

PRACTICE MANAGEMENT

Cultivating client trust



SUE VISKOVIC talks advisers through developing trust with new clients and maintaining it for years to come.

Australia's financial planning industry is currently embroiled in robust debate and discussion around developing our reputation as a profession and improving our public persona away from what is apparently that of 'product pushers' and salespeople. Much of this discussion appears to be centred on how advisers charge for their services; the time-honoured fees versus commissions debate.

I believe developing our industry reputation as a profession does not depend solely on how we price advice, but relies more on the quality of advice we provide for our clients and the financial benefits they can enjoy from an appropriate relationship with the right financial planner.

In my previous article published in the October 2007 edition of *Money Management's Practice Management*, 'Getting the right message across to your clients', I explored the need for and benefits of trust-based relationships in financial planning, and discussed some prerequi-

sites and rules for how to deepen our client relationships. I also covered some key skills in the area of communication (and, dare we say it, sales), in order to be able to deliver the right advice to the right clients.

In this article, we look further at how to establish the processes in your business to enhance and encourage relationships based on trust and conduct your client interactions in a manner that will allow both client and adviser to enjoy the fruits of a mutually beneficial relationship.

Developing trust with a new client

One of the key elements of a trust-based relationship is time; your clients' trust will deepen the longer they know you. However, there are a number of things you can do to start off on the right foot.

During your fact finding process you will discover that your clients have a series of needs and wants. Their needs may be a super solution when retiring, or a way to increase their retirement savings. Their

wants may include peace of mind and security.

Most 'sales people' present their solutions based on needs, but connecting on the basis of wants is much more powerful.

In their book, *You're Working Too Hard to Make the Sale*, authors Bill Brooks and Tom Travesano published the results of their study into 'buying' behaviour. They revealed that of the 2,514 people surveyed:

- 94 per cent who bought on the basis of needs said they would 'certainly' consider buying from another provider; while

- 99 per cent of those who bought on the basis of want said they would 'absolutely not' consider buying elsewhere.

Here's the interesting part. The authors found that you do not even have to deliver on their wants (clients don't expect you to perform miracles), it's enough that you understand them and appreciate them for who they are. These findings were based on the "highly emotional, non-rational aspect of trust" – the decisions made on the buyers' sense that the seller actually cares.



I don't know many financial planners in business today who do not genuinely care for their clients, but not all clients recognise this automatically, and in fact, some advisers unwittingly set up their process of delivering advice in a manner that hinders this recognition.

You can't control the markets and guarantee your clients a positive return every year, but, if your clients trust that you are doing all you can to protect them and that you understand their tolerance to risk, and you have educated them appropriately, they will have a greater sense of comfort, and therefore a greater level of trust and loyalty.

Focus on the qualitative aspects of your clients and talk in terms of their wants, as opposed to only their needs. Of

course, the quant figures are essential when modelling your strategies, but when discussing your recommendations, talk in terms of their wants; for example, 'by implementing your plan, we project that you will end up with \$X at retirement, which will mean that you can comfortably take your annual overseas holiday and ensure that you can protect your home in order to pass it onto the children'.

When analysing how to create trust with your new clients, it is important to understand the decision making process that we as people follow when we make our buying decisions. According to Charles H. Green in his book *Trust Based Selling*, clients go through a two-step buying process:

Step one: the screening process – rational and linear

Clients may list all possible solution providers for a given problem. They are looking to determine if you are technically capable. They will make their decisions based on past experience, scope, technology and reputation. When seeking a financial planner, clients may also

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look into your qualifications, your licence and other items they may find recommended on the Financial Planning Association or Australian Securities and Investments Commission websites.

Step two: the selection process – qualitative

At this point, the client is no longer interested in hearing dry statistical information. If you have successfully passed the screening process, they are now looking to determine if they can trust you.

The manner in which you gain your new client enquiries will determine how your clients undertake these processes, but you can help them by structuring your marketing well. You should do everything in your power to allow your prospective client to complete their rational screening process before they arrive at their first meeting with you. Send them a confirmation letter outlining your advice process and enclose a map and corporate brochure (and make sure your brochure is good). Ensuring you have an effective website, and directing your client to it, will also assist them with their research. Sending an agenda will allay

their fears of what you are going to do to them in that first meeting. Do this and their decision to engage your services will be largely dependant upon the qualitative selection process. From there, it comes down to how you handle your new client process.

