

Announcer: Welcome to Elite Broker with your host Alex Whitlock.

Alex: Welcome to Elite Broker. Joining me today I've got James Mitchell once again, managing editor of The Adviser. I've also brought back Michael Karp. He is a Smart Loan franchisee. Caught up with Michael just a couple of weeks ago when he was over in Sydney, talked about how he'd grown his business, looked at a couple of the milestones there. Michael, your next target is, I believe, 60 million dollars.

Michael: 60 million, that's right.

Alex: I'd like to have a chat to you about what sort of plan you've got in place to get you there. You've obviously done quite a lot to get your business to where it is at the moment but this is a pretty big jump, so for you, what's the next stage in terms of growth and what are you going to do in terms of diversification?

Michael: One of the big things I've been focusing on in the last six months or so is, like everyone should be worrying about, is where are the leads going to come from and how can I firm them up and make them more consistent, because over the years I've always been big with networking, getting my name out there, meeting as many people as I possibly can and I do enjoy that sort of thing anyway. Referral partners have been, in some cases, a little bit ad hoc or the consistency hasn't necessarily been there so I've done a lot of thinking about what I can do to make them more consistent.

One of the strategies I've decided to take on is to get into a bit more of a formal relationship with a financial planner, which is basically a joint venture arrangement where we both have a financial benefit in doing that. I just think that that's one way of firming something up. He's actually someone I've been working with for the last three years so we've had a good chance to work out that we like each other.

Alex: How did you guys sort of get acquainted? Is this somebody you've known for a number of years or did you specifically go out and sort of seek each other out?

Michael: We sort of fell into it. There was a period of time there where Smart Loan had an arrangement with [Ian Hewitt 00:01:50], quite a large worldwide firm and I sort of met him through that and then we ended up doing some work together and yeah, so it wasn't so deliberate but it just sort of happened that way. Look, he'd been courting other brokers, he hadn't had great experiences, he came to me, we had some good experiences, he got lured away again by money and then it didn't work out and then he came back and so it just sort of evolved from there until the point where I approached him and said look, it's obvious we've got some synergy, it's obvious that we work well together and you like my work, I like your work, why don't we do something a little bit more formal? That was how that sort of panned out.

James: It seems like, and you used the word courting there, you know, it seems like there's a sort of dance which happens while you're meeting referral partners and seeing if the relationship works. What have you learned through that process of the agreement that you have in place now? What works, what doesn't work?

Michael: It's hard because every deal is different and what you want ideally is the first referral you get to be fantastic and it all works really well and there's so many variables that can stand in the way of that actually happening. In retrospect, I could probably say that there might have been one or two occasions with other potential referral partners where unfortunately that's happened out of my control and it hasn't worked out. I guess there's a little bit of chance about it too, but by the same token, you've got to give it 110 at that time and make it as good as you possibly can and be totally flexible.

I would meet clients at his office and he would sit in on those appointments initially just so that he felt comfortable. It was very micro managed style in the early days and he was like that for the first year. Then things started to warm up a little bit. He started to get a feel for me and my style, you know, I was always dressed well, consistently well, my appointments all ran in a structured sort of way but still casual in terms of not being robotic. He started to get a feel for what would happen in an appointment with his client, but I was always very, very careful about not stepping on his toes as well.

Whilst I might have had other referral partners, like conveyances, real estate agents, lawyers, I was always very careful not to ever make those referrals to his clients because he may or did have some of those relationships as well. You've got to be mindful of where he's coming from, he or she, whoever it might be, just so that you sort of fit in.

Alex: Michael, I'm just interested how some of the mechanics of the referral relationship work. Is it sort of a two way street in terms of how much business you refer to him and how much he refers to you or is it more a matter of he needs, he doesn't deal with mortgages himself so he needs a broker to write that business and to [inaudible 00:04:38] his client base? In terms of, is there any sort of formal sort of structure to the relationship or is it sort of we work well together? If you can just give a bit of insight into how that actually works?

Michael: You know, I reckon one of the reasons that this one has developed into something meaningful is, he had a need, I was able to provide that need. He proved to himself by going away and coming back that he really did need me and he had that right response from his clients and there was, I actually did not give him one lead back for the first three years of our relationship.

Alex: Okay.

