Establishing a Growth Engine through Marketing and Business Development

The 2014 Fidelity RIA Benchmarking Study reveals key lessons from RIAs who are strong in marketing and business development

Many RIAs struggle when it comes to marketing and business development. The 2014 Fidelity RIA Benchmarking Study reported that only 5% of participating firms felt their capabilities in this area were advanced, and only 30% felt they were fairly strong. So, what can we learn from firms that seem to have figured out how to develop and harness these capabilities? What are they doing differently from Others?

This report takes a close look at the activities of "Marketing Leaders"—the 35% of firms that believe that their marketing and business development capabilities are fairly strong or advanced, and have been able to register better numbers than other participants of the Study when it comes to growth of clients, assets, and revenues.

Insights gleaned from the activities of Marketing Leaders may help RIAs enhance these important business-building capabilities to help put their firm on a new growth trajectory.

Inside:

Section I: Introduction

The 2014 Fidelity RIA Benchmarking Study took a close look at the marketing and business development activities of participating RIAs and found that many firms have room for improvement. The Study also examined High-Performing Firms[1] that outperformed All Other Eligible Firms on a number of core financial metrics, to understand what they are doing differently.[2] This revealed a number of marketing and business development best practices worth noting. Now we turn to Marketing Leaders that have specific skills in marketing and business development, to uncover additional insights that may help RIAs improve their own processes and capabilities.

Skills in marketing and business development appear to contribute to stronger growth (see Figure 1). From 2010 to 2013, Marketing Leaders outperformed Other RIAs in terms of growth of clients, assets, and revenue. Since these firms are twice as large (with a median of 10 full-time equivalents versus five for Other RIAs), these growth rates are typically off of a higher base, making them even more impressive.

Definition of terms in this report

- *"Study" refers to The 2014 Fidelity RIA Benchmarking Study.*
- *The terms "RIA," "RIA firms," and "firms" refer only to those RIA firms that participated in the Study.*
- *The term "Marketing Leaders" refers to the 35% of RIA firms that rated their marketing and business development capabilities as fairly strong or advanced.*
- *The terms "Other RIAs" and "Others" refer to participating firms in the Study that are not considered Marketing Leaders for the purposes of this report.*

About the research and respondents

The Fidelity RIA Benchmarking program seeks to provide RIAs with insights into how their firms compare with others in the industry, so they can identify areas of opportunity, set goals, and work toward improving their business performance. The 2014 Study focused on marketing and business development. Respondents were primarily RIAs that custody some portion of their assets with Fidelity Investments ("Fidelity").[3] The online survey was conducted from May 6 through June 30, 2014, and was administered by an independent third-party research firm not affiliated with Fidelity. Fidelity was identified as the Study sponsor. More than 600 firms participated in the survey, of which 411 completed it, forming the basis for the findings of this report.

All statistics in this report are from The 2014 Fidelity RIA Benchmarking Study.

Figure 1: Compound annual growth rates*

METRICS:	MARKETING LEADERS	OTHER RIAS
CLIENTS	9.5%	6.8%
ASSETS	16.5%	13.4%
REVENUE	15.9%	13.3%

*From 2010 to 2013.

35%

of RIAs in the Study are Marketing Leaders with advanced/fairly strong marketing and business development capabilities

[1]The term "High-Performing Firms" refers to the subset of participating firms in this Study with business results that meet the criteria defined in the Fidelity white paper "Firing on All Cylinders: Fueling Growth with Benchmarking Insights." Reference to the concept of "performing" in the name of this group is not intended to connote investment returns. Past performance is no guarantee of future results.

[2]Refer to the Fidelity white paper "Firing on All Cylinders: Fueling Growth with Benchmarking Insights" for more insights on High-Performing Firms, and the definition of All Other Eligible Firms.

[3]Clearing and custody provided by National Financial Services LLC, an affiliate of Fidelity Brokerage Services LLC.

