



2017

AFFLUENT CONSUMER RESEARCH REPORT

RELATIONSHIP MANAGEMENT/RELATIONSHIP MARKETING NEXUS

The Oechsli Institute
(800) 883-6582
info@oechsli.com
www.oechsli.com

RELATIONSHIP MANAGEMENT/ RELATIONSHIP MARKETING NEXUS™

We've been conducting independent research on the affluent for over 20 years. This ongoing research has enabled us to detect trends, make predictions, and educate financial advisors around the globe.

One of the largest trends in the last decade is the increasing role that word-of-mouth influence plays in affluent investors selecting their financial advisor. The affluent have become increasingly dependent on the opinions and recommendations of people they know, trust, and respect; whereas older marketing techniques have waned in effectiveness. In this study, only 1.2% discovered their advisor by direct mail, 1.2% by a cold-call, and 1.5% by public seminar.

The challenge that advisors face is that word-of-mouth influence is more nuanced than traditional marketing. For instance, hosting an intimate event with a blend of clients and guests takes more finesse and people-skills than making mechanical cold-calls. Our intention for this report is to create the “why” and some of the “how” for building a word-of-mouth marketing strategy. Our research will cover the following two essentials:

- **Relationship Management**

Refers to how the relationship between advisor and client impacts the client's willingness to recommend their advisor.

- **Relationship Marketing**

Refers to the tactics most effective for spreading word of mouth in affluent circles.

It is our contention that financial advisors need to become students of their target market; knowing how they find their advisors, what features they seek, and the type of relationship they desire.

ABOUT THIS STUDY

For the purposes of this study, we wanted to focus on the top 10% of income earners as defined by the U.S. Census Bureau. This research was fielded in January 2017 on 652 investors with HHI of \$175,000 or more. Basic univariate results have been presented directly. Reported statements of significance are based on the results of common statistical methods for the type of survey data and reflect the use of a 5% margin of error as a standard for measuring significance. After analysis of missing values, skewness, kurtosis, and outliers, some participants were excluded from the results.

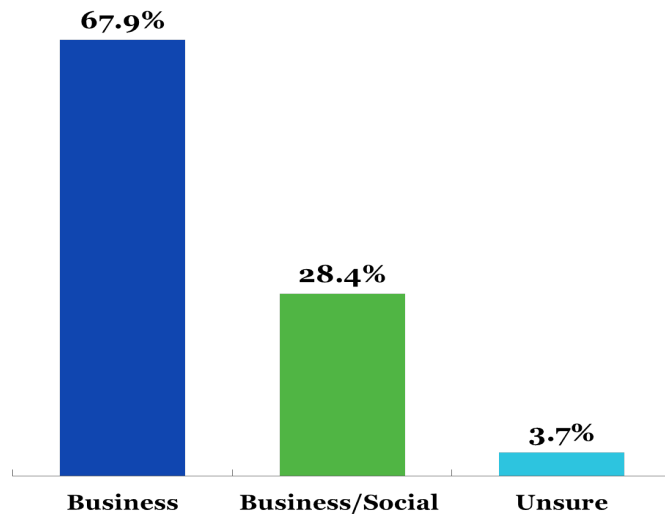
RELATIONSHIP MANAGEMENT

The questions in this section are aimed at uncovering the relationship-depth between affluent clients and their primary advisor. The first question regarding type of relationship (business-only versus business/social) serves as the foundation for the rest of the report, as it's shown to have wide-ranging impact on other aspects of the client and advisor relationship.

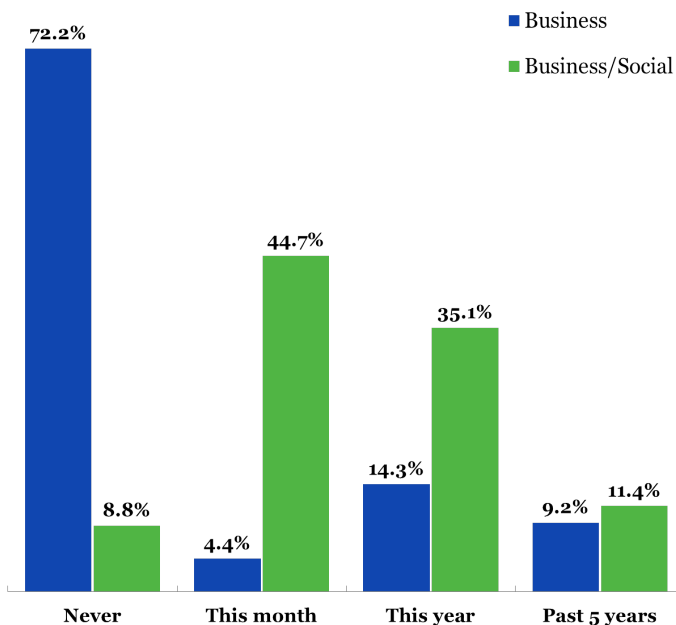
HOW WOULD YOU CLASSIFY YOUR RELATIONSHIP WITH YOUR ADVISOR?

We first uncovered the impact of building social relationships with clients in our research five years ago and the impact remains strong. It's in the best interest of financial advisors to expand affluent client relationships to go beyond business. As you can see, only 28.4% of the affluent perceive that they have a social relationship with their advisor.

It's interesting to note that in our advisor research in June 2016, the numbers are inverted, with two thirds of advisors reporting to have business and social relationships with their clients.



WHEN WAS THE LAST TIME YOUR ADVISOR INVITED YOU TO DO SOMETHING SOCIALLY?



