers newer to the industry would experience the greatest loss – Most of those interviewed were established, successful financial advisers.

What causes the client to leave? Interviews and surveys indicate the most commonly given reason is performance. Clients were either dissatisfied with the results or perceived they could get better results elsewhere.

The second reason given was service. Clients equate service with attention and frequency of contact. A standard on the retail client side of Wall Street has been: "Clients perceive they are receiving good service if they are contacted six or more times a year." Less contact is viewed as less service.

The third most frequent reason why clients left was fees. They either felt fees were excessive relative to alternatives (such as index funds) or they were paying fees and underperforming.

The final reason financial advisers gave was "following their previous IFA". When financial advisers join another firm it tests the strength of the client's bonds. The question is are they closely bound to the financial adviser (and follow to the next firm) or do they see themselves as clients of the firm instead?

Warning signs

Before clients decide to leave they often give signals indicating the relationship is at risk. When interviewed financial advisers listed three warnings as most common:

- Not returning calls – Like a personal relationship, dialogue is important. Clients are often non-confrontational. They are unhappy and they do not want to talk to you while they determine their next step. This was the most common reason given;
- Ignoring advice – you make suggestions and they do not act on the recommendations. The client is considering you (and the firm) as a place to 'hold their securities' against receiving and acting on advice. This is a passive adversarial relationship.
- Complaining – Some clients call when their statement arrives and complain about performance. Others review the statement line by line and question fees. This is an active adversarial relationship.

When interviewed financial advisers provided other observations further refining the signs listed above: often the financial adviser has a primary contact person in a relationship. In couples the relationship may be with both parties. When a third party is introduced (older clients who defer decisions to an adult child) the relationship is at serious risk. Trust has broken down and they are choosing another person to advise them.

It is often difficult to retain the next generation. The adviser may have an excellent relationship with the client however the adult children (who may ultimately inherit) may handle their own investments or establish a relationship elsewhere. When the children inherit the account they do not see the value of the parent's advisory relationship.

Service can win over price if the client sees value. The investment process plays an important role. If the clients understand the importance of asset allocation and risk tolerance they probably understand why they own specific investments even if they are not performing as well as anticipated.

Performance relative to the market is also a factor. Clients often see issues in extremes: Making money or not losing money. They need to understand the importance of underperforming or outperforming benchmark indices – the concept of relative performance.

Sometimes clients will say: "I do not want to be called." Probe. Do not take this literally. In the right relationship no one "doesn't want to be called".

Wanting something

Some clients feel their adviser "only calls when he or she wants to sell them something". Other clients may respond to some methods of communication but not others.

Consider two rules: First, people need to be 'touched' at least six times before they become aware of the message, second people receive information through multiple channels – some work better than others.

Begin by initiating non-sales communication. Contact clients and discuss recent market or economic events in terms of what it affects – their portfolio or their ultimate goals. Movements in oil prices or currencies – what does that mean to them? Send more educational material to broaden their understanding. Call and explain the material you sent.

Consider the channels available to reach the client. Telephone calls and letters are most obvious. How about e-mails, faxes and newsletters? Have interesting articles appeared in the paper? Clip the original and send it out. When the client sees the clipping the unspoken message is: "Of all the people he could send this to, he chose me."

Do you do seminars? Send them an invitation. Can you speak before their community organisation? Invite them to periodic face-to-face meetings. The effort you put into communication also shows your commitment to the relationship.

You sense the relationship is at risk. The client does not follow advice. Things may be quiet because the client is non-confrontational. Take the initiative.

Invite the client (and spouse if a joint relationship) out to dinner. Choose a pleasant, neutral location. When the time is right introduce business into the conversation: "Things have not been good lately."

Listen carefully. Do not interrupt, do not explain. Let them get everything off their chest. Relate to the problem and draw them out. Make sure they get speak about everything on their mind. Wait your turn.

Ask the client "What can we do to go forward?" Listen to their thoughts and make your own suggestions based on what you learned earlier. It is very difficult to say "No – I will not stay", or give a reason to leave when sitting face-to-face with an understanding, sincere person.

Meeting time

Frequently a financial adviser may have a primary contact person in a relationship. The other person (often a spouse) may feel unimportant. Address the issue.

Plan a meeting and invite both parties. Choose a comfortable, neutral location. Set the stage for the discussion ahead of time. "We have never met (to the other party). We need to meet. Maybe I am not the right adviser."

At the meeting restate the reason for the meeting and pay equal attention to each party. Establish your credentials. Emphasise making decisions based on knowledge, not emotion. "I will give you enough information to make knowledgeable decisions."

You are establishing yourself as an expert and demonstrating your respect for all parties in the relationship.

Clients leave for a variety of reasons, sometimes because they perceive the grass is greener on the other side. Time and experience may prove otherwise however pride may keep them from returning to you.

Contact lost relationships periodically. "Are they alright?" It emphasises you genuinely care for them as people, not just as clients on the books. They may be willing to return if you meet them halfway. You have taken the first step and given them the opportunity to come back. Many 'at risk' relationships can be saved if addressed ahead of time. Often the client simply wants to know whether he or she is an important client to the financial adviser.

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MAIN POINTS

- The most common reason for clients to leave is performance. Clients were either dissatisfied with their performance results or perceived they could get better results elsewhere
- Clients equate service with attention and frequency of contact. Less contact is viewed as less service
- Another most frequent reason clients leave was fees. They either felt fees were excessive relative to alternatives, such as Index funds, or they were paying fees and underperforming
- Many "at risk" relationships can be saved if addressed ahead of time. Often the client simply wants to know whether he or she is an important client to the financial adviser