

Beyond Satisfaction

Why Client Engagement is the
New Standard

Absolute Engagement

At Absolute Engagement we believe that our industry needs to move beyond 'satisfaction' and set a higher standard for client relationships.

And we believe that the standard is *client engagement*.

This report draws on our latest investor research to answer three critical questions:

1. What, exactly, is client engagement?
2. What is the return on client engagement?
3. How can we drive client engagement?



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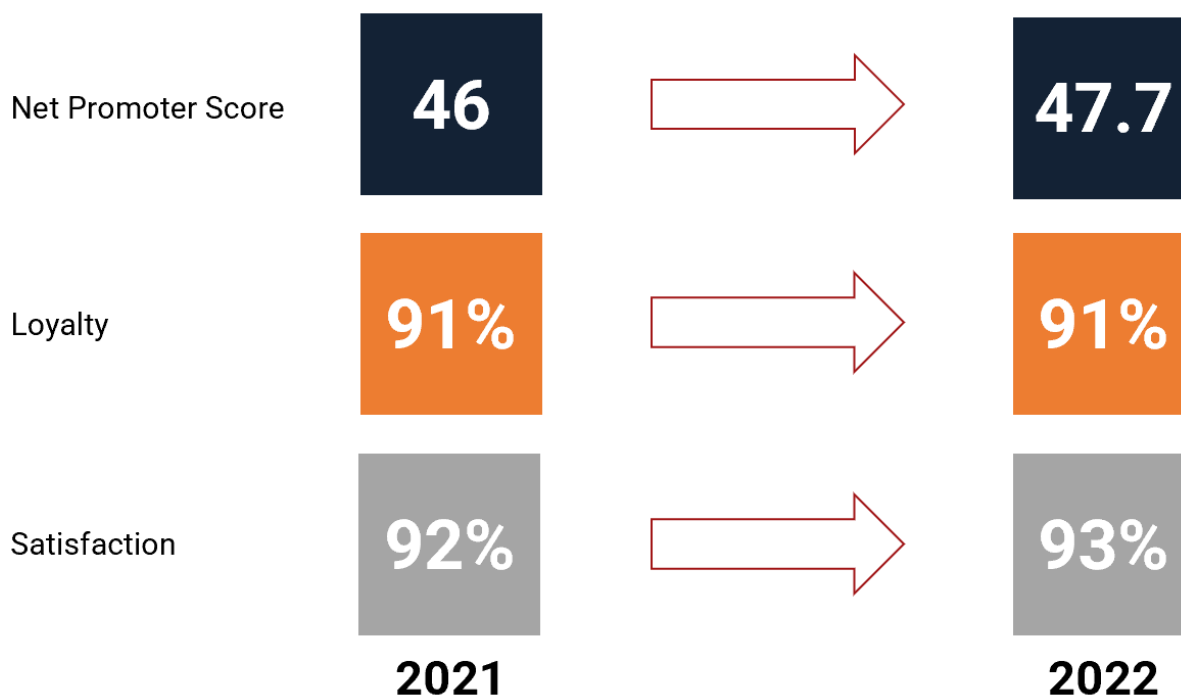
Is Good the Enemy of Great?

Let's start with the good news. According to [Absolute Engagement's](#) ongoing investor research, the vast majority of clients are loyal, satisfied and likely to recommend their advisor.

Sometimes, however, positive data can mask lurking problems. High satisfaction ratings can lull us into a false sense of security and lead to complacency. As Jim Collins has said "good is the enemy of great."

The Good News

As an industry, we tend to use a set of traditional metrics to measure the quality of the client experience including satisfaction (with the firm or advisor), Net Promoter Score and loyalty. The results are strong, year over year and that pattern continued during the uncertainty of the last several years.



Source: Absolute Engagement Investor Research: 2022

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It's easy to point to positive data as a proof point that nothing is wrong. Because clients are satisfied, the logic goes, advisors must be delivering exactly the right experience. However, the best advisors and the most progressive firms are asking a different question.

Are we tracking the right metrics?

