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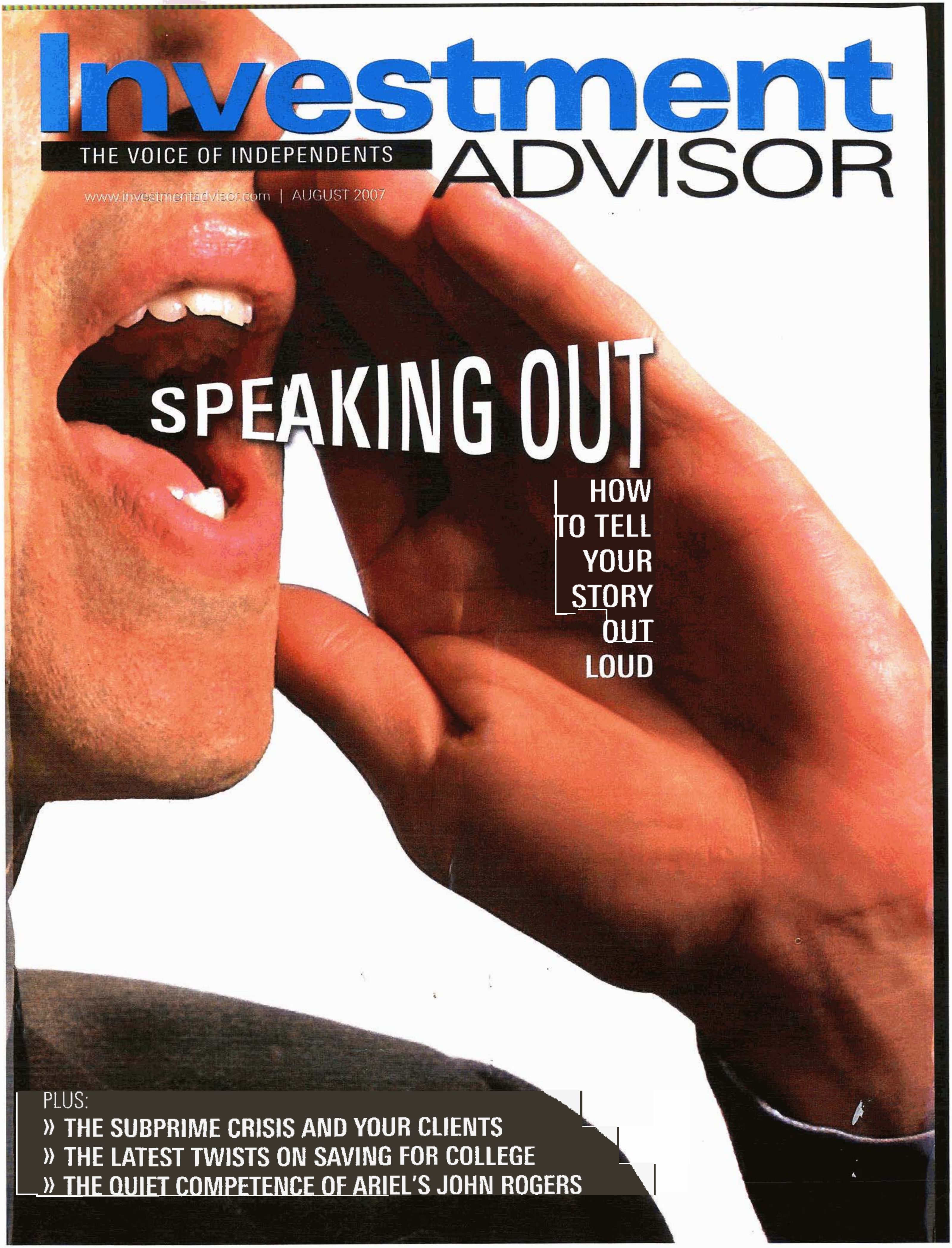


SPEAKING OUT

HOW TO TELL YOUR STORY OUT LOUD

PLUS:

- » THE SUBPRIME CRISIS AND YOUR CLIENTS
- » THE LATEST TWISTS ON SAVING FOR COLLEGE
- » THE QUIET COMPETENCE OF ARIEL'S JOHN ROGERS

DON'T BE SHY ABOUT **MARKETING YOURSELF.** YOU HAVE A **STORY TO TELL** | BY ROBERT F. KEANE

KING OUT

Photography: Roger Hagadone

THERE'S AN IDEA prevalent among investment advisors, especially those using a fee-only business model, that marketing is a dirty word. They like to brag about how they don't need a marketing plan because they do such a great job that their existing clients already refer more business their way than they can handle. To admit to having actually marketed their practices would be akin to wearing a scarlet letter trumpeting their lack of virtue on their chests.

There's also the argument that having a marketing program runs counter to the effort to have the financial advice business be taken seriously as a real profession. After all, look at what campaigns like 1-800-LAWYERS ("Had an accident? You could be entitled to big money. Our attorneys are standing by.") have done for consumers' respect of the legal profession.

The reality is that advisors, even those who don't admit it, put a marketing strategy into effect every day. The problem arises because they never take the time to think about what they're doing, with the result that many don't do a very good job of it.

The biggest contributor to this negative attitude toward marketing is a serious misunderstanding of what marketing really is. Sometime in the consumer product-obsessed 1980s or '90s, marketing became synonymous in the collective consciousness with sales, and not just with sales, but with a sneaky type of selling that relied on tricks to get consumers to buy they didn't really want or need.

But marketing isn't only about sales, although it obviously can be used as a sales tool. Marketing is about having a message and delivering that message to a specific targeted audience. It is—to use a somewhat clichéd term that's nevertheless accurate—about building a brand.

An advisor who says he doesn't have a marketing plan because he gets enough client referrals already is delivering a message about his firm.

If that advisor thought it through, however, the message wouldn't be, "I've got enough business as it is, thank you very much," but "I'm always looking to bring on new clients that meet a certain profile. Do you know anyone like that?"

"Referrals are a tough issue and take a lot of work," observes Dave Welling, Schwab Institutional's VP of marketing and advisor business development. "It begins with an advisor getting their story down, meaning the story of who their firm is, what they do, how they do it, and the kinds of clients they serve. They need to be bulletproof on that and they need to be consistent across the multiple professionals in the firm that are saying it. That's hard work—harder than it might seem. Some people call it the 'unique value proposition.'"

If an advisor doesn't think about her firm's brand message, she may not be delivering the message she intends nor reaching the audience she seeks. If existing clients never see any proactive efforts to market the firm, they may be reluctant to refer high-net-worth associates or family members because they've never seen any sign or interest by the firm in that direction. So while passive referrals may bring in new clients, they may not be the types of clients the advisor is seeking.

Another common marketing misunderstanding is that marketing is only for big firms that have the staffs and budgets to do it right. Regardless of size, advisory firms can use a well-thought out, conscious marketing strategy to help grow their businesses at the right pace.

"Larger firms have more scale, but referral strategies are hand-to-hand-combat strategies," says Welling. "I think smaller firms can engage very effectively and efficiently through mining client referrals and developing centers of influence. I don't think smaller firms are disadvantaged, because a successful marketing strategy is so people intensive. Where smaller firms can be discouraged or distracted is that they think they need big marketing budgets to market their firms' capabilities, but the biggest asset they have is their existing client base and [those clients'] willingness to refer."

IT STARTS, NOT ENDS, WITH REFERRALS

Those advisors who take the attitude that they don't need to market because they get referrals are at least half right. Referrals are truly the best source of new clients and numerous studies have shown them to be the source of the best new clients. The problem with not having a marketing plan is that the advisor is taking a passive approach and expecting existing clients to refer enough new clients to allow the firm to continue to grow.

