

The Efficient Practice

Newsletter for
Financial and Business Professionals

Efficient Marketing for Financial Advisors

In the wake of financial and economic challenges, many financial advisors have found it necessary to refocus on attracting new clients in an effort to re-establish profit levels previously enjoyed. But, to create a sustained growth, more needs to be considered than just marketing. Several steps should be considered in this process.

Perhaps one of the most fundamental of these steps is to develop a profile of who it is you are trying to attract. What is the niche market that fits your practice and/or the unique services you offer? For this, creating a differentiation strategy makes sense.

Creating a differentiation strategy requires some pre-planning and introspection. Often, financial advisory practices have a concept of who their typical client is. However, often when the practice is analyzed, it may be revealed that the bulk of the clients in that particular practice does not actually match the characteristics of that perceived 'typical client.' Thus, using some analytical exercise to identify the core demographics of a practice is a practical first step.

Another consideration might be to study the service and product offerings most favored by the firm to identify the correlation between those items and the typical client. As an example, recently I met with a financial advisory firm that was looking to create a market plan and they had determined that their core client group was seniors and those approaching retirement. Yet, when I interviewed the principal in the firm, I discovered that he had a special needs child and was very tuned in to the financial needs of such families. Because of a number of support groups that he was involved with, his client base actually had several such families. Yet, he did not recognize that this might be his differentiation from other financial advisory firms. Once this was revealed and discussed, it became obvious that he should pursue this unique angle in his marketing strategy.

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Special points of interest:

- > Efficient Marketing
- > Compensation Plans
- > Efficiency Tips and Tools
- > New Gadgets

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With this in mind, creating a differentiation strategy might involve using the techniques inherent in the Blue Ocean Strategy. Simply put, Blue Ocean is the creating of differentiation through the combination of

- 1) Value Innovation,
- 2.) Fair Process and,
- 3.) Tipping Point Leadership.

Of the three above points, clearly Value Innovation is the most difficult to achieve. But, through a series of introspective exercises, it can be done. In the book, Blue Ocean Strategy, W. Chan Kim and Rene Maubourne, one of several examples given was Dyson Vacuums.

Dyson created a vacuum that turns on dime, never loses suction and, as a result, charged twice as much as the competition and got it. The vacuum industry was sent scrambling to catch up

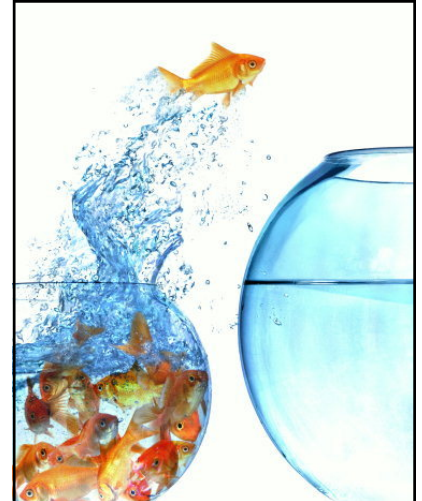
and Dyson ended up rendering their competition irrelevant. That is an example of value innovation. Dyson followed this success with the development of a bladeless fan, with no buffeting air. Using an induction technology, that fan forces air through a round inductor. You can stick your hand in the middle of the fan with no injury. This is another example of value innovation.

Translating this to the financial services profession is not easy, but it is achievable. Creating the value innovation for a financial practice and then creating a branding message that reflects this, used in a variety of media, especially a website can have a transformative effect on the attractiveness of a firm to its prospects.

The reason to go to this extent is to combat the overwhelming degree of sameness that permeates the financial profession. Trying to present yourself as all things to all people generally forces you into the red ocean (red from all the blood of sharks biting each other).

The only clear path to the blue ocean is through differentiating your firm from all the others.

Another consideration is to carefully weigh the various venues for marketing, be it the internet, local advertising, etc. Many advisors have found it useful to provide a coordinated approach, with common messaging among a variety of venues. As an example, the theme and words used in a website could also form the backdrop for other forms of marketing. If your firm has a Facebook page, there are effective ways to make the Facebook presence look and feel similar to your website, etc.