Section II: Lessons from Marketing Leaders

In the Study, RIAs rated their own marketing and business development capabilities. Since Marketing Leaders categorized themselves as being proficient in these areas, we took a closer look at actual behaviors to see if their actions aligned with their response. We found that Marketing Leaders do, in fact, excel in five important areas. They: **(1) prioritize growth, (2) plan effectively, (3) ingrain their firm story, (4) generate new business through operational discipline, and (5) maximize their marketing mix.** This report delves into each of these areas to draw out key insights.

Figure 2: Top marketing and business development initiatives

Percentage of firms currently devoting resources

1 Prioritize growth

Growth is even more important for Marketing Leaders than for Other RIAs, which has implications for the strength required of their marketing and business development capabilities. While close to half (49%) of Other RIAs say a lack of focus on growth is a key barrier to optimizing marketing and business development, only 31% of Marketing Leaders state this as a concern.

Marketing Leaders typically spend about 2.4% of their revenue on marketing and business development, while Other RIAs spend about 1.8% (a 33% difference). More Marketing Leaders also plan to keep consistently growing this expenditure over the next five years, which may imply a longer-term focus.

61% versus 43%

Percentage of Marketing Leaders that say growth is extremely important versus Other RIAs

In addition, Marketing Leaders devote more resources than Others to a variety of initiatives that can help positively impact their firm's growth (see Figure 2). These include working on a marketing plan and a strategy for centers of influence (COIs), and taking time to improve the sales process.

Most firms in the Study say organic growth is more of a focus than inorganic growth, including Marketing Leaders. Relative to their peers, however, Marketing Leaders are more interested in inorganic growth, especially acquisitions. Over the last three years, Marketing Leaders were more likely to have at least considered an acquisition or tuck-in, while they were less likely to have considered selling or merging compared to Other RIAs. Looking forward, this difference in focus will become even more pronounced (see Figure 3).

Figure 3: M&A strategies over next five years*

PERCENTAGE OF FIRMS CONSIDERING:	MARKETING LEADERS	OTHER RIAs
Acquiring	73%	62%
Merging	28%	46%
Selling	8%	20%

*From 2014 to 2018.

39% versus 28%

Percentage of Marketing Leaders that plan to consistently grow their marketing and business development spend over the next five years versus Other RIAs

2 Plan effectively

Planning and execution can be just as important to the success of marketing and business development activities as they are for realizing a firm's long-term strategic vision. Marketing Leaders outpace Other RIAs by a wide margin when it comes to creating, executing, and monitoring a plan.

Far more Marketing Leaders have a written marketing plan than Other RIAs, and the majority of this group (88%) say they update the plan semiannually or annually. They also say they are more satisfied with the plan's quality, effectiveness, and execution.

Marketing Leaders appreciate the importance of having plans with clear goals and assigning responsibility for different tasks to help ensure things get done, specifying both ownership and deadlines.

49% versus 21%

Percentage of Marketing Leaders with a written marketing plan versus Other RIAs

45% versus 7%

Of firms with plans, percentage of Marketing Leaders very satisfied with the effectiveness of their plan versus Other RIAs*

37% versus 10%

Percentage of Marketing Leaders that are extremely/very proficient in measuring marketing and business development success versus Other RIAs

70% versus 52%

Percentage of Marketing Leaders that use actual results to drive compensation for the firm's business development professionals versus Other RIAs

Marketing Leaders recognize the need to monitor their progress and are more likely than Other RIAs to say they are proficient in measuring the success of their marketing and business development activities. The metrics used to monitor progress—such as growth in firm clients, assets, and revenues—are similar across RIAs, suggesting that the difference in proficiency may come down to Marketing Leaders being more disciplined in how these indicators are tracked and used.

Additionally, Marketing Leaders are more likely than Other RIAs to track the progress that is being made by looking at a number of factors—from pipeline reports to the closing ratio of new prospects (see Figure 4). They are also much more likely to be using customer relationship management (CRM) systems for this, rather than tracking activities manually.

