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# Think small to grow big

Beth Braverman, 08/24/2019



**From curated clothing deliveries to customized playlists, today's consumers increasingly expect the things they buy to be created specifically to meet their needs.**

This trend toward customization cuts across all industries, and financial advice is no exception.

That may be good news for RIAs. Many advisors find that by focusing on a specific target clientele—based on industry, lifestyle, age, or other traits—

they're able to carve out an area of expertise that helps build their business and raise their profile.

“Financial advisors who target a niche are often able to create a higher-end service model because they have a specific type of client with the same group of needs,” says Vanessa Oligino, director of business performance solutions, at TD Ameritrade Institutional. “There are a lot of efficiencies that come into play from a client management perspective, increasing an advisor's capacity to onboard new clients.”

About two-thirds of financial advisory firms say they have a clearly defined target market and among those, three-quarters of their respective clients meet the target criteria. Truly focusing on a niche may mean turning away potential clients who don't fall within it, but when done right, the benefits can compensate for any lost business: Niche firms are more profitable and growing faster than their generalist peers.<sup>1</sup>

In 2017, niche-focused firms had median revenues of \$1.4 million, 9 percent more than their counterparts; their profit margins were 17 percent higher. Total revenue for niche-focused firms rose 17 percent in 2017, and their client base grew by 9 percent, outpacing other firms by 25 percent and 35 percent, respectively.<sup>1</sup>

## Form a bond

Niche advisors are often able to move beyond standard advice, bonding with their clients on a deeper level and building lasting relationships. But in order to do that, advisors must be true experts in their niche, understanding both the financial and non-financial challenges clients face. FAs who work with special needs parents, for example, need to know the ins and outs of special needs trusts and Medicaid eligibility, while also understanding the emotional toll of caretaking.

“It can't just be a marketing gimmick,” says Matt Oechsli, CEO of the Oechsli Institute, an organization that coaches financial advisors on how to grow their businesses. “If your niche is veterinarians, you need to know everything there is to know about veterinarians: How they run their practices; what are their financial obligations from a business perspective, from a personal perspective. It really requires you to be a student of that niche.”

Advisors who earn a reputation as in-the-know within their niche benefit from the best marketing out there: word-of-mouth. Referrals within a specific niche—whether it's executives for a leading pharmaceutical company or radiologists within a particular health network—can translate to quick, organic growth once you've established that credibility.

“People are coming to those advisors because they know they can help meet their needs,” Oligino says. “They heard from a trusted friend with similar needs that this advisor is good and understands where they're coming from and the complexity of their financial situation.”

As an advisor builds expertise, they can start creating tailored service packages that offer value to their specific niche—at a premium price that’s well worth it to those with nuanced needs. If the bulk of those services go beyond portfolio management, FAs might also consider implementing a la carte pricing, which provides transparency around the value of services offered and can increase overall revenue.

An FA focused on doctors who’ve just finished residency, for example, might help clients create a payment plan for student loans. A firm specializing in divorcees might spend time with clients rebuilding their finances and credit following a marital split.

## Send the right message

Some of the performance advantages targeted firms enjoy stem from the firms’ abilities to zero in on effective marketing messages. They can focus their marketing dollars and business development efforts within their niche, sending highly tailored messages.

“That niche is a billboard to attract people,” says Ryan Shanks, CEO and founder of Finetooth Consulting, which works with financial advisors. “There are a ton of firms out there that are providing advice. Your niche is your differentiator.” Whether your target is doctors, divorcees or women entrepreneurs, make sure to highlight your niche—and those customized services—in marketing materials and on your website.

Niche advisors can also establish themselves as experts in their fields by writing a blog or speaking at conferences. More dynamic, directed strategies work too, Oligino notes, such as hosting or sponsoring events catering to that niche or partnering with similarly minded financial professionals in a different field serving the same niche (think: accountants, estate planners or insurance specialists).

Oligino also notes the importance of research: Find out what your target group is reading and listening to, and leverage those channels. “Do they read specific publications or subscribe to certain podcasts where there is an opportunity to advertise or contribute content?” Oligino poses.

It’s not just about knowing where to put your ad dollars. This kind of specific knowledge also helps you build meaningful, lasting connections that will set you apart in the marketplace. Notes Oligino: “You’re asking: Where are these people? What are they interested in? And how can I best engage with them?”

## 3 questions to help choose your niche

For financial advisors who haven’t already established a niche, choosing the right one (or two) is key to success. Got a few contenders? Ask yourself these questions before moving forward:

**Am I focused enough?** While it can be tempting to go broad with your niche in an effort to appeal to more clients, getting more specific may enhance efficiencies and allow you to develop even more in-depth expertise. “Corporate executives,” for example, is too broad a group to be an effective niche. “Corporate executives at technology startups holding stock options” is better.

**Do I have an “in”?** Look for a niche in which you already have some connection within your network. “You can’t start working with NBA athletes tomorrow if you don’t know a single one,” Oligino says.

If members of your family or several existing clients work in a certain field or are facing similar financial issues, those could be niches to consider. Sit down with them to learn more about their goals and challenges, and think about whether you could build a business aimed at addressing them.

**Am I passionate about this niche?** To succeed, you’re going to need to learn, think, and talk about your niche all the time. If it’s an area that you’re not genuinely interested in, or if you don’t feel a strong connection with the individuals within the niche, it’s probably not the right niche for you. “No matter how profitable a niche is, if you don’t enjoy the people you’re working with, it’s not going to work,” Oligino says.

**Bonus:** When you pick a niche that you have a personal connection to, you’ll get more enjoyment out of your work.

1. “*The 2018 FA Insight Study of Advisory Firms: Growth by Design*,” TD Ameritrade Institutional, 2018. (Found here: <http://fainsight.com/#!research-studies>)

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