

# PROMO TYPE

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## SETTING A REALISTIC MARKETING BUDGET DEPENDS ON THE SIZE OF THE FIRM, AND ITS GOALS.

**It's easy** to ignore marketing, what with the myriad other day-to-day, often expensive decisions that go into operating a financial planning practice. So what's the best way to keep this critical function from falling through the cracks? Start by developing a structured plan that includes a budget large enough to cover all the goals.

A firm's marketing budget should be held at the same level of importance as other parts of the annual budget. The size of the budget will vary based on a firm's size, location and target market. Ad hoc marketing budgets tend not to reinforce the importance of firm promotion, which can hurt business development efforts. Consistency is key.

While the pool of funds made available can vary, it should be largely based on the previous year's revenue, as opposed to relying on current-year projections, says Daymon Loeb, vice-president and

associate portfolio manager for Goodman & Company, Goodman Private Wealth in Toronto.

The Canadian Marketing Association suggests basing the budget on a percentage of a firm's gross sales, often in the 2% to 5% range. But, although this may serve as a basic guide, the marketing budget for any specific firm should not be exclusively determined by a formula or industry statistics.

Loeb estimates his firm, which largely services clients with \$2 million and more in assets, spends about 5% of its previous year's gross revenue on marketing initiatives. "We look at things based on a profit/loss statement for any [expenditures] throughout the firm," he says. "We also prefer to make decisions on our marketing budget on a year-by-year basis."

That lets Goodman Private Wealth set aside funds for specific client needs, such as advertising in a charitable fund's publication,

or other high-end magazine in response to a valuable client's request. Loeb notes using marketing dollars in this way appeals to specific clients and can reinforce a relationship—a better use of the budget than large-scale prospect mining. "There is little question that we might funnel some of our marketing dollars toward supporting client causes," he says. "Such exposure is valuable because those causes are also of interest to other high-net individuals that fall within our target market."

### Serve and Prospect

The marketing goals are clear for Chris Douglas, owner of Douglas Financial in Winnipeg. His budget is aimed at keeping existing clients satisfied by insuring the firm meets their information needs, while at the same time managing to attract new business. Douglas's three-person firm targets high-net-worth individuals **continued on page 36**

continued from page 35 and has budgeted approximately \$10,000 annually for marketing costs over the past five years.

However, he realizes that as revenues rise, expenditures should rise proportionately to promote further growth. Five years ago, his \$10,000 marketing budget comprised about 5% of his firm's total revenue. Today it's barely 2%.

Grant Hicks, CIM, FSCI, and president of Hicks Financial, LLC in Parkersville, B.C., concurs that for many advisors, the easiest way to grow is through client and professional referrals, and that good marketing efforts will help generate these opportunities. The pre-

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cise reason Douglas hosts events and entertaining opportunities with an eye toward asking for referrals. Says Douglas: "I will often get two to three calls each month from people referred to me by current clients."

Since the majority of his clients are wealthy households, high-end holiday events and individual entertaining costs make up a large percentage of Douglas's marketing expenditures. His appreciation events are personalized to specific clients, although many of his longer-term clients prefer the wine-and-cheese style get-togethers to which he will invite 25 to 50 households.

Younger clients seem to prefer sporting events, so Douglas purchases tickets and takes many of these people out to lunch or dinner in advance of an event as a way to get to know them personally and discuss any life changes that may be happening. Other clients receive similar

treatment being entertained over golf. "I think it's beneficial to use your marketing dollars not to mass-market but to allow you to spend quality time with your clients," Douglas explains. "That is when you really can build a relationship and continued trust."

#### Ad Space

Publications that are popular with a firm's target base also make good advertising venues. Starting this January, Goodman Private Wealth began exploring an advertising campaign within a high-end regional real estate publication as a way to attract wealthy people

who have multiple investment vehicles and are likely to have a combined net worth of more than \$1 million.

That type of specific targeting is critical to any marketing plan, and makes budgeting easier. Advertising is only effective if it reaches the right audience and Loeb says, prior to the current venture, his firm hasn't spent any money on general publication advertising for several years.