Welling says that last year's Schwab Institutional RIA Benchmarking Study found that 85% of advisors' new clients came from referrals—50% provided by existing clients and 35% by centers of influence. (The Schwab study was based on responses from 1,200 of Schwab's 5,000 advisory firm clients, collectively representing $320 billion in assets. More than half the firms manage more than $100 million. The 2007 Schwab study is scheduled for release in September. To see what the latest Rydex Advisor Benchmarking study discovered about advisor attitudes toward marketing, see the sidebar on page 42, "A Victim of Success?")

"A marketing plan in my mindset begins, and in some cases can even end, with, focusing on that 85%," Welling says. "But it is remarkable to me how many conversations I have with advisors are on the 15%. They start with direct mail or advertising or P.R., which can be effective tactics, but they're rounding out the core engine, which is referrals."

Another Schwab study, Welling says, found that 90% of the clients of independent RIAs would recommend their advisor to a friend or family member. "That is a staggering statistic," he enthuses. "If nine out of 10 of your clients are willing to refer somebody to you and you're only growing at 10% to 20% a year, there's a lot of your clients that aren't referring anybody and who would be very happy to do so. All they need is to be asked, and they need to be clear on who you're looking for to know who's appropriate to refer. There's a huge untapped gold mine there for most advisory firms."

Robert Foney, director of marketing with Investors Capital Corp., agrees on referrals as the starting block for any marketing effort. "I think the easiest way to do it is to start with your referral program, because if you're not referable, you're a dead rep walking," he says.

Referrals can be especially effective for the advisor or rep taking their first steps toward establishing an independent practice. "You talk about a small office—referrals are free," says Foney, who is also in charge of Investors Capital's public relations office.

One of the biggest stumbling blocks for many advisors when it comes to switching from a passive to an active strategy is a reluctance to ask the client or another professional for the referral. However, if your clients think you're doing a good job (and

Not Just Little Guys Fail at Marketing

"**A LOT OF** advisors don't track where their new clients come from," Dave Welling, Schwab Institutional's VP of marketing and advisor business management, says incredulously.

Welling meets with many of Schwab's advisor clients in part to help with their marketing efforts, such as a firm he visited recently. "It's a billion dollar firm and by their own admission they have no marketing strategy," he says. "They don't know where new clients come from. They can't document how many of their new clients came from client referrals or professional referrals versus just walked in the door."

Although marketing avoidance appears to be widespread at all levels of the profession, Welling is heartened to see more of the advisors he works with coming to realize the need for more discipline and accountability in how they market and manage the growth of their firms.

if they're still your clients, they probably do), they won't hesitate to endorse the job you're doing by making the referral.

"I know it's an overused idea, but good service to our clients is the way we've built our firm," says Rich Coppa of Wealth Health, a two-person advisory firm in Roseland, New Jersey. "Through good service you typically will get referrals from your clients. They see the value and they see the service. It's like anything else in life—if you have a good tailor or a good landscaper, you want to tell people about it. The hard thing about building a firm is when you're smaller you have a smaller pool of people from which to get referrals."

To overcome that difficulty, Coppa and his partner have also focused their attentions on centers of influence, but have taken a manageable approach. "I think the important thing is to build a relationship with one or two accountants and attorneys," he says. "People think, 'I have to go out and meet a bunch of accountants.' That's not really the issue. If it's not a two-way street, you don't build the relationship. If it's about giving referrals and getting referrals, you have to take the time to really build a relationship with them, so you understand their work and their processes."

In his own practice, Coppa has worked successfully with a couple of accountants, one in his mid-60s and another in his 40s. "I think if you're going to do it, it's smart to do it at different levels, because you have different clients that go to these folks and there's the longevity factor, too," he says. "The same thing with attorneys."