Inexperienced planners will often start their first meeting with a prospective client with, 'Let me tell you about me', and proceed to splatter the client with information on their qualifications, their great wrap account, their great investment performance and so on. Remember, clients don't care how much you know until they know how much you care.

Ask yourself this, what is the desired outcome of your first meeting with a potential new client? When I ask this in my presentations to advisers, the most common answer is, 'win the client'.

What if you changed this to, 'understand the client'? Would your behaviour change in the meeting?

This goes further than understanding their financial affairs – where their assets are and what their surplus income is – to understanding:

- what drives them?
- what motivates them?
- what excites them?



QUALITATIVE DATA

When it comes to the qualitative data, it isn't always easy to get a client to open up about their goals and dreams, but there are a number of ways of exploring these. Bill Bachrach is the author of a number of books around values-based selling, and his method is to start your first client conversations with, 'What's important about money to you?', and then work through with them to uncover their true values.

Alternatively, you may like to start your discussion with, 'What is important to you in life?'. Jot these down on your whiteboard or pad and then flesh them out. Your clients' initial answers may be somewhat predictable (time, family, security, etc), but by digging deeper, you will begin to understand your client's unique view of the world.

For example, 'What about time is important to you?'. If the answer is family, then 'What's important to you about your family?' or 'What worries you about them?'

In fact, if you can get a thorough understanding of your clients' families, not only is it one of the best ways to get to know them better, you may uncover some strategy considerations that may not have been raised under a purely quantitative fact finding process.

I have seen a number of successful methods for discovering all about the client's family, which range from designing a rough family tree with them and then discussing it's branches to including a detailed estate planning questionnaire that delves far deeper than the standard questions in most fact finds, right through to arranging and then attending an estate planning meeting with the lawyer.

- what frightens them?
- what's important to them in life?

You can have the best technical advice and the best mathematical solution to a client's needs, but if the client is uncomfortable with it or doesn't understand it, it's the wrong solution.

Similarly, if you find yourself in a situation where you need to manage a client's expectations about their potential lifestyle, if that client doesn't feel you understand them and their situation, they won't accept your advice.

To do this effectively, there is a process that you should follow in that first meeting:

1) Make their first impression truly indicative of fact. Ensure that your clients are greeted well by your reception staff, that your interview environment is clear of clutter and reflects your professional attitude.

2) Be genuinely interested in them. Do not follow a contrived formula for putting your clients at ease.

3) Ask questions and then shut up! Your client should be talking for 80 per cent of that first meeting. You may think

this is a lot of time for the client to fill but you needn't worry. Your skills and expertise will be communicated in that meeting by the questions you ask and your general demeanour.

In their book, *Clients For Life*, authors Sheth and Sobel sum it up perfectly: "Clients do not want to understand your experience and industry expertise. Rather than getting a lecture, they want to see how you use that experience to engage them creatively and understand their problems."

4) Gather quantitative and qualitative data on the client. Work through the client data form (fact find/needs analysis) in the meeting and use it as a guide to ensure you discover everything you need to know about your client. Know your questionnaire well so that you can flick back and forth as they talk. Make sure you get all of the information you need, but allow them to discuss what's important to them in the order they want to and don't cut them off. Ideally, your client will have at least attempted to complete the form before your meeting, so you can spend the time clarifying and digging further into the

information they have provided.

5) Summarise the issues that you have identified and are likely to be able to solve.

6) Be clear about your costs and fees, even if at that point you don't know exactly what you are likely to charge, at least explain how your fees are derived (e.g, plan fee, ongoing fees, etc) and explain how and when you will be able to provide them with the detail. This step is not negotiable in a first interview with a client that you are seeking a deep trusting relationship with. Even if the client doesn't raise the subject in this meeting, if you do not cover the issue, I guarantee you they will ponder your fees after they leave and wonder why you didn't address the point. Perhaps they will even suspect that you intentionally avoided it.

Where to from here?

If you've done your first interview well, it's taken about two hours. Your client cannot absorb any more information and you're both tired. Don't go into detail about what you expect will be your recommendations at this point – you've summarised the areas you will

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work on at point five.

If you can't provide sufficient value for the fees you are going to charge, send them to someone who can. If the client doesn't fit your ideal client model, you make the decision for them. If the right advice is to not engage you right now, then that is the right advice.

After this initial meeting, you should have a thorough understanding of the client and be able to determine if there is a basis for you to work together. If you complete the steps I have just mentioned, your client should, at this point, be able to decide whether they wish to engage you and commit to your plan preparation fee.

