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# DRIVERS OF GROWTH:

How Greater Marketing Focus Is  
Distinguishing Financial Advisory Firms

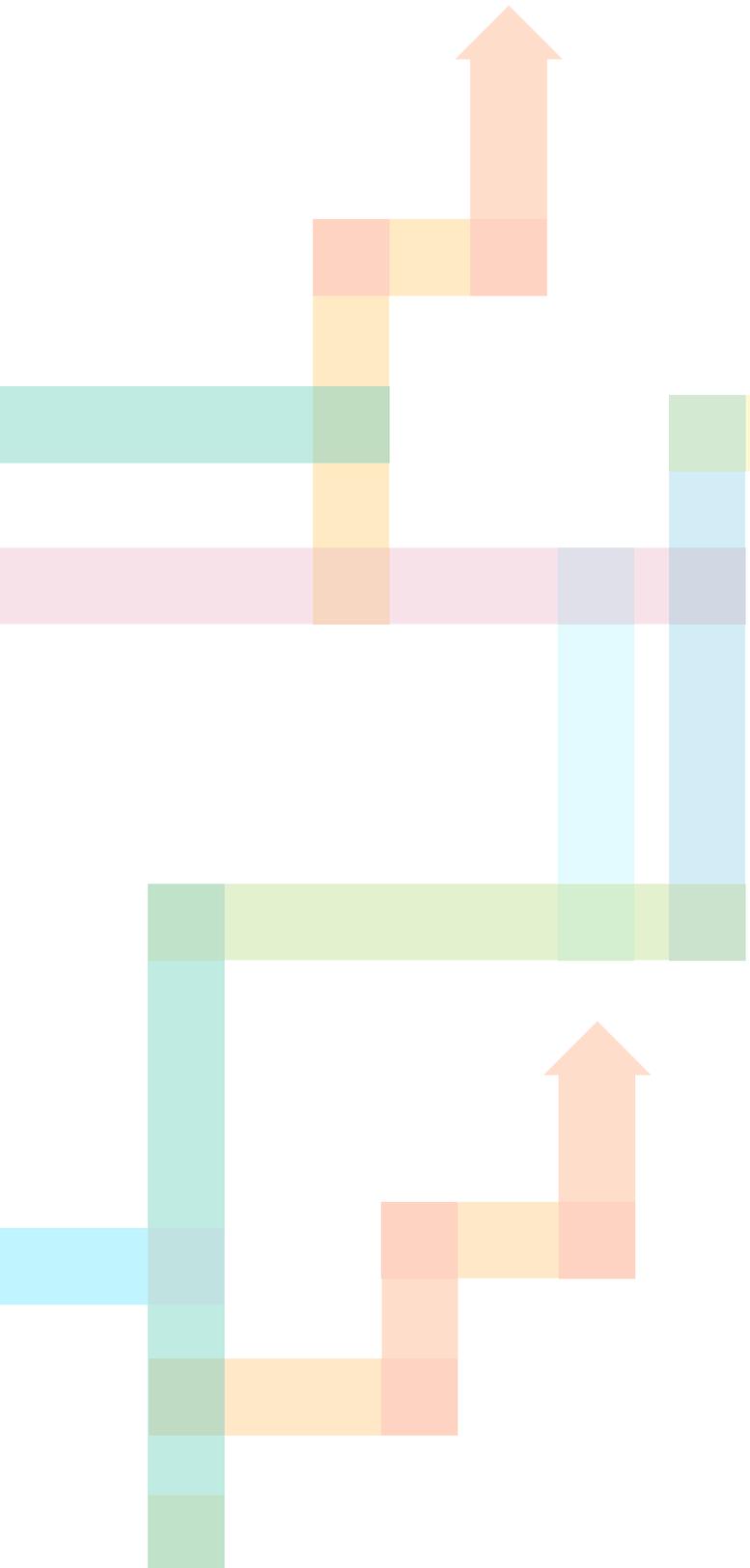
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## KEY TAKEAWAYS

- ✓ Industry dynamics will make asset growth harder to come by in the next decade. Advisory firms will have to invest in marketing and business development to drive organic growth in the future.
- ✓ Currently, marketing and business development is a small line item in the budget of most advisories, and considerably smaller compared with other industries. Staffing for marketing and business development positions also remains low.
- ✓ Firms already investing in marketing are experiencing positive results. A cohort of marketing-focused firms enjoys greater revenue per active client, wider profit margins and more AUM from new clients than the rest of the industry.