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Efficient Marketing (cont'd from Page Two)

Long considered one of the most effective low cost alternatives for marketing is referral prospecting. Existing clients are often the best source for new clients and the cost of such referrals is generally next to nothing. However, there are coordinated ways to approach referral prospecting. Beyond simply asking for them when you meet with clients, some advisors have created referral prospecting campaigns. This might take the form of a bulk mailing of letters to clients (or emails) in which you ask them to refer their friends, associates, etc. to you and your firm. This could be accompanied with a form letter that they could use to send to their friends/acquaintances. The point is to have some methods in place to track the results and effectiveness as well as gauge the interest of your clients in this endeavor.

There are now outsourcing services available to assist advisors with referral marketing. One such service is **FiPath** (www.fipath.com). FiPath offers the Refer My Advisor program. The program, designed by advisors for advisors, was developed as an effective system to get referrals from clients without ever asking face to face. The program eliminates the need for end of appointment asking for referrals, eliminates the need for cold calling to random leads and provides just referrals to prospects that are not only expecting, but wanting your call. It is a proven solution for advisors wanting and needing new prospects without the worry and work associated with obtaining them.

Another choice in this category is **Boulevard R's** advisor marketing program, called **AMP**. (<http://ampformarketing.com/>). Amp helps turn more prospects into clients by:

- Creating a sense of urgency and moving more prospects to a second meeting
- Presenting your solution in a timed way so that you close more prospects

One final thought with respect to marketing involves touches. Many advisors have abandoned certain marketing programs after one or two tries, if the results are not immediately apparent. This is a mistake. Studies have shown that, on average, 21 touch points with a prospect produce the most consistent results. In advertising, the consistent approach, such as placing an ad in a weekly business newspaper, over a period of a year, will provide a cumulative effect. Over time, the results aggregate to a much higher prospect count than if you only submitting the ad from time to time. It does not have to be an expensive, large or even colorful ad, just consistently there, according to the research.

And, while newspaper advertising may be less popular these days, replacements such as internet, websites, referral systems and social media loom as viable and efficient replacements.

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Designing a Compensation Plan

With firm consolidation, such as advisors creating team practices, advisors moving to independence and/or creating Registered Investment Advisory (RIA) practices, designing a compensation plan for yourself and those who might be working with you is probably one of the most fundamental steps in the change management process.

There would seem to be literally unlimited ways in which to set up a compensation plan, so the question becomes how a firm should decide which one is right for them. The answer lies in a thorough understanding of what the firm's strategic goals are and what sort of compensation incentives are important given the specific talent, skill level and motivation of the individuals involved in the plan.

There are essentially 6 logical steps to follow in the development process. These steps should be followed in the order shown to gain the most benefit from the development process.

1. **Evaluation.** Conduct a comprehensive evaluation of existing compensation plans, practices or company-generated ideas and develop a feedback report of the findings.
2. **Compensation Philosophy.** Define the company's compensation philosophy which defines how and with whom the company intends to compete for its human resources and how and under what terms its advisors and/or employees will be rewarded. Typical choices might include fixed compensation (salary-based) versus variable compensation models (Percent of AUM fees, percent of Gross Dealer Compensation, percent of commissions, trails, recurring fees, etc. In most cases, it will be a unique blend of some or all of these elements that will best match the firm's philosophy.
3. **Position Analysis.** Conduct a comprehensive position analysis to determine the primary functions, duties and responsibilities of all affected positions. This analysis serves as the framework for developing market pricing. A comparison should be done with industry standards. A thorough understanding of each affected firm member's unique contribution to the success of the firm should be accomplished in this analysis.
4. **Administration Guidelines.** Develop a market-based salary/bonus/incentive structure and compensation administration guidelines for setting pay and for adjusting compensation based upon performance, promotions, changes in job content, specializations and changes in market rates of pay.



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Designing a Compensation Plan (continued from Page 4)

5. **Incentive and Bonus Plan(s).** When appropriate develop an incentive and/or bonus plan (or plans), based upon industry "best practices," that rewards participants for the achievement of specific, defined measures of outstanding performance and outcomes. Also, develop a financial model of the incentive plan costs over a wide range of potential outcomes.
6. **Long-Term Stakeholder Plan.** Where appropriate, develop a long-term plan (or plans) that reflect and reward the creation of shareholder or long-term value. Such plans typically include granting guidelines for stock options, stock or other equity instruments or equity-like ("phantom") plans, as appropriate. Often, this involves researching market stock option granting practices (e.g., how many shares? At what price are grants made? How do options vest?) as the basis for recommending stock option granting guidelines to the company and its employees/producers. If long-term plans entail cash awards, assess the cost of such awards over a wide range of outcomes and develop measures for making sensible long-term cash awards that can be adjusted or account for economic circumstances.

