



## Winning New Business, Growing Your Firm

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How are advisors reaching prospects and winning new business today? What's working well for advisors as they seek to grow their businesses, and where are they finding challenges? To answer these questions, *Advisors Trusted Advisor* and *Advisor Perspectives* conducted a survey in late November, 2010, aiming to learn the most common and successful business-building tactics for wealth managers, investment advisors and related professionals.

In an age where direct selling and marketing tactics, enhanced by a host of online tools, are the primary means by which new business is won in many industries, our survey found, new business in the investment advisory world continues to be driven by *client referrals*. *Centers of influence referrals* (referrals from other trusted advisors) are the second most effective way advisors win new business. Along with direct client referrals, advisors use many tools and tactics to build awareness in the marketplace. Among these, the most effective one cited was *event marketing* (sponsoring or hosting a charitable event, for instance). Another important finding that emerged when we compared this survey to a similar one conducted in 2009, was that social media – while still not heavily valued by advisors relative to other business-building methods – *is* being allowed by more firms. LinkedIn usage is growing rapidly.

Before I explain its results in more detail, let's first briefly examine who responded to our survey. Of the 262 professionals who responded, the majority were registered investment advisors:

Fee-only advisory firm	51%
Independent rep	24%
Wirehouse and brokerage rep	14%
Bank brokerage or trust	10%
Life, property and casualty agent	2%

Respondents represented a wide range of firm sizes, both in assets managed and number of personnel:

Median AUM:	\$200m
Median number of personnel:	7



## How business is won

To find out how advisors are winning new business, we asked survey respondents what methods had proved successful for recruiting their most recent new clients. Client referrals were clearly deemed most effective, followed by referrals from centers-of-influence (COIs). Many of the comments indicated that custodian referrals are almost nonexistent and that social media either remain an enigma or are otherwise disallowed for compliance reasons.

**“Based on recent success, which of the following has proven to be the most successful in helping you win new business (on a scale of ‘1’ to ‘5’, with ‘1’ being ‘best’)?”**

Client referrals	1.4
Center of Influence (a trusted advisor, like CPA, attorney, etc.) referrals	2.1
Direct selling (prospecting from lists, making calls, etc.)	3.3
Referrals from custodian	4.0
Using social media (LinkedIn, Facebook, blogs, etc.)	4.2

**“What is your best source of new revenue? Please rate the following (1 = best).”**

Client referrals	1.4
Center of Influence (a trusted advisor, like CPA, attorney, etc.) referrals	2.2
Cold or warm prospecting	3.2
Market awareness/PR activities	3.2

With client referrals as the top choice for advisors seeking to win new business, it was interesting to learn what advisors considered to be the best ways to get referrals. Several methods were closely bunched, but one – soliciting referrals in client meetings – stood out as the winner.

**“Please rank-order (with “1” being best) the best ways you've found to get client referrals [If “other” method please explain in the comment field]”**

Soliciting referrals in client meetings	2.0
Phone calls to friends of clients	3.0
Seminars - clients bringing friends	3.1
Soliciting referrals in firm communications (newsletters, etc.)	3.1
Direct mail to friends of clients	3.9

## Building awareness – How marketing is used



A big challenge for advisors is standing out in a crowded market – building awareness and brand recognition. The survey focused next on what tactics advisors were using to solicit new business or encourage interest in their firm. The top three tactics, in descending order of popularity, were event marketing, public speaking opportunities and client seminars. That these “hands on” approaches scored highly is consistent with other questions showing the value placed on direct interactions with clients and prospects.

There was a big gap between the third-highest tactic (seminars) and less personal tactics, such as email marketing, advertising and article writing. The age-old tactic that for salesmen in many other industries is a staple – cold calling – remains a little-used approach for soliciting business and building awareness in the advisor marketplace, and the low score for social media is consistent with other data in this and other surveys showing the hurdles that remain for it to be viewed as efficacious.

