

# Chapter 2

## ***The Goal: Build a Lifelong Supply of Clients***

### **Documentation Is the Foundation**

To fully appreciate the OCS, it helps to understand the background of its creator, O. Alfred Granum, CLU. Al Granum was manager and General Agent for The Northwestern Mutual Life Insurance Company in Chicago for twenty-eight years. During that time he developed and managed what many have described as the most successful agency in the world. His agent productivity records are still unequaled.

*During his tenure as General Agent, his agents recorded and documented their sales activities and results over a twenty-five-year span. Al Granum conducted major analyses of the records at the fifteenth, twentieth and twenty-fifth years. The results of this longitudinal study served as a phenomenal base of data that developed both the science and the art of building a clientele, and ultimately became the One Card System – one of the most effective tools ever used in the financial services profession.*

### **The Development of the 10-3-1 Ratio**

Al Granum scientifically quantified exactly what it takes to achieve measurable success in the business. He identified the conversion ratios that clearly describe the numbers of candidates (Ten Qualified Suspects) who grant Fact Finding Interviews (Three Prospects) and who ultimately become Clients (One New Client). This is the famous 10-3-1 ratio of Client Acquisition.

It might be true that as product mixes and technologies change, new Client Acquisition ratios may also change somewhat. What remains critical, however, is that you have a practice administration system that allows you to monitor exactly what is true for you. As Al Granum has often said, “You must know the truth of your situation and then take appropriate action.” If you have no way of determining the truth of your business situation, you will have no way of determining the appropriate action.

The One Card System is time tested and solid; it teaches the true fundamentals of the profession. In today’s business environment, it remains a virtual blueprint for success.

While the original data goes back some forty years, it is interesting to note that a recent study of new client acquisition completed in the Japanese life insurance industry confirmed Granum’s findings are still valid today.

The research clearly shows that the way to achieve the goals that brought you into the business is through building your clientele. Your mission – or the *Magnificent Obsession* – is to obtain 1,000 Clients. In order to accomplish this, three areas of expertise are necessary:

1. Knowledge – An understanding of the *science* of the business that allows you to predict future outcomes based upon today’s activities.
2. Administration and Organization – A system that guides your activities on a daily, monthly, and yearly basis and is based upon the predictable relationships that govern the business. This is the One Card System.
3. Soft Skills – Mastery of the Sales Cycle skills that allow you to better control the outcome of sales interactions. This is the *art* side of the business.

### The Science and the Art of Client Building

The Science	The Art
<ul style="list-style-type: none"> <li>• The activity to sales ratios</li> <li>• A system to guide business activities</li> <li>• Organization and time control</li> </ul>	<ul style="list-style-type: none"> <li>• Sales Cycle mastery</li> <li>• Relationship skills</li> <li>• The persuasion skills that move people to action</li> </ul>

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*There's more to a building client base than just seeing more people*

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#### 1) Understanding the Science – The Knowledge

It is one thing to want to build a large client base for your career. It is another to know how to do it. Most Financial Services Professionals' understanding of the science side of the business is usually handled by the directive, "Just see more people."

The philosophy of science tells us that true *understanding* comes when we can both *predict and control* events in a given situation. A true understanding of the financial services business requires that we are able to at least predict how much activity is required to produce the desired results. In other words, how many new people must be identified in order to make a sale? If we know the basic conversion ratio we can then predict the outcome of our efforts.

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*Predict and control*

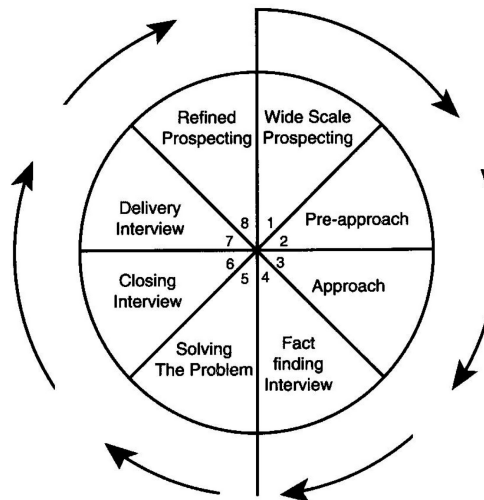
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Predictable relationships, however, don't offer complete scientific understanding. We must be able to *control* the outcome as well. To do this, we must be able to make a fine grained analysis of the process that guides us from the identification of new people to the ultimate sale. When we understand the Sales Cycle and how many people it takes to move through each step, we increase our ability to control the process.