Even having set down these six steps, the plan will not work if it is not affordable to the firm or if it runs counter to the best interests of the firm's clients. For these reasons, any compensation plan must be accompanied by a study of how it fits into the overall strategic initiatives of the company. This should be done in concert with a cost/benefit analysis to ensure the affordability of the plan. And, perhaps most important, an impact study on how such a plan affects the firm's clients.

Some common mistakes made in compensation plan design involve a failure to consider the potential impact of a future economic downturn (with subsequent loss of firm revenue). With static plans (fixed salary plus bonuses), the costs can quickly spiral out of control, given less revenue to handle such expenses. Yet, there may be solid reasons to employ a fixed component to a plan. It is important to structure plans to account for firm profitability in some meaningful way. A variable component is often paired with such profitability as it can be built with exclusions in years where the firm experiences flat or negative revenue growth.

Another mistake is in promising too high of a payout with assumptions on productivity that never materialize. It is far more difficult to negotiate down on compensation than up. Yet another mistake is to focus on new business production, leaving advisors with little motivation to service existing clients. (This is where new business payouts are weighted heavier than existing AUM related compensation) The opposite is equally egregious. This is where the compensation is based solely on servicing existing clients, which might be a disincentive to go out and find new clients.

a mistake.

Designing a Compensation Plan (continued from Page 5)

The solution is to create a plan that delicately balances between the new business needs of the firm and the proper servicing of existing clients, and to do so with an affordable program that motivates advisors (employees) to be more productive and engaged in firm goals. Thus, attempting to create a compensation plan without tying it in some meaningful way to the firm's strategic plans is clearly a mistake.

The biggest mistake of all is to assume that a compensation plan can and should be developed in a vacuum, without considering other business aspects that could be affected. As an example, a firm might choose to develop a compensation plan now, leaving the work of developing a business continuity plan (BCP) for later. Yet, the BCP might be constructed with dependencies on elements of the compensation plan or vice versa. Developing both as part of a comprehensive compensation/business continuity plan would avoid costly reworking of either plan at a later time.

In another example, consider the negative impact of developing a compensation plan that covers only a portion of the firm's employees/advisors. In this case, perhaps a firm has decided to implement a new compensation plan for producing advisors/ reps while leaving intact the current compensation arrangements for other types of employees. With bonus plans and/or incentive programs limited to only part of the 'team', the result could be disenchanted other employees who feel alienated by the process.

Which brings us to one final point about the development of compensation plans; they should be a collaborative effort that includes input from all affected members of the firm. You are much more likely to get buy-in from employees if they have at least some say in how this plan is developed.

You may choose to take this journey by yourself or with the help of a third-party consultant. But, ensure that whoever you work with has considerable experience in developing such plans. Paraphrasing the words of Gustave Flaubert, "the devil is in the details."



Efficiency: Tips and Tools

So long, Hotmail. It was nice to know you.

Microsoft unveiled a major update to its consumer mail platform today, with a new look, a slew of new features, and a new name that is surprisingly familiar.

The “modern email” service has been in super stealth mode for several months under the codename NewMail. With its formal launch as an open-to-the-public preview, the service gets a new name: Outlook.com. I’ve been using the NewMail beta for a week now and can share some first impressions here.

Outlook, of course, is the serious, business-focused mail client included with Office. Microsoft used the brand with Outlook Express, its lightweight email client in Windows XP, but dumped the name with the launch of Windows Vista in 2006.

