

# Making third party cooperative relationships work

In the last of his current series of articles on how to build business in today's high net worth market, PETER BELSEY, sector head at Huthwaite International, discusses how financial advisers can get the most out of working with third parties in looking after HNW clients.

**In selling to the high net worth market the notion of introducers is well established and accounts for a large proportion of total business generated. Further, as highlighted in the previous article, it is a perhaps surprising irony that the concept of working with third party intermediaries in building HNW business is far more developed than that of introducing - and being introduced by - colleagues in one's own business. Yet what is common to both, to a greater or lesser degree, is the ability to recognise when to make best use of such relationships and the skills required to select and nurture the right partnerships.**

The fact that third party intermediaries play such a critical role however should come as no surprise, bearing in mind that the nature of the purchase is essentially one based on trust. Increasingly, individual wealth managers will be unable to deal with the breadth of issue raised on their own and a HNW individual with complex needs is much more likely to talk about highly personal issues to an adviser who comes by way of recommendation than to a complete stranger.

## DEFINITION

**However, though this article will focus on professional intermediaries, it should be recognised that the term "introducer" is capable of broad definition. In the case of private banks for example, these will not only include accountants, lawyers and IFAs but satisfied clients will also form an important source of recommendation and referral.**

**WELL-WORN PATH. So where does the concept of introducer work well?** Historically, a private banker is likely to have strong relationships with, say, a tax accountant and a trust lawyer and such relationships will involve mutual

introductions. Each knows and trusts the other's level of expertise (to be at least of equal quality to their own with the client) and it may be that the relationship runs smoothly with no money changing hands in the relationship.

Unlike parallel relationships in the world of corporate finance, where reciprocity registers are often kept to ensure that a balance of referrals is maintained, such private banking relationships are maintained on a basis of trust, though it is not uncommon for finder's fees and commissions to be paid.

*"...as in all commercial relationships, for each one that is successful there are many which never really get started."*

In essence there are two types of relationship in introducing HNW business. Where the investment product or service is more commoditised, it is likely that the relationship will be transactional and depend on the level of commission paid. If the provider is recognised as "best of breed" then their competitive position will be strengthened. However, if competitors have an essentially similar offering, the relationship with the intermediary will be less loyal and more arm's length, as the ability to substitute is much easier.

Having said that, such relationships can work very well over an extended period. Other relationships however operate at a



Huthwaite's Peter Belsey - the reality is that you have to convince the introducer of the value of the relationship first, for without this you will not gain access to the end client.

**A SHARED VISION.** So how do you identify the right kind of potential partner and avoid wasting valuable time chasing leads that go nowhere? There are three fundamental principles of partnering: *vision, impact and intimacy.*

***" With proactive targeting, it is essential to be realistic about where you might hope to establish an introducer relationship."***

more strategic level, where providers are seen to add real value. Such benefit will not always be apparent to the individual HNW client, but rather in the way the provider works strategically with the intermediary.

**FIT**

The providers who succeed here are those who really understand how they fit within the intermediary's operation, designing and branding products and services which precisely fit their client offering. The result of interweaving both businesses strategically in this way is that the relationship becomes "embedded". The relationship is more likely to survive and thrive long term as the benefit to both parties is obvious and significant.

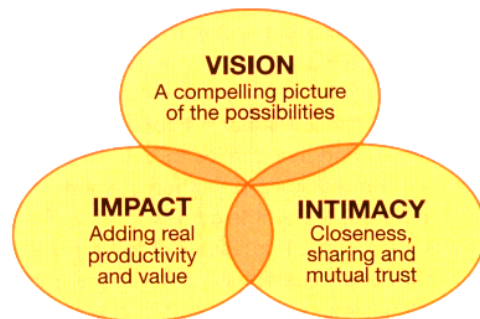
Yet as in all commercial relationships, for each one that is successful there are many which never really get started. One problem, for example, which all private bankers face when looking to identify and recruit intermediaries is that when initial contact is made, it is unlikely there is a client who needs their services at that precise moment.

***" Unless there is something attractive and worthwhile for the other to aim at, there is little point in taking early discussions any further."***

It is all too easy of course for the intermediary in such a situation to say, "I'll bear you in mind." Six months later the provider is still being "borne in mind", and even perhaps regularly providing written quotations, when the reality is that there was never any real prospect of business being introduced.

For a genuine partnership to flourish at the outset there must be a common *vision*, or what has been described as "a compelling picture of the possibilities". **Please see Figure 1.** However, in exploring how the relationship might be good for the intermediary and the bank, the benefits do not have to accrue to both parties immediately, as referrals by either or both parties could happen some time in the future.

**Critical success factors for partnering**



**FIGURE 2**

What is important to make this happen is that both parties are open and honest as to the likely business potential. Unless there is something attractive and worthwhile for the other to aim at, there is little point in taking the early discussions any further.

Yet vision by itself is not enough. More immediately, there needs to be *impact*, showing the relationship can add real productivity and value. Both parties will need to commit time and effort in making the relationship work and there will need to be some sort of short term payoff in order to make this investment seem worthwhile.

One way to do this quickly is to identify a small number of clients who can act as a pilot for working together. In order to get this far however, there needs to be a sufficient degree of trust at the outset in revealing details of one's client base, in order to shortlist those which both parties can work on together and pass on to the other.

In the early days of such a relationship it is likely that the first client meeting will involve both introducer and provider, in order to ensure that the existing relationship is not put at risk in any way. Only when the introducer relationship is established and well-oiled is it likely that sufficient trust will have been generated - between, say, a private bank and a tax consultant - for the provider to attend a first client meeting unaccompanied.

