

# THE MINDSET METHOD

## PILLAR 1: Client Analysis



### **Strategy 3 Client Classification**

*"Do not be afraid to go out on a limb...that's where the fruit is."*

H. Jackson Brown Jr.

# Client Classification

### WHY is this Important?

Many Advisory Teams already realize the importance of using some sort of client segmentation model. After all, if 80% of your revenue is derived from 20% of your clients, it makes sense to figure out exactly who these clients are. The right amount of time and energy has to be invested in this highly deserving group of clients –to competitor-proof *and* attract more like them.

Think about the following questions:

- Do I know which clients contribute the most to my business in terms of revenue?
- Exactly how much do they generate in revenue each year?
- How exactly does the 80/20 principle play out for you?
- Do you have unproductive clients who don't contribute significantly to your revenue?
- When it comes to managing your clients, are you allocating your time appropriately?

Now, most Advisory Teams simply classify their clients according to their assets, and assets are a logical starting point for any segmentation system. By moving to a more detailed system however, you can offer better service to your high value clients, attract more qualified referrals and increase your productivity. We highly recommend you follow the three-tiered Triple "A" Approach to create a meaningful framework for sorting and organizing your clients.

### WHAT You Can Expect from this Best Practice

- Define clear criteria for desired assets, attitude and advocacy of an Ideal Client
- Establish clear criteria for accepting or rejecting a potential client on the basis of assets and attitude
- Establish clear criteria for classifying existing clients on the basis of assets, attitude and advocacy
- Finalize your Client Classification process for implementation



# HOW to Get Started

## Client Classification

1. Review the following resources to get an understanding of our recommended approach to client classification:
  - [Client Classification: The Business Essential](#)
  - [The Triple "A" Approach](#)
2. Use a digital or hardcopy of the [Client Classification Worksheet](#). You can 'click & type' your digital version or complete it by hand on the hard copy version.
3. Review the worksheet and carefully consider the criteria you want to establish based on the work you've completed in the previous Best Practice, "Your Vision".
4. Next, begin to complete the worksheet as follows:
  - **Step 1:** Outline the criteria for your Ideal Client – this defines the type of clients you want more of going forward.
  - **Step 2:** Define your Knock Out Factors – this defines the type of clients you don't want to bring on going forward.
  - **Step 3:** Create your Client Classification Framework – using the work you've done in Step 1 and Step 2 you can begin to create a meaningful framework for sorting and organizing your clients.
5. Discuss the Ideal Client, Knock-Out Factors and Client Classification with your team.
6. Put the Client Classification Worksheet in your Procedures Manual.
7. Create, or assign, a field in your CRM to display the new Client Classification designations.
8. We do not recommend you code all of your clients until you have fully completed the next Best Practice.

# Client Classification: The Business Essential

There isn't a business on the planet who could operate successfully over the long-term without paying attention to profitability. For that reason, it's a business essential that advisors not only understand profitability within their specific client relationships, but also how to build service models to support the various needs and expectations of these different types of clients. And, it all starts here.

The most basic client segmentation systems identify clients using a single letter or number -- clients are 1-2-3 or A-B-C level clients. This approach to client segmentation is founded largely on client profitability based on assets under management (AUM) or annual revenue generated. And, this is an excellent *starting* point for client segmentation.



When we dig deeper, however, you are able to further refine client segmentation to help achieve a higher degree of meaning as it relates to your client relationships. In other words, beyond profitability they bring different types of value to you and your business. This emphasizes the importance of overlaying a multi-dimensional client assessment – beyond profitability.

This refined classification involves assessing the **Attitude** and **Advocacy** of your best clients beyond the **Assets** so you can differentiate them from those who simply have the assets or income. Let's look now at how the "Triple A" approach works to create a meaningful framework for sorting and organizing all existing and future clients.

## The Ideal Client and AAA Client Classification

When it comes to defining each of the "A"s in our "Triple A" approach, we use criteria congruent with how we would describe our 'ideal' or 'best' clients. Now we'll explore each of the "A"s and exactly what they mean.

### The First "A"

The **first A** in this approach speaks to **Assets** (or income generated from all aspects of business with you).

Simply put: these are clients who met the 'money' criteria of segmentation (AUM or annual revenue). This group is best described as "Customers". In other words, they have an existing working relationship with you, they also have significant assets and/or income, but they don't work within the spirit of partnership we expect from our very best clients. These individuals do not reflect your 'best' relationships.

In many cases, you only manage part of the client's financial and investment needs. You need to demonstrate to "A" clients that you offer an exceptional experience with a trusted organization and can manage all of their financial and investment needs. 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 Second “A”

The **second “A”** refers to **Attitude**, which over the lifetime of your working relationship with clients, is actually more important than assets or income. These are the clients that make you smile when they come in to see you because working with them is a pleasure - they make you continue to love what you do.

This is where we consider the following:

- Do they have a positive affinity towards you and your team as a whole?
- Do they empower you to guide them as it relates to financial advice?
- Do they focus on the value you provide instead of the cost to provide it?
- Do they follow your recommendations and appreciate the services you offer them?
- Do they possess the attitudinal traits that create a positive working relationship?
- Are they respectful, pleasant and cooperative when dealing with you and your team?

If the answers to these questions is ‘yes’ then this is a client who not only meets the **Asset** criteria for classification but also demonstrates a good **Attitude** towards you and your team.

These clients value you and the service you provide. However, something is holding them back from raving about you to their friends and families. Your goal with AA clients is to get them up to the AAA level by offering superb client service. You also need to show them how to introduce others to you. This can take time and patience, but the results will be well worth it.

