

Target Marketing and Prospecting Methods

Learning Objectives

An understanding of the material in this chapter should enable you to

- 1-1. Define the five questions that must be answered when constructing a basic marketing plan.
- 1-2. Explain the eight steps of the selling/planning process and the client-focused selling philosophy.
- 1-3. Describe the three steps of the target marketing process.
- 1-4. Outline common prospecting methods for accessing prospects from the three types of prospecting sources.

OVERVIEW OF THE TEXTBOOK

An advisor's primary concerns are getting in front of the right people (marketing¹) and knowing what to say and ask once he or she is before them (selling). This textbook, *Techniques for Exploring Personal Markets*, will address the first concern, building on basic prospecting and selling skills you have mastered already.

The objective of this textbook is to provide information and ideas to help you create, implement, and measure the effectiveness of a basic marketing plan. The elements and procedures for writing the plan are discussed in Chapter 7, "Delivery, Service the Plan, and a Basic Marketing Plan." The rest of the chapters provide the information you will need to answer the five questions that form the basis for constructing and evaluating a basic marketing plan:

- (1) What are my objectives?
- (2) What am I marketing?
- (3) To whom am I marketing?
- (4) How will I market to them?

(5) How effective am I?

What Are My Objectives?

You sell products to earn income. Thus a marketing plan must begin by identifying objectives for income and the activities to attain your income objectives. (We will circle back to this question later when we discuss how to construct a basic marketing plan.)

What Am I Marketing?

A marketing plan answers the question, “What can my products and services do for people?” The key is to view your products and services as tools that enable people to achieve and/or protect their dreams. For example, a couple may dream of traveling during retirement. Retirement planning and mutual funds (to fund an IRA) are tools that can make that future possible. Likewise, young parents want their children to succeed in life. But if one or both of them die, the success of their children will be impeded by worries about basic necessities and funding for higher education. Life insurance proceeds can fund both of these needs.

Unlike a shiny, new sports car, financial products are intangible. To market them successfully you must connect the results that financial products can produce to the people, plans, and purposes that prospects care about. In the above examples, the advisor could position mutual funds as “a retirement travel fund” and life insurance as “a plan to give your children the opportunity to succeed even if you aren’t there.”

Take the time to truly understand what your products and services can do for people. In other words, understand what you are marketing.

To Whom Am I Marketing?

qualified prospects

target market

Ideally, you will only set appointments with *qualified prospects*: people who need and want your products and services, can afford them, can qualify for them, and can be approached on a favorable basis. Imagine the increased efficiency and effectiveness of your marketing efforts if you could market to a large group of prospects that share common characteristics and needs, and have a communication (networking) system. Such a group of people is known as a *target market*. Not surprisingly, successful advisors typically focus on one or a few target markets. Identifying and selecting target markets are critical aspects of creating a basic marketing plan.

For the purposes of this text, we will focus our marketing efforts on personal markets, meeting the financial needs of individuals and families. Personal markets are in contrast to business markets, which address the financial needs of business owners that result from their owning a business.

How Will I Market to Them?

Of course, not every member of a target market will be a qualified prospect. It follows that for each target market selected you must choose and apply prospecting methods to access qualified prospects. These prospecting methods should reflect the prospecting source, the most probable financial needs and goals, and the target market's preferences.

In addition, you must identify and implement appropriate ways to position your personal brand and products and create awareness of them. Finally you should find effective methods for approaching prospects and setting appointments. One marketing paradigm, life-cycle marketing, is an effective way for identifying probable needs. It will be one of the core topics discussed in this textbook.

How Effective Am I?

A basic marketing plan identifies ways to measure and evaluate marketing effectiveness. The most common measures are effectiveness ratios. Analysis of these ratios enables the advisor to identify areas of improvement and make changes to increase productivity. Effectiveness ratios are also the basis for planning in subsequent planning periods (typically annual).

THE SELLING/PLANNING PROCESS AND PHILOSOPHY

Before delving into matters related to marketing, it is important to understand how marketing integrates with the overall selling/planning process and client-focused selling philosophy.

