



EPISODE TRANSCRIPT

Creating a Referral Engine: An Expert's Advice on Asking for – and Receiving – the Right Introductions

A conversation with Bill Cates, President of Referral Coach International

Mindy Diamond:

Welcome to the latest episode of our podcast series for financial advisors. Today's episode is, creating a referral engine: an expert's advice on asking for and receiving the right introductions. It's a conversation with Bill Cates, president of Referral Coach International. I'm Mindy Diamond, and this is Mindy Diamond on Independence.

Mindy Diamond:

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Mindy Diamond:

I'm sure that every one of our listeners has purchased a product or used a service based on the opinion of a trusted friend or colleague, and in most cases, individuals who are happy with someone they worked with or something they purchased that they'll share that information, whether in a one-on-one conversation or on mass via social media. The reality is that such referrals work. The data collected in countless surveys, reveal that some 90% of individuals feel more confident in working with someone who was recommended, plus they're nearly twice as likely to convert to clients and have a 30% to 40% higher retention rate than customers or clients gained by other means such as cold calling or advertising. Yet how do you turn the tables and get clients to refer or make those introductions for you?

Mindy Diamond:

While the stats tell us that asking trusted clients to refer us is the right thing to do many feel uncomfortable or simply don't attempt to do so because they really don't know how. That's why we ask Bill Cates to join us on this episode. Bill is widely recognized as the foremost expert in the art and science of acquiring new clients through referrals and personal introductions. As the president of Referral Coach International and the founder of the Cates Academy for Relationship Marketing, Bill has helped financial professionals move from incremental growth to exponential growth by communicating more compelling value and multiplying their best clients by accessing the power of referrals. Thousands of financial advisors are using Bill's relationship marketing system to enhance client engagement, create more effective personal introductions and communicate more relevant and compelling value.

Mindy Diamond:

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Page 1 of 21



EPISODE TRANSCRIPT

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Plus, Bill has not only coached some of the most successful advisors in our industry, he is also a coach to our team at diamond consultants. Bill's a bestselling author whose third and latest book, Beyond Referrals lays out the steps to converting referrals, to what he calls engaged introductions and ultimately new clients. So in this episode with Louis Diamond, Bill discusses, what makes referrals so valuable? Share's advice on how to get beyond the discomfort of asking your clients for referrals, how to turn a referral into an introduction and much more. So let's get to it.

Louis Diamond:

Bill. Thank you so much for joining us today.

Bill Cates:

You bet Louis, it's great to be here.

Louis Diamond:

Very good. Will you start by sharing a brief background on where you started and how you got to where you are today?

Bill Cates:

Sure. I'll try to do the short version and not go all the way as far back as when I toured the country as a drummer in a rock and roll band. That's another interview for another time, but essentially I owned a couple of businesses, book publishing companies to be exact. I sold the companies, one for some pretty good money, the other one to essentially get out of the partnership and cover my debt. Sometimes when you sell a business, you make a lot of money, sometimes you just get out of a bad situation. So I had a little bit of both and I was looking for the next thing to do, and a friend of mine actually suggested I get into the business of consulting and speaking and writing. I hadn't really considered that because I've had seen a lot through business and I had MC'ed some events, I was pretty good on stage.

Bill Cates:

So essentially I became a bit of a sales trainer focusing mostly on client acquisition, on prospecting. I liked the thrill of the hunt if you will, and in that, of course is referrals. Referrals is a form of prospecting. I think it's a higher form than others. Nonetheless, we're being proactive and we're trying to reach people that way. So slowly but surely I started to focus on that and in 1996, before some of the folks listening to this were born, the book came out, the first book called Unlimited Referrals, and since then I've written five, six other books around referrals and around how we talk about our value all for financial professionals, such as the folks that are listening today.



EPISODE TRANSCRIPT

Creating a Referral Engine: An Expert's Advice on Asking for – and Receiving – the Right Introductions

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Louis Diamond:

Very cool. How come the intense focus on referrals? What was it about the referral that really sparked you and led you to kind of have the 2.0 of your career focusing on helping financial professionals access the referral network?

Bill Cates:

That's a good question. Well, what happened is I was actually driving to a speaking engagement from Maryland. I live in Annapolis, Maryland going to Philadelphia and I was listening to an audio tape. Some of you remember what an audio tape is and it was from this guy, it was called expecting referrals or something like that. He was from the life insurance business. So it was life insurance and a little bit of old school that I know nobody on this call wants to look like or sound like, I get that. But I liked some of the concepts and I started thinking, well, if I was going to teach this, I would do it this way and this is what I liked. I was looking to write a book, I wanted to be highly focused and be a specialist and expert in a certain area because I knew that would be good for my career in this area.

Bill Cates:

Teaching a little bit, people were responding well to it. So then I decided to write a book and this was just when the internet was coming out. I went to the library to access the internet. There wasn't a lot out there on this topic, and most of what was there was in the financial services arena, which was great. What's great about what I teach is that everybody wants to meet more clients through referrals because that's how their clients want to meet them. So it's a great topic to focus on, and most people aren't very good at it. Most people wish they were better.

Bill Cates:

So it's nice to have a solution to a problem that people already know about as opposed to try to fare it out a problem that they're not aware of, which is what financial professionals have to do quite often. The landmines in planning and people don't know they need more insurance or other types of planning. So it's a little easier to come with solving a problem than people already know they have. I didn't know that 30 years later I'd still be teaching this and become known for this throughout the industry, but it's been a wonderful ride.

