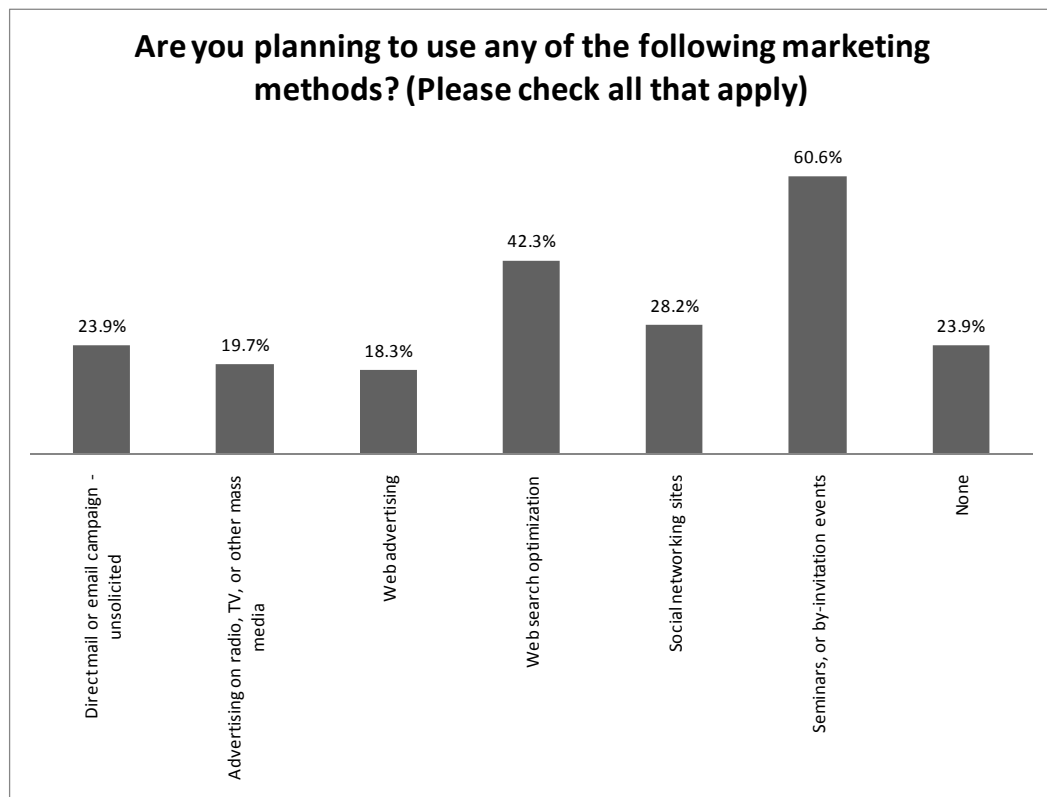


## Marketing Methods and Initiatives

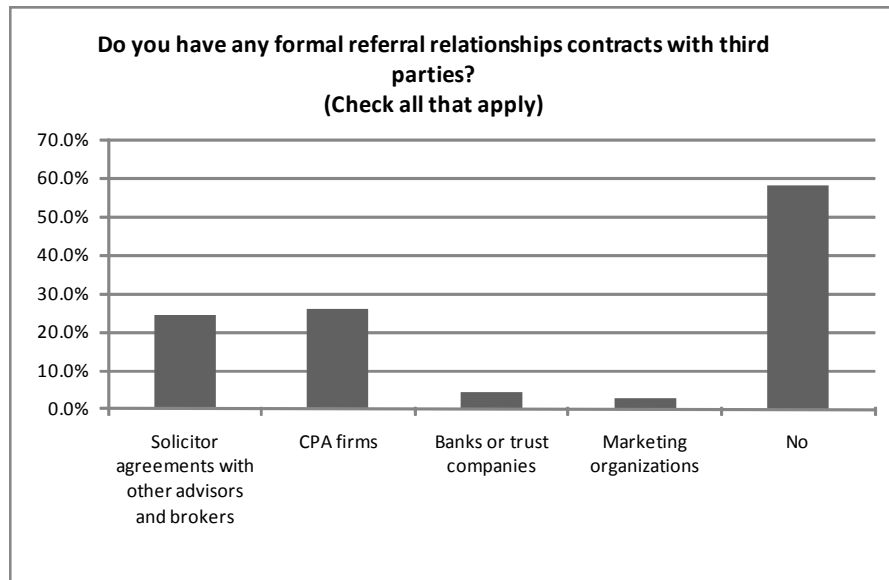
By Philip Palaveev

When asked the open-ended question: “What is your most significant growth initiative in 2010?” many firms focused on improved service for existing clients. As one firm wrote, “Deliver first class service and the clients will come.” Historically, referrals from existing clients have been the primary source of new prospects, and therefore, the strategy of focusing on client service is a very logical one. At the same time, there is increased interest in proactive marketing strategies and firms are testing different methods of reaching outside of their current spheres of influence. It is surprising to see how many firms are testing seminars and events (60.6%), and trying direct mail or e-mail campaigns (23.9%).



