How Financial Planners Actually Market Their Services (2022)

KITCES.com

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His research and consulting experience covers a broad range of issues affecting financial advisors, including strategic planning, organizational design, compensation, operations, and M&A. For over a decade Dan led the production of the FA Insight Annual Study of Advisory Firms, a leading resource of critical intelligence for financial advisory firms as well as the institutions that serve them.

Dan began his career as a government economist, including several years leading the Bureau of Economic Research in the U.S. Virgin Islands, before overseeing the marketing research function for Russell Investments. Dan holds bachelor's and master's degrees in economics from the University of Washington and is a CFA Institute charter holder.

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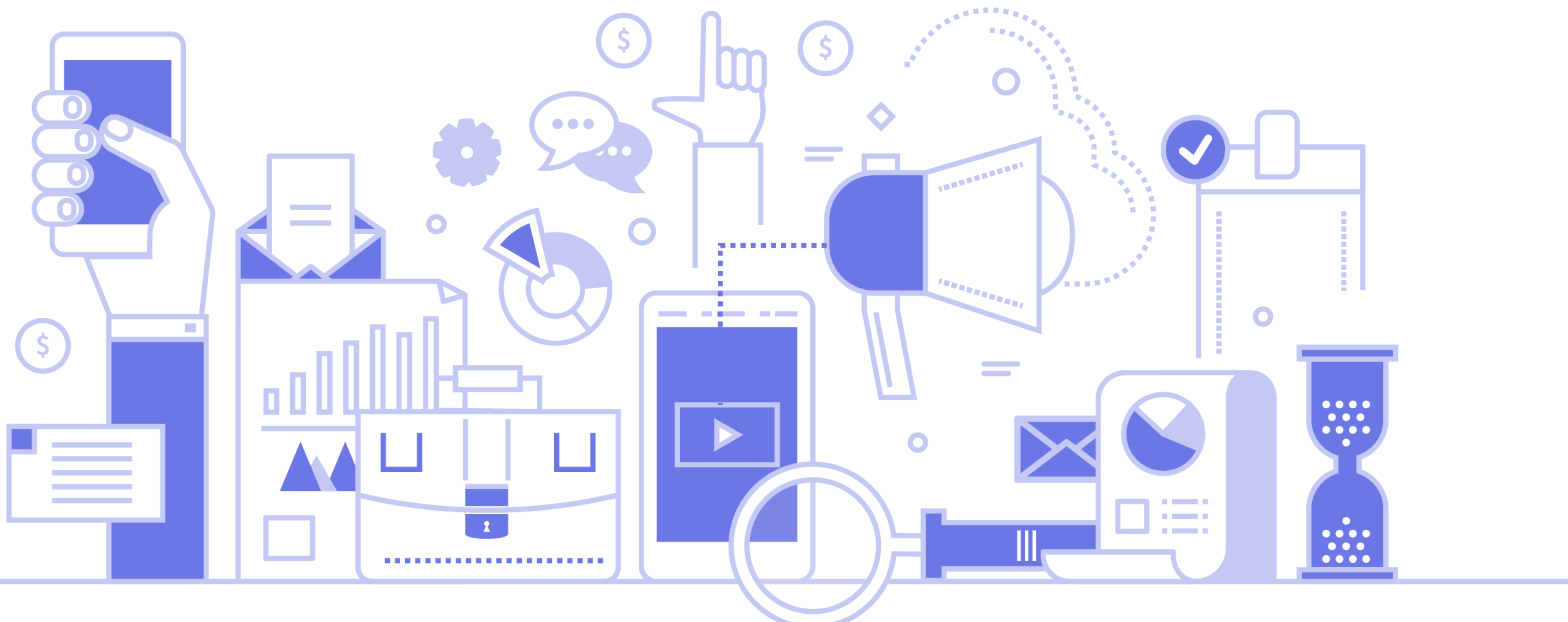
Executive Summary

- On a per client basis, the median client acquisition cost for a financial advisor to get a new client in 2021 was $2,167, of which nearly 70% was the cost of the advisor's time engaging in marketing and sales activities, and only 30% were 'hard-dollar' marketing costs. This cost rises to $4,056 per client amongst advisory firms with more than $250,000 of revenue, as the cost of the advisor's time rises as the practice itself grows.
- When considering the all-in costs of marketing – both time-based and dollar-based – the typical advisory practice spent 7.1% of its 2021 revenue on marketing, rising to 8.8% of revenue amongst the largest (greater-than-$1.5M of revenue) practices, again driven by the rising cost of the advisor's time as the practice grows.
- Across the 25 different advisor marketing tactics in our research, a marketing tactic successfully attracted at least one new client for 55% of practices on average. Success rates vary widely across tactics, however, with a 100% success rate for custodial referral programs ranking highest and client referrals second at 96%, while popular advisor content marketing strategies like blogging and social media struggled with success rates of just 20% and 39%, respectively.
- When tactics were successful, the median first-year revenue per new client attracted was $4,000, showing that most advisory firms seek to attract prospects that at least generate enough revenue to cover their acquisition costs in the first year.
- The typical practice invested $1 in marketing to generate $1.20 in new client revenue, resulting in a marketing efficiency measure of 1.2. However, efficiency tends to be inversely correlated with practice size. Marketing efficiency is 2.5 for practices under $250,000 in revenue, compared to just 0.8 for practices of $1.5 million or more.
- Increasing costs and decreasing efficiency as practices grow is largely a result of relying on tactics that are difficult to scale, either due to the advisor time these tactics require (e.g., referrals and networking) or the finite opportunities certain tactics represent. These results highlight the importance of evolving marketing tactics as the practice grows.
- The most efficient marketing tactics are not always the most popular, suggesting that many advisors may not be fully aware of a tactic's costs and returns. Search Engine Optimziation (SEO), for example, ranked first of all tactics in terms of the highest return in new client revenue versus the cost to implement, yet SEO was deployed by just 29% of practices. Drip marketing, the second-most efficient tactic, was used by only 20% of practices.
- While marketing through client referrals is by far the most widely used marketing tactic – 93% of practices rely on it – referral marketing is also a classic example of a tactic that doesn't scale well. The acquisition cost is low, but this cost is almost exclusively advisor time, a finite resource. Further, there are limitations on the number of times a client will refer before 'the well runs dry'. Consequently, at every practice development stage, high-growth practices are far less reliant on client referrals than other practices.
- Sustaining growth across the development cycle of a practice requires, in particular, shifting toward hard dollar-based tactics and away from those that are time-intensive. Drip marketing, online lead generation listings, and search engine optimization are good examples of efficient dollar-based tactics that scale well.
- The COVID-19 pandemic had a substantial impact on advisor marketing, causing a very measurable decrease in in-person tactics since our last 2019 study and a concomitant rise in more digitally-based tactics. While usage of client appreciation events fell from 36% to just 17% of advisors, and seminar marketing dropped from 26% to 15%, webinar usage was up from 8% to 22% and online advisor listings for lead generation rose from 11% to 26%. Other tactics like search engine optimization (SEO) were already on the rise, and appear set to continue, with adoption increasing from 22% to 29% of firms (and 42% indicating that they plan to increase SEO efforts in the future).
- Relative to their peers, high-growth practices achieved two to six time greater annual revenue growth depending upon the development stage. Their ability to out-perform is a function of both the marketing tactics they deploy as well as a more assertive and deliberate approach to marketing overall.

- Across the five stages of practice development, high-growth practices are typically twice as likely to have a structured marketing approach, including a point person with designated marketing accountability, a routine planning process, and an ability to track marketing time and expenses. Across nearly every development stage, high-growth practices spend more on marketing in terms of expenses as a share of revenue.
- The typical practice appears to struggle with most content-based tactics. These include, blogging, videos, and podcasting, and their social media and drip marketing distribution channels. High-growth practices, however, are disproportionately investing into such tactics, ostensibly to scale their growth past the time-based limitations of their founders' original business development approach.
- In addition, high-growth practices are significantly more likely to have a niche or otherwise have a clearly identified target clientele that they serve (and hone their marketing messaging towards), especially in their earlier development stages. As a result of their aggregate investments and focus on marketing, the typical high-growth smaller practice is nearly twice as likely to be niche-focused as others (45% vs 23%, respectively). As they scale their marketing up, larger high-growth practices are more than twice as efficient in their marketing spending than all other practices (marketing efficiency of 1.2 vs 0.5, respectively).
- While settling on the right marketing approach is not a 'one-size-fits-all' solution for advisors, Kitces Research has identified a general framework shared by the most effective advisor marketers. Its characteristics include:
  - A willingness to proactively invest in marketing, including putting in place processes that track results to ensure efficient marketing spending.
  - An awareness of the cost and efficiency of marketing tactics deployed by the practice, including recognition of the time investment that each tactic requires.
  - Most importantly, a focus on scalable hard dollar-based tactics that can scale with the advisory practice as it increases in size. Being capitalized largely in terms of hard dollars, these tactics appear expensive initially but will pay off with much greater marketing efficiency over time.



Introduction

Why *More Effective* Marketing Matters

Client referrals are by far the far the most popular growth strategy for financial advisors. Over 90% of practices acquired a client through a referral in 2021. For the typical practice, nearly half of all new clients came through a client referral.

These results hardly suggest soliciting client referrals is a best practice, however. The reality is that few practices hold out referrals as a deliberate strategy. Just 20% of advisory practices report that they pursue client referrals proactively and only 10% describe their referral process as well-defined. In sum, dependency on client referrals is a largely passive response to marketing. Put another way, passive referrals are all that's left when advisors don't invest meaningfully into other marketing strategies.

It is not a coincidence that the fastest-growing practices are the least likely to rely on client referrals to fuel their growth. For practices ranking among the top third in new client revenue growth over 2021, referrals typically accounted for less than half the new revenue share than what referrals made up at slower-growing practices. Other, more scalable marketing tactics, take the lead for faster-growing firms.

Still, despite the drawbacks, client referrals dominate advisor marketing because they are perceived as an easy and low-cost way for a practice to grow. It is true that the tactic requires little in the way of hard dollar direct cash outlays to implement. Often overlooked, however, is the time that advisors commit to identifying and converting client referrals. Especially relevant is when advisors have to meet with client-referred prospects who aren't actually a good fit. This time is a commodity that becomes increasingly scarce and expensive as a practice grows.

Historically, financial advisors have primarily marketed using time-based tactics. In addition to client referrals, these included cold-calling, cold-knocking, and general networking. All these time-based tactics are fundamentally limited by a finite resource – the advisor's time. They may be great tactics when advisors start out with few or no clients (yet), and lots of available time. However, challenges arise with time-based marketing tactics as the practice tries to grow and scale.

The lack of scalability for these traditional (largely time-based) organic growth tactics has helped to fuel an explosion of inorganic growth. Not surprisingly, mergers and acquisitions are especially prevalent with larger and older practices, who have tapped out on their ability to cost-effectively grow through time-based means. Their founders have hit capacity and client referral networks have gone dry. In fact, of practices 20 years or older, one in five initiated a transaction in 2021 (and more are likely considering M&A but simply didn't manage to consummate a transaction).

The irony, though, is that Kitces Research has identified multiple organic marketing tactics that yield a payoff greater than M&A in terms of revenue versus acquisition cost. The distinction is that they are not time-based marketing tactics. They are tactics that require a meaningful investment in marketing itself. They are 'dollar-based' tactics, which most advisory firms have not historically engaged with. In the past, the typical advisor was only ever trained in time-based marketing tactics.

However, when evaluated through a scalability lens, our research shows that these 'hard dollar' marketing tactics can yield more efficient results than advisor time is capable of. Dollar-based tactics are scalable in the sense that the advisor has a flexible choice to invest more hard dollars in order to generate more client growth; it becomes a dial that the firm can choose to turn up or down to its desired growth level. In contrast, time-based tactics are constrained by the fact that once advisors reach capacity, they have no more time to commit to them and can't simply 'double the time' to double the growth. Growth then stalls at this point.

Advisors that better understand the true acquisition costs for various marketing tactics will be better positioned for more effective marketing. This includes knowing which tactics are more cost-effective and which generate a better return on marketing investment – whether an investment of time or hard dollars. This also includes an awareness of which tactics are more scalable, and when to shift to more scalable tactics as the practice grows.

Armed with that understanding, advisors can chart a shift toward tactics that better scale with the growth of the firm. Making this shift not only realizes more cost-effective and sustainable growth, but also creates new and more flexible career tracks for advisors who no longer need to commit more of their time to attract more clients.

Objectives For Researching Advisor Marketing

This Kitces Research effort was designed with the express purpose of understanding 'what really works' when it comes to advisor marketing. In turn, we aim to help advisors become better marketers by sharing this knowledge of the effectiveness of various marketing tactics (and the appropriate circumstance for when they should be applied).

Foremost among our objectives is to help advisors more clearly see practice growth from a 'Client Acquisition Cost' (CAC) perspective. This includes quantifying how much (in terms of both hard and soft dollars) advisors are spending on marketing to acquire each incremental new client. This leads to greater awareness of what constitutes the true return on the cost of marketing investments and an improved ability to gauge marketing cost-effectiveness, especially considering the investment of advisor time.

Individual marketing tactics are evaluated from a cost and efficiency standpoint as well. Coverage of these tactics also includes how their effectiveness may vary according to the development stage or growth strategy of the practice.

Lastly, we revisit the findings of our initial marketing white paper released in 2019, "How Financial Planners Actually Market Their Services". This includes identifying what has changed in the three years since COVID-19 came about and confirming what has remained the same.

Survey Participants And Methodology

This report builds off of a foundation of data collected online from April 18th through May 20th of 2022 via the Kitces.com platform. Participation in the Kitces Research survey was promoted through articles on the Nerd's Eye View blog, as well as via email and social media. Over 1,000 advisory practices responded to the 79-question survey. While the focus of the survey was advisor marketing spending and results during the 2021 calendar year, questions also covered general characteristics of the respondent's advisory practice and advisor demographics.

In total, there were 457 usable responses. To be included in the study, respondents were required to represent a business that provided financial advice or implemented investment products. In addition, the practice had to have been established in 2020 or earlier and actually served clients and earned revenue in 2021.

Given that the survey drew from Kitces.com readers, it is important to recognize that this group is somewhat unique as a sample of the broader financial advisor community. The readership is generally more advice-centric and planning-centric relative to the broader industry that still has more of a product-sales tilt. This matters because results by the very nature of those sampled may not be fully generalizable and representative of all those who call themselves 'financial advisors'. Conversely, the results should be especially meaningful to 'financial advicers' – those that are in the business of delivering financial advice (not products) to clients, and getting paid for financial (planning) advice itself.

Different from past Kitces Research studies, the focus of this current study is at the practice level, as opposed to individual advisors (though obviously, for solo advisors, the individual advisor still *is* the practice). We focused on practices in recognition that marketing is more of a practice-wide consideration than it is a function of unique decisions carried out by individual advisors within a practice. 'Practice' is defined as any entity for which there is a common business vision, budget, client base, and service standard (see text box for a more detailed definition).