From here, you should aim for at least a further one to two strategy discussion meetings before you present them with their Statement of Advice (SOA). Take the time to ensure you really understand the client, allow them the time to really understand the strategies you are presenting, and you will both benefit from a long and mutually prosperous relationship.

Too many advisers rush into delivering the client with a documented SOA after one meeting and expect the client to trust

their advice without really understanding the strategies and implications surrounding them. It is part of your responsibility as their planner to educate your clients. For example, don't just tell them they need to start a

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gearing program – educate them on the effects of compound interest, dollar cost averaging, good versus bad debt, margin calls and so on.

The SOA should in fact be a 'confirming' document that holds no surprises for the client, and merely details the plan that you have already worked through with them in person.

Ongoing client relationships

Once you have 'won' your new client, your journey

towards enjoying your relationship has begun. In order to deliver on your promise of exceptional client service, it is not enough to possess the personal skills and values to engender trust. You need to create systems and processes within your business and define your client service model.

When reviewing or creating your model, it is important to ensure that you are creating a service model that fits your client value proposition and everything that you stand for as a planner and a business.

This process needs to start at the beginning – the segmentation of your client base.

Client segmentation

It is widely published that a successful financial planning practice will segment its client base into platinum through to bronze, or A, B, C, D segments, with a view to delineating the services provided to clients.

However, in order for a client segmentation exercise to be more than just lip service, it is vital that you go the next step and detail the service levels for each segment and put procedures in place to enforce these levels. This will not only create a business discipline to ensure that you do in fact deliver on the services you promise, but it will also help to ensure that your bronze clients aren't getting the service that the platinum clients are paying for.

■ you satisfy all your compliance obligations.

Client service plans

The next step after segmenting your client base is to define what services each segment will receive. Naturally, this should align with the level of fees (and importance) they represent to your business.

By correctly matching the services provided with the needs of each client (in three to four different groupings), you will build greater trust and ensure that you satisfy their expectations of you. A high quality service experience for a client does not mean that their adviser must be at their beck and call, but if you have a systemised client communication process, you will often be able to predict the needs of clients and provide solutions to them before they have to ask for them.

After defining the services you wish to provide, you need to:

1. Ensure that you have the processes and staff in place to allow you to provide each service as promised. It is important to ensure that the right staff member is undertaking the right task (it can be very expensive to have advising staff completing administration tasks, both in the sense of hourly rate as well as the opportunity cost of them not being in front of clients).

2. Create marketing documents to be used as a tool to communicate your service levels

which will afford a higher level of service to those of your clients that are active advocates of your firm and introduce new clients to you on a regular basis. You may also consider the future value of the client's fees when determining their appropriate rating.

You should design your service plans to achieve 10 to 12 'touches' per year to allow you to maintain your relationship and contact with each client. These touches need to be meaningful and not contrived and need to be in keeping with the service level your client requires. Platinum clients should receive personal touches, while some contact with your smaller clients may be more systemised in the form of a newsletter and so on.

Maintain strict turnaround times for contacting clients. Contact clients when you say you will to schedule reviews for example, but also return their call within a set period of time. Again, this may vary with the type of client. Your platinum clients may have a hotline to you, whereas your commitment to your smaller clients may be contact by a staff member within 24 hours.

Client service contracts

Industry best practice dictates that each client should sign a client service agreement that outlines their chosen level of service and acknowledges the annual fee they pay. Not only does this assist in service delivery to your clients, it is also a key component that is now recognised as creating a direct impact on the valuation of a practice when preparing for sale.

Your service contract should detail the service the client should expect to receive from you (where possible, within set timeframes) and it should also detail the expectations you have of your client – the things they must do to ensure their financial plan is successful in achieving their goals and aspirations.

Clients should sign a service contract at their first implementation meeting, and preferably, every year thereafter.

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so that each new client introduced to the business has a clear understanding of what service they will receive for the fees they pay, and as each existing client is reviewed, they too are placed on a specific service level.

Once you have defined the services you provide to each segment, you can revisit the criteria that defines which service level your clients receive. This may be based purely on the dollar value of fees paid, or you may choose to include qualitative measures,

There are numerous benefits to be enjoyed when you get this right:

■ each one of your clients receives quality service at an appropriate level, commensurate with the fees they pay and the assistance they require;

■ your business can provide this service in a profitable manner;

■ you can easily manage your clients' expectations to ensure their contact with you is pleasurable; and