### INTRODUCTION

From a growth perspective, the past decade has been kind to the financial advice industry. Fueled by a record-long bull market, revenues for the average financial advisory firm have grown at a 12.2% annualized clip. While market gains accounted for much of the growth, newfound wealth among Gen Xers and a pressing need for advice by baby boomers hitting retirement have also brought many new clients through an advisers' door.

The next decade won't be so easy. The sheer length of the equity market run compels advisers to think about a correction at some point. Organic growth could also prove harder to come by. According to the 2019 *InvestmentNews* Adviser Compensation and Staffing study, growth from client referrals is waning. And many younger investors are open to digital advice, or do-it-yourself platforms. Baby boomers, meanwhile, are nearing a decumulation phase, which could crimp assets under advisement for some firms. With competition likely to heat up as outside capital floods the market, creating regional and national dominance for larger scale firms, advisers are feeling compelled to approach growth in new ways.

Overall, the largest portion of many firms' growth in assets has come from market appreciation over the last several years, with incremental growth coming from true organic strategies, as the table below illustrates:

#### AUM Growth over Last Three Years for All Firms

	2016	2017	2018
<b>Beginning AUM</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>
New Assets from Client Referrals	4%	4%	3%
New Assets from Professional Referrals	3%	1%	1%
New Assets from Firm Business Development	2%	5%	3%
<b>New Assets from Business Development</b>	<b>9%</b>	<b>9%</b>	<b>7%</b>
New Assets from Existing Clients	4%	4%	4%
(Lost Assets from Lost Clients)	-4%	-2%	-2%
(Lost Assets from Existing Clients)	-2%	-3%	-3%
Change Due to Performance	5%	8%	-4%
<b>Net AUM from Existing Clients</b>	<b>3%</b>	<b>8%</b>	<b>-5%</b>
<b>Net Organic Growth</b>	<b>12%</b>	<b>17%</b>	<b>2%</b>
<b>AUM Acquired</b>	<b>4%</b>	<b>2%</b>	<b>2%</b>
<b>Ending AUM</b>	<b>116%</b>	<b>119%</b>	<b>104%</b>

With potential market headwinds in sight, the case for investing into marketing and business development efforts has never been clearer. Yet many advisers are loath to do so. The average advisory firm spends only 2% of revenues on marketing and business development, a far cry from the 11.2% spend across other industries.

However, leading firms are catching on to the importance of proactive and strategic outreach. The largest advisory firms are spending a greater portion of their revenues on marketing and business development. Executives from these firms realize that in order to sustain the growth they achieved as a two- or three-partner practice, they need to spend and think like an enterprise.

Fueled by a record-long bull market, revenues for the average financial advisory firm have grown at a **12.2%** annualized clip.

The following report provides a comprehensive, first-of-its kind look at marketing and business development efforts among financial advisory firms. It provides a benchmark for current marketing and business development spending among different firm sizes, and explores hiring and compensation trends for different marketing and business development roles. The report also looks at how firms are engaging in various marketing activities such as social media, paid advertising or email marketing campaigns – and ultimately how each tactic impacts their ability to identify prospects and onboard new clients.

To equip advisers with a marketing and business development road map, we also break out data to look at trends among the leading marketing firms, and provide insight from marketing experts who specialize in the financial advice industry. We hope these efforts provide advisers with better data and benchmarks to inform marketing decisions in an environment that will soon demand it.

Insider's Tip



Megan Carpenter, Co-founder and CEO, FiComm Partners, LLC

**MARKETING, SALES, CLIENT EXPERIENCE: WHAT'S THE DIFFERENCE?**

When it comes to driving growth, marketing isn't everything, and everything isn't marketing. Understanding the actual definitions of marketing, sales, and the client experience—and expected outcomes of each—can help advisers understand where to funnel their efforts and investments.

**MARKETING**



**Bringing in New Leads**

Adviser marketing starts with identifying your ideal clients, defining the problems you'll solve for them, and explaining why you're the one best suited for the job. Then you send that message out into the world to get your potential clients increasingly interested in working with you. You must constantly analyze the effectiveness of every marketing effort, so you can pivot to changing market and business conditions.

**Tactics:**

Branding, advertising, public relations, direct marketing, email marketing, content marketing, social media.

**SALES**



**Converting Leads to Clients**

Sales starts at the first point of personal contact and ends with onboarding. While sales techniques may not change much from year to year, it's important to ensure sales and marketing narratives always stay closely aligned.

**Tactics:**

Networking, direct calling/emailing/ connecting on social media, sales collateral.