Defining A "Practice":

Any entity for which there is a common business vision, budget, client base, and service standard. Resources and profits are pooled. A practice could be an entire firm or an individual or team affiliated with a larger firm. Affiliations, for example, could include a broker-dealer, an independent RIA, or a platform service provider. Study participants represented their practices as either a firm, team, silo or solo but no combination of these.

Across respondents, the median practice age was 13, with years in business ranging from 1 to well over 20. In terms of practice size, the typical respondent represented 3 full-time employees handling about $600,000 in revenue. Their business channel was over-whelmingly RIA (57%) or Hybrid (28%), with most revenue coming from AUM fees (74%). For most practices (68%) the typical client served was age 55 or older. Their client size was most often in the 'mass affluent' segment ($500,000–$1 million in investable assets). Most practices (78%) did not have an established niche, and about two-thirds had no routine marketing planning process. Just over half of practices (51%) had a designated team member accountable for marketing.

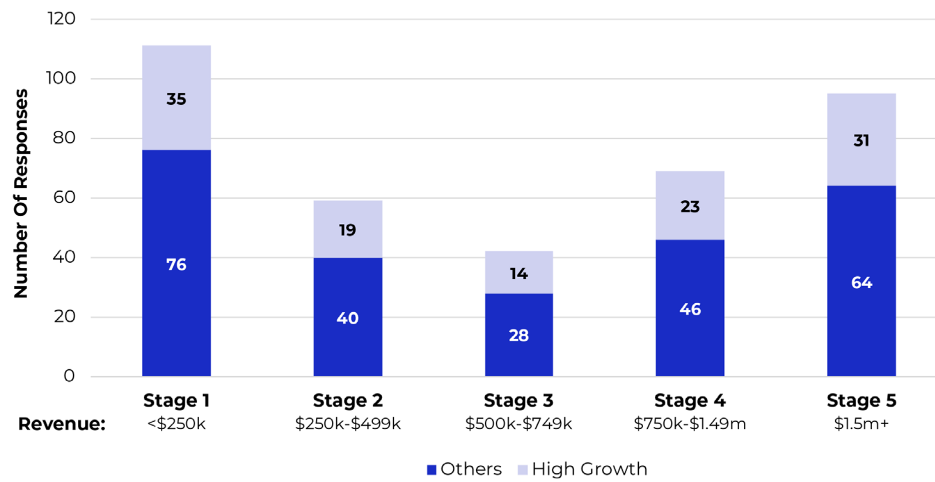
Key Study Terminology

This report frequently uses a number of terms and metrics that help to improve the understanding of financial advisory marketing. A complete listing defining these key terms may be found in the glossary at the back of this report.

In addition to 'practice', included among them are references to various development stages, and the 'high-growth practices' within them. So that we could better understand and illustrate how marketing evolves as a practice grows, our report frequently looks at survey respondents according to their revenue range or development stage, with Stage 1 being the smallest practices in terms of annual revenue and Stage 5 being the largest. Each of the five stages are further distinguished based on annual revenue growth, with high-growth practices ranking among the top third in each stage.

Figure 1 illustrates these divisions, including the number of responses in each stage, and the allocation of high-growth practices within each stage. Parsing the data in this way reveals another layer of insight in terms of what marketing approaches are most rele-vant at each development stage for the practice that is eager to grow.

Figure 1. Distribution Of Responses By 2021 Revenue And Revenue Growth



Current State – Overview Of Advisor Marketing Effectiveness

How effective are financial advisors in marketing? How can advisors gauge their own effectiveness? Our research takes a primarily quantitative approach to these questions. In particular, the focus is on marketing-related costs and their associated returns as measured in terms of new clients and new revenue. Simply put, the greater the return from your marketing investment, the more effective your marketing.

Marketing Effort

To best manage the task of measuring marketing cost, boundaries must be set regarding what will constitute marketing and a marketing cost.

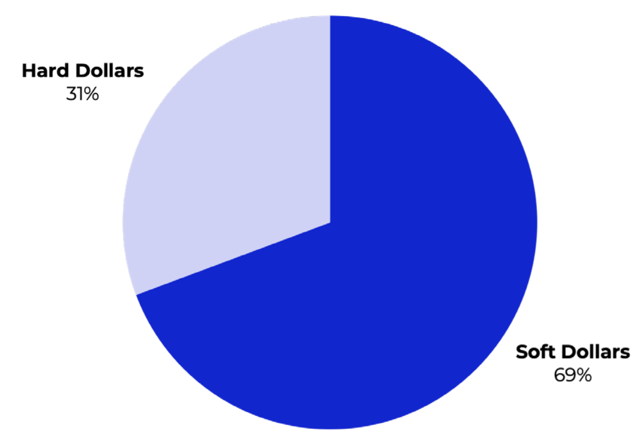
In the strictest sense, marketing relates to building a brand around your practice and raising awareness of this brand with potential clients. A broader context for marketing extends to include sales-oriented activities that more directly promote lead generation and ultimately prospect conversion. For the purposes of this paper, we ascribe to this broader context, covering activity that extends toward brand-building, lead-generating marketing, and sales conversion efforts.

Costs, as detailed in our methodology statement, include both hard dollar expenditures and 'soft dollars' – the estimated value of time that lead advisors and dedicated marketers spend on a particular marketing activity. While the data collected provides a solid representation of the bulk of marketing costs, still our methodology likely results in a slight underestimate of the full marketing commitment of a practice.

To make the survey simpler for respondents, we did not attempt to estimate the value of staff time devoted to marketing beyond only a few select roles. These included lead advisors with business development responsibility, and any other team member in a dedicated marketing role. Further, survey respondents were only asked to report expenditures made in the past year. While this could include one-time outlays such as development of a new seminar series, it would not include the amortization of such an outlay if made in previous years. Also omitted are *ongoing* costs related to any revenue share agreements or other referral payments for clients recruited or referred to the practice in past years from a solicitor or referral program.

Based on this definition, median practice hard-dollar marketing expenditures were $12,000 in 2021, or 2.0% of total revenues, while total marketing expenditures were $26,500 in 2021, or 7.1% of revenues. The total revenue share of marketing expenses will likely seem high to advisors that view marketing expenses in terms of only hard dollars. Yet while the most visible cost aspects are typically the actual cash outlays made to marketing-related vendors, solicitors, and other service providers, the often-overlooked time-based marketing contributions of the practice team and particularly of the advisor matter, too.

Figure 2. Marketing Costs – Hard Vs Soft Dollars

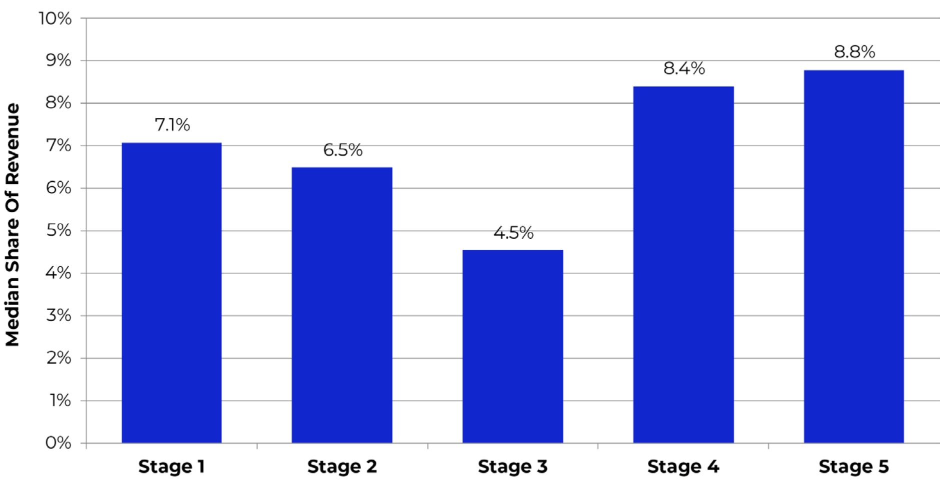


In fact, failing to account for the 'soft dollar' costs of an advisor's time can give rise to a false sense of marketing confidence. Our research shows that almost 70% of marketing expenditures are soft dollars, with nearly all soft dollar expenses being advisor time (Figure 2). Considering only hard dollars underestimates the marketing effort of a practice and overstates its return.

Marketing Spend Evolves With Practice Growth

Marketing spending can vary widely according to the type of practice and its growth strategy. Among the most fundamental differences, however, are changes that occur as a practice grows in terms of annual revenue (Figure 3). As shown, proportionate marketing costs initially dip as annual revenue increases before costs turn upward for the largest practices.

Figure 3. Revenue Share Of Marketing Cost By Practice Size

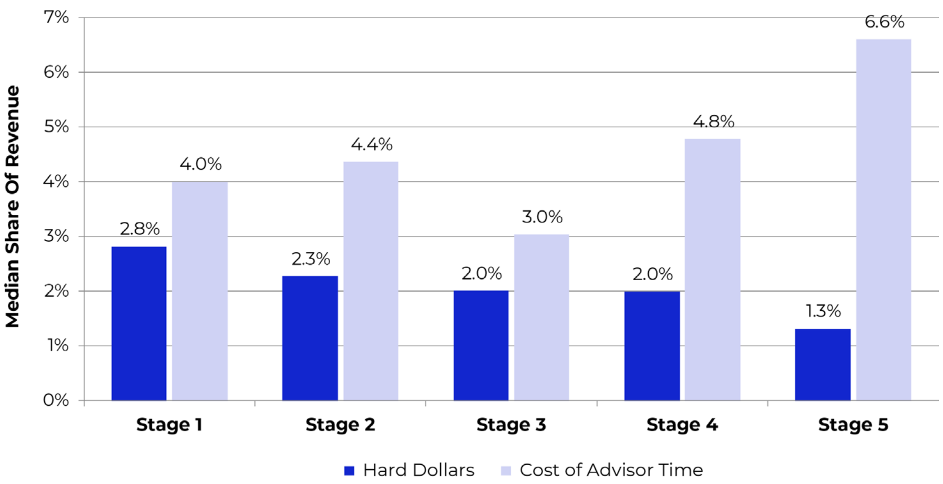


At 7.1% of revenue, median costs for Stage 1 practices are high relative to the stages that immediately follow. This holds despite a fairly low investment of advisor time as we detail ahead. Driving the higher marketing expense share amongst the smallest practices is simply that most are just starting out. They are investing more heavily in marketing to make their presence known in the marketplace, with much of the initial marketing needs of the practice requiring hard dollar outlays. This might include, for example, developing marketing collateral, setting up a website, or paying for a listing in an advisor directory.

Total marketing spend declines to just 4.5% for the typical Stage 3 practice as they become more established, and advisors reach a critical mass for generating a healthy volume of referrals from their ample base of clients. Spending jumps dramatically with further practice growth, however. Median marketing costs for Stage 5 practices, at 8.8% of revenue, are nearly double those at Stage 3.

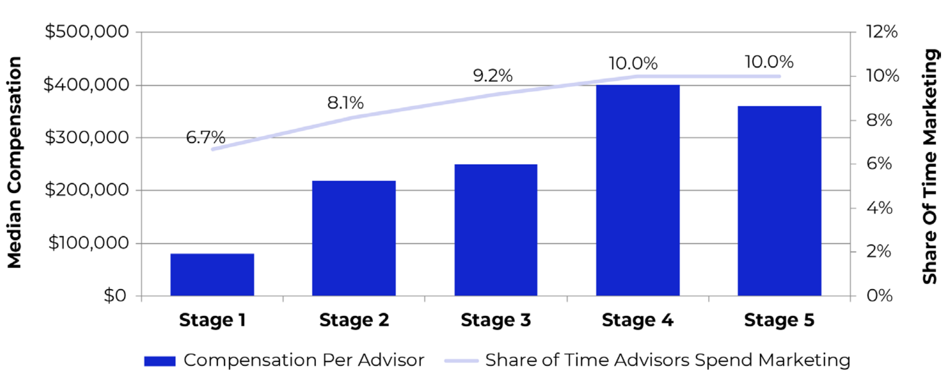
Why the very notable increase for the largest practices? As illustrated in Figure 4, marketing hard dollars as a share of revenue drops consistently as a practice increases in size and gains some marketing economies of scale. In contrast, the total cost of advisor time invested in marketing goes largely in the opposite direction, increasing at a rate that more than counters the decrease in hard dollar spending. This occurs as existing client referral networks become tapped out and founding advisors turn back to more time-based marketing tactics. Advisor time devoted to marketing is 4.0% of revenues for the typical Stage 1 practice compared to 6.6% at Stage 5.

Figure 4. Hard Dollars And Advisor Time By Practice Size



The total cost of advisor time is a function of the number of hours advisors devote to marketing, in combination with their hourly rate. Both these variables serve to drive higher marketing costs for larger practices. Typical compensation for a Stage 1 lead advisor is $80,000, compared to $360,000 for a Stage 5 advisor (Figure 5). (Note that compensation actually peaks at Stage 4. This may be due to lower-cost employee-advisors becoming more prevalent beyond $1.5 million in revenue.) The pay gap mainly results from different demands on advisor capacity. For the Stage 1 advisor, often just starting out and under capacity, time is less scarce and less costly as a consequence – without much yet in the way of clients or revenue, there simply isn't as much of an opportunity cost to the new advisor's time.

Figure 5. Advisor Pay And Time Spent Marketing By Practice Size



Economics dictate that as one factor of production grows more costly, it is often replaced by a less costly one. Marketing for a large advisory practice is clearly an exception to this rule. Despite the increasing cost of advisor compensation, typical large practice advisors devote more time, not less, to marketing relative to their smaller practice peers. Stage 1 advisors spend a median of 6.7% of their time on marketing, while for those beyond Stage 3, this share of time jumps to 10% (Figure 5). As explored ahead, this tendency for advisors to devote an increasingly greater share of their time to marketing as their practices grow – even as their time becomes more expensive due to the higher opportunity cost of being a higher-income advisor – has very real consequences for the cost of acquiring clients.

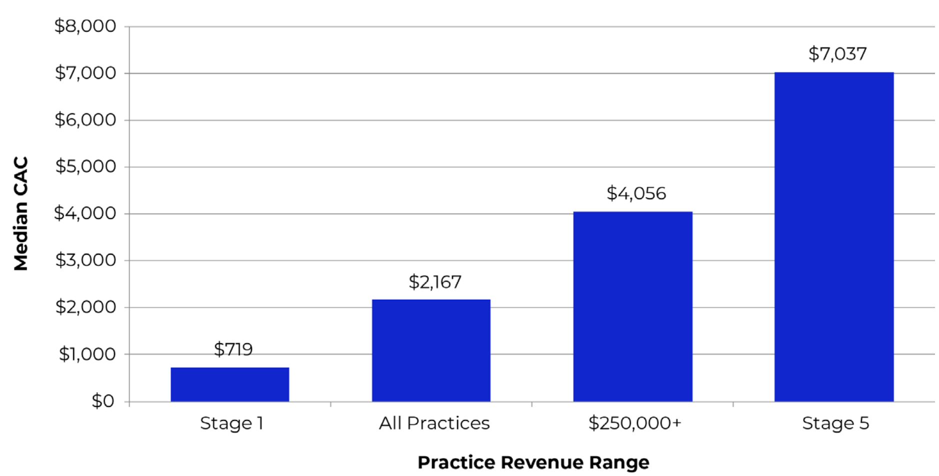
Practice-Wide CAC

What do marketing costs say about the ability of a practice to attract new clients? Dividing marketing costs into the number of new clients attracted to the practice in a given year yields the client acquisition cost (or CAC). CAC is not only a key measure for evaluating effectiveness of specific marketing tactics, but it is also an insightful indicator for how well marketing is implemented across the practice.

