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LEVERAGING CENTERS OF INFLUENCE

CREATING A SUCCESSFUL COI PROGRAM

MKT
MARKET KNOWLEDGE TOOLS®

About Schwab Market Knowledge Tools® (MKT)

Based on the leadership position of Charles Schwab & Co., Inc. (Schwab) in the RIA marketplace (nearly 7,000 advisors and over 25 years as of this printing), we are in a position to observe what works in successful advisory firms. Through Schwab's proprietary benchmarking and in-depth qualitative research with successful firms, we are able to discover and share best practices.

This white paper is part of the Schwab MKT series, an ongoing program of industry research reports, white papers, and guides from Schwab designed to keep investment advisors on the forefront of trends and competitive challenges facing the industry today. The MKT program delivers the kind of relevant and timely information needed for future business planning.

For More Information

To learn more about these and other resources, visit the Practice Management section of News & Resources at schwabadvisorcenter.com. To learn more about how Schwab works with advisors, visit schwabadvisorcenter.com/public. If you are a Schwab client and would like to participate in the next RIA Benchmarking Study, please call your relationship manager.

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Introduction

The passion that independent registered investment advisors (RIAs) have for helping their clients solve critical financial challenges has helped them become remarkably good at building and retaining high-quality client relationships. Firms that excel in terms of growth have the extraordinary ability to amplify the message about their value within the community they serve. They maximize the likelihood that their clients and other business professionals will be motivated to talk about the unique experience their firm delivers. As a result, they receive more referrals–the lifeblood of growth for RIA firms.

Most advisors understand the nature of the referral process and have achieved some level of success when it comes to referrals from their existing clients. But the firms that outperform their peers in terms of growth are particularly successful at generating more referrals from one of the most important groups within the community they serve: other trusted professionals with whom they may already interact and who serve their target clients. In fact, firms best at leveraging these centers of influence (COIs) as a growth engine achieve measurably superior results. The fastest-growing firms in the 2013 RIA Benchmarking Study from Charles Schwab achieved 3.5 times the median net new assets from professional referrals. Moreover, they are getting more referrals from COIs than other firms receive from all referral channels combined.[1]

While advisors know that a successful COI program can drive long-term value for their firm, most are unsatisfied with the return on the time and effort they spend building relationships with other professionals when compared with the actual new business generated.

The sense of frustration runs deep. While almost all advisors work in some way with COIs, a mere 1 percent of those surveyed described their COI approach as "very effective." Results simply don't meet expectations.[2] This dissatisfaction is due in part to the fact that CPAs and attorneys are now fielding solicitations from financial advisors at a rate of nearly one per week—three times what it was in 2006 prior to the financial crisis.[3] Without developing a strategic approach to building COI relationships, advisors have difficulty standing out in an increasingly crowded environment. Compounding this frustration is that generating COI referrals is a long-term undertaking requiring patience and persistence. The majority of relationships will take more than a year before producing referrals.[4] The competition for COIs' mindshare requires that advisors shift their thinking and begin to embrace a more strategic approach to turn referral marketing into a firmwide strength.

Advisors who get it right stand out—growing consistently, and at faster rates, year over year. Schwab's proprietary research, analysis of studies from industry thought leaders, and interviews with firms particularly successful in generating new business from COIs reveal critical success factors that contribute to such positive outcomes. We believe what distinguishes the most successful advisors is that they have a focused goal of establishing a small number of deep, strategic relationships with COIs to drive high-quality referrals and a formal, structured process to

1. The 2013 RIA Benchmarking Study from Charles Schwab comprises self-reported data from 1,025 advisory firms that custody their assets with Schwab. Fastest-growing firms are the top 20 percent of firms as determined by 2012 net organic growth. This cohort includes 90 firms out of 451, all of which have $250 million or more in AUM. This group represents 90 percent of the total assets of all firms in the study. Net organic growth—the change in assets from existing clients, new clients, and assets lost to client attrition—is the area over which RIAs have most control. Thus, it is the growth metric used for the analysis.
2. Advisor Impact, Center of Influence Research, November 2011.
3. HSGrove, LLC, and Russ Alan Prince and Brett Van Bortel, *RainMaker: Strategic Partnering With Attorneys and Accountants to Create a Pipeline of New Affluent Clients* (The National Underwriter Company, 2006). Financial advisor solicitations to CPAs have increased to 22.1 times every six months in 2011, up from 6.2 times in 2006. For attorneys, that number is 15.6 times every six months in 2011, up from 4.9 times in 2006.
4. Advisor Impact, Center of Influence Research, November 2011.

