

Building Your Niche Market

Thinking Small to Grow Bigger

Text by Kimberly A. Branch, CFP®, CLTC, Vice President of Marketing Strategy, American Portfolios Financial Services, Inc.
—an Independent Broker/Dealer

In one recent survey of financial advisors, the most dynamic practices were those that pursued niche markets. Seventy-one percent of advisors who gathered more than \$20 million in new assets each year had practices in which 25 percent or more of their revenues were attributable to targeted niche markets. For over two-thirds of these advisors, their niche market accounted for 50 percent or more of their revenues.¹

The lion is a fearsome predator. Residing atop the food chain of the African savanna, the lion hunts her prey with cool calculation. (Yes, it's the female that does much of the hunting.) She stalks her quarry and then, selecting a single target among a herd of impala or wildebeest, she charges forward with a single-mindedness that keeps her focused on a predetermined target despite the eruption of chaos that ensues.

Targeting and pursuing her prey in this way is actually a reflection of the lion's natural physical limitations—lions have small hearts and lungs, making them relatively slow runners with little stamina; they can maintain their top speed for only 100 to 200 yards.

Advisors can learn something from this highly-evolved hunter. The pursuit undertaken by financial advisors may be a bit different from the lion's, but advisors suffer from their own inherent limitations—primarily, that of time. The key lesson the lion teaches is how it has adapted to its limitations through a strategy of identifying a highly-specific target and adopting a singular focus with which it pursues it.

In this white paper, Building Your Niche Market, we examine the benefits of niche marketing, how advisors can select the right niche, and how to build and execute a niche marketing plan that raises advisor productivity and grows assets under management.



Benefits of Niche Marketing

The majority of financial advisors reading this white paper have already built very successful practices. Most started out the same way, which is to say they prospected relentlessly, happily accepted anyone who wanted to become a client, and eventually settled on a marketing *modus operandi* refined by a personal experience with what worked well and what didn't work so well.

Of course, it's hard to argue with results, but sometimes the formula responsible for current success isn't the best formula for finding future success. The game changes; so does the competition. Remember all those successful golfers who started hitting the gym once Tiger Woods burst on the scene?

In the highly-competitive, shrinking-margin financial advisory industry, niche marketing can provide a number of key benefits to financial advisors, including:



Growing Assets Faster

Specialization makes a practice more attractive than a generalist practice because people with specific needs—be it divorce planning, stock option planning or retirement income management—want to work with advisors they feel have a specialized knowledge and experience. Moreover, when clients have similar needs and interests, the advisor can more readily offer tailored and relevant services, which is likely to raise client referral rates.



Less Expensive Marketing

Too often advisor marketing efforts are scattershot, costly and disappointingly ineffective. Pursuing a small group with shared affinities means that prospects are easier to identify and marketing outreach can be made more relevant, and therefore be more effective. With purposeful and targeted marketing, a natural outgrowth of focusing on a niche, the advisor eliminates marketing pursuits that are wasteful and unproductive.



Creates More Time to Focus on Clients

Advisors entered this business to help individuals realize their financial dreams, not spend their days marketing themselves. Because niche marketing is more productive, advisors can achieve the practice growth they need without sacrificing the time they devote to servicing their clients.



Greater Job Satisfaction and Better Life Balance

Niche marketing is largely about selecting the type of people with whom an advisor prefers to work, making daily client interactions more enjoyable and interesting. Since it also allows advisors to more productively build their businesses, niche marketing likewise helps advisors create more time to spend with family or on personal passions.

The Two Cornerstones of Niche Marketing

Niche marketing is not something an advisor decides to do one day and begins executing the following day. It takes deliberate planning and reflection. Any successful niche marketing initiative is built on two key cornerstones.



1

Identify a market niche.

To identify a niche that may be both financially rewarding and personally satisfying, an advisor should ask him or herself some important questions.

For example:

Where does the wealth reside in my home geographic location?

Are there pockets of affluent investors that are underserved?

Is there a niche population or specific financial challenge that is of particular interest to me?

What types of people do I enjoy working with?

Are there certain types of people that seem to like working with me?

Advisors should review their current client base to look for common threads that unite an advisor's favorite and most profitable clients. Advisors may discover that they have unconsciously already begun carving out a niche.

It's important that a market niche not be overly general. Any niche should be a narrowly defined population that consists of individuals of shared cultures, interests, financial challenges or life stages. For example:



Specific Company Niche

A major employer in a local community is often comprised of a large number of highly paid professionals who may have common financial needs, such as deferred compensation planning, stock option planning and general benefits planning.