**CLIENT EXPERIENCE**



**Maintaining Happy and Growing Client Relationships**

A client's experience includes every possible point of contact, both personal and impersonal, from calls and meetings to blog posts to account statements and forms. As with marketing, client experience requires constant measurement, analysis, and tweaking.

**Tactics:**

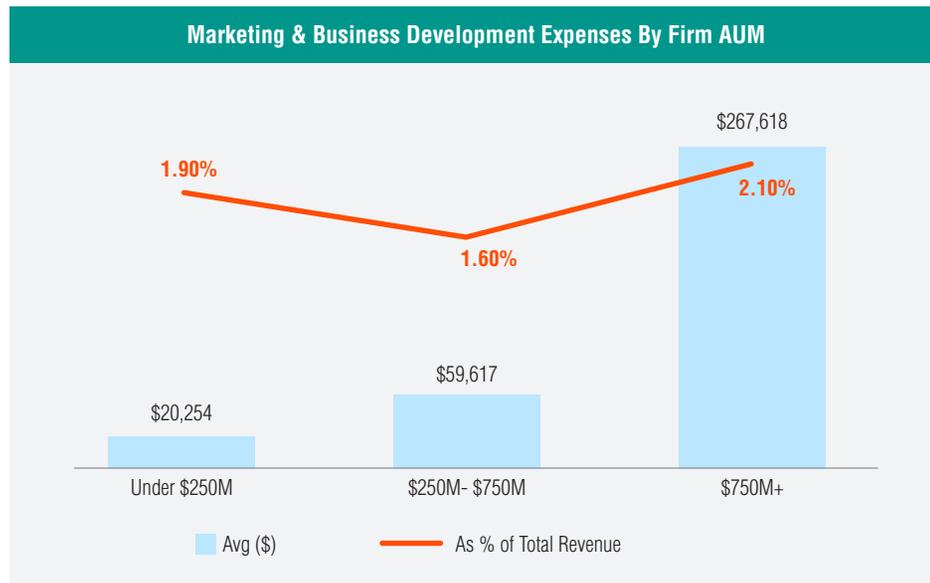
Education, surveys, events, brand experiences, personalized client experiences, referrals.

Marketing, sales, and client experience contribute to growth in different ways, but share one thing in common: Every decision should be data-driven. If you don't measure something, you'll never know how to improve or evolve it.

**THE STANDARD MARKETING M.O.: SMALL BUDGETS AND FEW DEDICATED POSITIONS**

Regardless of firm size, marketing is typically a small line item in financial advisory budgets. On average, firms with less than \$250 million in assets spend only 1.9% of revenue on marketing and business development, according to the *InvestmentNews* Compensation and Staffing study. For perspective, that is less than the 2.1% these firms spend on “office expenses,” and only slightly more than the 1% they spend on travel expenses.

Midsized firms – those with \$250 to \$750 million in assets – spend proportionately less on marketing and development, with only 1.6% of revenues dedicated to such endeavors. Firms above the \$750 million threshold spend an average of 2.1%. Each of these averages are far below spending levels in other industries, which average 11.2% of revenue.<sup>1</sup>



Firms also have few staff dedicated purely to marketing and business development functions. Roughly 40% of the largest firms (\$750 million-plus) employ a marketing manager. Fewer still have a CMO (21%), business development officer (10%), or business development specialist (27%). These percentages reflect staff at the largest and most mature firms. The drop-off in dedicated marketing and business development professionals is even more stark at firms that have less than \$750M in assets:

Employed Positions	Under \$250M	\$250M-\$750M	\$750M+
CMO	3%	4%	21%
Business Development Officer	1%	1%	10%
Business Development Specialist	2%	9%	27%
Marketing Manager	9%	17%	40%

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<sup>1</sup>CMO Spend Survey, 2018-2019, Gartner Inc.

## MARKETING AND BUSINESS DEVELOPMENT COMPENSATION

Among firms that do hire marketing and business development specialists, compensation varies greatly. On median, a CMO at a financial advisory firm makes nearly \$170,000 in total compensation. However, a CMO in the 75th percentile of pay, commands total compensation of \$275,000, while one in the 25th percentile makes \$135,000, according to the *InvestmentNews* 2019 Compensation and Staffing study. Fifty-six percent of these CMOs earn some type of incentive compensation.

Business Development Officers in the industry also have a wide pay band, with average compensation of \$204,000, and the 75th and 25th percentiles coming in at \$275,000 and \$143,000. Forty-eight percent of business development officers receive incentive compensation, and 5% receive some type of ownership in the firm.