#### 2) An Organizational System

An organizational system to guide your daily, monthly, and yearly activities can take your performance to higher levels. This system must be based upon the scientific truths that underlie the business. *The OCS was specifically designed around those truths.* It is the ideal administrative system. Ultimately, the goal is not to drive the system, but to have the system drive you. When all of that is in place you will have the understanding, the skills and the method to build a great clientele. If you add strong personal motivation, health, talent, and sufficient self-discipline to the formula, you have everything required for a long-term successful career.

### The Wheel of Client Acquisition



### 3) Understanding the Art – The Soft Skills

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*Understanding the structure of the Sales Cycle*

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Obviously, our ability to move people through the process will depend upon our mastery of the required sales skills. Excellent selling skills alone aren't enough. You must also know when and how often to apply those skills. In other words, you must understand how the sales process is structured. The model for the structure is called the Sales Cycle. *When you have mastered the Sales Cycle, you can combine the art and the science to be your best.*

### Twenty-Five Years of Research – Still Valid Today

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*Meticulous collection and analysis of activity and production data from successful life insurance Financial Professionals*

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The One Card System is not based upon opinion, personal sales experiences or sales truisms. It is based upon twenty-five years of meticulous collection and analysis of activity and production data from *successful* life insurance Agents. The research was conducted at the Northwestern Mutual Life Insurance agency in Chicago, Illinois, from 1958 through 1983. During those years the agents in the Granum Agency were considered among the most productive agents in the world.

You may ask, "If the financial services industry has changed, how can the research data from professionals who only sold life insurance be meaningful today?" There are at least two important answers to that question. The first is that the research shows how you quantify your business. Regardless of the specific financial product, it shows you what data is critical to your business and how to collect it so you can

answer your business questions. It shows you how to gain a scientific understanding of your business. Again, it is the process that is crucial, not the specific product being sold.

The second answer to the question is that the results of the original research comprise the most complete longitudinal study available today on the financial services career. As product mixes change the statistics of New Client Acquisition *might* change. You'll note the emphasis on *might* change. The most recent study conducted in Japan in 2004-2005, with over 200 Financial Services Professionals, replicated the Granum research results (the 10-3-1 Ratio). As a starting point for our understanding of what it takes to acquire a New Client, the Granum data is the most extensive and complete available. The goal is to inspire you to collect your own data on your business. Then you can both predict and control your business outcomes, no matter which collection of financial services you present.

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*Collect the data on you and your business so you can both predict and control your business outcomes*

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### Understanding the OCS Terminology

Before exploring the research in-depth, you must understand the definitions that were used in the research. These are the same definitions that are used today in the One Card System.

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#### Key OCS definitions:

#### Suspect

The words "Suspect" and "Qualified Suspect" are used interchangeably and refer to an entity that could be a person, a business or an organization. This entity has enough going for it that you *suspect* it is worth pursuing. That is, you have sized up the entity (either personally or through a referral) and think you could turn it into a Prospect and, eventually, into a Client. If the entity isn't qualified then it is only a name" or "identity." The entity isn't called a Suspect until it has been qualified, meaning you have identified the:

- *Suspect*
  - *Prospect*
  - *Client*
  - *Active Client*
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- Name and age;
- Business telephone number and address;
- Occupation and Title; and
- Approximate income.

## **Prospect**

A *Prospect* is a Qualified Suspect who has participated in a full Fact Finding Interview with you. This is an important distinction. Many people in the business refer to a Prospect as someone the Financial Services Professional is interested in pursuing. However, it is important to remember that the OCS Financial Services Professional will only use the term Prospect to refer to someone who has engaged in a Fact Finding Interview. You will see that the process of gathering facts is the key to establishing trust and is central to the behavior that distinguishes you as a true Financial Services Professional.

## **Client**

A Prospect becomes a Client when “It” buys. The Client is the paying entity or account. A Client may be an individual, a corporation, a trust, a partnership, or a grandparent. Each is the paying entity or the account from which the funds are provided.