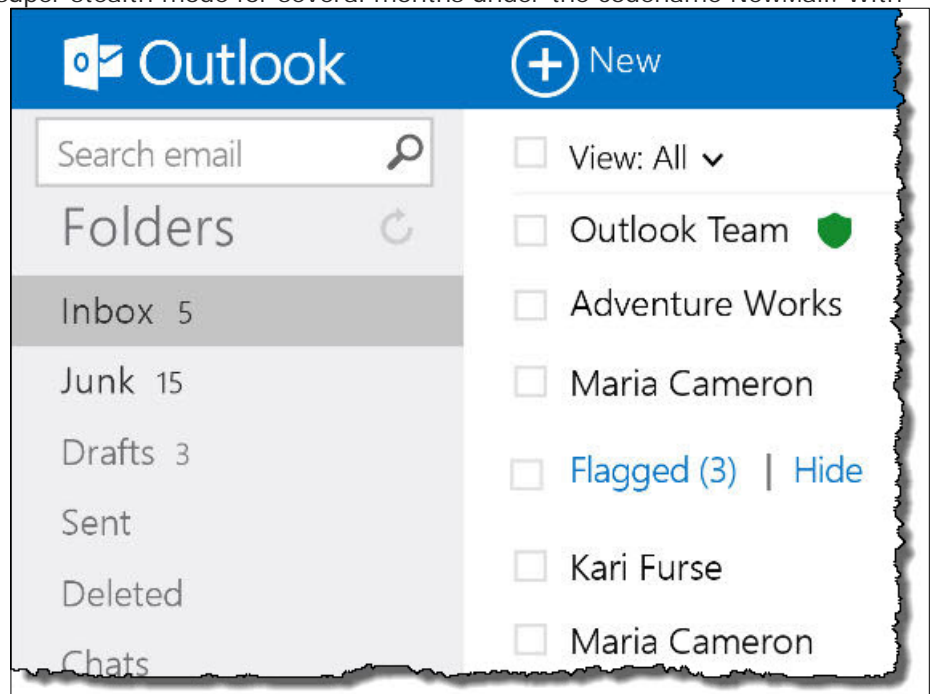
Restoring the Outlook name to Microsoft’s consumer email service accomplishes two goals. First, it dumps the Hotmail brand, which is tarnished beyond redemption, especially among technically sophisticated users who have embraced Google’s Gmail as the default standard for webmail. More importantly, it replaces the Hotmail domain with a fresh top-level domain that’s serious enough for business use.

(If you have an existing Hotmail.com or Live.com address, you can continue to use it with the new Outlook interface. But new addresses in the Outlook.com domain are up for grabs. If you have a common name, I recommend that you get yourself over to Outlook.com now to claim your preferred email address while it’s still available.)

The Outlook.com preview will run alongside Hotmail for now, but when the preview ends, this will be the replacement for all Hotmail and Live Mail users.

With Outlook.com, Microsoft is taking dead aim at Gmail, positioning Google’s flagship service as the old and tired player that is ready for retirement. Gmail, they point out, is eight years old, and its interface and feature set aren’t exactly modern. It doesn’t play well with any social media except its own, it handles attachments in a stodgy and traditional way, and it’s not particularly elegant when it comes to managing the deluge of email we all have to deal with every day.

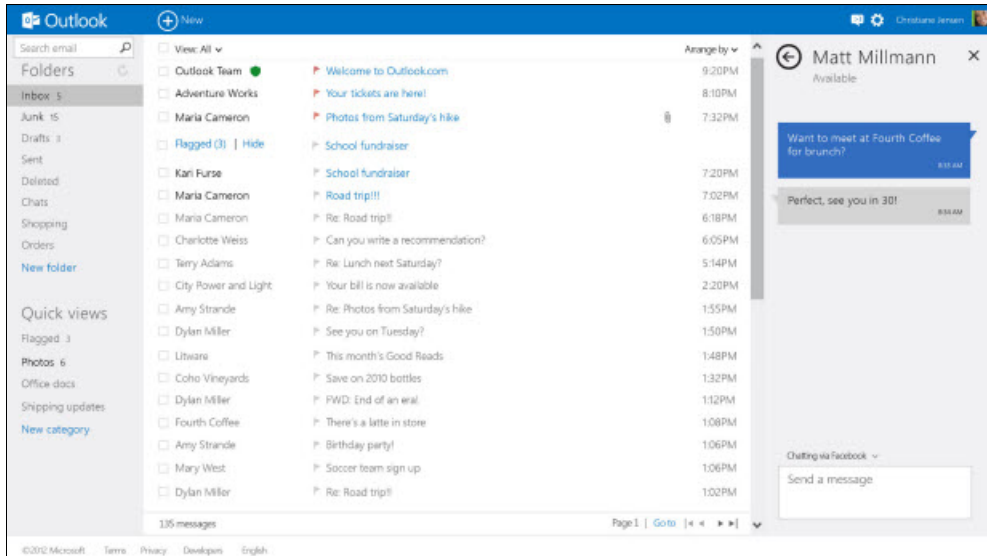
So what’s new about NewMail—sorry, Outlook.com? And why would anyone consider switching from Gmail?



