Strong relationships drive client loyalty

Firms that have advisors who provide deep, meaningful relationships with clients are setup for success

BY RUDY MEZZETTA

FINANCIAL SERVICES FIRMS that place a focus on having financial advisors who are able to establish strong relationships with clients based on professionalism, trust and strong communication, among other positive personality traits, are more likely to earn client loyalty and to retain those clients over the long-term, according to recent research from Mississauga, Ont.-based Credo Consulting Inc.

Advisors with Toronto-based brokerage firms **Raymond James Ltd.** and **RBC Dominion Securities Inc.** (DS) as well as Mississauga, Ont.-based full-service dealer **Investment Planning Counsel Inc.** (IPC) enjoyed some of the strongest relationships with their clients among the firms included in Credo's research.

In contrast, advisors with the Big Six banks' retail branch networks have the weakest relationships with clients as survey participants who worked with these advisors were less likely to ascribe positive personality traits, less comfortable discussing issues and concerns and more likely to consider switching advisors.

"As investors climb the networth ladder, they tend to work with more highly trained, more knowledgeable, stronger advisors," says Hugh Murphy,

managing director with Credo.

"What you see in [this] research
is that when the relationships
are deeper — and those deeper
relationships exist more reliably
at the dealer and brokerage level
— investors will ascribe greater
scores to positive personality
traits for their advisors because
they know their advisors better."

Credo's research was obtained as part of the ongoing Financial Comfort Zone Study, a national consumer survey conducted in partnership with Montreal-based TC Media's investment group. (TC Media publishes Investment Executive.) Credo has surveyed more than 25,000 Canadians chosen at random about their attitudes to their financial lives and priorities over 2016 and 2017. This specific report focuses on the responses of 12,000 of these survey participants who indicated that they worked with an advisor, and produced the results by firm.

Credo asked survey participants who worked with an advisor to indicate which of several personality traits they would ascribe to their advisor, including "professional," "knowledgeable," "trustworthy," "honest," "dependable," "responsive," "communicative" and "innovative." (See accompanying table below.)

Firms whose advisors were most often ascribed as having some or all of these positive personality traits tended to be firms whose advisors also received strong scores when survey participants were asked if they felt comfortable discussing problems with their advisor, or if they felt loyal to their advisor.

Advisors with IPC received some of the strongest responses across all the personality trait categories. For example, 85.9% of clients who worked with an IPC advisor ascribed him or her as "knowledgeable"; 65.6% ascribed the advisor as "communicative"; and 17.2% ascribed the advisor as "innovative." In each of these three categories, IPC advisors received the highest percentage of positive responses from clients.

In addition, survey participants who have IPC advisors gave an average score of 8.7 when they were asked to rate the statement, "I'm comfortable discussing concerns and questions with my financial advisor" on a scale of one to 10. This represents the sixth-highest such score among all the firms in the survey and the top score among the dealer firms.

Finally, when survey participants were asked if they were considering finding a new advisor, only 6% of those who had an IPC advisor indicated said yes, the lowest percentage among all the firms in the survey.

IPC advisors are increasingly going beyond the traditional questions of investment objectives and time horizons and focusing on identifying clients' core priorities and values, says Sam Febbraro, executive vice president of advisor services with IPC.

"I'm finding a lot more advisors are asking clients questions such as, 'What does money mean to you?'," Febbraro says. "They'll ask, 'What's your ideal advisor?' Do [clients] want someone who's more of an engaged partner, an expert partner, or a trusted member of team [of professionals]."

Among the brokerages in the survey, Raymond James was the standout across the various personality categories as 71.6% of clients with a Raymond James advisor ascribed him or her as "trustworthy" and 58.1% ascribed the advisor as "responsive," the highest percentage

from clients among all firms.

As well, survey participants with Raymond James advisors gave an average score of 8.8 out of 10 to the statement, "I'm comfortable discussing concerns and questions with my financial advisor." This is tied for the third-highest average score among all firms.

Furthermore, only 17% of survey participants with a Raymond James advisor indicated that they were considering finding a new advisor, one of the lowest such responses in the survey.

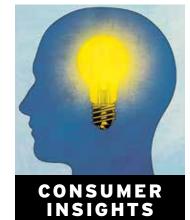
Raymond James's relatively strong results are likely attributable to the firm's commitment to fostering an entrepreneurial and independent culture, suggests Richard Rousseau, executive vice president and head of wealth management: "I fundamentally believe in a professional relationship between the client and [advisor] as opposed to an employee relationship in which the person is acting more on behalf of the firm."

Meanwhile, DS stood out among the bank-owned brokerages in the survey as 79.2% of survey participants who have a DS advisor ascribed him or her as "professional" and 61.4% ascribed the advisor as "dependable," the highest percentage of responses from the clients among all firms in these categories.

In addition, survey participants with DS advisors gave an average rating of 8.9 to the statement, "I'm comfortable discussing concerns and questions with my financial advisor," good for the second-highest average rating among all the firms in the survey.

