Volume 6, No. 6

SENIOR CONSULTANT
The Voice of the Investment Management Consultant

How To Win Prospect Trust Before You Even Meet

Larry Klein, President, NF Communications, Inc.

Advisors of tenure agree that winning the prospects' business is a function of gaining trust, not a function of better product features, benefits or cost. How can you rapidly gain a prospect's trust, or better yet, gain a prospect's trust before they ever meet you?

Normally, when we think of trust, we think of a process of giving our word and then keeping it. After proving ourselves by doing what we promise, we gain trust. This process works but is too slow for the 21st century advisor. General Motors has the trust of most Americans, even if the consumer has never owned a GM car. How did GM build this trust? Let's look at five elements that you can replicate:

- Familiarity
- Referral
- Advertising Message
- Medium
- Evidence

Familiarity

GM is familiar, and familiarity builds trust. It's simple human emotion to trust something you know more than something you don't know. Why do you think that prospect's will often listen to their brother-in-law's hot stock tip over your rational asset allocation formula?

GM spends $28 per year per household in advertising. This ensures that virtually every car buyer gets multiple exposures to GM and considers them as a potential choice. You can do the same.

Get Investors To Trust You Before They Know You

It is possible, and the most successful marketers in the world do it. For example, let's take a name you trust: General Motors. Maybe you've never owned a GM car, but you probably trust them to produce a car of adequate quality and to honor the warranty. You may even expect the car to outperform the warranty provision. Why do you have this trust in GM, with possibly no first-hand experience? Because familiarity = trust, and you are very familiar with GM.

In 2002, General Motors, consistently one of the nation's top advertisers, spent $3 billion on advertising. That's 1.6% of their $186 billion of sales and almost twice their $1.7 billion of net income. While $3 billion in advertising seems staggering, you can out-advertise General Motors.

They spent $28.57 on advertising for each of the 105 million households in the US. And for General Motors, virtually every household contains potential customers. The good news for you is that you have far fewer potential customers because you are far more selective. Therefore, you can focus your ad budget on a select target group and get the same recognition, the same familiarity and the same trust as General Motors.

For example, I seek to work with households where the residents are between age 65 and 74, and the household income is at least $50,000 (in my area, this income level is a good proxy for people with portfolios of $300,000 to $1.5 million). Furthermore, since I conduct my business in person, I am interested in a 10-mile radius and only towns with a total population of 115,000. The census data shows me that 3,600 households meet my criteria.

IT'S SIMPLE HUMAN EMOTION TO TRUST SOMETHING YOU KNOW MORE THAN SOMETHING YOU DON'T KNOW

To match General Motors, I need to spend $28.57 per household or $102,582 a year, equivalent to $8,548 monthly. Since this is not enough to buy a television ad on the Superbowl, I need to use my ad dollars differently than GM. Table 1 shows how I choose to use my budget each month.

While General Motors has 30% of the domestic car market, I only need 10% of my market (360 families at $6,000 annual recurring revenue) to gross over $2 million of income. And I have made assumptions in Table 1 that were below my actual results while in full-time practice. My actual results were:

- 1% response rate to seminar mailings
- 2-3% response to newsletter
- 0.5% response to miscellaneous mailings

If you assume an average of $6,000 of recurring revenue per client, this equates to an average $500,000 portfolio at 1% annually, as well as some miscellaneous other business (e.g. insurance, annuities, LTC, planning fees, etc).

"But Larry," you say, "General Motors can afford to spend $28 per household; they have $186 billion of revenue!"

"No," I say. "They have $186 billion of revenue because they spend $28 per family."

If you want to rapidly become known in your marketplace and become a trusted name before people even meet you, you must make the investment. After the first year, you won't need to invest nearly as much because:

- You will collect everyone's e-mail address and save postage.
- You will use a system to get referrals, which cost nothing.
- You have every prospect bring in their tax return, and you gather names of their CPAs and form referral relationships.

Follow the above program and your only focus will be how many assistants you want to hire and how big of a company you want to grow.

Referrals

The manner by which most advisors get referrals does not result in the referred party having pre-established trust. What usually happens is your client gives you the name of an acquaintance that may or may not have mentioned something about needing a money manager. You call the acquaintance and

- They don't know who you are.
- They don't know what you do.
- They don't know why you are calling.
- They don't know how you got their name.

Wouldn't it be easier for you to do business with these people if they knew who you were, and trust was already established?

Those few producers who have a continuous stream of warm referrals do three things that you also can do to generate a continuous flow of high quality referrals.