Michael: I had other planners I was referring to. I hope he doesn't listen to this, Because that's just the way it was at that point in time and it's only since we started to get his formalized structure around that we've taken that next step of being a little bit more reciprocal with it. In terms of volume, at this point in time, it's early days but it's sort of been even. I would have thought that I'd get more from him than I could give to him, but then I've got some very specific processes about how I refer to a planner as well, and they do work.

Alex: In terms of your overall referral network, what are the professionals? How many do you have in your network at the moment and sort of what sacks do they fall into?

Michael: It's up and down. Real estate agents are hard work, they come and go as well. They're very all about the now.

Alex: Yeah.

Michael: Sometimes you can be their absolute number one and then they forget about you the next day sort of thing and so I'd say that probably you would have two or three agents that would ebb and flow. Planners-wise, probably about three.

Alex: Have you got any accountant referral partners? I've heard they're usually pretty strong.

Michael: Yeah, no, I don't. I haven't been able to find the right one, I just haven't. It's so hard.

Alex: Have you been on the lookout then?

Michael: Yeah, I'm always on the lookout and you know, in networking and so on, you do obviously meet those sorts of people but accountants aren't particularly good net-workers. They're either like typically personality-wise it doesn't really fit them and then they're all about numbers as well. What's in it for me is often a big part of it and I guess I just haven't quite nailed that yet but in getting this planning thing a little bit more formalized, it might give me the knowledge to perhaps make something happen with an accountant going forward as well.

Alex: We've run a workshop, we also publish for accountants and we had a, we did a workshop for accountants and we had a show of hands for the audience, there were probably 50 people there, about who would like to have a referral agreement with a mortgage broker and it was probably about two thirds of the room said that they would. Getting through to accountants is maybe, I mean, it's all well and good when they sat there in theory but I think actually getting yourself across and the service you provide and accountants are very protective about their clients and they've got a high degree of responsibility, so I think they're a tough nut to crack but I think if you can get through, they're a valuable partner.

Michael: I've always found as well with accountants that they're not very commercially minded when it comes to [crosstalk 00:07:15] business. They're not great business people, I don't think. They're great at numbers and doing that sort of stuff but you know, you mentioned at our previous session about sales, they hate that word.

Alex: They do [crosstalk 00:07:28]. Their industry is changing rapidly and they're going to have to start thinking about that and look further down the track for mortgage brokering, I suspect that they could become, you know, a bit of a threat to traditional mortgage brokering but look, that's a little bit further down the line. I think you're absolutely right, here and now, I think that brokers are going to add significant value to accountants. I use a mortgage broker, I've used a mortgage broker for all of my personal loans.

The reason why, digressing somewhat, the reason why I launched in the first place a mortgage brokering publication is 15 years ago, no 20 years ago, I got a mortgage written by a broker when I was living in

Hong Kong so anyway, our accountant referred our current mortgage broker to us and he's a guy called Russell Cain, who's, he's actually an Aussie broker and he's fantastic. Accountants, I think, are a valuable source of referrals but yeah, they're a tough nut to crack.

Michael: I think it's also about just addressing the white elephant when it comes to that sort of stuff because no one wants to sit there and talk about money and really, I reckon or I suspect, that with accountants that's probably the conversation that needs to come out pretty early. I think they need to or want to have something in it for them because they're just numbers people.

Alex: Yes they are, yep. Forgive me for my ignorance in terms of how referral agreements work, is there, what is the situation in terms of, do you ever get asked for a share of commission or is that how things work in referral partnerships?

Michael: Look, those conversations are always about the place. Up until this point right now, I've never paid for a referral and I like that, to be honest. I mean, I also see that there's a value in what I do as well and I think that there's a, I mean, you've got to be fair from a client perspective and I don't believe in people taking money just for nothing. There's got to be some value in it for something, somehow, somewhere and if it's the client, you know, I'm prepared to have a look at it.

If it's just someone lining their pockets because they can, I just don't think that's ethically right but then again, I also understand practically that sometimes those things need to be done. As long as it's done in a fair way that doesn't influence the outcome for the client unfairly, I think that there's probably a case for it but unfortunately money can sully things too.

James: Yeah, for sure. I just wanted to ask you a little bit about your sort of marketing strategy and how you get your leads. Obviously you've got your referral networks and you've been in the industry for quite a bit, what's the chief way that you get new business? Is it a marketing strategy? Do you have a social media strategy? How do you go with that?

