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PRACTICE
INSTITUTE™



2014
Drivers of
Business Growth

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LETTER FROM LAUREN M. SCHADLE, CAE

What are the measures of effective business growth, and how are today's advisers achieving it? The **2014 Drivers of Business Growth** study, conducted by the FPA Research and Practice Institute™ (RPI), reveals the strategies and tactics advisers are employing now – and suggests what they will need to do to ensure continued growth in the future.

This latest research is the result of RPI's inaugural [2013 Future of Practice Management](#) study, which identified business planning and growth as one of the most important drivers of a great advisory business – and a self-identified gap for many professionals. Reading through the report, you'll explore the traits commonly present in growing advisory businesses and discover how others can help you accelerate your business growth. Commit to making 2015 your best year yet!

By conducting original research on profession-related and business-centric topics and issues, RPI answers the pressing questions that help financial professionals prosper in today's challenging financial services landscape.

Be sure to visit www.onefpa.org/business-success for more from FPA and the FPA Research and Practice Institute™.

A handwritten signature in black ink that reads "Lauren Schadle".

LAUREN M. SCHADLE, CAE

CEO/Executive Director
Financial Planning Association



2014 DRIVERS OF BUSINESS GROWTH

FPA RESEARCH AND PRACTICE INSTITUTE™

The FPA Research and Practice Institute™ (RPI) conducts original research on topics and issues confronting today's financial planning professionals. The evolution of the profession, increasing nature of regulation, fast-paced growth in technology and technical complexities of financial planning can make it challenging for practitioners to achieve their desired professional and business goals. RPI provides analyses and answers to help planners navigate an ever-changing professional landscape.

ABOUT THIS STUDY

The 2014 Drivers of Business Growth study was developed to understand how advisers are growing their businesses today and if and how that may change going forward. This report incorporates feedback from 434 financial advisers, for a margin of error of +/- 4.7%. Participants responded to an online survey between September 15 and October 16, 2014 and took an average of 24 minutes to complete. The sample represents advisers from across the country and across channels and includes both FPA members (42%) and non-members (58%). For a full participant profile, please go to Appendix 2.

EXECUTIVE SUMMARY

When it comes to business development, one thing is clear: despite the fact that advisers place a high level of importance on having a plan and process in place to attract new clients¹, they almost universally agree that there is significant room for improvement. Only nine percent of advisers indicate that their business development process is 'very effective', and over half give themselves a failing grade. This report is designed to provide insight on what advisers are doing to attract new clients today, their plans going forward and best practices to help improve effectiveness in the process.

While the majority of respondents rely on client referrals to drive growth, they are using a variety of different tactics. The top three tactics being employed today are:

- Client referrals
- Center of influence (COI) referrals
- Client events

¹ FPA Research and Practice Institute™ "Future of Practice Management," December 2013

THE WINNING TACTICS

The study isolated advisers who had exceeded their goals, reported that they had an effective business development process or had grown assets 20% or more in the last 12 months. By examining these three groups, it is clear that advisers experiencing accelerated growth are going beyond client referrals. Three additional tactics associated with successful growth include:

- **Center of Influence Referrals:** Respondents who achieved faster growth were more likely (68%) to indicate they were working with centers of influence to generate referrals than those with the lowest growth (54%).
- **Client Events:** Using client events as a way to both add value for clients and attract new clients was effectively used by advisers who were growing the fastest (58%) compared to those who were not (41%).
- **Thought Leadership:** While a relatively low percentage of respondents are using this tactic, which includes building a personal brand or platform using thought leadership and social media, larger and growing businesses are more likely to use this strategy.

THE WINNING STRATEGIES

In addition to looking at tactics, the study also focused on more strategic business development issues, such as business planning and articulating a value proposition. In these areas, specific differences in the approach to business development could be identified between those identified as successful and those who are struggling:


- **Defined Value Proposition:** Fifty-seven percent of respondents who fell short of their goals had a defined value proposition, increasing to 79% among those who exceeded their goals. Similarly, 62% of advisers who experienced asset growth of less than 10% had a clearly defined value proposition, increasing to 76% among those who grew 20% or more. Advisers in this high growth group were also more likely to indicate that their team could communicate the value proposition very effectively.
- **Elevator Pitch:** Somewhat related to value proposition is the ability for a respondents to clearly and concisely communicate value. While high growth advisers are somewhat more likely to have an 'elevator pitch,' it was less of an indicator of growth than defining the underlying value proposition.
- **The Business Plan:** High growth advisers were considerably more likely to have a formal, written business plan (38%) compared to low growth advisers (21%). This distinction was even more profound among those who exceeded their goals (48%) compared to those who fell short of their goals (18%).
- **Niche Market:** Respondents who grew the fastest were more likely to focus on one or more defined niche markets (65%) than the lowest growth advisers (47%).

What is interesting and important to note is the way in which respondents responded to open-ended questions regarding the drivers of success. A review of the qualitative input shows that few advisers referred to the tactics they used; they were more likely to focus on planning, prioritization and process.

LOOKING FORWARD

Looking forward, advisers plan on using many of the same tactics they have used in the past, although non-traditional strategies, such as thought leadership/platform building are gaining acceptance. Thinking forward to the next five years, advisers rated specific strategies based on the importance they would have to their growth plans. Ratings are on a scale of 1–5, where 1 is not at all important and 5 is critical.

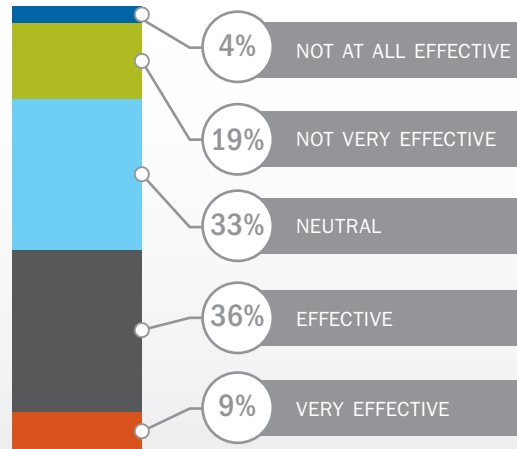
STRATEGY	IMPORTANCE RATING (OUT OF 5)
Client referrals	4.3
COI referrals	3.8
Organic growth (increasing assets from existing clients)	3.8
Prospecting (adding clients individually, via methods other than referrals)	3.7
Platform building/social media presence/thought leadership activities	2.9
Acquisition (e.g. buying a business or clients)	2.3



Only nine percent of advisers say their business development process is very effective.

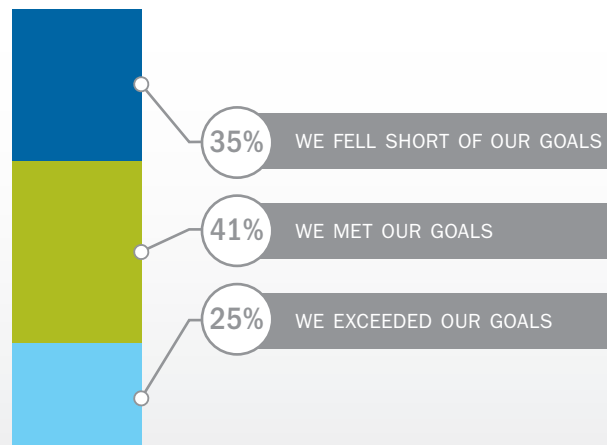
STATE OF BUSINESS DEVELOPMENT TODAY

When advisers consider their current business development efforts, it is clear that they see a substantial gap between where they want to be and where they are. Only nine percent of respondents indicate that their business development process is 'very effective', and over half give themselves a failing grade.



Q: Thinking about your current business development process, how would you rate its overall effectiveness in helping you reach your growth goals?

The evidence suggests that advisers may be right in their assessment of effectiveness. Based on their current efforts, only a quarter of respondents exceed the goals they set for the business and nearly a third fell short of those goals.




Q: Which of the following describes your performance in the last 12 months?

When respondents who had exceeded their goals were asked why they felt this was the case, they tended to highlight focus, consistency and process rather than any specific tactics. Among the reasons they gave for going beyond their goals:

- Consistency with marketing...good word of mouth/networking
- Dedicated staff for business development and giving bonuses to the total organization on revenues
- Defined processes, monitoring of progress and accountability
- Enhanced focus on referrals using interactive client surveys. Made several strategic hires. Provided training for staff (to help reinforce value proposition and empower employees).
- Intense focus on business development. Very good discipline on budget & business plan.
- Sticking to our plan and not allowing the “flavor of the month” idea to distract us from our process. We accomplished that by stop seeing vendors except a few that bought into our process
- Taking the time to focus on the business and creating realistic goals

When those respondents who fell short of their goals were asked why that was the case, they tended to reference lack of goals, planning or low levels of activity.