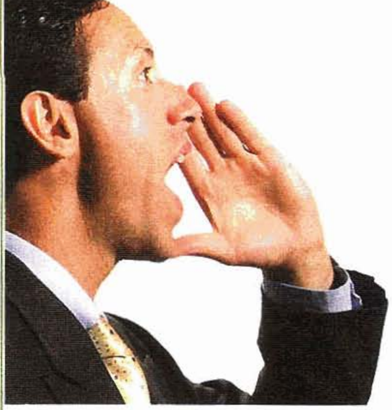
IT'S NOT JUST BAIT FOR NEW CLIENTS

Although attracting new clients is a primary reason behind many advisory firms' marketing efforts, it shouldn't be the only motive. It's also important to market your firm's message and identity to your existing clients on a regular basis and to have a visible profile within the industry in order to attract the best talent to help staff future growth.

Advisors need to make an effort to maintain top-of-mind awareness with existing clients, because as Foney puts it, "if you're not talking to your clients on a regular basis, someone else is going to be."

As for attracting other professionals to your firm, isn't it likely that the best talent is going to be attracted to a firm which has been preceded by its positive reputation rather than a firm of equal caliber with a low or no profile? "When we talk about attracting good people, it's really an issue that we've seen in the industry as advisors have grown and been successful, because they're now a combination of more than the founding principals," says Welling. "There are other professionals in those firms that are engaged in the process. And they're earlier in their careers and they want to be part of a success story. They're trying to make their own mark in the industry."

Foney of Investors Capital also feels that marketing efforts should direct their focus to specific audiences, including industry professionals. He says he's currently working with a firm that is looking to grow its business both through adding new clients, but also by attracting more producing reps. The marketing materials the firm is developing look very similar but have content aimed at the appropriate audience. "They have the same look and feel, they're just tweaked to either appeal to someone looking to enter the industry or to someone looking for a rep," he says.



IF AN ADVISOR DOESN'T THINK ABOUT HIS FIRM'S BRAND MESSAGE, HE MAY NOT BE DELIVERING THE MESSAGE HE INTENDS NOR REACHING THE AUDIENCE HE SEEKS.

MARKETING ASSISTANCE

One of the arguments that many advisors make, particularly independents with little or no office staff, is that they just don't have the time or resources to mount a marketing effort. While they will still have to come up with the time and put in the effort, marketing support is often available from larger firms with which you are already doing business.

In addition to providing a wealth management software system that includes financial planning applications and features like daily account aggregation and a virtual vault to which clients can upload all their important documents as well as videos and photos, eMoney Advisor provides marketing support to advisors using the system.

"We provide marketing materials for advisors that they can make look customized for their own practice," explains Allysa Howe-Smith, the company's marketing director.

The range of materials includes traditional brochures and print advertising and more 21st-century approaches such as PowerPoint presentations, Web sites, and HTML Web blasts.

Recently, Howe-Smith worked with a client to develop a four-minute video presentation aimed at the up-and-coming athletes he intends to make a major part of his practice. "That was a very customized one where we developed the script and the whole presentation, soup to nuts," she recalls. "What we have is a system that's 'templatized' so we can enable advisors to readily take their d.b.a., their logo, whatever, and add them to our materials to make them theirs by adding their details. They can e-mail this presentation to their clients and it's like it's their own. The screen shots will have their logo on them."

The video presentations that eMoney Advisor develops for advisors can be distributed via CD or on a Web site and can also be adapted for traditional print vehicles. While the marketing services are available to advisors that use the firm's software, there are additional charges depending on what's involved.

Welling, on the other hand, notes that the marketing support that Schwab Institutional provides to its advisor clients through it's Growth Point program, which also covers business development, human capital, M&A activity, and transition and succession planning, doesn't cost the advisor anything extra.

"The biggest thing that we offer our reps from a marketing standpoint is helping them craft a brand identity," says Foney of Investors Capital. "We work with reps to help them with differentiating themselves. We want them to be unique. We want them to be different. We want them to be the expert. So we take those three elements and hone them into a brand identity statement that says who they are, why they're different from the guy down the street, and why a prospect should be doing business with them."

GOOD P.R. IS PRICELESS (AND FREE)

Although after referrals it's one of the most obvious tactics, many advisors fail to harness the positive power of public relations in their marketing efforts.