1. When starting a new client relationship, you must ask them, "What will I need to do so that you tell all of your friends about me?" WRITE DOWN THE ANSWER AND THEN DO IT! Most clients will not say, "I want a 25% annual return," or some other request that is impossible to honor. They will say something like, "I just want you to stay in touch every couple months, help me not to lose money and call back on the same day I call you." You can certainly promise this and deliver it.
2. After 90 days, call to set up a meeting with the client. During this call, read to them what they told you at the beginning of the relationship. You read them the requirement they stated in step #1 above. Then ask them if you have done what they required. They then see that you did what you promised, and they will also. Explain to them it's time to meet because you need their help with your business development program. Tell them to bring their phone/address book.
3. Last, you need to get your client to introduce you to the referral. If you just get a referral name and phone number from a client, that's pretty worthless. When you call the referral without an introduction, don't expect much because you will have the problems I mentioned above.

Table 1.

	Activity	Cost	Results
First week of month – seminar mailing	Mailing house charges $2,232 to mail 3,600 invitations, plus I serve light refreshments for $400.	$2,632	0.5% attendance = 18 households, nine appointments, four new clients at $6,000 average revenue per year.
Second week of month – newsletter mailing	Mailing house charges $1,656 to mail 3,600 (can be mailed third class).	$1,656	0.5% response = 18 inquiries for more information/analysis offered in newsletter. Two new clients at $6,000 average revenue.
Third week of month – product mailing about my favorite annuity	Mailing house charges $1,656 to mail 3,600 (can be mailed third class).	$1,656	0.25% response to nine people, three become clients at $100,000 average investment at 6% commission = $18,000.
Fourth week of month – mail another item	Mailing house charges $1,656 to mail 3,600 (can be mailed third class).	$1,656	0.25% response of nine people, three become clients at $100,000 average investment at 6% commission = $18,000.
Total	14,400 pieces mailed	$7,600	$72,000 earned of which $36,000 recurs each year, 12 new clients.

Follow the process described below and the referral will be expecting your call and know who you are.

Step 1. Have your client send a note. This is easy because you can have your client sign a standard form letter saying how great you are. With your client's permission, you then run it back through your printer, adding your client's return address. The note arrives at the referral's home and appears to have been sent from your client's home.

Of course, not every client will provide referrals. However, for those clients who provide none, you will have other clients that provide 25. The key is to treat this as a system, rather than an ad hoc process of asking whenever you remember.

Step 2: You send the prospect a letter one week later, with a copy of your newsletter and reference your client. In that letter, state what day you will call next week.

Step 3: Call the referral and ask if they would like to meet.

The details of this winning referral system, can be downloaded from www.nfcom.com/pdf/reports/slroodman.pdf.

Many advisors do not use advertising because they don't believe it pays. And it's true. Most advertising does not pay because it is poorly done. In fact, both advertisers and their ad agencies have a poor understanding of their audience's emotions. When done correctly, advertising pays handsomely, and I have the records of 1,000% annual returns to prove it.

You have a big advantage over GM when advertising. Ads that generate the most trust quickly show the reader that you understand them; that you are like them.

Friendship is born at that moment when one person says to the other, "What! You too? I thought I was the only one." [C.S. Lewis]

GM is a large company, and you are a real person. You can build a human bridge that GM cannot. Some large companies do a good job recognizing this problem and do what they can. Consider Charles Schwab & Co. They know that a company cannot build a bridge with another human, but Charles Schwab, the person, can. So Mr. Schwab is featured in many of their commercials. When people do business with the company, they feel they are doing business with Mr. Schwab's company, a man who understands their need for unbiased investment advice, a man who has shown that he has set the investor's interest as priority. How do you build this bridge?

Your ads must have headlines and beginning copy that engage the reader as a single human being. Consider these examples:

- "How Mr. Jones Avoided Stock Market Losses During the Last Three Years." You have a very nice person for an investment advisor, but did he lose you money and blamed a bear market?
- "Fed Up With Losing Money in Stocks and Funds?" You should be, because you are probably receiving lousy advice.
- "Here's How You Can Judge the Quality Of Your Investment Advisor." If your goal is to protect your savings and your advisor has lost your money, you've got the wrong advisor.

Consider how these ads "speak" to the reader as if in a conversation and compare these ads to the ads your firm writes or ads you find in today's newspaper. You can use ads to build trust by identifying with the reader so that the reader thinks, "Yes, this person knows how I feel," or "This person understands exactly what I've been thinking."

The ad continues to make your case, and your offer is a free booklet that explains strategies for investing and end\s with how to contact you. (For complete details on implementing this system, see www.nfcom.com/products/booklets). In the booklet, you present your ideas simply, thereby enhancing the trust relationship because you are freely providing information and insight without asking for anything. (To build trust, give something first).

Media

Appearances in the press, television or radio provide a third party endorsement of your credibility and instant trust. The media has done such a fantastic job of making itself credible with Americans, that your appearance in the media conveys upon you the "Should Be Trusted" sign of approval. Americans erroneously believe that you have been prescreened by the media, if they have selected you to be an expert voice, and you must be an expert because the media conveys truth. Use this naivety to your advantage.