Louis Diamond:

It sounds that way you fell on just the right topic, one that is a driver of business. So you're on the offensive side of the industry, which is always fun. We look at our business in a similar way where we're doing something that people are interested in, but people aren't always comfortable engaging with that part of their mindset. It's sometimes uncomfortable to think about change or to think about putting



EPISODE TRANSCRIPT

Creating a Referral Engine: An Expert's Advice on Asking for – and Receiving – the Right Introductions

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yourself out there to ask for referrals. So I want to ask you about some of the books you've written. This is a shorter podcast. So we won't go through every book, I know you've written a lot, but what are some of the primary themes of your writings?

Bill Cates:

Sure. Well the three books I have on referrals all published by McGraw Hill, Get More Referrals Now, which was really a redo of the first book that I had initially self-published and McGraw Hill picked it up, that's Getting More Referrals Now. That essentially covers client engagement, customer, client service, and how to ask and how to be appropriately when you ask and a few things like that. Then the second one came out was called. Don't Keep Me a Secret, which is a phrase that I didn't invent obviously, but I've kind of popularized it within financial services, and it's a cute little phrase that one could say to clients, other folks, when they see the value, "Hey, great. Don't keep me a secret out there." I know that doesn't fit everyone. So we have others, but that was that book, and that was just a little further along with my referrals.

Bill Cates:

Then beyond referrals, what happened is I realized that, of course the referral isn't the end game, the referral is a means to an end. It's an advantage to be working that way, but the end game is the new client. So it covers the referral process, how they ask, and then it talks about appointment setting and how we talk about our value and things like that and how we gain the client, a little bit of sales skill, if you will. Then the last book I wrote, Radical Relevance really is all about the value and how we think about and talk about our value to prospects and clients.

Bill Cates:

This is a little bit of a shift, because what I said, referrals was prospecting and most financial professionals get taught to prospect. Whether cold calling or leads or other things like that. But very few get taught how to market, how to create messaging that actually draws people to them, and that's what Radical Relevance is about, is how do we start to attract the right people to us. Look, prospecting is always a piece of the puzzle, but it can be less of the puzzle when you have the right messaging and you're reaching the right market. Everything gets much easier that way. So that's in the nutshell what I've done.

Louis Diamond:

In one of your books, I forget which one it was, I've read all three, but you talk about the perpetual revenue system. So I think it's a trademark term of your organization. Can you walk us through that quickly if you don't mind? I think it'll help to frame the rest of our discussion pretty nicely.



EPISODE TRANSCRIPT

Creating a Referral Engine: An Expert's Advice on Asking for – and Receiving – the Right Introductions

A conversation with Bill Cates, President of Referral Coach International

Bill Cates:

Yeah, I think so. It's pretty simple. None of this is rocket science, but having it clear and spelled out always helps. So the first part is client engagement, researches show that there's a low correlation between client satisfaction and providing referrals or introductions. What we really need to create is engage clients, and this is a connection on the value level and connection on the personal level. So there's a lot of things we can do there throughout the lifetime of relationship to create this feeling of engagement. That's when we're becoming referable. The next step is leverage, how do we leverage that? How are we appropriately proactive without sounding or looking like the cheesy referral guy?

Bill Cates:

I say that because I have had people call me for my coaching programs and say, "Bill, I know I need a process, but I don't want to look like that cheesy or creepy referral guy." And I said, "Good, because I don't want you to look like that either." So that you per you can promote referrals or introductions. You can ask, again, without looking like an over aggress life insurance agent and then a connection. So these days I often say referrals are worthless and they go, "What do you mean? You're the referral guy" Well, they're worthless because it's just so hard to reach people, you got to get introduced, you got to get connected. So it's all about getting connected and connected in the right way so that you increase the chances of setting the appointment and moving forward and winning the business.

Bill Cates:

But the neat thing is that if you imagine a cycle or a circle, if you get connected and then you use the principles of engagement with this new prospect who then becomes a client and then you leverage and then you connect and then you engage, it really can continue forever. I have coached and also interviewed people who have very successful referral only businesses, in some cases they're proactive and they ask, in some cases they don't even ask and they're still very effective and successful with that. So that's the essence of that, and having that simple system in place and you follow it really makes a huge difference.

Louis Diamond:

So two jumping off points from what you said that I wanted to just address real quick. So the first one is the fact that it's a system that it's not just Willy nilly asking people, it's having a thoughtful and repeatable process that becomes part of your routine, and I think that's exactly right. The second thing I wanted to mention was just the attractiveness for really most advisors in having a business that is completely reliant upon client referrals or the golden ticket is to have a business where you don't even need to ask for referrals or market yourself, that people just come in because of your quality client service.

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Page 5 of 21



EPISODE TRANSCRIPT

Creating a Referral Engine: An Expert's Advice on Asking for – and Receiving – the Right Introductions

A conversation with Bill Cates, President of Referral Coach International

Louis Diamond:

So I'm excited to keep rolling through this because it seems like if you follow a process and one that you lay out that there's a lot of growth on the other end of the rainbow and that advisors can move away from the dreaded cold calling and going to golf tournaments to meet people, and instead can use their own work product as a way to enhance their revenue and create this cycle that you mentioned. So I'm excited to keep going here. Let me ask you though, Bill, why do referrals work?

Bill Cates:

It's actually a pretty simple answer and I can summarize it in two words, and that's borrowed trust. We borrow the trust in one relationship long enough to earn our own trust in the new relationship, and then we take it from there. We live in a world where obviously it's hard to reach people. It's hard to get the foot in the door. It's hard to get people to answer the phone, et cetera. So the fastest straightest line to relevance with someone who doesn't know you is an introduction from someone they trust and someone we're working from that borrowed trust, everything else gets easier and people are more likely to follow your recommendations because their friend or colleague or family member followed your recommendations, we get referrals. You can use the referral process to move up market if you will, to get referred up rather than later and down, or if you're trying to pick up a niche market, you can use it to enter different kinds of markets.

