

## A Marketing Guide for RIAs: Part 1 – Pick a Niche

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*This is part one of a ten part series on marketing a new RIA. Read [A Marketing Guide for RIAs](#) for a full overview. To view the installments in this series, select “RIA Marketing Guide” in the left margin.*

As a new Registered Investment Advisors (RIAs), you may find yourself in a difficult marketing position. You need all the business you can get, but you don't have the time or money to market to those prospects with sufficient wealth to meet your minimum fee .

You understand that mass marketing is inefficient, but the notion of narrowing the field of potential clients seems illogical. When every dollar counts, most firms can't conceive of turning away business. In order to survive the first few years, every dollar and every minute must be spent wisely. For this reason, choosing a niche market is essential for the success of a new RIA.

A niche market refers to a specific subset of potential clients that have similar characteristics and needs which are not currently met by the competition. A niche market should be sufficient in size to be profitable, but limited enough that there aren't too many other advisors serving the same market. You may ask yourself, “If defining a niche market is limiting potential business, why should I engage in niche marketing?” The answer is clear: niche marketing dollars will be more wisely spent and produce more effective results than broad marketing.

To fully understand why niche marketing works for a new business, let's look at an example. Let's say you decide to use direct mail to market your business. One person receiving one piece of direct mail will most likely not call your office. One person seeing your direct mail piece a dozen times is much more likely to place a call. To effectively market your business, the same people need to see your same message over and over again.

Using this example, if you were only trying to reach one person 12 times to encourage him or her to call your office and each direct mail piece cost you \$1 (including printing and mailing costs), you would spend \$12 on marketing. That may not seem like much, but let's say you are trying to reach everyone in town who might have money and there are



100,000 people over the age of 25 with a job. You would spend \$1.2 million (100,000 people \* \$12/person) on marketing with no guarantee that any of it is going to lead to a new client.

However, if you clearly define a niche market of clients you want to work with, say couples who have children under the age of 5, you may find 3,000 people matching your criteria, and it would only cost you \$36,000 (3,000 people \* \$12/person). In addition, if you chose a message for your direct mail piece that resonates with the unique needs of your niche market, the response rate increases. So not only are you spending less money and increasing the response rate, you end up with the types of clients you want.

Seems pretty obvious, right?

You can substitute any marketing activity in the example above and take away the same conclusion. Instead of sending direct mail, you could spend dozens of hours and hundreds of dollars a week attending networking events hoping to find someone who will want your services. Or you could spend fewer hours and fewer dollars networking with the exact people you want as clients and spend the rest of your time and money on serving existing clients and building infrastructure.

### Define your niche

To begin defining your niche, think about the type of clients you enjoy working with most. “High net worth individuals” is not an acceptable answer for this exercise. Also, think about the types of people with whom you would be comfortable networking. If you are 22 year-old recent college graduate, choosing the niche market of seniors living in assisted living facilities might not be the best choice. You will be a better marketer if you choose a niche market of people you enjoy spending your time with on a regular basis.

Use the worksheet below to start brainstorming a niche market. You don’t have to fill out every criteria, just the ones that you think are relevant. Feel free to skip around and start with the criteria that are most important to you (e.g., investable assets) and then narrow it down. I have included some examples to help your creative juices flow. If you are still having problems thinking of a niche market, use the worksheet to describe yourself and see which of the characteristics appeal to you in a prospective client. Then work backwards from there.

NICHE MARKET		
Criteria	Example	Your Answer
Age /Generation	Baby Boomers; 30 – 50; Gen. X; 65+	
Gender	Women; Men; Either; Both	
Nationality or Ethnicity	Hispanic; Foreign Born	



	Brazilians in the US	
Geographic Location(s)	Silicon Valley; Midwest	
Marital Status	Single; Married; Widowed; Separated; Divorced; Engaged	
Family Profile	Young Children at Home; Blended Family; Adult Children; Sandwich Family; No Children; Non-Traditional Family	
Household Income	\$100,000 – \$250,000; \$250,000+	
Investable Assets	\$50,000 – \$250,000; \$500,000 – \$2 Million	
Net Worth	\$1 Million – \$5 Million; \$500,000 – \$2 Million	
Financial Needs/Concerns	Save for Children’s College Education; Managing Finances After Divorce or Death of a Spouse; Estate Planning for a Blended Family	
Life Stage/ Recent Milestones	Empty Nester; Blending Families; Divorce; Starting Business; Selling Business; Starting Career; Retiring	
Profession	Physician; Entrepreneur; Professor; Executive; Small Business Owner; Government Employee	
Industry	BioTech, Medical; Education; Defense	
Company/Employer	Verizon; Kaiser Permanente; US Government	
Professional Associations/Memberships	National Association of Women Business Owners; Tech Coast Angels	
Lifestyle/Interests	Volunteering; Community Activist; Foodie; Politics	
Social Activities/Hobbies	Golfing; Spear Fishing; Knitting; Marathons	



Affiliations/Membership in Clubs/Organizations	Yacht Club; Rotary Club	
Personality Traits	Philanthropic; Ambitious; Family Oriented; Delegator	

Once you have listed the different criteria, create a statement that clearly defines a niche that has a unique need that is not being adequately met by the competition. If you choose a niche based solely on investable assets or net worth, you will find you have substantial competition and will find it difficult to differentiate yourself. Therefore be creative and thoughtful during this process. I have provided a box below for you to write down your niche market.

Here are some examples to help you create your own statement:

*Foreign born Brazilians who have established long-term residence in San Diego.*

*Single mothers with home-based businesses in the Midwest.*

*Newly married couples who are blending families with young children from previous marriages.*

*Engineers working for defense contractors in the Southern California region who are within 5 years of retirement.*

**Your niche market**

By choosing a niche, you will be more effective at crafting your message, developing your website, marketing materials, and a networking strategy, and asking for referrals and differentiating yourself from the competition. Narrowing your market will be uncomfortable at first, but the decision will help you spend your time and money more effectively as you build your new business.

In the next installment, I will address how you can craft your message to reach your niche market.



*About Kristen Luke*

*Kristen Luke is the Principal of Wealth Management Marketing, a firm dedicated to providing marketing strategies and support for Registered Investment Advisors. Kristen works with individual advisors and firms to develop effective marketing plans and provides the back office support required to implement the strategies. For more information, visit [www.wealthmanagementmarketing.net](http://www.wealthmanagementmarketing.net).*

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