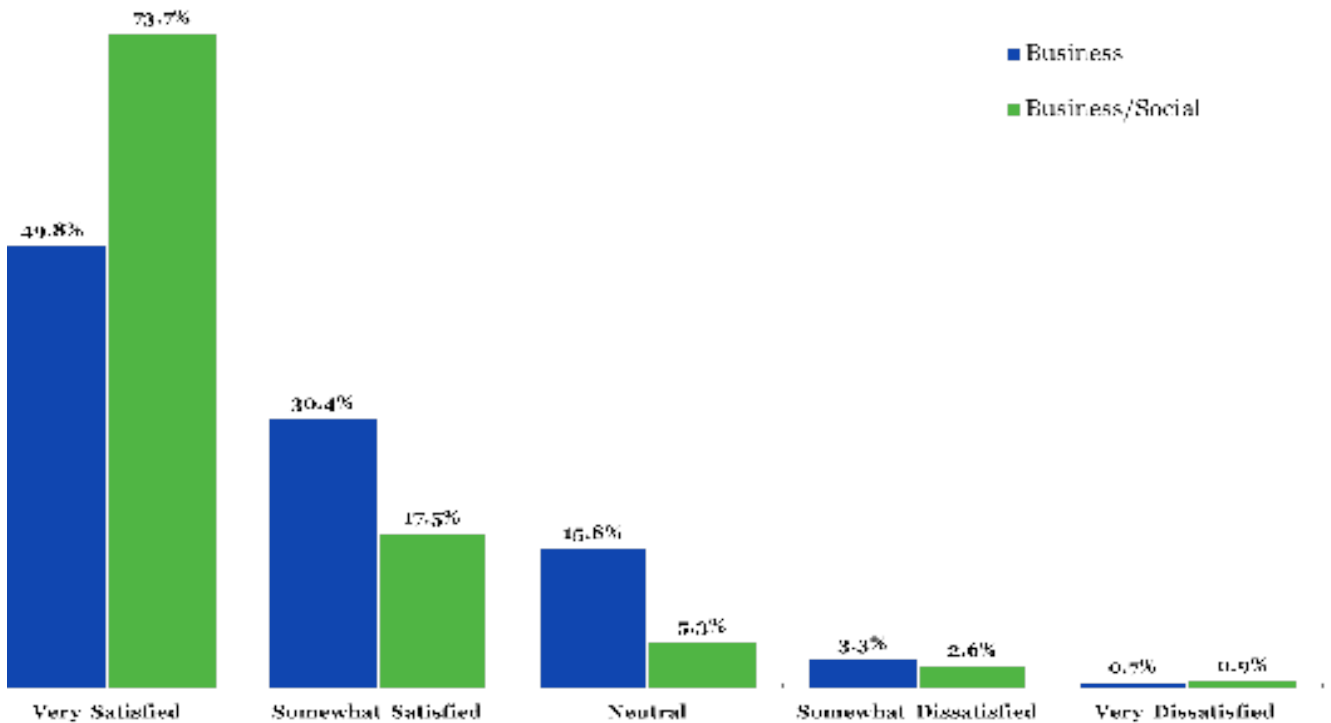
This is a primary indicator into how affluent clients classify their relationship with their primary financial advisor. The majority of those who view the relationship as business-only have had little, if any, social involvement with their advisor.

Each advisor will need to use their judgment in determining the frequency of social interactions necessary for the client to perceive the relationship as “social.”

HOW SATISFIED ARE YOU WITH YOUR ADVISOR?

Few financial advisors would feel comfortable if they discovered that clients rated their relationship as “somewhat satisfied” or “neutral.” Both rankings indicate there’s room for improvement. Yet, in the business-only relationships, 46.2% rank their advisor in one of these categories. Add the 4% who indicate some level of dissatisfaction and a whopping 50.2% of these client relationships show some degree of vulnerability.

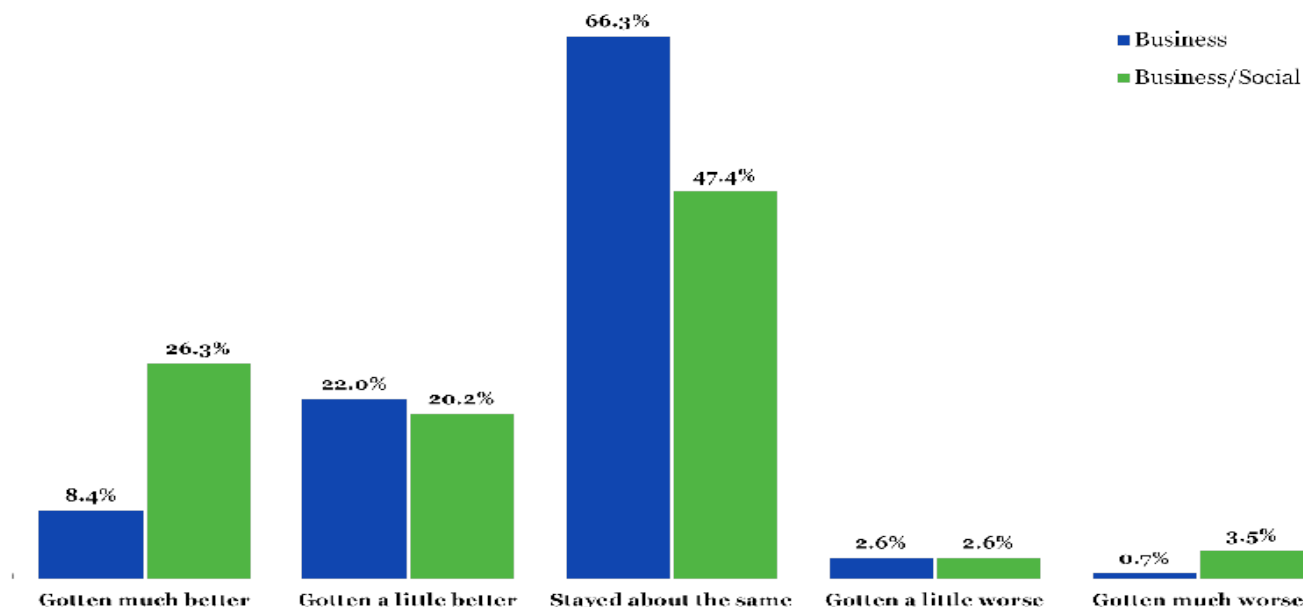
Nearly three-quarters of clients with a business/social relationship told us they were “very satisfied” with their advisor, leaving 26.3% with some degree of vulnerability.



DURING THE COURSE OF OUR RELATIONSHIP, MY ADVISOR'S PERFORMANCE HAS...

Over the past decade, firms have invested tremendous amounts of time and sums of money into helping their financial advisors improve. New tools, practice management workshops, etc. all have the same objective: strengthen the advisor/client relationship. However, very few affluent clients view their financial advisor's overall performance as improving.

Although none of the findings are stellar, there is a dramatic difference between affluent clients with a business-only relationship and those with a business/social relationship. Our focus is on "gotten much better," which is an indicator of serious ongoing improvement.