Bill Cates:

But probably more than anything, the reason why it works is because that's how most people want to meet advisors of different types. There are a lot of studies out there. The last one I saw was done by Schwab a little while ago, and essentially said that of affluent investor type clients, clients who do planning and investments, 16% met their advisor through a seminar, through a lead program, through something like that. 84% met their advisor through a recommendation from someone else they already trust. A friend, a family member, a colleague or another trusted advisor, like an accountant or attorney. So to me it just makes sense that we build a business based on how people want to meet us. We build a business based on the path of least resistance.

Bill Cates:

The problem is that because people have misconceptions about referrals and introductions and limited thinking around this and how they can make it work, that they look for other ways, and the problem is that those other ways work a little. If they didn't work at all, then nobody be doing them, but they work a little. So people think, oh, okay, I can do it this way. But it's so inefficient. I was interviewing a top advisor the other day for my podcast and he called LinkedIn, the new cold calling. This is not to diminish the fact that some people are having some success on LinkedIn, but we've all been cold called on LinkedIn. It's not the phone ringing. It's not an email.

Note: This is a transcription of a spoken word dialogue and as such there may be errors and/or omissions.

Page 6 of 21



EPISODE TRANSCRIPT

Creating a Referral Engine: An Expert's Advice on Asking for – and Receiving – the Right Introductions

A conversation with Bill Cates, President of Referral Coach International

Bill Cates:

It's a different kind of message. People who have no idea who we are, really what we do, it's a generic copy paste probably put in by a robot. So people get distracted by social media. They get distracted by all these other things that can produce some results, but it's not necessarily how people want to meet you. It works by default because they haven't been introduced by someone else they trust.

Louis Diamond:

You kind of laid it out perfectly that according to the Schwab study, 84% of clients that are working with advisors came by way of a trusted referral. So that is pretty hard data to show that not only can referrals be a really efficient way to gain clients, but it's also the primary way that clients prefer to meet advisors. So again, bolstering your case here. I'm wondering though, does asking for referrals, is it specific to financial advisors? Where does it work better with financial advisors than it would an interior designer or a life insurance agent or pick any industry? Is there something about financial advisors that lends itself particularly well to asking for referrals?

Bill Cates:

Yes, and it's a little bit of a double edge sword in that because our financial worlds, generally speaking are fairly private. We pick and choose who we're going to talk to. Some clients barely talk to anybody about it. Some are a little more overt, but because it's around personal finance, that's one aspect that makes it a little bit more difficult in the sense that people might be thrilled to refer their interior designer to a neighbor, but they might not be quite as thrilled to refer their advisor to their neighbor, unless their neighbor may be asked, who are you working with? Do you like her or do you like him?

Bill Cates:

Now, on the flip side of that, because this is how people want to meet advisors and consultants and agents. It works better in the sense that's how they want to meet this person. What I mean by that is someone might very well go shopping for an interior designer or for other types of product, services, not be introduced, but go on the internet and look at pictures and examples and that sort of stuff, and may feel fine moving forward with hiring that person.

Bill Cates:

But on the other side, a lot of people just will get stuck and won't go anywhere and do any until they can be introduced to someone, they're not going to go shopping on the internet. Some do, but very few do. So it's a double edge, if that makes any sense. One part it's a little harder on the other part, it's even more important for financial professionals because we're dealing with this private and very important aspect of somebody's life.

Note: This is a transcription of a spoken word dialogue and as such there may be errors and/or omissions.

Page 7 of 21



EPISODE TRANSCRIPT

Creating a Referral Engine: An Expert's Advice on Asking for – and Receiving – the Right Introductions

A conversation with Bill Cates, President of Referral Coach International

Louis Diamond:

That makes complete sense. I probably like many who are listening to this am oftentimes uncomfortable asking advisors that I work with for referrals or asking clients because it feels like it's putting the focus on me versus on the client. I don't want it to be about me, I want it to be more about the experience and the service that I'm providing to a financial advisor. So what would you say to this? So either to me, as someone who may ask an advisor for a referral, but also to advisors who may be up in their heads about not wanting a client to think, as you said, the over aggressive life insurance agent, who's caring about growing their business and not necessarily about servicing that client relationship.

Bill Cates:

A lot of advisors don't ask because of that, they don't ask because they don't want to look needy. They don't want to look unsuccessful. They don't want to make it about them, all of these things, and they're all legitimate ways to feel and you don't want to look like that. The key is having the right approach. So this is a good time for me to give my definition of financial leadership, because I think when you embrace yourself as a "financial leader" you take a leadership role in clients' lives, then this starts to become a little easier. I'll give you a couple examples. So my definition is helping people make financial decisions that are in their best interest that they wouldn't make without us, and that's the work of good advisors. Helping people see what needs to be done and helping them see the importance of it and why maybe it needs to be done sooner than later.

Bill Cates:

It's no longer aspirational, but it's becoming more critical as time goes on and it takes courage to do that. It takes courage to question prospects and clients' assumptions or beliefs about certain things. That's how we take a leadership role. That's the whole basis of what I teach in the sense that it's about that. Yes, we are asking for help, but we're asking for help to help others. We're asking for help to bring the important work we do to others. So a big piece of this Louis is just believing in the work that we do, and believing that our work is worth sharing and how do you know if it's worth sharing? Well, some clients are giving you unsolicited referrals. Hopefully, hopefully everyone, this call, at least if they're an advisor, I know not everyone listening is an advisor or consultant, but we should all be getting referrals without asking. If we're not, then we got a lot of work to be done on that side of the fence.

