Beyond The Prospecting & Referral Game: Reversing the Deal Flow

What if you were frustrated because you were doing many of the right things and still not getting the results you expected? Have you even thought that you might doing the “right things” but in the wrong order? Doing the right things in the wrong order makes your actions the wrong actions.

What if there was a rational, logical, and relatively simple way to grow your practice such that you were able to achieve 3 goals that few advisers ever reach?

Those 3 goals are:

1. **Reversing the Deal Flow** — To reach a place in your business career where wealthy people track you down to do business with you.
2. **Eliminating The Need To Prospect, Ever Again** — Conquering levels of growth beyond what you were ever able to achieve through prospecting.
3. **Thriving in the 20% of the 80/20 Rule** — Leveraging the least amount of clients possible to make the best and most balanced living.

Sound like a dream? For most people it will never be more than that. I have coached $5 million dollar producers who were chronically overwhelmed and unhappy with their practice and I have coached $500,000 dollar producers who are in exactly the same position. No matter their original aim, the businesses they have created are something less than a dream, and more of a nightmare.

**How Did This Happen? Where Do We Go From Here?**

How do we end up in a position where our business is running us instead of the other way around? How do we end up making more money, only to find we have more worries and less time? How do we get off the roller coaster of great revenue periods, followed by low revenue periods; strong marketing periods, followed by periods of low marketing effort? How do we get off this roller coaster!

First and foremost you must understand where you are right now and how you got there so you can see clearly what it will logically take to achieve the three, rather lofty goals above. The focus of this paper (the first in a series of three, that will give you an overall understanding of this new way of thinking about how you run your business) will be the third goal listed above - “**Thriving in the 20% of the 80/20 Rule**.”

Let’s get back to the question: How did this happen? Your business was built originally with only one objective in mind: Survive! Notice that there are many people who started in this business when you started and many of them failed to survive. Notice that there is no end point to “survive,” no real end game, and that you will continue to run your business based on the fight for survival until the day you die…not exactly the happiest way to end your story.

Because your business was built to survive, in those early days, the initial qualification that someone had to fulfill to work with you was the ability to “fog a mirror.” While you may have increased those qualifications from where they were back then it doesn’t matter, since this former trap sets you up for the second.

The second trap is that as soon you rose above the level of “needing” to grow your business, meaning “no business, no eats,” prospecting went from a need to a “want.” At the same time, due to your initial success in getting clients, managing that existing business, went from a “want” to an absolute need. The net result is that you plateau, or are at a level of production way below your potential, and freedom is nowhere in sight. Like it or not, you’re caught in a trap where
managing your business is now the need and growing your business is a want, or in some cases a fond dream.

**Escape from Wonderland**

I am going to give you a whole new way to view your business and will walk you step by step through a self-analysis that will have you see the incredible mistake you are making and will begin the process of your coming to understand what to do about it and how to get out of these traps.

Alice: “I was just wondering if you could help me find my way. “

Cheshire Cat: “Well that depends on where you want to get to.”

Alice: “Oh, it really doesn’t matter…”

Cheshire Cat: “Then it really doesn’t matter which way you go.”

* - *Alice in Wonderland*

You will be using a diagram to both understand a logical process for growing your business with ease and efficiency as well as a rating system for calculating how much money you are leaving on the table.

Any business that is not growing is, by definition, dying. Nothing stays in a steady state. The fundamental principle throughout all of nature for assuring survival is abundance; a person who is not experiencing an abundance of growth is slowly but surely dying and failing. Remember, others that you know failed to grow and hence they failed to survive. As long as you can grow you have the necessary time and capital to correct any mistakes, without growth you are a “dead man walking” as far as businesses success goes.

**The X’s and O’s**

In the following model, which we call “The Training,” we have a self-assessment business tool where “0” equals a prospect and “X” equals a prospect who has become a client. For now we will skip over prospecting which we will address in another white paper, so you can have an overview of how the system would apply to your business.

Once we have a client, our first goal, if we are to develop our business in a rational and efficient way, is to “optimally” grow that client relationship. Let’s call this “prospecting your clients.” Only after we have the ability to optimize the client relationships we have would it make sense to seek new relationships through them. We commonly call such new relationships “referrals.” In other words, referrals are not the first thing we do; for the sake of integrity, time and money they are the last.