Occupational Niche

A specific occupation, e.g., doctors or architects, may share business and personality traits around which an advisor can develop customized services and content that may appeal broadly across such a group.



Stage of Life Niche

There are many directions an advisor can take with a life stage niche, including divorce planning, college planning, retirement, legacy planning or business owners nearing retirement that need succession or monetization planning.



Generational Niche

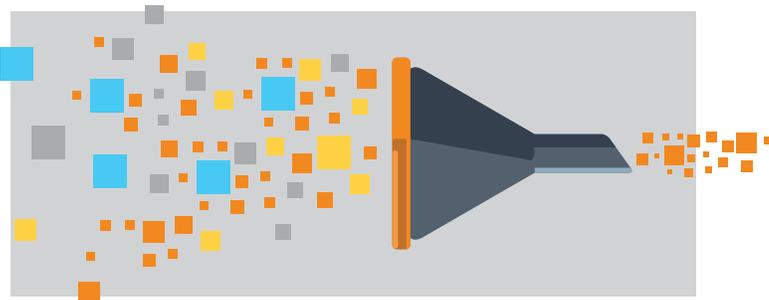
Each generation has its own unique set of financial attitudes and challenges around which an advisor can offer services and products that appeal to that generation's sensibilities, and which differentiates him or her among that generation of investors.



Underserved Niche

There are a number of underserved populations. For example, over 80 percent of Asian-Americans do not have a financial advisor, even though they have earnings that are 40 percent higher than the general population,² while the LGBT community's use of financial advisors is below the national average, despite that 25 percent of LGBT households make over \$100,000 per year.³

An advisor may also want to consider ruling out niches he or she would not enjoy working with. For instance, a heavy weighting of certain professionals that tend to be highly demanding or detail-oriented can quickly become a source of professional and personal dissatisfaction. If that's the case with any group of people, advisors should avoid focusing on that niche, no matter how potentially remunerative.



As a general rule, niches are by definition rather narrow in scope. Doctors, for example, are a niche; the health care industry is not.

While it strains the definition of “niche,” many advisors might consider targeting women investors as an example of niche marketing. Though they represent half the nation’s population, women do share a number of characteristics of a niche: similar financial challenges, an attitude and personality that is uniquely theirs, and values and perspectives that are under addressed by the advisor population.



2

Become an expert in the niche.

The base requirement of niche marketing is that advisors have a deep and broad understanding of the niche’s top financial concerns, general attitudes toward investing, specialized planning needs, the industry in which they operate and who their centers of influence are.

Advisors can best gain insight into their selected niches by starting conversations with individuals belonging to a targeted niche to learn more about them. In addition to the profile issues referenced above, advisors should make a point of learning the access points to gain entry to the targeted niche: what they read, where they gather (online and in person) and the professional associations with which they are affiliated.

Another key step in being perceived as an expert is getting certified in the relevant area of planning. Thus, if an advisor:



Wants to be recognized as a divorce planning expert by the general public, then it would behoove him or her to become a Certified Divorce Financial Analyst; or



Wishes to focus on near-retirees and retirees, obtaining a Retirement Income Certified Professional designation may communicate the level of expertise retirees might value; or



Seeks to concentrate on helping senior managers of a local employer, it is essential that an advisor have the skill set and tools for analyzing stock option planning strategies and personalized diversification strategies that reflect highly-concentrated employer stock holdings, as well as an intimate understanding of the benefit package offered to such employees.

Finally, individuals are likely to think more highly of an advisor’s expertise if they are familiar with the industry or group to which they belong. Accordingly, advisors can build knowledge and keep up with current trends by subscribing to publications and following thought leaders specific to that niche group.

Developing a Niche Marketing Plan

A comprehensive niche marketing plan should consider everything from the relevance of an advisor's Web site to the targeted niche to whether the office décor reflects a connection to the niche. As advisors build out their marketing plan, they should consider:

Niche-Specific Content

An advisor's Web site and blog need to illustrate the advisor's expertise in the related niche. An advisor may even want to consider an alternative Web site entirely dedicated to his or her targeted niche as a way to emphasize the practice's dedicated focus on that audience.

For an advisor that may be targeting a divorce planning niche, content should not only center on the financial and tax issues associated with divorce, but also contain content related to the emotional issues that accompany divorce and its aftermath, as well as listings of local support resources.