- Trying to build a brand wealth management business without a mentor or coach sometimes led to trying to do too much leading to confusion and nothing important getting done as needed
- Developing value proposition to separate us from competition
- I have a written plan, but I don't work it
- Insufficient new client activity
- Lack of dollars committed to the budget for business development
- Lack of a well defined internet or website that attracted new clients
- No effective client acquisition model that produces results
- Not having a written plan that specifically stated my goals and deadlines to those goals. Also, not having effective goals that produce results, or having effective goals but not properly implementing them.
- Not sticking to my plan, lack of staff, poor time management and organization

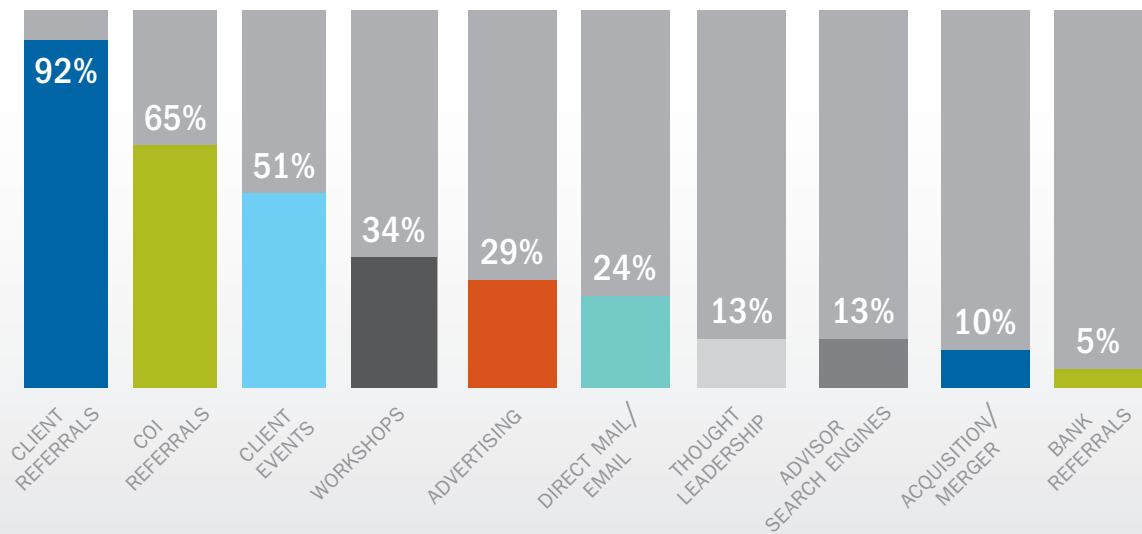


Exceeding goals is more likely tied to great execution than the selection of any one tactic.

THE TACTICS: WHAT ARE ADVISERS DOING TO ATTRACT NEW CLIENTS?

While business development discussions inevitably turn to a discussion of client referrals, the reality is that advisers are using a variety of methods to grow their businesses. The top three methods being used today, in order of popularity, are:

- Client referrals
- Center of influence referrals
- Client events

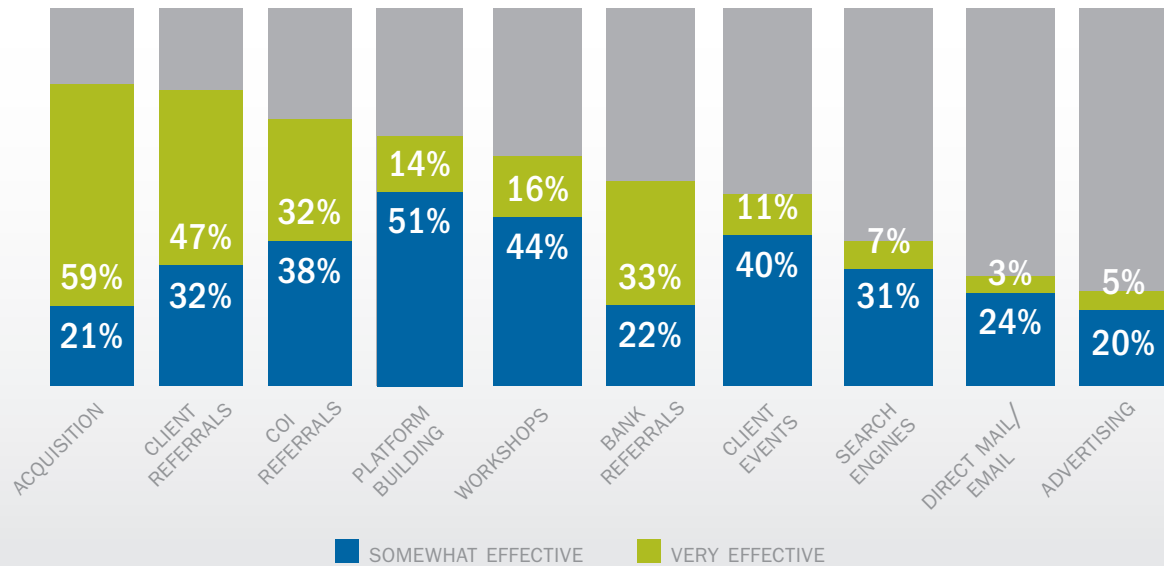


Q: Which of the following have you used to attract new clients (whether or not you were successful in generating clients through this method)?

THE TACTICS: EFFECTIVENESS

Of course, not all tactics are created equal. When it comes to the effectiveness of different tactics, adviser viewpoints differ on what is working and what is not. The chart below shows the value that respondents ascribe to different new business development tactics, recognizing that samples vary based on the level of usage.

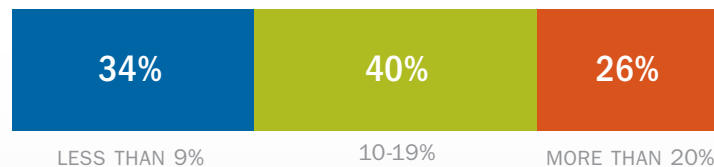
STATE OF BUSINESS DEVELOPMENT TODAY



Q: Please rate the effectiveness of each of the tactics you selected in helping grow your business. (n=advisers who have used the tactic)

GROWTH RATES

Because execution plays such a significant role in determining success, it should not be surprising that advisers experienced very different growth rates.



Q: In the last 12 months, what was the net percentage growth rate of each of the following? (Shows growth in assets under management)

With an understanding of what advisers are doing and the impact on growth rates, we can examine the extent to which 'high growth' businesses differ in their approach to business development.

THE COMMON DENOMINATORS OF SUCCESS

In order to identify tactics that may have greater impact, the data was analyzed to isolate three groups of advisers: Those who

- exceeded their goals
- grew at a faster pace (20%+ increase in assets under management)
- were larger businesses (\$250m+ in assets under management)


Of course not all businesses manage assets; however, the differences identified among the latter two groups were consistent with those groups that were isolated based on revenue growth instead of asset growth. Each of the three groups represents successful growth, and by examining all three, we eliminate potential bias. For example, if we focus only on growth rates, the sample will be over-weighted to smaller firms. If we examine only larger firms, the tactics may reflect the budgets and resources available. A focus only on self-reported performance relative to goals would potentially result in the inclusion of firms with modest business goals. However, when we look at the trends across all three groups, we can identify commonalities that are instructive.

THE WINNING TACTICS

While referrals tend to be the best source of new business for all advisers, there were three tactics that can be associated with successful growth.

- **Center of Influence Referrals:** Respondents who achieved faster growth were more likely (68%) to indicate they were working with centers of influence to generate professional referrals than those with the lowest growth (54%).
- **Client Events:** Using client events as a way to both add value for clients and attract new clients was effectively used by respondents who were growing the fastest (58%) compared to those who were not (41%).
- **Thought Leadership:** While a relatively low percentage of respondents are using this tactic, which includes building a personal brand or platform using thought leadership and social media, larger and growing businesses were more likely to be using this strategy.

These tactics were also more likely to be used among advisers attracting higher net worth clients.



The winning tactics:
center of influence
referrals, client events
and thought leadership.

THE WINNING STRATEGIES

In addition to looking at tactics, the study focused on more strategic business development issues, such as business planning and value proposition. Here we found distinct differences between those who had succeeded and those who struggled.

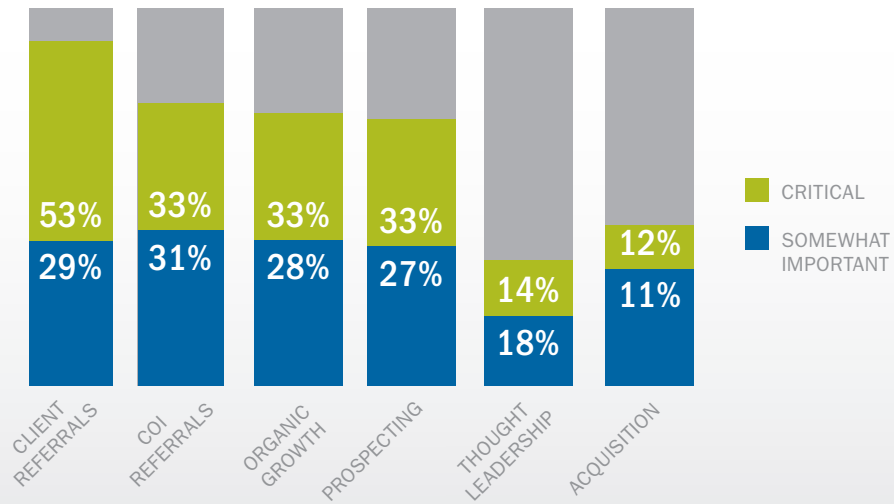
- **Defined Value Proposition:** Fifty-seven percent of respondents who fell short of their goals had a defined value proposition, increasing to 79% among those who exceeded their goals. Similarly, 62% of respondents who experienced asset growth of less than 10% had a clearly defined value proposition, increasing to 76% among those who grew 20% or more. Advisers in this high growth group were also more likely to indicate that their team could communicate the value proposition very effectively.
- **Elevator Pitch:** Somewhat related to value proposition is the ability for an adviser to clearly and concisely communicate value. While high growth advisers are somewhat more likely to have an 'elevator pitch,' it was less of an indicator of growth than defining the underlying value proposition.
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- **Niche Market:** Respondents who grew the fastest were more likely to focus on one or more defined niche markets (65%) than the lowest growth advisers (47%).

Additional data and insight will be provided on these, and other, tactics and strategies later in this report.

LOOKING FORWARD

Past performance is, of course, no guarantee of future success. It is true with investments, and it's true with business development tactics. For that reason, we asked advisers about the relative importance of different tactics in driving their future growth. While advisers are not 'throwing out' the things that have worked in the past, there is a clear and definitive trend toward using new strategies, such as thought leadership, particularly when we consider both the quantitative and qualitative data. For example, while the focus on thought leadership is still relatively low, the respondent comments clearly reflect an acknowledgement that this strategy is part of their future success.

THE COMMON DENOMINATORS OF SUCCESS



Q: Looking forward to the next five years, how much emphasis do you place on the following activities to execute your growth strategy?

Respondents were asked to share their views about the ‘one thing’ they need to do going forward. A sample of their forward-looking comments are included below, categorized based on the tactic they consider most important.

