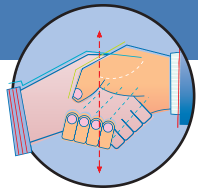

Survey Says …

Measuring client satisfaction can pay dividends

BY ED MCCARTHY

KEY POINTS

- Periodic surveys can help monitor client satisfaction, identify potential problems, and reduce client attrition.
- Survey methods are flexible and can focus on general satisfaction levels or specific client-centered events.
- Self-designed surveys are inexpensive but require internal expertise and staff time to create, implement, and monitor.
- Professionally written surveys cost more than those developed in-house but provide access to expert designers, data analysis, and benchmarking.

One of your best clients has decided to transfer her account to another firm. You call to learn the reason she's changing advisers, and although her answers reveal a general dissatisfaction with your services, you can't pinpoint a specific factor that's motivating the move. The lack of clear feedback provides no valuable insight into how you might have prevented the loss.

Many CFA charterholders who work with private clients can point to outstanding retention records; some advisers can proudly note that they have never lost a client. A successful retention history doesn't guarantee that the same results will continue indefinitely, however, particularly as the competition to serve wealthy investors grows.

In an effort to maintain their clientele, some advisers actively measure client satisfaction to uncover and resolve potential problems. "We felt we had a good handle on our client satisfaction levels just through individual discussions with the clients," says Steve Condon, CFA, senior manager of Investment Advisory Services with Truepoint Capital in Cincinnati. "But two things led us to take a more formal route. As the size of our firm grew, we saw more of a need to reach out extensively across our client base with a formal survey. There were also particular issues where we wanted feedback from clients in terms of potential improvement."

Client surveys may focus on specific themes or provide insights into general service improvements or slippages. Michael Boone, CFA, owner of MWBoone and Associates, LLC, in Bellevue, WA, wanted to survey his clientele but faced a challenge because the clients were diverse and had a range of relationships with the firm. Instead of trying to build a general-purpose questionnaire, the firm decided to focus on its financial planning clients, and it started surveying that group in 2003. Firms may conduct focused surveys when specific events occur in the client relationship. For example, Danforth Associates asks departing clients to complete an exit survey to determine why the client is ending the relationship. "It could be any number of different reasons," says George Padula, CFA, president of the Wellesley, MA, firm. "Is there a pattern? Is there a trend?"

Do-It-Yourself Approach

Methods for gauging client satisfaction vary. Some charterholders shun surveys in favor of less formal techniques. Marjorie Bennett, CFA, principal with Aegis Capital Management, Inc., in Emeryville, CA, worked to establish a "continuous chain of client feedback" from the inception of her firm 10 years ago. Her new-client questionnaire asks open-ended questions that allow clients to list their expectations for a successful advisory engagement. Bennett reviews those answers with the client in their initial meeting so both parties will have a clear understanding of the desired outcomes. When they meet one year later for their annual review, Bennett can bring the questionnaire to the meeting and use the client's initial responses as a benchmark.

MWBoone and Associates designed its own survey, which Boone reports was easy to do once they had identified the targeted clientele. He estimates that roughly one-third of clients return the surveys. The firm tracks results by each individual adviser and across the firm. Danforth Associates also designed its survey in-house, and all staff members were encouraged to participate in the survey's design, according to Padula. "If we're looking to find something out from our clients, who better to ask the questions than ourselves?" he asks. "Everyone has a different perspective on what the clients are looking for, so we incorporated the entire staff into the process."

Outsourcing the Process

Self-designed surveys have drawbacks, however, because advisers often lack the skills and experience needed to write unbiased questions, manage the survey process, and interpret the results. Julie Littlechild is president of Advisor Impact, Inc., in New York City and Toronto—a company that specializes in designing and analyzing surveys for financial advisers. In Littlechild's experience, most advisers want feedback on one or more core objectives: enhancing client loyalty, structuring a more meaningful client service plan, streamlining communications, increasing client revenue, or increasing referrals. The selected objectives influence the choice of questions, but the questions must be asked properly to generate useful responses. "There is something of an art and a science to asking the right questions and analyzing them appropriately," she says. "There are so many mistakes that you can make in structuring questions, and a lot of folks will do it and not even understand that they made an error."