Introduction to the Selling/Planning Process

You may be familiar with the 6-step financial planning process advanced by the Certified Financial Planning (CFP®) designation (see Table 1-1). Although most financial services professionals are not financial planners, they still use the financial planning process when working with clients. However, the financial planning process does not reflect the crucial steps of identifying prospects and obtaining an appointment with them. Nor does it reflect the reality that advisors often have to motivate clients to obtain products that will meet their needs. These realities are reflected in the following selling/planning process and in its underlying selling/planning philosophy.

TABLE 1-1
The CFP® Model of Financial Planning²

- (1) Establishing and defining the client-planner relationship.
- (2) Gathering client data, including goals.
- (3) Analyzing and evaluating the client's financial status.
- (4) Developing and presenting financial planning recommendations and/or alternatives.
- (5) Implementing the financial planning recommendations.
- (6) Monitoring the financial planning recommendations.

The Eight-step Selling/Planning Process

**selling/planning
 process**

You will notice right away that the *selling/planning process* is simply the six-step financial planning process with two additional steps: identify the prospect and approach the prospect (see Figure 1-1.) These are the steps that will be the predominant focus of this textbook. Let's review briefly all eight steps.

FIGURE 1-1
The Selling/Planning Process



1. Identify the Prospect. Effective selling begins with getting in front of qualified prospects: people who need and want your products, can afford them, can qualify for them, and can be approached on a favorable basis. If possible, you should work with qualified prospects who will value an advisor's guidance and consequently become a source for repeat business and referrals.

Identifying prospects involves target marketing, which operates on the premise that people tend to congregate with people of like values and characteristics. By definition, a target market has a networking system. Thus if you behave professionally and provide valuable products and services, referrals are very likely.

2. Approach the Prospect. In this step, you contact individual prospects with one objective in mind: to set an appointment. The approach is made either on the telephone or face to face. You should base the request for an appointment on a relevant, potential need the prospect may have. This approach will yield more appointments with fewer calls.

value proposition

3. Meet with the Prospect. In the initial meeting with a prospect, your objectives are to establish rapport, describe your services and the process involved, ask some thought-provoking questions, and listen attentively. Based on the prospect's responses, you then establish a mutually beneficial reason to do business and describe it in the form of a *value proposition*, which is a clear and compelling reason to conduct business with the advisor. You then see if the prospect wants to proceed to the next step.

4. Gather Information and Establish Goals. Using a company-approved fact finder, ask a lot of questions to gather personal information and qualitative data about the prospect's needs, goals, priorities, and attitudes. You will also collect quantitative data about the prospect's financial situation, often using such documents as a cash-flow statement, personal balance sheet, annual Social Security statement, and so on. You may also gather product design information, especially for insurance plans, to customize the product within a dollar commitment to which the prospect agrees.

5. Analyze the Information. In this step, you analyze the information gathered by creating and/or examining appropriate financial statements; identifying obstacles to desired goals; looking at the prospect's current insurance coverages, savings and investments; analyzing possible alternatives; and so on.

6. Develop and Present the Plan. After analyzing the information, you develop recommendations in the form of a plan. In addition to summarizing the client's situation and the findings of your analysis, the plan should include recommended actions. If alternate solutions are provided, a synopsis of their relevant advantages and disadvantages, and a projection of anticipated costs and outcomes should also be included.

During the presentation you will do the following:

- Confirm the prospect's needs and desires.
- Identify and explain solutions and alternatives that will address the prospect's needs and desires.
- Present recommendations.

7. Implement the Plan. If recommendations are based on the information gathered using a properly completed fact finder, implementing the plan should simply be the logical next step in working together. That does not mean the prospect will not have some concerns or objections. You should be prepared to address them as well as to motivate prospects to take action.

Once the prospect has agreed to the recommendations, help him or her acquire the necessary products and services. For those who sell financial products, implementation includes completing all of the required forms and applications and, in some instances, delivering an insurance policy.

8. Service the Plan. This is the step in which you turn customers into lifetime clients. Service cements the relationship with a customer, giving you the opportunity to make additional sales and obtain referrals.

Some service is reactive—the customer initiates it by requesting a needed change, such as an increase in coverage. In these situations, the customer should expect to receive excellent service.

What can differentiate one advisor from another, however, is the proactive element of his or her service strategy. Many people buy a product and never hear from the advisor again. Proactive servicing strategies, such as monitoring the plan through periodic financial reviews and relationship-building activities, enable an advisor to stay in touch with customers. It is this high-contact service that builds clientele. You need to communicate what reactive and proactive services you will provide and then make them happen!