Bill Cates:

So going from that place of bringing our value to others. So here's what I found. I want to tell you about a coaching client of mine, Al Fox, Al doesn't mind me talking about him, and I won't mention his firm, but pretty well known. Anyway, he came to me, he had 300 million of assets under management. So he is doing pretty well, but he knew that he wasn't comfortable with the referral thing and some other things we worked on and some people are naturals, he wasn't really a natural. We had the flipping

Note: This is a transcription of a spoken word dialogue and as such there may be errors and/or omissions.

Page 8 of 21



EPISODE TRANSCRIPT

Creating a Referral Engine: An Expert's Advice on Asking for – and Receiving – the Right Introductions

A conversation with Bill Cates, President of Referral Coach International

switch inside his brain that got him comfortable with this, and it was really about shifting his perspective more than anything else. We talk about scripting and the tactical sides of it, but the first part had to happen was a shift in his mind.

Bill Cates:

So the switch that we flipped was you don't make it about AI, you don't make it about the old ways that you probably got taught, you make it about the value you're bringing to others. I said to him, I said, "So there anyone on this planet, or at least in the United States that you sit down with that you couldn't help in some form or another." "No, I'm sure I could help pretty much anybody, there's always gaps in what people are doing." I said, "That's where this has to come from, knowing that you have that great value."

Bill Cates:

So in 2020, he grew over seven years from 300 million assets under management to over a billion. That's a nice number, billion begins with Bill, just so I throw that out there. But it was that aha, that switched, that flipped inside his head that made him realize we don't make it about ourselves. Clients know you win from this, that's why we don't have to hit him over the head and say, "Here's how I get paid," and all those old stupid ways of doing it, they know. But here's the neat thing, here's the dynamic that creates advocates for our business. We make it mostly about the value, of course, but in the work you do, most advisors are pretty good at helping clients get a sense of vision for their future financial life.

Bill Cates:

Whether it's five years, 10 years, retirement, past retirement legacy for family, all those things. If we help people get clear in that's a lot of value that we bring and then we help plan and manage the money to help them accomplish that. Well, what happens is over time, since you've helped people get clear on their vision, it's okay to start to pull back the curtain a little bit and share a little vision for your business and what you're trying to accomplish.

Bill Cates:

So it doesn't have to be 100% about spreading the value to others, it's helping you help others. So when they love us and they care about us and our success in this business, and a lot of clients do care about our success. They want us to be successful, because they want us to stay. Some clients will say, "What can I do for you?" I'm sure most people on this call have experienced client saying, "This is great. This is wonderful. What can I do for you?" Well, there you go. Now, you know your values, we're sharing. I know I went on a little rant here, but that's the way I see it, and when you make that shift, it usually gets much easier for a lot of people.



EPISODE TRANSCRIPT

Creating a Referral Engine: An Expert's Advice on Asking for – and Receiving – the Right Introductions

A conversation with Bill Cates, President of Referral Coach International

Louis Diamond:

I love that, asking for help to help others, and it has to come from a place of knowing with all of you that you can help people and that you add value. If you don't believe that, then it does come across as cheesy or salesy. If you're selling a widget, it feels less soulful and authentic to ask for referrals. So every advisor knows what they're good at, how they can help people, and as long as you keep that in the back of your mind, it seems like a pretty effective tactic to get over the hump of putting yourself out there to ask, because by asking, you're not focusing on yourself, you're asking about helping others that this client or this individual may also want to help by sharing your services. I love it. So Bill, what does it take to get referrals? I know this is a big question, a lot to unpack there, but what are some of the key things that we should all be doing to become more referable?

Bill Cates:

Sure. So you hit the word right there and you need to become referable, super referable. So Julie, little child with a firm called Absolute Engagement out of Toronto has done these studies. She does lots of research and does some good stuff. One of the things, I mentioned this earlier that there's this low correlation between satisfied clients and participating in this fun introductions game and engaged clients. So what's an engaged client. Well, you've made a value connection and you've made a personal connection. So what I want people to think about is the three stages of the client relationship. The first part is X, really? This is a prospect. It's the courtship. They're not yet a client, and then there's the new client, and this is the onboarding process, which I'll mention a little more in a second, because this is an untapped goal mine that most advisors just totally miss.

Bill Cates:

Then there's of course usually the longest part of the relationship, which is the ongoing relationship. So what we want to do is make sure that we have strategies and tactics in place to bring value and build the personal connection throughout. There's a value connection and personal connection throughout the entire relationship. This is why a lot of advisors do very well having client appreciation events and things like that because it's part of the personal connection. It's part of that side of the relationship, which is every bit as important as the value side of the relationship.

Bill Cates:

One study, I just saw Louis and I can't really quote it because I got to track down the original source of it. It was in an article I was reading, but it essentially, it said that 29% of advisors believe that the personal side of the relationship, the personal connection with the client is important, but 68% of clients said the personal connection with the advisor is important. So there's a disconnect there. So how do we bring value? How do we add personal connection throughout the entire relationship? That's how we become super referral.