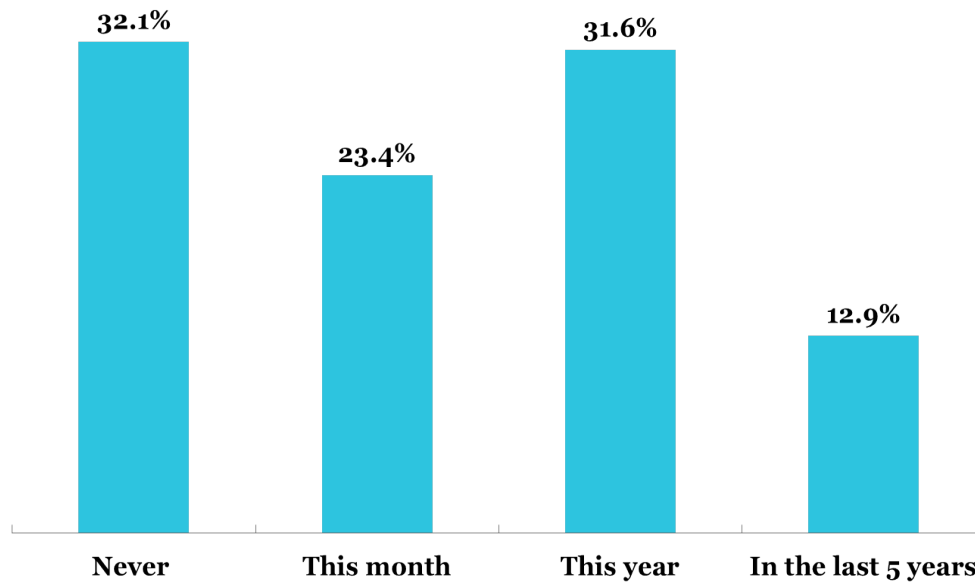


Although "gotten a little better" and "stayed about the same" might appear neutral to slightly positive, we view both with concern.

WHEN WAS THE LAST TIME YOUR ADVISOR ASKED YOU FOR FEEDBACK ON YOUR RELATIONSHIP WITH THEM?

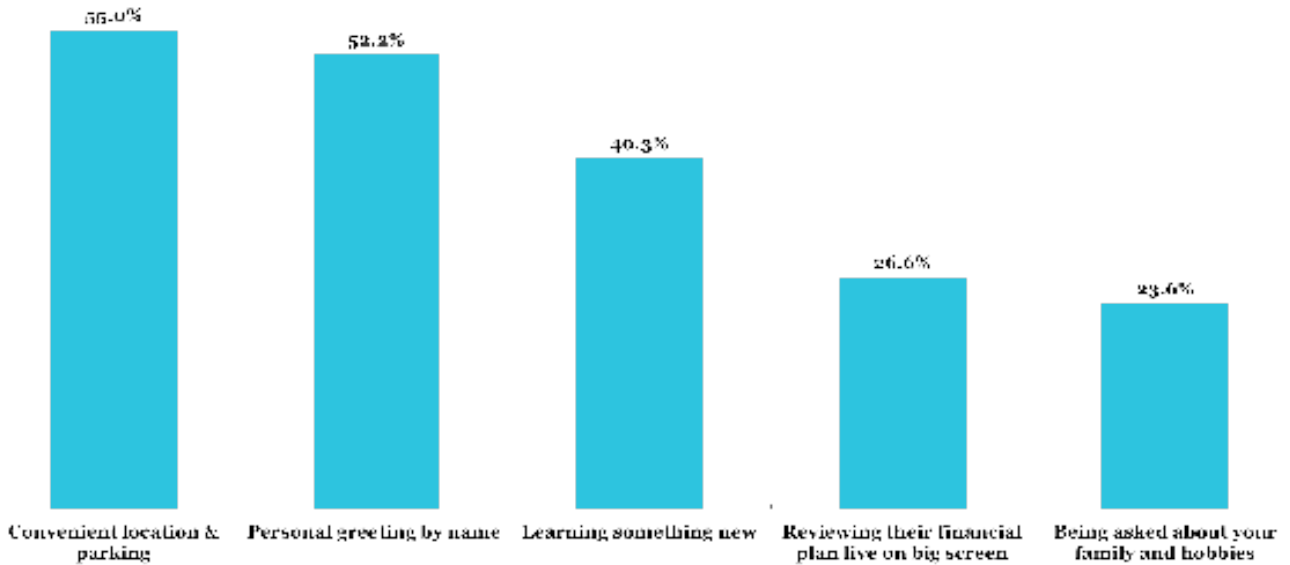
Getting feedback is at the core of managing any relationship. In the world of financial services, too often this is done by the home office in the form of a survey. This is a way to ensure that the firm's clients are receiving a satisfactory experience, but top advisors know they must go further by asking clients for specific and honest feedback during meetings.

32.1% of clients have never been asked for personal feedback on their relationship. 55% of clients have been asked at some point in the past year, which should be the minimum standard.



WHICH OF THE FOLLOWING WOULD YOU LIKE WHEN VISITING YOUR ADVISOR'S OFFICE?

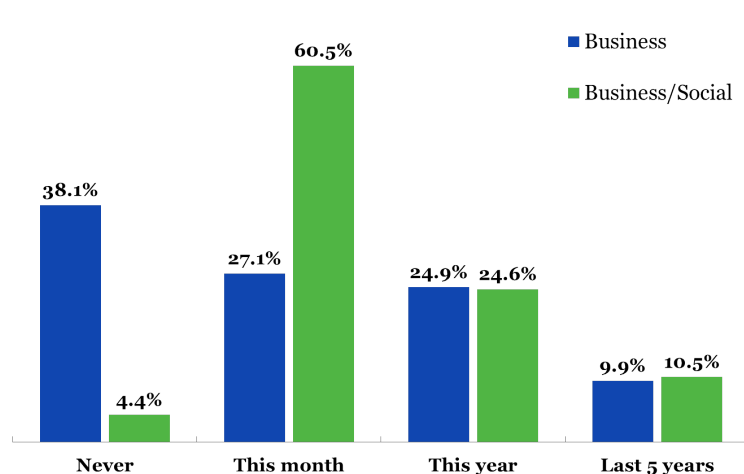
We wanted to know what the affluent appreciate when visiting their advisor's office. The following are the top five.



If an advisor's office location is inconvenient, if the parking is a hassle, then the smaller perks like having drinks, snacks, and phone-charging stations become irrelevant. When dealing with the affluent, convenience is a major factor.

It's also worth noting that making time to ask affluent clients about their family and their hobbies is important. Couple that with personally greeting clients by name, and it becomes apparent that convenience and personalization are essential to clients enjoying their visit to your office.

WHEN WAS THE LAST TIME YOUR ADVISOR DID SOMETHING NICE FOR YOU? (EX. THOUGHTFUL GIFT, CHECK-IN WHEN SICK, ETC.)



