Human-Centric Investing Podcast

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Episode 18: The Word of Mouth Influence Hierarchy (Part One)

Host: John Diehl, Sr. Vice President, Strategic Markets, Hartford Funds

Featured Guest: Stephen Boswell, president of The Oechsli Institute

Intro	This is the Human-centric Investing Podcast with John Diehl where we look at the world of investing through the eyes of our clients. Take it away, John.
John Diehl:	Hello, financial advisors. This is John Diehl, Senior Vice-President of Strategic Markets at Hartford Funds. Welcome to Episode 18 of the Human-centric Investing Podcast.
John Diehl:	Hello, financial advisors. This is John Diehl, Senior Vice President of Strategic Markets at Hartford Funds. Welcome to episode 18 of the Human-centric Investing Podcast. Joining me today is Stephen Boswell President of the Oechsli Institute. Welcome back to the podcast, Stephen.
Stephen Boswell:	Thanks for having me. Glad to be here with you.
John Diehl:	Well today we're going to talk about the word of mouth influenced hierarchy. So Stephen I've heard of word of mouth influence but what is the word of mouth influence hierarchy and how did you build it?
Stephen Boswell:	Well the hierarchy is our way of putting some order around some of the ideas and research we have on how to generate more referral flow as a financial advisor. So we always have a lot of ideas around that topic. We've done a lot of research around that topic but this hierarchy, a pyramid of sorts, is the best way we've come up with in terms of how to explain it and it – part of it is it's sequential and there are some things you have to do before others.
John Diehl:	And tell me Stephen I know – look I know the Oechsli Institute has been around for a long time. Tell me a little bit about the research that you conduct and how it kind of culminated in this word of mouth influence hierarchy.
Stephen Boswell:	Yes, the research has been going on for 20 years and its split into two camps. We do a lot of research on financial advisors and we'll focus on things like how do they market their practice, how do they service their clients, what are they doing with social media and that's continued up until this past year where we researched 404 financial advisors as part of this project trying to figure out specifically what are they doing with regards to word of mouth. So as part of that project we figured out who are those who got the most referrals every year and then what were some of the behaviors that led to those referrals. And that's where this model is based. On the other side of it, our research on the affluent hits it from a different angle. We're looking at people with between $250,000 investible and about $10 million investible and trying to figure out how they find financial advisors, what factors into their loyalty, how are they interacting with their advisor on social media. Really just the mirror image of the advisor project and it forms the foundation of models like this and all the coaching and training that we do.
John Diehl:	So I note Stephen in the workbook like the first image that we see or one of the first images that we see is the pyramid and if you could, could you walk us through briefly and then we'll go more in depth obviously into what the four areas of the pyramid are and why you structured it as a pyramid.
Stephen Boswell:	Yes, well if you go from the bottom up, so if you could imagine for the listeners out there a triangle-shaped model – that is a hierarchy. On the bottom, the base level is exceed professional expectations, meaning doing a good job for your clients.

The second level up is emotionally connect, basically having beyond a business relationship with them, getting to know them on a personal level.

The third tier up is activating conversations, hugely important in terms of stirring the pot, getting them talking about you a little bit more actively. And then finally, the tip of the iceberg here is refining the narrative. So if you've got your good clients, they're happy with what you're doing, you're connected with them emotionally and personally, they're talking about you. What are they saying? And so we've got some strategies for helping refine that conversation so they're speaking to the right bullet points.

John Diehl: And it's a pyramid Stephen because I think you mentioned just a few moments ago that one builds on the other right?

Stephen Boswell: Yes, exactly. So if you were to start from the top and start refining the narrative you wouldn't have a lot of success in getting more referral flow because if you're doing a lousy job for clients professionally and you don't know them real well personally, there's not a lot of word of mouth happening. And so we recommend if you're starting with this process, start with the bottom. Make sure – good and sure – that you're exceeding professional expectations before you move up the ranks of the model.

John Diehl: And you know the other image I see in the workbook is it looks like a bell curve almost of kind of categories that you call laggards, (middlers), and generators. What is that all about?

Stephen Boswell: It's the way we were segmenting advisors in that research project based on the number of new households they brought in by way of referral in the prior year. So if you're a laggard, laggards are 22 percent, so the left edge of that bell curve. These are people who brought in between zero and two new households by way of referral, not very good results.