If more than 90% of clients are satisfied, satisfaction ceases to be a differentiator. As consumers, we are generally satisfied with many of the services we receive, from our mechanic to the barista who serves up our morning coffee. They meet or exceed our core expectations.

But don't we want advisory clients to feel something more? Is it possible we are simply setting the bar too low with these metrics?

A New Standard: Client Engagement

We believe that, as an industry we owe it to clients and to ourselves to set a higher standard. And we believe that standard is client engagement.

While most advisory firms agree that engagement is a laudable goal, few define it in exactly the same way. The reality is that it's easy to set goals that 'sound right'. But it's very hard to achieve those goals without a clear and shared definition of exactly what you're aiming for and what drives you toward that outcome.

The use of the term 'client engagement' is further complicated by the fact that it's both an outcome (an adjective) and a process (a verb).

Beyond Satisfaction: Why Client Engagement is the New Standard

- As an adjective, a client is engaged, or not. But how do you actually know, without a clear and measurable definition?
- As a verb, we want to engage a client. But how do you know what to do without data on the drivers of the outcome you are trying to achieve?

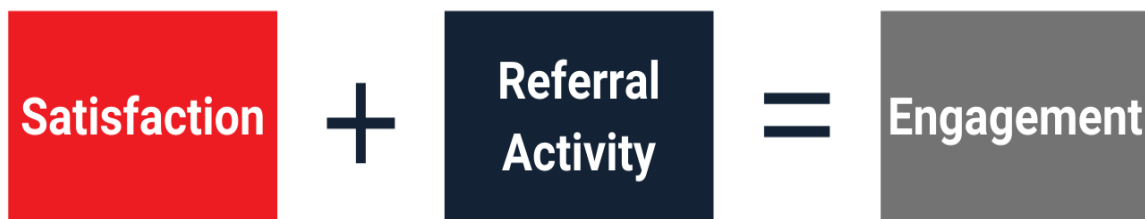
In order to provide meaningful insights, any metric needs to be **defined, actionable and measurable**. And there needs to be a demonstrable return for the business and for clients. And that is the case for engagement.

Client Engagement: Toward a Common Definition

We naturally associate client engagement with the depth of the client relationship – something that is almost intangible. If we accept that lack of definition, it's tantamount to saying "you'll know it when you feel it" which is light, at best, as a business strategy.

And while it's easy to believe engagement can't be measured, we disagree. Years of gathering and analyzing data have allowed us to create a measurable standard for engagement and, importantly, to understand the drivers.

For the purposes of our on-going investor research and for our work with individual advisory firms, we identify Engaged clients based on a combined rating of their satisfaction with the advisory relationship and their actual referral behavior.



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On that basis, only 26% of high-net-worth clients are Engaged. Because the definition incorporates the quality of the relationship and referral activity, it's aspirational. That means that engagement is an internal metric and designed to drive improvement. It is not a vanity metric and not something that would be posted on a website but it is something more valuable.

A satisfied client may be happy but passive. An Engaged client is happy and is telling the world about the work you do.

Client Engagement: The Return

The data is clear that engagement is a goal worth pursuing. The ROI is clear both for advisors and for clients.

Engaged clients are more loyal.

Among Engaged clients, zero percent are at risk, increasing to 13% among clients who are not engaged. In our industry research, a client is at risk if, when asked if they are likely to continue working with their advisor in the next 12 months, the response is a 3 out of 5 or less, where a one is 'not at all likely' and a five is 'extremely likely.'

Share of wallet is higher among Engaged clients.

Fifty-three percent of Engaged clients say they have 75% or more of their investable assets with their advisor, dropping to 40% among those who are not engaged.

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Engaged clients are less concerned with short-term market volatility, focusing on the long-term.

In April 2022, 72% of Engaged clients said they were satisfied with their long-term investment performance/returns, dropping to 48% among those who are not engaged.

Engaged clients perceive higher value relative to fees paid.

Seventy-one percent of Engaged clients say they strongly agree that they receive good value for the fees they pay their advisor, dropping to 47% among those who are not engaged.

Engaged clients are more confident about their financial futures.

