

Strategy Decides Winners, Losers In The Advisor Game: Tiburon

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There are more than 300,000 financial advisors in the United States all competing for leads, technology, marketing and, ultimately, clients.

It is often strategy that separates success from failure, said Chip Roame, managing partner of Tiburon Strategic Advisors. In particular 11 things that an advisor needs to figure out in order to be a success -- eight tactics and three strategies.

Roame covered all of them during a call last week:

Eight Tactics

Target marketing strategies. An example of targeted marketing might be aiming at women who have wealth. Women controlled \$72 trillion worth of private wealth in 2020, up from \$34 trillion a decade earlier, Tiburon reported. Orienting a marketing plan at this segment would be wise, Roame said.

"I think it's important to think about segments," he added. "We've written a lot about target marketing for advice to go after. It could be the women's market. It could be a Hispanic American market. It could be a lot of things."

Sales and marketing strategies. The latest Tiburon CEO Summit survey found most respondents agreeing that traditional client referrals (55%) and digital marketing (36%) will remain the top sales and marketing strategies going forward.

"If client referrals are going to be the number one source and if I'm already an advisor, I've got to figure out how to get referrals from my current clients," Roame said. "Number two, if digital marketing is the future, that's a nifty thing because digital marketing is pretty easy to participate in."

Still, independent advisors are spending about 3% of revenues on marketing, which Roame said is a "pretty small number" compared to more marketing intensive sales sectors.

Investment management strategies. Advisors need to define their product and service offerings and maybe, specifically, their investment management strategy, Roame said.

"You think about retirement income as a strategy, what's increasingly important as baby boomers retire? Goals-based investing is obviously very important," Roame said. "This should have been how we did it all along."

Sixty-eight percent of Tiburon CEO Summit attendees expect downside protection strategies to increase in popularity over the next five years. That makes sense given the baby boomer retirement numbers, Roame said.

Client service strategies. This is an important, and often overlooked, aspect of an advisory firm, Roame said. He cited a 2019 survey that found simple things such as returning emails and phone calls from clients were major causes of dissatisfaction.

"How do you get complaint rates that are 50% of people saying their advisor doesn't do these things? Roame asked. "So I think having a real clear client service strategy is super important."

Technology and outsourcing strategies. Financial advisor technology-driven platforms such as MoneyGuidePro and eMoney Advisor are integrated into most advisory firms. Technology will continue to grow significantly, Roame said.

"We have these trillion-dollar platforms now for managed account technology," he added. "Technology has evolved. It's terrific in the independent advisor arena today."

Staffing and compensation strategies. These issues are not unique to advisory firms. Decisions on benefits such as working from home, paid time off, gym memberships, and many others are in play for all employers seeking the best workforce.

"The benefits, the ways to reward employees, I think are changing quite a bit," Roame said. "And the savvy advisory firm are figuring this stuff out."

The last two tactics are **firm culture** and **industry networking opportunities**. Roame skipped those in order to cover five predictions:

1. **Continued dominance of technology and outsourcing strategies.**
2. **Increasingly sophisticated sales and marketing strategies.**
3. **Increased focus on client retention.**
4. **Increased use of targeted marketing strategies.**
5. **Better leveraging of staffing and compensation.**

Winning Advisor Strategies

Roame concluded with three main strategies for advisor growth: benchmarking, planning and documents and succession planning, acquisitions and the sales process.

He only discussed the last one. Roame is bullish on growing mergers and acquisitions, and he noted that one-third of financial advisors are expected to retire within the next 10 years.

As an example of this buy-up strategy, Roame cited the acquisition of Personal Capital Corp. by Power Corp. of Canada for 8.2% of Personal's assets, what he termed "a stunningly high price."

"They thought it was a good deal because of the assets that are on the Personal Capital platform," Roame explained. "They have millions of other clients using their free tools who aren't being counted. Their assets aren't being counted, but that's their future conversion. So they paid a pretty steep price when you look at it as a percent of current assets, but they paid for the opportunity to cross sell to all the rest of those clients."

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