pursue those relationships. Our analysis reveals elements essential to a successful COI program:

- **Develop a strategy.** Create a written COI outreach strategy that identifies goals and challenges, defines a path to overcoming barriers, and commits the necessary resources *before* reaching out to prospective COIs.
- **Create and follow a structured process.** Develop a consistent and repeatable process for building relationships based on trust. Execute it with skill and discipline to set yourself apart from the competition.
- **Target the right COIs and focus your efforts.** Start by identifying the best COIs to reach out to so you can focus your time on building deep relationships with the right COIs.
- **Be part of the solution.** Demonstrate your unique value to prospective COIs in a way that showcases how working with you will help enhance the relationships they have with their clients and achieve their own goals.
- **Commit to the long term.** Dedicate time and energy to cultivate and deepen the business relationships you have established.

Building successful business relationships with COIs is both an art and a science. It not only requires the relationship and trust-building acumen that comes naturally to independent advisors, but it also demands perseverance and the structure of a planned, long-term strategy—and rigorous execution—to demonstrate the unique value advisors can add to the relationship.

In addition to this paper, Schwab has also developed a set of tools and a consulting program to help advisory firms build and implement their COI program. For more information, contact your Schwab relationship manager.

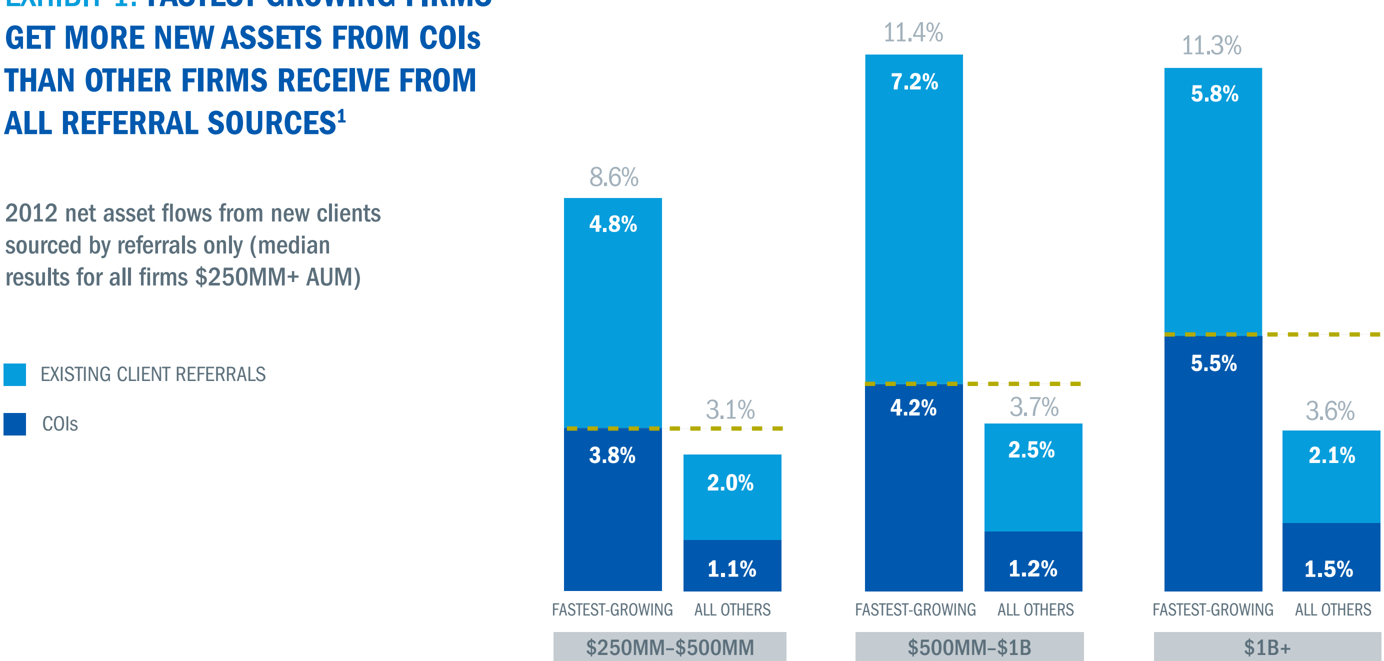
The COI Opportunity

Professional referrals are a major driver of long-term growth for investment advisory firms. Some firms, however, dramatically outperform their peers in terms of leveraging COIs as a growth engine. What underlies their outperformance presents an opportunity for any firm to become more successful with their COI referral efforts.