Q: What one thing would have the biggest positive impact on your ability to attract new clients in the future?

Build deeper relationships with centers of influence

- A broader network of COIs who understand and are attracted by the expertise we have and the services we provide clients
- A stronger referral stream from centers of influence
- Developing deeper relationships with COIs
- Education presentations to CPA's
- Having COIs feel comfortable in asking a few probing questions of their client's investment experience to open a conversation and understand if their client is happy or not with the plan they are following or even if they have one

Get more active in the community

- Consistency of being in the community
- Credibility in the community through social activities, events, referrals and COI's
- Leadership in the financial planning community and a strong, credible reputation for the firm

Create a plan

- Having a written goals and using them to develop a written strategy
- Having a written plan on where we want to be in one, two, five years, etc.
- I believe I just need to buckle down in writing my business and growth plan so my team can be more focused and responsible for the firm's growth

Create a process

- A tight system for all aspects of the business of acquiring and retaining clientele, which all firm advisers and support staff know and use without waiver
- An effective, repeatable client acquisition strategy
- Having a formalized business development plan and making sure it gets executed
- Having a good lead-generation system
- Systemizing our process so can be most effective with time devoted to each client
- A more systematic, cross-channel marketing plan that is implemented consistently and measured for effectiveness

Enhance client referral process

- Create a trusting relationship with existing clients which is so strong that we would receive consistent referrals, introductions and recommendations without having to ask. In other words—create the ultimate client experience with its foundation being trust
- Developing a formal process for client referrals which I am working on
- Giving my clients the tools they need to help spread the story of our firm and what we do
- If our clients were to talk about us more. We believe that the UHNW (\$30 Million and up) don't talk—at least ours don't. Alternatively, really getting the benefits or value-added message right (not what we do—the value that we create) in the form of great client stories and then telling them to everyone who touches wealthy individuals

Focus on strategy

- A solid message that matches our image with our target clientele
- Ability to connect with and embrace the younger generation
- Being even more tightly focused on the niche I serve
- Clarity of value proposition
- Clearly articulating our value proposition—what will their benefit be if they work with us?
- Crafting a value proposition around what we deliver and to whom, getting it out
- To be able to communicate my unique value and what I bring to the table that no one else will

Prioritize business development

- Devote more time and focus to identifying and nurturing prospects
- Less administrative time in my work schedule and more time to devote to business development
- Spending more time on business development activities (community events, speaking engagements)
- Time Management. If we could free up time for lead advisers to spend on business development activities, this would likely have a major positive impact

Build the right team

- Adding another adviser to the firm
- Better team coordination and business plan
- Giving incentives to current employees for introductions
- Having another partner to expand the business. But finding the right person(s) is a work in process
- Staff members have to buy into the concept of business development

Build business and personal brand; thought leadership

- A complete understanding and professional networking combination of LinkedIn, Facebook, Google, etc.
- A more prominent public profile
- A more visible identity—personal/team brand
- Develop greater brand awareness and promote breadth of firm expertise
- Effective social media and website presence for reaching educating a bigger audience with our brand and services
- I am targeting social media and an online presence. I think this is important for my target market
- I'd like to write a book. I think this would dramatically improve my ability to ATTRACT new clients
- Media exposure
- Overhaul website and work on a social media presence via blogging and sending a newsletter to prospects via my website
- Public appearances on radio or TV
- Understanding how to most effectively create brand awareness, and creating a proper value proposition

Host prospect/client events

- Fun client events and charitable events
- Intimate client events
- Providing educational events for prospects and clients as well as forming roundtable groups

BUILDING YOUR PLAN

At this point we have a clear sense of what advisers are doing and the impact it is having on their businesses. In the next section, we turn to creating a plan by focusing on how advisers are executing on a variety of different tactics. In order to structure the approach, we'll look at six key drivers of business development success:

VISION: Have you clearly defined your vision?

CULTURE: Is your business development plan part of the culture?

PLAN: Do you have a clear plan in place?

TACTICS: What tactics will you execute to attract new clients?

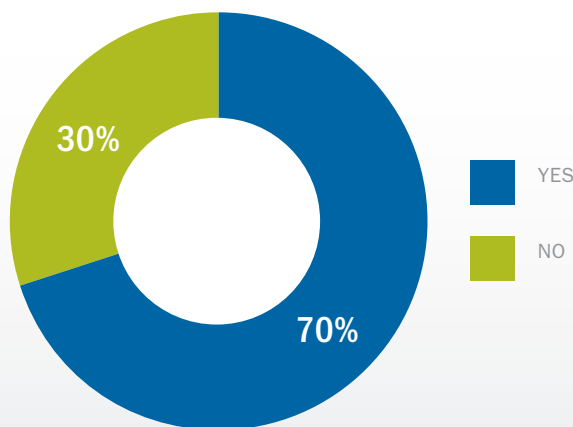
TEAM: How is the team structured to support growth?

PROCESS: Have you standardized your business development process?

FOCUS: Are you able to invest sufficient time in building your business?

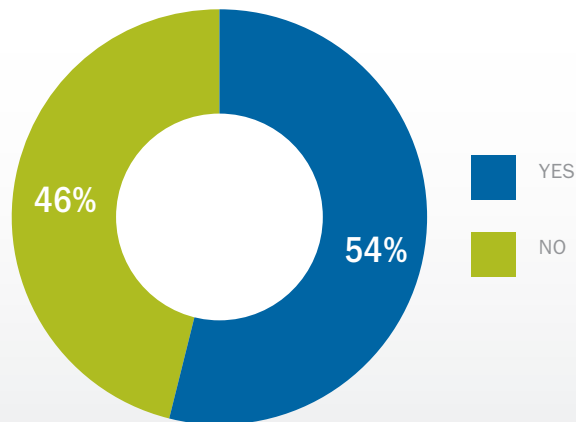
VISION

Earlier in this study, it was demonstrated that having a clearly defined value proposition was critical to an effective growth strategy. Seventy-percent of respondents say they have defined the value they will deliver to clients, increasing among those who have witnessed greater growth. An effective value proposition not only helps you communicate your vision to clients, but can be a powerful way to differentiate what you provide.



Q: Do you have a clearly articulated value proposition?

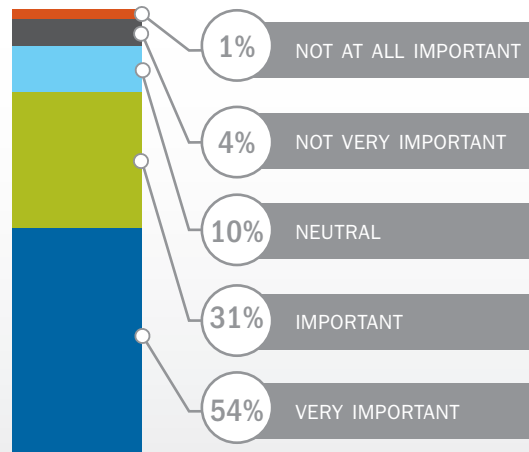
While a majority of respondents have a defined value proposition, they are less able to quickly and concisely communicate that message to clients. Just over half of respondents said they had formalized their ‘elevator pitch,’ although this, too, is associated with higher growth.



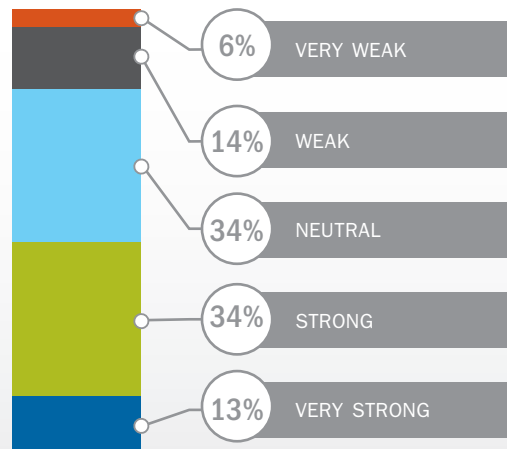
Q: We often hear about the need for an elevator pitch, defined as a simple and concise statement of what you do. Have you formalized your elevator pitch?

CULTURE

While many firms have a clearly identified rainmaker, it is generally accepted wisdom that business development should be, at least in part, an element of everyone’s job description. For that reason, the study asked advisers about the extent to which business development was part of the firm’s culture. A ‘business development culture’ was defined as existing when all team members think about and actively contribute to growing the business in some way; the culture is strong when business development is recognized and accepted as a priority. While 54% of advisers say having a strong culture of business development is important or very important, only 13% report that culture is very strong today.



Q: How important is it, to you, to have a strong business development culture?



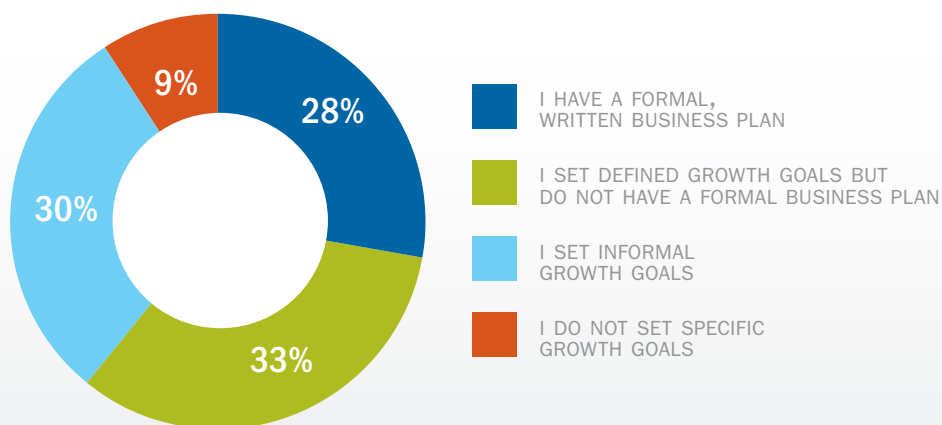
Q: How would you describe the strength of the business development culture across your team?