Eighty-seven percent of Engaged clients are in the 'high self-confidence segment' dropping to 66% among those who are not engaged. Absolute Engagement's Client Self-Confidence Index measures the extent to which clients feel confident, clear and in control of reaching their goals and feel financially secure.

Client Engagement: The Drivers

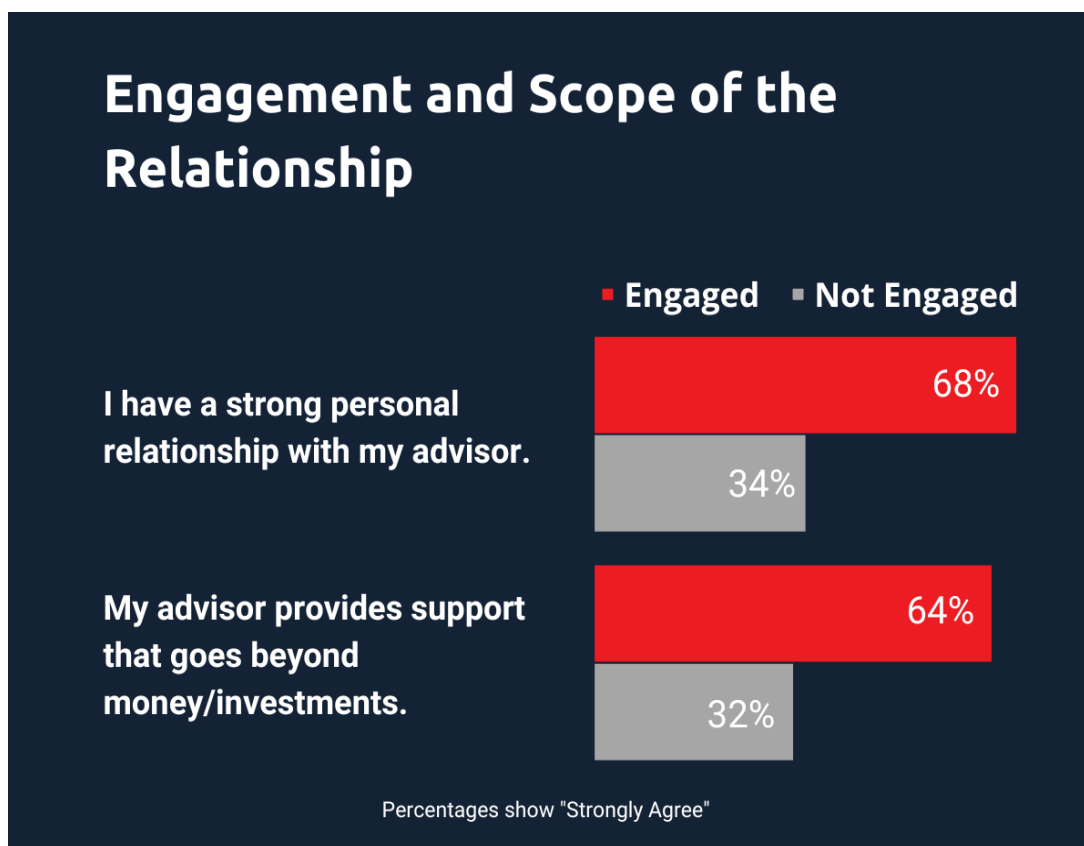
While the data is clear on the real return on engagement, it's not terribly helpful if we don't understand the activities that will drive engagement. Because Absolute Engagement has been able to define, defend and measure engagement, we have also uncovered the **drivers of engagement**.

A caution before you review these drivers. It's easy to work through a mental checklist in your own head that reinforces that you - or your advisors - do these things already. We believe, however that a better test is to ask how each driver is being tangibly demonstrated. Can you point to specific activities that demonstrate the following attributes to clients, in a way that is clear and consistent? If it's too vague, the benefit may be lost.

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1. Driving engagement means broadening the scope of the relationship.

Engaged clients are more likely to say they have a deeper personal relationship with their advisor, one that goes beyond investments.