The fastest-growing firms in Schwab's 2013 RIA Benchmarking Study achieved 3.5 times the median net new asset flows from new clients referred by COIs than what was achieved by all other firms. As shown in Exhibit 1, these fastest-growing firms are not only getting disproportionately more net new assets from business

EXHIBIT 1: FASTEST-GROWING FIRMS GET MORE NEW ASSETS FROM COIs THAN OTHER FIRMS RECEIVE FROM ALL REFERRAL SOURCES[1]

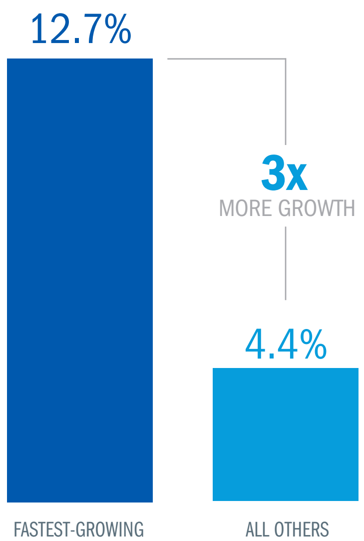
2012 net asset flows from new clients sourced by referrals only (median results for all firms $250MM+ AUM)



Source: The 2013 RIA Benchmarking Study from Charles Schwab

EXHIBIT 2: FASTEST-GROWING FIRMS GROW MUCH MORE FROM NEW CLIENTS

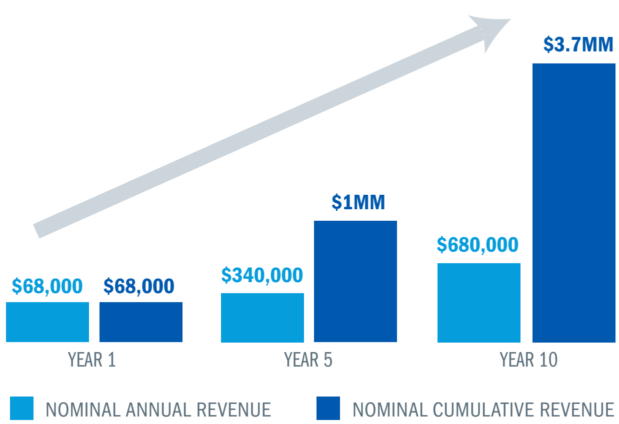
Net asset flows from new clients
(median results for all firms $250MM+ AUM)



Source: The 2013 RIA Benchmarking Study from Charles Schwab

EXHIBIT 3: GROWTH EFFECTS OF ADDING JUST TWO MORE CLIENTS EACH YEAR

Hypothetical revenue impact based on $400MM firm adding two new $2MM clients each year



Scenario represents the incremental revenue from an additional $4 million in new client assets each year. Revenue assumption is 85 bps on assets. This simple illustration excludes the effects of market growth, incremental assets, inflation, and discounting for net present value—all of which would vary from firm to firm.

partner referrals but are also *getting more referrals from COIs than other firms receive from all referral channels combined.*

The fastest-growing firms in the study also spanned different asset sizes and ages, showing those factors do not dictate the success of a firm's referral program. Rather, it underscores that COI referrals represent a growth opportunity for any firm, regardless of size.

While net new assets from new client acquisition are three times greater for the fastest-growing firms,[5] these firms average only 35 percent more new clients each year. (See Exhibit 2.) They attracted much larger clients—in part because of their greater reliance on COIs as a source of new clients. Referrals from COIs are typically higher quality and are prequalified to match a firm's target client profile. A major factor in advisors' success with COIs is their skill in communicating the value they can bring to help COIs solve problems their clients may face.

While the performance of the fastest-growing firms is remarkable, a firm doesn't need to hit that level of performance to have a meaningful impact on results. An incremental improvement in COI referrals can have a significant impact, both in terms of immediate gains in revenue and long-term value accrued to the firm. This success year over year has an incredible impact on firm growth.