Client-Focused Selling/Planning Philosophy

Selling involves communicating, motivating, and persuading. Selling skills are inherently neutral. You can use them to help people implement a plan to achieve their dreams or to manipulate people to buy a product that is

unsuitable for them. For this reason, the philosophy underlying the selling/planning process is critical.

client

The selling/planning process described in this textbook is based on a client-focused approach to selling and planning. The objective is to cultivate a mutually beneficial, long-term relationship with a *client*, someone who follows your advice consistently, buys from you again, and refers you to others. (For our purposes, a person who pays an annual retainer, asset management fee, and so on is a repeat buyer.) In other words, the end result is an ongoing relationship that benefits both parties. The initial sale is an intermediate, rather than final, step.

Manipulative, high-pressure strategies are incompatible with the client-focused philosophy, which utilizes consultative and financial planning strategies. Creating solutions that reflect overall client goals, values, and needs requires a careful gathering and analysis of very personal information and feelings. As a result, good communication skills such as asking probing open-ended questions, listening carefully, and confirming your understanding are invaluable. Moreover, motivation and persuasion are employed with the prospect's best interests in mind—not to generate commissions or fees. With the client-focused philosophy everyone benefits. Clients buy valuable products that meet their needs, and advisors receive repeat business and referrals. Consequently the reputation of financial advisors is enhanced in general.

The client-focused philosophy should pervade the entire process, beginning with identifying and approaching prospects.

TARGET MARKETING

The first two steps of the selling/planning process, identifying prospects and approaching prospects, can be completed in different ways. Over the years, the most successful approach has been target marketing.

target marketing

Target marketing is a process in which the advisor aims products and services at a target market. A target market is a group of prospects that meets the following criteria:

- The group is large enough to provide a continual flow of prospects.
- Members of the group have common characteristics that distinguish them from nonmembers. At least one common characteristic provides a basis for customized marketing messages and approaches.
- Members of the group have a common need or needs, usually attributed to a common characteristic.
- The group shares information through a formal or informal communication or networking system. This makes it more likely for an advisor to be referred and for the advisor's reputation to precede

him or her. A communication system is the most important criterion in defining a target market.

The reasons for target marketing's popularity are many. Here are a few worthy of mentioning:

- Successful target marketing will result in enhanced referability due to the communication network.
- Concentrating on a few target markets enables the advisor to tailor postsale service strategies to facilitate deeper relationships, which generally translate into increased loyalty.
- Gaining a reputation within a target market for being the expert will discourage other advisors from trying to penetrate the market.
- Target marketing results in higher profits through lower acquisition costs.
- Working with people with whom the advisor has a lot in common will increase the advisor's job satisfaction.

Target marketing can be divided into three major steps:

- (1) segmenting your market
- (2) targeting a market
- (3) positioning your personal brand and products

Segmenting Your Market

market segments

natural markets

The first step of the target marketing process is to segment your market into groups of people with common characteristics and common needs, or *market segments*. While market segmentation can be performed on any large group of prospective buyers, such as your general market, the most logical approach is to identify the market segments that comprise your *natural markets*, which are those groups of people with whom you have a natural affinity or access due to similar values, lifestyles, experiences, attitudes, and so on. All things being equal, natural affinity and/or access translates into a higher likelihood of being able to approach prospects on a favorable basis, which is arguably the most difficult part of meeting a qualified prospect.

A very basic and effective approach to segmenting your natural markets is to analyze your personal background and history. Brainstorm to identify the types of people with whom you would like to work (see Figure 1-2). In some cases, you will readily identify groups (markets), while in other cases you will identify personality types for which you will then need to identify where you might find such people. For example, if you are deeply analytical and enjoy working with people who like spreadsheets, you might consider

targeting engineers. This analysis will identify initial target markets for you to perform Step 2 and Step 3 of the target marketing process.

A second approach is based on the process used by marketers in other industries. Although it is applied here toward past personal production, it can easily be applied to segment a newly appointed agent's friends, family, and acquaintances list. Furthermore, one could apply it to the undifferentiated, or general, market. This approach involves completing the following:

- Identify your top 20 clients.
- Select relevant segmentation variables.
- Apply the segmentation variables.
- Identify market segments and create profiles.