## **Active Client**

An Active Client is a Client whom you believe will buy additional products from you in the future. That is, you feel the Client has additional needs and means, and you believe the relationship is strong enough that he or she will purchase again from you.

# **The Research**

## **The Research Questions**

As a basis for the research project ten basic questions were asked. The first three covered the broad conversion from Suspects to Clients. The last seven made a finer granular analysis of the process.

1. Given a known number of Qualified Suspects, how many of this original group will eventually buy and become Clients?
2. When, if ever, is the individual finally sold?
3. How long will it take to completely process or digest a given group of Suspects? That is, how long before all of the Suspects who are going to become Clients finally do so?
4. How many of the Suspects will ultimately become Prospects by divulging Facts?

5. What happens to the Suspects who do not give Facts? How many agree to “keep in touch” and how many will be discarded or dead filed?
6. Given a known number of Prospects, how many will become Clients?
7. When, if ever, is the Prospect finally sold?
8. How long will it take to completely process or digest a given number of Prospects? That is, how long before all of the Prospects who are going to become Clients finally do so?
9. What is the closing ratio (cases sold divided by cases opened), sometimes called the completion ratio, when selling to New Clients versus repeat sales to existing Clients?
10. What is the average number of sales that can be expected from each New Client over time?

### The Critical Understanding

Understanding the answers to these questions provides the critical information necessary to guide your career. You will then know the conversion ratios required to set up an appropriate activity program. You will know how many Suspects you will need to obtain a New Client. You will know the approximate time frame for processing Suspects. Finally, you can predict how many Suspects will become Prospects and, ultimately, Clients.

This kind of information is vital to a true understanding of the business. The answers, however, took time and effort to obtain.

### How Were the Agents Involved in the Research?

During a period of over twenty-five years, an exceedingly capable group of life insurance Agents (Agents who experienced the highest median productivity of any Agents in any large agency in the world) maintained accurate, detailed records on over 150,000 Qualified Suspects and sifted them through to ultimate success or elimination. The records included the name of each Suspect, the date and circumstances under which the name was obtained, the strength of the introduction, and what happened as a result of the first contact.

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*Interpreting the  
research answers  
guides your success*

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## Part 1: Why the Research and Original Approach are Valid Today

The Agents continued to track and record what happened to each Qualified Suspect as he or she moved through the Sales Cycle process. Additionally, the Agents coded the type and results of all of the cases they opened. This information was recorded and tabulated year by year.

All of the individual Agents' records were collected, tabulated and analyzed after ten, fifteen, twenty, and twenty-five years. That was a massive undertaking and involved many thousands of hours on the part of the agency staff members.

### The Tabulation Process

#### Step One – Tracking the Suspects

Information on  
150,000 Suspects

The information gathered on 150,000 Suspects was recorded, tabulated and correlated. The actual names of the Suspects were first recorded in dozens of ruled notebooks and later in what became the Agents' *Success Manuals*. The tables that were used to record the data are reproduced in the Annual Review and Planning section of the *Success Manual*. Those tables are still available in the OCS Productivity Planner to record and study your own results from year to year and compare your records with those of other Financial Services Professionals. The results for an Agent who got off to a fast start and qualified for the MDRT (Million Dollar Round Table) in his first year are shown in the next illustration.

Suspect illustration

YEAR	TOTAL	YEARS ELAPSED SINCE "SUSPECTS" INITIALLY OBTAINED											
		1		2		3		4		5		6	
		Sold	%	Sold	%	Sold	%	Sold	%	Sold	%	Sold	%
1st	826	25	3.0	56	6.8	66	8.0	72	8.7	74	8.9	74	8.9
2nd	522	26	4.9	47	9.0	50	9.6	53	10.1	53	10.1	53	10.1
3rd	410	24	5.8	43	10.5	50	12.1	53	13.0	56	13.6	58	14.1
4th	280	15	5.3	31	11.1	32	11.4	35	12.5				
5th	356	11	3.1	22	6.2	25	7.0	26	7.3				
6th	494	21	4.3	43	8.8	43	8.8	45	9.1				
7th	434	23	5.2	31	7.1	33	7.7	35	8.1				
8th	346	14	4.0	31	9.0	37	10.8	40	11.6				
9th	486	32	6.5	53	11.0	63	12.9						
10th	353	24	6.7	44	12.4								
11th	350	25	7.1										
	4,857	240		401		399		359		183		185	
Averages (%)			4.9		8.9		9.6		9.8		10.4		10.5