The (middlers) were the 55 percent, the meat of the bell curve who brought in between three and nine new households by way of referral and then the generators, where we focus most of the research efforts were those bringing in 10 or more new households by way of referral.

So we find most people are fitting into that (middler) camp and with some fine tuning, with some changes could be moved up into generator. If you're in the laggard category, you're the 22 percent that's bringing in really no new households by way of referral; it's a clear indicator that the base end of that model isn't as tight as it should be for you.

John Diehl: So let me ask the obvious question, right from the advisor who kind of takes a glance at this stuff and says I don't get it. Why don't advisors just ask for referrals. Why do I need a system, why do I need some kind of framework to – why don't I just ask? What would you say to that?

Stephen Boswell: Well you could look at it with a hypothetical at first and say if you're one of these people who would be considered a laggard and you didn't bring in any new households by way of referral last year or very few

Stephen Boswell: Well, you could look at it with a hypothetical at first and say that if you're one of these people who'd be considered a laggard, and you didn't bring in any new households by way of referral last year, or very few. If you just started with a marketing mindset first and you said, you know what I'm just going to ask for it proactively, I'm going to ask anybody and everybody the results wouldn't be very good and here's why.

When we researched the affluent, we ask them their feelings about that approach, really how do you feel about being asked for a generic referral? And every year you're in the neighborhood of 75 to 80 percent who say that approach makes me in some way feel uncomfortable, I'm being put on the spot.

The advisor is saying to me, who do you know basically who has money, who isn't happy with their advisor and who's not going to be put off by, you know, me this pushy sales person being on their trail, and it tends to shut the conversation down. So while on paper it would make a ton of sense, just ask. Ask everybody. There's some building blocks that have to take place before they're going to be good advocates for you, and the way in which you ask for that advocacy matters.

And so we spent a lot of time, and we will in these podcasts talking about how to activate conversations the right way. So when you think about it, let's say you're doing a good job professionally. You know and like your clients, and they know and like you. And it's time to kind of stir the pot, time to activate conversations. There's some tactics that have more finesse than those traditional referral approaches, and that's what we're going to spend some time talking about.

John Diehl: So I think the first, Stephen, right, would be to look at your own practice and say, "look, as I move forward – referrals is something that I want to build." Right? Because I meet advisors who say, "no we're good there, we've got enough organic growth or so and so," Well, you're probably not the advisor that interested in this.

I would think we're looking for an advisor that says, "I would actively like to grow the number of referrals that I get this year," and it sounds to me like what you're doing is maybe applying a bit of intentionality married with a bit of a process to this referral process, right? Rather than just asking a question.

Stephen Boswell: Well yes, exactly right. So a lot of people look at it and say if you were to look at all the different buckets that advisors might use to find new clients, and say referrals coming from clients, you would say alliances with other professionals – maybe client events, maybe social (reprospecting) in the community. The one that has the most impact, but the one that gets the least structure and attention is the referral flow. Because a lot of people think it's either happening or it's not, and there's not a lot we can do about it.

John Diehl: Good point, good point. Well with that let's dig a little deeper in to the word of mouth influence hierarchy and we described those four levels but I want to start, Stephen, at the base level because it seems like in that base level, which (we) titled exceed professional expectations. But there are some things you want to make sure we have in line before you even begin to think about the referral process, is that right?

Stephen Boswell: Yes, that's right and we tend to look at it on two different angles. We look at it from a communication standpoint, and a financial services standpoint. And you'll notice on the worksheet we've gone through 14 criteria that have come from our (affluent) research, they really speak to what they're looking for in a financial advisor. So when you're looking at exceeding professional expectations, this is a little bit of a scorecard.

John Diehl: Yes, that makes a lot of sense. So you're asking – and look, in all of those 14 there's usually something we can pick out. I see you've broken then down in to both the kind of the financial piece, but also the communication piece. And I think it's important to think about our practices in both of those contexts, right?

Stephen Boswell: Yes, exactly and that every one of these is a work in progress. Doesn't matter if you're a brand new advisor or someone whose been in the industry a long time and seen great levels of success. And these, I'll just go through a few of them because I think they're important and when – just to give you a little bit of background.

When we ask these from the (affluent) we don't ask them about these 14 and say, "how important are these?" We ask them about a much broader list of categories and they come up with basically, these are the 14 that are most important to us. And some of these sound like kind of common sense, but aren't executed all that well by many financial advisors.

