Identifying and cultivating the most and least valuable clients will allow you to maximize your time and energy.

As a bank investment consultant, you have a lot of tasks to oversee—everything from managing people to portfolios.

You probably know about the 80/20 rule. And you likely realize that it has broad application in the business world. But do you know specifically how it applies to your job? That is, what are the 20% of tasks that create 80% of the benefits for a bank advisor?

At the end of the day, there are three tasks that are extremely important for a bank advisor: prospecting, meeting with clients, and closing sales. If you are not successful with those three tasks, there is little point in carrying out all of your other tasks.

After all, unless you succeed at all three steps, you won’t have any clients to speak of. But once you get past that point—and you already have built up a client base—what’s next? How do you strategize to build up your own practice as successfully as possible?

We will discuss how to set up a turnkey client segmentation and appointment system to put your business on autopilot to profitability. We will cover three things: 1) how to segment your client base; 2) how to cull your bottom segment; and 3) how to use a segmentation spreadsheet specifically to create a turnkey appointment system.

Segmenting Your Client Base

Analyze any country in the world and you will find this pattern: 80% of the wealth is controlled by 20% of the population.

Vilfredo Pareto, the Italian mathematician who first publicized this observation, said in 1906 that 80% of the land in Italy was owned by 20% of the population. Since then, the Pareto principle (as it came to be known) has been found to have nearly universal application. In the bank channel, you can view this as 80% of your revenue is generated by roughly the top 20% (to 40%) of your clients.

The flip side of the coin, of course, is that the clients in the bottom 20–40% cause 80% of a financial advisor’s problems.

Now, although this appears simple on paper, you cannot solve this problem in a simplistic fashion, because you are dealing with people and not just statistics.

The first step in segmenting your client base is deciding the criteria you will use for your top segment. There are a few things to consider. Should your top-tier be clients with the most assets invested with you or the most potential assets that you could gather?

Most segmentation models I have seen are initially done by assets under management (AUM). Using the AUM model, you would place the client with the most assets at the top of the list and then decide a cutoff amount of assets for the bottom of the list. Typically, this cutoff number would capture anywhere from the top 10–20% of your client base.

For example, you may decide anyone with more than $1.5 million belongs in the top tier. That may apply to 20 clients (10% of a 200-client practice). I think potential assets to be gathered is a more important criterion, but you will need to decide that yourself.

Once you have defined the criteria for your top tier, then you can move on to the second tier. You need to decide on the minimum amount of assets a client needs to begin a relationship with you.

The bottom of the second tier begins at that cutoff point, and the top of your second segment ends where your top tier begins.

Culling the Bottom Segment
The third-tier segment comprises clients who have low assets, but maintain a valuable relationship. These clients may be friends or family of your upper segments, clients you have strong personal ties with, or clients who are fabulous referral sources.

The bottom segment will be clients who have assets below the cutoff for your third tier, as well as a low relationship with you.

Once you have segmented your clients, the next exercise will make you laugh. And then it will make you cry. Here goes:

- Determine your practice's overall return on assets. (That is, the revenue you earned last year divided by your assets under management; the industry average is 1%. If you are below 1%, well, that sounds like the subject of a future article.)

- Add up the amount of assets in each of your client segments.

- Multiply the assets under management in each of the segment by your practice's return on assets.

- Divide that number by the number of clients in that segment to determine how much each client in that segment generates a year on average.

You will find that your top segment generates more than $1,000 per client per year (and sometimes multiples of $1,000). You will find that your bottom segments generate much less than that, often as little as $100 per client a year. I guess you know which segment will make you cry, right?

Now, can you answer the million-dollar question: What is the difference in service that your top-tier clients get (the ones paying you a $1,000 or more a year) compared with the lower tiers?

If you are like most advisors, you know that your top clients receive a different level of service from your bottom clients, but it's not usually $1,000-a-year difference. Do you think that is fair to those top clients? Again, only you can answer that question.

Now, let's discuss the next question: What should you do with the bottom segment?

The first thing I want to share about the bottom segment is that this is a much thornier issue in reality than it is on paper. It somehow seems counterintuitive to grow revenue by removing clients.

Here are some strategies for the bottom-tier clients. You must decide which one is best for your practice.

One strategy I see frequently employed is to assign the bottom-tier clients to a junior associate. There is a big problem with that strategy, though.

First, if you couldn't develop this into a top-tier relationship, why would a junior associate be able to do so? Next, these relationships by definition are not profitable. Why would a junior associate even want to work with a low relationship/low asset client any more than you would?

I think assigning the "low assets/high relationship" clients to junior associates is fine, but not "low assets/low relationship" clients.

Another strategy is to keep the bottom-tier clients on the books, but just provide them with a relatively lower level of service. While you may think that's a good idea, what if they complain to the branch manager? That doesn't help them, and it certainly does not help you.

You also could try to have them reassigned by your manager. Yet another strategy is to resign the account and ask your branch manager about the best way to do this within your bank's guidelines. I'm sure your branch manager will have had experience doing this before.

Finally, you can decide to meet with the client, explain the changes you have made to your practice, then give them an opportunity to meet the standards you set to move up into another tier.

One thing bears repeating: Although the task of culling your book appears simple on paper, it is not always easy.

**Turnkey System**

Finally, once you have culled your bottom segment, let's discuss setting up your turnkey appointment system for your remaining segments.

First, you will need to export a list of your clients into Excel. Next, arrange the list into your top, second, and third segments. You can color code these segments in Excel for convenience.
Once you have a segmentation list, create additional rows to the right under calendar headings of January, February, March, and so on.

Now, decide how many face-to-face appointments, phone appointments, and cards or letters each segment will receive.

Next, go to your first client and work across the spreadsheet and code each month for the appropriate activity for that client. Which month will you have a face-to-face meeting? A phone call? Send a card or letter?

Proceed down the list, repeating the evaluation for each client. How many times will you meet with top-tier clients? What about second tier? Third tier? Then code the spreadsheet accordingly. You're setting up your service model.

When you have completed this exercise, you will have reduced the size of your overall client base from culling the bottom tier, and you will know exactly who you will see, how often you will see them, and when they will be scheduled throughout the year. And it will all fit on one Excel spreadsheet.

The last step is to schedule clients to come in (or be called) according to your system. You can call them in advance to schedule or schedule their next appointment at the end of their current one. Or you can simply send them a letter of their scheduled appointments for the next 12 months. I recommend sending the letter.

When you complete the client segmentation I have discussed, you should see your revenues leap typically within 30 days of setting it up.

You won't feel guilty about not calling clients you know you should be calling, and you will feel happy that you are allocating your time and resources efficiently among all your clients.

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