The columns for this Agent show that in the first year he acquired 826 Qualified Suspects (actually wrote the names in his *Success Manual*), and sold twenty-five or 3 percent of them. By the sixth year a total of seventy-four, or 8.9 percent, of the Suspects had been sold. Yet, looking at the bottom line totals for the first three years, we can see that this Agent wrote an average of 4.9 percent of his Suspects by the end of year one, 8.9 percent through year two and 9.6 percent through year three. Note that the results show how many of the Suspects became Clients, not the total number of lives sold.

### Step Two – Tracking the Facts

The second phase of the study involved tabulating and analyzing the results of more than 45,000 Facts interviews. A Facts (Confidential Questionnaire) interview is *only recorded one time* (the first time it is done) in the *Success Manual*. The tens of thousands of reviews and updatings of previously completed Facts are not counted as additional Facts. These records were obtained by counting the number of “New Facts” boxes used in the Agents’ *Success Manuals* and transferring the data to the table in the back of the manual. Again, you have access to these same tables in the *Success Manual* section of the *Productivity Planner* and are encouraged to keep your own records for analysis and comparison.

Records were maintained on over fifty Agents until each of the initial Facts (Confidential Questionnaire) interviews had been resolved by sale or elimination. This process was originally followed for up to eleven years with some Agents. It has now been determined that four years is long enough. The results for another “fast start” Agent are shown in the next illustration.

## Part 1: Why the Research and Original Approach are Valid Today

### Facts illustration

		TOTAL "FACTS" FORMS PROCESSED IN YEAR				TOTAL CUMULATIVE CLIENTS FROM ORIGINAL FACTS							
YEAR	TOTAL	1		2		3		4		5		6	
		Sold	%	Sold	%	Sold	%	Sold	%	Sold	%	Sold	%
1st	314	69	22	100	32	104	33	107	34	107	34		
2nd	256	56	22	90	35	90	35	92	36	92	36		
3rd	211	61	29	80	38	89	42	89	42	89	42		
4th	229	34	15	60	26	62	27	69	30				
5th	194	33	17	54	28	58	30	62	32				
6th	179	48	27	57	32	61	34	61	34				
7th	150	36	24	42	28	47	31	48	32				
8th	90	22	24	30	33	32	35	32	35				
9th	174	30	17	52	30	57	33	64	37				
10th	183	49	27	64	35	66	36						
11th	170	43	25	58	34								
12th	161	34	21										
	2,311	515		687		666		624					
Averages (%)			22		32		34		35				

This Agent took 314 Facts (Confidential Questionnaires) in his first year. That resulted in sixty-nine New Clients, or 22 percent of the Facts. By year two the Agent had sold 100 or 32 percent of the Facts, and through year three 104 New Clients had been obtained. The bottom totals for this Agent show that he converted an average of 22 percent of the Facts into Clients in year one, 32 percent through year two, and 34 percent through year three.

### Cases Opened Codes

- 1 - Repeat sale to existing Client
- 2 - A Client new to you but not new to the company
- 3 - A Client new to you and the company
- 4 - An ancillary sale (spouse, dependent, other)

### Step Three – Coding the Cases Opened

During each month as cases were opened, they were coded by the Agent as New (3) or Repeat (1). If the case was opened on an existing client then a "1" was recorded in the Category column of the *Success Manual* (see the following illustration). Those "1s" would become Repeat Sales. If the case was opened on a new prospective client who had never previously purchased from either the Agent or the company, then a "3" was placed in the Category column. The results for one Agent are shown next.

In this partial illustration of Cases Opened note that the balance of cases that this Agent opened on "1s" (old Clients) is too heavy. That

is, this Agent is living off Repeat Sales from established Clients. If more cases on new Prospects aren't opened, the Agent will eventually run out of good, active Clients and his sales and income will decline. Remember, personal freedom comes through Client Building. Even established Financial Services Professionals with many old Clients ("1s") should strive to open twelve to fifteen cases per month on prospective New Clients ("3s").