And, while he considers event planning part of the marketing budget, Loeb says most of Goodman Private Wealth's clients don't make decisions based on social functions the firm might hold. "The high-net-worth clients we deal with can afford any type of fancy dinner or event they want," he says. "While we are considering some future events for clients and referrals as part of our marketing budget, it's not a [business development] focus."

For the most part, clients value his firm for its intellectual knowledge in the field of financial planning. That's why Loeb makes sure to set aside marketing

dollars for providing relevant, timely information on industry trends, investment vehicles and tax-saving strategies to his clients. He notes the firm's small-scale or individual conference calls targeted exclusively to clients are highly attended and much appreciated.

Hicks says it's also beneficial to break down a marketing budget into a monthly marketing calendar and schedule. For example, some financial planners might prefer to have more events and seminars during warm weather months, which would increase the budget during those periods. "It's important to decide on annual and monthly expenses and put them down on paper as you're working through the budget before it is finalized," notes Hicks.

Once the expenditures are placed into monthly buckets, they should be included in the marketing budget and the firm's annual budget and shared with a peer group, manager and other staffers. Then, the budget should be compared against actual marketing dollars spent to ensure it remains updated.

It's also important not to put the cart before the horse, says Sharon Routley, owner of Routley & Company, a financial and tax planning firm in Winnipeg. Budgets are only effective if firm partners are committed to the marketing strategy in the first place. In addition, there must be staff that has the time, ability and interest to carry out such marketing chores. "You want to make sure that everyone is on board, even if you're a small firm with a budget in the low five figures," she explains.

Loeb agrees strategies to increase exposure, such as event planning, charitable contributions and referral relations should be part of the firm's marketing budget, adding that dinner presentations with the firm's chief investment strate-

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**continued from page 36** gist and portfolio managers are also included. And while other entertainment costs can fit into a well-rounded marketing plan, things such as memberships in charitable organizations designed to increase exposure among traditional referral sources—bankers, lawyers and insurance agents—are also valuable.

“The key is not just membership but active participation,” says Loeb. “Like with our clients, it’s great to develop a personal approach with referral contacts—and those marketing initiatives that allow us to interact with them one-on-one, or as part of a group learning process, are advantageous.”

### Executive Decisions

Loeb says the fewer people involved with developing the marketing budget, the better. While all firm partners and associates are encouraged to provide input as to their personal marketing needs, the setting of the budget should be managed by the firm’s president and director of administration.

Generally, the marketing budget is developed in December and finalized along with the rest of the firm’s annual budget in late January.

Douglas’s preferred marketing programs are specific. The key to properly allocating resources, he says, is to understand the types of clients you do want, and those you don’t. “I do not want shoppers or people who are going to try us out for a short time and then move on to the next financial planner,” Douglas asserts. Which is why he doesn’t spend marketing dollars on direct mail and telemarketing efforts, or on seminars to unqualified prospects—“I feel this strategy brings me the wrong client, someone I likely will not convert,” he says.

In the past couple of years, Douglas

has set aside marketing dollars to pay for client surveys. He hires a web company to send out surveys to all his mutual fund clients and the response rate has been excellent.

The surveys are used to measure client satisfaction but also are designed to find opportunities for cross-selling and to uncover potential satisfaction issues before they result in lost business. Douglas says that in an ideal world the surveys would be generated from his internal staff but his firm is too small to effectively handle the role.

He acknowledges that his marketing strategies basically lead him to older clients or those nearing retirement. “We budget our dollars to attract those clients who want to consolidate their assets and have personalized direction under one advisor,” he says. It’s the same reason Routley has focused her marketing budget on informing and cross-selling to existing clients.

Her marketing dollars go directly toward reinforcing the message that she and her firm serve as a resource to them rather than just functioning as a product provider.

Hicks says excluding the cost of personnel and assistants, the marketing budget should be between 10% and 20% of a firm’s gross revenue, adding that some financial professionals don’t realize that marketing is an investment in their business as opposed to an expense. Yet even with a budget, a marketing strategy only remains effective if firm members take the time to implement it. “I always schedule a half day per month to work on my marketing and client communication strategies,” Hicks says.

“This scheduled time is very productive. If you don’t budget the time now, how will you have time in the future to grow your business?” **AE**

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