"Public relations is probably your second-best bet from a marketing plan standpoint [after referrals]," says Foney. "Even if you're a big office, you should always take advantage of public relations opportunities. The more you're in the public eye, when people see your advertising or direct mail that makes it even more believable. So it lends credibility not just from a P.R. standpoint but all your other marketing elements gain credibility as well."

Among the public relations opportunities that Foney suggests advisors utilize are interviews and bylined articles in publications likely to be read by your target audience. A regular column could be especially valuable. A number of advisors have managed to land local or syndicated radio programs to reach wide audiences. Of course a television interview as an expert on any subject can be a huge boon, particularly when captured on an advisor's Web site.

"Being friends with the editor of your local newspaper is always a good thing," says Foney. "There's something about that third-party endorsement, that media endorsement, that makes your bylined article, your interview, your quote, or soundbite much more powerful than any advertising you could do."

Advisor Coppa of Wealth Health thinks public relations exposure can be a potent additional weapon in an advisor's marketing arsenal, and he makes a concerted effort to raise his own exposure level and that of his firm. At the same time, he has few illusions that this effort is going to lead clients with his million-dollar minimum seek him out. He knows that being quoted in *Investment Advisor* or another professional journal isn't going to give him exposure to his intended client. "But what it does do, when you have a prospect, is help you to stand out," he says.

Recently he met with a client that represented a potential $15 million account who asked about his firm's size. He knew that he could provide what she needed, but also was aware that the client could also go with a giant like Wachovia or Smith Barney. While his firm is small and outsources many functions, he was

Marketing True Confessions

RICH COPPA AND Darin Gartland, his partner at Wealth Health in Roseland, New Jersey, have tried a number of marketing tactics since they launched their advisory firm in 2004. Many have met with less than resounding success.

"The level of client we're trying to obtain," Coppa says of his firm's target of those with $1 million or above in investable assets, ". . .I don't think you do it through seminars.

"I've tried and I don't think you get a lot of real good responses from high-net-worth people. I think there's a lot of people just fishing for some advice and free food."

Speaking of people looking for free stuff, since they had worked with many pharmaceutical executives on compensation and benefits, Coppa thought it might be a good idea to exhibit at pharmaceutical industry events. It wasn't.

"It's difficult to get people in that [venue]," Coppa laments, "especially if you're in the exhibition hall. They walk by to see what you're giving away and take six of them for the grandkids and don't really focus on why you're there."

And don't get him started on buying mailing lists. "I've tried lists," he says, "and I'd tell you it's not worth your time."

He says that he thought that buying a mailing list by Zip code of people who had expressed an interest in financial advice would give him some good targets with the right demographics. Not quite. The financial questions asked in the survey the respondents took part in were probably very general and a small part of a questionnaire that may have also asked about shampoo preferences and radio listening habits. "When you buy these lists you're excited, but when you call them up—and since this is a two-person firm, I was the one doing the calling—they couldn't remember the survey or they weren't really interested. You have to ask yourself, is your time better spent elsewhere?"

able to show her instances where he had been quoted in *The New York Post* and on *TheStreet.com*, which he felt helped enhance his credibility in her eyes.

"Those things help once you are prospecting a client," he says. "I don't think they actually bring you clients, but they're good marketing materials when you do have a prospect."

ENHANCING YOUR CREDIBILITY

In his quest to gain greater exposure, Coppa has put the referral principle to work. "We do the due diligence on our investment managers quarterly," he explains. While those money managers are not usually in a position to refer new clients to Wealth Health, if Coppa notices that one of those managers has appeared on CNBC or been quoted on Bloomberg, he'll ask for a referral to their contact at that news outlet. "Don't be afraid to ask for referrals not only for clients, but to build your business through marketing," Coppa advises other advisors.

In addition to his one-man public relations campaign, Coppa and his partner include print brochures in their marketing kit and back them up with individual sheets on the services they offer, such as asset management or a full wealth management package.

