

INSIDE INFORMATION

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INPUT MARKETING

Synopsis: Ever wonder why advisory firms have such a tough time selling their services? Why not follow the proven formula?

Takeaways: Instead of creating your service menu and marketing package in isolation, get and use actual client feedback--via focus groups and a client advisory board.

What's the biggest unaddressed issue facing the financial planning/investment advisory profession today? If you answered "unknown future compliance and regulatory obligations," you get an honorable mention award. But is there any issue bigger than the fact that few consumers voluntarily seek out the help of a financial planner? Or (this is part of the same issue) the fact that over the past 30 years, financial planners still haven't convinced the general public that when you go to a professional financial advisor, you generally get more than you paid for?

Meet Steve Wershing, who may be the newest consultant in the financial advisor space. Last year at this time, he was the president of a \$10.5 million (revenues) independent BD and outsource services firm called Ensemble Financial Services in Rochester, NY. For 14 years, his job description included creating programs and services that would help advisors build their businesses and more effectively help their clients.

Toward the end of his tenure, Wershing spent a lot of time studying a phenomenon that is so common that most of us hardly notice it any more: even the most successful high-profile advisory firms attract a small number of new prospects each year. Then they have to spend a surprising amount of time convincing them to become clients.

In other words, independent financial planning firms seem to be far less effective at marketing their services than just about anybody else in the economic landscape.

Why? How is this possible?

Wershing thinks he has the answer. "Financial planners tend to do things exactly the opposite of the way that large, professional consumer products companies manage their brands," he says. "Those companies survey their customers, hold focus groups, and tailor the design of their product around the feedback they receive from the people they want to serve. Then they get more input on the finished product and make adjustments--so that when they finally take something out to the market, they have a high probability of the audience wanting to buy it."

Does this sound like anything you *ever* see in the independent financial planning space? Advisors typically develop their service offering by getting trained in financial planning, sitting down at their desk and imagining what they think their clients would want, and then taking that service package out and trying to sell it.

As a result, most advisors have trouble even DESCRIBING their services. Wershing's consulting work starts by asking advisors to tell him, in their own words, what makes them different, or why a client might choose them over all the other 250,000 service providers they could work with.

The results are not pretty. "Even the most creative advisor," says Wershing, "will tell you things that everybody in this business has to do to be in business: offer customized advice, provide good customer service, have plenty of experience, and so on."

The result? After 30 years, the profession is still saying nothing that resonates with the people that advisors want as clients.

To address this problem, Wershing replicates, in the advisor world, the proven formula that large companies use to create and manage their brands. Some of this is outlined on the blog he writes for his web site: www.theclientdrivenpractice.com. Advisors typically hire Wershing to create and facilitate focus groups among their best clients, and then create and facilitate their own client advisory boards. He helps them change the service package to make it more appealing based on actual target client input. The advisory firm is coached to develop a clear, compelling description of its value proposition in marketing materials. The firm will give clients a way to describe the advisory firm to their friends and neighbors, which Wershing believes is a far more effective way to generate referrals than simply asking for them.

The goal is to take client feedback and use it to do something that all-too-rarely happens in the independent financial services world: make the advisor or advisory firm memorable, attractive and interesting to target clients in the community.

To see exactly how this works, let's start at the beginning, which for a large consumer products firm would be identifying the customer, which for a financial planning firm would be defining the target market or ideal client. "One of the big-

gest obstacles to effectively marketing yourself," says Wershing, "comes when the advisor says, 'I really don't know if I want to bring in any more clients, because I'm so busy, I can hardly handle what I have.'" Even the more advanced firms, which know who they want to work with, are still spending 70% of their time on "C" clients who are miles outside of the target client profile.

The typical advice you hear from consultants is to "segment" clients, and provide different levels of service, depending on the revenues they bring in your door.

What's wrong with that? "Creating a list of "A," "B," and "C" clients is the bluntest of instruments," says Wershing. "Segmentation is not focus. It is far more effective if you define the clients you want to work with, and then systematically extract from those folks where you create the biggest value for them, what they like most and least about the things you do, what they would really like you to do that you don't do currently, what things you are now doing that they couldn't care less about. Then you create a client experience that represents exactly what they want and need."

This, of course, comes out of the client focus groups that Wershing creates. To set the stage, Wershing--with the help of an outside expert--will conduct a general client survey, to test how satisfied clients are currently with different aspects of the service, and to identify issues that can be explored more deeply in the focus group meetings. Then the advisor chooses a random group of people who fit the ideal client profile, and they sit down for a conversation about service, the value proposition and how to describe it, and any suggestions the clients might have about marketing and service.