**The Right Things in The Right Order = High Client Capacity Utilization Ratio**

Referrals are the best form of prospecting. In fact, the first rule of prospecting is: “never call on strangers when you can be introduced by a friend.” Makes sense, doesn’t it? But the point of prospecting and even referrals is to achieve more business, right? If that is the case, wouldn’t it make more sense to:

1. Ask for more business from your existing clients?
2. Ask for the biggest business you possibly can from your existing clients?
3. Get as many different kinds of business as you can from your existing clients (at the very least to prevent your competition from having a way of getting in the “back door”)?
4. Keep the client and be able to recover the relationship should you lose it, and removing clients who are not well served by working with you – and vice versa?
5. Once you’ve done all of the above, does it makes sense to ask for referrals from your client?

These 5 steps More, Bigger, Different, Recovery and Referrals are what we consider the “Blocking and Tackling” of running a successful practice and they are to be handled in exactly that order.
Remember this is all about doing the “right things in the right order.” Mastering this “blocking and tackling” will allow you to guarantee your survival because you are optimizing each and every client relationship. For most people, prospecting and even referrals is a lot like trying to put more water in a pot that has a hole in the bottom, the first step should be to plug the hole. This also begins the process of leveraging your time so you can actually move into a position to execute on our second goal that we stated at the opening of this paper: to never have to prospect again (which we will detail in the next paper).

Mastering the “blocking and tackling” means having the systems, structures, support of staff and dialogue skills in place necessary to do each of the 5 steps powerfully. When you are able to consistently and powerfully execute on these 5 steps you will have what we call a high “client capacity utilization ratio.” Someone who has a low “client capacity utilization ratio” is someone who is working a lot and getting very little for their time due to their own inefficiency. Add to that neither prospecting nor asking referrals and what you have is someone who should not be asking “for whom the bell tolls?”

**Leaving Money On The Table: Calculating your CCUR**

To illustrate how poorly most professionals block and tackle, ask yourself this question: Have you ever been given a referral and failed to follow up due to being busy or some other such reason? In most cases, we’re not even set up to process referrals even if someone gave them to us. And in most cases, we’re far too busy to spend significant time growing the business, which is the beginning of the end of the business.

Let’s see what your “Client Capacity Utilization Ratio” (CCUR) is and start to calculate just how much money you are leaving on the table. Let’s begin with your benchmark. Just like in sports let’s take a look first at your swing before we start giving you lessons.

**Step 1:** In the Diagram on the next page, rate yourself on a scale of 1-10, calculate and write down the amount of “money” you are leaving on the table. For example if you rate yourself as a 6 at “asking for more business” from your existing clients, based on the 10 that you believe exists as a possibility then that would mean that you were leaving 40% of the “more” business you could do on the table.

Use the diagram on the next page and rate yourself for each of the key variables that represent dimensions of growth in a client relationship (More, Bigger, Different, Recovery, Referrals, etc.) and calculate how much of each category you are leaving on the table.
The bottom line is that no one who is honest with themselves would rate themselves a 10 across the board in my experience and I have coached everyone from promising new producers to $50 million dollar producers. I don’t even think my mentor, who at the height of the market, was doing $80 million a year in production, would rate himself as a 10 across the board.

Before we can handle our 1st and 2nd goals, eliminating the need to prospect and reversing the deal flow, we must handle the 3rd goal which is to master these fundamentals such that we have the highest possible optimization ratio for each client we receive.

**A Foundation of Fundamentals: Optimize, Then Replicate**

One team of 2 advisers I coached and know personally was doing about $2 million in business and only had 25 clients! They had one of the best ratios I had ever come across.

When I was one of two people leading the advanced training of the elite producers for Kidder Peabody, along with a $10 million dollar producer, we would encounter the adviser who was busy “starving” while “elephant hunting” or a person with a grand vision for their business who lacked the current productivity to fund that vision.

In our process getting to the higher levels is totally dependent on your capacities at the lower levels. Well before I used this process to meet and discuss working with the wealthiest man in the world and others at his level I had done tremendous work in the levels leading up to that which made such interactions a good use of their time and mine.

The key is to understand that the fundamentals are not just something to get through in order to “reverse the deal flow” they are the foundation on which your ability to reverse the deal flow is both created and optimized as current income.

Let’s understand better some of the terminology that forms the basis for creating the optimal client relationship, as well as the diagram above, and come to see how they all work together. The main thing to ask yourself is whether or not this is logical. Does one thing naturally follow the other? The main problems that people face who embrace training and self improvement, is that the information and they lack any coherent pattern of implementation and even worse [lack of accountability and execution]. In this model we address both of those issues.

We have to begin by first acknowledging that we have 2 goals: creating an ideal client and then replicating them. If I were to remove the top 20% of your clients how much business would you lose? By the same line of logic if I was able to add new clients just like your top 20% I would not only significantly increase your business I would also greatly increase the quality and value of your time. The reality is that your top 20% tend to have the greatest positive financial impact on your business and require the least amount of time compared to the other 80% of your less productive relationships.