The range in compensation speaks to overall industry immaturity as it relates to developing and supporting these roles. Advisers lack resources and guidance on hiring decisions for these roles, and there are few community resources available to deliver much needed experience sharing and education.

Compensation data on marketing managers and business development specialists can be found in the tables below.

Traditional Compensation Information:	Chief Marketing Officer	Business Development Officer	Marketing Manager	Business Development Specialist
3rd Quartile	\$275,000	\$275,000	\$88,200	\$153,735
Median	\$169,600	\$204,072	\$66,300	\$125,000
1st Quartile	\$135,000	\$143,211	\$57,030	\$73,029

### Insider's Tip



Megan Carpenter, Co-founder and CEO, FiComm Partners

## ROLE REVIEW: WHAT MARKETERS DO, AND WHO SHOULD HIRE THEM



### Chief Marketing Officer (CMO)

**What's their role?** Creates and maintains the firm's marketing and branding initiatives. Oversees all external messaging and communication. Establishes and manages positioning strategies and campaigns. Monitors client satisfaction.

**Who should hire them?** Professional CMOs perform best at billion-dollar-AUM firms with the budget and capacity for them to succeed. CMOs are strategic thinkers, not solo operators. They need a team that may include copywriters, graphic designers, digital strategists, and public relations professionals, and often engage external agencies.

### Marketing Manager

**What's their role?** Has responsibility for the firm's branding and marketing efforts, including marketing to existing clients. Develops and maintains marketing materials, campaigns, and brand development.

**Who should hire them?** Marketing managers are often the first hire made by firms looking to improve marketing outcomes. Generally, they work alongside a managing partner to craft a marketing strategy and execute basic tactics. Often, they work with outside agencies to support messaging, strategy, and tactical execution in specialized areas such as PR, branding, and digital outreach.

### Business Development Officer (BDO)

**What's their role?** Oversees the firm's business development efforts. Has responsibility for acquiring clients and building referral networks. Makes strategic decisions about target client and market niches, sales events and programs, and the sales process.

**Who should hire them?** Generally a BDO is a founding principal or partner with a strong network that can be continually mined for growth opportunities.

### Business Development Specialist

Generates new business. Has limited or no client service responsibility, however, typically possesses technical skills as an adviser. Networks with target clients and referral sources.

**Who should hire them?** A senior business development professional—like a firm principal or a BDO—may hire a specialist to support them.

## Drivers of Growth: How Greater Marketing Focus Is Distinguishing Financial Advisory Firms

### MARKETING ACTIVITIES: PENETRATION OF DIGITAL MARKETING TACTICS REMAINS LOW

When it comes to marketing activities, most firms still rely more on face-to-face interactions than new digital marketing tactics. Community involvement, volunteering on nonprofit boards, networking events and community event sponsorships were four of the five marketing activities firms engage in most frequently. Experts will argue that these activities have limited utility for the next generation of advisers, as the primary adviser owns the relationships and community presence that fuels these efforts.

However, 55% of firms also utilize social media networks for marketing and business development. Firms engaging in digital marketing activities have generally found them a rich source of lead generation. At least a third of all firms who use online paid

search advertising, or provide digital content or digital tools (for example an online risk assessment) say lead generation is the most direct benefit of such activities. Conversely, firms most frequently cited branding as the highest benefit of community involvement, nonprofit volunteering, and sponsoring community events. The table below shows the frequency with which firms engage in different marketing activities, and the primary benefit they see from them.

Further research from our pricing and profitability study shows most firms still lack formal processes for even some of the most routine business development activities. Only 28% of firms have a formal process for asking existing clients for referrals, and only 30% have a formal process for asking for referrals from third-party professionals.