In 2021, client acquisition cost practice-wide for financial advisors was $2,167. This is about two-thirds the average acquisition cost of $3,119 estimated by Kitces Research in 2019. Methodological revisions could be behind some of this reduction (in particular, that we determined the implied cost of advisor time using the advisor's compensation instead of the advisor's revenue responsibility), but changes in the composition of marketing tactics that advisors deploy is also a likely driver. As detailed further ahead, COVID-19 forced practices to pull back on their use of (relatively time-costly) in-person events and replace them with lower-cost remote tactics. For example, webinar usage spiked dramatically as the number of practices holding client appreciation events and webinars plummeted.

Like marketing costs as a share of revenue, cost per client also tends to increase with practice size. At $719, Stage 1 practices have a particularly low CAC despite their proportionately greater hard dollar spending. This is largely due to the much lower hourly cost of advisor time at Stage 1. The typical CAC for practices beyond $250,000, at $4,056, was about five times greater than the Stage 1 practice. At Stage 5, with comparable spending at $7,037, the CAC is nearly 10 times greater (Figure 6).

Figure 6. Client Acquisition Cost By Practice Size



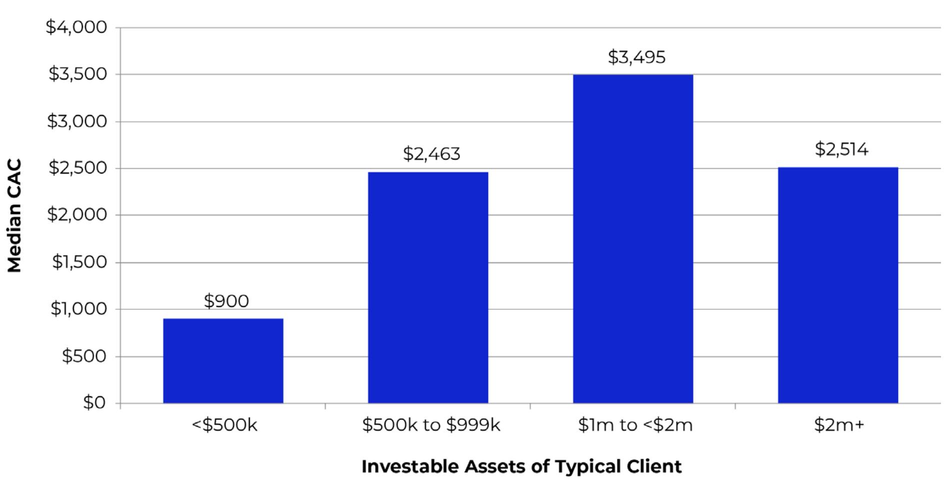
As noted, devoting more and higher cost advisor time to marketing contributes to higher acquisition costs for larger practices. Advisors are spending more time on marketing as the practice grows in size, while the value of each unit of time committed also increases as their income rises. Yet as the results show, the large-practice advisors are not producing a commensurate increase in the number of clients generated through their (higher-cost) time, despite their typically greater levels of marketing experience.

However, the behavior of large practice advisors seems less counterintuitive considering the types of clients they attract. As a practice increases in size, the affluence of the client served commonly increases as well. Median investable assets for a Stage 5 practice are $1.3 million, for example, compared to $500,000 for a Stage 1 practice. Given the revenue and profit potential, it's worth making a bigger marketing investment to attract a larger client. Investing more is also more of a necessity at that point in light of the more competitive market for those larger clients.

While client differences help partially explain the higher CACs for bigger practices, they also highlight an important adjustment that advisors should be making as their practices evolve – limiting, and not expanding, the marketing role of the advisor. Advisor hours are a finite resource; continually allocating more of them to marketing isn't sustainable, especially as the cost of those hours rises. The solution lies in making greater use of hard dollars or delegating more marketing work to support roles on the team. Achieving this most likely means a move away from marketing tactics that require advisors to make an extensive input of their time, which literally gets much more expensive as their practices grow.

Up to a point, CAC does grow with the size of client a practice typically serves. For practices serving clients beyond $2m in investable assets, however, CAC peaks at $3,495 when a practice serves a typical client in the range $1m to $2m. For those practices focusing on clients beyond $2m in investable assets, median CAC drops 40% to $2,514 (Figure 7).

Figure 7. Client Acquisition Cost By Client Affluence



These results – that client acquisition costs rise as client affluence rises, only to fall off when reaching $2m households – may seem counterintuitive, but in practice appears to be a combination of different marketing tactics combined with different staff resources amongst the firms pursuing such clients.

One contributor to the decrease is a lower cost for advisor time devoted to marketing for the largest clients. While the share of time advisors devote to marketing remains the same (10%), the hourly cost for advisors marketing to large clients drops 15%. The lower rate looks suspect initially, but practices serving these larger clients have a greater tendency to have lower-cost employee-advisors as part of their teams. In other words, as some practices scale up (to the point that they can attract $2m+ client households), marketing roles begin to shift away from high-cost founders to more scalable staff resources, resulting in a lower client acquisition cost.

Additionally, at least some practices maintaining a $2m+ clientele appear to simply be more complacent, or at least more satisfied, with the growth they've achieved. They have already done the 'hard lifting' to achieve success building a healthy base of profitable clientele and now have a reduced appetite for substantially investing in further growth. Our findings support this. Compared to practices with smaller clients, those serving the $2m+ client are 6 years older in median age, and twice as likely to self-describe as mature. Given this, they are not likely to be investing as heavily in growth (if at all) and are only adding such high-net-worth clients through passive low-cost referrals). As a result, the firms attracting $2m+ client households were, in terms of new client organic revenue, actually growing at a rate one-third slower than other practices over the past year.

Marketing Efficiency

As demonstrated, better knowledge of general marketing costs and the forces that drive them yields useful insight for advisors plotting their own unique marketing strategies. Costs, however, offer an incomplete picture of the extent to which a practice is achieving marketing effectiveness. Whether a practice with a $700 CAC is doing a better job at marketing than one that expends $7,000 really can't be gauged without knowing the return on these respective investments.

To assess marketing return, Kitces Research relies on new revenue attracted to the practice from new clients over the past year. The metric is relatively easy for respondents to report. Similar to our cost calculations, however, the methodology is not entirely inclusive, omitting some of the 'harder to quantify' benefits of marketing.

Important to remember is that first-year client revenue represents just a fraction of the typical lifetime value of a new client. The positive impact of some marketing expenditures – the cost of publishing a book, for example – may not fully kick in until years after the expenditure occurred.

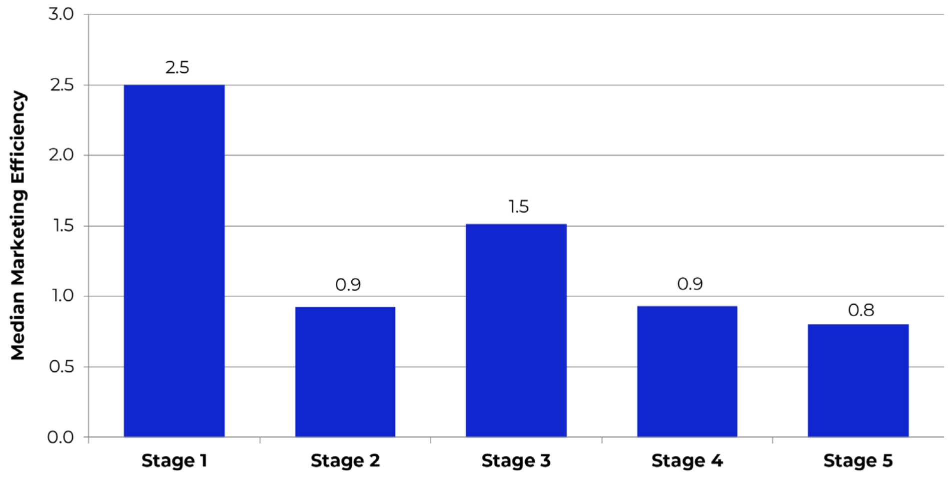
In addition, many marketing initiatives (client appreciation events are an obvious example) protect or bring in additional revenue from existing clients of the practice on top of any effect these efforts would have on attracting new clients. Further, marketing may also provide less tangible benefits, such as establishing a brand or raising awareness of the practice, thereby laying a foundation for attracting new revenue farther into the future.

Despite our conservative methodology, median practice-wide revenue per new client in 2021 was $4,000. As a result, median efficiency, measured in terms of the ratio of dollars spent on marketing versus new revenue attracted to the firm from that marketing spend, was 1.2. In other words, the typical practice spent $1 on marketing to attract $1.20 in new client revenue.

Our concept of efficiency, by combining the costs of acquisition with new revenue gained, yields a useful return measure that recognizes and accounts for variances in client quality as well as variances in CAC. A $7,000 acquisition cost to attract one new client representing $7,000 in first-year revenue, for example, is just as efficient as $700 marketing effort that attracts $700 in new client revenue.

Across the practice development spectrum, though, efficiency tends to decline as the size of the practice increases. While the typical Stage 1 practice achieved a 2.5, efficiency drops to a median of 0.8 for Stage 5 practices (Figure 8). Small practice efficiency is consistent with a lower investment of advisor time at a lower cost per unit of time. The fact that larger practices see declining efficiency suggests again there is not enough of a commensurate increase in the revenue associated with their new clients to make up for the rising costs of marketing to them.

Figure 8. Marketing Efficiency By Practice Size



Smaller practices may also enjoy marketing efficiency simply due to playing in less competitive segments of the marketplace for advisory clients. Tending to serve smaller clients, they have the benefit of a larger market to draw from, which eases the burden of attracting clients. As a result, a dollar of marketing effort directed toward a low-asset prospect, all things equal, is likely to attract a greater amount of new client revenue than a marketing dollar that targets a high-asset prospect. These small practice advantages appear to outweigh the benefits that larger practices tend to have in terms of a longer business history and greater experience in marketing to clients.

The sheer volume of higher acquisition costs for larger advisory firms – such that they struggle just to increase revenue per new client enough to maintain a marketing efficiency above 1.0 – also helps to explain why more established advisory firms tend to increase their client minimums. The lack of scalability in their marketing – as reflected in higher CACs – may necessitate it.

Talking Tactics

As noted, general characteristics across the practice, including size, clients targeted, and the compensation level and marketing involvement of the advisor, play prominent roles in determining marketing return or effectiveness. In the same way that security selection and asset allocation affect the returns on an investment portfolio, the mix of marketing tactics deployed by a practice can have an even greater influence.

Across 25 different marketing-related tactics, survey respondents reported on their use of each tactic and its effectiveness in attracting new clients and revenue. For additional perspective, respondents also answered similar questions, if applicable, related to implementing a merger or acquisition.

From the collected data, Kitces Research compiled a host of metrics on each surveyed tactic. In combination, these metrics form a rich resource for helping advisors evaluate which marketing tactics might be most appropriate for their practice to emphasize. These metrics, also noted in the appendix ahead, are summarized in Figure 9.

Shared in Figure 10 is a comprehensive listing of how each tactic fares according to these key evaluation metrics. Note due to an insufficient

Figure 9. Key Metrics For Evaluating Marketing Tactics

Metric	Description
Usage Rate	Share of practices that make use of a particular tactic
Advisor Satisfaction	A 1-10 scale, with “10” representing highest satisfaction with a particular tactic
Success Rate	Share of practices that landed at least one new client with the tactic
Revenue Per Client	New client revenue attributable to the tactic divided by the number of clients joining the practice as a result of the tactic
Client Acquisition Cost	Expenditures on the tactic divided by the number of clients joining the practice as a result of the tactic
Efficiency	New client revenue attributable to the tactic divided by expenditures on the tactic

Figure 10. Summarizing Marketing Tactics By Select Metrics

Tactic	Usage	Average Satisfaction	Success Rate	Revenue Per New Client	Aggregate Average CAC	Aggregate Average Efficiency
Client Referrals	93%	7.5	96%	$5,000	$3,334	2.2
Centers Of Influence	60%	6.0	90%	$5,000	$3,361	1.7
Social Media	41%	3.4	39%	$2,000	$4,152	0.6
General Networking	36%	5.1	78%	$5,000	$5,603	0.6
Search Engine Optimization	29%	4.5	57%	$5,000	$1,271	2.7
Blogging^	28%	3.9	20%	$6,000	$53,612	0.1
Online Advisor Listings	26%	5.3	79%	$3,974	$3,403	0.9
Webinars^	22%	4.1	56%	$7,750	$7,585	1.2
Drip Marketing^	20%	4.5	51%	$4,667	$3,830	2.3
Videos^	19%	4.0	27%	$5,000	$28,759	0.2
Online Advertising^	17%	3.9	41%	$7,500	$4,926	1.3
Client Appreciation Events^	17%	4.8	52%	$10,000	*	*
Seminars^	15%	5.3	68%	$6,667	$19,977	0.7
Sponsorships	12%	3.2	28%	*	$6,728	1.3
Podcasts^	12%	4.3	39%	$5,000	$13,858	0.7
Direct Mail or Email Solicitation^	9%	3.1	58%	$5,800	$12,549	0.2
Print Media Advertising	9%	2.9	18%	*	*	*
Third-Party Solicitors^	7%	4.7	85%	$3,375	$5,091	0.8
Writing A Book^	4%	4.9	25%	*	*	*
Hosted Ratio Show^	4%	5.0	*	*	*	*
Custodial Refers^	4%	6.5	100%	$6,900	*	*
Radio Commercials^	3%	2.9	*	*	*	*
Purchased Lists^	2%	1.4	*	*	*	*
Telemarketing	2%	3.7	*	*	*	*
Television Commercials	1%	*	*	*	*	*
All Tactics	**-**	**4.4**	**55%**	**$4,000**	**$5,887**	**0.9**

**Less than 5 responses*
^Five to nine responses for one or more of the displayed metrics

sample size of fewer than 5 respondents, not all measures could be provided for all tactics. In other instances, samples were in the range of 5–9 respondents. These tactics are noted, and their results should be interpreted more cautiously due to the limited sample size.While the tactics according to each specific metric are covered ahead in more detail, a few observations from Figure 10 are immediately noteworthy. First, pursuing new clients through client referrals and centers of influence are by far the two most dominant tactics in terms of usage. Growing in usage since the breakout of the pandemic, webinars are not only used more frequently than seminars, they are producing much better marketing efficiency (at least in 2021 as the pandemic still ebbed and flowed). Significantly, however, the success rate for webinars is lower, suggesting that advisors are still figuring out how to best deploy this tactic.