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Page 10 of 21



EPISODE TRANSCRIPT

Creating a Referral Engine: An Expert's Advice on Asking for – and Receiving – the Right Introductions

A conversation with Bill Cates, President of Referral Coach International

Bill Cates:

When I started my podcast about a year ago, I knew some folks that had referral only businesses. A lot of people have referral only businesses, but they're not necessarily successful businesses. The few clients they do get a lot of people have a negative net, new household account some years. Okay, the three they got were referrals, I guess one could say that's a referral only business, but it's not necessarily a robust and successful business. But then I started interviewing some folks and I learned a lot myself of how one can really create referral only and without even asking, and that is the incredible client experience that's often talked about, and that's really what it takes.

Bill Cates:

Now, serving your clients well, which you need to do. That's the price of getting in the game, but doing a really extraordinary job will allow you to grow incrementally and some grow a little faster incrementally than others based on the client experience. But if you want to create exponential growth, if you really want to multiply your best clients in a more of an exponential fashion, then you've got to have the proactivity. Then you have to find ways to promote introductions, plant the seeds and outright ask at the right time in the right way.

Bill Cates:

So that's what it takes to build a business based on referrals/introductions. Real quick Louis, I got to make a distinction here. You're hearing me use referrals. You're hearing me use introductions. Let's consider the word referrals as for internal use only when you're public facing, when client facing, center of influence prospect. Anyone who has the potential ability to send you to someone else, please use the word introductions. Let's talk about how you introduce me to her. Can we talk a little bit about who you might be able to introduce me to based on this criteria, blah, blah, blah. So there's a lot of different ways to do it, but it's all the word introduction. Why? Because that's what we want. That's what we need. So if that's what we need to get connect with people, then we want to use that word. So just wanted to define that.

Louis Diamond:

Do you think it's a similar process if you are asking an existing client or prospect for an introduction versus asking a center of influence, a CPA or an attorney? Because it seems like you can demonstrate your value probably more overtly and in a more palpable way to a client who you're managing their money, you're helping them through life's challenges. But on the flip side, a COI relationship, it's probably seems at least more of a one sided relationship. So how is it different if you're asking for introductions from a COI versus a client?

Bill Cates:

Note: This is a transcription of a spoken word dialogue and as such there may be errors and/or omissions.

Page 11 of 21



EPISODE TRANSCRIPT

Creating a Referral Engine: An Expert's Advice on Asking for – and Receiving – the Right Introductions

A conversation with Bill Cates, President of Referral Coach International

So the most important thing with COIs is you have to be referable and you have to become referable unless you turn them into a client which happens sometimes, they're getting a sense of your value more through the explanation rather than the experience. One client I'm working with, very well known doing a virtual presentation for them. They saw that their win ratio, they call it a closing ratio. I don't like that. I call it a win ratio. Their win ratio from centers of influence is about 20%, which is actually very low. They need some help there, but their win ratio from their clients was 40%, which is also a little low, but twice as much as COIs.

Bill Cates:

So why is that? Well, the clients have actually experienced the value. So they have that firsthand experience. Now there's a flip side to this, because centers of influence, particularly if it's an estate planning attorney or an accountant, they know the balance sheet, they may not experience your value firsthand, they have a pretty good sense of it if you've done a good job, but they know how much money the other person has, and sometimes they know some of the gaps and the need to refer someone to you. So there's some goods and bads on both sides if you will. Most advisors I've talked to and interviewed and coached over these 30 years, their closing ratio from centers of influence is extremely high. They're in the 80%, 85%, 90%. It's a done deal if you do it right.

Bill Cates:

Now, here's the key. Most people don't do it right. They meet a CPA, attorney, maybe have lunch, maybe compare notes about the business, make a rough agreement to try to send folks to each other. Advisor sends a couple of referrals to the CPA. CPA takes them in. They become clients, but nothing's coming back, they're still waiting 20 years later. So first of all, let's understand that CPAs and attorneys, they were born without the reciprocity gene. So just because you send them referrals, doesn't mean they're going to send them back to you, it doesn't necessarily make you referable if they don't fully understand your value proposition.

Bill Cates:

So it takes time, but the folks who do the best really sit down with these folks and they really from soup to nuts, they give them a good full presentation, sometimes over time. Case studies, they love case studies. This is a relationship you nurture to become referable. I've seen some advisors, one advisor who's since retired, sold his business, had 35 accountants, CPAs sending him a steady flow of high quality referrals. So it's very doable. It takes time, you got to meet the right CPAs. So it's more the how you become referral than anything else.

Louis Diamond:



EPISODE TRANSCRIPT

Creating a Referral Engine: An Expert's Advice on Asking for – and Receiving – the Right Introductions

A conversation with Bill Cates, President of Referral Coach International

What about, do you see a difference with the advisors you work with with the referability of an advisor, depending upon what channel they sit in? So whether they practice under a wire house firm, maybe they're with a broker dealer, they're a fee only fiduciary driven RIA. Is there a difference you see in referability across channels or is it much more so just based upon someone's unique process and their own value that they're driving?

Bill Cates:

I can't say that I've seen a difference. It really is making that value connection, personal connection, and there's folks on the warehouse side who do an incredible job, nurturing the relationships and over serving the clients, if you will. There's people on the independent side that do a great job there. On the independent side, I guess maybe they have a little more leeway. If they're an RIA, maybe they have even a little more leeway than that. So there's certain things that someone in a wire house may not be able to do or they fight real hard.

Bill Cates:

So for instance, this guy Al I was telling you about he's at a wire house and took him a year to get approval to do videos and to send out videos to his clients and prospects to nurture the relationship. So, if you're in an environment where it's tougher to do that, then there could be a little bit of a difference, but in terms of overall and your ability to just create great relationships, I don't think it matters a whole lot as long as you're just doing the right things for the client.