MARKETING ACTIVITIES USED BY THE FIRM	AREA EACH MARKETING ACTIVITY PROVIDES THE MOST DIRECT BENEFIT					
	Percentage of firms utilizing	Generating Leads	Generating Prospects	Generating New Clients	Firm Branding	Deepen Client Relationships
Community involvement	58%	9%	14%	16%	44%	18%
Social media networks (actively posting content and interacting on social media networks)	55%	12%	9%	4%	57%	17%
Volunteering on nonprofit boards	54%	9%	14%	20%	45%	11%
Hosting networking events (e.g. seminars or client appreciation events)	52%	7%	17%	14%	5%	58%
Sponsoring community events	47%	5%	11%	7%	56%	21%
Website design that allows for digital lead nurturing and conversion (landing pages, lead forms, etc.)	47%	25%	17%	12%	35%	10%
Blog	39%	12%	8%	3%	37%	40%
Email marketing campaigns	38%	13%	21%	11%	22%	33%
Paid advertising (print, radio, or television)	27%	13%	3%	2%	76%	7%
Online paid advertising or search engine optimization, such as Google AdWords or sponsored social media content	24%	38%	16%	10%	36%	1%
Newspaper/magazine/online columnist	17%	17%	21%	3%	56%	3%
Host-free software or digital tools, such as a risk assessment, retirement calculator, or account aggregator, on firm website	13%	33%	12%	10%	16%	29%
Digital content (checklists, ebooks, FAQs, etc.)	12%	37%	20%	7%	24%	13%
Radio, television or podcast shows (either as a host or guest)	12%	14%	23%	16%	41%	7%
Direct mail campaigns	12%	25%	18%	14%	16%	0%
Other	8%	13%	30%	23%	10%	23%
No marketing activities are undertaken	6%	-	-	-	-	-

## Insider's Tip



Megan Carpenter, Co-founder and CEO, FiComm Partners

### SCALING UP YOUR MARKETING: HOW TO BE THERE WITHOUT BEING THERE

Growing firms can bump up against a hard ceiling: the total number of hours their partners can devote to marketing. Traditional marketing tactics depend on advisers physically being there: making a call, going to dinner, hosting an event. But there are only so many hours in a day, and only so many people you can meet. Eventually, you run out of time and prospects.

The solution is scalable marketing—building a marketing engine that works automatically to create brand awareness and capture prospects' attention, even when you're not there.

Here's what scalable marketing includes:

#### 1 Brand Infrastructure

Essential, table-stakes components of a brand, including:

- Brand identity. Name, logo, design standards, key attributes.
- Messaging. Your story, told concisely (Get this one right!).
- Website. The 21st century business card.
- Social media profiles. No one trusts an invisible "ghost".
- Basic search engine optimization (SEO). Help prospects find you.
- Basic media profile. Explain to the press who you are.

#### 2 Content

Today, content is king. To drive engagement, you need:

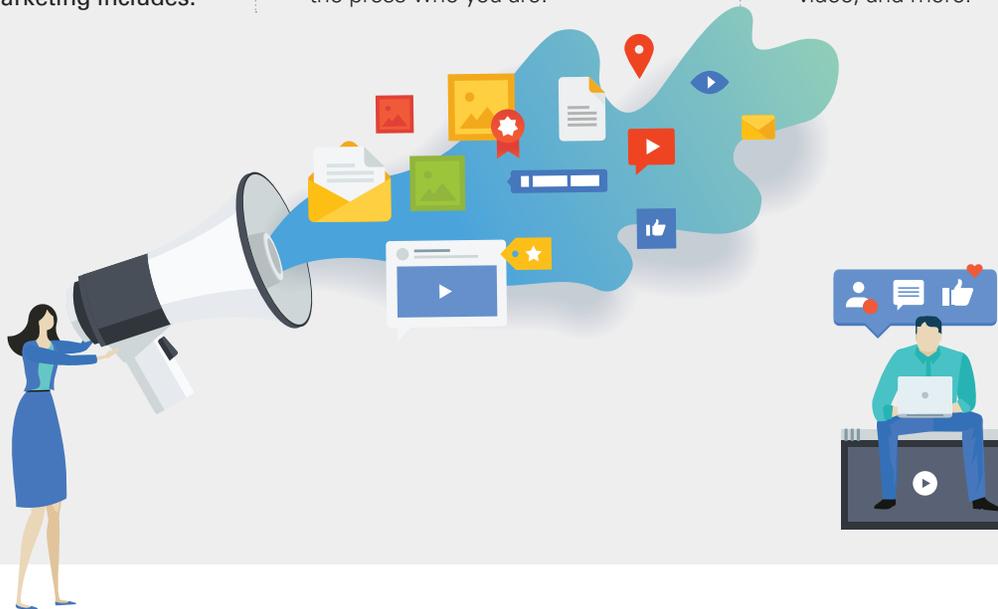
- High-quality, relevant content. Create compelling content directly relevant to your prospects' interests—not yours. (Has market commentary ever gone viral?)
- Delivery strategies. Your goal is to get your content in front of new prospects outside your circle of influence and with no prior connection to your brand. Use blogging, email marketing, social engagement, media relationships, video, and more.