Getting back to our diagram, given that we are looking to optimize and then replicate, precisely, it is important for us to define X as something more than just a prospect, O, who has been converted into a client. We need to refine our criteria for X as the person who is the most likely to refer us, the most credible person to refer us, the most motivated person to refer us; and the person we most want to replicate as clients.
You Don’t Want Referrals from 80% of Your Clients

The first place that we begin to move our business model away from survival and into a position to “reverse the deal flow” is in the initial redefinition of how we prioritize our clients. In most reporting formats clients are prioritized by assets and other financial criteria, while valuable for certain kinds of financial analysis it does not forward “relationship analysis.” For our purposes I want you to prioritize your clients based on the following criteria:

1. The relationship is profitable, meaning that it meets your basic account minimums or financial requirements based on the value of your time
2. The relationship has a larger base of asset or financial value, whether or not you currently manage all of those assets
3. The relationship has a large social network of appropriate contacts and the individual has a social personality
4. The relationship exhibits a high level of trust in relationship to you and though thoughtful they do not “second guess” you and they are a pleasure to work with
5. The relationship is someone you genuinely like and whom interacting with is motivating for you, it gives you energy as opposed to draining you of energy

These criteria form a hierarchy that starts with motivating personalities at the top and profitability at the bottom. The number #1 client to begin this process with is the client who:

- you like the most,
- trusts you the greatest,
- has a large social network,
- has a large base of assets and;
- is a profitable relationship.

This is the person we want to duplicate; these are the people we want to refer us to their friends and colleagues. As a general rule, with some exceptions you don’t want referrals from 80% of your clients.

Point Out Your Best Clients

All of the other clients are rated on a gradient scale below this ideal client. Try this: Some advisers have taken their intuitive top 100, put them in an excel spreadsheet, and ranked them:

- 1 point for profitable,
- 2 points for having a large base of assets,
- 3 points for a large social network,
- 4 points for trust and;
- 5 points for being an inspiring or likable person

When they hit “sort,” what results is a prioritization of their clients that matches up with how they should be spending their energy, which is often very different than reality. In reality we tend to take for granted our best relationships, because they will understand, and we tend to give the most time and energy to the “squeaky wheel” which is a drain on us and our business profitability.
The Choke Factor

Lets get back to the X's and O's diagram. Now that we have defined X and created a “pecking order” for who we will take through this process let's get a better understanding of what it means to apply the 5 fundamentals to the clients we have now organized as our prime candidates.

Ask for more business… Think about the level of penetration you have with your existing clients. Rating that on a scale of 1-10 is a very subjective exercise since people tend to tell you the “least you need to know about their money to do the right thing” as opposed to telling you “the most they possibly can,” whether or not this should be the case is not relevant for our purposes right now. The point is that whatever number you come up with will be conservative because there is likely more money on the table than you know.

I speak with many advisers who believe they have all of their client’s assets, what do you think the odds are that a person has all of the assets of all of their clients. A person who does has already tapped this dimension and has already clearly applied this process successfully. As for the rest of us this is our “optimal” objective.

Ask for the biggest business… Bigger means the biggest “size” of business you can ask for from your clients. At what level of investment amount or request do you begin choke? $1 billion, $100 million, $1 million, it’s all the same issue, your concern about your own lack of comfort versus what they really need. In short, the limitations on asking for bigger business rarely have anything to do with your client, and has everything to do with you. You could do “more business” a dollar at a time but that is pretty labor intensive.

We consider this the “Choke Factor”: On a scale of 1-10 at what point do you choke if 10 is the most amount of money that a person could ask for that would be appropriate for a given investment. What is the most amount of money you have asked for in a single investment?

Get as many different kinds of business as you can… “Different” means that you are doing as many different kinds of business as you possibly can with this client represented by X. Doing as many different kinds of business as possible has many benefits. The traditional argument is that it aids client retention or that it increases the optimal value of a client relationship. Let’s add to those two arguments that any time a client of yours is getting a financial solution from someone else, represents the greater likelihood that someone else can take that relationship away from you. Your best client is someone else’s great referral.

Keep the client and be able to recover the relationship… Recovery and Removal are related dimensions of this model. Recovery means how good you are at keeping a relationship you want after a client tells you they are leaving. Do you have any idea what to say or what to do? Conversely, Removal means that the relationship is not an appropriate situation for you AND THEM; hence you need to end the relationship. What both Recovery and Removal have in common is that they are both about handling relationship “breakups.” How would you rate yourself on a scale of 1-10?