As an example, we took a look at the revenue generated by an RIA firm adding just two more $2 million clients every year, over 10 years. (See Exhibit 3.) For a $400 million dollar firm, this example is adding just 1 percentage point to the annual growth rate, but represents about a 25 percent increase in incremental revenue growth each year relative to typical firm growth outside of the top 20 percent. The nominal value of total revenue generated during that 10-year period is nearly $4 million, and in the 10th year generates annual revenue of approximately $700,000. Not only do the incremental revenue and growth rate contribute to a higher firm value, but larger firms also tend to earn a higher multiple when calculating firm value during a sale.

5. Includes client referrals, COI partner referrals, and all other marketing channels. See Exhibit 2.

Our research shows that when firms create a strategic and disciplined approach to maximize referrals, success follows. Another factor is a constant in their approach: They understand the importance of weaving a culture of referrals into the day-to-day practice of the firm. Every firm is different. In some practices, one principal may take on the strategic COI referral effort, while other firms may rely on more individuals or on a more structured business development function. What matters most is a dedicated level of attention and commitment to COI relationships, taking into account the time and resources the firm can realistically devote to the effort.

Who Are Centers of Influence?

When defining COIs, the term "influence" is key. In general terms, a COI is any professional who is a *trusted* advisor and who can influence your ideal client to consider hiring you.[6] COIs are *influencers* in their clients' lives and possess certain key characteristics:

- COIs enjoy the highest levels of trust with their clients.
- COIs have strong technical or subject matter expertise that allows them to bring tremendous value to their clients' lives.
- COIs have clients who value their insights and rely on them to help make intelligent decisions about important matters.

Clearly, professionals who possess these characteristics are valuable to individuals seeking high-quality advice. When COIs make a recommendation to their clients—including recommendations about which financial advisors to work with—those clients are inclined to take their advice and act on it.

COIs are most commonly found among those professionals who complement the work that financial advisors do—such as CPAs and other tax experts; legal professionals such as trust, estate, and divorce attorneys; investment bankers; and insurance specialists. That said, COIs are a diverse group. They might include physicians, executive search professionals, and even art dealers. Any professional who plays a significant and influential role in their clients' lives can be considered a COI.

Creating Strategic Relationships

Advisors who are highly successful at receiving qualified referrals from COIs understand an important fact: The key to success is to build deep, strategic, and lasting business relationships with a select group of COIs who have the potential to refer the type of clients their firm serves best.

Building a small number of professional working relationships with the right COIs—typically up to six per advisor—should be the primary objective of any firm's COI strategy. By limiting scope and concentrating efforts, you are more likely to be successful with the right COIs who can provide more qualified referrals that match your firm's target or ideal client profile (ICP).

The focus must be on working collaboratively with COIs to offer complementary skills that together enhance the best interests of mutual clients. The goal is to make COIs see how referring business to you is a win for themselves and their clients. Working with other professionals to create *better solutions* for their clients and their business is a much more effective approach than soliciting them with the message that you would simply like them to send you their best clients.

To accomplish this requires an understanding of how other professionals perceive potential referral relationships with a financial advisor and the role of trust in building strategic partnerships.

6. Russ Alan Prince and Brett Van Bortel, *RainMaker: Strategic Partnering With Attorneys and Accountants to Create a Pipeline of New Affluent Clients* (The National Underwriter Company, 2006).

Look for Someone to Grow With

Jason Shulman's most important relationship started more than 20 years ago, when both he and a local trust attorney were just starting out. There was good interpersonal chemistry and a fit between the estate work both were doing. But it took years before there was a referral. "I was patient and banked on the fact his practice would grow, and it did," says Shulman. Twenty years later, their clients are older, their practices are larger, and with more intergenerational wealth transfer happening among their clients, there is even more of an opportunity to work together.

> "It is extremely difficult to find the right centers of influence. My approach has been to find ones that we can really go deep with, and not necessarily have a lot of them."
>
> – Jason Shulman, Shulman DeMeo Asset Management LLC

And Shulman says the relationship has blossomed into a deep personal commitment: "I introduce him to my accountant and other connections. He looks for business for me and pushes me into situations. He is a great guy and does a great job with his clients, and we care about each other. When you develop really deep relationships, you want to help your business partners and their families."

Today, referrals from other professionals account for 50 percent of the firm's new asset growth. "It's hard early on in your career or at the start of a new COI relationship to see the big picture because you don't get immediate results," says Shulman. "My one word of advice, if I were starting out today, is that I would look for people I could grow with. If I could do it over again, that's what I would do."