## The Third “A”

The **third A** stands for **Advocacy**. These top clients will frequently recommend your services. These Ideal Clients appreciate the merit of "buying into" a relationship with a professional, rather than simply "buying" things from a salesperson. They are extremely loyal and they feel they are doing a likeminded friend a disservice by not introducing them to you.

This group is best described as your very best clients – your true “Advocates”. They meet your asset and/or income criteria (**Assets**), are wonderful to work with (**Attitude**), and they frequently recommend your services (**Advocacy**). A partnership with a AAA client is extremely rewarding and they demonstrate a consistent willingness to introduce you to others thereby helping you continue to grow your clients. Make no mistake, these are your raving fans.

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Once you are clear on the best way to segment your clients, you are in a better position to strategically provide proactive service levels aligned specifically for their profitability, expectations and needs. We will also be helping you with that very soon. For now, we are focusing on the creation of a client classification framework which is a great fit for you - based on where you are today and your overall vision for the business. This framework has to be meaningful to you and it has to make sense in order for it to truly serve you going forward. It will be the foundation upon which many of other the best practices are built on.

# The Triple “A” Approach

The following approach is used to identify your highest value clients. This segmentation enables specific client servicing and marketing initiatives to be implemented with this high value group, resulting in higher rates of advocacy which translate into the attraction of more high value clients.

**Note:** It is important to remember all of your clients have access to quality financial planning and investment management advice. However, there are several specific relationship-based service activities best suited for the highest value clients.

## ASSETS

### Assess Client Profitability

*If the following applies, they are an “A” client.*

- Has met your ideal client AUM or Revenue threshold.
- This person is best described as a ‘customer’ not a client.

## ATTITUDE

### Assess Client Attitude

*If the following also applies, they are a “AA” client.*

- You are their primary financial professional.
- They are enjoyable to work with for the reasons many you’ve defined.
- This relationship feels more like a partnership.

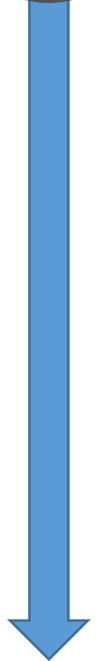
## ADVOCACY

### Assess Client Advocacy

*If the following also applies, they are a “AAA” client.*

- Consistently introduces you to 1 or 2 of their friends, family, colleagues or network every year.

Start Here



**SPECIAL NOTE:** Regardless of how you may classify your clients, all clients need to be provided the necessary service, management and ongoing monitoring as defined by the firm and other regulatory and compliance policies.

# Client Classification Worksheet

## Step 1: Define Your Ideal Client

The ideal attributes you outline below will be used to define the types of new clients you want to attract to your practice going forward.

**Assets** (used to denote profitability via Assets or Revenue)

Define your Client Equation by Assets:

- A. Desired Assets under Management:
- B. # of Clients:
- C. Assets per Client (A/B):

OR Define your Client Equation by Revenue:

- A. Desired Revenue:
- B. # of Clients:
- C. Revenue per Client (A/B):

How will you manage the money (i.e., fee-based, customized portfolio, etc.)?

## Attitude

Be specific: List specific attributes you expect

## Advocacy

Be realistic: How many referrals would you expect per year from each AAA client?

## Step 2: Your Knockout Factors

The knock-out factors you outline below will be used to assess new clients coming into your practice.

### Assets

Less than:

### Attitude (Be specific)

## Step 3: Client Classification

The client differentiation you outline below will be used to sort and organize your existing clients as well as, accurately classify new clients coming into your practice.

### AAA (Assets/Attitude/Advocacy)

- Meets your Asset in terms of how you've defined your Ideal Client Profile \$ \_\_\_\_\_
- Demonstrates Ideal Client Attitude attributes
- Meets your Advocacy requirements

### AA (Asset/Attitude)

- Meets your Asset in terms of how you've defined your Ideal Client Profile \$ \_\_\_\_\_
- Demonstrates Ideal Client Attitude attributes

### A (Assets)

- Meets your Asset in terms of how you've defined your Ideal Client Profile \$ \_\_\_\_\_

### AF

- These are family members of a client in one of the 'A' groups.
- This classification can also be used for friends, family or relatives for the advisor.

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### B

- This client has a great attitude, is committed to working with the advisor and may even provide introductions but does not have Ideal Client assets/revenue.
- AUM or Revenue Range of \$ \_\_\_\_\_

### C

- This client does not have the assets to be in the B group and is not someone you will be growing your business within the future.
- This client may eventually be reassigned as assets in the **AA** and **AAA** groups increase.
- AUM or Revenue Range of \$ \_\_\_\_\_

### D

- This client is generally not a fit for the advisor and should be reassigned.
- Less than \$ \_\_\_\_\_ in AUM or Revenue

# Strategy 3 Self-Assessment



- 1) Classifying Clients is optional for financial advisors:
  - True
  - False
  
- 2) Your Ideal Client Profile should include:
  - Assets
  - Assets & Attitude
  - Assets & Attitude & Advocacy
  - None of the Above
  
- 3) Your Ideal Clients are classified as:
  - AA & AAA
  - A
  - AF
  - B
  
- 4) There is a special category called AF for family members of your Ideal Clients.
  - True
  - False
  
- 5) Your Knockout Factor's should include:
  - Assets
  - Assets & Attitude
  - Assets & Attitude & Advocacy
  - None of the above
  
- 6) The purpose of this best practice is:
  - Meaningfully organize and sort your clients
  - Defining your ideal client profile
  - Documenting your knockout factor
  - All the above