Search engine optimization, requiring a very low investment in advisor time, has the highest marketing efficiency, followed by referrals and drip marketing. Tactics that are more time-based struggle to break 1.0 efficiency, including social media, networking, blogging, videos, seminars, and podcasts. Lastly, it is notable that some tactics have extremely low success rates – particularly social media, blogging, and video – and are also very time-intensive. As a result, advisors not only struggle to generate results from them, but end up with *especially* poor client acquisition costs.

Clearly, choosing the right marketing tactics is far from straightforward – each tactic has its own advantages but also disadvantages. Compounding the decision-making challenges, an advisor also must determine the right number of tactics the practice will need to market most effectively.

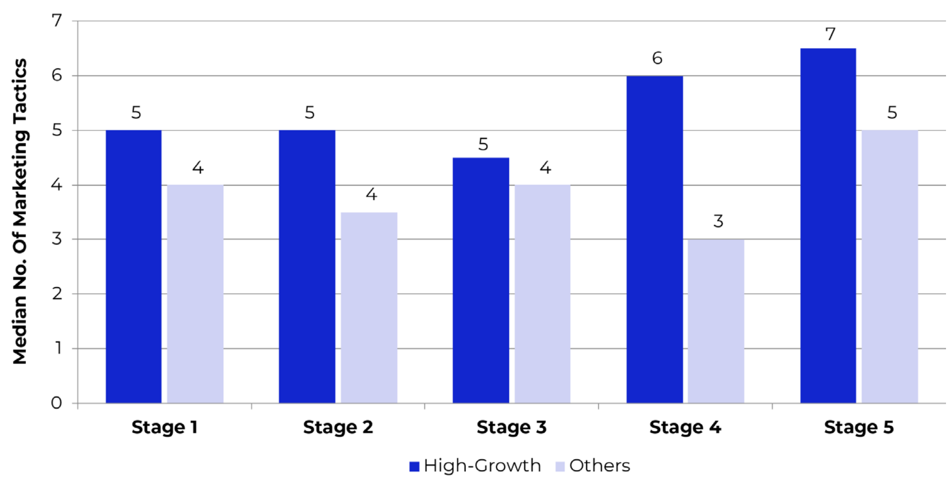
How Many Marketing Tactics Are Enough?

While there was at least some minimal usage across all 25 marketing tactics tested, the typical practice deployed just 4 of these tactics in 2021 for the express purpose of acquiring clients. Put another way, given the ubiquity of client referrals and high popularity of referrals from centers of influence, most advisory firms engage in only two marketing tactics beyond these. That said, about one-quarter of practices use more than six marketing tactics.

As a practice grows, the number of tactics used holds steady at 4, before bumping up to 6 for the typical Stage 5 practice. This is likely driven by the emerging challenges that larger advisory firms face as they attempt to scale their marketing, as most marketing tactics can only yield 'so much' in results before they begin to tap out. For instance, only so many clients know a potential referral they haven't already referred, centers of influence only have so many new relationships they can refer after an initial wave of introductions, and only so many blog posts can be written and emailed.

The constraints of how much growth any one particular channel can provide – especially when firms so often use time-constrained tactics –coupled with the need for a higher volume of new revenue to sustain growth rates for a larger firm, leads to an expansion in the use of marketing tactics. And the more growth-oriented the firm, the more its marketing tactics tend to expand as it grows. Though as noted earlier, the expansion in marketing tactics is also associated with a significant decline in efficiency, as the typical Stage 5 firm isn't even able to maintain a marketing efficiency above 1.0.

Figure 11. Number Of Tactics – High-Growth Vs Others



More broadly, at every stage, the typical high-growth practice applies a greater number of marketing tactics relative to other practices (Figure 11). These results imply that multiple marketing methods (and more generally, investing more in marketing) directly increases the chance of attracting new client revenue. More tactics, however, may also be characteristic of a practice with a more pro-growth and proactive approach toward marketing at large.

The mix of tactics deployed tends to be more variable than the number used. In general, composition of tactics often shifts according to the development stage of the practice and its growth strategy, as we explore ahead.

Advisor Usage Of Marketing Tactics

Of the 25 tactics Kitces Research tested, nine of them were used by 20% or more of respondents in 2022 (Figure 12). While rarely applied deliberately, soliciting referrals from existing clients was the most-used tactic, cited by 93% of respondents. Marketing through centers of influence, another dominant tactic, follows at 60% usage.

Also displayed in Figure 12 are the leading tactics from our past financial advisor marketing study in 2019, as well as data collected in 2022 on tactics advisors intend to place greater emphasis on in the future. Whether past, present, or future, client referrals and centers of influence are consistently advisors' first- and second-most preferred tactics, respectively (and remain quite stable stalwarts, as usage rates for the two were identical in both 2019 and 2022).

Figure 12. Tactic Usage – Current, Past, And Future

2019		2022		Increasing Future Use	
Usage Rate	Tactic	Usage Rate	Tactic	Usage Rate	Tactic
93%	Client Referrals	93%	Client Referrals	81%	Client Referrals
60%	Centers Of Influence	60%	Centers Of Influence	58%	Centers Of Influence
47%	General Networking	41%	Social Media	43%	Social Media
42%	Social Media	36%	General Networking	42%	Search Engine Optimization
36%	Client Appreciation Events	29%	Search Engine Optimization	32%	Blogging
30%	Blogging	28%	Blogging	31%	Videos
26%	Seminars	26%	Online Advisor Listings	31%	General Networking
24%	Drip Marketing	22%	Webinars	28%	Client Appreciation Events
22%	Search Engine Optimization	20%	Drip Marketing	27%	Webinars
12%	Videos	19%	Videos	26%	Seminars
11%	Online Advisor Listings	17%	Client Appreciation Events	16%	Online Advisor Listings
8%	Webinars	15%	Seminars		

Beyond advisors' unwavering allegiance to client referrals and COIs, Figure 12 highlights several more notable trends. Most evident are changes brought about by the pandemic, with the popularity of tactics that can be executed online surging, as advisors scaled back on their use of in-person tactics.

For instance, just 8% of practices used webinars in 2019, but as COVID-19 made many people hesitant to engage in face-to-face interactions, usage jumped to 22% in 2022. Similarly, usage rates for online advisor listings more than doubled, increasing from 11% to 26%. Video usage was also up sharply.

During the same period, the popularity of seminars and client appreciation events, along with general networking, went in the opposite direction. In particular, the usage rate for client events fell by more than half, moving down from 36% to 17%. Going from 26% to 15%, the drop in seminars was nearly as steep.

Will these changes be lasting? Based on advisor expectations, seminars and client appreciation events will bounce back some as people get more comfortable with in-person events. General networking, however, may continue to lag in popularity, as just 31% of practices say they wish to do more networking in the future.

Based on advisor expectations, webinars and videos look to continue gaining in popularity, however. This suggests a more sustained digital shift that extends beyond using these tactics as a Covid stop-gap, with Covid simply helping substantiate the long-term effectiveness of remote methods for connecting people. The growing past and expected future usage of search engine optimization as a marketing tactic is yet another sign of the growing preference for digital tactics. Only online advisor listings look to be losing their appeal, with just 16% of practices indicating increasing use, versus 26% currently using, suggesting that for many such offerings, the results are not delivering in line with expectations.

Also notable is a steady interest in tactics related to content development (e.g., blogging, podcasts, or video), yet drip marketing usage is declining, despite its ability to better leverage advisor-produced content and drive a higher return on marketing investment. In 2019, 24% of practices used drip marketing. This share fell to 20% in 2022, although 26% of practices did indicate increasing emphasis in the future.

One last key observation is a frequent disconnect between tactics that are popular, as opposed to tactics that are efficient. Noted already is the tepid use of drip marketing, despite its high efficiency in terms of converting marketing investment to new client revenue and its synergistic partnership with content development. In contrast, emerging new tactics like social media, blogging, and videos are gaining in popularity but struggle with inadequate marketing efficiency and low success rates. SEO is one of few exceptions to this rule, where its top-ranking efficiency is helping facilitate the rising popularity of this tactic.

Best Tactics Are Specific To The Practice

Do clear winners emerge in terms of a 'best tactic' from the host of data collected across the many options? The short answer is no, at least not in a general sense. Frequent usage isn't necessarily indicative of an effective marketing tactic. What works best really depends upon the unique situation of each practice, something we'll expand on further ahead in this report.

For example, client referrals rank highest in average satisfaction, and among the top three in efficiency, but heavy reliance on client referrals is also associated with slower-growing practices. This is partially the result of clients only having so many friends and family *to* refer before their networks begin to tap out. In contrast, search engine optimization is a very efficient and low-cost tactic, but rates only average in terms of advisor satisfaction and its success rate in attracting new clients. These low ratings are likely due to not all advisors having a clear differentiator, such that even if they are successful in attracting prospects to their website via SEO, they attract more poor-fitting prospects (along with the good ones) that still have to be screened out in the sales process.

Figure 13 presents the top ten tactics by usage within each of the five development stages. The importance of adapting tactics to the specifics of a practice is further supported by examining the changes in the highlighted tactics as a practice grows in size.

For example, 38% of Stage 1 practices participate in online paid advisor listings. As a practice becomes more established, paying for a listing is less necessary. For Stage 5 practices, just 20% use online listings. In contrast, client appreciation events are more common with practices of a bigger size (and more clients). Just 5% of Stage 1 practices hold appreciation events, compared to 30% at Stage 5.

Also noteworthy is the steady rise in Centers-Of-Influence (COI) marketing and its more significant use among the largest practices. Just 45% of Stage 1 practices use COIs as a tactic, compared to 70% or more in Stages 4 and 5. Large practices also tend to invest more in content-based strategies, including blogging, webinars, and videos, combined with social media, SEO, and drip marketing to support the distribution of this content. This is particularly true of Stage 5 practices. While Stage 5 practices do have a greater

Figure 13. Tactic Usage Across The Five Practice Stages

Stage 1	
90%	Client Referrals
45%	Centers Of Influence
43%	Social Media
38%	Online Advisor Listings
33%	General Networking
28%	SEO
26%	Blogging^
21%	Drip Marketing^
16%	Webinars^
14%	Videos^

Stage 2	
85%	Client Referrals
55%	Centers Of Influence
37%	General Networking
31%	Social Media
25%	SEO
18%	Online Advisor Listings
17%	Blogging^
15%	Drip Marketing^
15%	Videos^
15%	Online Advertising^

Stage 3	
93%	Client Referrals
65%	Centers Of Influence
30%	Social Media
28%	General Networking
23%	SEO
23%	Blogging^
16%	Drip Marketing^
16%	Videos^
16%	Online Advertising^
14%	Webinars^

Stage 4	
97%	Client Referrals
72%	Centers Of Influence
39%	General Networking
36%	Social Media
28%	SEO
26%	Blogging^
26%	Webinars^
24%	Client Appreciation Events^
21%	Online Advisor Listings
18%	Drip Marketing^

Stage 5	
97%	Client Referrals
70%	Centers Of Influence
52%	Social Media
44%	General Networking
38%	Blogging^
35%	Webinars^
34%	SEO
30%	Client Appreciation Events^
25%	Drip Marketing^
24%	Videos^

^*Five to nine responses for one or more of the displayed metrics* tendency to use social media relative to mid-size practices with typically more time-constrained advisors, Stage 5 practices are only slightly ahead of Stage 1 practices, however, in social media usage.

Advisor Satisfaction With Tactics

Probing slightly deeper beyond usage, respondents were asked to rate their satisfaction with all the tactics they had used to acquire a client. Six tactics received above-average ratings on the 1-10 scale (Figure 14). For these top-ranked tactics, advisor satisfaction most correlated with their rates of success (whether the tactic succeeded in attracting at least one client over the course of a year). To a lesser extent, satisfaction was also correlated with client acquisition cost and efficiency. Which is notable because from a purely economic perspective, advisor satisfaction should arguably be most correlated with the marketing efficiency of the tactic, as that represents the most direct measurement of the business' return on its marketing investment of time and dollars.

Figure 14. Top Tactics By Advisor Satisfaction

Tactic	Average Satisfaction
Client Referrals	7.5
Custodial Referrals^	6.5
Center Of Influence	6.0
Online Advisor Listings	5.3
Seminars^	5.3
General Networking	5.1

^Five to nine responses for one or more of the displayed metrics

Satisfaction also shows a loose tie to the share of the tactic's cost in terms of advisor time. While not especially high cost, both client referrals and centers of influence are among the top three tactics in terms of the highest cost allocation being advisor time (rather than money). It may not necessarily be good economics for the practice, but this suggests advisors find greater satisfaction with a tactic when it involves investing fewer hard dollars and more of their own time (which ostensibly helps to ensure the prospect is a good fit).

Success Rate Of Marketing Tactics

With one exception, the top five tactics in terms of success rates are also highest ranking with regard to satisfaction (Figure 15). While third party solicitors ranked fourth based on success, solicitors were 10th in terms of advisor satisfaction. This is likely related to the fact that solicitor arrangements can be substantially more costly in dollar terms when considering the ongoing cost of typical revenue-sharing agreements.

Figure 15. Top Tactics By Success Rate

Tactic	Success Rate
Custodial Referrals	100%
Client Referrals	96%
Center Of Influence	90%
Third-Party Solicitors	85%
Online Advisor Listings	79%

Revenue Per New Client Of Marketing Tactics

Revenue per new client, a fundamental indicator of marketing return, ranges from $10,000 for client appreciation events down to $2,000 for social media. Figure 16 shows the five best-performing tactics in terms of attracting high-revenue clients.

Figure 16. Top Tactics By Revenue Per New Client

Tactic	Revenue Per New Client
Client Appreciation Events	$10,000
Webinars	$7,750
Online Advertising	$7,500
Custodial Referrals	$6,900
Seminars	$6,667

High-revenue tactics tend to have lower success rates, which contribute toward generally higher average aggregate acquisition costs. As a result, these tactics tend to be 'high risk-high reward' propositions. With a 100% success rate, custodial referrals are a notable exception, but practices participating in these programs trade off certainty of success for very high ongoing costs through revenue-sharing agreements with RIA custodians.

Client Acquisition Costs Of Marketing Tactics

Already introduced at the practice-wide level, Client Acquisition Costs (CACs) are also a key measure for evaluating effectiveness of specific marketing tactics. Presented below are the least inexpensive tactics in terms of aggregate average CACs. These calculations include any practice that implemented the tactic, including those practices who invested in the tactic but failed to acquire any new clients.

Figure 17. Top Tactics By Client Acquisition Cost

Tactic	Aggregate Average CAC
Search Engine Optimization	$1,271
Client Referrals	$3,334
Centers Of Influence	$3,361
Online Advisor Listings	$3,403
Drip Marketing^	$3,830

^Five to nine responses for one or more of the displayed metrics

These low-cost tactics are a bit harder to characterize in terms of any overarching theme. They include tactics with both high and low satisfaction ratings. Variances are similar for time intensity. Most noteworthy is a generally higher efficiency for these tactics, supported by lower costs in combination with revenue per client totals that hover around the average.