BUSINESS PLAN

Effective business planning is connected to higher growth. In this study, the questions went deep on the scope of planning in order to uncover tactical insights. Drawing on findings from previous RPI studies² it may be critical to consider personal goal setting as part of the process. Effective business planning begins with a clear understanding of:

- The size of business (level of growth) you need to have in order to accomplish your goals. For example, many large businesses de-prioritize growth. In the process, they may be putting the long-term value of their businesses at risk, given that value can be tied to the existence of a repeatable and consistent growth strategy.
- The level of growth you need to achieve in your business net of appreciation. For example, what level of growth is required going forward on the assumption that some clients will pass away or leave, the market will go down or you may want to step away from the day-to-day management of the business?

In previous RPI studies, advisers were asked if they had a formal business plan in place and asked to provide a simple yes or no response. On that basis approximately 50% of respondents said they did not have a formal plan in place. In this study, advisers were asked to provide a more detailed response that reflected the scope of their planning, and the results were enlightening. Less than a third of respondents said they had a formal, written business plan, with 33% indicating they had defined growth goals, but not a documented plan.

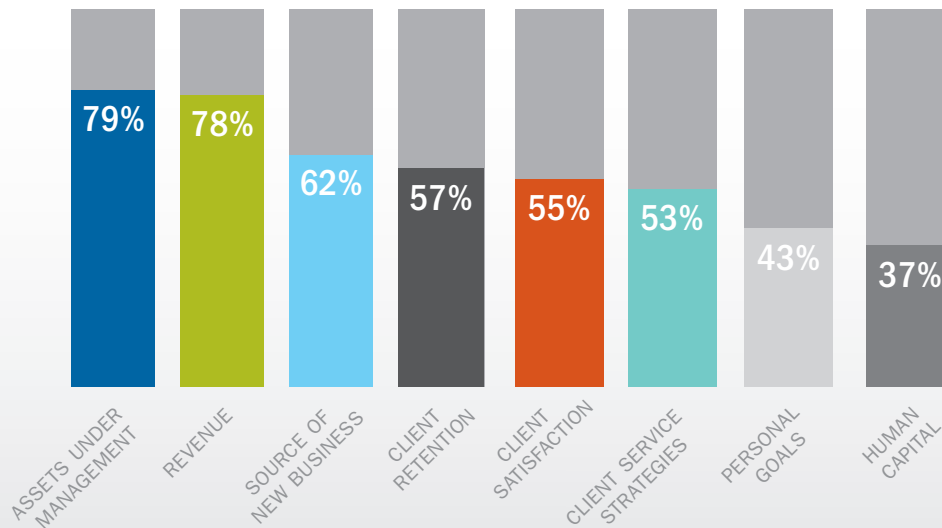


Q: Which of the following describes your business plan?

² FPA Research and Practice Institute™, “Future of Practice Management,” December 2013

It appears that while a majority of advisers have a sense of where they want to go, few have a clear roadmap to help them get there. Nearly 70% of respondents who do not set formal goals, said they would like to do so, but have not done so as yet.

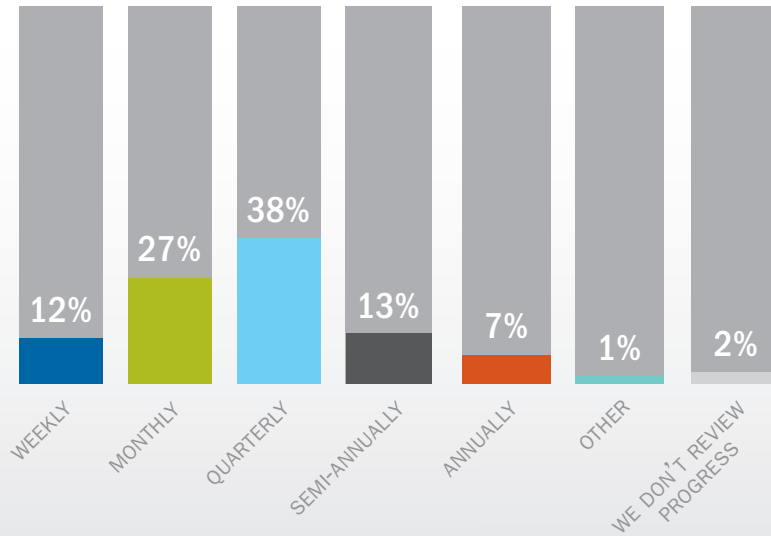
Among those advisers who do set goals, it is most common to focus on outcomes such as assets and revenue, rather than inputs, such as client satisfaction. While the most recent RPI study³ makes it clear that advisers consider an effective client communication plan critical to their success, just over half who set goals incorporate strategies for service, retention and satisfaction in their business plans.



Q: For which of the following do you set goals? (n=those with a plan or clear goals)

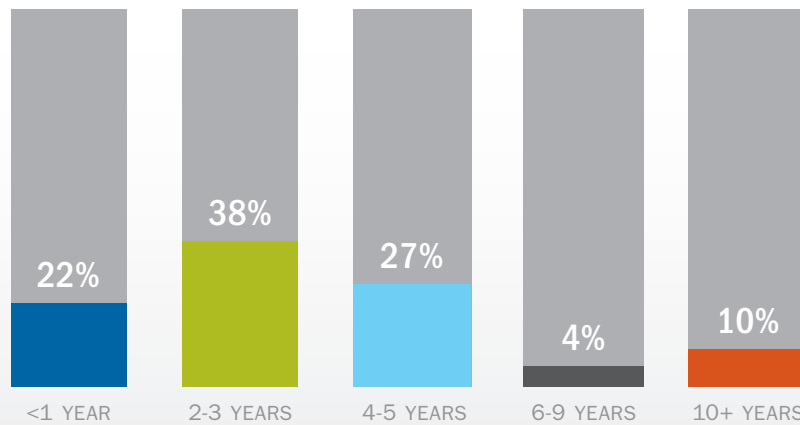
Key to success may be the extent to which the business plan influences daily activity. A majority of advisers review their goals less than every six months, leaving little opportunity to respond and react if they are not on track.

³FPA Research and Practice Institute™, “Trends in Client Communication,” May 2014



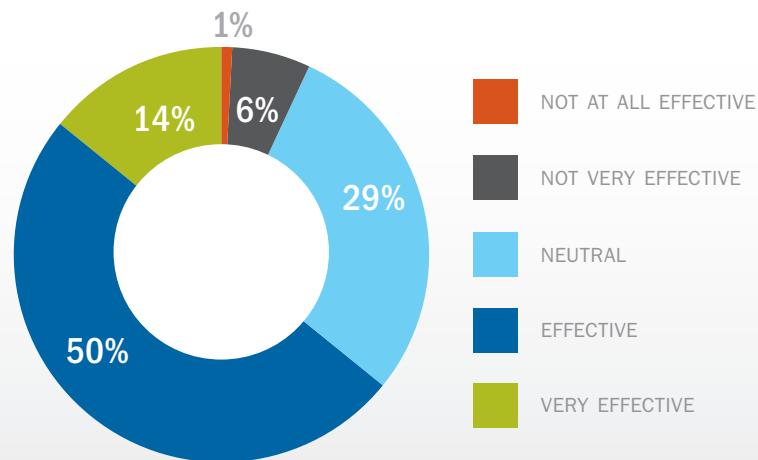
Q: How often do you review progress against your goals? (n=those with a plan or clear goals)

Most business plans focus on the next three to five years, with just ten-percent of advisers looking beyond ten years.



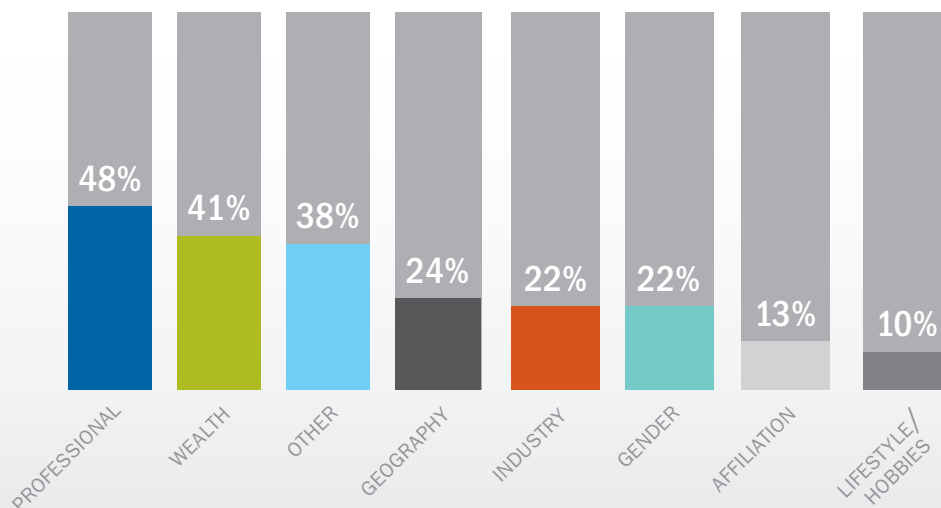
Q: For how many years in the future do you set goals? (n= those with a plan or clear goals)

Despite the fact that 61% of advisers have either a clear plan or clear goals, only 14% of those indicate their business plan is helpful in operating the business. Based on the evidence presented, it seems clear the industry needs to focus not only on ‘having’ business plans, but on the effectiveness of those plans in driving the right activity.



Q: How effective is your business planning process in helping operate your business successfully? (n=those with a plan or clear goals)

Part of the business planning process also involves identifying the target client. The fastest growing businesses tend to focus on one or more defined niche markets. Among those respondents who do target a niche, they are most likely to define it based on profession or wealth.



Q: What defines the niche markets you target?