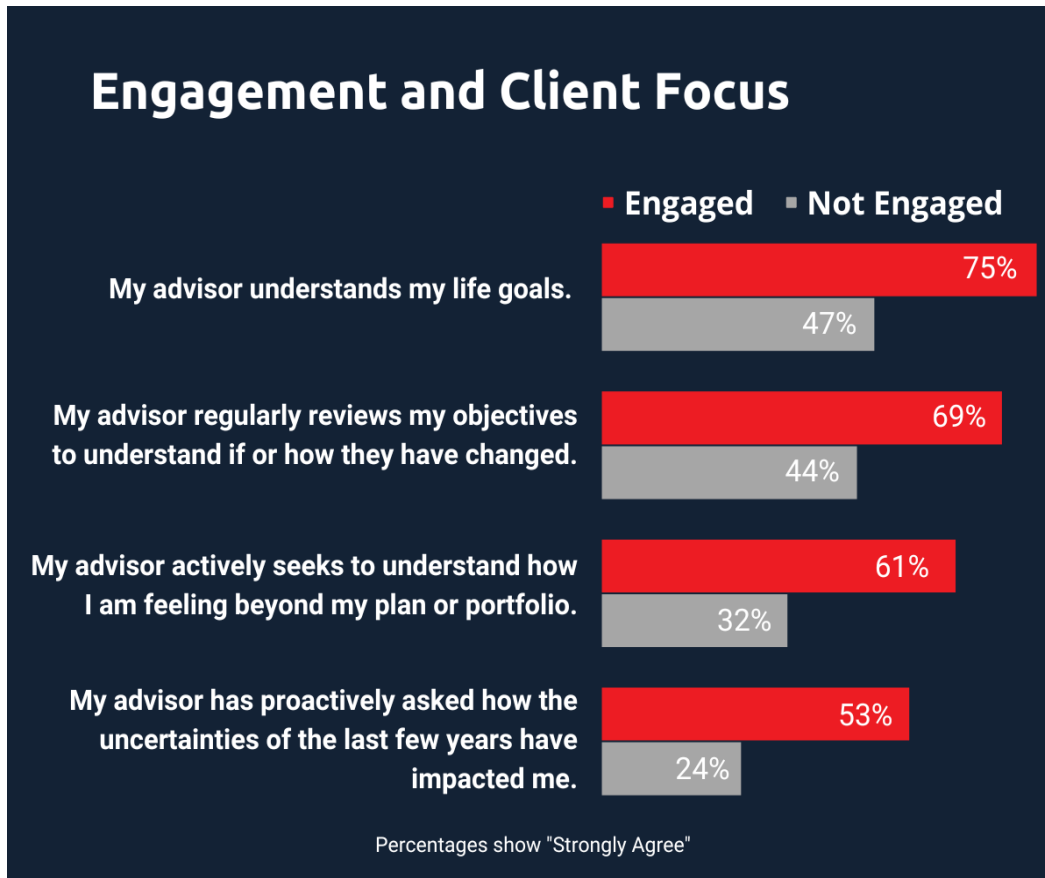
Source: Absolute Engagement Investor Research: 2022

Engagement Lesson #1: The quality of the advice drives satisfaction. However, putting that advice in the context of the client's life drives engagement. And their lives are about more than money.

2. Driving engagement means having a process to tangibly demonstrate that advisors understand, and are responding to, client needs.

Engaged clients are more likely to say their advisor has a deep understanding of their life goals and is proactive in understanding how those goals and needs have changed.