So under communication you might say, look at one of these – being a good listener and understanding their family sounds really basic but how well are we doing that as a team or an individual advisor? Someone who's overseeing the totality of their family's finances not just the investment arm. Someone who's being personal in the communication, just things that are basic but get overlooked – they get taken for grated at times.

When you're looking at the financial services side of it, and making them fully aware of fees, helping them create and keep updated a financial plan, making sure you've got the latest technology, and just stuff that should be at an A plus level if you want them to be really good advocates for you.

John Diehl: So Stephen, do you try to fix everything at once, or are there usually in your experience a couple of things that jump out at the advisors to say, "yes, maybe it should be these two or three areas." How do you recommend we think, as we're looking at those areas and questioning about our own practices?

Stephen Boswell: What we tend to find, we work with some great teams. Just from a coaching standpoint we see some big producing teams, some highly functional teams, and what you tend to see with them is they know how much they can bite off at any one time – but they're always working on something.

And I always find that really interesting that there's never a point where, like, you could put a team – let's say there's team A that has a lot of production, a lot of team members – you can put them through an assessment that analyzes all aspects of their business, and they could really dissect this business and come up with 25 different things they could probably be doing different or better. But they know better than to accomplish – try to accomplish all those things at once.

What you find is that week by week, call by call that we have with them they're always looking to fine tune and change something. So you look at a list like this and it might be tempting to say, "well gosh, we have a lot of work to do in half of these categories," well why don't we narrow in on this sleeve of providing insurance solutions?

Because we could be more consistent with that. Why don't we narrow our focus for this next quarter to the technology? And what you find is that if you're consistently working on something, over time you've got real competitive advantage, based on the cumulative hard work.

John Diehl: And Stephen, you mention in our workbook that generators tend to provide a stellar in-office experience for their clients and I got to tell you, in my own travels I've seen this again, and again, and again. But it's oftentimes overlooked. What do you mean by providing a first-class, in-office experience and why is it so important?

Stephen Boswell: Yes, I think that's one of the more interesting parts of your job, (John), and some of the more interesting parts of my job too. Is when you get out to some of the individual offices and you get to see that experience firsthand, from how you're greeted at the door, to the beverages you're offered when you sit down – to just the overall comfort and atmosphere and just the feeling you get when you walk in to some office versus others.

And you can walk in to some branch offices and have a very sterile, just unfriendly environment. You've squawk box on the T.V., you wait in the lobby for a little while – it's just not all that pleasant. Whereas when somebody's really got this, as we could call first-class, in-office experience – you know from the minute you walk in the door that it's going to be a comfortable, enjoyable conversation and one that (you'd) look forward to coming back to.

So examples of that might be – I walked in to an office last year where it said on the whiteboard when I walked in, "welcome Mr. Boswell," and it had a picture of a – hand drawn, this was a whiteboard – logo of Appalachian State, because they knew that's where I'd gone to school. I didn't even know this team, but I thought, "what a nice touch," and I liked them immediately. You know, advisors – just those who put a little bit more time and attention seem to have an easier time getting clients in to their office for reviews, which we know is mutually beneficial.

John Diehl: I agree that creating that remarkable client experience has tremendous impact differentiating one advisor from another. One other question for you though, Stephen, how can advisors use feedback to exceed professional expectations?

Stephen Boswell: Yes, there's a section in the worksheet that offers some specific language, I would encourage everybody to look through some of that because – feedback, yes we can talk about the importance of it but how you go about asking for it is really the key. First of all, that you do ask – because I know it's a scary thing to do.

You're putting yourself out there a little bit to say, "hey, directly am I doing a good job for you in certain categories? And I'd like your feedback," it's kind of scary to do sometimes. Because you're worried about what you'll find. But if you look at this as something that is just from a totally self-serving perspective, you've got some really bright clients and if you engage them the right way they're going to help you build your model more effectively.

And we outline some really key times to ask for feedback because it ought to be really specific, both in when you ask and what you're asking about, if you want it to be helpful. So it's kind of the opposite.

If you're looking to improve your service model, for example, you don't ask a client at the end of the review meeting, "hello, how are we doing, everything OK," because you're not going to get a whole lot of helpful information, and it doesn't come across as very sincere, whereas, if you're saying, perhaps at some time, in near the beginning of the meeting or midway through, "Hey, let's take a breath for a second. I wanted to ask you about one specific element of our practice that we've been tinkering with. How do you feel about the number of reviews we're doing every year? Right now, we've got you set for three, and we've just tinkered with whether or not to increase that or decrease it. What are your viewpoints?" And so, you're asking about something really specific that might help you make better decisions within the business.