Among the specific niche markets that advisers are targeting are the following:

- Airline Pilots
- Attorneys
- Business owners
- Business Owners who own businesses with less than \$5 mil in revenue
- College Professor
- Corporate Executives
- CPAs
- Dentists
- Divorcees
- Engineers
- Executive Leaders
- Executive Women
- Executives looking to retire in next 5 years
- Firefighters
- Healthcare Professionals
- Journalists
- Law Enforcement
- Medical Professionals, Nurses, Physician Assistants
- Mid to upper management of 1,000 EE+ companies with 15+yrs of service
- Military / Veteran
- Municipal employees in the State of Illinois
- Physicians and Surgeons
- Professors
- Teachers
- Widows
- Young professionals

ADVISER INSIGHTS

A number of respondents commented on defining their ideal or target client when asked about the one thing that had the most significant impact on growth.

- Being honest even if it hurts the business. Everyone is not a good client.
- Decision to only take 2 to 3 new clients, high net worth, per year. Selling the bulk of my practice so I could really concentrate on the clients I kept. Great move!
- Establishing and adhering to a minimum asset level
- Focused on an ideal client profile, which developed a client niche and AUM minimums, repeatedly telling the same CLEAR message to all COIs, and living what we say. People that meet us, know exactly who we serve.
- Segmented my book and raised my minimums
- Specialty of working with clients experiencing life transitions

TACTICS

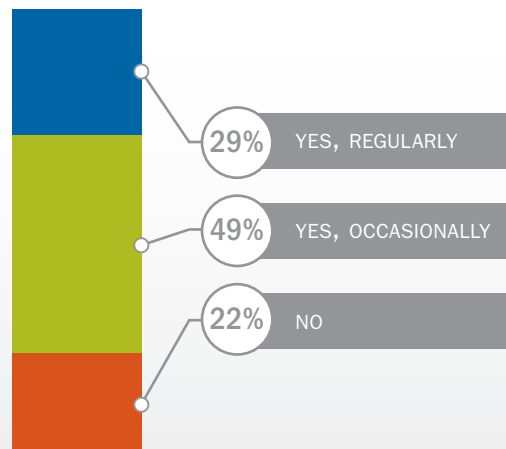
The study went in depth on several specific tactics in order to examine how advisers are executing on them.

CLIENT REFERRALS

Client referrals continue to be the most important driver of new business for advisers. Ninety-two percent of respondents indicate they generate some business from client referrals, and 83% say this tactic is important (29%) or critical (53%) to their business development strategy.

Those advisers who indicate success with this tactic are doing the following:

- 1. ASKING:** Of those who rate themselves as effective in generating client referrals, 79% say they ask for referrals, with the majority of those saying they ask occasionally rather than regularly. Advisers are split in terms of the 'right time' to ask: 48% do so within the first six months of the relationship, 65% within the first year and about a third will not ask until after a full year of working together.



Q: Do you ask clients for referrals? (n=those using referrals)

Beyond simply asking for referrals, 48% of respondents indicated they found other ways to position for referrals. Among the specific ideas they provided are the following:

- Send articles of interest.
- Bring a friend to an event or dinner
- By educating them about how to identify a referral opportunity
- By sourcing names. Asking about their activities of life and who they do it with.
- By thanking clients in our newsletter for their referrals.
- Client appreciation events; private dining events
- Client/prospect events. Invite clients to events and ask that they bring a prospect.
- Educate them on who we serve best thru stories. Remind them we still accept new clients on a limited basis thru our monthly newsletter.
- Footnote on email mentioning that referrals are appreciated, client dinners where clients are encouraged to bring guests.
- I tell them if a service I provide is brought up when they are present to feel welcome to give my name out and also tell them how happy the client is with what I have done for them. I also try to plant the “referral seed” by saying if you know anyone in the future who was let go from work or someone new joins your company, you can be a professional guide/ friend to them.
- I'll ask a client whom I've just helped solve a problem if he/she knows someone in the same situation. When they reply in the affirmative, I'll ask them to tell that person they need to see me to help solve their same or similar problem.
- Participating in shared interest events, for example, take a client golfing and have him bring two friends for an introduction
- Provide topical email and newsletters demonstrating value in an area important to my target market
- Providing a superior level of performance and by way of our client advisory board
- Thank-you gifts for referrals
- Through the 'know your client' process to learn who is important in their lives and what those people do to grow/maintain their wealth.
- We ask for feedback on a regular basis. Such as...What do we do that helps? Are there things we could be helping with that we aren't? Are there things we do that just don't matter? Refresh my memory on why you hired us to start with, and why you continue to keep us engaged? Can you summarize that in three points?
- When they ask how I am, I try to use a story about a new client experience that I have had.


2. Receiving Introductions: While only 14% of clients (who made referrals) indicate that they did so with a formal introduction⁴, advisers recognize the importance of making this happen. Forty-five percent of advisers say they encourage clients to make actual introductions.

Advisers were asked how they encourage clients to make introductions. Some of their ideas are summarized below:

- As part of our education process regarding the identification of a referral opportunity, also letting them know the introduction needs to be meaningful and explaining how that should be done
- Ask how they would be comfortable in making an introduction (come in with referral for discovery meeting, coffee/lunch, etc.)
- Ask them for phone number or email and mention person referring suggested I call
- Ask them to bring a client to one of our appreciation events, or to lunch, or to a meeting
- Ask them to contact people in their circle on our behalf, or to provide email introduction
- Ask them to pass along video series via email
- Ask them to simply make an email introduction
- Ask them what they would say and coach them as to what to say
- At client events and private dinners I explain the best way to introduce us
- Either through an email introduction where my client communicates with the referral and copies me on the email and/or they call the referral and encourage them to contact me and ask permission to share their contact information with me so they can expect my contact
- I often ask to invite them to join us for a meal or if it is long distance, to offer an email introduction
- Simple email introduction with website link
- We explain that their friend/colleague would probably be most comfortable meeting us in an informal, casual environment and we suggest we meet for lunch or coffee etc. together
- We tell our clients that an introduction, either through a phone call or a lunch meeting where we get to know the prospect (and for them to get to know us), is more effective and more impactful than simply giving us a name

Based on the percentage of respondents who use referrals to grow the business, one might be tempted to assume that there is little opportunity for growth. The reality is that the average adviser indicated they added eight new clients, via client referral, in the previous 12 months. While this is the best driver of growth, it is still a relatively low percentage of clients.

⁴Advisor Impact, Economics of Loyalty, 2014

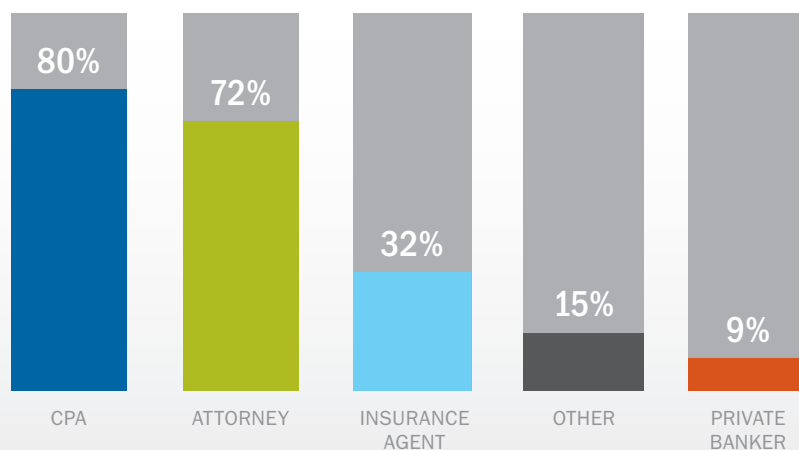


Set goals based on the percentage of clients providing referrals rather than the number of referrals received.

CENTER OF INFLUENCE REFERRALS

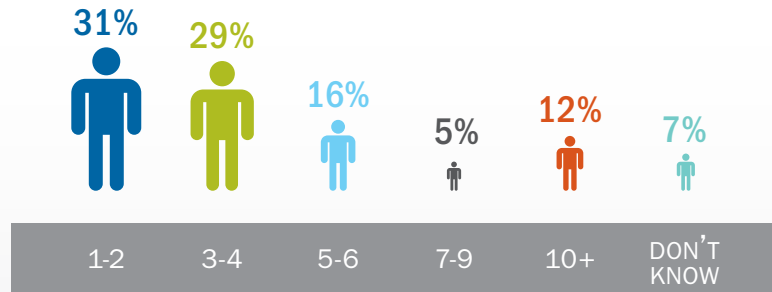
The average adviser appears to have a 'love/hate' relationship with center of influence referrals. While 65% of respondents indicate they are using this strategy to grow their businesses (roughly the same as most other strategies), only 32% suggest that the tactic has been 'very effective'. Similarly, while many respondents focused on this tactic when asked about their 'one best idea,' only a third indicate the tactic is critical to their growth strategy going forward. The conclusion seems clear: while many respondents believe strongly that this can be an effective strategy, they are challenged in executing it well or consistently. As a result, it may represent significant untapped potential.

Among those advisers who do work with COIs, the vast majority work with CPAs and attorneys; there is limited activity with other professionals who may work with or support similar types of clients. Only 10% of respondents indicated they had a formal referral agreement in place, through which fees or commissions are paid for referrals.



Q: With which, if any, of the following professionals do you have a reciprocal referral relationship (formal or informal)? (n=those who use COI referrals)

The majority of advisers, who use this tactic, work with a small network of between one and four professionals.



