

The Real Value Audit

Do you give your clients a Motel 6 or a Ritz Carlton experience?

By Giles Kavanagh

Here's a dilemma that may sound academic, but is worth contemplating: Does value that is not perceived exist? As we have been coaching you through our numerous columns on the seven-step Value Ladder™ process, you have to know your value before you can price it—you have to articulate your value in order to deliver it—and your clients must fully understand your value before they can appreciate it ... and eagerly pay for it!

In essence, value is the level of benefit that your client assesses he or she receives(ed) as a result of your deliverable to them. But what is the advantage of delivering high levels of value to your clients if they ultimately don't appreciate it?

There is no advantage, of course. Certainly not to you, and probably not to them as well.

You may already have discovered that a "value disconnect" exists between you and your client. But you can easily change your client's perception and understanding of what you do, how you do it, and why you do it—it's all about open communication and having a system that allows for the free flow of conversation and the eventual assessment of the interaction that takes place between you and your client(s). An organized and methodical communication system is key to long-term partnerships. Then, armed with the initial information you gather from client dialogues, you can assess whether your perceptions of value are aligned with those of your clients.

In order to help you do this effectively, we'll show you how to assess the value you believe you provide, and that which you have received in return. We believe that only mutually profitable partnerships endure.

The Real Value Audit—Closing the Gap

What is a Real Value Audit? It is a process, a me-

thodical examination and review, that you can use for one-on-one meetings, yearly or more frequently, dedicated solely to discussing how you and your clients are providing each other with value. A Real Value Audit is a two-way street. It is a "critical pause" in a relationship, during which you assess the value you believe you have given and received, and then you assess whether your perceptions are aligned with those of your client.

Advisors often assume or just take for granted that clients appreciate the value they are delivering. Not surprisingly, many clients don't even know what has been done by their advisor on their behalf. This gap in perception begins to chip away at the relationship until both parties fail to see value, and it eventually may break down altogether.

Conversely, clients may not know that you appreciate the value they deliver to you.

Consider referrals. Most advisors sincerely thank clients for referrals. However, how many advisors actually quantify the value that a successful referral means to their practice? Would a client not feel appreciated if, at the end of the

year, an advisor said, "Ms. Capuano, you sent me five referrals. Three have since become clients. Their accounts total \$750,000. As I charge a 1.5% fee on assets, in the first year alone I have received \$11,250 from your referred accounts. This has been of direct value to my practice and me personally."

The Real Value Audit flows naturally from several core beliefs that we teach:

1. Value is an overused concept, precisely because it is so important.
2. You must be convinced that your clients are convinced that you add value.

Too many advisors fail to take the time to find out



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what it is that clients value about their mutual relationships. Equally, too few advisors take the time to articulate the real value a client can provide them.

To ensure that you stay on track with clients and close the gaps causing these “disconnects,” we encourage you to consider conducting a Real Value Audit of your client relationships (or partnerships).

Benefits Of Using The Real Value Audit

By using the Real Value Audit, most clients will react well to knowing:

1. They are important enough to you that you track, reflect on and evaluate the value you provide them;
2. You do not take them for granted;
3. You truly appreciate the value they provide;
4. You are thorough and detailed;
5. Your relationship with them is important and long-term oriented, and you will devote time specifically to discuss and review the two-way value exchange on an annual basis;
6. You are relentless in your pursuit of serving them better;
7. You are confident, open and honest.

Clients will also have the opportunity to share with you aspects of your value to them that you may not have considered or appreciated. You are allowing your client to “open up” and have a candid and respectful two-way dialogue with you. Ask questions. Then just let the tape run, so to speak—or literally. It’s useful to use a digital recorder. Resist any modesty-driven reflex to stop them from extolling your value. Details can be revealing. Also, resist the urge to defend yourself when the client challenges or doubts your value. You will have a chance to summarize what you have heard. If appropriate, you can respond, but we recommend that you reserve the Audit for “fact-finding” only.

Hidden benefit: What you learn from one client may be of significant value to another client, thus helping you better serve all of your clients. On the flip side, you may also discover that one or more clients simply do not value much of what you have delivered. Real Value Audits are essential tools for con-

Annual Client Review	Annual Real Value Audit
A one-way discussion focusing on your delivery of value.	A two-way dialogue during which the client discusses your value to him or her; you, in turn, list the client’s value to you.
Dialogue about client’s personal situation, and how any changes affect financial goals.	Talks past the “numbers.” Focuses on the emotional, quantifiable impact of your value. Client is able to internalize and articulate received value.

firming whether your priorities are aligned, and whether your relationship is calibrated to the right level. And whether or not you should even continue the association with an individual who does not acknowledge or appreciate your value. (Life is too short, yes?)

Consider sending the key points or highlights in a summary Real Value auditor’s report to all of those who participated. Surely, your clients will want to know what other clients said about your value to them.

Client Review Vs. Client Real Value Audit

A Real Value Audit is significantly different from an annual review. Here’s how:

It’s important for us to reflect for a moment now on Step Four of our Value Ladder, which helps advisors to develop a “process” in response to the question, “How do you do what you do?” or, “How would you work with me going forward?” As you already know, developing a branded, unique process is critical for every advisor. We believe that a unique process is a counterweight to the inherent uncertainty of investing.

What do we mean?

Simply this: While you cannot promise investment results, you can promise a consistent and unique level of service. Clients react well to knowing how you will work with them to achieve their goals. The challenge with many client processes, in our opinion, is that they are boring, they are predictable and they use the tired phrases “review” or “review progress” or “monitor” to describe performance evaluation meetings.

You can almost see the client’s eyes glaze over when they sit down in front of a bunch of charts and figures to review portfolio performance on a quarterly, semi-annual or annual basis. If your client reviews always revolve around reviewing the performance of their portfolio and how it reflects their investment policy statement, you are missing a serious opportunity to deepen your partnerships.

Through our training and in our retreats, we encourage committed, dedicated and serious advisors to incorporate Real Value Audit meetings solely around assessing real value with clients at least once a year as part of their client services process. Plus, it should also be a separate meeting, not a discussion tacked on to a regular client review, and certainly not during a product or investment solution discussion.

By doing a thorough, two-way Real Value Audit with your clients, you’ll discover your clients’ answers to important questions, and whether or not they believe you are their real value-added financial concierge. As my partner Leo Pusateri asks advisors in his presentations:

“Are your clients looking for a Motel 6 or a Ritz Carlton experience?”

Something to think about. ©

Giles Kavanagh is partner and chief operating officer of Pusateri Consulting and Training (PCT) in Williamsville, N.Y., a global sales training firm that empowers financial organizations and individuals to discover and articulate their unique value. For more information on the Real Value Audit, please visit their Web site, www.pusatericonsulting.com.