Beyond Satisfaction: Why Client Engagement is the New Standard



Source: Absolute Engagement Investor Research: 2022

Engagement Lesson #2:

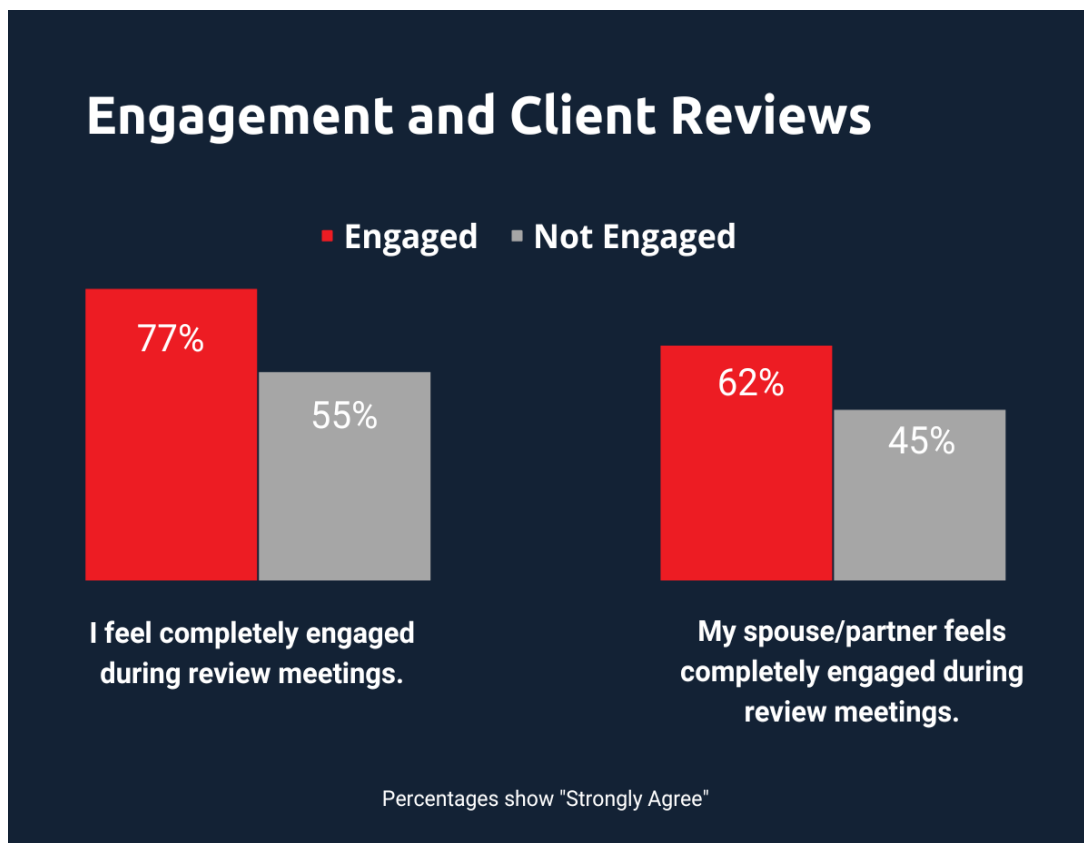
Tangibly demonstrate how you understand and respond to client needs over time.

- Implement a formal process to connect with clients about if and how their life goals and objectives are changing. Consider doing this outside of a conversation about investments and money.
- Be specific about that process by telling clients that it's important to hit pause, from time to time, to understand what has changed and to examine if and how that might impact their plan.
- Dig deep to help clients understand and articulate the changes they are experiencing. Simply asking if anything has changed, won't get you there. We're human and that's a hard question to answer.

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3. Driving engagement means transforming your review process from a 'need to do' to something more inspired.

Engaged clients are more likely to say they feel more engaged during reviews and that their partners feel the same. However, there is a persistent gap with partner engagement.