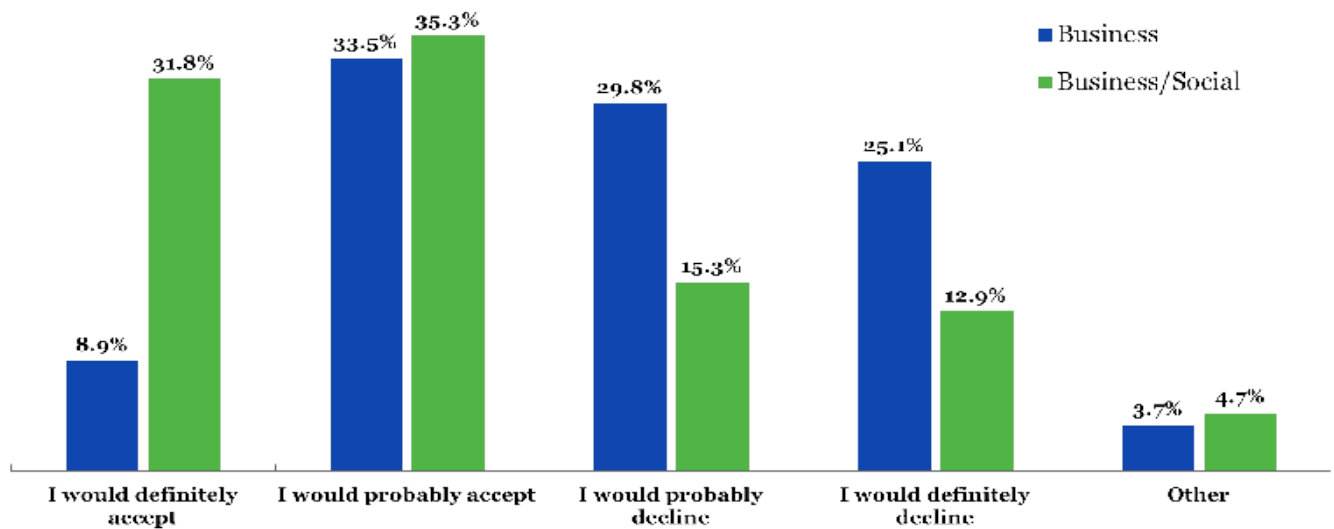
This area is an indicator that the affluent have a personal relationship with their advisor. Once again, the difference between clients with a business-only vs. business/social relationship is significant.

The frequency of these nice touches is important. They don't necessarily have to be monthly, but more than once a year.

HOW WOULD YOU REACT IF YOUR ADVISOR REQUESTED TO BE FRIENDS ON FACEBOOK?

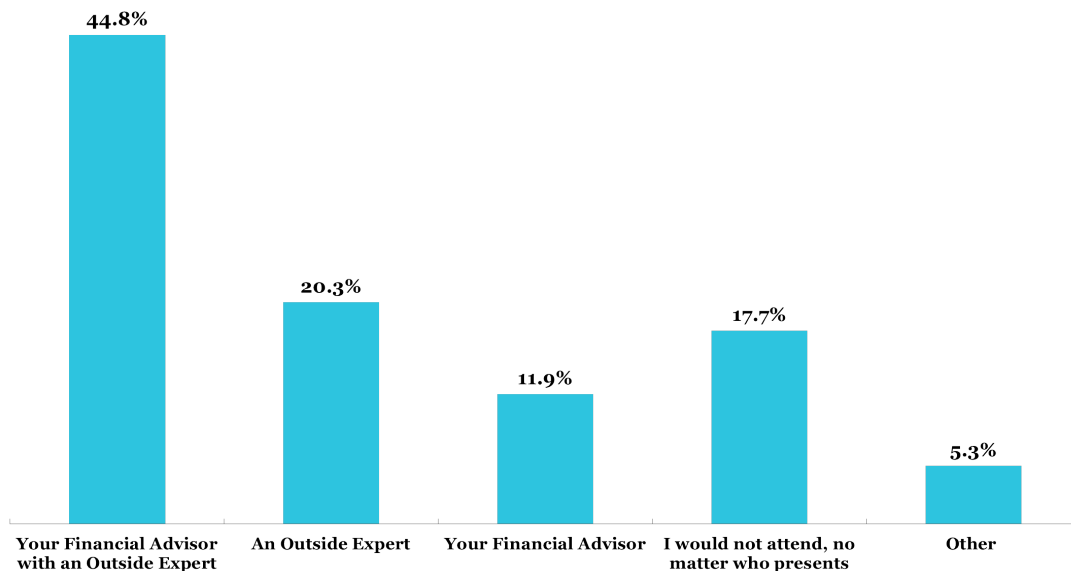
Financial advisors who have social relationships with their affluent clients have a distinct advantage in broadening that relationship through social-networking sites. Becoming friends on Facebook shows a level of intimacy and provides further opportunities for strengthening the overall relationship.

It’s also worth noting that with a business-only relationship, twice the number of affluent investors state they will *definitely decline*, compared to those with a business/social relationship (25.1% vs. 12.9%).

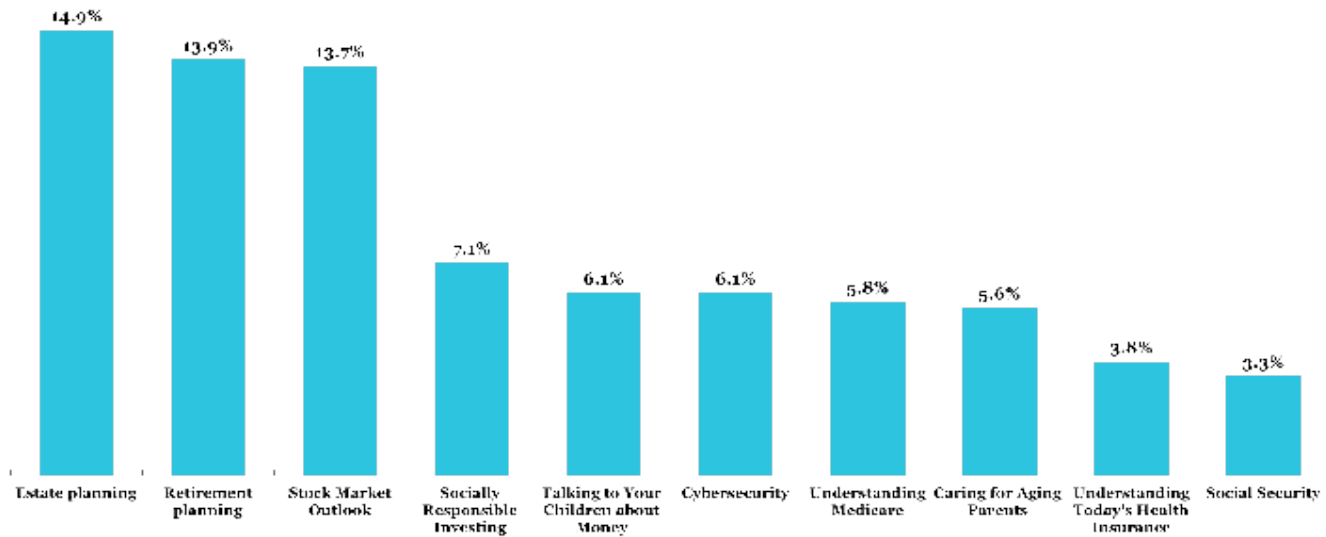


IF YOUR ADVISOR PUT TOGETHER AN EDUCATIONAL EVENT, WHO WOULD YOU PREFER THE PRESENTER TO BE?

