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How to select a target market to increase your results

By narrowing your focus to specific clients, you can get those clients to narrow their focus to your practice

| *By John Comer, CFP®*

After Scott Hanson, CFP®, consulted with employees of a local Sacramento, Calif., firm on early retirement, the number and quality of new clients caught his attention. He and his partner saw the similarities of the workers and realized that focusing on these employees would lead to a successful practice. Indeed, that focus led to creating the Hanson McClain Retirement Network, a network of over 100 independent advisers.

Even if you never focused your practice, your clients probably have some similarities because your style is comfortable for them. To uncover these similarities, examine the characteristics of your top clients. List the following seven categories across the top of a notepad or Excel spreadsheet: client name, employer, industry, neighborhood, referred by, trade/civic association, hobbies/interests, other. Next, fill in the information for each of your best 25 or 30 clients.

A market might be multiple clients with the same employer, in the same industry or in the same trade association. It might be several clients in the same neighborhood or with the same interests. Two or three clients in a single market are enough to get you started.

After examining your existing clients, review your interests and skills to find other potential markets. Then you can prioritize these potential target markets based on their size and fit with your client base. Through this exercise you can build a client base comprised of your ideal clients.

Examine your interests

Narrowing your client focus to specific markets means spending a lot of time with these clients. You will want to enjoy spending that time with them.

One way to ensure that you will enjoy that time is to search your natural market. John Flinton, a CFP® practitioner with Ameriprise Financial Services, focused on his former profession, veterinary medicine, when he started his practice. Flinton had been a veterinarian for 15 years and was very familiar with the practitioners in North Kingstown, R.I.

Your potential target market could come from former employers, hobbies, or a not-for-profit group you support. It could also come from community organizations, your neighborhood, or friends from high school and college.

Examine your skills

Like many planners, David Hilton, CFP®, focused on a hospital because he provided its retirement plan. Hilton won an exclusive contract for ING Financial Advisors and was thrilled when the hospital in Redondo Beach, Calif., asked him to office in their facilities.

What services do you offer that could lead to a potential market? Start with any services used by multiple clients. The more specific the services you provide, the stronger your chances of success.

Evaluating potential markets

Once you have identified potential markets, determine which are the most promising for your practice. To evaluate a market's promise, you need a clear vision for your practice.

1. Clarify your vision for your practice

The advantages of target marketing were well known to Stuart Ng, CFP®, when he saw an opportunity for his practice. Ng had the skills that a credit union in Burbank, Calif., wanted. With about 7000 well-paid employees, the single-firm credit union had the concentrated, loyal market Ng envisioned.

Loyalty within the target market is helpful, but knowing how many members meet your client profile is critical. With the investable assets and average revenue of clients in your ideal profile and the income you need from the practice, you can prioritize the markets. Defining the number of planners to build out your firm, the location and the specialties in your vision will add detail and motivate you to achieve the vision despite obstacles.

Your average revenue-per-client and your income needs tell you how many clients you need. Decide if these clients should come from one target market or more than one. One factor is whether the market is large enough to meet all your needs. Also, consider your comfort with a concentrated client base. Some planners prefer a focused approach while building their practice, and plan to diversify as the practice matures.

2. Evaluating the potential of the market

What's the size of your prospective market? Estimate the number of members that meet your client profile and your likely penetration of those members to calculate size.

Investable assets are hard to estimate for your target market so you may have to use a proxy like income or spending patterns. Of course, having $250,000 in income or owning a million-dollar home don't always come with a million-dollar investment portfolio, but they may be the only clues available. These factors can help you estimate how many members of the target market meet your client profile.

Make a conservative estimate of penetration to improve your chances of meeting your income goals. You might get all the members of a market with 10 members, but 100 percent acquisition is unlikely with a market of 50 or more.

If the market seems small you could add another target market or redefine your market. For instance, if the business is part of an industry, neighborhood or community organization you could expand the market to include members of this organization.

3. Evaluating receptivity and fit

Measure fit by the market's common needs that match your skills. The ideal is to develop in-depth expertise and individualized solutions to solve client's needs and expectations—without constantly reinventing the wheel.

To see if your markets have common needs, talk to six or seven members of the market. Find out if you can address their needs and if the needs are being met by others. Show your interest in their market and see if they can help you develop a strategy to serve the market.

The first steps to define a target market include categorizing your best clients, reviewing your interests, and examining your skills to identify potential target markets. Next, define your vision for the practice, quantify the potential of the target markets, and evaluate client fit to prioritize those potential markets and narrow your client focus. By narrowing your focus to specific clients, you can get those clients to narrow their focus to your practice.

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John Comer, CFP®, president of Comer Consulting, LLC, helps financial planners acquire affluent clients through coaching (**www.jcomerconsulting.com**).

BENEFITS OF TARGET MARKETING

Financial planners enjoy benefits from a target market

Benefits from common characteristics

- Understand concerns rising from situation
- Build relationships based on shared interests
- Enjoy meetings with clients similar to you

Benefits from common needs

- Enhance knowledge from multiple cases with similar needs
- Use knowledge with multiple clients
- Showcase skills through success with members

Benefits from common communication systems

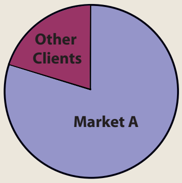
- Leverage communication by touching both prospects and clients
- Target sales materials more precisely to audience
- Enhance marketing through informal contact of clients and prospects

TARGET MARKET CONCENTRATION

Choice of target market concentration in practice

Should your clients come from one market or more than one?

Single Market Focus



Multiple Market Focus