Can't you do this yourself? Yes, you can. But Wershing points out that consumer products companies typically bring in expert facilitators for a reason. "There are many ways to frame discussion questions to stimulate the best participation," he says. For example? Suppose your question is: "*What do you think of our financial plans?*" The unhelpful answer may be: "fine." A different question, though, might get a more detailed response: "*We want to focus on the services most valuable to you. Can you describe an experience you had with us that caused you to change the way you feel about money?*"

"An independent facilitator can get away with asking some questions the advisor cannot," says Wershing. A followup question to whatever answer comes back to you from the first question might be: "*What do you think would be the best way of delivering a service like that?*" From an independent facilitator, this would sound to the client like gathering information. If the advisor him/herself were posing the question, it might feel like a sales pitch.

Beyond that, the independent facilitator might be more likely to capture the most valuable kind of information to you and your firm--constructive criticism. "If

a client ever tells you, I really don't like something you do or offer, that's like hitting the jackpot," says Wershing. "It means we've uncovered an issue that will allow you to positively change the client experience." But clients may be reluctant to criticize you directly, and you might be tempted to defend yourself. "If a client says, 'This other advisor provides these services better than you,' we have seen advisors respond with a version of 'Let's review why we provide this service this way,'" says Wershing. "The message is: 'You are wrong; we know how to do this,'" he adds, "which stifles the conversation. An experienced facilitator knows to respond with a followup like '*What do you like most about how that other advisor does it?*' Pursuing that conversation gives you vastly more useful information about your own services."

An outside facilitator may also be better at interpreting the focus group results in a way that is meaningful to your firm. Just like the consumer products company executives may be inclined to gloss over feedback in favor of their original concept, the advisor may have mentally committed to a certain way of talking about his/her services. Wershing's initial report offers an outside perspective on the data gathered from the focus group clients. This will include a variety of recommendations and things to think about regarding services and the client experience, but the most valuable part of the report is likely to be a summary of how clients describe your value proposition--in their words, so that future prospects can immediately understand and relate to it. "You know this will be in client-understandable terms," says Wershing, "because the clients are the ones who are giving you that description."

Arriving at this description on your own can be monumentally difficult, for the simplest of reasons. "There's a reason why everybody's marketing materials say the same thing," says Wershing. "We all have these same shared cliches about the business and what we do for people, and we all make unsupported assumptions about what clients will want and what we bring to the relationship. Plus, there's all this industry jargon. You may, on your own, come up with something that means a lot to other advisors and the industry, but there's a good chance it will mean nothing to clients."

For example? One of Wershing's favorites is: "We give clients peace of mind." What, exactly, does that translate into in a client's life? If the client gives you all her money, then she'll sleep better even if her kids are on drugs and her husband wants to leave her? If a client loses 25% of her portfolio in a month and the headlines are telling her that the global economy is on the verge of a total meltdown, she'll be able to relax because you've called and reassured her to stay the course? "The phrase can mean so many things to so many different people, and so many advisors say it, that I am convinced that it means nothing," says Wershing.

"It's so much better to hear what they--the clients--say is the greatest value you bring to them."

Another marketing obstacle can be found in the conventional wisdom that is repeated over and over without any visible substance to back it up. For example, most advisors are told that if they want to attract prospects, the best strategy is to come up with a slogan or an elevator speech description of what they do. But Wershing says that slogans or one-sentence descriptions are never as powerful as a good story in helping people understand what you do. In fact, you may already have noticed, without paying particular attention, that the most effective marketing people in the financial services space also tend to be very good story tellers.

What does a good story look like? Wershing offers the example of an advisor who specialized in rollovers from 403(b) plans. The story is about a teacher who, at age 64, asked her TSA rep what she should do at retirement. His predictable answer was that she had been accumulating for 40 years, and now it's time to annuitize the contract and start taking monthly checks.

"In the story," says Wershing, "the woman died a year and a half after retirement. The beneficiaries were going through the estate papers, and they asked the obvious question: hey, she has been saving all this time, so where is the money? This advisor," Wershing continues, "would say to people, *what do you think about that?* And then he would say, *what is the biggest building in any city? It's the one owned by an insurance company, right? And here's why: THEY got the money.*

"This person built a huge practice with teachers, and all he did was repeat that story over and over again," Wershing adds. "For his target market, teachers who could invest in mutual funds in their 403(b) account, the story was incredibly effective."

Compare this with a typical elevator speech that might focus on asset allocation and good customer service, and you see the difference between powerful vs. bland marketing.

In most cases, the consumer products company won't stop gathering information at the end of the initial set of focus group meetings. Instead, it will create an ongoing feedback loop that will bring in increasingly specific customer evaluations and marketing advice. For advisors, this ongoing feedback is collected through the creation of a client advisory board. "The advisory firm will take the board's guidance on what it should be focusing on, and who it should be serving, and what it should be doing more and less of," says Wershing. This information will help the firm draft a strategic plan for bringing in new business, improving communications and constantly, quarter-by-quarter, year-by-year, raising the quality of its services.