This is not a public seminar, but rather an educational event for clients. What affluent clients are telling financial advisors is extremely important—they don’t expect them to be an expert in everything. They want their advisor to bring the expert, and then participate in the event.



Also, only 17.7% will not attend an educational event. That said, it is important to be aware of the educational-event topics today's affluent clients are most likely to attend. As you review the list of topics below, keep in mind that these responses are from today's affluent. They have different interests than lower-income clients.



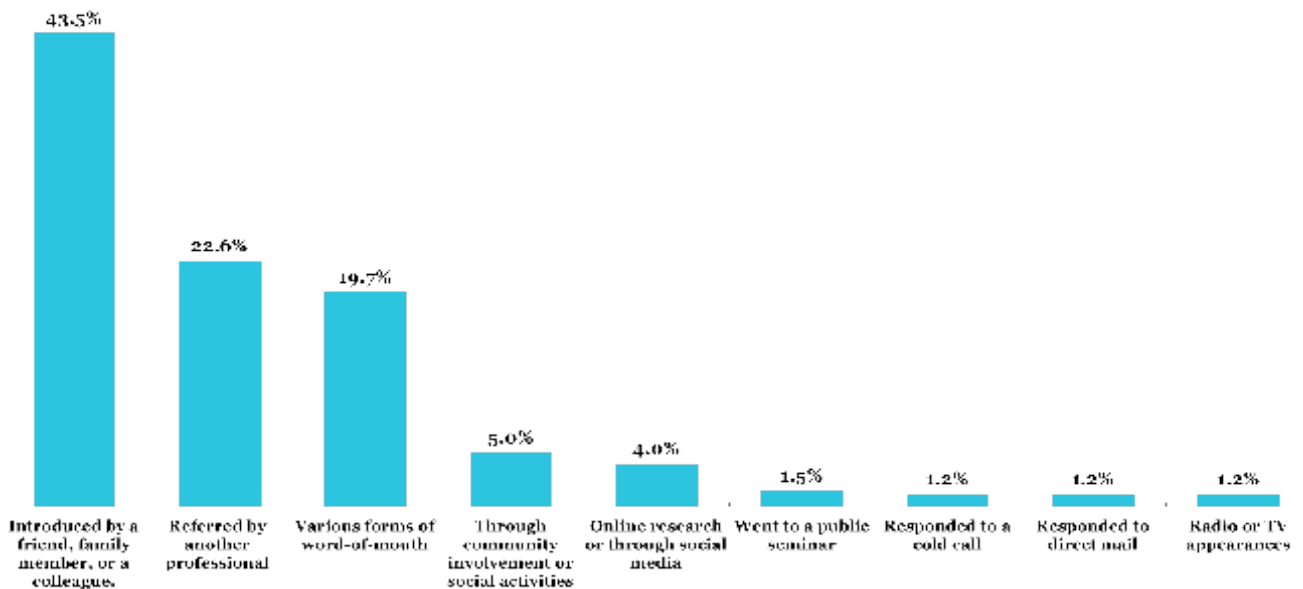
RELATIONSHIP MARKETING

The interconnectivity between how financial advisors manage affluent client relationships and their ability to acquire new affluent clients is transparent. As you read through this section on relationship marketing, you will recognize the direct connection between the supporting data and the findings we shared in the Relationship Management section.

HOW DID YOU INITIALLY DISCOVER YOUR ADVISOR?

What started as a trend has become a serious affluent marketing reality; *word-of-mouth influence is the primary factor* impacting the selection of a financial advisor.

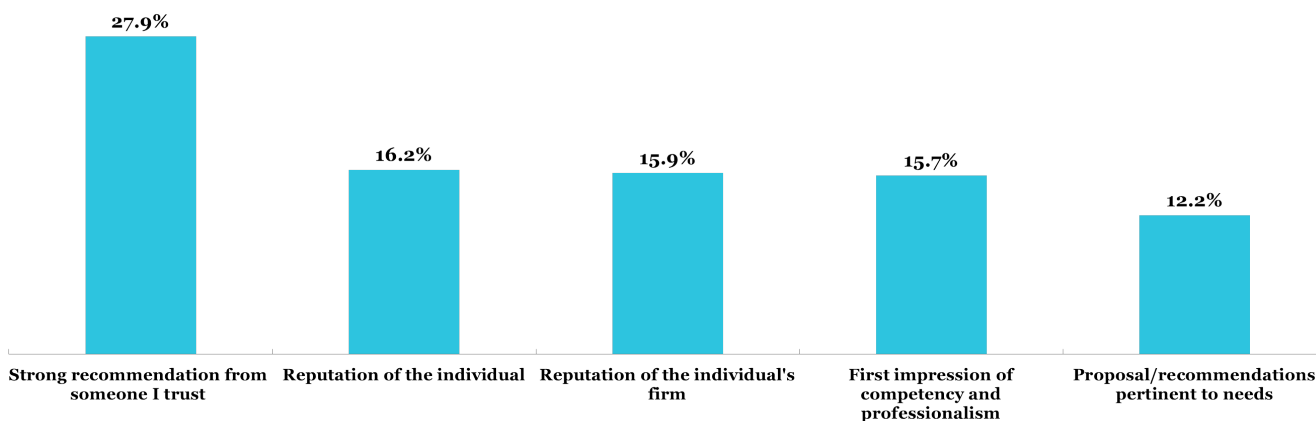
When you combine the top four discovery sources, you have 90.8% of today's affluent initially discovering their financial advisor through some form of word-of-mouth. Marketing tactics that might work with lower income prospects are ineffective with today's affluent. The graph below speaks volumes about the importance of relationships.



WHAT WAS THE MOST IMPORTANT FACTOR IN CHOOSING YOUR ADVISOR?