UNDERSTAND THE COI'S PERSPECTIVE

Demonstrating to other professionals that a strategic relationship with you can add value to their business starts with an understanding of the business relationship from their perspective. Seeing their business and their client relationships through their eyes is absolutely essential. It is at the center of understanding referral psychology—that is, the factors that make COIs more or less likely to refer their clients.

COIs are motivated to advance their own business goals and ensure the well-being of their clients. They may be trying to solve a specific problem a financial advisor could help them with, but they are not motivated to further the goals and well-being of the advisors who want to work with them. Advancing their goals means mitigating perceived risks to them and their clients. There is inherent risk in making referrals, especially to a financial advisor because the unpredictable nature of the financial markets (and therefore an advisor's performance) creates unique perceived risks. Bringing a third party into a trusted relationship has the potential to jeopardize a COI's reputation with the client, as well as the control the COI has over that client relationship.

COIs are highly protective of their reputations, and some, like CPAs, tend to be particularly risk averse. If they aren't entirely confident that you are committed to putting clients' interests first and doing a great job, they will not risk undermining the existing relationships they have worked hard to build. In the end, the potential upside of referring business to you has to outweigh the downside risk by a significant margin.

BUILD A FOUNDATION OF TRUST

Given this insight into how COIs see their business, your strategy must build trust and confidence while demonstrating the unique and compelling benefits of working with your firm. With COIs, trust is a top priority; it can help overcome the apprehension many COIs have about making referrals. It will help give them confidence that making referrals will further their goals and those of their clients and won't put them at risk of damaging their relationships and reputation.

Independent RIAs are in the business of building trusting relationships with their clients, and this skill and an accompanying firmwide culture of delivering excellent client service need to transfer to COI relationships.

A trusting COI relationship starts from the first introduction, and it continues to build with repeated, professional interactions, such as timely delivery of detailed tax documents for shared clients and regular updates including financial, tax, and other communications.

It takes patience and discipline to create high-value relationships that pay off. Remember, most relationships will take more than a year before a referral is made. (See Exhibit 4.) You must have a long-term strategy and a plan that gets you in front of the right professionals so you can learn more about them and their business. With perseverance and a planned process that maps out frequent, meaningful, and professional interactions, you can communicate the value you bring and start building a foundation of trust that is at the heart of the relationship.

Develop a Consistent COI Process

Our research shows that many successful firms employ a structured strategy and documented plan to guide their efforts and that they prepare to execute it well. They diligently follow a consistent, repeatable process designed to engage other trusted professionals and generate qualified leads.

Developing and following a plan is the most important practice you should embrace. And yet, most advisors lack a formal structure to guide their efforts, severely dampening their effectiveness. For example, just 16 percent of the firms in a 2011 survey from Advisor Impact said they have important processes in place, such as identifying whether a COI is a good fit, an obvious key to making successful connections. The lack of formal processes (or the failure to follow them) is likely the primary reason why so few advisors described their COI approach as "very effective."

YOUR APPROACH CAN MAKE YOU UNIQUE

A structured process—and being good at executing it—is what differentiates top advisors from the vast majority of their peers when it comes to taking full advantage of the COI opportunity. Generating COI referrals is a long-term process, and a documented plan can allow you to operate from a position of strength by bringing the focus, discipline, and efficiency others may lack. This is particularly important because, as mentioned earlier, CPAs and attorneys are fielding three times the number of solicitations from financial advisors as they were in 2006, making it more difficult for advisors to set themselves apart.

EXHIBIT 4: LONG-TERM UNDERTAKING

How long did you work with a COI before a referral was generated?

Percentage of firms

Source: Advisor Impact, Center of Influence Research, November 2011

Your process, your approach, and your consistency can differentiate you. Following a process with regular touchpoints where you listen carefully to the other party and are purposeful in your approach to communicating your value helps you set and meet expectations. This structure helps coordinate what might otherwise be one-off activities into a strategy, maximizing the return on your time and efforts. A documented, repeatable process will help you:

- Target COIs who are the best fit for your firm
- Listen to and better understand the COI's business and the dimensions of the relationship that matter most to them and their clients
- Qualify prospective COIs early on so you focus your time on professionals who are the best long-term fit
- Refine and communicate your value proposition in a way that will resonate with a particular COI
- Build a road map so you can pursue COIs with confidence and professionalism
- Schedule regular touchpoints for meaningful, purposeful interactions, allowing COIs to experience what makes your expertise valuable
- Align your firm by establishing a shared understanding of the objectives and challenges, and how to manage them

What Makes a Good Strategy?