John Diehl: I think, especially, if you – if you thought about those different categories of things, the 14 criteria …

Stephen Boswell: Yes, yes.

John Diehl: … And you identified a couple. I mean, think about targeting a specific area, about the kind of technology you're using or how someone feels when they walk into your office. We've been evaluating that process, what are your thoughts? Is there anything more we could do? It comes along, that the personalization angle, that I really do care about what you have to say because you're a very important client of ours.

Stephen Boswell: Yes, exactly. So they get that message that, hey, I'm looking to improve. I want your help because I think you're smart and I value you as a client, and we outlined some other ways you can ask, too. So we said, "Here are the categories (when), and we think it's important." When you sign a new prospect, when somebody signs on with you, you ask for feedback about why they chose you, what ultimately won them over because you want to know which of your selling points was most important.

You want to ask for people who – ask for feedback from people who didn't decide to go with you. What led you to go in a different direction? It might be helpful to ask at a midyear review, just about something specific. Like you mentioned, John, one of those 14 criteria would be perfect, and when you lose a client, obviously, it'd be great to get some feedback about what really led them to move, and if you're systematic about this you end up getting better.

John Diehl: Absolutely. So, Stephen, let's move up the pyramid. Let's talk about the next section up, which is Emotional Connectivity or Emotionally Connecting with my Clients. And you mention a Harvard Business review study about the importance of emotional connection. What's that all about?

Stephen Boswell: Yes, when you hear the term emotionally connected, it sounds like a Harvard Business review term, and that's exactly where we get it. It's one of those – one of those publications you read and half the time, you're like, "man, they've made it way too complex, but there's some really smart folks and they come out with some good concepts, so long as you can dumb it down for us commoners here."

But Emotional Connect was a good piece they put out, this was back in 2016, and it actually had some implications. They had done some research on the financial services industry and the impact of what they call being emotionally connected with your customers.

So the headline here was that emotionally connected are 52 percent more valuable than highly satisfied customer, and they said, basically, you've got an ideal client when you're emotionally connected. They buy more from you. They're less fee sensitive. They pay more attention to your communications and following your advice.

They recommend you more often, and this study mirrors a lot of work that we've done over the last six years in terms of advisors who've got business/social relationships with their clients as opposed to being all business and very, very similar findings, that when you take the time to get to know them beyond the numbers, you learn about their family, their interests. You connect with them beyond your work, together. They tend to want to help you, by, way of, spreading the word about you.

So this is one is incredibly important, and when you look at the hierarchy, the base level, that ought to be just a hygiene factor for advisors, when you're looking at exceeding professional expectations. That's why you're doing what you do, right.

You want to be good at your craft. Even if you're not in a growth mode, you want to be good at your craft, but as you move up the hierarchy, this is where you start to see some of the laggards and the (middlers) tail off here. They're not quite as good at emotionally connecting, and they're not systemic about it.

John Diehl: So, Stephen, you've outlined eight methods or eight ideas. Now, obviously, we can never say it's an exhaustive list, but I'm assuming that these are eight ways to emotionally connect that you have found, have worked for advisors. So why don't you touch on these and just briefly describe them.

Stephen Boswell: Yes, and it's one of those categories, John, where there – if there's a will there's a way, and the desire has to come first, that you can look at our research or if you trust Harvard a little more, you can look at theirs and see that, when you do take the time to get more personal, both, when you have somebody in the office and when you're engaging them outside the office, that it does has a ton of impact, and we can show you mountains of data that points that out.

But you've got to have that desire to do it first, and then you find all kinds of ways to get personal with people. We've thrown about a little bit of a hodge-podge, of ideas here, and I'll also share with you, what we would say are some of the core activities.

If you look at core activity, if you're one of our clients, we would recommend you take clients out for non-business or social luncheons. That's sounds so simple, but if you're doing it systemically – and by a social launch, I mean, if you were my client, John, I would call you say, "Hello, John, it's been a while. I would love to take you to lunch, just to catch up on life. I'm not bringing any paperwork. Where would you want to go? What's your favorite place?"

