

The Private Client

You simply have to find a way to get over your fear, doubt, obsession, phobia or whatever else may be in your way. BY PATRICIA J. ABRAM

The Inside and Outside of Referrals

MY MOST REQUESTED SPEECH last year was on mastering referrals. After some 30 years in the business, I'm still surprised to find such a large gap between the number of advisors who claim that they work either primarily or exclusively by referral, and the number who sheepishly confess in one-on-one settings that they can't remember the last time they actually asked for a referral.

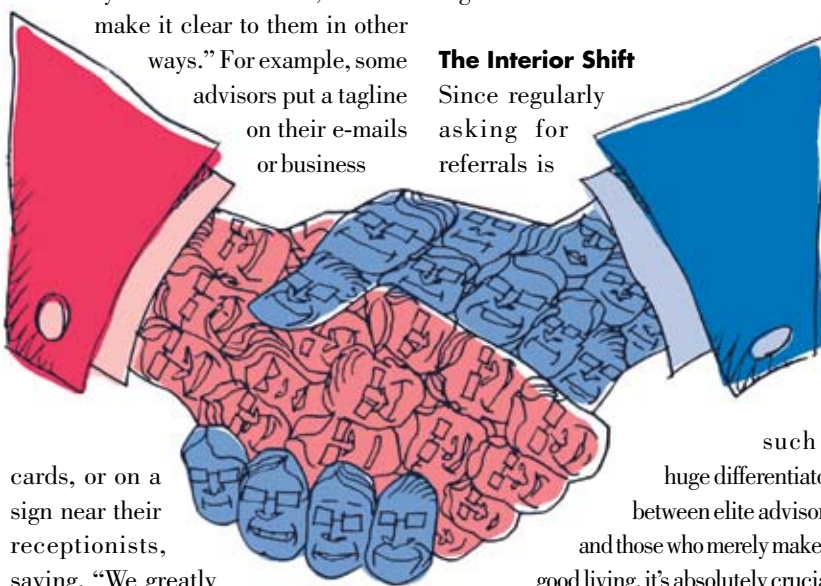
These advisors may be somewhat embarrassed because they intuitively sense that asking for referrals is — or would be — a highly effective means for growing their profitability and building a truly great business. Recent groundbreaking research by CEG Worldwide confirms this intuitive notion of the extraordinary value generated by directly and regularly asking for referrals.

In 2007 we undertook an extensive study of 2,094 financial advisors including wirehouse brokers, independent broker-dealer representatives, and registered investment advisors. The study found that compared to their peers, the group containing the most successful advisors had nearly three times the net income and nearly twice the income growth rate. Significantly, 65.9 percent of these elite advisors asked clients for referrals on a regular basis, while their non-elite

peers did so only 1.8 percent of the time. Put differently, the elite advisors were *37 times more likely* to regularly ask for referrals.

Not the Same Thing

I frequently hear something like this from advisors: "Well, I don't actually, regularly, ask my clients for referrals, but I do make it clear to them in other ways." For example, some advisors put a tagline on their e-mails or business



cards, or on a sign near their receptionists, saying, "We greatly appreciate your business; the greatest compliment you can give us is a referral to a friend or loved one." Sorry, but that's just a weak-kneed and ineffective substitute for looking clients in the eye and directly asking.

Why is asking for referrals so difficult?

First, there's the fear of rejection. We fear a client might say "no," or might somehow be offended by the request. Second, asking for help simply puts most advisors outside their comfort zone. No matter how many times they've tried, no matter how many different techniques they've been taught, they're just not comfortable asking for business.

The Interior Shift

Since regularly asking for referrals is

such a huge differentiator between elite advisors and those who merely make a good living, it's absolutely crucial that you get over the hump and start asking. We therefore recommend a two-pronged approach that involves both making an *interior* shift, and an *exterior* one.

The interior shift must be made in your heart and mind. You simply have to find a way to get over your fear, doubt,

obsession, phobia, or whatever else may be in your way. Begin by contemplating a few simple facts. First, the overwhelming majority of satisfied clients are *delighted* to give referrals. It's similar to what happens when you see a great movie, or get a great massage. When you share rave reviews about a movie or masseuse with a friend, you do this because you want them, in turn, to get the satisfaction of seeing that wonderful movie or getting that terrific massage. You beam with a certain kind of pleasure and pride from having turned your friend on to such a wonderful experience.

It follows that if you are providing truly exceptional service to your clients, most will be delighted to refer you to their qualified colleagues, friends and loved ones. And by referring you, they gain — rather than lose — social capital. Plus, it's an opportunity for your clients to further deepen the consultative relationship that they already share with you; some will even come in prepared ahead of time with written-out names and contact information.

The Exterior Shift

On the exterior side of things, you need to implement a *consistent and ongoing mechanism for asking for referrals*. Begin by using a written agenda for every client meeting. Doing so shows the clients you value their time, and makes your meetings more professional, efficient and effective. It also gives your clients a place to take notes and jot down follow-up items. Finally, a written agenda enables you, as a matter of course, to easily ask for referrals at every meeting.

The first time you use a written agenda some of your clients will likely scan down it and ask “What's this about referrals?” Simply explain that by making referrals to you, they help you to help them, because the time you're no longer spending

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on marketing and promotion can instead mainly be spent on serving existing clients. After you've made the interior shift,

The 12-Step Referral Process

1. Set the stage to ask, by telling the client that the time you spend marketing detracts from the time you have to help the client.
2. Ask for the referral.
3. Ask for additional referrals.
4. Collect the contact information for the person or people being referred.
5. Ask for a personal introduction to the person or people being referred.
6. Commit to the client that you will follow up on all of his or her referrals.
7. Wrap up the meeting by thanking the client and repeating your ideal client goal.
8. Thank the client with a handwritten note.
9. Call each prospect.
10. Send a letter to each prospect to prepare him or her for your first meeting.
11. Let the client know the result of your meeting.
12. Thank the client again.

this should be a simple and matter-of-fact conversation.

But the use of written agendas is only part of the exterior shift. CEG Worldwide has created a detailed 12-step process, previously discussed in my August 2007 column on “The Art of the Referral” and summarized in the sidebar. Important mistakes to avoid include failing to ask for referrals at all, failing to follow through on referrals received, and failing to only pursue clients within your ideal client profile (which means you have to let your existing clients know exactly what kind of referrals you're seeking).

Practice Makes Perfect

If you want to build a great business and you're not already regularly asking for referrals, then follow the Nike adage and “Just Do It.” While it's true that some clients have the kinds of privacy-oriented personalities that make them very unlikely to give referrals, it's also true that the vast majority of clients never give referrals simply because they're never asked. (Most clients, for their part, think they're never asked because their advisor is too busy and not taking on any new business.) For those few clients who make it clear that they're permanently uninterested in referring, simply drop the referral item from their agendas; but do this by exception, not by default.

Lastly, don't try to go it alone. Your odds of success greatly increase if you enroll others to help you succeed. Appoint someone in your office to own and run the referral process, someone who makes sure that you regularly provide written agendas, do the actual asking, and then follow through in all necessary ways: thank-you notes, scheduling appointments, etc. Practice makes perfect, and before long you'll be quite glad, inside and out, that you referred to this column. **R**