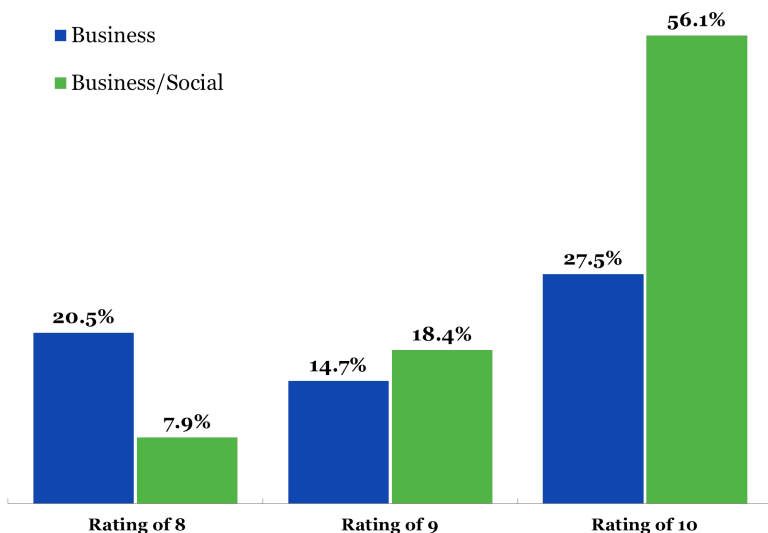
The factors below have the strongest impact on an affluent prospect’s final decision in selecting an advisor.

Word-of-mouth influence and reputation are critical factors in an affluent prospect’s decision to work with you. The power of word-of-mouth influence is on clear display; 90.8% initially discovered their financial advisor in this manner, and it was a key factor for *nearly two-thirds* in choosing to work with their financial advisor.



ON A SCALE OF 1-10, HOW LIKELY ARE YOU TO RECOMMEND YOUR ADVISOR TO SOMEONE?

With a broad ranking of 1 to 10, we were provided with a clear overview of the affluent’s willingness to recommend their financial advisor. From a ratings standpoint, we interpreted an 8 or 9 as a *probably* and a 10 as a *definitely*. We consider those that gave a rating of 10 as advocates.

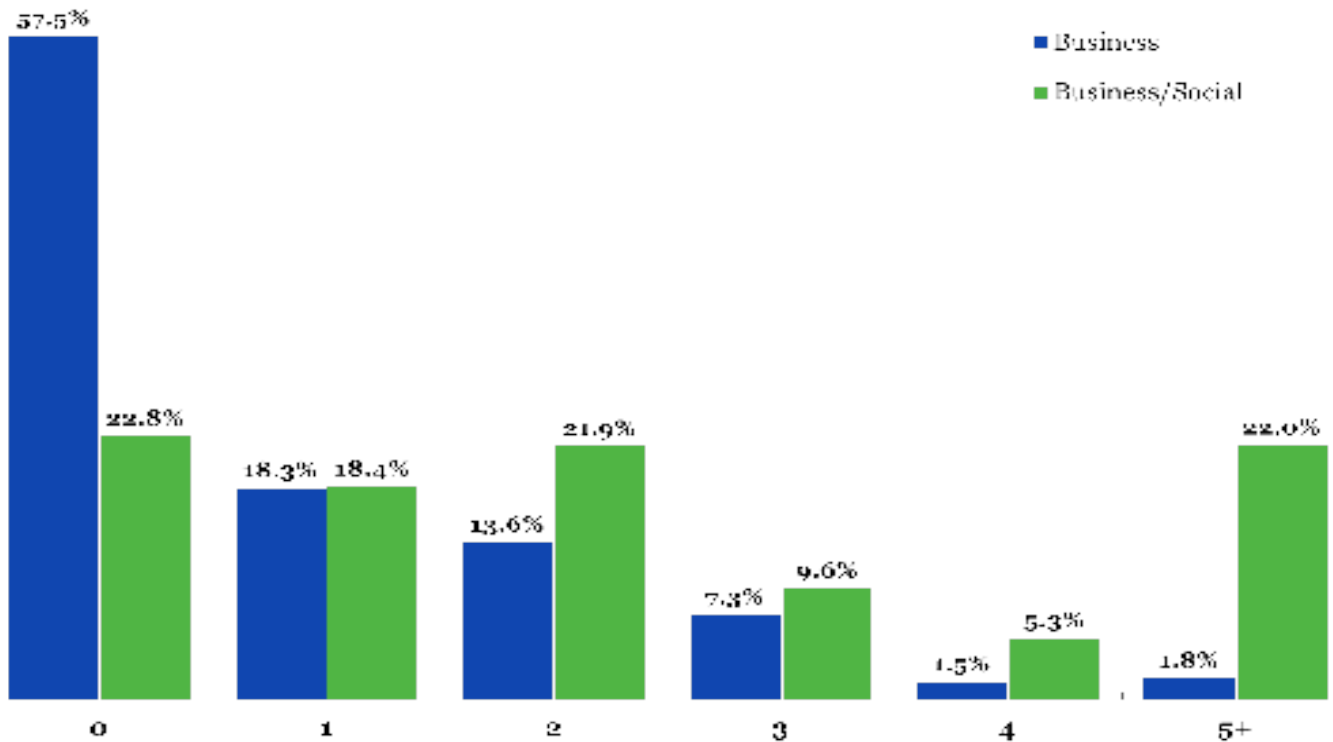


The majority of affluent clients would probably recommend their advisor to someone. However, the differences between business-only and business/social are significant, especially regarding the advocate ratings.

The significant difference between those with a business/social relationship and those with a business-only relationship is a critical finding (56.1% vs. 27.5). Advocates stimulate more word-of-mouth influence than any other entity.

HOW MANY REFERRALS OR INTRODUCTIONS HAVE YOU GIVEN YOUR ADVISOR IN THE PAST 12 MONTHS?

When viewed alongside what we discovered in the *likely to recommend* responses, these findings indicate that financial advisors are not fully capitalizing on their affluent clients' willingness to recommend them. While there remains a statistically significant gap between business-only and business/social relationships, these numbers pale when compared to *likely to recommend*.