FIGURE 1-2
Natural Markets Checklist

Your personal background and history have a lot to do with defining your natural markets. Take a few minutes to make a list of the following:

- occupations you have worked well with in the past
- social organizations/associations in which you have been successful
- types of people whose company you enjoy and with whom you enjoy working
- businesses you know fairly well
- organizations, businesses, and associations where you are recognized by most people

Identify Your Top 20 Clients

Print or review a list of your current clients and identify the 20 clients with whom you enjoy working the most (out of a suggested minimum of 100 total clients). By enjoyment, we are not talking necessarily about those who generate the highest amount in commissions or fees, but those clients with whom you have the greatest rapport.

Select Relevant Market Segmentation Variables

Next, you will select relevant market segmentation variables, which you will use to divide your natural markets into market segments. A market segment is a potential target market.

Segmentation Variables. There are generally four types of segmentation variables that marketing experts use to divide a market: geographic,

demographic, psychographic, and behavioristic.³ The segmentation process utilizes a number of variables from one or more of these four categories.

geographic variables

Geographic Variables. *Geographic variables* segment a market by using political divisions such as states, counties, cities, boroughs, and so on, or by territories delineated by neighborhoods, regions, miles, and so on. For most advisors, geography is used to define their territory, mainly because of licensing requirements (advisors must be licensed in each state in which they practice). However, with technological advances, especially cell phones and broadband Internet, more and more advisors are setting up virtual practices that market to a very small high net worth niche market (such as dentists, doctors, or professional athletes) located in several states or even the entire country.

Example:

Rachel lives in Burlington County, New Jersey. One of the characteristics of her target market is that many individuals in that market are preretirees. Rachel knows that there are several over-age-55 communities in the county. Geography is a meaningful segmentation variable for her.

demographic variables

Demographic Variables. Partially because they are easier to measure (through census information or marketing data companies), *demographic variables* are the most commonly used segmentation variable. The differences in prospects' needs and wants are often linked to these variables.⁴ For example, interest in Medicare supplement insurance occurs primarily around age 65 because that is when such insurance is an issue for people. Along with age, demographic segmentation includes variables such as gender, education, ethnicity, occupation, income, size of family, marital status, religion, generational cohort (Silent Generation, Baby Boom, Generation X, and so on), and family situation (single, married with kids and a single income, married with no kids and two incomes, single parent, empty nester, divorced, and so on).

psychographic variables

Psychographic Variables. Advisors use *psychographic variables* to divide a market by lifestyle and attitudes. These variables include leisure activities, values, personality, interests, and hobbies. For example, you may have a few clients who are running enthusiasts, play in a softball league, participate in a bowling league, and so on.

behavioristic variables

Behavioristic Variables. *Behavioristic variables* group people by their buying and usage behaviors. This type of segmentation categorizes people according to when they buy (birth of a child, marriage, divorce), type of user

(do-it-yourselfer, collaborator, delegator), brand loyalty, benefits sought (convenience, price, quality), buying motivations (for example, motivations for buying long-term care insurance could include not burdening loved ones, ensuring choice of care settings and providers, and/or protecting assets for heirs), and so on. Perhaps you find that upcoming nuptials triggered a few of your best clients to seek your financial advice. It could be a coincidence but, then again, it may be a great target marketing opportunity.

This type of segmentation is quite powerful. Companies are using complex data modeling and computing technologies to harness the marketing potential associated with these types of variables. You can use a low-tech approach by keeping a record of the motivators and reasons for buying for each product sale you make. You can store the information in customizable fields of your contact management system. Do not assume you know; ask clients after they purchase a product, “What do you feel are your main motivations for making this purchase?” and “What do you expect the product to do for you (and your family)?” Then when you are segmenting, you can group clients by motivation and reasons for buying (needs met). Grouping people by their buying behavior may lead you to lucrative target markets for which you will have strategic information with which to build a marketing strategy.

Common segmentation variables used to segment natural markets appear below.