MONTHLY RECORD OF  
NEW CASES OPENED

CASES OPENED								
	DATE	NAME	ACTION DATE	CATEGORY	NEW FACTS?	ILLUSTRATION	AMOUNT	SOLD, A, DF
CATEGORY 1  CASES OPENED ON EXISTING POLICY OWNERS	1	WRAY	7	1	U	EP	25000	(25)
	1	ALLISON	—	1	U	EP	117000	A
	2	URENA	—	1	U	L	25000	(25)
	2	WELCH	—	3	Y	EP	113000	(25)
	3	RYAN J.	3	3	Y	EP	8900	
	4	ARONSON	5	1	U	EP	25000	
	14	SCHULTZ	10	1	U	BUS	100000	
	14	HEYMAYER	—	1	Y	EP	193000	(80)
	14	WELLS	—	1	N	EST	92000	(92)
	16	DUNN, T.	4	3	Y	L	22000	I II \$ 10
CATEGORY 3  CASES OPENED ON NEW CLIENTS	17	ZINKLE	—	1	U	EP	13000	(11.3)
	17	MYRON	—	1	N	BNS	600 MO	(600 M)

Cases Opened  
illustration

Notice that in almost every case, the column headed New Facts shows that this Agent did a good job by either obtaining complete new Facts (code letter "Y") or updating the old ones (code letter "U").

### Step Four – Tracking the Cases Opened

The fourth and final step in the tabulation process involved transferring the results for both New and Repeat Cases Opened to an annual summary table like the one shown next. You can accomplish this same process with your own results by using the table provided on page 23 of your *Success Manual/Productivity Planner*.

## Part 1: Why the Research and Original Approach are Valid Today

### Annual Review illustration

NEW CASES OPENED

REPEAT BUSINESS CASES OPENED

ANNUAL REVIEW OF CASES OPENED BY THE MONTH AND THEIR ULTIMATE DISPOSITION										
	C.O.'S NEW CLIENTS	NO. AND AMT. SOLD	AUTO	DEAD FILED	STILL OPEN	C.O.'S OTHERS	NO. AND AMT. SOLD	AUTO	DEAD FILED	STILL OPEN
JANUARY	7	3-80	2	2	—	22	17-533	5	—	—
FEBRUARY	4	1-25	2	1	—	12	8-125	3	1	—
MARCH	10	3-197	3	4	—	20	13-218	7	—	—
APRIL	6	1-10	5	—	—	22	15-359	6	1	—
MAY	10	2-55	6	1	1	19	9-157	10	—	—
JUNE	13	7-125	4	2	—	8	4-77	3	1	—
JULY	7	4-124	2	1	—	13	8-115	4	1	—
AUGUST	13	6-270	5	2	—	14	10-404	4	—	—
SEPTEMBER	12	6-300	4	2	—	14	11-250	1	2	—
OCTOBER	14	4-138	6	3	1	21	10-300	6	5	—
NOVEMBER	13	2-40	3	2	6	21	10-260	10	1	—
DECEMBER	8		1	1	6	10	3-80	2	1	4
	117	39-1,364	43	21	14	196	118-2,878	61	13	4
SUMMARY	TOTAL	SOLD	PERCENT- AGE	VOLUME	PREMIUM	AV. VOL.	AV. PREM.			
NEW CLIENTS	117	39	33%	1,364	20,664	34,974	15.15			
OTHERS	196	118	60%	2,878	62,500	24,389	22.10			
TOTAL										

CASES OPENED

Do not let too many cases with old policyowners or Clients produce a false sense of superior production or a higher closing ratio

A critical distinction between the closing ratio for sales to existing Clients and the closing ratio for sales to New Clients

When evaluating selling efficiency at the end of the year, it is important to be able to separate New Sales from Repeat Sales. If all sales to both new and old Clients are lumped together, a deceptive picture will result. An established Financial Services Professional focusing on old policyowners or Clients appears to be a superior producer of sales with a higher closing ratio. That is because it's easier to pick up repeat business from satisfied old Clients!

On the other hand, if the Cases Opened on Repeat Sales, spouses and children (ancillary sales) are extracted and evaluated separately, as shown in the previous example, a much more meaningful picture emerges.