Overall Marketing Efficiency Of Tactics

Also discussed at the practice level, efficiency is the last of our key measures and the most important for understanding a tactic's ability to achieve cost-effective growth. Figure 18 shows the top five most efficient tactics. Aggregate average calculations indicate the tactic-specific ratio of new client revenue to marketing expenditure, including all practices that implemented the tactic regardless of whether any marketing expenditure was made.

Figure 18. Top Tactics By Marketing Efficiency

Tactic	Aggregate Average Efficiency
Search Engine Optimization	2.7
Drip Marketing^	2.3
Client Referrals	2.2
Centers Of Influence	1.7
Online Advertising^	1.3

^Five to nine responses for one or more of the displayed metrics

All of the high-efficiency tactics are also among the lowest cost tactics in terms of CAC. This includes search engine optimization, which is the best-performing tactic under both measures. The close link between low-cost and high-efficiency tactics suggests the cost of a tactic plays a stronger role in driving efficiency than the level of revenue a tactic can generate.

Going Deeper:

Ahead we review specific tactics, as well as groups of tactics, in more detail so that advisors can better determine which might be right for their practice.

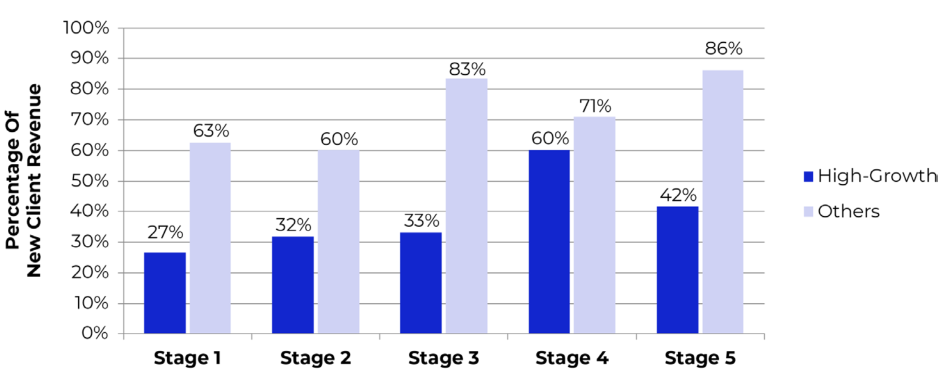
Client Referrals

Eliciting referrals from clients is far and away the most widely used marketing tactic for advisory practices. Just 7% of respondents did not use the tactic to acquire clients. For the 93% of practices that did, client referrals typically accounted for nearly half (48%) of all new clients in 2021.

The rate of success practices had with referrals ranks first across all tactics. In addition, client referrals rank second in terms of CAC and third for efficiency. At the margin, this is a result of referrals requiring virtually no hard dollar investment, very little time investment (as advisors are already meeting with their clients), and because clients tend to refer others who are similar to themselves (typically resulting in a healthy average revenue/client). Given the popularity and ease with which client referrals can be a source of new clients, it is not surprising that advisors rate the tactic tops in terms of satisfaction.

What's not to like? Despite the high ranks there are many valid reasons for a practice to be concerned about becoming too dependent on client referrals. To begin with, the high-growth practices in our study are far *less* reliant on client referrals than other practices. Depending upon the development stage, the share of new client revenue attributable to referrals at high-growth practices is 11 to 50 percentage points less than other practices (Figure 19). Of particular note is amongst the largest (Stage 5) practices, the percentage of new revenue from referrals in the high-growth group is less than half the rate of others.

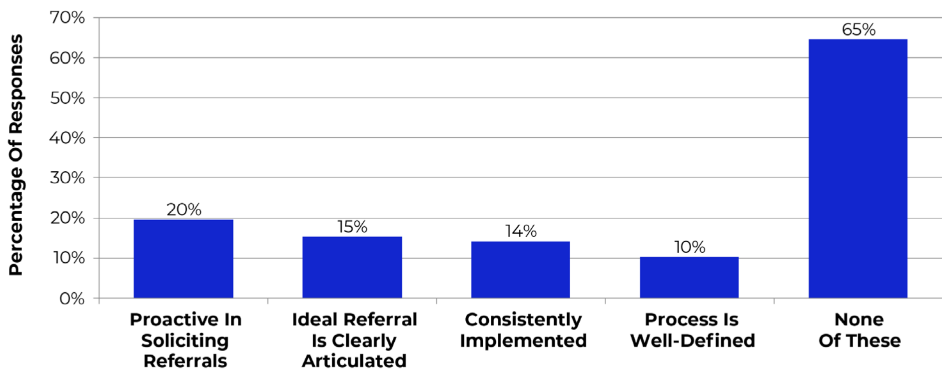
Figure 19. 2021 Revenue Due To Client Referrals – High-Growth Vs Others



A dependency on client referrals can be a drag on growth for a variety of reasons. Being primarily a function of the advisor's time, referrals aren't scalable in the way that other tactics can be. With referrals, it's not practical to 'double the marketing spend' to ramp up growth compared to other more hard-dollar intensive tactics. And because clients tend to refer others like them, it can be difficult for advisors to move 'upmarket' to more affluent clients with a referral-based marketing approach. Further, it's difficult to sustain growth though referrals. There is a limit to the number of times an advisor can ask clients for a referral. At some point, the advisor runs the risk of the 'well running dry'.

It's also notable that while client referrals dominate most advisors' marketing toolkits, reliance on referrals is rarely deliberate. In most cases, client referrals appear to simply be a result of the absence of any other real marketing strategy. As the results show, just 20% of advisors proactively solicit referrals from clients, and fewer still have a well-defined or consistent process for asking for referrals, or an ability to clearly articulate with clients the ideal referral they are looking for (Figure 20). The most prominent display of process structure? Most practices (75%) at least send a thank-you note to the referrer.

Figure 20. Approach Toward Client Referrals



We split practices into two groups to better gauge the potential value of a more deliberate approach toward client referrals. The first represented the 7% of practices who reported both being proactive about referrals, as well as having a defined process for attracting them. The second group was simply any other practice not meeting these criteria.

Differences between the two sets of practices were striking. For example, the 'deliberate' group outpaced other firms in growth; 2021 annual revenue growth for these firms from new clients was 15.8%, compared to 11.4% for other practices. It is not clear, however, that this was directly due to their client referral approach.

Deliberate practices typically attributed just 27% of their new clients to referrals from existing clients, compared to 50% for others. This is consistent with their tendency to deploy more marketing tactics and thereby reduce reliance on client referrals (the deliberate practices used a median of 6 tactics versus 4 for others). In addition, deliberate firms' median CAC across all tactics was more than double that of other practices, resulting in a lower rate of efficiency.

Figure 21. Assessing Fit – Client Referrals

Weighing Advantages	
Pros	**Cons**
• Applying a more deliberate approach can unlock additional opportunity • Low cost and high efficiency • High advisor satisfaction	• Heavy reliance on client referrals is not characteristics of high-growth practices • Critical mass of clients needed before a referral strategy is truly viable • Difficult to sustain growth through referrals once "well runs dry" • Less scalable given inability to substitute hard dollars for advisor time

Practice Matching	
Tailor-Made	**Ill-Fitting**
• Practice with less-specific client acceptance criteria • Mature practices with no interest in active marketing • Stage 3 practices or larger • Practice age of 10 or more years	• Practices with high growth goals • Stage 1 practices • Practices under ten years of age

In other words, maintaining a more deliberate approach toward client referrals may be prudent, but addressing client referrals in a more systematic way appears to simply be more characteristic of practices who are serious about marketing in general. The deliberate practices invest more into referrals, but also into all of their marketing tactics. They apply more of them and do so in more thoughtful ways…which results in higher growth overall, but interestingly, their more systematic referral approach correlates with a *lower* dependence on referrals.

In addition, it's notable that certain types of practices will be challenged with client referrals, even if using a more deliberate approach. Smaller, less established practices will find referrals less viable given their lack of a critical mass of clients. Niche practices may find benefits to referrals within their niche, but also tend to emphasize other tactics as well (e.g., referrals from centers of influence in their niche, who can drive niche prospects more effectively than just relying on referrals from existing clients). And again, because there are clearly rapidly diminishing returns to just asking the same clients for referrals more often, relying on clients for attracting niche prospects isn't usually as efficient as deploying more focused marketing tactics.

By practice type, a client referral focus is probably most appropriate for larger and more mature practices, with limited growth aspirations.

Networking

Advisors frequently apply networking in their marketing. This may come in the form of networking through Centers Of Influence (COIs), such as an attorney or CPA that works with clients in the advisor's target market. Or, an advisor might also network less formally, by attending community events, volunteering for a charitable organization, or joining a professional association. Overall, our results show that COIs and general networking are, respectively, the second (60% usage) and fourth (36% usage) most common marketing tactics employed by financial advisors.

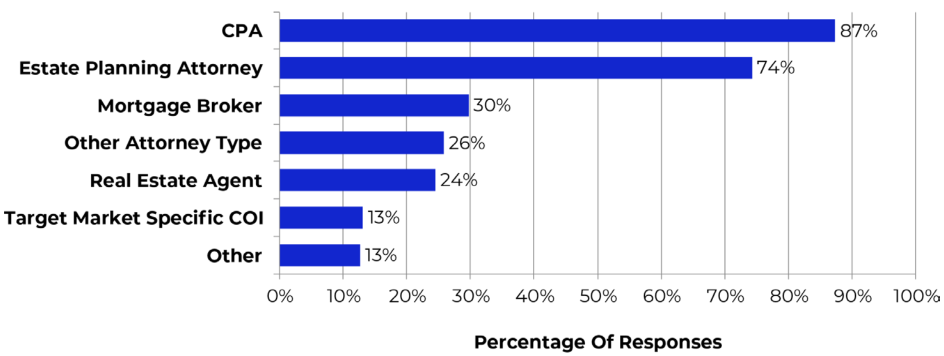
With whom or how the advisor networks have varied impact on the success of, and the overall satisfaction with, these tactics. We define success rates in terms of whether a tactic 'produced' at least one new client for advisors who engaged with the tactic. While both tactics enjoy above-average success, more focused networking with centers of influence has a greater success rate (90%) compared to general networking (78%). Networking with COIs also has a higher average satisfaction rate (6.0) compared to general networking (5.1).

In addition, COI networking is a much better deal when comparing the revenue per new client, relative to the cost to acquire a client through this marketing channel. Both COI and general networking brought in typical revenue per client of $5,000, but the average aggregate cost to the financial advisor for that client through a center of influence was $3,361, compared to $5,603 for general networking (meaning the cost exceeded the revenue produced by the client in the first year for clients found through general networking!).

Notably, though, while both COI marketing and general networking have lower-than-average acquisition costs relative to other tactics, costs of these networking tactics are heavily tilted toward advisor time as opposed to hard dollars. Accordingly, the lower client acquisition costs for networking with COIs implies that advisors are typically finding a faster path to get a new client – in terms of the actual time invested – with COIs than engaging in more general networking.

With COI networking, CPAs were far and above the most common group for advisors to work with (Figure 22). Other COIs that advisors rely on often depend upon the size and age of their practices as well as the affluence of their clients. Larger and older practices, and those serving more affluent clients, have a greater tendency to work with estate planning attorneys. Smaller, younger practices and those working with less affluent clients are more inclined to work with real estate agents. Client affluence also negatively correlates with the tendency of a practice to work with mortgage brokers. Niche practices, not surprisingly, rely less on traditional COIs, and more so on COIs that are specific to their niche or target market.

Figure 22. Types Of COIs Engaged With



On the other hand, a heavy reliance on networking for new business – whether via COIs or general networking – will challenge the ability of a practice to sustain growth because an advisor's time eventually becomes more limited. Accordingly, our research shows that, as was the case with client referrals, COI marketing is not a tactic that faster-growing practices are overly dependent on. At nearly every development stage, high-growth practices are garnering a notably lower share of new clients from COIs. For the typical high-growth practice, COIs are part of their toolkit, but not a distinguishing growth driver.

That said, COIs still often play an important role in marketing a practice. This is especially true if the advisor forges a relationship with the right COI—one who understands the practice and its ideal clientele, and has access to these target prospects. For example, marketing through an estate planning attorney could be valuable for practices targeting the high-net-worth market (who typically have more complex estate planning challenges for which they seek out an attorney), while partnering with mortgage brokers and real estate agents can be an effective way to reach young wealth accumulators. Also, industry-specific COI's can be quite effective for tapping lucrative but hard-to-reach niche prospects; for instance, malpractice insurers can be an important entrée into the medical field.

Figure 23. Assessing Fit – Networking

Weighing Advantages	
Pros	**Cons**
• High success rates • Low acquisition costs, especially COIs • Above-average advisor satisfaction, especially COIs	• Greater reliance on COIs is not characteristic of high-growth practices • Less scalable given inability to substitute hard dollars for advisor time

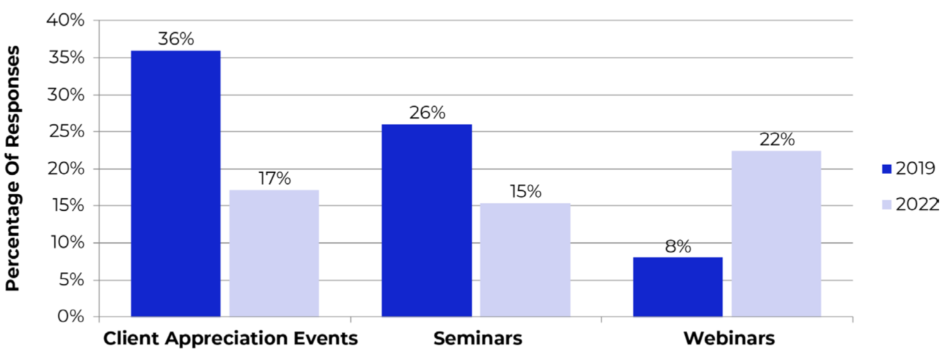
Practice Matching	
Tailor-Made	**Ill-Fitting**
• Practices targeting affluent clients through relationships with estate planners • Practice targeting wealth accumulators through relationships with mortgage brockers and realtors • Niche practices working with target-specific COIs to attract hard-to-reach prospects	• Practices that lack an understanding of what type of networking is most appropriate for the type of prospect they are targeting

Marketing Events

Marketing events staged and hosted by advisors can be particularly effective for strengthening engagement between the practice and its prospects and clients. Such events can include webinars, seminars, and client appreciation events, and are carried out by between 15% (seminars) and 22% (webinars) of practices.

No other set of tactics has seen such a dramatic shift in advisor usage since our first marketing study in 2019. Clearly COVID-19 changed the landscape in terms of shifting advisors away from in-person events and toward online connections with clients and prospects remotely. As shown in Figure 24, webinar usage has nearly tripled in the last three years, while the share of advisors hosting client appreciation events was cut by more than half. Seminar usage also dropped significantly.

Figure 24. Marketing Event Usage – 2019 Vs 2022



While in recent years usage rates across the three tactics have largely evened out in comparison with each other, the popularity of marketing events is still low in comparison to the advisor marketing stalwarts, referrals (93% usage) or networking (60% usage). Yet, this drop-off is not unexpected considering the relatively low success rates, high costs, and tepid satisfaction ratings associated with these tactics.