Recovery is a true art and requires an understanding of the hidden dynamics in all relationships. People who end relationships are not an “on/off”switch; they are more like a dimmer switch. There is a graduated scale of departure. Imagine a horizontal line going from 0 to 10. At the 0 end of this scale the person has no conscious desire to leave you.
At the 10 end of the scale the person is telling you they are leaving, which is a very interesting sign since anyone who tells you they want to leave you has some level of mixed emotions about doing so. When a person reaches a 10 they are gone and even they are recoverable believe it or not, with the right approach. The way the scale works is that a person is at 0 and then one little thing happens. They don’t mention it because it’s so minor. Then, a second thing that happens which is difficult to bring up because it is complicated by the first, and now they must wait for the “right time” to address these issues. (This is where people wait till they get to the proverbial “straw that breaks the camel’s back” scenario and they leave).

The key is to realize that relationships are not static and not something to take for granted; they, like everything in the universe are either growing or decaying. It is part of our process to take certain actions that will move all of your relationships down this graduated scale of departure down towards 0 and set up a system to keep them that way.

**Removing clients…** When it comes to Removal we must introduce another “scale” to what is often referred to in a callous and overly simplistic way, such as “firing low producing clients.” For starters we begin by setting a base level of productivity or account size relative to the demands on our time as well as what our time is worth. Everyone who is below this line does not get removed, they are however not profitable.

An unprofitable client can have 3 levels of cost to you:

1. The relationship cost you money
2. The relationship cost you money and your time
3. The relationship cost you money, time and self-esteem or enjoyment

If someone cost you money and they are enjoyable to work with perhaps you might decide to keep them. In some cases, advisers are unconsciously doing “charity” work and feeling bad about it. It would be better to acknowledge that the relationship is not profitable, that you want to do a certain amount of “giving back” and enjoy that experience.

Money is one thing, time is another, you can make more money, you cannot make more time. Here is where we must make a serious determination as to whether we want to restructure the relationship so that it takes less of our time or is it time to remove the relationship.

Relationships that cost you time, money and your own sense-of-self, need to go. As an adviser you are not a therapist and people who have serious issues are a liability to you both emotionally and legally. It is important that you know how to identify and exit such relationships.

You might find it interesting that while there are various training and coaching programs on how to prospect or get into a relationship there are almost none on how to recover a relationship you have lost or to remove those that are not a fit with integrity for you and them. The current approach is largely to put “one’s head in the sand” — not a very rational approach.

**Finally, referrals…** Referrals are a natural next step in the progression, and your rating of yourself on a scale of 1-10 must be done with some consideration to the factors mentioned in this paper, asking just anyone for referrals is not a good strategy. Asking for referrals sporadically is almost as bad. Asking for referrals and not following through is worse. Receiving names and numbers is not
quite as bad as allowing your client to say “I’ll give them a call, tell them about you and get back to you” only to find that when they don’t, that you are unsure what to do and are now in an awkward situation.

The diagram of the X’s and O’s is a complete system for how to rationally and predictably build a business that consistently outperforms your competition while providing balance and life enjoyment, but we have only scratched the surface. The next paper will show you how this base can be used to put an end to prospecting and prepare for the “final phase” which is to “reverse the deal flow.”

Seeing Is Believing

The next 2 parts of the assessment or benchmarking tool will be covered in the next white papers.

The papers themselves are about strategy, one of 3 critical dimensions that determine a person’s success (the others are tactics and instruction).

These processes are about getting you in front of the right people at the right time employing the right strategy. Being effective and knowing what to say is more easily understood through visuals so be on the lookout for our video 3 minute “Pep Talks” that will teach you the conversational skills necessary to excel at tactics, which is the 2nd of the 3 critical dimensions that determine your success.

The 3rd dimension is what we refer to as coaching, which is defined by us as a system of accountability. You can learn more about that at www.direxionfunds.com/gameon. Once you understand the model and have done the assessments in this white paper you will be in a position to determine the direction you want to go in. We’ve determined our direction and hope you will join us.

Who is Direxion Funds?

Direxion offers investment professionals and investors the means to seek improved risk-adjusted returns in all market conditions, through a diverse suite of alternative investment products. It is our belief that opportunities exist in all market conditions and we seek to provide flexible, focused investment options to capitalize on that potential.

Why Direxion and Sarano Kelley Make Great Teammates

In a phrase: long-short strategy. We both help you plan for long-term success by offering a way to take control in the short-term. It’s rare that people give 100% effort 100% of the time, making for an abundance of untapped potential. That untapped potential is what both Direxion and Sarano Kelley seek to find and use to help achieve successful results.