Louis Diamond:

That's kind of the way I was seeing it too. I know we've had guests on this podcast who talk about their accelerated growth when they went independent, because clients start to refer them to more relationships. I think it still though comes back to the value that an advisor's driving, and one reason advisors opt to sometimes practice in the independence space is because they can add more services and they feel like add more value to the client relationship.

Bill Cates:

True.

Louis Diamond:

So it's all a frame of reference, you're going to get more referrals automatically if you go independent, I think it's more, you got to know what's best for your clients and know what they're going to perceive value from.



EPISODE TRANSCRIPT

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Bill Cates:

And explain to them why you went independent and why it's in their best interest, and if you do that and you do that well, then I could see that definitely making a difference. But there's a lot of folks out there that like to work with the name firms. It's hard to go against some of the name firms there because of the brand recognition, et cetera, et cetera. So it comes down not so much to the firm, but to the personal relationship with advisor, the team and the clients.

Louis Diamond:

Yep, absolutely. So let's get back to the perpetual revenue system. The first stage is getting referrals and I've heard you say that one great way to get referrals without even asking is to ask them to have value discussions on a regular basis. What do you mean by that and why do they lead to referrals without even asking?

Bill Cates:

Of all the things I've been teaching for 30 years, this is probably most important and most effective because it creates client engagement, it handles any little negative stuff that might be there most of the time there isn't. But if there is, you get rid of it and it helps the clients get in touch with the value. So essentially it's something you want to do on a pretty darn regular basis with clients, any review meeting for sure, and other meetings too, where you check in and you make sure that expectations are being met. You make sure the value's being recognized by the prospect or the client. When do you become referable, value delivered, value recognized? How do you know it's recognized?

Bill Cates:

Well, in some cases they're telling you, they're saying, thank you. Thanks for explaining how that works. Thanks for going to bat for us, I always feel better when we meet. These are what I call value, recognizing statements, and so that's an indicator that people are seeing the value. But it's no substitute to say, "Hey, we've covered a lot of things here today, what stands out as the most important part of our discussion?" Or, "I appreciate your decision to move forward with us, I know you were interviewing a couple advisors or a couple of firms, I'm curious what tip to scales for you." Or at a review meeting, "Let's put the market aside, let's put the economy aside, let's put the pandemic aside. Let's talk about something we can control, which is our communication, our overall working relationship."

Bill Cates:

So notice these are open ended questions. It's not the old school, have you found value in the work we do? Yeah. Great. Who do you know? No, it's not a setup. It's purposely called a discussion and occasionally you'll pick up a little something that's not meeting their expectations, which is good work,



EPISODE TRANSCRIPT

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you want to get that up and out and clear it out of the relationship, and most of the time people will go to the positive. So here's what happens, when they start to talk about the value they feel they've gotten from the meeting or the process or the relationship, they get more in touch with it. It becomes much more real to them because they're articulating, they're put it into words. So that's good. So it's making you more referable and you are learning. You're learning so much. You're learning how your words, how your process is falling and resonating with this person or couple in front of you.

Bill Cates:

So the more you learn about them, the better you can serve them, and in general, you're learning about things that you do and say that seem to work better than others. So it's a huge conversation, great conversation to have. I recommend that you go into new relationships and it sounds something like this. Louis, I think you'd agree that given the nature of the work that we'll be doing together, we have good forthcoming, transparent communication at all time. Would you agree? And you go, "Yeah, of course." I just want to let you know, quite often when we get together, I'm going to check in, I'm going to say, "Anything not working? Are we not meeting your expectations in any way?"

Bill Cates:

Because if that's happening, we need to know about it, fix it, prevent it, and certainly we want to know when we are meeting your expectations and maybe time and time exceeding your expectations, because we want to do more of that for you and for others. Are you okay with me checking in on this and they'll go, "Yeah, sure." That conversation right there has already built trust with a brand new prospect or client because it shows you're not going to run from the problems, you're there, you're going to check in. It's important to you, and now it's become part of the relationship. This value check in, this discussion. They know it's coming, if a complaint comes, how they communicate that complaint to you is going to be much easier, smoother, softer than had you not had this conversation.

Bill Cates:

So it really does a lot. I defy anybody to start doing this on a regular basis and you will see referrals without asking, because people just get in touch with the value. Now, not every time, and this is the precursor to the ask. So if we are going to ask at some point, it usually starts with this conversation around perceived value.

Louis Diamond:

Because I was going to say, it seems like this is just smart business. You're asking for feedback, asking to understand how are things going. But I guess the part that they really just clicked toward the end of your explanation was how it relates to referrals. Of course, it makes sense that if you're not referable, if someone isn't getting value from you that they're not going to refer you, that's a no brainer, but how

Note: This is a transcription of a spoken word dialogue and as such there may be errors and/or omissions.

Page 15 of 21



EPISODE TRANSCRIPT

Creating a Referral Engine: An Expert's Advice on Asking for – and Receiving – the Right Introductions

A conversation with Bill Cates, President of Referral Coach International

the positive reaction, how that can lead to referrals. So maybe just hit on that real quick. So if we're having this conversation, I tell you how it's amazing, how you helped me understand what a derivative was and how I feel like I can retire five years earlier, and I was able to buy my son, Joey, his new sports car. That's great. That's positive. How then are you going to turn that into a potential referral without sounding overly cheesy or aggressive?