According to Professor Richard P. Rumelt, Harry and Elsa Kunin Chair in Business and Society at the UCLA Anderson School of Management, a good strategy is one that clearly identifies goals as well as major challenges to those goals, provides a well-defined, well-documented approach for overcoming the challenges and achieving the goals, and commits the resources necessary to implement the strategy and ensure follow-through from all stakeholders. Such clarity enables firms to move forward from a position of strength and take actions that are highly focused, efficient, and effective.[7]

EFFECTIVE, CONSISTENT EXECUTION

A successful COI program depends on skillful, consistent, and diligent execution over time. Persistence, commitment, and patience are critical success factors in the long-term process of building and maintaining meaningful business relationships. It's easy to lose sight of your goals and get distracted in the day-to-day operations of your practice, but sticking to your plan will keep you top of mind with other professionals, keep your strategy on track, and maximize the return on your time and efforts.

Practice and Preparation

Schwab suggests a consistent process over several meetings to establish relationships with COIs. It takes practice to get good at meeting other professionals, identifying the ideal COI partner, demonstrating your differentiating value, and coming to an agreement to move forward. Having a game plan for each meeting, developing messages that effectively communicate your value, and practicing beforehand will give you confidence. It will also help you stand out from your competition.

Preparation also involves setting goals and aligning your organization. Because it may take one or two years to see results, it's imperative to take a long-term approach to developing your strategy and allocating the time and firm resources needed for execution. Set specific, quantifiable, and realistic goals to measure your progress. Goals with these characteristics help ground your strategic plan in reality and motivate team members to stay focused on well-defined objectives.

Having a planned process and preparing to execute it well will help you be at the top of your game when executing what we believe are the key elements of a successful COI program: targeting the right COI, demonstrating your value, and cultivating relationships over time.

Key Elements of a Successful Process

A good COI strategy includes processes that guide you in identifying what characteristics might constitute an ideal COI partner. They provide a framework for carefully listening to potential COIs to discern what is important to them and their clients, allowing you to sharpen your value proposition so that it resonates with them. Finally, a COI referral program should have a process to cultivate and deepen your established relationships over time so they continue to provide high-quality referrals.

TARGET THE IDEAL COI

The ultimate goal is to forge business relationships with the right COIs, the ones who are the best fit for your business. This requires you to be very specific and discerning about which COIs to target. You must have a clear vision of what constitutes an ideal COI—that is, a professional who is a great fit for your business and client base—and pursue only those COIs who align with that vision. Being targeted in this way allows you to focus your time on developing deep relationships, overcoming obstacles to referrals, and building and maintaining trust through frequent, meaningful interactions.

What does an ideal COI look like? To establish an ideal COI profile, look to your ICP for guidance. Ideal clients are the ones with whom you enjoy working and want to develop deeper relationships, who understand and appreciate your value proposition, and who are ultimately the best fit for

7. Richard Rumelt, *Good Strategy/Bad Strategy: The Difference and Why It Matters* (Crown Business, 2011).

your firm. Consider three key criteria as you seek to create an ideal COI profile as a filter to identify the right types of COIs to pursue:

- **Person and personality.** Compatibility is a key driver of success in any relationship, and the chemistry or initial rapport you feel with another is a telling indicator of whether that person would make an ideal partner.
- **Types of clients.** The best partnerships involve advisors and COIs who focus on similar types of clients—that is, their respective ICPs overlap. Similar client bases help ensure that as a team you can bring value to each other's businesses and to your mutual clients.
- **Service offering.** Ideal COI partners provide services that complement your own offerings. For example, if your core competency is providing investment and tax planning for multinational clients, then it makes sense to team with attorneys who manage estate planning for these individuals so you can offer comprehensive planning for mutual clients.

A best practice is to start with your existing ideal clients to find out about the other professionals they work with and see who among them may be a good fit. You will find the candidates who best match your ideal COI profile by targeting those influencers who currently serve your ideal clients. What's more, your ideal clients are likely to provide warm introductions to their other professionals and mention their satisfaction with you.