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Efficiency: Tips and Tools (cont'd)

The most obvious change in the web interface, of course, is the overall design, which gets the full Metro treatment.



That three-pane layout follows the familiar Outlook standard, but the typography is definitely new. It's clean and crisp with no wasted ornamentation or clutter. It should come as no surprise that the default organization is optimized for use on touch-enabled devices.

A pane on the right shows different content, depending on the context. If you're communicating with a friend of colleague who's in your address book or connected via a social-media service, you'll see updates about that person on the right side, with the option to chat with them (via Messenger or Facebook chat) in that pane. In a demo, Microsoft showed off Skype integration and said it will be coming later in the preview.

If you've selected no message, the right pane might show ads, which appear in Metro style boxes with text--an image preview appears if you hover over the ad. As part of its positioning against Google, Microsoft has taken pains to note that your messages aren't scanned to provide context-sensitive ads, as they are with Gmail.

This is a pure HTML interface, which means the functionality is consistent across different browsers and on alternative platforms. I tested NewMail on a Mac using Safari and Chrome and in both Firefox and Chrome on several Windows PCs. Everything worked as expected. I also tested the web-based interface in mobile Safari on an iPad, where it also displayed perfectly (after switching from the default mobile layout).

On mobile devices, you'll be able to use native apps. An app for iOS devices should be available immediately. Microsoft promises an Android app "soon" that will enable Exchange ActiveSync support for older Android versions.

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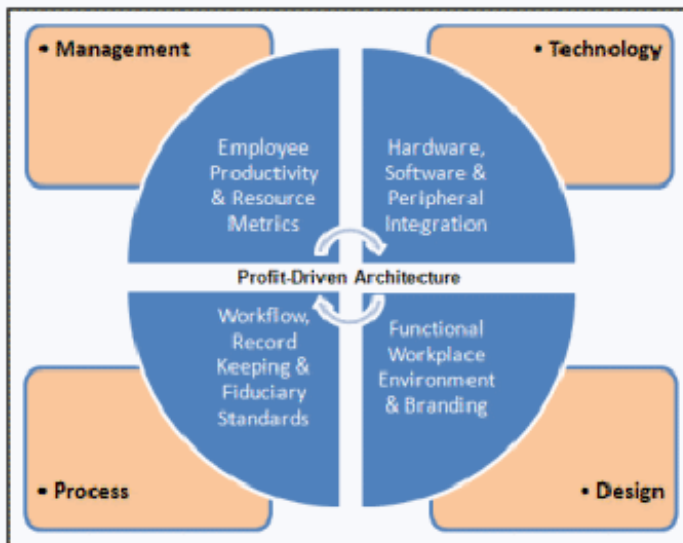
New Gadgets

Archos, a leading developer of android devices, has released their new **Archos 5 Internet Tablet**. It is a pretty amazing device that promises incredible possibilities.

So what makes this new device so special? Several reasons, but the first stand-out is Android. With the many pre-installed application (ranging from documents to twitter,) there is also the AppsLib. The AppsLib is a library of free and paid downloadable apps—and Archos is promising 300–450 apps that are in the pipe-line ready to go. Another amazing feature is an HDMI port. With this addition, you could be watching a movie as you commuting home and once you get there, simply plug the device into your TV and finish watching it. But, paired with the next features makes that port even more amazing. The Archos 5 supports an external keyboard connected either by Bluetooth 2.0 or the USB 2.0 host port. So now, why even take a laptop when you travel? Plug this into your TV and type away on an external keyboard to keep in touch. While it can come with either a 160 or 500 GB HDD, you can also take advantage of that port by plugging in an external hard drive and pretty much have infinite storage. Lastly, one of the best features of all, it features a kickstand on the back, making it so easy to watch movies or type using an external keyboard. There are four models, ranging from \$299—\$429 respectively. www.archos.com.



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