Coppa is also considering developing a series of podcasts that could be posted on his Web site. As in the case of media exposure, Coppa has a touch of Jersey cynicism, or reality, depending on your point of view. "I'm not sure how many people would actually listen to them," he says, "but they would be another element that would enhance the firm's credibility."

Among the other approaches that he and his partner, Darin Gartland, have used effectively is to market their employee compensation and benefits expertise to different companies, particular-

A Victim of Success?

RIAs spend more time on administration and research, less on marketing

BY MAYA IVANOVA

THE KEY TO growing any business often lies in how the company's products and services are marketed. A sound marketing plan is the growth engine behind a business and will shape how the world perceives that business and the uniqueness of its offerings.

Similarly, establishing the right price point for goods and services dovetails with savvy marketing and is often necessary to the very survival of a business. The "Goldilocks" theory of pricing dictates that finding (and periodically resetting) just the right price point is a must for any thriving business. Setting too low a price erodes profits, while setting prices at too lofty a level could scare away clients.

The latest AdvisorBenchmarking survey of registered investment advisors, which included 912 RIA respondents and was conducted online in May 2007, yielded some surprising results about advisors' marketing efforts. For the first time, we asked how advisors price their services and what changes, if any, are planned.

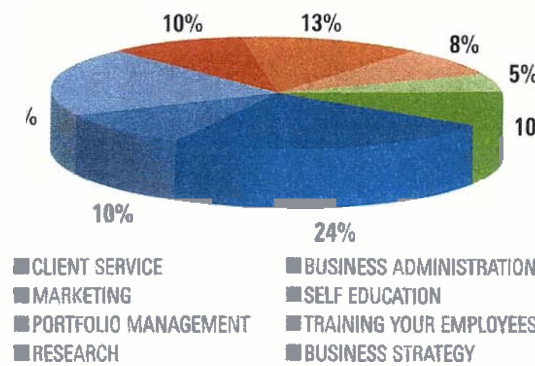
HOW RIAS SPEND THEIR TIME

Establishing a professional identity can be part of an advisor's overall marketing strategy. The survey found that 40% of respondents refer to themselves as "investment advisors" while 30% have assumed the title of "wealth manager." Those that dubbed themselves wealth managers indicated that, on average, high-net-worth investors comprised 60% of their client base. Wealthy investors are decidedly most advisors' primary focus, with minimum account sizes in our sampling of RIAs now averaging $421,000, up from $225,000 in 2002.

Although not an officially accepted title, more than one-third of advisors (34%) also noted that they are positioning themselves as retirement "coaches," which they see as a practical way to prepare for the much-anticipated Baby Boomer retirement rush.

While advisors recognize marketing as a key component of their businesses, actual time spent marketing dropped by one-third from the previous year, while hours spent on tasks related to business administration increased by 47%, and time engaged in research grew 150%. Advisors reported that an equal 10% of their days are now spent on the tasks of marketing, business strategy, and research (30% total), while business administration and client services combined eat up 37% of their time. Time spent on portfolio management also declined, dropping from 27% last year to 20% in the latest survey (*see chart below*).

PERCENTAGE OF TIME PRINCIPALS DEDICATED TO VARIOUS FUNCTIONS (2006)



Source: Rydex AdvisorBenchmarking 2007 survey

This drop in hours dedicated to marketing is evident even though much higher percentages of advisors this year admitted that competition from CPA firms as well as online financial services firms pose a threat to their business.

ly in the pharmaceutical and high-tech industries. "We offer seminars for companies that might want to educate a certain level of executives on their comp and benefits programs, like when there's been a change in ownership," Coppa explains. "That's not a bad thing because it's allowed us to meet people who have an immediate need because of the change in control of the company. I felt this way when I practiced law, too: People only come to you when it's absolutely necessary. Everyone knows they need a will, but it's only when something happens, like they need heart surgery, or they're going on a world trip, that they want something done, yesterday."

