

# Investment News

## How prospects really size you up

New research indicates that it is a matter of perceptions of risk and reward

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Most financial advisers assume that every prospect follows a similar buying process: recognizing a need for financial guidance, becoming aware of potential advisers, considering a smaller number and then choosing one — a progression known as a “buying funnel.”

Another assumption is that greater awareness leads to more new clients.

But if you think about how you built your business, you realize that those assumptions aren't accurate. In some cases, clients didn't know that they had a need until they spoke with you.

Conversely, some prospects went through each stage of the buying funnel as expected, only to stop short and sign up with another adviser.

Enquiro, a research firm in Kelowna, British Columbia, questions whether there is in fact a one-size-fits-all buying model. They interviewed individuals, conducted online research and studied decision making in their lab.

The results of their research have interesting implications and applications for advisers.

What they found — and what advisers already know — is that people don't make decisions based purely on reason.

Instead, they rely on gut instinct, emotions, beliefs, hunches and habits. There is a good reason humans make decisions this way: Most of the time, it works.

But if decision making isn't rational, how should advisers approach marketing?

Enquiro found that underlying most emotionally influenced buying decisions are perceptions of risk and reward.

As a result, the sales process, rather than being a funnel, is more a weighing of pros and cons. A low-consideration purchase from a known provider — such as a can of soda from a supermarket — has little risk.

A high-consideration purchase from an unknown provider — such as buying a house in a new town — is fraught with risk.

For most people, selecting an adviser falls into the high-consideration category. Even in that category, selecting an adviser is more difficult because few people feel knowledgeable about investments.

To help prospects manage the risk in selecting an adviser, it is wise to maximize what Enquiro terms “risk control mechanisms.”

These include:

Personal experience. Nothing reduces the perception of risk as much as a prospect's personal knowledge of you. This means it is not only important that you get to know prospects but that they get to know you.

A “getting to know you” process provides the time needed to establish a relationship. Whether that means dawdling over a cup of coffee, discussing hobbies, sports, jobs or summer vacations, it doesn't matter. Merely spending time getting acquainted can go a long way to increase a prospect's comfort level.

Word of mouth. Few things are more valuable than a personal referral. That is why your events should include prospects and clients so that prospects get to hear about you from clients.

Focus your events around a topic that like-minded clients and prospects will both find interesting, such as retirement plans for small businesses, or even a topic where you aren't the primary speaker. Remember, prospects judge you by the company you keep.

Credibility and position. Advisers are constantly urged to target a niche and become expert in it because it gives them creditability and position. Becoming well-known within a certain circle reduces the risk for all those in that circle.

A well-constructed website. Few consumers make purchase decisions these days without first doing some online research. Your website conveys a sense of size and permanence to investors, even if your practice isn't very big. Your website need not be sophisticated in terms of graphics or animation, but it should reflect what sets you apart from other advisers.

The takeaway here is that your marketing plan shouldn't be based on casting the widest possible net to fill the funnel.

Instead, determine your ideal client profile, define your target and seek to minimize the risks your target audience may perceive through strategies that will boost your position, enhance your familiarity, and brand you as a leader in your niche.