87% versus 67%

Percentage of Marketing Leaders with marketing plans that have goals and assigned ownership versus Other RIAs

78% versus 61%

Percentage of Marketing Leaders that assign specific deadlines to their marketing plans versus Other RIAs

Figure 4: Performance tracking metrics and tools

PERCENTAGE OF FIRMS TRACKING:	MARKETING LEADERS	OTHER RIAs
Pipeline reports	71%	53%
Prospects not retained	64%	45%
Prospects not referred	56%	41%
Closing ratio	49%	32%

*Percentage of firms that selected a 6 or a 7 on a scale from 1 to 7, where 1 = Not at All Satisfied and 7 = Extremely Satisfied

3 Ingrain your firm story

As both headcount and assets in the RIA space continue to grow at a fast pace,[4] so too does competition. This underscores the need for all RIAs to have a compelling and differentiated story that describes their business model and unique attributes, and the benefits that investors can expect from working with the firm. Across the board, Marketing Leaders have been doing a better job on this front than Other RIAs.

Close to three-quarters of Marketing Leaders agree that they have created a clearly defined firm story that explains what differentiates them from other firms, while less than half of Other RIAs have done so. Importantly, a larger percentage of Marketing Leaders have also specifically tailored this story to the needs of their target clients, thereby potentially improving the chances that their particular story will resonate with the clients they most want to reach.

More Marketing Leaders also agree that their firm's story is consistently reflected in all their marketing materials, helping to both reinforce the message and create a strong image in the minds of clients, prospects, and COIs.

They also agree that the fundamentals of their firm story are known to the majority of their clients and key COIs, helping these potential advocates spread the word about what the firm does (see Figure 5).

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73% versus 47%

Percentage of Marketing Leaders that have created a clearly defined firm story versus Other RIAs*

58% versus 36%

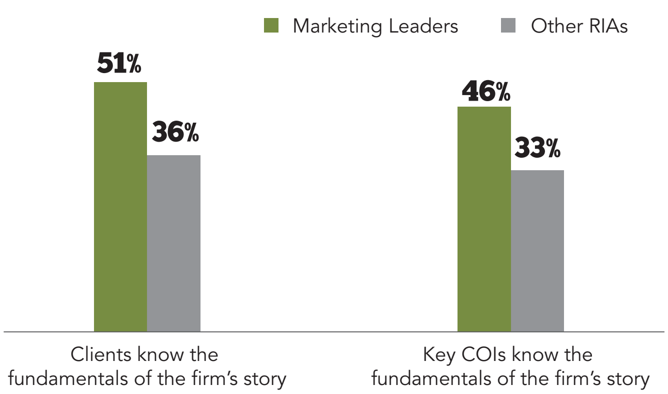
Percentage of Marketing Leaders that have a firm story that is specifically tailored to the needs of their target client profile versus Other RIAs*

58% versus 41%

Percentage of Marketing Leaders that strongly agree that their firm story is consistently reflected in all their marketing materials versus Other RIAs*

Figure 5: Awareness of firm story fundamentals*

Percentage of firms who say their



*Percentage of firms that selected a 6 or a 7 on a scale of 1 to 7, where 1 = Strongly Disagree and 7 = Strongly Agree.

[4]"RIA Marketplace 2013, The Changing Landscape of a Maturing Industry," *The Cerulli Report*, 2013.

4 Generate new business opportunity through operational discipline

Our Study shows that approximately 75% of an advisor's new clients come from referrals made by current clients or COIs, underscoring the importance of having strong relationships to help encourage these introductions. While there is room for improvement among most RIAs when it comes to being proactive to build a flow of referrals, Marketing Leaders have taken more steps than Other RIAs on this front.