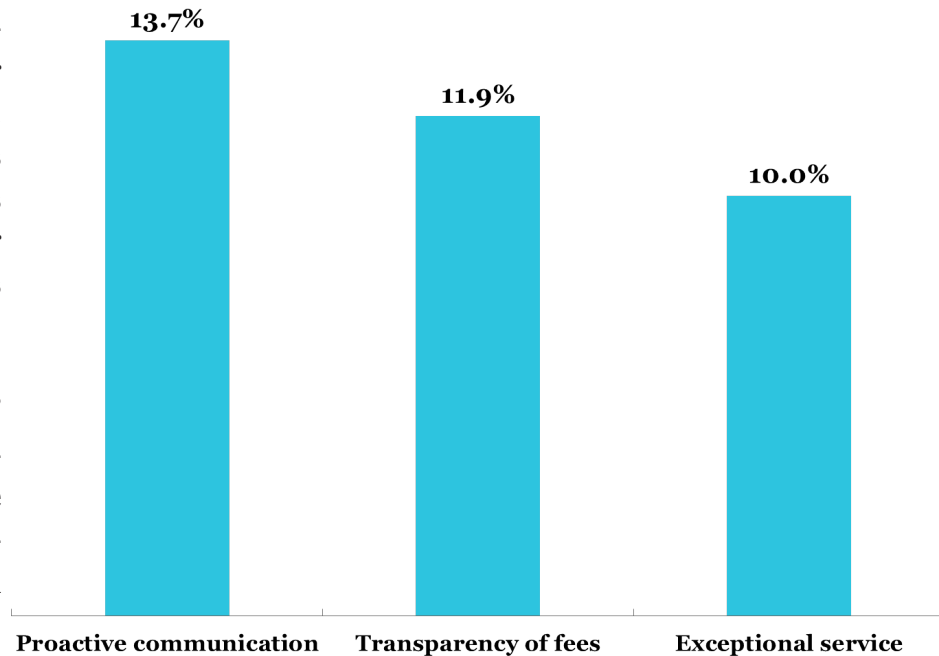
There is obviously a direct correlation between the *likely to recommend* responses and the actual number of referrals or introductions received. For instance, 62.7% with a business-only relationship responded *likely to recommend* but only 42.5% actually did. This issue is less pronounced in business/social relationships, with 82.4% *likely to recommend* and 77.2% actually doing so.

There are many reasons for these findings, but the most basic—the one that consistently surfaces—is the importance for advisors to do everything possible to stimulate word-of-mouth influence.

WHAT IS THE #1 THING YOUR ADVISOR COULD IMPROVE TO INCREASE YOUR WILLINGNESS TO RECOMMEND THEM?

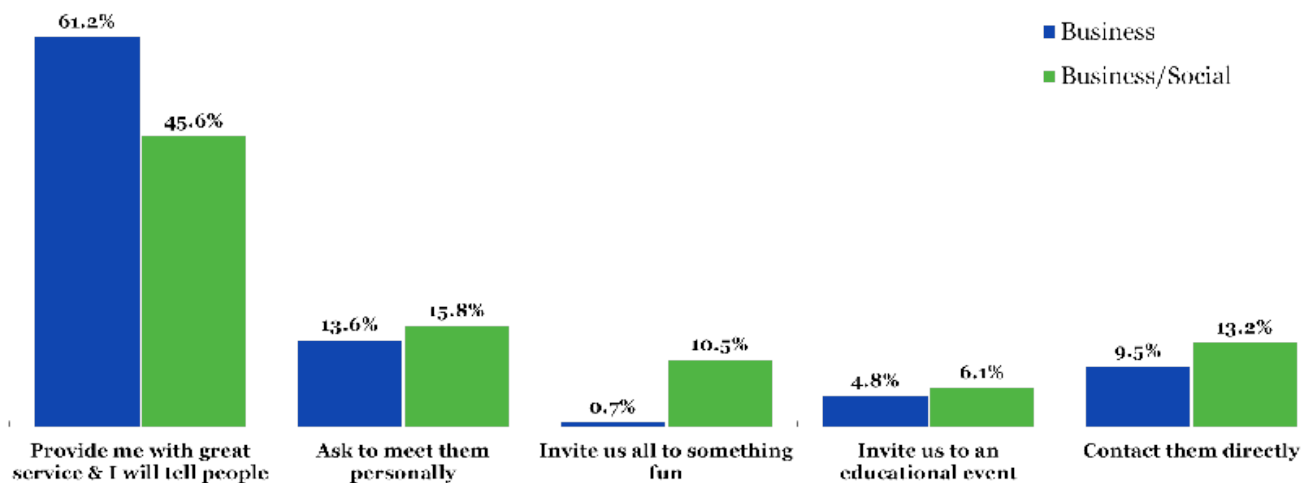
Herein lies the key to increasing positive word-of-mouth influence in your clients' affluent circles. What is interesting is the simplicity of what is required to increase your affluent clients' willingness to recommend you.

“Proactive communication” continues to be of high-importance with the affluent and it goes hand-in-hand with “exceptional service.”



WHAT WOULD BE THE BEST WAY FOR YOUR ADVISOR TO DO BUSINESS WITH YOUR FRIENDS OR FAMILY?

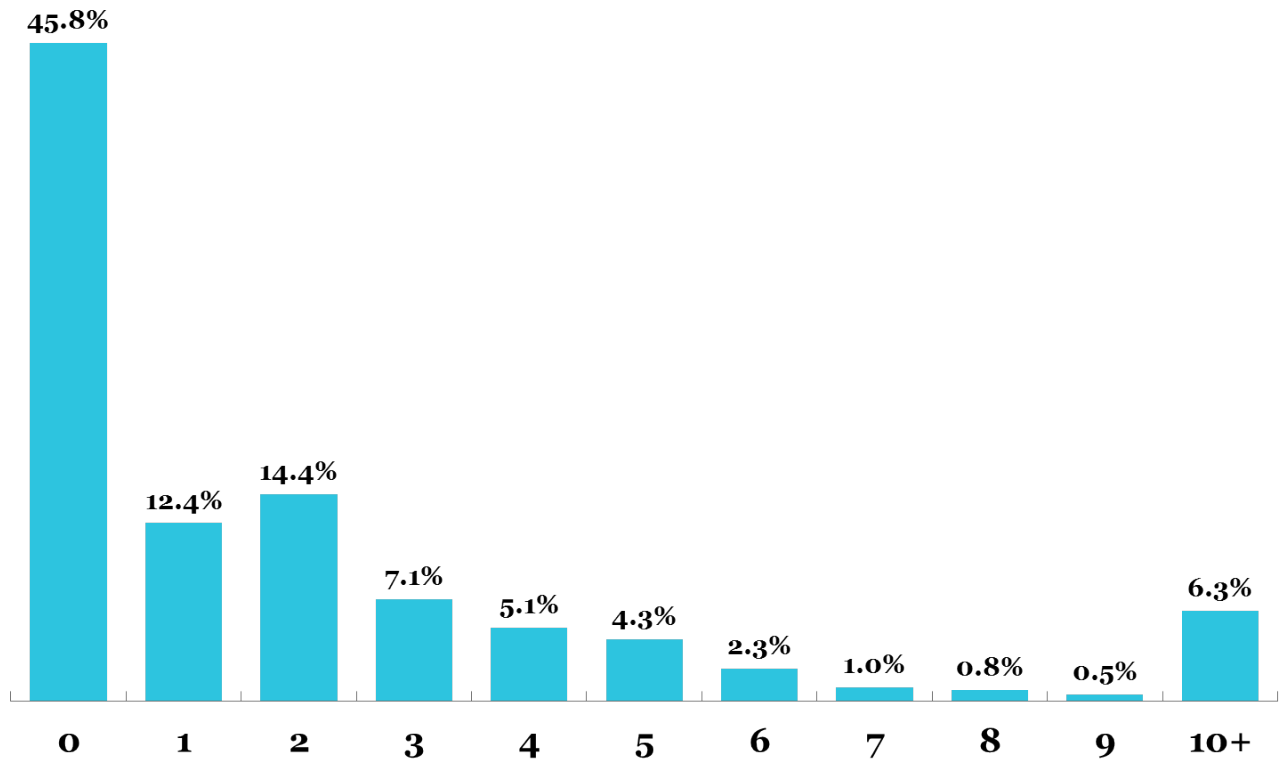
In this question, the affluent provide insight into the most effective method of penetrating their spheres-of-influence. When a financial advisor does an excellent job, affluent clients spread the word, will personally introduce their advisor, and—if they have a social relationship—attend a fun event, and bring their family member or friend.