And If I'm doing something like that, starting at the top end of client base, if I'm doing that even once a week, we can have some really significant impact, over the course of a year, for something really – what sounds really small. So, as a core activity, yes, you can't go wrong with just something casual, like a social lunch or breakfast or dinner.

Other activities are – we'll talk a little bit about how to activate conversations using intimate events, but that has a very similar impact on emotional connection because part of doing a small event with clients is getting to know them on a human level. We also offered some skill advice on this, page 7 of the worksheet, in terms of slowing down.

If you're rushing from one appointment to the next and you've got a very stacked day, it's really hard to take a breath and ask, "So, John, tell me what's new with your family?" or, "Where are you guys headed for the 4th?" I mean, things like that that we know we ought to be asking but it just slips off our plate if we're rushing from one time -- one appointment to the next.

John Diehl: Nothing more harmful, to be asking those questions as you're looking at your watch, right?

Stephen Boswell: Yes, exactly. Or, asking on their way out the door, "Hey, so what's going on for the 4th?" It's like I'm making -- I'm clearly making small talk.

It's interesting -- and just allow me a quick digression here, when we had done our research around getting social with clients and we looked at some advisors who did that really well and others that didn't, there was a real disconnect. A lot of the advisors said, "No, I get social with my clients." And a lot of the clients were saying, "(No), not really."

And the (disconnect) we find is, a lot of times, the small talk that's at the office. And, that counting as, let's check the box. I'm emotionally connected. Where it doesn't really -- the clients don't perceive it that way.

If you're on the way out and somebody's asking, "(Hey), got any plans for the 4th?" It's -- it's basic small talk that's not quite as intentional as it should be and it doesn't showcase that you really do care about the answer.

John Diehl: So, Stephen, we -- in the workbook, we included -- and I know our time on this podcast is drawing to a close. But the next couple of minutes can you explain the Know Your Clients Worksheet that we put in the workbook, and explain how advisors might begin to use that and what the purpose is?

Stephen Boswell: Yes. If you were looking to score how you -- if you were looking to rate, or assess or score how you are emotionally connecting with your clients, you'd often be able to do that with -- by determining how much you know about them. So, if I've gotten to know you well over the years, I would know where do you like to eat dinner, what do you do for fun, what are your kids' names and ages.

And what we find is that if we're systematic about not only having those types of conversations, but documenting what we find, we're able to really get to know these people and profile them over the years. Now the worksheet that we offered, it just -- it provides some fill in the blanks for putting pet's names, and children's names, and hobbies and interests about your good clients.

And you can use it in worksheet-form, and write in, and fill in the blanks or you can take some of these same fields and put them into your CRM. The medium doesn't matter a whole lot, but the process matters greatly. So, if you're really thinking about every conversation with a top client as an opportunity to add something to the Know Your Client Worksheet, over time, boy do you get to know these people better.

John Diehl: And oftentimes, it comes about just by relating it to something in your own personal experience, right? So, for example, if you own a pet, talking to the client -- leading into a conversation about an experience that you had with your own pet, and then being able to say, "I never asked you, do you own a dog, do you own a -- do you have any pets at home?" And people -- whether it shuts down right there, or usually people that are pet people will go on for quite a long time about their pets and how important they are.

Stephen Boswell: Yes. And think about the power of having profiled that stuff over time. So that -- let's fast-forward, let's say you have that conversation, John, with a client.

And you uncover that their dog (Rusty) is a Shih Tzu. It's 9-years-old and they're still working on potty training him -- he has a hard time going outside, right? Something, you know some quirk about that dog.

John Diehl: Right.

Stephen Boswell: Let's fast-forward a year later. You're bringing up in conversation of, "Hey, I've been meaning to ask you, how's (Rusty) been doing?" as opposed to saying something generic like, "Got any plans this weekend?" I mean ...

John Diehl: Right.

Stephen Boswell: ... you're showcasing that you've paid a lot of attention, that you're -- they're important to you.

John Diehl: It's this kind of information that allows an advisor, I think, to personalize that relationship, which is important. Well, Stephen, we've run out of time on today's podcast. But I know -- I'd like to encourage everyone listening to continue to look for our next podcast, where we're going to complete talking about the structure of the hierarchy, the next two levels.

Stephen, thanks for your time today.

Stephen Boswell: Hey, enjoyed it, John, as always. Thanks for listening, everybody.

John Diehl: And thanks again to listening for the human -- to the Human-Centric Investing Podcast. We'll talk to you all soon.

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