A significant number of advisors are struggling to implement marketing events that are effective in attracting clients. Success rates for these tactics hover around 60%. Which means two in five advisors that put time and effort into a marketing event don't end up with even one new client to show for it.

The low success rates, coupled with the high investment needed for putting on a marketing event, in both time and hard dollars, results in client acquisition costs that are well above average. This is especially true for seminars; their aggregate average Client Acquisition Cost (CAC), at nearly $20,000, is nearly four times greater than the average CAC across all tactics.

When clients are brought in through a marketing event, however, the payoff can be substantial. The $10,000 in revenue per new client attributable to client appreciation events is the highest for any tactic. Webinars rank second, and seminars fifth in terms of revenue per new client, ostensibly in part because of the ability of advisors to target more affluent prospects with the marketing *for* such events.

Still, the prospect of a high payoff is not able to offset the disappointment of the many advisors who spend significantly yet fail to attract new clients. The result is advisor satisfaction ratings for these tactics that are 'middle of the road', roughly on par with other tactics.

But like all tactics, generally less-than-stellar performance metrics do not mean that marketing events have not been successful for at least some advisors. In fact, the overall client acquisition costs of marketing events are driven up substantially by the large subset of advisors who are trying but failing altogether. In turn, for many practices that have achieved success, their relative efficiency has come about simply through hosting these events over a long period of time and refining everything from how they attract the right prospects to how they make the 'ask' to convert attendees into prospects at the end.

A reallocation of resources can be helpful as well. Opportunities may exist to replace the high cost of the advisor's time in trying to figure out webinars from scratch, with outside service providers who could assist with event planning and implementation, as well contribute toward content development. Hiring a marketing consultant to tailor events for high-value prospects could be a significant upfront investment, but raise the efficiency of these tactics over the long term. Advisors appear to be already heading in this direction, given a number of outsourced-seminar-and-webinar providers have themselves raised capital and experienced significant growth in their work with advisors in recent years.

Being judicious about the level that advisors are involved in events is especially relevant for larger practices, where the cost of advisor time tends to be higher. Larger practices may also have the flexibility to delegate event-related tasks to more junior advisors or support personnel.

Figure 25. Assessing Fit – Marketing Events

Weighing Advantages	
Pros	**Cons**
• Effective for emphasizing practice expertise and strengthening engagement • High revenue per new client	• High acquisition costs • Low success rates; often lacking an immediate payoff • "Trial and error" period often required before achieving success

Practice Matching	
Tailor-Made	**Ill-Fitting**
• Practices comfortable with "high risk-high reward" tactics • Practices that view events as one component of a long-term marketing plan • Established resource-abundant practices applying events as supplementary marketing	• Practices that lack a good understanding of their target prospect and key messaging that resonates • Practices with limited resources • Startup practices in need of a quick growth stimulus

Content Creation

A significant minority of advisors are generating marketing content, in a variety of ways. More traditional formats include hosting radio shows and authoring books. Newer mediums, rapidly gaining popularity, include blogging, podcasts, and videos. The most common content marketing tactic, at 28% of responses, was blogging, while hosted radio shows and book publishing are least popular, with both used by just 4% of practices.

Content generation tactics are typically a more 'inbound' form of marketing, which are predicated on attracting prospects *to* the firm by demonstrating its potential value and emphasizing the firm's expertise. In addition to promoting the services of a practice, good marketing content can help to distinguish a practice from its competitors, communicate its culture and values, and enhance its position as a thought leader.

The caveat, though, is that generating content tends to be time-intensive for advisors, which means advisors must be careful in how they scale such tactics as the advisor's time gets ever more valuable. Especially since the study results indicate that the typical advisor blog is entirely self-produced (as were most content marketing tactics, except for 'writing a book' where only 20% of advisors wrote and published their books entirely in-house).

Largely due to advisors being more involved with content generation, corresponding CACs are among the highest across all tactics (these results should be used with caution, however, due to the low number of respondents providing cost and return data on these tactics). High costs, in combination with success rates that are well below average, are unable to offset revenue per client that is slightly above average for these tactics. This results in efficiency ratios for content marketing tactics that are well below average. Only podcasts, with an average aggregate efficiency score of 0.7, come close to recouping the tactic's implementation cost through first-year revenue.

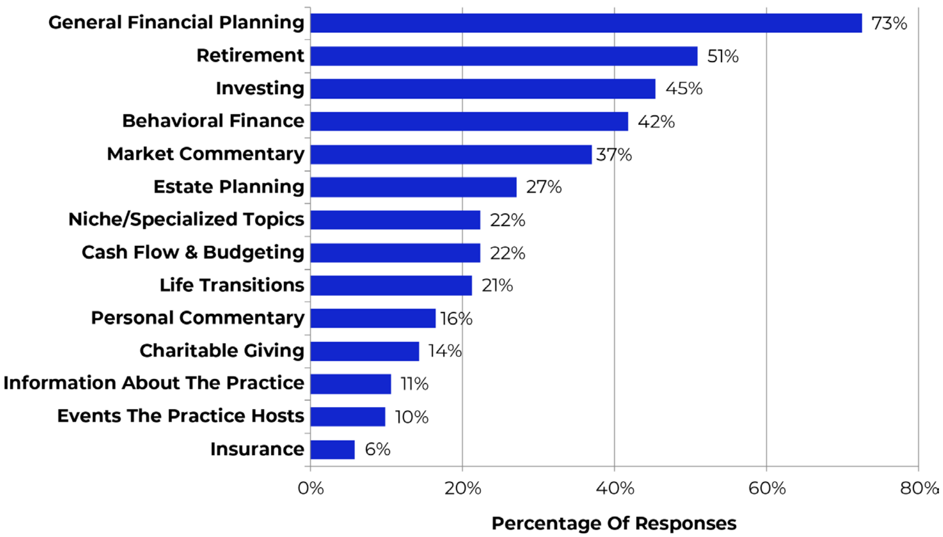
A primary challenge with content generation is that it doesn't typically bring about an immediate inflow of clients. At just 39%, the success rate for podcasts was the highest of all content-related tactics, with other content marketing tactics even less likely to produce a single client in the year.

That said, niche-focused practices, by generating information that is relatable to a very specific audience, may be having better luck (and tend to use content-generation tactics more often than other firms). Our available data on podcasts in particular shows that true niched-focused practices (those where more than 75% of clients fit the niche profile) have a success rate of 57%. This compares to just 23% of other practices who were able to attract a client as a direct result of podcasts.

While success rates for content generation may be low, this is consistent with the generally longer-term nature of these tactics. Content generation, however, can be very effective over time in shaping favorable impressions on the target audience of the practice. This is especially true when combined with effective distribution tactics that ensure compelling content finds its way to the right prospects (covered ahead).

This long-term view is reflected in the topics advisors choose to feature in their marketing communications (Figure 26). Just 11% of practices emphasize information specifically about their firm. The bulk of content focuses on financial planning in general, or specific topics that relate to financial planning. In other words, rather than emphasizing a 'quick sale', the intent of provided content is more about winning the trust and respect of prospects over the long term while educating them and reinforcing the expertise of the practice.

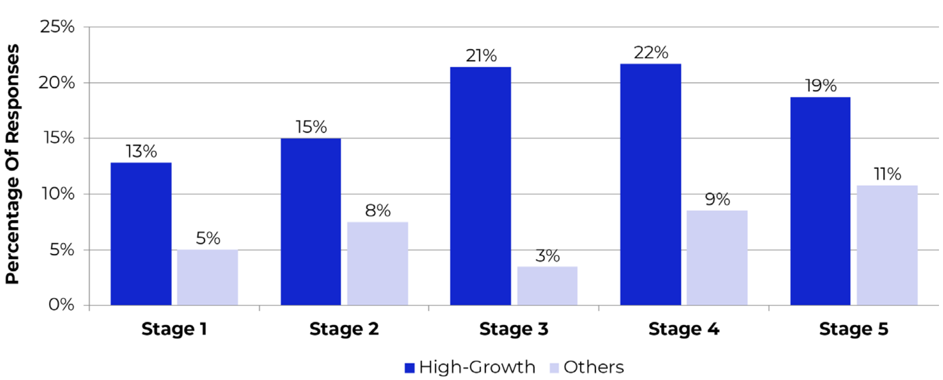
Figure 26. Most Emphasized Marketing Content Topics



Still, the time-intensiveness of content marketing, coupled with its limited results for most practices (i.e., high CACs in tandem with low success rates), means that despite their rising usage, blogs, videos, and podcasts all receive below-average satisfaction ratings.

Clearly, however, there is an indirect payoff in the use of blogs, podcasts, and videos, given their correlation with high-growth practices. This is especially true for podcasts, as shown in Figure 27. Simply put, while content marketing tactics appear to have limited near-term return on investment, the most growth-oriented firms are the most likely to be investing in these tactics to drive their (ostensibly long-term) growth.

Figure 27. Podcast Usage



Still, the results are clear that content generation tactics of any type are typically not a good fit for practices who are hungry for a quick growth stimulus. Given its impact on building awareness over time, content generation is better suited for a practice that can afford to be more patient, especially when it has a clear target market within which it can build a brand over time. Ideally, this is a practice with a perspective for how content can complement its marketing plan over time, and a willingness to commit resources upfront for a longer-term payoff.

Figure 28. Assessing Fit – Content Generation

Weighing Advantages	
Pros	**Cons**
• Effective means for emphasizing the expertise of the practice • Subtle tactic that is not overly “salesy” • Podcasts, videos, and blogs correlate with high-growth practices	• Often lacks immediate payoff • Can be time intensive for advisors and comprise the sustainability of the practice

Practice Matching	
Tailor-Made	**Ill-Fitting**
• Niche-focused practices looking to reinforce their niche expertise • Practices that lack a strong outbound sales culture and prefer inbound growth • Practices that view content generation as one component of a long-term marketing plan	• Practices with limited resources • Startup practices in need of a quick growth stimulus • Established practices where advisors are stretched for capacity

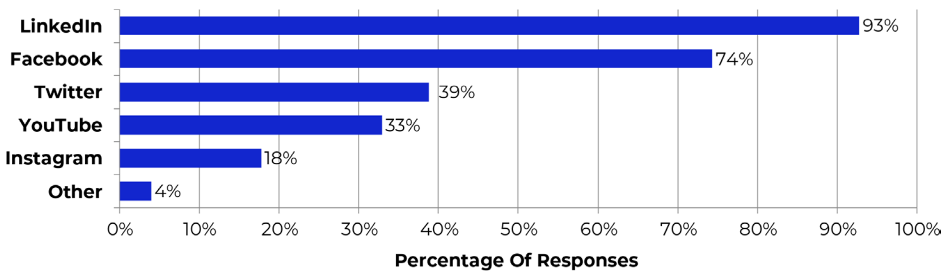
Content Distribution

Investing in compelling content is best maximized with effective distribution tactics. Kitces Research included two distribution-related tactics in its survey: social media and drip marketing. About two in five practices (41%) reported using social media as a marketing tactic and one in five had a drip marketing campaign. Some overlap exists between the two, as social media is a means for collaboratively sharing information via an online platform, while drip marketing is a communications strategy that frequently uses social media.

Drip marketing delivers a steady flow of information to prospects or clients, usually over a scheduled period of time. The idea is to maintain awareness and assure the value proposition of the practice remains top of mind with its target market. The best drip campaigns follow a planned course, consistently nurturing leads and eventually transitioning them to clients of the practice. Drip communications are nearly always carried out via email (99% of practices), with many practices supplementing their email communications with other distribution methods. Just over half of practices use social media for their drip marketing.

When practices apply social media for any type of marketing, it is most likely done through LinkedIn. Over 90% of practices used LinkedIn, with Facebook, Twitter, YouTube, and Instagram following, respectively, in terms of popularity (Figure 29).

Figure 29. Social Media Platforms Used



Success rates for both social media and drip marketing are below average. However, the cost of these tactics in terms of aggregate CAC is fairly low, with advisor time accounting for much of this cost. This is especially true for drip marketing, which suggests advisors are making very little use of technology or otherwise leveraging outsourcing for their drip marketing campaigns. And while drip marketing was slightly above average for attracting revenue, revenue per client for social media was the lowest of any tactic ranked.

Due largely to low per-client revenue, social media marketing efficiency ranked just 13th of the 16 tactics for which data were available. In contrast, because of much greater effectiveness attracting revenue per client, drip marketing ranked behind only search engine optimization in aggregate efficiency. The difference is likely a result of the more planned and deliberate approach of drip marketing, versus the more informal nature of sharing information on social media. In addition, drip marketing in particular is often a 'supporting' tactic to others; for example, a good website that makes it compelling for prospects *to* sign up for the advisor's drip marketing list, coupled with good content that attracts the prospect to the website in the first place.

Consistent with its low efficiency, social media ranked in the bottom 20% of tactics in terms of advisor satisfaction. Overall satisfaction with drip marketing was higher, but only average when compared to all other tactics. For both tactics, satisfaction with *quantity* of leads was lower than *quality* of leads. This was especially true for drip marketing.

With the right application and the right execution, both drip marketing and social media can be effective tactics for a growth-oriented practice. But because their best role is to strengthen connections with target prospects and reinforce the value promise of the practice, they are best applied as part of a broader marketing plan.

The tactics can be especially advantageous for niche-focused practices trying to narrow their messaging down to very specific audiences, building awareness and relationships with ideal prospects in their target market. Niche firms are 26% more likely to use social media and 66% more likely to apply drip marketing.

Figure 30. Assessing Fit – Content Distribution

Weighing Advantages	
Pros	**Cons**
• Low cost • Effective for nurturing quality targeted leads • High efficiency with drip marketing	• Low success rates as a standalone tactic • Requires another marketing method to deliver sufficient number of leads to nurture • Ineffective unless integrated into an overall marketing plan • High advisor time commitment (but potential to reduce through outsourcing)

Practice Matching	
Tailor-Made	**Ill-Fitting**
• Practices with compelling content to share, high growth aspirations, and a deliberate marketing approach • Niche practices	• Practices with low or moderate growth ambitions • Practices with a weakly developed marketing infrastructure

Search Engine Optimization

Search Engine Optimization (SEO), is the process of adjusting the content, wording, structure, and other attributes of a website so it is indexed more favorably by search engines (i.e., appears higher, if not highest, on the list of returned results). Actively carried out by just 29% of surveyed firms, SEO has a 57% success rate. Yet, like nearly all the tactics, the nuances of success are just as important as the general statistics to better understand how to increase the number of clients that come through this marketing channel.

First, it's critical to recognize that other marketing components are often baked into SEO itself. SEO is how unpaid traffic finds an advisor's website, but the results are linked to what is on the site (e.g., blog, articles, information, videos), and the clarity of the firm's messaging to its target clientele.

Still, SEO is appealing for many practices because of its low cost and high efficiency. Once an initial investment is made to structure the site and its content around certain keywords or a particular target clientele, the investment will continue to yield fruit for many years to come.

