AN OVERVIEW OF
Classifying Clients

Many financial advisors already realize the importance of using some sort of client classification model. After all, if 80% of your revenues derive from 20% of your clientele, it makes sense to figure out exactly who these clients are. That way, you can make a commitment to spend 80% of your time and energy on this elite group.

Look Beyond the ABCD Model

Many advisors simply classify their clients according to their assets, and assets are a logical starting point for any classification system. By moving to a more detailed classification system, however, advisors can offer better service to their top clients, attract more qualified introductions and increase their income.

The most basic client classification systems identify clients using a single letter – clients are A, B, C, or D level clients. We recommend that advisors use a two or three-digit coding legend which allows you to distinguish clients with assets, a good attitude and the tendency to refer your services from those who simply have assets.

In this model, AAA clients are your best clients. AAA clients meet your asset criteria (Assets), are typically the people you most enjoy working with (Attitude) and frequently recommend your services (Advocacy).

An "AA" client is someone who is almost, but not quite, at an AAA level. These clients have sufficient assets to be an A level client. They also seem pleased with your service and have a good attitude. However, for whatever reason AA clients are not sending introductions your way. Your goal with an AA client is to get them up to the AAA level by offering superb client service. You also need to show them how to introduce others into your 'exclusive club.' This can take time and patience, but the results are well worth it.

An "A" designation denotes someone that you know has A-level assets, but who is simply a 'customer,' not yet a true client. Chances are you only manage part of this client's portfolio. You need to demonstrate to A clients that you are a superior advisor who can manage their entire portfolio.

The nice thing is that these people are typically your best prospects because they are already partially convinced. You don't have to start from scratch.

The remaining classes of clients don't have immediate potential.

The Process of Classifying Your Clients

To start, determine which clients create 80% of your income. Logically, these clients should receive 80% of your time. These are also the people you want introductions from. One way to proceed is to take your top ten clients and determine what percentage of your income they are responsible for. Then take the next ten and repeat the process. You may be surprised how few of your clients are actually responsible for 80% of your livelihood. Perform a thorough demographic analysis of this group of clients. What do they have in common? How can you target your marketing and branding to appeal to this group of clients?

What changes do you need to make? What kind of service should you be providing? Perhaps you could ask them. You may also want to try having a Client Advisory Council (board of directors) meeting to get the answers that way.

When it makes sense you may want to allow certain exceptions to your classification rules. For example, identify those clients (regardless of their assets under administration) who regularly give you introductions. These people have the potential of being AAA clients and have 'earned the right' of your attention by their loyalty. You may also want to consider making exceptions for certain family members of your top clients. This group may make up 5% to 10% of your income, but they deserve your attention because they are related to your big revenue producers.

When you have determined the clients that account for 80% of your income, look at the remainder of your clients and ask yourself: "Out of this group, who do I want, or need, to keep as a client?" This is where a leap of faith is required for many advisors. It is common to feel attached to the "number" of clients as opposed to the quality.

Try and let go of the quantity concept and think of a process to transfer management of the assets of this latter group to a different advisor.

Develop an Ideal Client Profile

Through the process of classifying your current clients, you will create an ideal client profile which will allow you to identify the type of clients that you wish to work with. If you go through this relatively simple process, you will discover that you have far fewer clients to focus on and that your income will actually increase.

Breaking Things Down Further

Once you have established and documented a classification system, you should further organize your clients according to their demographic profiles so that you can zero in on your clients' needs: determine who they are and what is important to them.

Most advisors typically have 2-3 affinity markets in their top client group (their top 20%). Properly designed filters can really sift through your clientele and help you to establish commonalties.

For instance, you may want to do a demographic 'sort' of your top clients who are retirees who were also a particular kind of professional during their working years (doctors, for instance). In that scenario, we could sort using three filters: Client Class, Age, and Occupation. You could also sort for clients who are Business Owners / Entrepreneurs. Filtering will help you to identify the key demographics in your clientele.

Generate Quality Introductions

Once you have determined exactly who you are working with, you can develop appropriate client-service schedules to reach these clients. Once your clients realize you are not trying to be all things to all people and that they are getting the type of service they crave, they will tell others about their experiences. They will respond to your high-quality service by recommending your services to their friends, family and colleagues. You will have effectively "jump-started" your financial planning practice by concentrating on your "quality" clients.