

Use Client Loyalty to Drive Profitable Growth

By Ani Yessaillian
September 14, 2010

Advisor Perspectives welcomes guest contributions. The views presented here do not necessarily represent those of Advisor Perspectives.

Your success as a financial advisor depends on your ability to cultivate client loyalty.

It has never been easy to win new clients, but in today's economic climate it's more difficult than ever. Many successful advisors are now seeking to grow their practices by intentionally drawing dissatisfied clients away from their competitors.



As a financial advisor, you simply can't afford to lose clients. No matter how many new investors walk through your front door, you'll never be able to grow your business if you're losing dissatisfied clients out the back. Client loyalty is crucial to profitable growth.

Four ways loyalty increases profitability

Advisors who focus on client loyalty will experience the following tangible benefits:

- **Higher retention rates.** Loyal clients provide a steady stream of revenue and profits through their uninterrupted relationship with your firm. The *Harvard Business Review* reports that a 5% increase in customer retention can increase profits as much as 85%.¹
- **Greater revenue per client.** Loyal clients are much more likely to consolidate all of their assets with one highly trusted provider. They are also more likely to respond to cross-sell opportunities because they trust you and value your recommendations.
- **Lower servicing costs.** Providing customer service to loyal clients is less expensive because they are familiar with how your firm operates and comfortable working with you.
- **Increased referrals.** Because of their trust in you, loyal clients are more likely to generate referrals — staking their own credibility on your ability to deliver results.

¹ Reicheld and Sasser, *Harvard Business Review* (1990)



To build loyalty, you must build trust

When you take a genuine interest in your clients' welfare, you build trust. You must move beyond simply being a service provider, or even a recognized expert, to becoming a trusted partner. When investors put their full trust in you, they will naturally be loyal to you.

Cultivating trust is a not quick or simple process. It demands consistent, honest attention to your clients' needs and concerns over a period of months and years. You must build personal rapport over the long term by delivering value beyond what your clients expect, and your actions must be genuine. Clients will see right through manipulation.

Clients are always evaluating you, whether you realize it or not. Every interaction with you and your team either builds or undermines trust and loyalty. There's no middle ground. While it's easy to become complacent with relationships you feel are loyal, taking clients for granted is a habit you want to avoid.

Don't misinterpret satisfaction as loyalty

In order to achieve sustainable, profitable growth, you must move beyond client *satisfaction* to client *loyalty*. A study reported by the *Harvard Business School Press* found that client satisfaction does not equate to retention². It reported that between 65% and 85% of defectors across a range of industries say they were satisfied or very satisfied with their former firm.

If you break down the benefits described earlier in this article into quantifiable metrics, it will be easy to see the fruits of turning satisfied clients into loyal ones, which extend far beyond simply stopping attrition.

Metric	Satisfied Clients	Loyal Clients
Retention	Will consider proposals from competing firms.	Will not respond to business-development efforts from competing firms.
Share of Wallet	Likely to use multiple providers.	Likely to consolidate assets with one advisor. More likely to expand their existing advisor relationship to include additional family members.
Cross-Selling	Less inclined to purchase	Highly likely to trust advisor

²Harvard Business Review, "The Loyalty Effect: The Hidden Force Behind Growth, Profits and Lasting Value."



	additional products.	recommendations.
Referrals	Will only provide a referral if someone asks for the name of their advisor.	Will proactively refer their advisor to family, friends, and colleagues. Will act as their advisor's advocate in the community.

Our research indicates that most financial advisors, even those with considerable experience, don't proactively think about loyalty. That's a big mistake. In today's increasingly competitive marketplace, financial advisors who fail to build client loyalty could find their client bases eroding from the bottom up, like the sand in an hourglass.

Use a survey to find out where you stand

Advisors can employ several strategies to better understand and deliver upon client needs. To measure satisfaction and loyalty, I recommend fielding a print or online client survey every 12 to 18 months. The data it provides will enable you to do the following:

- Quantify and assess overall levels of satisfaction and loyalty
- Identify specific problem areas that need immediate attention so you can take corrective actions to prevent defections
- Uncover new or unmet needs that you simply were not aware of so that you may strengthen satisfaction
- Identify and establish priorities for your firm to focus on in cultivating client loyalty

An added benefit of regularly fielding such a survey is that your firm can establish benchmarks to gauge your progress over time.

If you decide to field a survey, invest in the effort of evaluating the findings and, more importantly, developing and executing a plan to act on what you discover. If you fail to go the extra mile, your investment in learning more about your clients' needs will be worthless.



Don't quit once you cultivate a loyal client base

An unspoken benefit of having loyal clients is that they are more likely to forgive your mistakes and stick with you through difficult times. That said, never take their loyalty for granted. Always treat loyal clients just like brand-new ones. When you do so, clients will appreciate your efforts, and they will reward you.

Ani Yessaillian is the principal and founder of Excella, a Boston-based strategic marketing firm that delivers custom solutions to financial institutions of all sizes so they can accelerate profitable growth. Excella's clients include leading brokerage firms, asset management firms, and registered investment advisors. To learn more about Excella and contact Ani, go to www.excellamarketing.com.

www.advisorperspectives.com

For a free subscription to the Advisor Perspectives newsletter, visit:
<http://www.advisorperspectives.com/subscribers/subscribe.php>