

# REFERRAL READY

## It's the DINNER HOUR

on Glacier Street in Barrhaven, Ont., a fast-growing suburb of Ottawa, and the China-laden table beckons company.

Tonight's menu consists of Atlantic salmon drizzled with a maple syrup glaze, asparagus, scallop potatoes, salad and a warm baguette. Carmel chardonnay from Israel flows into crystal goblets and dessert will be a light fruit salad accompanied by a delectable selection of home-baked goods. But this isn't your average dinner party. The guests are eager to do some big business this March evening—the business of boosting the businesses of each member present. It's certified financial planner Diane Koven's newly formed referral network.

Koven, who works for Clarica Financial Services Inc., has long been familiar with the concept of referral networks. For the past six years, she's been actively involved in a number of them, particularly larger, more structured ones. But she feels the 100-person memberships are too big and formalized to provide value. And shelling out \$250 in annual dues is too expensive, especially when referrals aren't materializing.

Yet Koven has continually heard about advisors who land significant books of business through referral networks—advisors such as Edmonton

Does your book of business need more pages? Consider setting up your own referral network.

BY HEIDI STASESON



*Diane Koven (centre) with referral group members.*

CFP Keith Hatton, who attributes 20% of last year's business activity to referrals gleaned through his 20-member downtown club.

Hatton's most valuable referral came through a lawyer in the group. The new client was building a new house which,

once finished, would cost \$900,000. The only feasible way the client believed he could raise the capital was by taking money directly out of his own company. But the client realized he would then have to pay taxes on a gross income of

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\$1.5 million. “We showed him how to take the money out of the company without the tax implications,” says Hatton. “It was a substantial advantage for the client. And the lawyer was happy because [the client] had to set up a new company and do a bunch of legal planning. And, of course, it was very lucrative for me.”

These types of success stories helped prompt Koven to start up her own informal referral club last fall. Tonight is the fifth meeting. There are only six members and the club doesn’t have a name yet, but each member shares a common goal—to generate business referrals in a setting that’s light on structure and heavy on communication and camaraderie.

“It’s a group of people who just want to get together, get to know each other, respect each other, have things in common and will help each other,” says Koven of her posse of professional women in their early-30s to mid-50s. They include three lawyers (each with a different specialty), a chartered accountant (CA) and a mortgage broker.

The members prefer the dinner format because it’s easy to organize. At its inception, they tried lunching, but Koven says it became harried with members having trouble synchronizing schedules. And this way, with their monthly meals, it’s really up to the host to decide what’s being served. As long as she provides something edible, along with wine, that’s all that counts, says Koven. After all, the real purpose for the meeting is to fill referral requests, not stomachs.

Members enjoy the rotating dinners

because only the host has to pay for the provisions. They also complement the idea of a small-sized club. “Eight people is probably optimal because you can sit comfortably around someone’s dining room table,” says Koven. “The atmosphere is conducive to really getting

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to know each other—to be relaxed and not in a rush because you’ve blocked the time off and you can really talk.”

Marie Hartmann, the CA present at the dinner this evening, agrees. “You can just be yourself and talk about anything. It’s an opportunity to learn about other professions that will indirectly affect me in my work,” she says.

Koven believes the success of a small referral network depends 100% on the composition of the group. “It really is important to think long and hard about whom, personally and professionally, you want to join, and then just try to find them. The idea is to get referrals—not to look in the Yellow Pages.”

Planning the structure of a referral network isn’t a breeze. Certainly, forming a club with good professional and collaborative representation is important. But Koven soon discovered a plethora of questions and concerns that inevitably arise when fashioning a winning blueprint. Here are some simple dos and don’ts advisors suggest for starting up successful referral networks.

**Do be patient.** Fostering a referral relationship requires patience and nurturing before a proper rapport can be established, says Keith Hatton, an advisor with Hatton Financial Inc. in Edmonton. “It takes time for people to merge and grow into it,” he explains. “If

some new member, such as a real estate agent, just walked in and plopped himself down, and I already know 20 real estate agents, why would I feel comfortable giving this new kid a referral? I’m going to deal with someone I’ve known and trusted for 20 years.”

**Don’t complain about cost.** David Fox-Revett, a senior financial consultant and CFP with Investors Group in Newmarket, Ont., quips: “Have you ever done a marketing initiative that doesn’t cost money? Everybody wants to get something for nothing, and everybody complains that the fees go to line the pockets of the people that organize it. Well, that’s life. Get over it!”

**Do understand providing referrals is a two-way street.** “Bring leads for other people,” says Sterling Rempel, a Calgary-based CFP with Future Values Estate and Financial Planning (registered with Quadrus Investment services Ltd. and Great West Life). “People may feel beholden to you if you continue to feed them leads and they know very well they

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haven't sent you any—eventually people will seek to rectify that.”

**Don't neglect to follow up.**

Rempel's former manager once told him referrals are like bananas—they go over-ripe after a week. “If somebody trusts me enough to send me a lead, I have a duty both to the person who referred me as well as to that prospective client,” Rempel says. “I make it a practice to send out thank-you notes to the person who referred me.”

**Do build rapport.**

Fox-Revett believes many advisors are lazy. “Only 20% of the population really wants to work. The other 80% of the population would just like to have it given to them on a silver platter,” he says. “People will come and go because the business never really [materialized], yet they never really built any rapport. Networking groups require you to work.”

**Don't ignore competition factors.**

“If there are two realtors in a group and one is also a mortgage broker, then that person would be the mortgage broker as opposed to the realtor. If we had several realtors, we'd encourage people to find another group,” says Rempel.

**Do keep it engaging.**

Hatton has an incentive-oriented agenda in his group. “At every meeting everybody stands up and gives a 60-second infomercial. We have one of our members do a 15- or 20-minute presentation. Then we do referrals. Everybody fills out referral slips. If you don't give a referral, you pay a buck. And if you come late, you pay a buck. If your cell phone goes off, you pay a buck!”

**Don't be loosey goosey with the agenda.** Rempel says it's key to set and enforce rules. “If a person exhibits

they're not committed to the group, then ask that person to leave and then find somebody in that industry who is willing to commit.”

**Do pick the right professionals.**

Rempel's Calgary club, for example, is made up of a motley crew, including a lawyer, realtor, new home sales associate, mortgage broker, office furniture retailer, CFP and a pawn broker.

**Don't limit your referral strategy to your group.** “We all know it's easier to get referrals from an existing client. But I also have periodic lunches with different centres of influence—predominantly accountants and lawyers,” Rempel notes. “I speak on charitable giving so I have access to a number of different people in that domain.”

**AE**

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