> "It boils down to education and helping the professional community understand our business model, our investment process, and our service model, and why those are unique. We ask for a commitment from the other professionals that they spend some time with us to learn more about what we do."
>
> — Darren Reinig, Delphi Private Advisors

EXCEL AT DEMONSTRATING YOUR VALUE

Successful advisors follow a process to articulate and demonstrate the value they bring to other professionals in a way that enables COIs to actually *experience* the value they bring to their clients' lives—and the value they could bring to the lives of COIs' top clients. They are consistent and deliberate, and they are skilled and polished. Consequently, they achieve excellent results.

Communicating your value in a compelling way is a critically important step because COIs often don't automatically see how one advisor differs from another or what makes any particular advisor unique. As discussed, COIs are being approached by more advisors than ever—nearly once per week. Given all that noise in the marketplace, it's easy to see why many COIs view all advisors through the same lens.

> "Established COIs are being approached all the time. If you give them a generic pitch, they will end the conversation. What they really want to know is how you are different."
>
> — Linda Cao, Silver Oak Wealth Advisors, LLC

In this environment, a generic statement simply will not cut through the noise. The value proposition of your services must be crisp, specific, and address the concerns COIs have about their clients' situations to build credibility, demonstrate competence, and overcome any perceived risks of referring business to you.

Actively Listen

The ability to solve business and client problems COIs can't solve themselves is at the heart of the value an advisor brings to a strategic relationship. As part of their process, successful advisors we talked with use their time with prospective COIs to learn more about their business, the pain points of their clients, and the issues that matter most to them.

They have a process where early on in their engagements they ask the right questions and actively listen to these professionals. This helps them better judge if there is a proper fit, and they can determine how they might best work with the other professionals to solve problems for their business and their clients. As a result, they can tailor a solution and a value statement that resonates with the COI.

Experiencing the Difference

It takes planning, time, and persistence to provide a COI with a deep understanding of what makes you unique, but it is absolutely necessary to do so. The best way to clearly communicate your unique value proposition (UVP) is to have a strategy and a plan where your ideal COI candidates experience for themselves the value you bring to clients.

Experiencing how you serve your clients and getting a firsthand understanding of your service model can help the other professionals see and feel what it would be like for their clients to work with your firm. Showing the COI your client experience will demonstrate what makes you different from all the other advisors seeking referrals. It also will help educate the COI on your business and service model, showcase your expertise and competence in solving clients' financial issues, and help enhance trust and credibility.

Helping the COI envision a common experience generally takes a series of meetings involving a few key steps, which should be taken with the COIs you have already determined to be a good fit:

- **Stress relevant value.** Articulate the unique value that you—and you alone—can bring to help the COI's clients solve their most important challenges. Also highlight how you can help address the COI's own challenges. These messages will speak to the COI's main concerns of advancing his or her own business needs and the well-being of his or her clients.
- **Highlight client cases.** Prepare client case studies that demonstrate how you solved a specific and real challenge that a client faced. This will effectively communicate not just your UVP, but also your technical expertise. By discussing a client case that is relevant to the COI, you can help him or her envision a common experience.
- **Bring the COI to the office.** Conduct one or more meetings with the COI at your office so the COI can witness firsthand how you serve clients and the overall look and feel of your firm. Office meetings enable you to fully demonstrate your value and capabilities in your own environment.

CULTIVATE RELATIONSHIPS OVER TIME

After establishing working relationships with COIs, successful firms work hard to deepen and grow those relationships so they remain productive and sustainable over the long term. Maintaining interest during this stage can prove challenging, as it likely will take some time to receive referrals from your new COI partners.

> **"We're in a partnership with the COIs, and they truly understand that. They recognize that we differentiate ourselves on the level of service and transparency we provide."**
>
> **— James Burleson, Greenleaf & Burleson Wealth Management, LLC**

Therefore, part of a strategy should include planned steps to ensure that advisor-COI relationships deepen and generate significant benefits over time. The process should help you:

- **Create a formal engagement plan to meet COIs' expectations.** Schedule and detail the specific interactions you will have with COIs over a 12-month period. They should include interactions with specific business purposes (collaborating on client situations), as well as interactions designed to reinforce chemistry and trust (lunches, golf outings, and the like).
- **Stay relevant.** Maintain momentum by helping COIs serve their clients better. For example, tell COIs about any relevant changes in a mutual client's life or about changes to a mutual client's wealth management plan.
- **Continue to give COIs the "advisor experience."** Provide COIs with plenty of reminders of what it is like to work with you and the value you bring both to clients and to the COIs themselves. Create opportunities to learn more about each other's business.

