**Finding Your Niche: Revisited**

By David L. Lawrence

In the November 2012 issue of FA Magazine, the Efficient Practice column on “[Finding Your Niche](http://www.fa-mag.com/news/finding-your-niche-12478.html)” created a groundswell of interest among readers. So much so that it seemed prudent to revisit this subject. The concept is to create a niche market for a financial advisor’s services that matches a unique body of knowledge or experience held by that advisor. Apparently, this subject touched a number of readers, who have responded with their own stories of creating a niche (or creating differentiation as it is sometimes referred).

One such story involves a financial advisor in Texas. James Poe, MSFS is the Chairman and Founder of Texas Retirement Specialists ([www.texasretirementspecialists.com](http://www.texasretirementspecialists.com)), a registered investment advisory firm (RIA). Texas Retirement Specialists have offices in Ft. Worth and Dallas, Texas. In a phone interview with Jim, he explained his unique niche, ‘**Investing for Women’**. Jim mentioned that he is the proud father of 6 daughters, four of which work in his practice. Additionally, Jim is the host of two radio shows (one in each city where his offices are located) and last year his firm generated over $20 million in new business.

Jim, who has more than 35 years in the financial services profession, recognized a trend among families nearing or at retirement. According to him, husbands were generally selecting a maximum payout for themselves from Social Security (and other retirement income sources) without consideration of the impact on his spouse. As statistics have shown that women outlive men, it struck Jim that the women would be left with considerably less (or potentially nothing) following the passing of their husband.

For this reason, Jim created a unique set of services that embraced a focus on maximizing retirement income for both husband and wife. This includes a focus on retirement income sources, asset accumulation, tax planning and estate planning, in what he referred to as his R.A.T.E. system. Jim indicated that he has uncovered 81 different ways to maximize Social Security. And, he mentioned that, in meeting with clients, highlighting the issue of Social Security makes the women in those client groups pay attention. In his words, “they get it.”

Jim’s passion for this was undoubtedly influenced by his large and extended family of women. He has written a number of books on the subject and has authored a number of articles in the Erickson Living Tribune. In addition, James Poe has been quoted on [Fox Business News](http://www.foxbusiness.com/personal-finance/2012/09/20/where-boomers-should-be-putting-their-money-now/). But he credits his radio shows for delivering the largest percentage of new clients to his practice.

The story related by Jim Poe should resonate with financial advisors who are struggling to define their differentiation strategy. Often, the answer is in front of them in that some experience or influence in their life and/or work can be the key to a unique niche for their practice. To uncover it may take a certain amount of introspection and self-evaluation.

But there is more to be done to incorporate a new differentiation strategy into an existing financial practice. In the book by Rene Maubourne and W. Chan Kim entitled “Blue Ocean Strategy” (©2005 Harvard Business School Publishing Corporation), a methodology was described to find differentiation through a combination of value innovation, fair process and tipping point leadership. Of the three, by far the most difficult to achieve is value innovation as it requires a fair amount of research, labor and creativity to accomplish. The corner-stone of Blue Ocean Strategy is 'Value Innovation'. A blue ocean is created when a company achieves value innovation that creates value simultaneously for both the buyer and the company. The innovation (in product, service, or delivery) must raise and create value for the market, while simultaneously reducing or eliminating features or services that are less valued by the current or future market. This does not necessarily mean that the offering must be cheap, just a great value to the client. And, by definition, the blue ocean denotes uncontested market space where competition is irrelevant because the rules of the game are waiting to be set. Blue Ocean is an analogy to describe the wider, deeper potential of market space that is not yet explored.

By contrast, in the red ocean, industry boundaries are defined and accepted, and the competitive rules of the game are known. Here companies try to outperform their rivals to grab a greater share of product or service demand. As the market space gets crowded, prospects for profits and growth are reduced. Products become commodities or niche, and cutthroat competition turns the red ocean bloody, hence, the term red ocean.

In the case of a financial advisory firm seeking a new differentiation strategy, exploring the Blue Ocean may take the form of developing a unique client profile (or type), an innovative investment strategy or model and/or a newly developed way of analyzing a client’s situation and needs (planning approach).

Fair process is offering the service with the recognition that it is done with fairness to the clients who utilize the service. This is accomplished by following three ‘E’ principles: Engagement, Explanation and Expectation Clarity. **Engagement** means involving individuals in the strategic decisions that affect them by gaining their input and permitting them to be involved in the development of ideas and assumptions. Some financial advisors have approached this by creating an advisory council made up of a select group of existing clients. **Explanation** simply means that everyone involved and/or affected by a new differentiation strategy understands why the strategy has been put into effect. And **Expectation Clarity** requires that, after a strategy is set, that the financial advisory firm clearly communicates the new strategy, requirements and/or benefits.

And Tipping Point Leadership (based on a book by Malcolm Gladwell, (Little, Brown and Company, 2000) merely states that once the service or offering is designed and offered to clients, that a continuous effort is made to promote and use the new differentiation strategy, even in the face of initial resistance. And that resistance may come, not from clients, but employees of the financial advisory firm who may be wedded to the old ways of doing things. Effort must be made to encourage those employees to adapt to the new differentiation strategy as it potentially can benefit not only the client but the employees as well. This is particularly true in cases where adopting a new differentiation strategy provides greater focus on a narrower set of deliverables or a smaller subset of existing clients. As the strategy unfolds, it should be the goal of the firm to streamline processes and procedures to provide greater overall efficiencies in an effort to develop greater capacity of the firm to take on new clients.

The goal is a firm focused on this new differentiation strategy, with higher levels of efficiency, productivity and profitability. Bringing on new clients that are targeted based on the streamlined focus of the differentiation model can produce substantially higher levels of increased business, without the necessity of hiring more people and/or spending more money on operations.

David L. Lawrence, PhD is Founder and President of **Efficient Practice.com**. Efficient Practice is a consulting firm that provides financial practices, broker dealers and independent firms with comprehensive, profit-driven efficiency consulting, technology solutions and resources. For details, visit [**www.efficientpractice.com**](http://www.efficientpractice.com).