Notice in the Annual Review summary table the Agent opened a total of 313 cases (117 on New Clients plus 196 repeat or ancillary sales); he ultimately sold 157 cases (lives). That resulted in an overall closing ratio (cases sold divided by cases opened) of 50 percent. A closer examination, however, revealed that the closing ratio for sales to existing Clients is 60 percent (low for an experienced Financial Services Professional) while the closing ratio for sales to New Clients is 33 percent (about average).

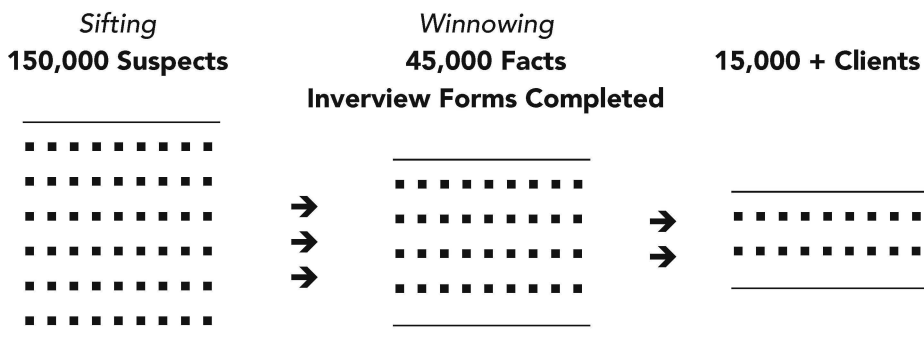
## The Research Results

The basic concepts of *Building a Financial Services Clientele* began with a process of sifting and winnowing from which certain basic truths and relationships were ultimately developed. After twenty-five years of sifting, winnowing and research, what results are known? Let's take each of the ten research questions one at a time.

**Question 1:** Given a known number of Qualified Suspects, how many of this original group will eventually buy and become Clients?

**Answer:** The results show that of the 150,000 Suspects tracked, approximately *15,000 or 10 percent* went on to become Clients. The following illustration shows the basic conversion ratios between Qualified Suspects, Facts, and New Clients.

## Continual Sifting and Winnowing



**Question 2:** When, if ever, is the individual finally sold?

**Answer:** The results indicate that from a given group of Qualified Suspects, *about 6 percent of them were sold in the first year. Approximately 3 percent more were sold in the second year and 1 percent more in year three.* The sales from the first three years totaled about 10 percent of the Suspects. As can be seen from the results of Question One, this 10 percent is approximately the total number of Suspects who can be expected to become Clients even over a longer period of time. That takes us to question three.

**Question 3:** How long will it take to completely process or digest a given group of Suspects? That is, how long before all of the Suspects who are going to become Clients, finally do so?

**Answer:** On average, all of the New Clients who can be expected from a given block of Suspects will buy within the first *three to four years*. In essence, all of the New Client potential from a block of Suspects will be used up within three to four years. That, of course, does not take into account the future repeat sales to those Clients or their subsequent referrals.

**Question 4:** How many of the Suspects will ultimately become Prospects by divulging Facts?

**Answer:** The results show that out of the 150,000 Suspects, approximately *45,000 or 30 percent* granted Facts and became Prospects.

**Question 5:** What happens to the Suspects who do not give Facts? How many agree to keep in touch and how many will be discarded or dead filed?

**Answer:** When Suspects were recorded in the *Success Manual*, a code was entered that told what happened during the first exposure to the Suspect. Using that code researchers found that 30 percent of the Suspects granted Facts, 35 percent agreed to keep in touch and 35 percent showed no potential for that Agent and were dead filed.

**Question 6:** Given a known number of Prospects, how many will become Clients?

**Answer:** On average, about 33 percent of a given block of Prospects will eventually be sold and become Clients.

**Question 7:** When, if ever, is the Prospect finally sold?

**Answer:** About 20 percent of a given block of Prospects will be sold and become Clients in the first year. Approximately 10 percent will be sold in year two and an additional 3 percent in year three, for a total of 33 percent.

**Question 8:** How long will it take to completely process or digest a given number of Prospects? That is, how long before all of the Prospects who are going to become Clients finally do so?

**Answer:** The results indicate that almost all of the Prospects who are going to buy the first time and become Clients do so within *three to four* years.

**Question 9:** What is the closing ratio (cases sold divided by cases opened) when selling to New Clients versus repeat sales to existing Clients?