As a result, SEO average aggregate client acquisition cost is the lowest for any tactic. The hard dollar cost for SEO was limited on average as most advisors were simply benefitting from investments made in the past. Additionally, the ongoing time cost was limited as well, as the well-optimized website becomes a steady passive lead generation tool. The low cost associated with SEO, combined with slightly above average revenue per new client when the tactic does find success, yields an efficiency score of 2.7 that is also the highest for any tactic.

However, the success rate for SEO was only average. Which may not necessarily be a function of search optimization, per se, but the reality that again, SEO only fits best with a website that speaks clearly to the ideal target clientele of the practice and effectively converts visitors into leads.

Niche-focused practices may have the best appreciation for search optimization and how to work SEO in tandem with a well-structured web site. SEO is used by 43% of niche practices compared to just 26% of other respondents. The rate of success for those niche practices that did deploy SEO was also much higher: 67% versus 52% for other practices.

The success of niche practices with SEO is a lesson for all practices. With clarity around who they serve and a firm understanding of the messaging that best resonates with target prospects, optimizing the website of the practice for searches becomes a much easier task. Consequently, the chance of SEO success is much greater.

Figure 31. Assessing Fit – Search Engine Optimization

Weighing Advantages	
Pros	**Cons**
• Lowest cost of any tactic • Requires minimal investment of advisor time • Highest efficiency of any tactic • Scalable	• Not a standalone tactic • Difficult to succeed without clear understanding of target client and messaging that resonates • Requires website capable of converting visitors into leads

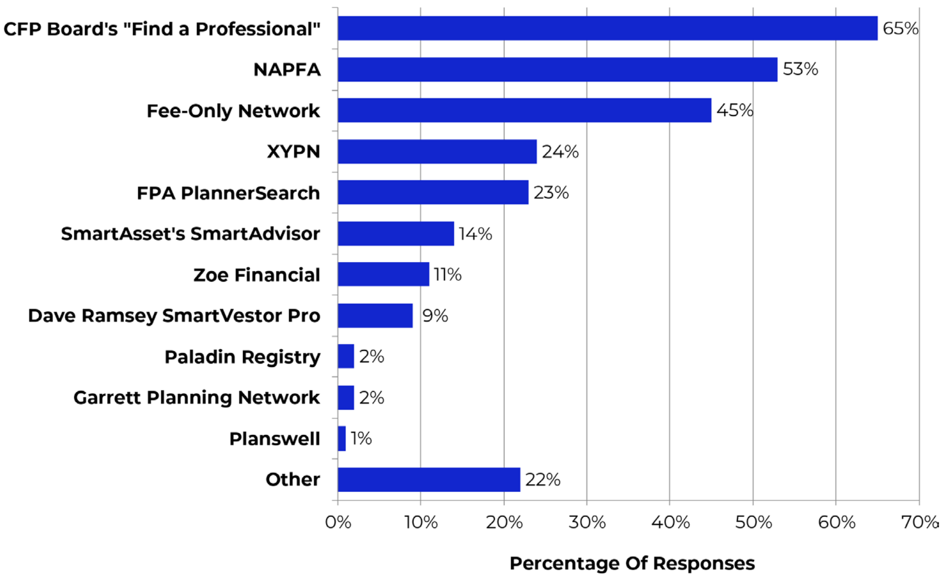
Practice Matching	
Tailor-Made	**Ill-Fitting**
• Niche-focused practices seeking to attract very specific prospect types • Practices with limited resources • Startup practices looking to quickly build market awareness	• Practices lacking a good understanding of their target prospect and key messaging that resonates • Practices lacking an effective website

Paid Referrals

Advisors have several options to pay hard dollars in exchange for leads or referrals. Third-party solicitors, custodial referral programs, and online advisor listings are all marketing tactics that involve paying for referrals (or at least, paying for lead inquiries).

Most common are online listings, or lead generation services, deployed by 26% of all practices. Advisors made use of a variety of online listing services, the most popular among them was the CFP Boards 'Find a Professional' offering. Listing on NAPFA' s 'Find an Advisor' ranked second (Figure 32). The popularity of these sites is not surprising, given that respondents to our study were significantly more likely than the financial advisor population at large to hold CFP marks and have membership in NAPFA.

Figure 32. Third-Party Online Advisor Listings Used



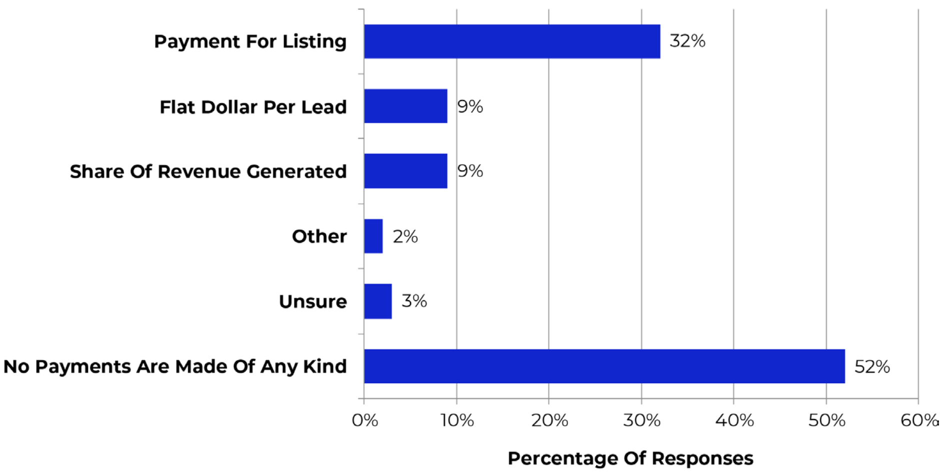
Far less common for generating leads were third-party solicitors (contractual arrangements with professionals such as CPAs or attorneys). Solicitors were used by 7% of practices.

Just 4% of practices participated in a custodial program. The low participation in these programs is consistent with their fairly exclusive nature. Custodians typically place stringent requirements on the practices who participate in their programs, which are often based on the size, experience, and service capabilities of the practice.

For those surveyed practices that did participate in custodial programs, most (58%) were part of Schwab's program (even more so as TD Ameritrade's branches are integrated to complete Schwab's acquisition). One-quarter were directly part of the TD Ameritrade program, the same as the share participating in Fidelity's program.

The structure and level of fees advisors pay varies across these tactics. About half of practices using online listing services (52%) claim they are making no payments of any kind, as in many cases, listings may be 'complimentary' for those already paying the organization's membership or certification fee (e.g., CFP Board, NAPFA, XYPN, and FPA). When payments are made, about one-third charge an annual fee for the listing alone; other payment structures are dependent upon whether leads or clients result (Figure 33).

Figure 33. Third-Party Online Advisor Listings Payment



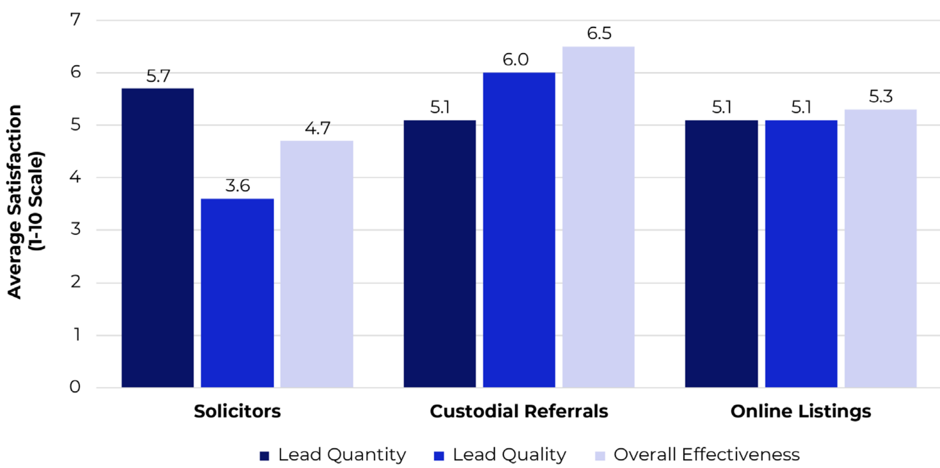
If required, the typical annual fee reported for these listings was $500. If a revenue share agreement was involved, the typical practice pays 25% of the revenue related to clients coming from these referrals over a five-year period.

But does pay-to-play actually pay off? In short, mostly. Ranging from 79% for third party solicitors to a top-ranking 100% for custodial referrals, success rates for paid referral tactics are well above average. Median revenue per new client for online advisor listings and third-party solicitors tend to be less than the average for all tactics, however. Only custodial referrals nets above-average new client revenue, at $6,900 in revenue per client, significantly more than the $4,000 average across all tactics.

While data was unavailable for custodial referrals, aggregate average CACs for both online advisor listings and third-party solicitors were below average. Costs were kept in check due to a minimal investment of advisor time. Resulting efficiency scores were about average relative to other tactics.

Notwithstanding the similarities between these tactics, though, there were also significant differences in advisor views of their effectiveness (Figure 34). Providing an above average rating of 5.7 on a 1-10 scale, advisors are reasonably satisfied with the ability of third-party solicitors to bring in a lot of leads, but on average advisors did not view these as being of very good quality. This suggests that third-party solicitors may not have clarity on who is actually a 'good' client for a specific advisor. Additionally, they may be directing a greater flow of lower-quality leads to advisors to cover for an inability to provide and scale a sufficient flow of quality leads. In contrast, advisors rate custodial referrals lower on lead quantity, yet higher on quality, with overall satisfaction being highest of any paid referral tactic. As for online listings, they are middle of the road by every satisfaction measure.

Figure 34. Advisor Satisfaction Ratings – Paid Referral Tactics



While custodial programs are more exclusive, nearly every practice could potentially benefit from deploying online advisor listings or third-party solicitors as a marketing tactic. These tactics are especially suitable for Stage 1 practices, where they are used more heavily than at any other stage. Within the Stage 1 group, high-growth practices are nearly twice as likely to use these tactics.

The usage case is especially compelling for online lead generation services. Compared to third-party solicitors, the tactic is relatively low-cost (or at least the upfront cost is low, with payments are often structured as revenue-sharing arrangements where the advisor only pays after the client signs on). Online advisor listings are also simple to take part in and capable of delivering a moderate, but steady, flow of leads. As such it is especially appropriate for start-up practices with limited resources who are interested in jump-starting growth. However, advisors should recognize that they will be limited in their ability to impact the number of leads (the sites only have so much traffic that they can refer back out, and there is little advisors can do to elevate their listing on the yellow-page-like listings).

Relative to online advisory listings, a slightly more cautious approach may be prudent with third-party solicitors. While solicitors may deliver a steady flow of leads, quality may suffer. This requires spending time to weed out leads that are sub-par. Getting clearer with the solicitor about messaging and ideal clients can certainly help to increase lead quality, but that in turn creates a time cost for the advisor to 'train' the solicitor to identify the right prospects.

With low time commitment and near-guaranteed success rates, custodial referrals can also be an effective marketing tactic. As noted, however, few practices are able to meet the qualification criteria for these programs. Program participants in our study tended to be beyond $1.5 million in annual revenue, have twenty or more years' experience, and serve a typical client of $2 million or more in investable assets. This implies custodial referrals are more likely to supplement the growth of larger established advisory firms, rather than charge the growth of earlier-stage firms.

Figure 35. Assessing Fit – Paid Referrals

Weighing Advantages	
Pros	**Cons**
• Success rates are well above average • Below-average cost • Sustainable in that advisor time commitment is low	• Stringent requirements to participate in custodial referrals • Requires clarity from referral source on what is a quality referral

Practice Matching	
Tailor-Made	**Ill-Fitting**
• Online advisor listings and solicitors ideal for startup practices with high-growth ambitions • Online advisor listings especially good fit for practices with limited resources • Custodial referrals ideal for established practices with capability to serve HNW but limited internal marketing capacity	• Practices that lack a good understanding of their target prospect or are unable to articulate ideal target profile • Custodial referrals poor fit for less experienced practices with more limited service capability

Paid Advertising

Advisory practices seldom use paid advertising. Fewer than 10% of practices deployed print, tv, or radio advertising as a marketing tactic in 2021. Advertising online was most common, yet just 17% of practices did so. The low usage for paid ads is consistent with low advisor satisfaction. Regardless of medium, advisor satisfaction ratings for paid ads, including sponsorships, were all below average relative to other marketing tactics.

While advertising may be an effective means for establishing a brand, it is a relatively weak tactic for directly acquiring clients. Online advertising had the highest success rate for any tactic, given the relative ability of digital platforms to efficiently target a particular consumer profile that may be a good prospective fit. At 41%, however, success with online advertising was well below the 55% average across all tactics. Print advertising's success rate, at just 18%, was the lowest for any tactic surveyed.

Paid advertising may be inexpensive in terms of any needed commitment of advisor time, but advertising is costly in terms of hard dollars. Typical annual dollar costs range from $2,000 for print ads to $6,000 for television commercials. That said, there is a good argument that advisors should invest more of their time if they do choose to advertise and do not have access to sufficient marketing support. Effective advertising requires upfront work in terms of crafting a message that is consistent with the desired brand and developing and executing the ads as part of a marketing communications plan.

If executed correctly, advertising offers a practice the ability to capture the attention of its target audience, thereby reinforcing its brand with potential prospects. Because of its capability to target a specific market, advertising can often be a good fit for niche-focused practices, which tend to advertise more than other practices, according to our research data.

While advertising can be effective for startup practices who want to immediately make their presence known in a particular market, many early-stage practices may not have the resources to invest in advertising. In this case the practice may be better off emphasizing more sales-oriented tactics. Advertising may be a better fit as a supplementary tactic for established practices with greater resources.

Figure 36. Assessing Fit – Paid Advertising

Weighing Advantages	
Pros	**Cons**
• Ability to speak to a very specific audience • Minimal advisor time required if able to access to marketing support	• Not as effective for directly facilitating client acquisition • Requires significant hard dollar outlay

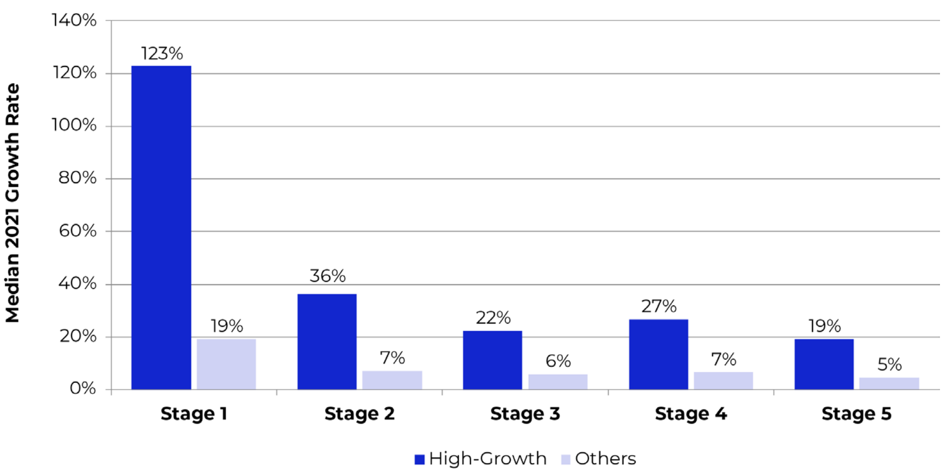
Practice Matching	
Tailor-Made	**Ill-Fitting**
• Startup practice interested in quickly establishing its brand • Niche practices wanting to speak to a very specific audience • Established resource-abundant practices applying advertising as supplementary marketing	• Practices with limited marketing budgets

Learning From High-Growth Practices

High-growth practices are referenced throughout this report. As noted, these practices demonstrate a superior ability to generate organic revenue growth from new clients. They were distinguished within each of our five revenue bands, or development stages, as being among the top third in 2021 growth. By separating high-growth practices within each development stage, rather than across all respondents, a more revealing picture emerges regarding how marketing best drives growth. This includes the best approaches relevant to any size practice, as well as methods that evolve as a practice grows in size. This can provide a jumping-off point for advisors to determine what is appropriate for their own practices.