Michael: Look, I've really built my business on networking, face to face networking. I'm on Facebook, I'm on LinkedIn. I don't do anything significant with it. I know I should but I just don't, and I know I will, I probably will at some point. It's just another thing to do. Relationships to me are what I'm good at, the face to face stuff I'm good at. Networking has really worked for me from that perspective as well. Then also I've always, and this is my sort of theory on continuous improvement, is with a client my mindset is what can I do to make it so good that that person can't help but talk about me?

That's easier said than done because we know that these things can go left, right, up, down depending on what the bank's going to do and all sorts of other factors. Then sometimes you get people who just aren't those types of people as well but I sort of try and focus on what's my remarkable and remarkable doesn't have to be this massive thing. It just has to be remarkable to that point in time or that relationship with that client or whatever it might be and going the extra bit and doing all those things that people don't expect you to do can create that.

That's a marketing strategy in itself. What can I do, because I'm in the here and now. I can go out and throw ads or do this or network more or whatever else, but when someone's in front of me, that's my real opportunity to market.

Alex: Michael, can I just ask you, just a few specifics, so approximately what would you say your database is, be that existing clients, be it previous clients, be it people who are sort of in the inquiry level, what sort of database do you have to work off? Just [crosstalk 00:11:35]

Michael: In terms of size?

Alex: Yeah, in terms of size.

Michael: I've got about, I think at last count it was something like maybe 440 odd clients on my database.

Alex: Okay.

Michael: In terms of just people including those people, probably a total of somewhere maybe 900 to 1,000.

Alex: This is probably a good point to remind listeners that support for the Elite Broker podcast comes from Ratesetter. I'm not sure if you're familiar with these guys. If you're a broker wondering how to get more business from your existing clients, rates at it's low rate personal loans could be just what you're looking for. They're awarding personal loans to help you be there for your client when they want to buy a car, pay down credit card debt or renovate their new home. Ratesetter Loans have low rates that are personalized for your client, fast approval times, a brilliant online portal to manage applications and of course a personal BDM to provide support. If you're looking for happier clients and a busier business, make sure you visit ratesetter.com.au/advisor podcast and get accredited today.

Tell me a little bit about how you work that, in practical terms, actually work that database. Give me a little bit of an insight into your, how you would run your data, obviously when you're not actually sort of meeting with clients or liaising with the bank and seeing loans going through, in terms of working your database effectively, just tell me a little bit about what you actually do.

Michael: Well, Smart Loan have got a magnificent CRM. They built it themselves and they provide a lot of marketing collateral to be used through that CRM, so there's a monthly e-report, for example, which a good quality report. Brings in short stories and ideas from John McGraw and Com Sec and all those sort of things that are relevant to our industry. That goes out every month. Every time I meet someone, they go in the database, that's what they get instantly and that in itself brings stuff in two, three years down the track because they're just reminded of me at least once a month.

Then we also have the capacity to write what we call bulk emails, so Smart Loan two or three times a month will give something, some good quality stuff, here's a graph on what fixed rates have looked like for the last ten years or there was a recent one about the widening gap between what new customers are getting and what existing customers are getting. I'll usually pick one of those a month and sent that

out as well and then every now and then I might do my own thing as well. I try not to spam people too much, because I don't want them to, when I do actually send them a personal email, I want them to actually read it. Things like that have been very, very effect, very cheap, very easy and good penetration with that sort of thing.

Alex: How do you find and to what degree to you get on the good, old fashioned telephone and put a call in and as and when you do that, what sort of prompts you to do that with your clients?

Michael: We get a list of client reviews every month when it's the annual thing. I got to admit, I've been pretty bad at that up until probably the last four months. I had someone doing it for me for those three months before that and prior to that, I really wasn't paying it enough attention at all. Now that I've been into it, I'll set aside time, blocks of time to make these calls, previous clients and so on. You know, I've had some tough lessons doing that too and I've been, the universe has smacked me [crosstalk 00:14:49]

Alex: What sort of tough lessons?

Michael: Well you know, you ring up clients and, I mean, I've had in the last few months I've had two or three that have just refinanced. It was almost like someone had told me but I didn't know yet and they told me and that hurts.

Alex: Yes, yeah.

Michael: Some of them I had good relationships with as well and I would have hoped that they would never have done that but hope doesn't get you anywhere. You've got to do the work and so, there's been some disappointing circumstances there. There's been a couple that I've caught in time.

Alex: Okay.

Michael: And were able to draw back, which is a positive as well, but also a close call. Then there's also those other conversations with the clients that go really well. I like that, because the relationship thing is what I'm after.