- **Ensure transparency.** The best COI relationships are strategic. Being transparent about firm operations and processes, providing diligent, open communication around serving clients, and setting and meeting expectations ensure there are no surprises.
- **Create a COI service culture within the firm.** Firms with the most successful COI referral programs create a culture of COI service in their businesses—much in the same way they create a client service culture. This service culture ensures that all partners and staff treat professionals who are (or may become) valuable referral sources with the same care clients receive.

A documented COI engagement plan often helps create a structure that fosters a firmwide COI service culture. Creating processes and communicating them to everyone in the firm, and using customer relationship management systems and other technology tools, can promote consistency and accountability among team members.

Conclusion

COI referrals can be a major driver of firm growth. But make no mistake: Success in this area does not happen quickly or by taking a casual approach.

Building deep and meaningful professional relationships with a select few COIs who refer highly qualified clients requires a well-planned, focused strategy and documented processes. It also requires commitment to the time, energy, and resources needed to implement and maintain a COI referral program that truly pays off.

Those advisors who do not have strategic processes in place or fail to follow through with them are bound to be frustrated by the return on efforts and time they invest. But for those advisors who do, the processes they use to engage COIs with confidence can help them stand out from the competition. These advisors are able to demonstrate their value and forge deep business relationships with other professionals that generate significant growth from referrals of high-quality clients.

To learn more about COI referrals and the ways Schwab can help you—including Schwab's Insight to Action Program engagement to help you design a results-oriented COI strategy for your firm—contact your Schwab relationship manager.

The following MKT reports are available in electronic or hard copies to advisors who custody their assets at Schwab. To learn more about these and other resources, visit the Practice Management section of News & Resources at schwabadvisorcenter.com.

- Many Firms on Track to Double in Size: Insights From the 2013 RIA Benchmarking Study From Charles Schwab
- Best-Managed Firms: Mastering Strategic Planning
- Best-Managed Firms: Client Segmentation Strategies

METHODOLOGY

As part of our research, Schwab interviewed eight independent advisory firms that were particularly successful in generating new business from COI referrals to gain insight into the issues and considerations related to COI referrals program development. In addition to this firsthand information, we analyzed studies from industry thought leaders and leveraged our own knowledge and expertise gained from years of consulting with advisory firms.

In addition to third-party sources referenced in this study, data cited in this report comes from the 2013 RIA Benchmarking Study from Charles Schwab, which comprises self-reported data from 1,025 advisory firms that custody their assets with Charles Schwab & Co., Inc. Participant firms represent various sizes and business models. They are categorized into 12 peer groups—6 wealth manager groups and 6 money manager groups, by AUM size. The RIA Benchmarking Study is the largest study of its kind focusing exclusively on RIAs, and it captures detailed insights on topics such as asset and revenue growth, sources of new clients, products and pricing, staffing, marketing, technology, and financial performance.

The RIA Benchmarking Study's "fastest-growing firms" are the top 20 percent of firms as determined by 2012 net organic growth. This cohort includes 90 firms out of 451, all of which have $250 million or more in AUM. This group represents 90 percent of the total assets of all firms in the study. Net organic growth—the change in assets from existing clients, new clients, and assets lost to client attrition—is the area over which RIAs have most control. Thus, it is the growth metric used for the analysis.

The study is part of Schwab's Business Consulting Services, a practice management offering for RIAs. Grounded in the best practices of leading independent advisory firms, Business Consulting Services provides insight, guidance, tools, and resources to help you strategically manage and grow your firm.

FIRMS INTERVIEWED

We thank the firms listed below for their participation and the insight they shared during interviews for this project. Schwab selected these firms after reviewing data from the 2012 RIA Benchmarking Study from Charles Schwab, which comprises self-reported data of 1,025 advisory firms that custody their assets with Schwab:

Bridgewater Advisors Inc.	New York, NY
CRA Financial, LLC	Northfield, NJ
Delphi Private Advisors	San Diego, CA
Foster Group, Inc.	West Des Moines, IA
Greenleaf & Burleson Wealth Management, LLC	Petaluma, CA
Heritage Financial Services, Inc.	Westwood, MA
Shulman DeMeo Asset Management LLC	Lake Success, NY
Silver Oak Wealth Advisors, LLC	Los Angeles, CA

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