**Answer:** Agents selling to New Clients *experienced a Closing Ratio of approximately 33 percent*. Agents selling to existing Clients *averaged better than 60 percent*.

No matter how experienced an Agent is, the closing ratio on prospective New Clients tends to be much less favorable than on repeat sales. Whether the Agent is young or old, experienced or relatively inexperienced, a 33 percent overall success ratio on Cases Opened on New Clients has seemed to be about par, whereas 60 percent or better is common on Cases Opened on others. It is important to point out that there is no reason to expect a different result for Financial Services Professionals selling financial products other than life insurance.

The key is to keep records so you can differentiate your effectiveness between selling new versus existing Clients. This allows you to implement corrections as needed to improve your success.

This evaluation of Cases Opened proved to be of such significance that it deserves special emphasis:

When all cases are recorded together – potential New Clients along with repeat sales, spouses, and children – a deceiving picture emerges that nearly always makes the experienced Financial Services Professional look as if they have the closing ratios of superstars. In reality, however, they are often only living off their own fat!

Furthermore, it is often discovered that the more experienced Agents have a poorer closing ratio on their Cases Opened with New Clients than the newer salesperson! With a hefty backlog of renewals and easy pickups on old Clients, these seasoned

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*The results showed that the more experienced Financial Professionals often had a poorer closing ratio on their Cases Opened with New Clients than the newer salesperson!*

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Financial Services Professionals may not have the motivation to give it their all with tougher prospective New Clients.

**Question 10:** What is the average number of sales that can be expected from each New Client over time?

**Answer:** The statistics from this study revealed that, on average, each New Client would buy *four to six* times from the Financial Services Professional. It was found that a yearly block of 50 New Clients would ultimately account for between 200 to 300 annual sales over the Financial Services Professional's career. Some recent research has suggested that with the development of a wider variety of products, the ultimate number of purchases by one New Client is now between five and seven times.

Let's look at that result more carefully in light of the recent changes in the financial services industry. The Agents in the Granum Agency were almost exclusively selling life insurance during the research period. They did sell some annuities and disability insurance, but long-term care insurance, equities, and other financial products weren't available or weren't emphasized.

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*The expansion of the potential role of the new financial services professional has made the practice of client building more valuable than ever.*

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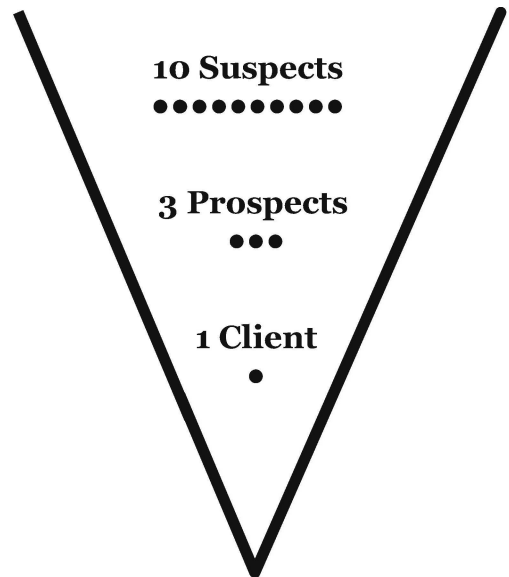
Given the dramatic increase in the number of products Financial Services Professionals can now provide to their Clients, it seems reasonable to believe that the number of potential sales to a good Client could climb into the twenties or higher! Can you see why a long-term relationship based upon trust and regular contact is so critical to your success? In essence, the expansion of the potential role of the new financial services professional has made the practice of client building more valuable than ever!

## What Do the Results Mean to You?

### 10-3-1

Perhaps the most important understanding to emerge from that data is the famous 10 – 3 – 1 ratio. Stated simply, it means that for every New Client you expect to add to your client base you will have to acquire and process ten Qualified Suspects and do three Fact Finding Interviews. The next graphic characterizes this famous relationship.

The Statistics of Client Acquisition



But with Time Lag!

Note there is a time lag!

The 10 – 3 – 1 ratio appears to be fairly straight-forward, but it is important to note there is a time lag in completing New Client Acquisition. All of the Qualified Suspects obtained in a given year who will ultimately become Prospects do not do so in the first year. The conversion from Prospect to Client has a time lag built in as well. Remember from the research that some of those who divulge Facts, and ultimately become Clients, do not buy immediately.

