

PRACTICE POINTS

Client Referrals

Client referrals are the number one source of new business for advisors, according to results from Dimensional's 2017 Advisor Benchmarks Study. When M&A activity is excluded, client referrals account for 40% of a firm's new clients each year. Most clients are willing to recommend their advisor to others, but the primary reason they do not is because their advisor never asks for a referral.¹ In addition to impacting a firm's asset and revenue growth, referrals can be an indicator of client loyalty and satisfaction.

Seven reasons clients do not refer¹

1. Never have been asked.
2. Don't know who you want to work with.
3. Don't know how to explain what you do.
4. Unsure of how to make the introduction.
5. Want to maintain privacy.
6. Don't want to risk the referral not working out.
7. Haven't had a referable experience.

Ideas to encourage referrals

- **Formalize** your process to consistently ask for referrals and track when referrals occur.
- **Identify** ideal clients to target. You may not wish to replicate 100% of your current client selection.
- **Prioritize** gathering referrals as a strategic goal that is tracked and measured across the organization.

Top practices for boosting client referrals

Motivate. When speaking with clients, communicate the mutual benefits of providing referrals.

Simplify. Make it seamless for clients to refer by providing a formalized, documented process that is easy to implement.

Elevate the client experience. Make sure current clients are having an exceptional experience.

Narrow your focus. Ask for referrals from your best clients first, but recognize that not all clients will refer, no matter how loyal they are.

Inform. Tell clients that you enjoy working with them and are looking for more clients like them.

Ask. Script it, practice it, and make it part of your process.

Introduce. Communicate how you would like clients to refer or introduce people to your firm. Firms that state a preference convert 78% of their referrals.²

Follow Up. Thank your referring client and commit to follow up.

Encourage feedback to referring client. Encourage prospect to share feedback with the referring client after the meeting.¹

Remember, clients refer because they want to help someone!

Communicating the referral process

Consider a blog post, brochure, or email template that describes what happens after clients refer someone to you. Components may include:

- Introduction explaining the firm's desire to help more people.
- Characteristics and attributes of your ideal client (does not include account minimum).
- Description of how clients feel or what they achieve by working with you.
- Statement of what happens if the relationship is not a good fit. Example: After the initial conversation, you refer the prospect to someone better positioned to help.
- The most ideal way to refer (e.g., email, personal introduction) and suggested language.
- The services you provide, your mission statement, and your service commitment.
- Privacy/confidentiality policy.
- Brief bio and firm accolades or community involvement.
- Contact information for scheduling.

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