#### 3 All things digital, social, and mobile

These include:

- Search engine marketing (SEM)
- Social media marketing
- Strategic PR
- Digital advertising

Firms have more prospects than their founders ever have time to see. Scalable marketing works 24/7, every day, even while principals are asleep. It lets you "be there" without actually being there.



### MINDFUL MARKETERS: A LOOK AT FIRMS MOST FOCUSED ON BUSINESS DEVELOPMENT EFFORTS

While most firms have not made marketing a primary focus, those that do have experienced some appreciable advantages. To glean insights about those firms, our research looked at those select companies in the *InvestmentNews* 2019 Compensation and Staffing study who met all three of the following criteria:

- The firm was in the top quartile of marketing spending as a percentage of revenue;
- The percentage of asset growth coming from new business development was in the top quartile of all firms surveyed;
- The firm employed at least one marketing or business development specialist.

We call the cohort who met these three criteria “Mindful Marketers.”

Notably, this group was nearly 4.5 times larger than the average firm in our study. The group spent 3.12% of their revenues on marketing and business development, compared to 2.0% for the broader group. While that difference in marketing spend may not seem like much, it represents a budget allocation that is more than 1.5 times greater than the average firm.

Increased marketing spending doesn’t ensure firm growth. But the data suggests these firms have made the jump from a few-person practice to a larger enterprise, and that their executives realize more marketing and business development investment is needed to experience the growth rates they enjoyed as a smaller firm.

Marketing and business development is not about growth at any cost, however. A successful marketing and business development strategy means bringing in not just any client, but the right type of client. It appears the Mindful Marketers cohort is doing just that. The group had nearly three times the number of clients as the broader group, but more important, revenue per active client was higher, at an average of \$7,700 per client, compared to \$6,963 at other firms. The revenue per client figures were higher even though the broader surveyed group had higher AUM per client.

These differences are creating a significantly better margin profile for the marketing-focused cohort, which had an average profit margin of 73.7%, compared to 65.4% for the broader group.

The most important takeaway from the Mindful Marketers group is that they may be positioning themselves to better withstand future industry headwinds. The threat of a market crash, declining client referrals, fee pressures and robo-advice competition make finding and closing new clients a business imperative. Advisers who invest in marketing and business development efforts are poised to come out ahead of those who choose to maintain the status quo.

The marketing-focused group is doing this at a higher rate, with 4.3% of AUM growth coming from new clients, compared to 2.7% for all firms. The group also enjoyed a higher growth rate in new clients (14%) than the rest of the industry (11.9%). The ability to bring in new clients will be more important when advisers can no longer rely on a record bull market to fuel asset growth.

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The Mindful Marketers’ favorable operating metrics support the rationale for adopting a strategic marketing plan. Changing industry dynamics also compels firms to consider greater marketing and business development efforts. But for firms that have never made marketing a primary focus, taking those initial steps to build a marketing plan is a challenge. The following section provides quick steps that can spring firms into action.

Insider's Tip



Megan Carpenter, Co-founder and CEO, FiComm Partners

### QUICK HACKS FOR BUILDING A BETTER MARKETING PLAN



#### 1. Focus on One Thing

Look back at our definitions of marketing, sales, and client experience. Which of these is most important to you right now? Be honest and vulnerable in your answer.

- Struggling to find new leads? Focus on marketing.
- Got plenty of leads, but are unable to close them? Fix sales.
- Want organic growth and referrals? Concentrate on the client experience.



#### 2. Define Achievable Objectives

The top goal on many advisers' marketing plans is, "get more referrals"—something completely outside their control. Focus instead on a goal you can achieve, such as "nurture client loyalty." While you can't force clients to give referrals, you can take a closer look at what they need and build it into your practice, whether it's nex-gen education or retirement transition counseling.



#### 3. Make Goals Firmwide

Client acquisition is everyone's job. Instead of asking junior advisers to shoulder the whole burden of bringing in Gen X or millennial clients, set a firmwide goal of attracting younger prospects through social media and content marketing. Ask everyone to contribute thought-leadership content.



#### 4. Plan Strategically

When you write a marketing plan, start with strategy. Don't set "updating the website" as a goal, that's just a tactic. Instead, define your goal as improving connectivity with clients and prospects, and create a digital strategy around it.



#### 5. Budget Strategically

Attach dollar amounts to major goals and objectives, not to line items for brochures, stationery, or events. You need freedom to move money around among, different approaches, until you see which ones work best.

Always remember: Measure, assess, and evolve every marketing effort. That's the most important hack of all.