As well, only 14% of survey participants with a DS advisor said they were considering finding a new advisor, the second-lowest percentage in the survey.

DS advisors benefit from the



firm's long-standing commitment to providing clients with comprehensive support services, such as estate and trust, financial, investment, and business-owner and business succession planning, says Tony Maiorino, vice president, wealth-management services, in **Royal Bank of Canada**'s wealth-management division.

"You really are now getting to the point at which the client is looking at the relationship [with his or her advisor]," he says, "and there is a significant gap in the value that they might be receiving elsewhere versus what we're trying to deliver here."

In contrast, the fact the bank branch-based retail advisory sales forces tended to have weaker relationships with clients, according to the survey's results, is not surprising, says Sara Gilbert, founder of Montreal-based **Strategist Business Development**.

That's because the client/advisor relationship at the bank branch level is transactional, product-based and reactive rather than proactive compared with dealers or brokerages, she says.

"If the relationship is based on a transaction," she says, "there *is* no relationship."

REPORT CARD ON CLIENT SATISFACTION REPORT CARD ON CLIENT SATISFACTION																							
	BROKERAGES										DEALERS							BANKS					
PERSONALITY TRAITS*	RHO A	eshift CIRCAN	and Gindy	ard John's Hatippel	Rank Rancial Rayle	and lake's co	Higher Higher	scaling Scaling	anclead TO W	Ch?	Princi Pad.	Holis	Realth Intest	ars Graup	Wallife A	inities Cha	Party Barty	of Montreal	ing Cibe	Walter V	A Bank	<u>1082</u>	edik C
Professional	72.3	74.5	68.1	66.2	75.7	79.2	70.2	74.1	72.2	72.5	70.0	70.7	68.3	75.0	66.8	70.2	55.8	60.6	55.0	61.3	61.2	54.8	58
Knowledgeable	69.0	70.2	69.4	56.9	77.0	75.2	68.1	70.7	70.6	69.7	68.0	74.4	65.2	85.9	65.9	71.9	53.1	56.9	51.9	50.9	56.1	50.7	52.
Trustworthy	59.5	53.4	57.5	46.2	71.6	66.8	55.3	59.2	56.7	58.5	65.0	66.2	61.8	65.6	59.1	63.6	42.0	44.5	42.9	44.9	46.4	43.1	44.
Honest	58.3	53.4	54.4	56.9	64.9	61.9	57.4	58.5	55.2	57.9	56.0	67.7	56.6	67.2	59.5	61.4	40.0	44.9	40.6	47.7	46.8	41.7	44.
Dependable	52.9	58.2	55.6	50.8	60.8	61.4	46.8	58.5	50.5	55.1	58.0	57.1	54.9	56.3	52.7	55.8	36.6	42.1	34.8	44.3	40.0	36.4	38
Responsive	51.2	54.3	47.5	35.4	58.1	50.0	44.7	48.3	46.9	48.5	45.0	53.4	46.3	54.7	47.9	49.4	34.9	33.0	31.6	36.6	36.8	32.8	34
Communicative	49.2	47.1	49.4	36.9	54.1	53.5	42.6	49.0	43.3	47.2	44.0	42.9	44.8	65.6	44.5	48.4	34.5	38.4	34.9	26.8	39.6	34.4	34.
Innovative	9.5	12.0	11.3	12.3	16.2	14.4	8.5	14.3	9.8	12.0	15.0	12.0	9.1	17.2	12.8	13.2	9.6	7.3	6.9	10.1	8.2	10.0	8.
Company average	52.7	52.9	51.6	45.2	59.8	57.8	49.2	54.1	50.6	52.7	52.6	55.5	50.9	60.9	51.1	54.2	38.3	41.0	37.3	40.3	41.9	38.0	39
*The % of survey participants v	vho ascribed	I the followi	ng personal	ity traits to	their finan	cial advisors	with these	firms															
RATINGS & CLIENT DETAILS																							
Comfortable speaking about my finances¹	8.3	8.3	8.1	8.2	8.2	8.4	8.4	8.2	7.9	8.2	8.1	7.9	7.8	7.6	7.8	7.8	7.4	7.4	7.3	7.4	7.6	7.2	7.
Comfortable discussing concerns with my advisor ²	8.7	8.8	8.5	7.9	8.8	8.9	8.9	8.6	8.4	8.6	8.6	8.7	8.4	8.7	8.3	8.5	7.9	7.9	7.7	7.4	8	7.6	7
% of clients considering inding a new advisor ³	28	17	18	23	17	14	17	15	25	19	15	19	20	6	27	17	39	40	44	27	37	50	4
lverage assets (\$K)4	596.3	540.8	329.8	473.9	446.1	603.3	613.3	523.3	493.2	513.3	401.7	382.5	268.2	306.4	288.5	329.5	220.4	186.9	225.5	224.9	247.6	231.0	222