Q: With how many individual centers of influence (e.g. CPAs or Attorneys) does your firm currently work? (n=those who use COI referrals)

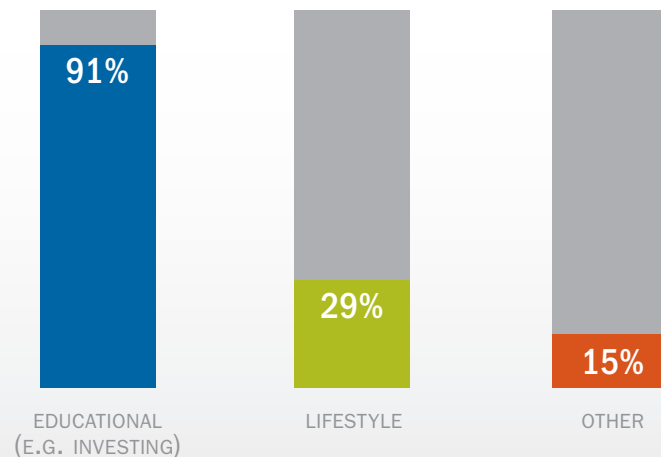
Adviser Insights

Those respondents who indicated that a COI strategy was among the biggest drivers of growth in their businesses indicated they did the following:

- Actively talking with CPA's and understanding their business and what types of clients they are looking for. This allows us to refer clients and get referrals in time
- Aligned ourselves with a large CPA firm in the area. Has been a powerful referral source.
- Being clear on the targeted clients I enjoy working with, and articulating that niche to my centers of influence
- Building relationships with COIs and having a strong presence on the web for when prospects research our firm
- Conduct seminar for COIs
- Developing relationships with niche attorneys: divorce, special needs, trial
- Establishing and sustaining relationships with COIs by providing education to them from access to industry experts
- Stay in front of our COIs in order to be "top of mind" when one of their clients need our services

WORKSHOPS

Just over a third (34%) of respondents indicated they have used workshops to drive business growth; however, only 16% rate the tactic as 'very effective'. Another 44% suggest they have been somewhat effective. The majority of advisers who offer workshops are focused on educational topics. Fewer than a third offer lifestyle/ value added topics.

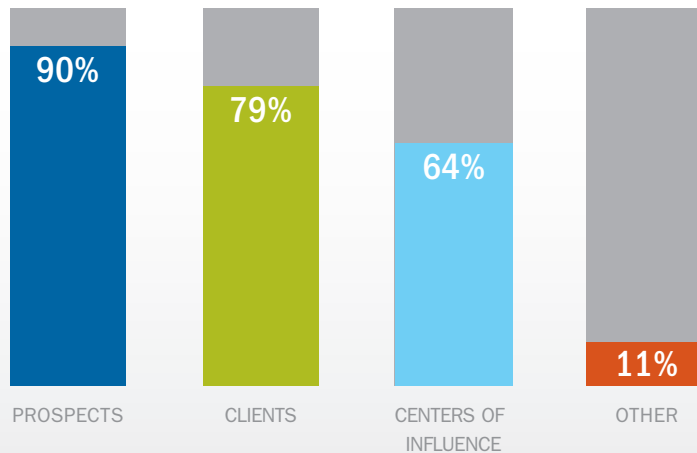


Q: Which of the following types of workshops have you offered? (n=those who use workshops)

Among the specific topics that advisers had indicated were successful are the following:

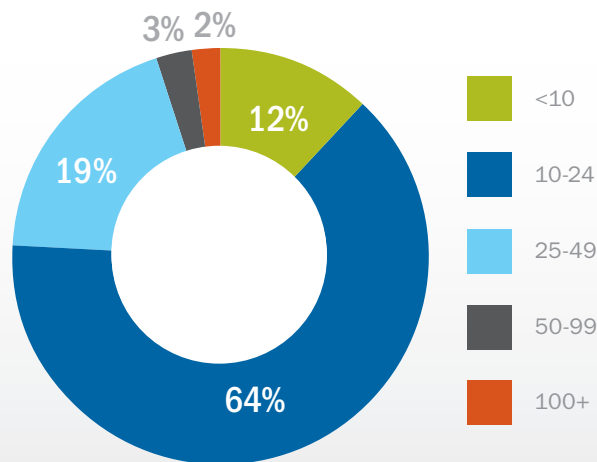
- College financial aid planning
- Connecting behavioral finance with actual decisions
- Creating Financial Peace of Mind (through comprehensive financial planning), Raising Financially Aware Children
- Divorce financial issues
- EQ/Emotional Intelligence as clients do not see it as a product or service I sell but “value added”
- Social Security Planning
- Non-industry specific (i.e. identity theft, author) and timely industry related speakers
- Philanthropy
- Aging parent
- Food and wine pairing
- Retirement and Special Needs Planning
- Social Security benefit strategies and for widows and divorces
- The seven habits of highly successful people
- Women in transition

While workshops are primarily designed for prospects, a majority of respondents also include clients and centers of influence.



Q: Who is invited to your workshops? (n=those who use workshops)

Among those who are using workshops effectively, large workshops are rare. Eighteen percent of respondents say they are running very small workshops (fewer than 10 participants) and another 55% say they run sessions for between 10-25 participants.



Q: On average, how many people attend your workshops? (n=those who use workshops)

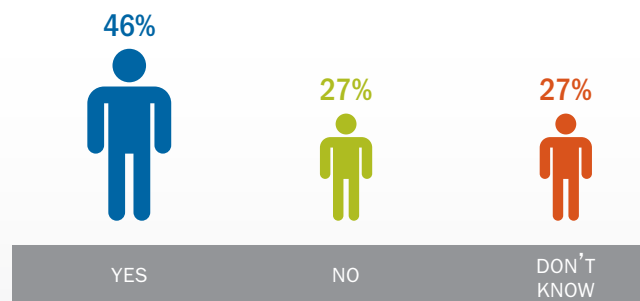
Adviser Insights

Advisers who indicated that workshops had driven significant growth said they had done the following:

- 30-minute phone consultation after a workshop
- Biggest conversion rates are on lifestyle and education seminars like “loss of loved one” seminars and financial life planning
- Financial Literacy Workshops
- Having PGA Tour professional golfers give clinics and play with prospective customers
- I hosted wine tasting events where clients brought prospects
- Private dinners where I invite a client couple and prospect couple—or 2
- Seminars focusing on wealth distribution during retirement
- Small client retirement dinners
- Small events where clients or COIs are asked to bring one friend. Completely social in nature
- Systematic seminars (workshops) in targeted zip codes
- Workshops on divorce financial planning

ACQUISITION

While only 10% of respondents indicated they had been involved in an acquisition in the previous 12 months, about a quarter of advisers are thinking about acquisition as an important or critical part of their growth strategy going forward. Nearly half of those who have acquired in the past are considering it again. Advisers who acquire clients, other advisers or entire firms consider the strategy effective, with 58% rating it as very effective. This is not surprising, because unlike other tactics, the very execution of the plan tends to net the desired result of growth even though not all acquisitions go as smoothly as advisers might like.

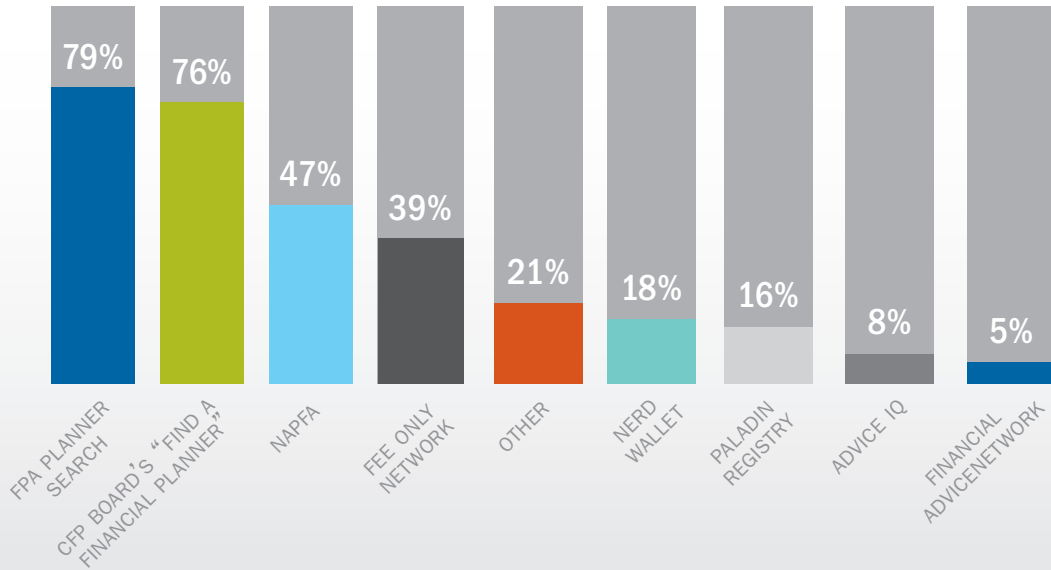


Q: Do you anticipate acquiring other firms and/or advisers in the next 12 months?
(n=those who have acquired previously)

Note that across all respondents, 19% of respondents indicated they anticipate acquiring another firm; another 18% do not know.

ADVISER SEARCH ENGINES

Thirteen percent of respondents indicated they were using adviser search engines (e.g. FPA Planner Search or CFP Board’s “Find a Financial Planner”) to find new clients. Thirty-eight percent of advisers rank those search engines as somewhat or very effective.



Q: Which adviser search engines are you on today? (n=those who have used search engines)

For reference, 42% of respondents are FPA members; however, we do not have this data for other associations. Advisers selected the search engine that had been most successful (if they had used one) in the following order:

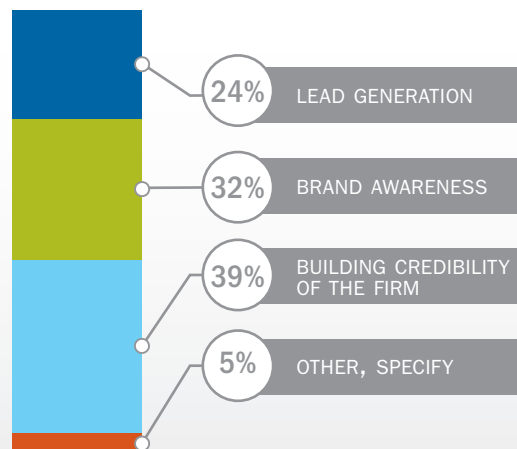
- NAPFA
- FPA Planner Search
- CFP Board’s “Find a Financial Planner”

THOUGHT LEADERSHIP

Perhaps one of the more interesting trends in business development relates to thought leadership and platform building, which is often supported by the use of social media tools. The tactic was described to advisers as platform building, social media and thought leadership activities. It reflects all activities designed to build or support a personal brand, incorporating, for example, content marketing. Thought leadership activities are often, but certainly not always, supported by social media and we'll refer to this tactic generally as 'thought leadership.'