Another factor that favors outsourcing surveys is the time required to design the survey, write questions and instruction letters, distribute the survey, and analyze the feedback. After Truepoint Capital weighed the costs and benefits of outsourcing, the firm decided to hire Milford, OH–based consultants William E. Law & Associates, Inc., in 2005 to design and conduct periodic telephone surveys of its clients. The interviews are scheduled in advance and take 10–15 minutes. The interviewers speak with approximately 40 clients contacted in each survey, and they conduct three surveys each year. To date, roughly 250 of the firm's 300 clients have participated. "We're attempting in each round to specifically target a cross-section of the client base that represents a number of different advisers," says Condon. "If the surveys become too frequent, though, you run into 'survey fatigue,' where the client feels like they just did this and they might not have new feedback. So, we've built in an 18-month buffer before asking a client to participate again."

Costs vary with the service level provided by the outsourcing firm. Danforth Associates pays US$20 a month to use the SurveyMonkey website, which provides do-it-yourself design templates. Condon's firm, Truepoint Capital, spends approximately US$8,000 a year for its telephone surveys. The degree of customization and the number of surveyed clients are important factors in pricing, says Littlechild. She estimates that the cost for a 300-client survey is typically in the US$2,000–US$3,000 range.

Realistic Expectations

There is a risk that a survey, whether internally designed or outsourced, will not generate new insights into client attitudes. Brinton Eaton Wealth Advisors of Morristown, NJ, hired Advisor Impact, Inc., in 2005 to conduct a mail survey. According to Jerry Miccolis, CFA, senior financial advisor with Brinton Eaton, the survey questions touched on all the important issues the firm had in mind and the survey received a 35 percent response rate, which was in line with expectations. Clients gave the firm favorable ratings, but the firm was still disappointed with the process. "We were hoping to uncover things that we weren't doing or that we could do better, and we didn't really get much of that," he says. "On the surface, that seems like a good thing—that we were satisfying their needs and there weren't any festering problems out there—but still, it was a little anticlimactic when we got the results back."

That's not a completely surprising outcome, Littlechild maintains, and it doesn't mean that the survey was a wasted effort. She notes that many advisers have deep relationships with their clients and a keen understanding of what they are thinking. A survey confirming that intuition is still a valuable outcome. "Even in those circumstances, it makes sense to demonstrate your commitment, to ensure you are on top of things, and to see if anything has changed," she says. "So, at one level, just demonstrating commitment and perhaps reaffirming the path that you're on is a good thing."

Making Changes

Although some surveys simply confirm intuition, a survey's findings can lead to significant changes in business practices. Danforth Associates' principals recognized that many of their private clients were approaching or entering retirement. The firm had only one investment strategy, however—large-capitalization growth stocks. Those clients who wanted to diversify their portfolios or generate more income had to seek solutions elsewhere. The firm's first survey in 2004 confirmed the notion that clients wanted additional diversification opportunities and broader portfolio advice. "Utilizing that information, we developed a couple of additional strategies," says George Padula. "One is income oriented, and one is more balanced. So, clients can have more options with us."

Truepoint Capital's surveys led to changes in clients' quarterly portfolio reports. The firm's staff had suspected the reports needed improvement, and client feedback in the survey indicated a desire for less commentary, more explanatory graphics, and an executive summary. Truepoint Capital implemented those changes, and subsequent client feedback has been favorable. The surveys also serve a defensive purpose for Truepoint Capital. "Occasionally, the survey uncovers an apparent disconnect between the client and our firm on a particular issue that we weren't aware of," says Padula. "It's very helpful to unearth those issues and immediately get back to the client and try to rectify that."

Improvements and Limitations

Advisers can increase the likelihood that surveys will provide a genuine benefit in several ways. Padula recommends getting the entire firm involved in the design process because each staff member has a different perspective on client needs. Truepoint Capital also shares survey results with clients to increase their sense of participation in the process. In addition, sharing the results lets clients see firsthand how the firm is working to improve its services.

Of course, no method of soliciting client feedback can guarantee a successful long-term advisory relationship. "After you've made the effort to clear up the communication, if it is still not working, then you need to evaluate if it is a fit," says Marjorie Bennett of Aegis Capital Management. "It might be a square peg in a round hole. You might just need to let the client go and try to help them find someone who is a better fit for them."

Ed McCarthy is a freelance writer in Pascoag, RI.

RECOMMENDED RESOURCES

"Investment Policy Best Practices: Communication, Creation, and Commitment"
CFA Institute Conference Proceedings Quarterly
(Mar 2007)
(cfapubs.org)

"Asset Allocation for High-Net-Worth Investors"
Global Perspectives on Investment Management
(Dec 2006)
(cfapubs.org)

"Achieving Client Delight!"
2007 CFA Institute Webcast
(cfawebcasts.org)