Another step that Coppa's taken as part of his marketing strategy is to assemble an advisory board for the firm. "It's a good thing to do as a marketing technique for a couple of reasons," he explains. "One is that it gives you size and depth as a firm. Even if you're small and you add three people on an advisory board, folks driven to your Web site now see five people. Another thing: If you're young and your advisory board isn't young, it gives you depth of experience, and that's helpful. You can use your advisory board to help you reach important decisions, but you can also expect some referrals from them because of the years of experience that they have and the people they know."

As the advisory profession continues to evolve, even the smallest practices are discovering that having investment savvy and giving good advice is only part of the picture. There are issues of growth, succession, efficiency, and human capital to contend with. Through it all, each firm will need to remain focused on its own unique message and make sure that message is heard by current clients, potential prospects, and the profession at large. **IA**

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WHAT IS MARKETING, ANYWAY?

As for specific marketing initiatives, an almost unanimous 97% of advisors reported that client referrals were their primary marketing tool, with an equal 65% relying on professional referral arrangements and their Web site (both down from 70% last year.) Over 85% of advisors predicted that client referrals will be a vital part of their growth strategy over the next five years, while 45% expect that increasing their marketing/networking will be a key driver.

"The best marketing is our clients' word of mouth," said Michael Sadoff, an investment advisor with Sadoff Investment Management of Milwaukee. Expanding his referral circle of CPAs, accountants, and lawyers runs a close second. Sadoff says he is always open to new initiatives. He's tried client appreciation events such as an outing to a baseball game for clients and their friends, but found that local fishing trips with just four or five people were more intimate. Since January he has been running ads in his local newspaper but has yet to see results. "We are trying to think of out-of-the-box ideas," Sadoff admits.

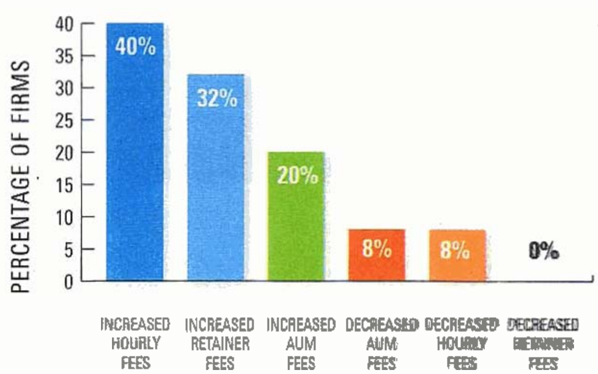
According to the newest AdvisorBenchmarking survey, registered investment advisors have been ramping up the formalization of policies and procedures in a variety of areas—but marketing isn't one of them. A higher percentage of advisors now report having formalized business plans in place (59%), as well as policies and procedures manuals for senior executives (29%). A significantly higher percentage of respondents (39%) also noted having a formal employee evaluation program in place, compared to less than a quarter (23%) of advisors polled in the previous year.

That extra time invested, however, has apparently taken its toll on the development of formalized marketing plans for advisors' businesses. This year, a smaller 39% reported having a marketing plan in place, versus 44% one year earlier. In addition, a much greater number of advisors reported having to delegate meetings with clients because of a general lack of time. Last year, only 6% delegated client meetings, while this year a notable 15% of advisors reported having done so.

ABOUT THOSE PRICES . . .

More than three out of four advisors (77%) noted that they have not considered changing their pricing models, such as charging a per-service fee versus imposing a retainer fee or an hourly charge. But an almost equal 76% responded that they do plan to raise their retainer fees either "moderately" or "significantly" this year. Of those who have already revised prices, 40%

CHANGES MADE TO PRICING MODELS (2006)



reported that they increased hourly fees in 2006, while 32% hiked their retainer fees. The key reason for hiking fees, according to almost three-quarters of advisors, is the need to be adequately compensated for all services. Another 26% noted that fees will rise as a result of newly added services.

In addition, the median asset management fee among advisors has crept higher for accounts of all sizes, the survey showed.

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