At first glance it appears contradictory that clients' with business/social relationships are less likely to tell family and friends about the service they're receiving. However, because they have a social relationship, they are more likely to accept a personal invitation to a fun or educational event, provide a personal introduction, and give their advisor permission to make direct contact.

HOW MANY ADVISORS HAVE APPROACHED YOU ABOUT DOING BUSINESS WITH THEM IN THE LAST YEAR?

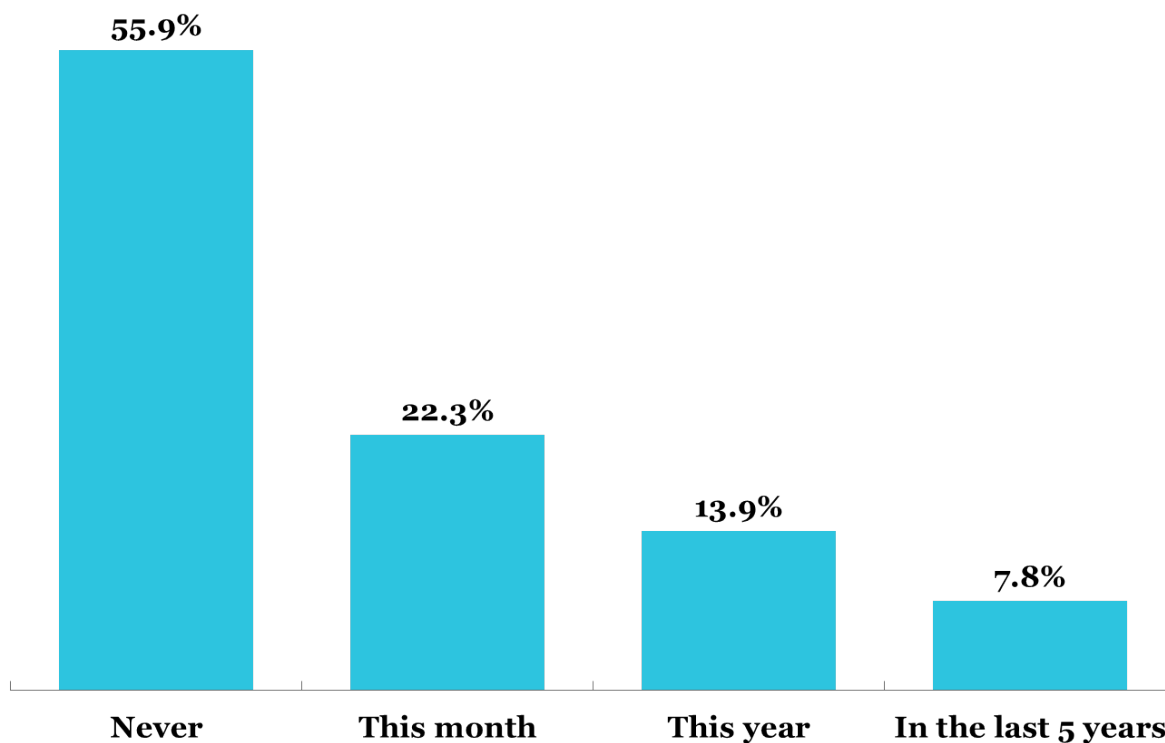
Even if an affluent person knows several advisors through various community and social circles, it doesn't mean they're getting asked for their business very often. With 45.8% of our affluent respondents indicating they've not been approached and 26.8% were approached one or two times, it appears that financial advisors are missing a serious prospecting opportunity.



WHEN WAS THE LAST TIME YOU'VE READ AN ARTICLE OR BLOG WRITTEN BY YOUR ADVISOR?

The responses from this question can be interpreted in three ways; affluent clients aren't interested in reading articles and blogs written by their advisor, firms are not allowing advisors to blog, or it's an opportunity for advisors who can blog to digitally position themselves as thought-leaders amongst their affluent clients and their social media connections.

Our ongoing research on social-media usage, by affluent consumers and financial advisors, tell us the responses to this question present an opportunity. The affluent are actively engaged with social media—yet 55.9% of our affluent respondents have never read an article or blog written by their financial advisor.



We also look at the fact that nearly a quarter of affluent respondents have read an article or blog written by their advisor this month (22.3%) as another sign of an opportunity for financial advisors who have yet to post original content. This is a way to stimulate word-of-mouth influence digitally.

CONCLUSION

The power of word-of-mouth influence cannot be overstated in the world of today's affluent. They are more educated, have more money, and are more sophisticated consumers. They do not trust advertising, which is why the traditional marketing techniques used by advisors are no longer effective. They base most of their important decisions on the recommendations and opinions of people they know and respect.

There is a tendency for financial advisors to assume that doing a good job is all they can do spread word-of-mouth. However, advisors can accelerate word-of-mouth influence significantly by developing social relationships with clients. As the data in this report outlines, word-of-mouth influence can be stimulated in numerous ways. This means that financial advisors can impact both the narrative and frequency of the word-of-mouth being spread on their behalf.

INTERESTED IN OUR PERFORMANCE COACHING?

Request a free consultation today and see if our performance coaching program is right for you.

www.oechsli.com/coaching/free-consultation

Our commitment is to provide the most up-to-date and comprehensive coaching that models the best practices of elite financial advisors and agents, as well as how to acquire and develop loyal affluent clients. Our sweet spot is helping financial advisors and insurance agents attract, service, and cultivate loyal affluent clients.