Conscious Retention

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By **Patricia J. Abram** | March 01, 2010

To be successful, it's vitally important that you put conscious focus on retaining your current clients, for three reasons. First, as people in many sales and service industries learn, it's much more costly to find new clients than to keep existing ones. (This is especially true for financial advisors who, as this column recommends, target and serve clients fitting an ideal profile within a particular affluent niche.) Second, each client you retain and keep highly satisfied is a potential source of additional assets and referrals.

And third, given recent market turmoil, many (perhaps most) of your clients may already be thinking about moving some investable assets to another advisor or of moving to another primary advisor entirely. In late 2008, research by Prince & Associates showed that 81 percent of investors with $1 million or more in investable assets planned to take some of that money away from their primary advisor, and 86 percent of these investors planned on telling other investors to avoid their advisor!

Put all three factors together — the cost of finding new clients, the opportunity costs of losing existing clients, and the general dissatisfaction of so many affluent clients with both their advisors and their investments — and it becomes clear that retaining clients is absolutely crucial to success.

There are two key principles that can help you accomplish this. The first is to recognize that leaving client retention to the natural flow of things is a terrible mistake that will almost certainly result in the unnecessary loss of valuable clients. Instead, client retention must be a core part of your business planning, involving everyone on your team.

The second key lies in recognizing that client retention is a direct reflection of client satisfaction. CEG Worldwide's studies and feedback from our coaching clients confirm that client satisfaction is something that can indeed be managed and improved.

The Six Cs

Our research has shown that clients rate or evaluate their advisors and their relationships with their advisors based on what we call the "six Cs": Character, Chemistry, Caring, Competence, Cost and Consultative Relationship.

Character. When 1,417 affluent individuals were surveyed as to whether their advisors had integrity, only 74.6 percent of moderately satisfied clients believed their primary advisor had integrity, while 90.8 percent of highly satisfied clients said their advisors had integrity — a significant measurable difference in client outlook. The factors that these client described as being determinative of integrity included: whether the advisor does what she says she'll do in a timely manner; whether the advisor is straight with clients, admitting mistakes and then quickly fixing them and reporting back to the client on the actions taken; whether the advisor is seen as being extremely reliable; whether the advisor is a perfectionist; and whether the advisor's staff embraces and reflects these same attributes.

Chemistry. It's not something that's easily built. Instead, chemistry is an emotional connection that you either have or don't have with someone. Like it or not, with some people you'll immediately have a strong connection, with others it will be lukewarm and with still others you'll find that you have virtually no connection or even a negative one. (If you have a negative connection with someone, it's likely that you and they simply have conflicting personality types.)

If you have poor chemistry with a client — if you have trouble getting them to agree with you, if you find that you are always worrying that they never seem to "get it" — then our advice is to let the client go. The relationship was probably flawed from the outset, and such clients will be both your biggest headaches and biggest liabilities going forward. If you make sure you have positive chemistry with new clients, then your work life will be much more pleasant and profitable in the long run. On the other hand, if you merely have a weak connection with someone, you can build more positive chemistry through having regular client briefings, asking for and being open to complaints and communicating about problems and solutions.

Caring. If your entire client roster was asked the following question, how do you think you would rate: "Does my advisor put me above making money?" Our research shows that moderately satisfied clients replied "yes" to this question 51.0 percent of the time, while highly satisfied clients responded positively to this question 76.5 percent of the time, again a substantial difference.

Unlike personal chemistry, caring is a characteristic that can be extensively improved. To demonstrate your caring nature, be extremely patient when communicating complex information to clients. Far too often we tend to talk over people. The client will get half a question out of his or her mouth, and we'll already be answering it before we've even heard the full question. We all need to be patient and listen well. Moreover, be emotionally responsive. You may not be a hugger, but you can adjust your physical style and your words to communicate the kind of warmth that shows real caring.

Competence. In one study, 42.6 percent of moderately satisfied clients rated their advisor as being technically capable, while 76.5 percent of highly satisfied clients said their advisor was exceptionally technically capable. Our research further showed that the key metrics that clients used to evaluate competence included having money-management expertise, being highly knowledge in investments and, most importantly, keeping client dealings highly confidential.

It's important to distinguish the next C — Cost Effectiveness — from "cheapness." Clients, particularly affluent ones, are looking for value, and cost is therefore only an issue in the absence of such value. Ask yourself whether your fees are reasonable in light of the value or services that you provide your clients. If upon deep reflection the answer is "no," then you need to rethink your value proposition and perhaps start all over.

The final C is Consultative. Clients today are bombarded by an enormous amount of financial information. With such info being offered everywhere from cable news to Vogue to your client's hairdresser, you must offer something very different. Affluent clients don't want to be told what to do, but they do want to be provided with customized options, and they expect their advisors to not only understand their specific needs but regularly consult with them as part of providing viable alternatives.

"Consultative" also means that clients expect regular advisor contact, and in times such as these that's going to take a lot more than a quarterly update or an email newsletter. One CEG Worldwide study revealed that the most satisfied affluent investors had an average of 28 contacts per year with their advisor. Many advisors, upon hearing that figure, say something like, "Honestly, my clients don't want to hear from me that often." Well, if that's so, it's because you're calling them to sell them something or to meet your needs, not their needs.

Instead, the majority of those calls and contacts must be on personal, non-portfolio-related issues. This is why we recommend a process, beginning with a discovery meeting, that enables you to gain insight into what really matters to your clients, from their children and grandchildren to their hobbies and avocations. You must put a system in place that tracks and helps you deliver not only the necessary quantity of contacts but the quality of contacts that truly builds long-lasting client satisfaction.