Alex: How much of an impact do you think, Michael, from the time to just put the personal calls and you've obviously got a very sophisticated system provided by Smart Loan and you obviously use that, which some people don't, but I think, looking forward now, how much more of an impact do you think you can make on your volumes, on your client returns by just picking the phone up and getting those calls, which you said you want to do more often?

Michael: I think it's huge. I think it's only second to sitting in front of someone and anyone who says any different to that is lying to themselves. It's a huge, huge thing because it's all about the relationship and that person, I don't want them to feel like I'm ringing up to get something and if I don't do it often enough, that's what they think. That's what I've been finding. I know now that if I do that consistently it will be that thing and if I prepare clients better for that when I first see them, expect to hear from me type of thing, that will be, it will create a lot more strength but there'll be a year or 18 months before that lag can pick up, maybe even longer. Yeah, I see a huge value in it.

Alex: In terms of, your goal is 60 million, just in because we're probably running short of time for this particular catch up, just give us a quick broad brushstroke as to some of the key points you're going to do to get you to that, from the 42 to the 60 million mark?

Michael: Definitely better contact with the clients. That is a very high priority. The relationship with the planner I believe is going to help me there as well. Making more refinements to the client experience as it stands right now. I think I'm about 80 percent of the way there but there's still little things that I would like to do to make it better, to create those clients or to get them more excited and want to talk about me and continuing to do all those basic things that I've always done. Networking, meeting more people, just getting my face out there and being known.

Alex: Just one final thing from me before I hand it over to James, in terms of, when you reach that 60 million marker, at what point will you need to bring in another PA or more support staff? Have you sort of thought about what that point may be for you?

Michael: Yeah, I expect at that 60, that will be a tipping point in terms of needing more assistance in the backend. I'd like to sit here and say that I don't want to write any more than 60, but I know myself better than that. I'll probably want to write more by the time I get there.

Alex: I just have one final question to ask just before we wrap up and it was about competition, I mean, there's a huge amount of brokers in the industry at the moment, writing more than half of the loans in the country, what's your relationship like with other brokers? Do you have a sort of a network of other brokers who you bounce ideas off, whether it's at Smart Loan another group, independents? Do you get together and interact or are you quite competitive down in Adelaide? What's the dynamic like?

Michael: Yeah, I don't see, I mean I know they're all my competitors but I don't feel like angst or worry or anything like that. I mean, within Smart Loan we're all very helpful with each other. We never seem to cross swords or anything like that. There always seems to be enough business. My theory has always been there is enough business out there and there's plenty of people out there doing it badly, so yeah, I mean, I'll talk to people on industry nights and that sort of thing and swap ideas and this and that. We've all obviously got a lot in common and it's, oh I had this bad deal or this or that. Personally, I think it's quite a good community and everyone seems to get along and I'm happy to be involved in that and share ideas.

James: Just one final word, Michael, for any of the brokers who are just breaking into the industry starting out, looking to learn from people such as yourself, what would be sort of say three gems of advice for them, starting out?

Michael: My dad taught me this back when I was in small business with him and it's something that I've always held in the back of my mind and he told me, you just got to keep on swinging the bat and sometimes it's really, really hard because we have those dark days, you get deep into a trough and three deals fall over in a row and it's very, very important but I always think of that when that happens to me, because it still happens to me today. Just keep swinging the bat. Second thing would be, get out there,

network, network, network, do it. So many people are just so scared of it but what the secret is, when you go to a networking event, they're all scared of it too.

They're happy to talk to you because they know they should be so you just go talk to them. Networking's a huge thing as well. The third thing is, do a lot of work on your own personal brand. Make sure your presentation is always right. Make sure that you're consistent with that. Like I'll go to a friend's house to do a loan on a weeknight, I'm wearing my suit. They'll laugh at me for doing it and make a joke out of it, but I know they appreciate the fact that I'm taking it seriously and it's a professional thing. I always wear the suit, always look professional, make sure that that brand, your personal brand is paramount.

Alex: Excellent. Michael, it's been great chatting to you again. I really appreciate you taking time to join us all the way from Adelaide just to give us an insight into your business and how you're looking to grow it over the coming period. James, always a pleasure to chat to you. Thanks very much for joining in.

Michael: No worries, thank you.

Alex: For all of you listening, thanks very much for joining us. You can follow us on all the usual social media, on Facebook and on Twitter and for the latest news, don't forget to go to theadviser.com.au. Thanks very much, goodbye.