By definition, high-growth practices are obviously growing more rapidly. What's note-worthy, however, is the extent to which they are outpacing their peers. As shown in Figure 37, high-growth practices achieved two- to six-times greater new client revenue growth relative to their peers. Outperformance was especially apparent for Stage 1 high-growth practices.

Figure 37. Organic New Client Revenue Growth



High-growth practices are clearly more serious about achieving growth. It is evident in their performance record, but also aligned with their marketing approach. As our data show, their success is predicated on more than just their choices of tactics, starting with their greater emphasis on a more formal structure for marketing, including targeting and serving a niche market (because even the most effective tactics will fail a practice that has a weak implementation infrastructure!).

High-growth practices at every development stage are typically twice as likely to have a structured marketing approach, which can include a point person with designated marketing accountability, a routine planning process, and an ability to track marketing time and expenses. A routine process for marketing planning is most prominent among high-growth practices beyond $500k in revenue.

Consistent with this enhanced marketing structure, high-growth practices tend to have a sharper focus on the kind of client they serve, which naturally extends to the type of target to which they market. At all but one development stage, high-growth practices had a much greater tendency for 75% or more of their clients to meet niche criteria (i.e., 'to have a niche' that they were actively focused on); this was especially true for smaller practices. At Stage 2, for example, 45% of high-growth practices were niche-focused, compared to just 23% for other practices at this stage. This suggests that being niche-focused can be especially effective for jump-starting practice growth in the early stages of development, stretching scarce marketing resources by focusing on a more narrowly defined target.

High-growth marketing also is characterized by a greater investment in marketing activities. As measured in terms of share of revenue, high-growth practices spend more on marketing across nearly every development stage. In addition, high-growth practices tend to use more tactics. Up through Stage 3, the typical high-growth practice deploys five different marketing tactics, compared to four for other practices. Beyond Stage 3, the difference in tactics grows more significantly.

There are also notable differences in terms of the kind of tactics high-growth practices deploy (and don't deploy). As noted, relative to others, high growth practices at every stage rely less heavily on client referrals for new revenue. Instead, they place greater emphasis on content generation, particularly blogs and podcasts. Centers of influence, search engine optimization, and seminars also figure more prominently (Figure 38).

In contrast with their larger counterparts, smaller high-growth practices also tend to use a few paid services that can most quickly generate leads and fill excess capacity. Over half of the Stage 1 high-growth group (54%) participates in an online advisor listing program, compared to just 30% of others at this stage. Third-party solicitors are also more popular with smaller high-growth practices.

Figure 38. Tactics More Typical Of High-Growth Practices

Smaller High-Growth Practices

- Online Advisor Listings
- Third Party Solicitors
- General Networking

High-Growth Practices Of Any Size

- Centers Of Influence
- Search Engine Optimization
- Blogging
- Seminars
- Podcasts

Larger High-Growth Practices

- Webinars
- Drip Marketing
- Videos
- Online Advertising
- Sponsorships

Larger high-growth practices emphasize a few different tactics that may not be as affordable or as critical for a smaller practice. They include drip marketing campaigns, sponsorships, and online advertising, which either tend to have a longer-term payoff (that a newer smaller firm can't wait for), or are more financially intensive (that a newer smaller firm simply can't afford).

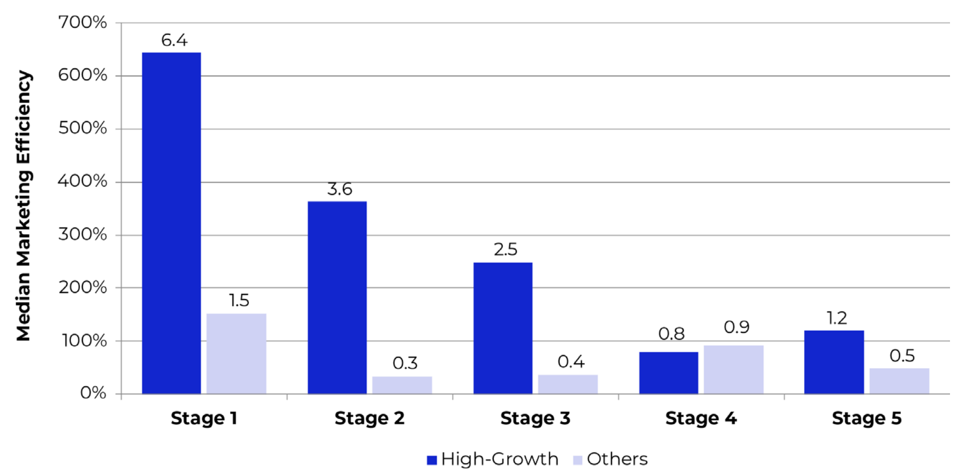
Leaning toward a more structured marketing approach, in combination with a different composition of marketing tactics, pays off for high-growth practices. The reward is not just growth but, for the most part, more efficient growth.

Despite a proportionately greater investment in marketing, acquisition costs on a per-client basis are comparatively lower for the smallest and largest high-growth practices. Only at Stage 4 are client acquisition costs significantly greater for high-growth practices, as practices passing $750,000 in revenue are right at the crossroads of where the time of the advisor (typically a founder) becomes very costly. The higher costs of time, in turn, requires a transition to less-costly and more-scalable marketing tactics.

Thus, general networking, client appreciation events, podcasts, and blogging, are all time-heavy tactics that are used more by high-growth Stage 4 practices but are used less as these practices grow to Stage 5. At Stage 5, high-growth practices reduce acquisition costs by shifting away from time-based tactics and emphasizing more dollar-based tactics instead, including sponsorships and direct mail or email solicitations, that are ultimately more scalable.

High-growth practices tend to more clearly outperform in terms of marketing efficiency (Figure 39). Again, likely because of their higher-cost tactics, high-growth practices within Stage 4 are the exception. The generally favorable efficiency is yet another indicator of how high-growth practices are outperforming; with the same level of marketing investment, they are generating greater return in new client revenue (further, high-growth firms are also investing more, generating an even-higher level of overall growth outperformance).

Figure 39. Practice-Wide Marketing Efficiency



Tailoring The Right Marketing Approach For Your Practice

The industry's high-growth practices offer valuable lessons for all advisors. Still, every practice is distinct in terms of its operating characteristics and business vision. No one size fits all. Customization is required for tailoring the marketing approach that works best with your own unique practice.

Choosing Organic Growth

Many roads can lead to growth. The first decision fork for advisors acknowledges that marketing isn't the only route for getting there. Growing inorganically, through a merger or acquisition, can be another viable option for many practices. It's also an option that can serve as a useful benchmark for evaluating the appropriateness of various organic marketing tactics.

Across our survey respondents, 5% initiated a merger or acquisition in 2021; typically, these were larger practices. While 9% of Stage 5 practices executed a deal, just 3% of smaller practices did. M&A is also more typical with older practices, with 10% of practices 20 years or older recently initiating a transaction.

However, it's notable that for high-growth practices, organic marketing tactics are significantly more cost-effective than mergers or acquisitions. Assuming a 'typical' acquisition price of 2X to 3X revenue, an acquisition equates to a marketing efficiency of 0.3 to 0.5, similar to the marketing efficiency of larger practices that are not high-growth. This helps to explain why mergers and acquisitions have become such a popular growth strategy for the largest practices. Still, the Stage 5 high-growth practices that have invested well in marketing systems and processes are generating growth with a marketing efficiency more than double that of acquisitions. (Stage 5 high-growth marketing efficiency is 1.2, versus acquisitions at less than 0.5.)

In addition, there is often greater risk associated with M&A. Compared to organic marketing, there can be additional 'hard to project' transition costs for onboarding acquired clients, who may also be more prone to defection post-acquisition.

A larger, more-established, practice may be comfortable with these risks, as these practices have the resources to help minimize the chances of a deal going wrong. They may also feel more comfortable with M&A-related risk simply because there is no other option. These more mature practices may feel they have tapped out their ability to scale growth via traditional marketing given that they are relying on marketing tactics requiring advisor time that has grown increasingly valuable.

In summary, identifying the right time for an inorganic approach is largely dependent upon the present ability of the practice to generate growth organically. This includes the ability and willingness of the practice to shift toward more scalable marketing tactics as the practice grows in size and advisor time becomes more costly to invest in marketing.

Tactics That Work For Your Practice

Figure 40 offers additional guidance for advisors on marketing tactics. Listed are the most used and most effective marketing tactics based on input from our survey respondents. Tactics with an 'X' in the 'Multi-Purpose' column are the most versatile. They are failsafe tactics that are all-weather in the sense that they are optimal for a variety of practice types and growth strategies.

Other tactics, as highlighted in the chart, are most applicable based on the size of the practice in terms of annual revenues. Figure 40 also makes note of tactics most-used or most effective with high-growth practices. Tactics particularly suited for targeting a very specific audience are noted under "Niche-Focus".

More scalable tactics are highlighted as well. These are tactics requiring the least investment in advisor time. Time-intensive tactics may be effective for smaller early-stage practices, but a tilt away from time-intensive tactics is required to sustain growth over the long run. As a practice grows, advisor compensation increases, their time becomes scarcer, and their involvement in marketing becomes more costly.

Lastly, Figure 40 also notes 'Low Cost/High Efficiency' tactics. These tactics will be more attractive to smaller firms with limited resources. They may also be preferred by practices with a more moderate appetite for growth. That is, they are looking to grow but unwilling to make a significant investment to do so.

Figure 40. Identifying The Right Tactic For Your Practice

Tactic	Multi-Purpose	Size Best Suited For:		High Growth Aspirations	Niche-Focus	Low Advisor Commitment (Scalability)	Lost Cost/High Efficiency
		<$500k	750k+				
Client Referrals			x				x
Centers Of Influence	x			x	x		x
Social Media					x		
General Networking		x					
Search Engine Optimization	x			x	x	x	x
Blogging	x			x	x		
Online Advisor Listings		x		x		x	
Webinars			x		x		
Drip Marketing			x		x		x
Videos			x	x	x		
Online Advertising	x					x	
Client Appreciation Events						x	
Seminars	x				x	x	
Podcasts	x			x	x		
Sponsorships			x			x	
Third-Party Solicitors				x		x	

Summary

Successful marketing results from a combination of actions that are aligned not only with the growth strategy of the practice, but also are in sync with the personal preferences of practice owners. Additionally, good marketers refuse to 'set it and forget it'; they are constantly refining their marketing approach as the practice, and the markets it targets, evolve.

Our report highlights the many ways that advisory practices are achieving marketing success. While no one particular approach may be suitable for every practice, a general framework clearly exists for those practices that market most effectively.

While not surprising, it bears emphasis to note that marketing well requires a willingness to invest in marketing. Good marketers are proactive and assertive. They recognize, for example, that passive reliance on client referrals is not a marketing tactic that can sustain healthy practice growth. Their willingness to invest includes not just spending, but putting in place a marketing infrastructure for the practice that best ensures a maximum return on the marketing effort invested. A planning process, assigned accountability, and routines for measuring and monitoring marketing effort and success are all critical components of this infrastructure.

A practice's ability to monitor its marketing effort is predicated upon understanding the true cost of marketing. The cost awareness of far too many practices ends with marketing-related cash outlays. These expenses are just the tip of the proverbial iceberg, however. As revealed in our data, hard dollars account for less than a third of marketing expenditures; the great bulk of marketing costs are embodied in the value of time that advisors spend implementing various marketing tactics.

Failing to properly account for the cost of advisor time increases the risk of a practice clinging to marketing tactics that are no longer scalable. As a practice grows in size, its advisors typically have less capacity and the cost of their time increases. As a result, tactics that may have made economic sense when the practice was just starting out may no longer be viable as the practice matures.

Networking, either generally or through centers of influence, offers a good example of popular, but time-constrained, marketing that is not very scalable. Other tactics, client referrals being an extreme example, fail to scale given a finite opportunity set that a certain point no longer has the potential to 'volume up'.

The key for accelerating growth through the development cycle of a practice is a focus on scalable marketing tactics. This means deploying tactics such as drip marketing, online lead generation listings, or search engine optimization, where implementation depends more on hard dollars than advisor time. Hard dollar-based tactics may appear more expensive but will generate much higher volume of growth over time.

Study Terms

Practices	Description
Practice	Any entity for which there is a common business vision, budget, client base, and service standard. Resources and profits are pooled. A practice could be an entire firm or an individual or team of individuals affiliated with a larger firm. Affiliations, for example, could include a broker-dealer, an independent RIA, or a platform service provider. Study participants represented their practices as either a firm, team, silo or solo but no combination of these.
High-Growth Practice	A practice that is among the top third in its development stage based on 2021 new client organic revenue as a percentage of the practice's total revenue the prior year.

Development Stage	Description
Stage 1	Annual practice revenue of less than $250,000
Stage 2	Annual practice revenue between $250,000 and $499,000
Stage 3	Annual practice revenue between $500,000 and $749,000
Stage 4	Annual practice revenue between $750,000 and $1.49 million
Stage 5	Annual practice revenue of $1.5 million or more

Marketing Metrics	Description
Advisor Satisfaction	A 1-10 scale, with '10' representing highest satisfaction with a particular tactic.
Advisor Time Share	Share of a tactic's marketing cost attributable to advisor time
Client Acquisition Cost, Practice-Wide	Total marketing expenditures across the practice in a given year divided by the number of new clients marketing attracted to the practice in the same year. New clients exclude clients that may have joined the practice due to acquisition or merger.

Marketing Metrics	Description
Client Acquisition Cost By Tactic	Expenditures on a marketing tactic divided by the number of clients joining the practice as a result of the tactic
Efficiency, Practice-Wide	Total new client revenue in a given year attributable to practice-wide marketing divided by total practice-wide marketing expenditures in the same year. Revenue or costs associated with a merger or acquisition are excluded.
Efficiency By Tactic	New client revenue attributable to a marketing tactic divided by expenditures on the tactic
Hard-Dollar Marketing Expenditure	Costs for consultants, supplies, software, travel, and entertainment directly related to supporting marketing or sales.
Marketing Expenditures, Total	Hard- and soft-dollar expenditures directly related to marketing activities

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