**" One common failing is to focus too much on the introducers' clients rather than on the introducers themselves... "**

Finally, there needs to be *intimacy*, which has been described as "closeness, sharing and mutual trust". The provider in each case must recognise that the introducer is putting at risk an established and valued relationship by introducing them to their customer.

In a successful relationship, all three boxes can be confidently ticked. By contrast, where discussion falls down, the chances are that one or more of these criteria will not have been met.

This is rarely at the vision level, for typically both parties will see a degree of potential overlap. If the parties do not know each other, the issue may well prove a tough issue to address. Similarly, if it proves difficult to identify immediate or short term impact, it will likewise present a major obstacle to getting the relationship off the ground.

**IDENTIFICATION.** Time is a precious commodity and so when qualifying potential introducers in or out, the key is to be absolutely ruthless - and this applies to both those whom you are proactively targeting and others whom you may accidentally (on purpose) stumble across.

With proactive targeting, it is essential to be realistic about where you might hope to establish an introducer relationship. Under normal circumstances, for example, it is unlikely that a small private bank would be successful in seeking such a link with, say, the top tax partner of a Big Four accountancy firm. Time should not be wasted therefore on pursuing such a relationship without good reason for believing the contact in question is likely to be receptive to such overtures.

**OPPORTUNISTIC**

Similarly with an opportunistic approach, whether planned or otherwise, you should have a clear idea of the kind of person who might be a suitable introducer. This will enable you both to target the right social events and to engineer or spot opportunities for introductions to prospective intermediaries.

Such networking is an important means of stimulating initial contacts, yet many do not make the most of such occasions, either by failing to qualify in, or being too lax in, the outcomes they look for from the event. It is essential therefore to have established criteria for qualifying someone in: they must be attractive to you and there must be a realistic chance of you being attractive to them.

**ADVANCES.** It is also important to determine and plan the kind of outcome you might seek from the first social encounter and an initial, more formal, sales meeting.

**COMMITMENT**

Research has shown that less than 10% of meetings are unequivocally successful (an order is placed) or unsuccessful (no prospect of a sale). **Please see Figure 2.** Most outcomes can either be categorised as *continuations*, typified by "I'll bear you in mind", or by an *advance* - something which demonstrates to you as a seller that the buyer is willing to make some form of active commitment and thus shows they are moving towards doing some business with you.

At a social occasion this may take the form of an agreement to meet in a more formal office setting to discuss a potential relationship and potential clients. In a sales meeting the intermediary may identify one or two clients as suitable for possible introduction.

The need to be bold and clinical in setting and adhering to strict qualifying criteria cannot be over-emphasised, in order to make the most of the restricted time available for this critical task.

**DEVELOPMENT.** At the start of any relationship there are three traps to avoid in establishing the foundations for long term success. One common failing is to focus too much on the introducers' clients rather than on the introducers themselves, with the result that you fail to create impact by selling sufficiently strongly what is in it for them.

A simple test of this is to look at a provider's marketing collateral. This will often focus almost exclusively on the end user, with introducer benefits confined to a table of commission rates and structures.

**Meeting outcomes**



**FIGURE 2**

**Does this matter?** Yes it does, because in order to complete the "sale" here, you have to consider two sets of needs: those of the end client and the introducer. And the reality of course is that you have to convince the introducer of the value of the relationship first, for without this you will not gain access to the end client.

Secondly, an appropriate questioning technique is required in exploring the needs of the introducer in order for you to develop a strong sales case. Where one is looking to replace an existing provider for example, it is important to avoid questions which build value for the incumbent, such as, "why do you use your current provider so much?"

Alternative questions such as "what are you not getting from your present supplier that you would like?" are much more likely to uncover implied needs, which can then be converted into explicit needs (see *earlier* articles) which will help you demonstrate the superior strength and appropriateness of your offering.

In order to achieve this, you must understand where the introducer is in their buying cycle. If you have a tried and tested product and an essentially transactional purchase, the sales process may be easier, but it is critical to build value by differentiating oneself through an aspect of service rather than simply offering a higher rate of commission.

If what you are offering is a new concept however, it is likely that the introducer will be much nearer the start of the cycle in their thinking, and you may need to explore their real business-level problems which your new solution might help address.

Creating a mutual vision and delivering short term impact are important, but the most difficult aspect of establishing a strong relationship is undoubtedly that of building trust. The key here is to see your offering from the perspective of the introducer. By undertaking, in effect, a risk assessment you will be able to recognise where the potential downsides are for the other party in working with you. And, by predicting these from the outset, you will be better placed to pre-handle them rather than having to respond defensively to an introducer's expressed concerns.

Where you are unknown to the introducer, this may, for example, take the form of credibility statements based on relationships with other reputable introducers. Similarly, if your proposition is relatively new and innovative, the best way forward is likely to be via a series of small steps, providing the

introducer with opportunities to learn more about your offering, see how it works in practice and so feel more comfortable.

**NURTURING.** As the relationship develops, it is important not to lose sight of the end objective in determining an appropriate advance at each stage. It may be you simply wish to increase the level of existing business, by seeking to persuade the intermediary to commit to introducing you to more clients over a given period.

## **BROADENING**

You may however wish to sell other services within your business. Here, next steps may include broadening the introducer's perspective on how you might help, which may involve introducing them to one or more of your colleagues. Similarly, you may desire access to other parts of the introducer's business and so seek a referral to others within their organisation.

In both cases a social event to which the relevant parties are invited can be a suitable way to start the process of expanding the network of contacts in order to broaden - and cement - the relationship between a provider and introducer.

**MEETING NEEDS.** In summary, the HNW market has become increasingly complex, both in terms of individual clients' financial affairs and the investment options available. Yet whether the wealth manager acts alone or works together with other colleagues or third party intermediaries, one thing remains constant - specialist skills will be required to establish real needs as the essential foundation for providing an appropriate and complete solution.

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