Year One	Year Two	Year Three	Year Four	Year Five
100 Suspects				
30 Fact Finders				
6	→ + 3	→ + 1	= 10 Clients	

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*Statistics indicate that 40 percent of the Prospects who will ultimately become Clients will defer their initial purchase until the second or third year. If you fail to keep in touch, all 40 percent will be lost!*

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### **Time Lag from Facts to Client**

The results clearly measure a time lag between taking Facts (Confidential Questionnaire) and the Prospects agreeing to the first purchase. Facts interviews should result in the acquisition of New Clients at a rate of about 20 percent the first year, an additional 10 percent from the original group the second year, and a final 3 percent in the third and subsequent years. That will generate an eventual total of ten New Clients from each thirty new Facts taken.

A key point to note is that only 20 percent, or six of the thirty Prospects, will agree to buy in the first year. The other four Prospects will defer their purchase until years two or three. That means 40 percent of the Prospects who will ultimately become Clients will defer their initial purchase. Without a system to stay in touch with them, their business is lost! OCS provides this organized system that will guide your activities so you keep in touch and bring in this deferred business.

### **Are The Results Applicable to Financial Services Professionals other than Life Insurance Agents?**

We suspect the findings regarding New Client Acquisition are also true for Financial Services Professionals other than life insurance Agents. It is hard to be sure because no one has done the longitudinal research on the various groups and markets. It seems fair to say that if other financial services professionals are using a comparable consultative sales process, the results should be similar.

### **Long Term Communication Is Difficult but Necessary**

*In order to accommodate the three-year purchase time lag, you must keep in touch with your Prospects for at least three years even though they haven't bought anything yet!*

*Not only must you stay in contact, but you must also keep records on those Prospects or you will never know how many would have ultimately become Clients. In short, without the OCS to keep you on track you would never realize you were missing out on 40 percent of your business simply because you failed to stay in touch.*

This is even more important with the abundance of financial products you represent today. Now that you have more products to sell, it seems logical that a New Client is even more valuable than ever. How many ways can we emphasize the importance of understanding your New Client Acquisition statistics?

### **Given the Time Lag, How Many Suspects and Facts Do You Need to Achieve a Fast Start?**

Consider this: If you are processing 500 (100 percent) Suspects a year, you can expect a flow of 150 (30 percent) Facts and fifty (10 percent) New Clients a year. But since there is no flow of New Clients in the early years from previously taken Facts, you should set a goal of acquiring more than 150 new Facts in order to get off to a fast start.

Based on recent experience with successful fast starters, we recommend acquiring 300 new Facts in your first year, 250 the second year, 200 the third, and 150 new Facts every year thereafter. If the pace of 300 the first year is a bit too rapid, approximately the same results will eventually be enjoyed if you obtain 250 new Facts for *each* of the first three years before dropping to the continuous 150 rate. Generating 150 Facts per year will ensure a constant influx of fifty New Clients, which research shows, will guarantee increasing sales and income year after year.

### **What Happens to the Qualified Suspects Who Do Not Immediately Become Prospects?**

The previous graphic illustrates that, on average, for every 100 Qualified Suspects processed you will obtain thirty Fact Finding Interviews. What happens to the other 70 percent of the Suspects who don't initially grant Facts? The research revealed that in the first full year, approximately 35 percent of the Qualified Suspects processed were dead filed (never contacted again) and another 35 percent agreed to let the Financial Services Professional stay in touch. These Suspects are retained in the system to be contacted again with the goal that they ultimately grant Facts (Confidential Questionnaire) interviews, become Prospects, and, possibly, Clients.

### **The Importance of Fifty New Clients a Year**

If a new Financial Services Professional were to take only 150 Facts a year in the early years, it would take close to four years to build to the rate of fifty New Clients per year. *That is much too long.* Without a backlog of renewals, or Repeat Sales from established Clients, the resultant slow sales pace would likely not generate the level of income desired by the new producer.

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*Without a backlog of Qualified Suspects and previously taken Facts to turn into New Clients, a new Financial Professional must generate a sizeable number of new Facts quickly*

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