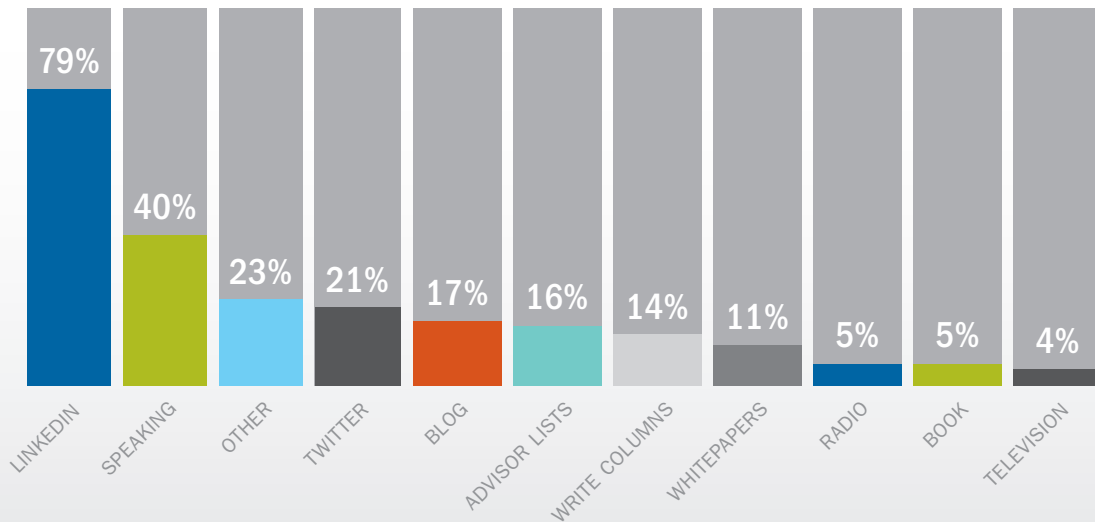
Only 13% of respondents indicated they use this strategy to attract new clients. Effectiveness ratings were muted and just under a third of advisers describe this as key to their business development plan going forward. However, when asked about what they want to do differently going forward, many of the open-ended responses were tied to social media or personal/business brand building, which is a key outcome of this strategy. These comments were included in the section entitled 'Going Forward.'

Among those advisers using this strategy, the primary goal is building credibility, rather than direct lead generation.



Q: Which of the following describes your key objective in platform building activity?
(n=those using thought leadership)

When asked about the strategies they are using to build their brand or platform, advisers typically focused on basic social media presence (through LinkedIn) and speaking engagements.



Q: Which of the following do you use in building your brand/platform?

Adviser Insights

The trend in this area is subtle and most apparent based on the large number of comments regarding this strategy having driven significant growth. Respondents who had been successful with this tactic indicated they had done the following:

- I've been the financial columnist for a local, monthly, business journal that covers 7 counties. Over the years, some of my best clients have resulted from those articles.
- Reputation and platform building. I blog for the NY Times. That brings in one or two inquiries a month.
- Speaking at professional workshops for professional fiduciaries
- Thought leadership builds credibility with COIs and local prominence
- Writing a column for a local paper
- Writing a personal finance column for my local paper for 23 years

On a related note, respondents also talked about the positive impact of community involvement, which can positively impact brand and consumer perception

- Being involved with charitable work and our community
- Engagement in my community (joining boards, attending events)—meet people and within months, they seek out my services
- Engaging with my neighborhood schools, families and business community
- It takes a while but being a part of a group in the community that you are passionate about. After about a year of time I started seeing referrals

TEAM

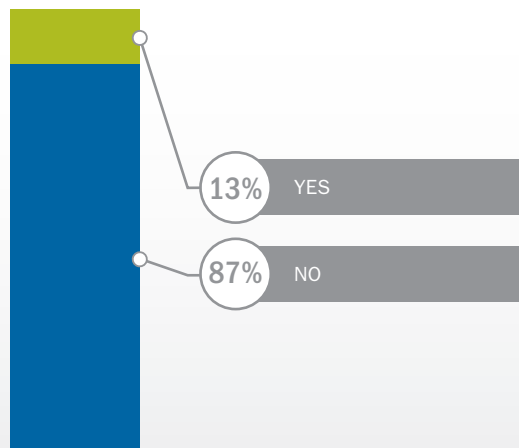
As it relates to team, the study was specifically focused on the responsibility for ‘rainmaking’ within a firm and, by association, the use of dedicated business development staff. Earlier in this report we discussed the gap between the importance advisers place on having a ‘culture of business development’ and those who feel they have a strong culture in place.

Part of the culture will be defined by roles and responsibilities and how those are communicated across the team. Among the advisers who participated, the majority saw themselves as primarily responsible for new business development. A quarter of respondents saw the responsibility as living with all advisers (client-facing roles) and just 13% with all staff. Clearly the size of a team would have an impact on response.

NEW BUSINESS DEVELOPMENT APPROACH	PERCENTAGE OF RESPONDENTS
I am primarily responsible for new business development	57%
All advisers/relationship managers, including myself, are equally responsible for new business development	24%
Everyone in our firm is responsible for business development, including support staff	13%
Other	3%
A non-adviser manager is primarily responsible for new business development	2%

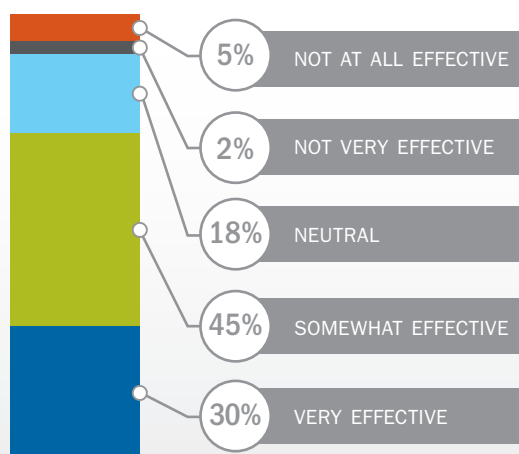
Q: How would you describe your firm's approach to new business development?

Twenty-seven percent of firms with \$250m or more in assets indicated they had hired a dedicated business development manager. Respondents who indicated they had exceed their goals were more likely to have this role established. Below this level in assets, advisers were only half as likely to have the role established.



Q: Do you have a dedicated business development manager?

Among those with a dedicated business development manager, 30% indicated the role was very effective, and another 46% said it was somewhat effective.



Q: How effective is the business development manager role in growing your business?
(n=those with a business development manager)

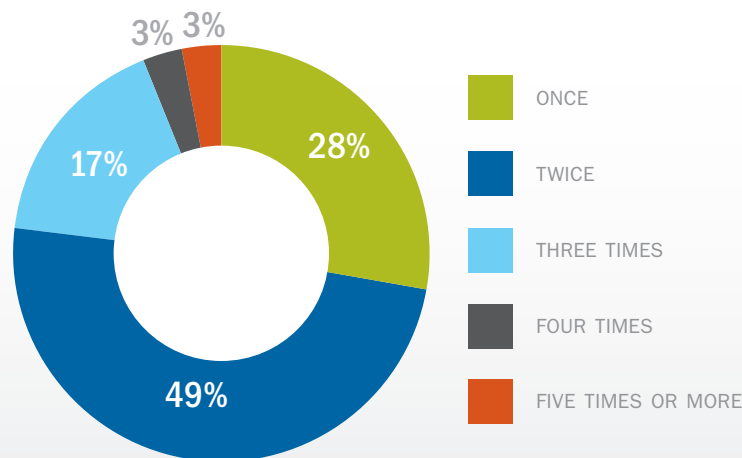
ADVISER INSIGHTS

It is clear that advisers see the team as a critical component of effective business development. Several advisers highlighted the role of team when asked about what has had the biggest impact on their growth.

- Hired a business development officer. He is a current client who is very influential in the community. This is his second career.
- Hired great people and started asking clients for referrals/introductions
- Hiring a COO who actually manages the staff, the advisers and the day-to-day operations of the practice so that we advisers can focus on revenue generating activities and LEAD the practice
- Hiring a dedicated Marketing Administrator
- Hiring two younger advisers, one of whom brought a lot of business with him from his prior work as a custodian-based adviser + changed pay structure for operations/admin (non-adviser) employees, so everyone receives a bonus for growth in firm revenues (not net profits)

PROCESS

While the focus of the study was on the tactics being employed, respondents took the opportunity to talk about structural issues in their verbatim comments. When asked what had driven their growth most substantially, they discussed the importance of having a standardized process to support new business development. Part of 'process' is, of course, tied to the way in which prospects are brought into the business. The study asked, specifically, about the number of meetings held. While this ranges, most prospects become clients after two meetings.



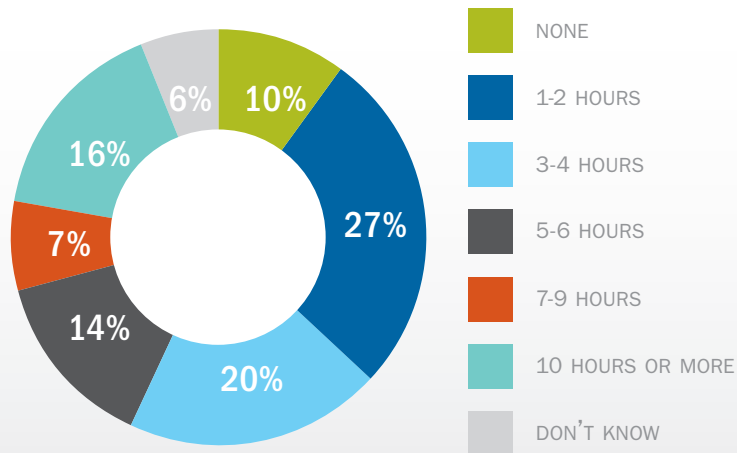
Q: On average, how often do you meet with a prospect before he/she becomes a client?