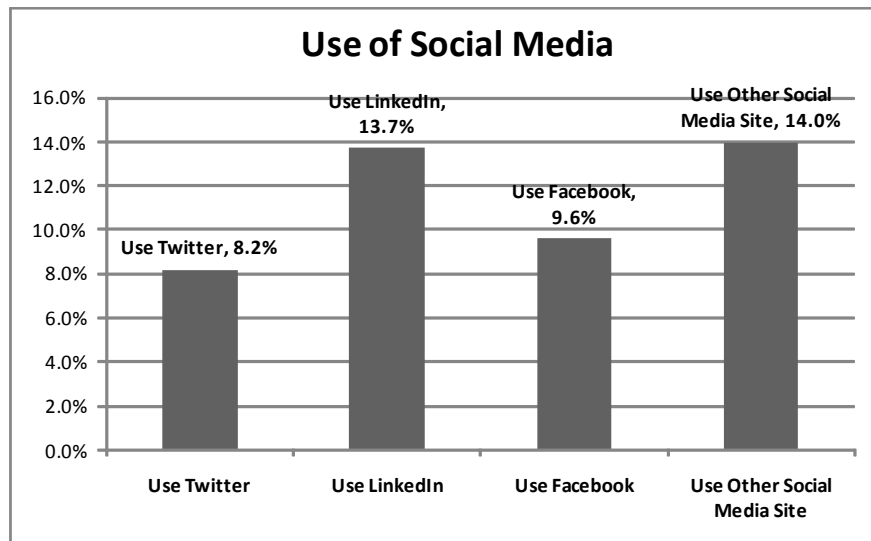
Despite testing new marketing strategies, it is probably still fair to say that the typical wealth management firm still develops new business by referral from existing clients and does not have a very proactive strategy for reaching out to prospects.

Referrals from CPAs or other sources have been the second leading source of new business, but in most cases the relationship is informal rather than contractual. Only 25% have formal agreements with CPA firms and 22% of all firms have solicitor agreements with other third parties. The majority of firms do not have any formal



contracts. The formal contracts are not necessary for a referral relationship to be successful. In fact, a sense of purpose and understanding of how the client benefits from the referral have been much more important than a revenue sharing agreement. That said, a lack of contractual relationship is often combined with a lack of shared strategy and proactive approach, leading to unreliable and often disappointing results.

There is also a great deal of interest in the use of social media such as Facebook, LinkedIn and others for marketing purposes. While there is interest, relatively few firms are actually using the media. Compliance and technology barriers are getting in the way of more active use and at least for now, there are relatively few success stories of new clients who



arrived to the firm through the use of any of these new marketing methods.

Finally, there are examples of firms successfully using mergers and acquisitions to create growth. Of the firms in the study, 13% have added an experienced advisor through a merger or acquisition with the range of revenues between \$30,000 and \$3,000,000. The additional advisors came from wirehouses or smaller independent firms. Such deals not only add size and revenues to the firm but also often contribute to the capacity and capabilities by adding another expertise or a new approach for clients.

### You Can't Grow Without People

In 2009, the industry saw a significant contraction in the total number of employees, with the average firm in our surveys laying off 12% of its staff. This was a dramatic change from the pre-crisis times when competition for employees was intense and payroll was growing rapidly. Now that the focus is again on growth and firms have regained lost assets, recruiting employees has become a priority again.

Of all the firms in the study, 33% are looking to add a professional to their team and 15% are recruiting for an administrative employee. These levels of recruiting are similar to the experience in pre-crisis years. At the same time, it is probably true that we can expect major changes in the way the industry recruits and trains employees. While we don't have statistics to support these statements, our experience working with advisory firms is that:

- We are likely to see an adjustment of expectations in the speed of professional careers—it is likely that a professional will have to spend more time in a firm before the firm is ready to discuss ownership opportunities.
- Business development will become a major part of career expectations. While firms are protective of their culture and resist the “sales” activity, it became clear in the last two years that the ability to develop new business—especially in times of recession and decline in assets—is critical for the firm's long-term success.
- The recession caused a freeze in compensation and created a pent-up expectation that when the worst is over, there will be some form of a “catch-up” in pay. Meeting this expectation will be very difficult for employers.
- The real dissatisfaction will not show in the ranks until the labor market warms up. While many employees are frustrated and do not see a long-term future in the firm, they will not leave until they see other opportunities. In other words, firms may suffer from a wave of turnover right when the tide turns.

### Conclusion

Following the 2001-2002 recession, the recovery in 2004 was marked by enormous growth: industry assets grew by over 40% and many of today's top firms emerged as the leading competitors in their markets. The opportunity created by this recovery benefited the entire industry, but had a particularly great effect on firms who had the staff, the marketing ability and the operations to quickly increase the number of clients. There are signs in the quarterly survey that that next wave of opportunity may be on the horizon—we have seen assets recover, marketing activity increase and recruiting for employees start again. It is realistic to expect that the firms who will capture that recovery will once again be those

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that have the capacity and the motivation to grow and the talented people who can translate the strategy into action.

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