46% versus 22%

Percentage of Marketing Leaders with client referral processes that are advanced or fairly strong versus Other RIAs

43% versus 15%

Percentage of Marketing Leaders with COI referral processes that are advanced or fairly strong versus Other RIAs

Marketing Leaders are far more likely than Other RIAs to rate their client and COI referral processes as advanced or fairly strong. With respect to client referrals, Marketing Leaders are three times more likely than Other RIAs to say they have a clear plan for proactive outreach. In addition, they find a range of activities effective to encourage client referrals, including specific events, discussions, and targeted communications (see Figure 6).

Figure 6: Steps to obtain client referrals*

PERCENTAGE OF FIRMS THAT RATED EACH ACTIVITY AS EFFECTIVE:	MARKETING LEADERS	OTHER RIAs
Conduct referral-focused events	37%	19%
Discuss referrals in client meetings	32%	18%
Send referral-oriented communications	18%	8%

*Percentage of firms that selected a 6 or a 7 on a scale of 1 to 7, where 1 = Not Effective and 7 = Highly Effective.

Why are Marketing Leaders more likely to find these activities effective? We believe their progress is tied to key practices discussed throughout this report, including having a clear plan, telling a compelling firm story that is tailored to target client needs, and communicating target client profiles to referral sources. Consistently doing these things should lead to a higher level of effectiveness with events, client referral conversations, and communications.

Marketing Leaders are also more diligent when it comes to nurturing COIs. Twice as many agree that they research and identify key COIs to work with, helping to zero in on the best candidates, and three times as many agree that they have a clear plan for proactive outreach.

Marketing Leaders also recognize that referrals are a two-way street. About one in three tries to understand the target clients of their COIs, while only about one in six Other RIAs do so. Marketing Leaders are also more likely to communicate their firm's target client profile to COIs and follow up to stay engaged.

30% versus 15%

Percentage of Marketing Leaders that take the time to identify key COIs versus Other RIAs*

23% versus 7%

Percentage of Marketing Leaders that have a clear plan for proactive outreach to COIs*

32% versus 11%

Percentage of Marketing Leaders that effectively communicate their firm's target client profile to clients and COIs versus Other RIAs*

*Percentage of firms that selected a 6 or a 7 on a scale of 1 to 7, where 1 = Strongly Disagree and 7 = Strongly Agree.

More than half of Marketing Leaders see referring clients to COIs as an effective way to get leads back in return. Giving updates on referrals that are provided and discussing them in COI meetings are also seen as effective tactics (see Figure 7).

In addition to having strong relationships with clients and COIs, it is critical to have strong talent and incentive systems in place to help bring new business to the firm. More Marketing Leaders agree that their business development professionals have the right skills and training to succeed than Other RIAs.

Marketing Leaders are also more likely to agree that they meet regularly to discuss business development issues, create clear client acquisition goals, track progress using their CRM systems, and proactively share win-loss analysis across the firm (see Figure 8). Marketing Leaders also are more likely to use actual results to drive compensation for people in the firm who are involved with business development.

59% versus 24%

Percentage of Marketing Leaders who say their business development professionals have the right skills and training to succeed versus Other RIAs*

Figure 7: Steps to obtain COI referrals*

PERCENTAGE OF FIRMS THAT RATED EACH ACTIVITY AS EFFECTIVE:	MARKETING LEADERS	OTHER RIAs
Refer clients to COIs	52%	29%
Give updates on referrals provided	41%	28%
Discuss referrals in COI meetings	39%	19%
Conduct referral-focused events	29%	12%

*Percentage of firms that selected a 6 or a 7 on a scale from 1 to 7, where 1 = Not Effective and 7 = Highly Effective.

Figure 8: Steps to help drive new business*

PERCENTAGE OF FIRMS THAT:	MARKETING LEADERS	OTHER RIAS
Use actual results to drive compensation for the firm's business development professionals†	70%	52%
Meet regularly to discuss business development goals, progress, and recent developments	49%	23%
Have clear client acquisition goals	35%	9%
Use CRM to track leads and follow up	35%	18%
Proactively share win-loss analysis across the firm	33%	13%

*Percentage of firms that selected a 6 or a 7 on a scale from 1 to 7, where 1 = Strongly Disagree and 7 = Strongly Agree.