ADVISER INSIGHTS

- Leveraged technology to accomplish more with the same number of employees
- Systematize our process. Be willing to help people before they become prospects

FOCUS

There was only one question on the study that asked specifically about time management, and it related to the number of hours currently invested in new business development. Not surprisingly, this number changes relative to the age of the adviser. A quarter of advisers under the age of 40 invest 10 or more hours in new business development every week, compared to eight percent of those who are 60 or older. Time is also connected to success: 36% of respondents who achieved the highest level of growth invested eight or more hours/week in business development, dropping to 21% for those who achieved the lowest levels of growth.



Q: How many hours, in a typical week, do you invest in new business development activities?

Adviser Insights

When asked about the drivers of growth, however, many respondents focused on having ‘cleared the decks’ to allow more time for business development.

- Cleared the decks of administrative duties for advisers and freed them up for client contact and new business efforts
- Freeing up our CEO’s time, allowing him to prospect and generate more business
- Having a telephoning goal for each week/month—this is the only thing I can control

A FINAL WORD

In this report we examined the results of both the quantitative research and qualitative responses. Drawing on both sources of insights, the following is clear:

- The majority professionals believe that their business development process is lacking.
- Success is being driven in part by tactics (client referrals, COI referrals, client events and thought leadership) but, as often, by consistent and effective execution.
- Advisers who are growing the fastest have some common attributes, particularly as it relates to business planning, defining value and key tactics.

It is also clear that there is no one path to successful growth. The right path will depend on goals, skill sets and target audience, which also underscores the importance of business planning that was uncovered in the study. You might consider using the results of the study to answer the following questions about your business:

- How does my business development process compare to my peers and those who are experiencing the fastest growth?
- Are there specific ideas from the data or adviser comments that might enhance your business development process?
- Do you see gaps with respect to either the tactics you use or the way you execute?

On one level, this research is about understanding what advisers are doing through quantitative analysis. It is also about creating a forum to share ideas, many of which were included through the report. Respondents gave generously of their time to participate, and there is not enough room to include all comments. In Appendix 1, you will find additional comments from advisers on the ideas and programs that have helped drive growth.

APPENDIX 1

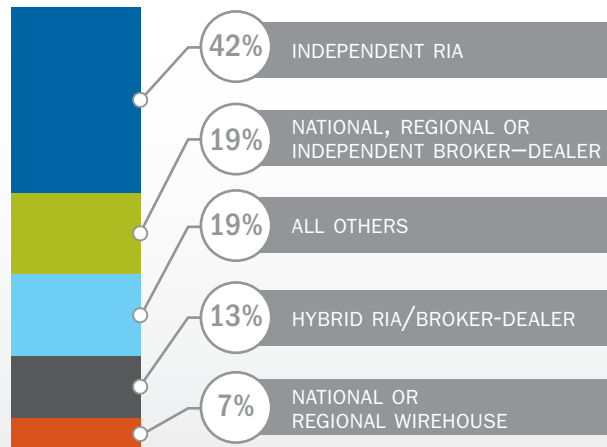
Q: What have you done that has had the greatest positive impact on growth? Responses below are those not included in the main report. Note this is a sample of responses only; the full list is provided to respondents.

- A constant focus on what is next in growing my practice
- Asking clients for advice on how to build my practice
- Being proactive in the financial planning community such as the FPA
- Brought Emotional Intelligence training to myself and all of my staff plus hiring a coach
- Continued education, both internally and attending conferences to hear and share ideas with peers
- Developing a financial planning relationship with corporation for their employees
- FPA membership
- Hiring a coach who looks at where we have been, are and want to go. He forces us to be accountable, constantly. Getting rid of dead weight employees who are here for a paycheck and don't buy-in to the company vision, albeit vague but getting more clear now.
- Joining NAPFA 11 years ago. Half of my client base came from NAPFA leads
- Joining Toastmasters to work on my presentation and speaking skills to provide workshops on retirement planning
- Refined my first client meeting to make it more client focused and incorporating some easy teaching of basic financial principles
- Revamping our marketing materials using a professional graphic designer and focusing our marketing efforts by hiring a coach
- Started in a study group fall 2012

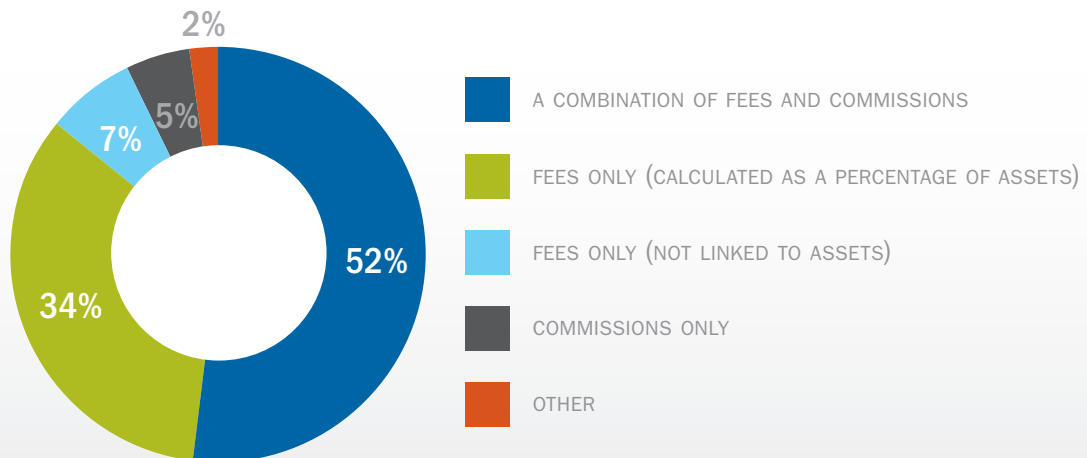
Q: Are there any tools or programs you have used that have been successful in helping you attract new clients? If so, which ones? Note this is a sample of responses only; the full list is provided to respondents.

- Write a blog
- CD done in Q&A format—like a radio interview is very useful in getting the prospect to know you before you meet
- Client events as well as speaking engagements. Building a buzz around you and your brand
- Hiring an SEO to help us show up on page one of any Google Search
- Interactive client surveys
- Internal documentation of business development activities we're doing
- Our seminar on Social Security benefits and strategies has been helpful for identifying potential clients. We then meet them in a social setting so that they get to know us people before meeting as financial advisers.
- Self-generated articles for a local paper which also appear as a weekly blog
- Sending thank you notes and flowers
- Social media presence
- We write 2 e-newsletters a month; we've noticed that our consistency had resulted in prospect contacts

ABOUT THE RESPONDENTS

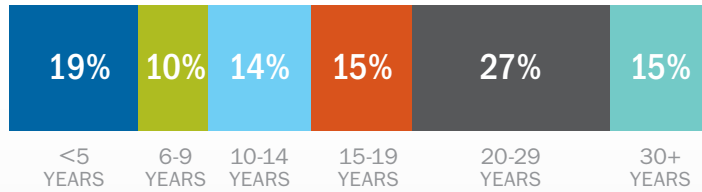


Q: Which of the following best describes your business model/firm?

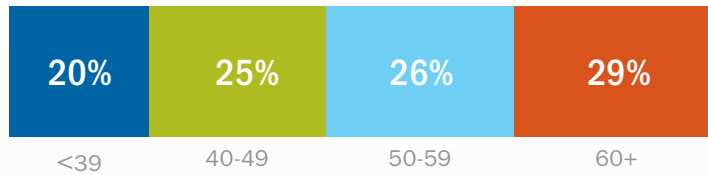


Q: Which of the following best describes your revenue model?

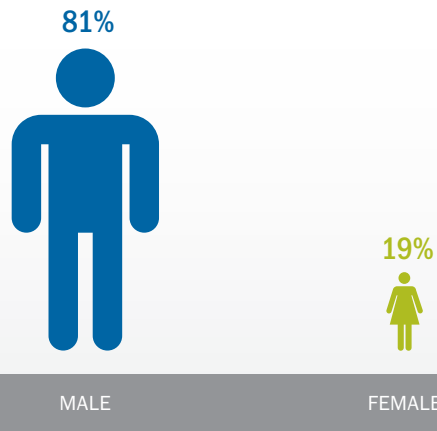
APPENDIX 2: About the Respondents



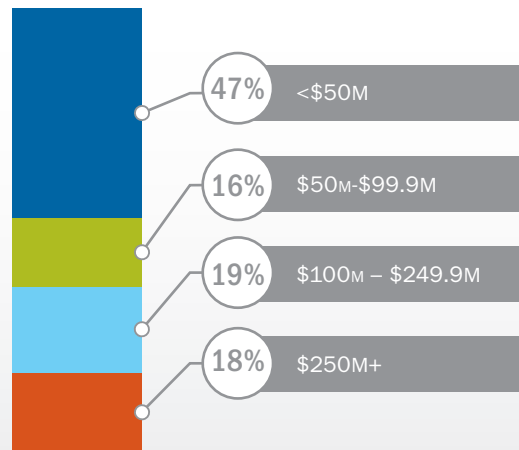
Q: How long have you been working as a financial adviser?



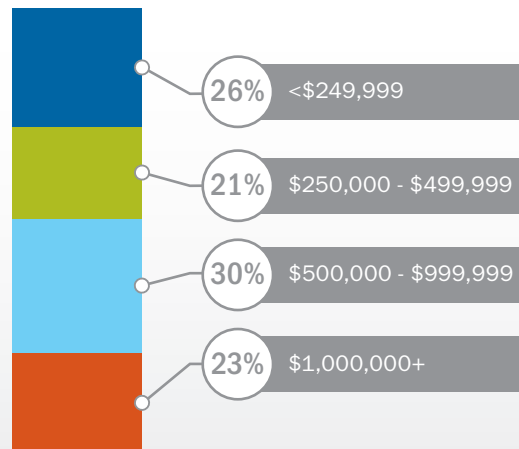
Q: Which of the following describes your age?



Q: Are you male or female



Q: What are your current assets under management?



Q: What is the average household assets of a new client in your business?

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