Bill Cates:

Good. So it could be just a promotion, a planting of the seed. So I could say, Louis, I'm glad you're seeing the value. I'm glad you're a happy client. You've been great to work with. You've saved well. You know the value of professional advice. We've given some guidance, but you're the one who's made the decision and pulled the trigger and so we really love working with you and admire you. If at any point in time, you're talking to friends, family members, colleagues, and you get the feeling that they're feeling some anxiety around what's going on in the market right now or concerned about inflation, and I'm never too busy to see if I can be a resource for them, never too busy to have a conversation with them and see if I can be a resource in any way. So notice I said never too busy to see if I can be a resource.

Bill Cates:

Those are the qualifying words, because it doesn't mean I'm going to take them on as a client, but I'm never too busy to see if I can be a resource. That's what we call promoting or planting the seed. There's actually a lot of ways to do that. You heard me say, don't keep me a secret earlier. I could say, "Great, Louis, I'm glad you're seeing the value, and we're always trying to meet other folks like yourself and help them make educated decisions that are in their best interest as we have with you. So please don't keep me a secret out there." "Oh I won't." So there's ways to do that.

Bill Cates:

Or, if you want to go to a full fledged ask, the most important thing about asking for introductions, well, let me tell you the worst way. The worst way is to say, "Louis, I'm glad to see the value, who else do you know should know about the work I do?" Or, "Who else can we help with this important work?" You throw it open to the whole universe, and in most cases, the client's going to go. "I don't know. Nobody comes to mind, but I'll give it some thought." That's about it. Occasionally lightning strikes and it turns into someone, but that's rare. So the best way to ask for introductions is to come very specific, specific people, you know, they know to whom you'd like to be introduced.

Bill Cates:

So I could say, "Louis, I'm glad you're seeing value, and a couple times you've mentioned your sister and brother-in-law, I know they're in the area. I think you told me she's a physician, he's an attorney. I remember you told me they're very successful and they're very busy, and whenever I hear that, I know



EPISODE TRANSCRIPT

Creating a Referral Engine: An Expert's Advice on Asking for – and Receiving – the Right Introductions

A conversation with Bill Cates, President of Referral Coach International

that they may not be taking the time to do the work that you've done and do the planning that we've done together. Assuming we come up with an approach that feels comfortable for you, for them, would you be open to introduce me to them? Can we talk about what that might look like?" Well, what's the worst thing you're going to say, "Nah, my brother-in-law's a jerk. You don't want to talk to him. He thinks he knows at all. No, I might be open to this, but not to them."

Bill Cates:

That's about the worst thing you're going to hear. Right. Fine. Okay. But you've planted the seed and you might have a couple other ideas or they may turn it and think of someone else or they may be happy to do that. So notice I did it all by saying, assuming we come up with a comfortable approach, we've got to send that message to prospects and clients that we're going to make this comfortable. When the Food and Drug Administration approves a drug for the market, nobody knew what the criteria was before COVID hit. Now everybody knows, safe and effective. Well, that's what we want introductions to feel, safe for the person doing it, safe for the new prospect and then effective for us.

Louis Diamond:

How about the piece of it? So I know for us, sometimes a fear of ours is on behalf of advisors is we ask for an introduction or ask for a referral, but they're worried about their own confidentiality. They don't want their colleague Joe to know the deal they got, or to know that they're looking around in the first place. So in your example, I would assume one of the potential objections, even if not raised, but they're thinking about is, well, I don't want my sister-in-law and brother-in-law to know how much money I have, or to know that I just spent 3.8 million on a Tahoe ski home. So how do you address that? Do you get out in front of it or is it just a lost cause?

Bill Cates:

Absolutely, and when we were working with your team, most of the time their colleagues don't even know they're moving until it's announced. Right?

Louis Diamond:

Exactly.

Bill Cates:

Because it's got to be a pretty private thing. So I know you guys were thinking maybe you couldn't even talk about this until it got announced to the world. Well, the truth is you can talk about it earlier, because they often do talk to some folks, but you just have to emphasize the confidentiality of it all. So one of the ways to actually promote introductions, you're not really asking, and this is something I think



EPISODE TRANSCRIPT

Creating a Referral Engine: An Expert's Advice on Asking for – and Receiving – the Right Introductions

A conversation with Bill Cates, President of Referral Coach International

that everybody should do is to teach your clients what it would look like if they did think of someone. Louis, if you ever think of someone you think should know about the work I do, please know that everything we've done is confidential. Even with family and close friends, we won't, we can't cross that line. We'll take great care with this and we're not going to call people from out of the blue. You and I will work on what the introduction looks like so everyone's comfortable.

Bill Cates:

So it's that confidentiality and handle with care that you want to have in that relationship. So if I'm asking, if I never covered that with you, but you said some great stuff and I want to meet your sister and brother-in-law, I'd probably put it into that, So I'd say I'm glad to see the value, and you've mentioned your sister, brother-in-law a few times, dah, dah, dah. I was hoping we might come up with an approach, it would feel comfortable, and by the way, if we do this, you need to know that they will never learn about any of your situation from me and vice versa. Anything they learn is going to come from you, not from me. So you just put that in there and that alleviates that issue.

Louis Diamond:

Right. They're rather going to believe that or they won't, they're not going to refer you to someone if they don't trust you. So if you say it you think that's sufficient. One more question in before we wrap up. So you mentioned earlier that referrals aren't enough, you kept using the word introduction instead of referral. So what is it that we need to do to turn a referral into an introduction and how would one go about accomplishing that?