Source: Absolute Engagement Investor Research: 2022

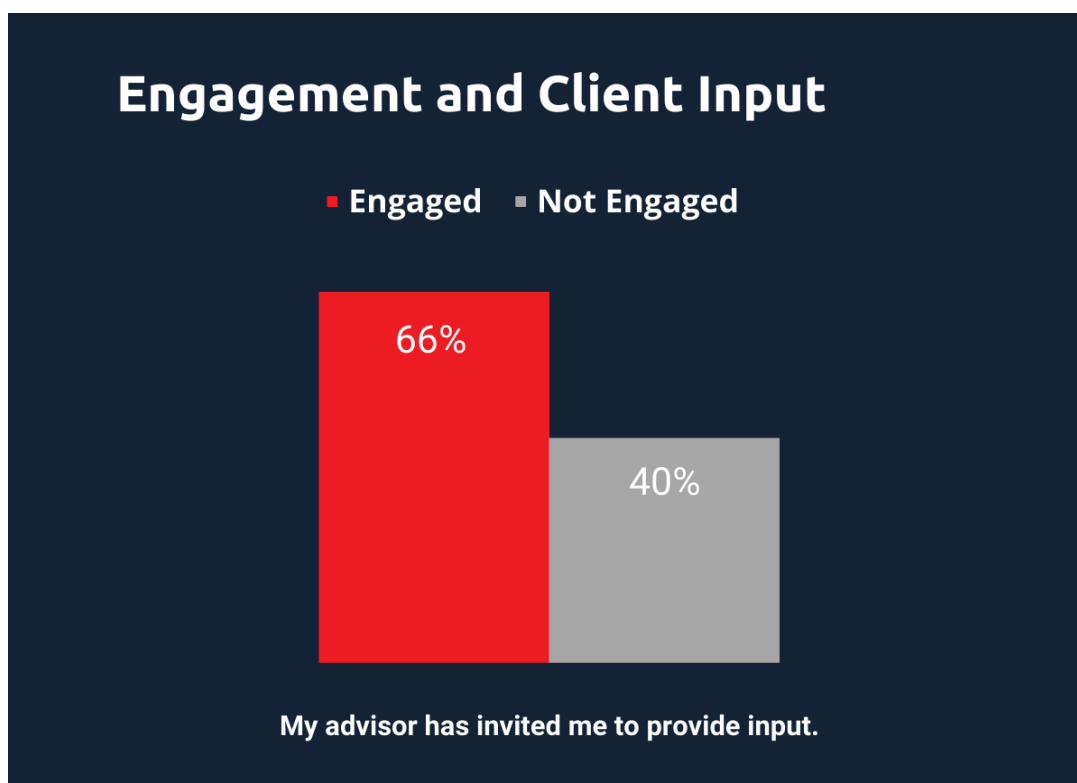
Engagement Lesson #3: Focus reviews on the things that are most important for clients and don't assume that those are the same things that are on the agenda. There are times when the things clients need to hear and what advisors want to share are different. The former is all that matters. And remember that the only way to truly engage partners who seem otherwise disengaged is by changing the agenda, not by explaining why the existing agenda should be more interesting or important.

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4. Driving engagement means having a formal and consistent process to capture and use input from clients on what they need right now.

We aren't surprised by the last driver in the least. Engaged clients are more likely to say their advisor has invited them to provide feedback using a formal survey/poll.

There is a reason that the team at Absolute Engagement is driven by helping advisors gather direct input from clients. The data makes it clear that driving engagement starts with a deep understanding of client needs, concerns, challenges and aspirations. And more often than not, it's about helping them understand these things about themselves.



Source: Absolute Engagement Investor Research: 2022

Engagement Lesson #4: Design a client experience – from the conversations during reviews to the communications that are shared to the scope of service that is provided – that reflects what clients say is most important.

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Taking Action

Driving engagement isn't necessarily about doing new things, but about examining if and how what is being done today reflects what is most important to clients.

A great client engagement plan cannot be based on assumption.

As you look at your client experience today, ask some important questions.

- Does your client experience go beyond delivering good service, to drive true engagement?
- Do you understand the true needs of clients and are those needs informing the client experience?
- Would your clients be able to clearly articulate how you:
 - go beyond investments,
 - understand their life and personal goals,
 - check in on how they are feeling as individuals and as couples, and
 - actively engage both partners and invite their input to inform the experience
- Are you making assumptions about what clients need, want and expect?
- Are you measuring the right things to know if you are delivering a truly differentiated experience?

Absolute Engagement empowers advisors to reveal and respond to the true needs of prospects, new clients and existing clients, in real time. We help you **drive personalized engagement at scale.**

To discuss your goals and learn how we support some of the most progressive advisory firms, visit www.absoluteengagement.com or [click here to book a time to meet.](#)

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