The process is surprisingly straightforward. "One of the first questions you want them to answer is: what changes, if any, do we need to make in the practice, in terms of what we do for clients or how we do it?" says Wershing. "Then you start trying these things out, implement some of the suggestions, and start that feedback cycle again."

To make this work right, you need to set up multiple lines of communication. Wershing says that a followup process with the board is a first step toward clarifying its advice. "Everybody on the advisory board should get a summary of the meeting, and they may give us more feedback after they look at that," Wershing explains. "Then, after you implement changes, and you promote those changes to the advisory board and clients." Those messages should say, clearly, here is what the advisory board told us, and here are the changes we have made.

Finally, you go back to step two of the process, create a new client survey, and test to see if those changes really affected peoples' perceptions in a positive and measurable way.

Ideally, the firm will do one of these client surveys once a year, but if there are big changes that take a while to implement, that schedule may be pushed back to every two years. The advisory board, meanwhile, will typically meet four times a year--three active business meetings plus a recognition event where you thank the members for their service and review all the things that the board and firm have accomplished together. Every year, a couple of members will be retired, and a couple of new ones will be invited to join, and the event gives you a chance to thank and recognize the people who are going off and welcome the new members.

What form will the advisory board meetings take? Wershing says that in most cases it will be a working dinner, but some advisors prefer to have breakfast meetings. "If there board includes people who are working and successful, they'll probably want to meet over dinner," he says. Meetings typically last two and a half to three hours--which includes the meal. "You may discuss the agenda and what you want to talk about, break for dinner, and then get down to business," Wershing explains. "You'll probably be talking for a solid two hours."

Interestingly, having many of your ideal clients giving you feedback in this format, alone, can boost referral business--and more importantly, bring in referrals who are appropriate, rather than random friends and family. "If the members of your advisory board are telling you what kinds of clients you should be taking," says Wershing, "then those people aren't going to go out and refer you to the wrong people." As more of your clients serve on your board, a higher percentage of them will be educated about the kind of clients you're looking for.

Wershing serves as an outside facilitator for these client advisory boards, at least initially, for the same reasons that he facilitates the focus group meetings--but he also brings in outside expertise. For client advisory boards, the outside consult-

ant is Bruce Peters of CABHQ (www.cabhq.com). For the ongoing general client surveys, Wershing works with Julie Littlechild of Advisor Impact (www.advisorimpact.com).

An engagement with The Client-Driven Practice could last as little as three months. During that time, Wershing and Advisor Impact will conduct a general client survey, hold one or more focus group meetings, and Wershing will write a detailed assessment and report that includes the first draft of a differentiation statement. More commonly, the advisory firm will want help identifying its target market, and Wershing will provide enhancements to its marketing plan and positioning or branding advice (and, perhaps, some good client stories)--all coming directly from client feedback. After that, Wershing and Peters will set up the Client Advisory Board and Wershing will facilitate at least the first couple of meetings.

Of course, I asked Wershing about his own target market--what advisory firms he thinks will most benefit from his services. He says that, perhaps uniquely among professions, a large plurality of the financial planning/RIA world is stuck at the mezzanine level. These firms are growing but not quickly; they are profitable but not impressively so, and their owners want to get to the "penthouse" practice level where they're more efficient, profitable and working all day long with clients who are more fun to engage and work with.

"The question advisors need to ask themselves is: what is the value of supercharging their practice?" says Wershing. "What's the point of it? What do they get out of it? If they're dissatisfied with how many hours they work relative to how much they make, or if they spend a lot of time trying to attract new clients, but get frustrated because they're not very successful at it, then I point out that there are proven principles and processes, already out there in the marketplace, that they can put to work."

If advisors begin to (finally) adopt these principles which have been developed, honed, refined and practiced by the largest and most successful businesses in the economic landscape it is not hard to envision a new era dawning in the planning profession. How different would the profession look if, gradually, a plurality of its firms became astute at marketing and communicating a value proposition that really resonates with potential clients? Imagine a world where the average person recognizes the value of financial planning specific to his or her situation, where advisory firms are flooded with interest from qualified prospects in their communities and begin cross-referring to each other in order to allocate ideal target clients to firms that specialize in them.

But that world won't come easily. In fact, this may be one of the few places where you will ever read about systematic client feedback. Wershing attended the FPA Convention in Denver, sat in on all the marketing sessions and downloaded the materials for every practice management session--and found the same stale ad-

vice everywhere. "They all tell you that you have to define your target, and then spend time with yourself," he says. "You lock yourself in a room and dream up what people want, and take that dream out to the marketplace as if it was real market research. Strange as it sounds, their assumption--which nobody seems to be challenging--is that it will be just as effective as if you did real market research."

You can check out Wershing's blogs at www.theClientDrivenPractice.com, and engage his services at the same place. For you, the penthouse may be beckoning. For the profession, this article may be the first hint that we're entering a new and better era.