Bill Cates:

This is really where a lot of folks get stuck. You have a client that's willing, maybe you've even talked about some specific people, but it doesn't seem to go to the next step. So first of all, you have to understand that you're not done until you've thought through and arranged for the introduction, and sometimes you can't do it in that meeting. Sometimes you'll legitimately run out of time and you have to hop on the phone or Zoom later to kind of figure out the final pieces to it. But where you don't want to be assumptive, that someone's willing to have this conversation around introductions, because not everyone is comfortable with this. So I always have a pretty soft approach. Would you be open to this, and assuming we covered it this way, what do you think?

Bill Cates:

So we are giving them a chance to say no, and once we've identified one or more people that they really do think should know about what we do, then I want to be assumptive about the introduction. So then I'll say, "Let's talk about how you introduced me to your sister and brother-in-law because I can tell you, I could call them from out of the blue, they're not going to like it and you're not going to like it. It's not



EPISODE TRANSCRIPT

Creating a Referral Engine: An Expert's Advice on Asking for – and Receiving – the Right Introductions

A conversation with Bill Cates, President of Referral Coach International

going to work. It's better that they hear from you before they hear from me. But I have a very efficient way to do this." "Oh, what's that?" "Well, I call it an email handshake." So you can say Laura and George, I want you to meet Bill in an email and I'm there too, and it's just Laura and George meet Bill, Bill meet Laura and George, here's what I'm introducing you guys to each other. Laura, George, I do recommend you take, Bill's call, you set up a call. It'll be time well invested.

Bill Cates:

So it's, I'm encouraging you to introduce me with an email handshake and that's one of many ways to get introduced, but it's a good one. It's very efficient. So you're assumptive. You have your favorite way, but you have to be flexible. You want to do it in a way that fits the relationships. In person introductions are the best, whether it's at a business setting or a social setting, what you have to be careful though, is letting the logistics that take time to set that up, get in the way of the momentum of the referral or the introduction.

Bill Cates:

So if you're breaking bread or playing golf or going to a ballgame or whatever is a natural thing that these folks do, by all means, it's usually pretty easy to set it up. But if it's out of that norm, then you may lose the momentum and it won't happen

Louis Diamond:

Makes sense, and it has to feel comfortable and natural. So one quick follow up on that. I get that in person is the most effective, seems like the email handshake is another tool that you recommend. What about an introductory text message? So it's a four way text message. Is that effective or is email preferred if possible?

Bill Cates:

A text can work. The younger generation tends to do it more. I'm an older guy and I don't like to get texts from strangers, but my daughter, millennial, she's 30. She don't care. So you really want to start with the form of communication that works best for them. You want to fit into their mode initially. Now, I know that different firms have different regulations, compliance regulations around texting, it's got to be tracked and all that nonsense. So what you want to do is make sure that if you're getting a text introduction that your contact information is being forward and encouraged to that prospect that puts it in their phone. So if you do call, they know who you are.

Bill Cates:



EPISODE TRANSCRIPT

Creating a Referral Engine: An Expert's Advice on Asking for – and Receiving – the Right Introductions

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I do recommend generally speaking, you take it off the text, a platform as quickly as possible. So your referral source could say, "Hey, Bill's going to shoot you an email." You'll look for an email from Bill Cates. Or I could say, "Hey George, great to meet you. Can I shoot you an email?" And we can maybe arrange a time to talk, because as you know, it happens even in email, but even the shortest of text can look like a book if you go a couple sentences. So you usually want to get it off that platform as quickly as you can.

Louis Diamond:

That's extremely helpful. Bill, I think there's probably like 10 more hours we can cover together. It's fun just riffing with you about different ways that this concept of referral can really help a business, because honestly, what you're describing feels natural and authentic and to do it from a position of I'm adding value and believing that it doesn't seem like you are doing anything to harm a relationship. So you help me get over some head trash, I know we've talked about what you call it and to be more comfortable knowing that I demonstrate value and hopefully those who listen can do the same.

Louis Diamond:

I would encourage anyone who's interested in understanding more of Bill's philosophies and concepts, he runs an outstanding blog that comes out on a weekly or semi-weekly basis and his website has a ton of free content, videos and otherwise to brush up on referrals. So Bill, thank you very much for sharing your wisdom, some of the tools of the trade and look forward to following up with you in the future, and hopefully others who listen, can share some of their new successes that they're going to have from this.

Bill Cates:

I'd love to hear from folks. So thank you very much.

Mindy Diamond:

As Bill shares, success comes from adding value and it's that value that will help to drive introductions, not just referrals to potential clients in a way that is both natural and effective. As a side note, we found Bill's training to be extraordinary and I'm sure you will too. I thank you for listening and I encourage you to visit our website diamond-consultants.com and click on the tools and resources link for valuable content. You'll also find a link to subscribe for regular updates to the series, and if you're not a recipient of our weekly email, perspectives for advisors, click on the articles link to browse recent topics.

Mindy Diamond:

These written pieces are an ideal way of staying informed about what's going on in the wealth management space without expending the energy that full on exploration requires. You can feel free to



EPISODE TRANSCRIPT

Creating a Referral Engine: An Expert's Advice on Asking for – and Receiving – the Right Introductions

A conversation with Bill Cates, President of Referral Coach International

email or call me if you have specific questions, I can be reached at 973-476-8578, which is my cell or my email mdiamond@diamond-consultants.com. Please note that all requests are handled with complete discretion and confidentiality, and keep in mind that our services are available without cost to the advisor, you can see our website for more information.

Mindy Diamond:

Again, if you enjoyed this episode, please feel free to share it with a colleague who might benefit from its content. If you're listening on the Apple Podcast app, I'd be grateful if you gave it a star rating and a review, it will let other advisors know it's a show worth their time to listen to. This is Mindy Diamond on Independence.