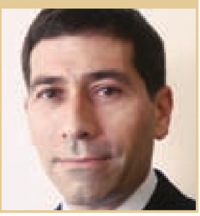
VIEWPOINT

Devise a playbook to stem client attrition in the face of adviser turnover

OTHER VOICES
David Tager



It is Friday afternoon at a branch office. Another financial adviser tenders his resignation. The scurrying begins. Where is the client list? Who is responsible for reaching out to them, and with what message?

By the time the clients get a halfhearted call from someone whom they have never met, asking them to keep their business with the firm, they have already heard a much more compelling argument from someone that they are used to trusting: their adviser.

It is no surprise that when an adviser "crosses the street," about 75% of client assets typically follow. In the past few years alone, thousands of advisers have switched firms.

If the average adviser has a book of business of $100 million in client assets, when 75% of those assets suddenly disappear, the loss of fee revenue is staggering, translating to billions of dollars left on the table.

Conversely, each additional percentage point of assets retained goes directly to the firm's bottom line.

When a high producer leaves, firms usually hire another adviser or team to replace the assets.

This is a zero-sum game and a poor use of shareholder capital. The market appreciation over the past couple of decades has hidden the true costs of the industry's suboptimal approach to capturing incremental client assets when advisers leave.

BRUNO MALLART

But there has been so much dramatic, irreversible change affecting the industry in recent years that such an approach isn't just suboptimal, it is no longer sustainable.

A confluence of events has put pressure on firms.

There is the graying of advisers and their clients.

Today's clients, especially members of the next generation in the family household, are less loyal and less patient.

According to Cerulli Associates, nearly 64% of wealthy households use four or more advisers and only 19% work with just one.

THE SOLUTION

Each time an adviser leaves, it is a minicrisis for the firm and should be treated as such. There is a small, critical window of time to act.

Developing a tailored crisis "playbook" and implementing a systematic crisis intervention program is the most effective way to mitigate client attrition and drive profitable growth.

For a model, look to companies that must anticipate and plan for physical crises — a plane crash, a chemical plant explosion, etc. These companies are required to develop a crisis playbook and undergo regular drills to be best prepared.

Roles, responsibilities, timing, messages and communications vehicles are clear and aligned.

The process is systematic, centralized and efficient. It has to be because speed is critical in such situations.

It is also critical when intervening to retain a client whose adviser is leaving.

Those business leaders who think that they have more immediate priorities should think twice.

First, every day of delay is money out the door and capital poorly spent. Second, these issues are critical to firms' futures, and demand urgent attention.

This isn't some stand-alone, discretionary project. Taking the time and effort to develop an effective approach to persuading clients to stay when an adviser leaves has strategic implications and value that extend to a firm's overall positioning and profitable growth.

It involves taking into account the changing face of the adviser, of the client, and the changing value proposition of the firm, its services and delivery model.

THE ROAD MAP

• **Organize:** Effective crisis management has to start at the top and requires a centralized, systematic approach. At most firms, "corporate" provides suggestions to branch managers but doesn't play a hands-on role in ensuring a consistent, effective intervention.

That approach hasn't worked. Local profit-and-loss managers have different capabilities, resources and incentives that can be at odds with the firm's goals.

The branch manager's primary objective is to keep revenue in the office.

That isn't necessarily the same objective as the firm's keeping the client. For example, some clients could be better served, and would be more likely to stay, if not limited to teams in the same office.

• **Prioritize:** Given the need to move quickly, firms must prioritize in terms of which clients they will try to retain. Many mistakenly focus on client asset size.

More meaningful criteria include the intrinsic value of the relationship (potential over time from other revenue sources, not just assets or even return on assets) and the likelihood that the client will be receptive to another team, based on their need and the better services a new team could provide.

• **Customize:** The effort and approach must be tailored to the individual client profile. Each different member of the family household has different needs and different fit requirements.

The success of the intervention will depend on how tightly aligned content/messages, vehicles (phone calls, meetings, letters) and resources are with the target.

This alignment is core to the crisis playbook and training. It entails the right people, reaching out at the right time, in the right way, with the right script and messages.

Profitable growth is more challenging than ever. Failing to take a strategic approach to ensuring better outcomes is no longer an option.

The days of disorganized scurrying around and halfhearted efforts for little return must be replaced with precise, well-executed crisis management.

That it is better for clients, the firm and shareholders.

David Tager is chief executive of Tager & Co., a communications management consultancy.

Letters

In praise of a dad who passed down his wisdom

Jim Pavia's Just Thinking column "Thanks, Dad, from your older and wiser son" (June 13) caught my eye.

Like him, I began to appreciate my dad as I grew into adulthood. My father died 23 years ago, and I am still inspired by his example.

Although my dad never made a lot of money, his wise investments and disciplined savings have allowed my mother to remain in her home at 85 and want for nothing. This is quite a rarity in today's world.

I imagine that Mr. Pavia's father, like mine, grew up in a different America.

My dad was born during the Depression and learned from that experience how to spend his money wisely.

As Mr. Pavia's son is benefiting from the wise decisions that his grandfather made, my 14-year-old son inherits a legacy of smart living through what my father taught me.

Their influence spans generations.

That is quite an accomplishment. It takes a smart guy to do something like that.

Marianne Flatley
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ADD YOUR VOICE to the mix. Readers: Keep letters brief. Include your name, title, company, address and a telephone number for verification purposes. E-mail Jim Pavia at jpavia@investmentnews.com. All mail may be edited.

'Passionate' column on a father hit home

The Just Thinking column "Thanks, Dad, from your older and wiser son" really hit home with me.

It was a great read. Thanks to Jim Pavia for sharing his story.

I can feel the respect that he had for his father through his words.

It was a passionate piece.

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