†No scale used.

*Percentage of firms that selected a 6 or a 7 on a scale of 1 to 7, where 1 = Strongly Disagree and 7 = Strongly Agree.

5 Maximize your marketing mix

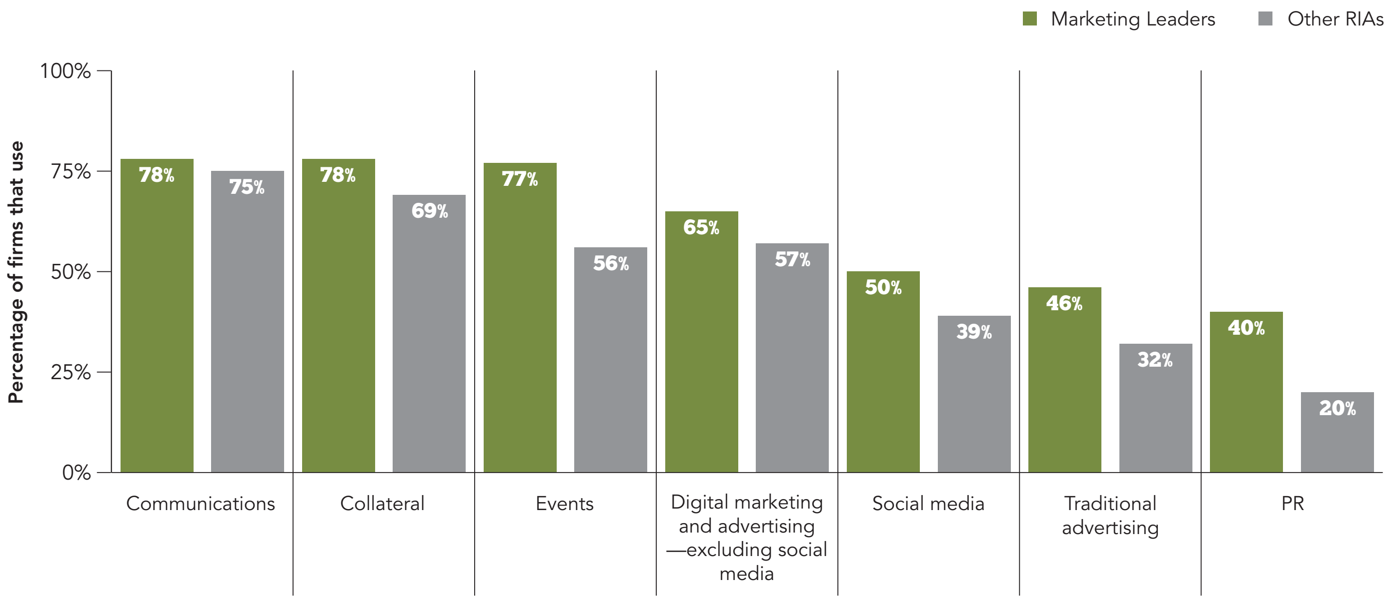
There are many different activities that firms can use to reach out to clients, prospects, and COIs to tell their story. From communications to PR, Marketing Leaders are putting more time and money into their marketing activities than Other RIAs.

The top three activities used by both groups are communications, collateral, and events, but a difference can be seen in the depth of usage, with 58% of Marketing Leaders using all three, compared to 40% of Other RIAs. Marketing Leaders are also heavier users of social media,[5] traditional advertising, and PR, with the biggest difference from Other RIAs being the use of PR (see Figure 9).