You may think, "Why would anyone want to write about me in the newspaper?" The reason is they need to fill up the newspaper with content and what you have to say is as good as anything else.

Every publication maintains a balance between "news" and advertising. If the daily newspaper were all ads, no one would buy it. But if 65% of the content is "news," then the newspaper can go fill up the other 35% of the pages with paid advertising. Therefore, if you can supply them printed material, you help increase the "news" section of the paper, and they can sell another ad. They need you!

But how will you get reporters to interview you, and where can you get articles to send the paper? Here's how the process works.

Step 1: Find the Right Contacts. Call each of the newspapers, radio stations and television stations in your local market. Find them in the phone book or go to the local library. Look in a copy of the *Gale's Directory* or *Ulrich's Directory.* These media directories list every media outlet in your area.

You will call and ask for the name of the reporter or editor who should receive press releases on senior issues. Also, ask for the person who should receive information on personal financial issues. These may be two different people working at two different areas of the paper. That's okay. They will both get your materials each month. You will put as much information about these people into your database: Name, address, phone, fax, e-mail address, etc.

Each month, send them a copy of your newsletter. In addition, you will send them a press release. Unlike the newsletter, the press release demands immediate attention and calls for the reporter to call you. Here's an example: In the summer of 1998, the stock market started caving in. I sent a press release about how seniors' portfolios had become too bloated with equities, and seniors were particularly vulnerable (because they need to protect capital). Smack in the middle of a bear market, the article appeared, "Ride Out Market Fluctuations, Financial Planner Says." The article was an interview with Larry Klein; no other professional was mentioned. I gave the reporter exactly what she was seeking at the right time. That's the power of a good press release.

That's all you need to do. Within three to four months, you will start getting calls from the press about interviews or asking to use one of your articles. Why does it take three to four months to get results? Because the reporters will store your press releases until they have interest on a story about that issue.

Evidence

General Motors would like its cars to win high rankings from JD Powers, a trusted authority in reporting consumer's experiences with cars. Similarly, you want to use testimonials, endorsements and any third party collateral that implies or specifically states that you are superior (be aware that SEC regulations prohibit RIAs from using testimonials).

In the last section we talked about getting interviewed or having your articles in the press. A very tiny percentage of people you want to reach will happen to be reading the page of the publication where your article appears. Therefore, the value of an article is reproducing it. Use the reprints (which most publications produce to make you look like a big shot) to send to prospects and referrals to form an impression before you meet. Include them in your introductory kit that you give to prospects and new clients.

Additionally, you want to build a biography for use on seminar invitations and other collateral that reads like this: "You may recognize Bob from his televisions show 'Your Money Matters' on KBTX TV, and his interviews on KNBR radio 'Money Talks.' You may have also read his articles (or interviews) in the Houston Chronicle 'How Seniors Can Increase Income When Interest Rates are Low' and the *Wall Street Journal,* 'When Heirs Try to Get Their Inheritance in Advance'."

The fact that a prospect has never seen you on television, or heard you on radio, or ever read any of the publications mentioned in your biography doesn't matter. The fact that you are a media star means to the average prospect:

- You must be an expert because the media chose you.
- You must be honest because the media has checked you out.
- You must be trustworthy and the prospect can proceed to accept your advice confidently without question.

For years, Bob Brinker has had a syndicated radio show. I have had many prospects over the years tell me "But Bob Brinker says that ...." I then ask if they have ever seen Bob Brinker's track record. None of them had. Although he has a good long-term record, he has had his fair share of bad market calls. I would produce that near-term record for them and show how his record has underperformed the market The point is that people believed his predictions because he had a radio show, and he must be right – he's on the radio! Therefore, have reprints, audiotapes, videotapes and any other evidence of your media stardom available and always quote it in collateral.

Trust is a central issue to why people do business with you. As Morgan and Levy state in their book, *Segmenting the Mature Market,* "Cost aside, three reasons for not going to a professional for financial planning focus on the relationship between the client and the planner. They all relate to trust. Based on other research we have conducted, we believe that developing trust is central to the sale of financial products and services." There is no need to wait to build trust when you can do it before you ever meet the prospect. ■

About the Author

Larry Klein is a CPA/PFS, Certified Senior Advisor, and holds an MBA from Harvard Business School. Over 10,000 financial professionals use his winning marketing system to obtain more and better clients. For more information, visit www.nfcom.com.

SENIOR CONSULTANT

THE VOICE OF THE INVESTMENT MANAGEMENT CONSULTANT

SENIOR CONSULTANT

1457 Crystal Springs Lane
Richmond, Virginia 23231
Ph 804-643-1075 ■ Fax 804-643-1544
WWW.SRCONSULTANT.COM