Event marketing (sponsoring/hosting charitable events, participating in events where you meet with people, etc.)	56%
Speaking at events	48%
Client seminars for which bringing a non-client guest is requested	45%
Email marketing	30%
Advertising	24%
Writing bylined articles	21%
Cold calling	15%
Social media	15%
Hosting a radio show or being a regular commentator	6%

### Social media on the rise?

While social media still gets the cold shoulder from advisors, its use is gaining steam. When we asked a similar question about social media usage in our 2009 survey (see [Evaluating 7 Key Catalysts to Business Growth](#)) there was significantly more resistance to and less use of social media in marketing-related activities. Comparing 2010 to 2009, we note that use of LinkedIn nearly *doubled*, and the percentage of firms disallowing social media all together fell by half.

	2010	2009	Increase (Decrease)
LinkedIn	40%	21%	19%
“Not allowed”	33%	65%	(32%)
Blogs	9%	5%	4%
Facebook	9%	6%	3%
Twitter	7%	3%	3%
Email	2%	N/A	N/A



newsletter			
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Advisors who wrote comments on this question highlighted how they use and benefit from LinkedIn. Many cited the professional groups and the ability to build firm awareness through responding to discussion posts. Others have built company pages to help drive SEO (search engine optimization) for their web site. Another important use is to qualify prospects for “client fit” with an advisor’s target client profile and to reach prospects that fit the profile proactively. The survey results, combined with LinkedIn’s upgrading of its business-oriented features over recent months, led us to conclude advisors should investigate LinkedIn and the marketing benefits it offers.

### Who is doing the “selling”?

As a follow-up to the same question in our 2009 survey, we asked what people or functions were involved in bringing in new business. Advisors expressed a dependency on having the responsibility rest almost entirely with firm founders/owners.

Industry experience tells us this is troubling, because it suggests that business development duties do not readily transfer to others. Putting them solely in charge of business development also means a founder or owner has less and less time to devote to firm leadership and ensuring that growth is managed well. It can also mean that broader business development is retarded, as most clients only want to work with Mr. Owner, and the firm’s brand never develops. Most clients simply view the firm as “Mr. Owner”.

Some selling responsibility seems to have shifted slightly from owners to other roles. Especially significant was the growth in employing dedicated business development or sales executives in this task.

	2010	2009	Increase (Decrease )
Firm principals/owners	51.9%	56.1%	(4.2%)
Other advisors in firm, not owners or principals	20.8%	21.4%	(0.6%)
Dedicated business development/sales executive	15.7%	10.0%	5.7%
Dedicated client service personnel	6.8%	5.7%	1.1%
Operations staff	4.8%	6.9%	(2.1%)

For those who employ a dedicated business development/sales executive, the results were only slightly better than for those not using one. We asked advisors who employ a dedicated marketer how successful has he or she been in attaining new revenue goals? With “1” representing “very unsuccessful” and 6 “extremely successful”, 106 respondents’ average rating was 3.8.



## CRM usage

We repeated another question we asked in 2009 – “Do you have a customer relationship management system (CRM) to track your sales process?” and we got almost the same result. There was a slight dip in usage from 2009:

	2010	2009
Yes	60%	62%
No	40%	38%

Again, as a follow up to the 2009 survey, we queried on the most popular CRM systems being used. The top-5 most cited were:

1	ACT!	24%
2	SalesForce.com	17%
3	Junxure	13%
4	Custom/inhouse	10%
5	Redtail	8%

In other surveys we have conducted, Outlook had taken on the role of CRM in many advisor firms – but this time it came in seventh. In our 2008 Operations and Technology survey, (see [ATA Research Report](#)) Outlook was the number one CRM cited.

## In conclusion

The advisor/wealth manager business development model continues to be driven by relationship-driven client referrals. Classic selling techniques, such as cold calling, attending trade shows, and direct marketing do not materially increase revenue or AUM.

As we analyzed the marketing-related responses in this survey and compared them to our 2009 survey, we found increased awareness of the need to enhance the client referral process with more-sophisticated marketing. It is important to note here the growing use of social media. The big jump in LinkedIn usage indicates that this business-oriented networking site is increasingly proving its value to advisors and that firms are realizing that they can balance compliance or security concerns with the relationship- and awareness-building benefits of social media.

Standing out in a very crowded advisor market continues to be a challenge for advisors. Delegating sales responsibility to others in the firm, spending more time on in-person meetings with clients, and engaging in diversified marketing tactics – all of these are keys to gaining new business.



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