Explanation of terms

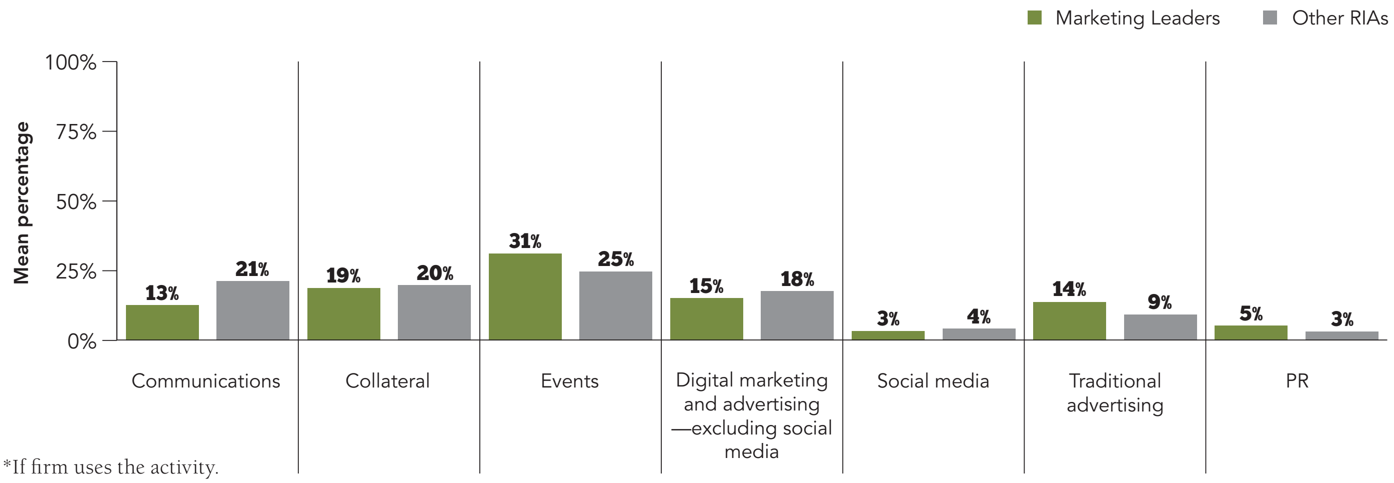
- Communications (e.g., newsletters, direct mail campaigns)
- Collateral (e.g., brochures, pitch books)
- Events (e.g., client appreciation, educational, referral)
- Digital marketing and advertising—excluding social media (e.g., online ads, Web site, email, blogs)
- Social media (e.g., Twitter®, Facebook®, LinkedIn®, Pinterest®, Google+®)
- Traditional advertising (e.g., signage, print, radio, TV, sponsorships)
- PR (e.g., radio or TV appearances, news releases, bylines)

Figure 9: Use of marketing activities



[5]Be knowledgeable about regulations regarding social media and your firm's specific policies.

Figure 10: Percentage of marketing budget attributed to marketing activities*



*If firm uses the activity.

In addition, more Marketing Leaders say all these activities are strategically important to their business, with over half (51%) pointing to the high importance of collateral and events. Not surprisingly, Marketing Leaders spend most of their marketing budget on these two activities (see Figure 10). Other RIAs spend most of their budget on events and communications.

Marketing Leaders view events, in particular, as being an effective way to generate new business (see Figure 11), and they are twice as likely to use events with prospects than Other RIAs (20% for Marketing Leaders versus 10% for Other RIAs). The effectiveness of events can likely be attributed to the time and money put into this activity, with more Marketing Leaders saying a high level of effort is required by their marketing staff for events than Other RIAs.

43% versus 26%

Percentage of Marketing Leaders that say a high level of effort is required by marketing staff for events versus Other RIAs

Figure 11: Effectiveness in generating new business*

PERCENTAGE OF FIRMS THAT RATED EACH ACTIVITY AS VERY EFFECTIVE:	MARKETING LEADERS	OTHER RIAs
Events	60%	34%
Collateral	31%	16%
Communications	27%	11%

*Percentage of firms that selected a 6 or a 7 on a scale of 1 to 7, where 1 = Not Effective and 7 = Highly Effective.