Advisors looking to specialize in helping business owners nearing retirement with succession planning and liquidity events, content can center on issues around finding a buyer, business valuation, evaluating business brokers, prequalifying buyers and deal construction.

Network, Network, Network

Earlier, this paper discussed the importance of interviewing individuals who belong to a targeted niche to ascertain the associations and access points for that niche. With that market intelligence, advisors can begin entering the world occupied by the niche.

Entering their world means everything from joining niche-related LinkedIn groups to going to conferences and events attended by the targeted niche. Mingling with individuals will help advisors learn more about the needs and challenges of the niche, and serve as a first contact in the prospecting exercise.

Become a Thought Leader

Creating great content to fill out a Web site, keeping a blog fresh, and producing interesting and relevant marketing communications are a great foundation for building a niche business. However, developing a reputation as a thought leader on the niche becomes a critical competitive distinction.

Earning the standing of "thought leader" not only assumes deep knowledge and understanding of a particular niche, but it requires interesting and fresh perspectives on the issues facing members of a niche.

There are a number of ways that advisors can begin building their thought leader reputation. One way is to write a white paper and distribute it to niche clients, prospects and relevant associations. Post it to the practice's Web site and LinkedIn account, and be sure to make LinkedIn connections aware of its availability. Also, share with local media: radio station, business journalists at local newspapers, etc.

Finally, create a seminar around financial issues facing the targeted niche, and offer to speak at local and regional meetings that may be held by niche-related organizations.



Conclusion

The notion that specialization leads to higher productivity and greater wealth is at least as old as Adam Smith, who wrote in *The Wealth of Nations* that specialization “...occasions, in every art, a proportionable increase of the productive powers of labour.”



Centuries of unprecedented economic progress have followed the implementation of Smith’s insight. Yet, the wisdom of Smith, or the lion’s lesson in targeted, highly-focused hunting, has remained insufficient evidence to convince many advisors to adopt a niche-based marketing strategy.

For many, the hesitation may be rooted in a fear that it requires turning away new clients or disowning their current clients. In fact, most advisory practices will never be completely comprised of a niche client segment.

Instead, the reality is that most advisors who pursue niche marketing still have a diverse client base, and diversification in client make-up—like in investing—is always smart.

Ultimately, focusing on niche marketing has little to do with an advisor’s current set of clients, but everything to do with pivoting a practice in the direction of a more productive and satisfying business model.

Sources:

1. <https://www.oechsli.com/niches-bring-riches>
2. <https://www.prudential.com/documents/corp/AsianAmerFinExperReport.pdf>
3. <http://corporate.prudential.com/media/managed/PrudentialLGBT2016-2017.pdf>

If you have any questions or would like to speak with us about our services, please contact:

Kimberly A. Branch, CFP®, CLTC, Vice President of Marketing Strategy, American Portfolios Financial Services, Inc.
631.439.4630 | kbranch@americanportfolios.com

About American Portfolios

Headquartered in Holbrook, N.Y., American Portfolios Financial Services, Inc. (APFS) is a full-service, independent broker/dealer and member firm of FINRA and SIPC, offering a complete range of financial services, including personal financial and retirement planning, securities trading, mutual funds, access to investment research, long-term care planning, insurance products and tax-free investing. Fee-based asset management is offered through its sister subsidiary, American Portfolios Advisors, Inc. (APA), an SEC Registered

Investment Advisor. Both entities, along with technology entity American Portfolios Advisory Solutions, LLC, collectively reside under the legal entity American Portfolios Holdings, Inc. (APH). Full-service securities brokerage is available through a clearing firm relationship with Pershing, LLC, a BNY Mellon firm, the securities of which are held on a fully disclosed basis. The company currently serves 834 independent investment professionals located in 385 branch locations throughout the nation. It was named Broker-Dealer

of the Year* (Division III) by Investment Advisor magazine in 2015, 2016, 2017 and 2018, as well as one of the top 10 Best Companies to Work for in the state of New York for 2016, 2017 and 2018 by the New York State Society for Human Resources Management (NYS-SHRM) and the Best Companies Group (BCG).

*Based on a poll of registered representatives conducted by Investment Advisor magazine. Broker/dealers rated highest by their representatives are awarded “Broker/Dealer (B/D) of the Year.”

FOR INVESTMENT PROFESSIONAL USE ONLY

