

Change the Way You Ask for Client Referrals

by Dan Richards



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Financial advisers know that nothing beats referrals from satisfied clients. FPA's 2011 *Marketing Methods: Planner Best Practices* study found that 81 percent of planners request referrals from current clients, and yet only 65 percent of those planners report some level of satisfaction with this method of growing a business. The problem is that many advisers ask for referrals rather than have referral conversations with clients.

Advisers often forget that the reason clients provide referrals is to help their friends, not their advisers. As a result, phrases such as, "I'd like to ask a favor" or, "Please don't keep me a secret" are unlikely to be successful. Your entire approach to referrals should be rooted in your clients' reality, not your own agenda. Here are four strategies for making referral conversations more effective.

Make It Part of the Conversation

You need to let your current clients know you're taking on new clients on a selective basis. One way to do this is

by incorporating referral conversations into the body of the client meeting. Here's how you might add referrals to a meeting agenda:

In addition to addressing the questions you've raised and the other things we'll be discussing, there's one final thing I'd like to talk about when we meet a week from Friday. In the next quarter, I will have capacity for six new clients. At the end of our meeting, I'd like to spend three minutes talking about the profile of clients I can help the most, in the event you're chatting with someone considering making a change who might be a candidate for one of those spots.

Let's be clear. Your goal here is not to ask for referrals, rather it's to initiate a short conversation about your approach and the kinds of people who would benefit from working with you.

Seek Low-Key Intros, Not High-Stress Meetings

For many clients, asking friends to meet with you entails a great deal of risk; risk that it may result in their friends being put under pressure, and risk that if things don't work out their friendships

may be jeopardized.

Overcome this by changing what you ask for to something more comfortable and less risky for clients to provide. In instances where prospects have indicated they are ready to make a move, the appropriate goal is to set up an immediate meeting. But those situations aren't the norm. Generally, your objective should be low-key introductions, not

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high-stress meetings.

Let's suppose a client thanks you for the articles you've been sending her. Here's how you could respond:

I'm glad you find those article useful. While the main reason I e-mail clients monthly articles from the *New York Times*, *Fortune*, 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 these e-mails to people you know who might find them of value. And should

your friends wish to receive these e-mails themselves, either they or you can let me know, and we'll be pleased to add them to the list.

Bring Up Referrals at the Right Frequency

The focus of referral conversations needs to be quality, not quantity. Here's a 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 if you meet with clients annually, you would raise referrals on every second meeting. The exception is if a client has provided a referral. That gives you an opportunity to thank him or her and provide an update on the progress of that referral (more on that later).

Also, downplay indirect references to referrals. I received an e-mail from an adviser with a message below the signature line that referrals were welcomed. Other advisers talk about referrals in newsletters or have signs in their offices that read, "Referrals are the most sincere form of appreciation." In more than 20 years working with advisers, I've seen few cases where advisers got referrals as a result of these indirect mentions. In today's noisy world, subtle mentions fly under the radar. And even if noticed, they operate from your agenda, not those of your clients and their friends, and can undermine your image of professionalism rather than enhance it.

Update Referral Sources on Progress

Client confidentiality, of course, needs to be paramount. However, there are ways to keep clients who make a referral abreast of what's happening.

One adviser has a disciplined strategy to welcome new clients that starts with a clear agreement on the frequency of ongoing communication—for example, an annual meeting supplemented by quarterly calls. New clients hear from

You Got the Referral, Now What?

At one time, a referral got you the business. Today, it more likely gets you into the game to compete for that business, because investors looking to change advisers are soliciting multiple referrals and interviewing two or three advisers for the job. You may need new strategies after you get referrals as a result.

Here's what one adviser does. Before the initial meeting with a new referral, he sends an information packet about him and his firm. The day before the meeting his assistant calls the prospective client to confirm the appointment and says, "Dan 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 main entrance is a parking spot with the sign: **Reserved for John Smith**. The receptionist greets the prospect by saying, "Are you Mr. Smith? Dan told me he was expecting you and to let him know as soon as you arrived."

Since this adviser began doing this, his success rate converting prospects to clients has climbed sharply. This approach conveys attention to detail and a genuine desire to acknowledge clients at a personal level. The downside to this approach is that you can't stop doing this when someone becomes a client. This adviser has established an expectation of a reserved parking spot for future meetings, and he has to keep delivering.

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him quite 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
- 30 days out, when clients receive their first statement, he calls again to review it and answer questions
- At 60 days he calls to answer any additional questions the new client may have
- At 90 days he schedules a 30-minute check-up meeting to ensure everything is on track

At the start of the check-up 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.

He tells the new clients that he's delighted they're happy, and he's committed to making sure they stay that way. Then he asks for permission to share their report card with the person who referred them. Having received that permission, he's now in a position to drop the referring clients 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, while the top-of-mind awareness of referrals goes up sharply.