While social media is still relatively new to the marketing mix, Marketing Leaders use more tactics in this area than Other RIAs (see Figure 12). Our Study shows that a larger percentage of Marketing Leaders have also been tapping into these channels for 24 months or more, showing a willingness to be earlier adopters of new techniques.

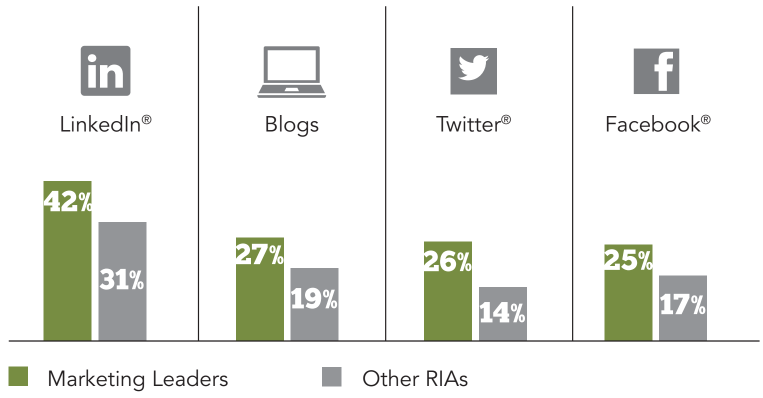
47% versus 21%

Of firms using Twitter, percentage of Marketing Leaders using Twitter for 24 months or more versus Other RIAs

57% versus 36%

Of firms using Facebook, percentage of Marketing Leaders using Facebook for 24 months or more versus Other RIAs

Figure 12: Use of social media tactics



Section III: Actions to Consider

Marketing Leaders have taken important steps to develop growth engines for their firms, and Other RIAs may want to adopt some of their practices to help enhance their own marketing and business development programs. In addition, sound capabilities on this front may be perceived as important when being reviewed by valuation specialists who can take into account the ability to generate revenue organically when looking at the overall worth of a firm.

The results of this Study suggest that firms should consider the following:

1. **Develop a marketing plan, assigning responsibilities and milestones, and create metrics to measure progress and success.** In addition, update that plan annually or semiannually to make sure it supports any changes in business strategy and incorporates any learnings from the prior year.

2. **Craft a more compelling firm story, targeted to their ideal clients, that is well understood by staff members.** This should be reflected in all sales and marketing materials in a consistent way, and actively shared with clients and COIs.

3. **Establish specific referral processes and programs to create more operational discipline around referrals.** Let clients and COIs know what type of investor is a good fit for the firm, and keep in touch to stay top of mind and report on progress.

4. **Make sure staff members have the right skills and training to excel at business development.** Tie incentives to actual results to keep business development professionals focused on new revenue generation.

5. **Measure which marketing activities have the biggest impact on their business and which ones are most appropriate for key audiences— clients, prospects, and COIs.** Then execute accordingly, putting more time and money behind the most effective techniques. Events may be the best place to start, given the focus that Marketing Leaders place on this activity.

6. **Test the waters with newer or less widely utilized activities, like social media or PR, to see what kind of results can be generated.**

7. **Hire a third party to help build a marketing plan, develop a firm story, and/or execute specific activities.** Insights and support from a marketing specialist may help boost efforts and provide new momentum.

Additional Resources

- *Firing on All Cylinders: Fueling Growth with Benchmarking Insights*
- *Building an Action Plan to Drive Growth Within Your Practice: A Business Development and Marketing Planning Toolkit*
- *Creating a Consistent Story for Clients and Prospects: A Story Development Guide*
- *A Guide to Growing Your Business Through Centers of Influence and Strategic Alliance Marketing*
- *Creating the Best Communications Program for Your Clients and Prospects*
- *Hosting Events to Help Strengthen and Grow Your Business*
- *Digging into Digital Advice*

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