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Client advisory boards can provide valuable feedback, build relationships

By Lisa Shidler

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Delving deeper into what clients want and expect is more than a sound business strategy; it's a matter of survival.

For many advisers, a client advisory board, made up of a cross section of their firm's best clients, is an important — and often underutilized — tool that can help strengthen client relationships and lure profitable clients from rivals.

“Advisers who have client advisory boards have a huge competitive advantage,” said Mike Watson, director of practice management at TD Ameritrade Inc. “Client advisory boards deepen customer relationships and loyalty.”

Gabriel Garcia, managing director of business consulting with Schwab Advisor Services, a unit of The Charles Schwab Corp., agrees that an advisory board can play an integral role in a firm's growth.

“As an adviser's business continues to evolve, they need to get feedback from clients,” he said. “Client advisory boards become critically important on many fronts.”

Firms of all shapes and sizes can benefit from such boards. In addition to strengthening relationships with clients, advisory boards provide firms with a laboratory where they can test ideas — everything from shifting a firm's focus to hiking fees.

A good advisory board may also serve as a sentry for potential problems before they get out of hand.

For example, one of the first things Ryan Elenbaas learned last year when he assembled his firm's 14-member client advisory board was that his top clients felt he wasn't communicating effectively with them.

“I always thought I was giving them enough service, but they needed more,” said Mr. Elenbaas, an adviser with Vision Financial Group LLC, which manages $120 million in assets.

As a result, Mr. Elenbaas now sends his clients weekly e-mails that include more information about specific products.

Despite the effectiveness of client boards, few advisory firms have them. In fact, only about 10% of firms have one in place, according to Mr. Watson.

“There aren't many of these boards, because it does require a lot of time to set it up and a commitment to meet with the board,” he added.

To be sure, getting the most out of a client advisory board takes a little work.

Advisers utilizing a client board must be careful to make sure that it is not taken over by a handful of outspoken — albeit well-meaning — participants. They must also take care to keep the board meetings from turning into unruly gripe sessions.

John L. Jenkins, president and chief executive of Asset Preservation Strategies Inc., compared complaints he received from clients on his firm's board to taunts he used to receive from hecklers years ago when he played guitar in bars.

“I know how to handle hecklers,” said Mr. Jenkins, whose firm manages $100 million in assets. “I'll interrupt someone as they get on their soapbox. You just deflect it, and it takes the steam away from the person.”

Indeed, advisers must learn not be defensive when they get feedback that they don't like from an advisory board member.

Consider John T. Gugle's predicament: Even though he saw nothing wrong with his firm's website, and was even quite proud of it, his eight-member board hated it.

“I want people who will challenge me,” said Mr. Gugle, a certified financial planner with Alpha Financial Advisors LLC, which manages $43 million in assets. “But I felt like I couldn't do anything right. I really felt backed into a corner.”

Eventually, Mr. Gugle came to agree with the board and invested $6,000 in redesigning the website, which he launched in January.

One way of dealing with negative feedback, experts said, is to appoint a “facilitator” — that is, someone from outside the firm charged with keeping the meeting moving forward.

“An adviser may not feel comfortable leading a meeting, because the people gathered at that meeting are [the firm's] best customers,” said Julie Littlechild, president of consulting firm Advisor Impact.

Advisers must also tread carefully when they choose not to follow a suggestion made by a board member.

Patrick Carroll, a CFP and founder of Wealth Strategies Group, found himself in this position recently when one of his board members came up with the idea of offering a reward to anyone who referred business to his firm.

He resisted the idea, feeling that it would be unprofessional to offer “prizes” to clients for referrals.

“I didn't want to tell the client that it was a terrible idea,” Mr. Carroll said. “You don't want to offend one of your good clients.”

Instead, Mr. Carroll, whose firm manages $110 million in assets, politely thanked the client for advice and left it at that.

It is also important to establish guidelines and a list of expectations for the board at the outset.

For example, advisers should tell board participants how often they will be expected to meet and how long each meeting will last. They should also inform them whether they will be expected to complete tasks outside the meetings.

Fox Joss & Yankee LLC, which manages about $200 million in assets, assembled a 14-member board a year ago to help think through the firm's plans to expand.

Initially, the board was wary of the firm's plan to hire more advisers, but it accepted that plan along with the assurance that the firm would continue to provide the same level of service to customers.

For the past year, the board has been instrumental in helping the firm's advisers record the processes they use to deliver advice and services so that any advisers can duplicate the same process as the firm grows.

“This board helps us by giving us their point of view as clients,” said Dan Joss, a partner at the firm. “We are asking them for advice, and we learned more than we thought we would.”