Example:

Common Market Segmentation Variables Used to Segment Natural Markets

Geography: neighborhood, location of employer

Demography: age, income, investable assets, occupation or profession, ethnicity, employer, family situation (married, kids, and so on)

Psychography: type of lifestyle (modest, luxurious, and so on), attitudes and values, community interests, social organizations, religious affiliations, clubs, alumni organizations, fraternity, sorority

Behavior: financial reasons for buying (income protection, children’s education, asset protection, and so on), emotional reasons for buying (desire for security, sense of responsibility, and so on), and referral activity (how many, the quality of referrals, and so on)

Selection of Relevant Variables. To select variables, think in terms of the criteria for a qualified prospect and the distinguishing characteristics that identify members of the target market.

You will need to analyze the financial and emotional needs your products and services meet for possible segmentation variables that indicate (1) a need and a desire to meet that need and (2) the ability to afford and qualify for your products (see Figure 1-3). It is assumed that by segmenting your natural markets you can approach prospects on a favorable basis. In many cases, you will probably not be able to find segmentation variables that define *all* the criteria of a qualified prospect.

FIGURE 1-3 Possible Segmentation Variables	
	Criteria
Need/want/value	Age Sex Family status Products or services they bought from you Reasons for product purchase Values and attitudes Total commissions, fees, and so on they represent Referrals Occupation or profession
Ability to pay	Income Lifestyle Assets
Suitability	Income Lifestyle Assets
Approachability	Occupation or profession Employer Lifestyle Personal traits Ethnicity Social organizations Hobbies Referrals

One or more of the variables should reflect possible ways to distinguish members from nonmembers as well as ways to access the potential target market. Such characteristics might include occupation or profession, employer, activities (such as belonging to the same gym or club),

neighborhood, and so on. If there are no distinguishing characteristics that enable you to identify and access the market segment, then you do not have a market segment.

Apply the Segmentation Variables

After you have selected the segmentation variables you will use, begin to segment your market. Make a chart with columns for the client's name and to record information corresponding with each of the demographic variables you chose. Enter the information for each client (see Figure 1-4 for an example of an abbreviated chart).

FIGURE 1-4 Segmentation Chart							
Client	Product	Financial Need	Inc and Assets	Life	Family Status	Org	Emp
1	Term	Inc rep Edu Debt	70K 100K	Mod	Married 3 children	Kiwanis Ltl league	Fed Ex Elec Bout
2	Annuity	Ret plan	150K 500K	Extra	Married	Kiwanis	SMS SMS
3	Mut Fd	Gen inv	100K 150K	Mod	Single	GP CPA	KPMG
4	Term	Inc rep Divorce	85K 110K	Mod	Divorced 2 children	WRN	Bugs R Us (Self-emp)
5	Term	Inc rep Debt	65K 120K	Mod	Married 2 children	Ltl league	EDS

A spreadsheet application's sort function will help with the analysis. For a more powerful analysis, it is worth considering a database or contact manager (with customizable fields, advanced record filters, and reports).⁵

Identify Market Segments and Create Profiles

Once you have gathered the information, analyze it for commonalities. If you use a large sample of your client base, you could look strictly for trends (percentages of clients with common characteristics). However, be sure to analyze the data for other relevant information. For example, if Harry Marshwiggles is a CPA and there are no other CPAs on your selected client

list, a strict analysis would not identify CPAs as a market segment. However, suppose you are an analytical person who uses a spreadsheet to calculate the optimal time to change the oil in your car. In that case, CPAs should be a market segment to explore further. Here are a few ideas for how to approach your analysis.

Look for Groups with a Communication Network. The communication network is the key to a target market. Examine the segmentation variables that would indicate a client belongs to a group with a system for networking. Groups may be found through such variables as occupation, employer, hobbies or other interests, social or religious organizations, and neighborhood or homeowners' associations. Of course, you need to have gathered and recorded such information in order to analyze it, re-emphasizing the importance of using a contact management system. In the example of Harry Marshwiggle, the CPA market segment would be all the more interesting if Harry were an active member of the Greater Philadelphia CPA chapter (more than 8,700 members) or if he worked at KPMG, a large accounting firm in Philadelphia.

Market segments that lack a communication network typically are not potential target markets. More will be said about such groups a little later.

Examine Product and Need. Look at any commonalities of product (if appropriate), need (for example, if the product were life insurance, a need could be income replacement for dependents), and motivation (if you have determined and recorded that information). Note the common characteristics of clients who bought a product for the same reasons. For example, in Figure 1-4, the clients who have an income replacement need for term life insurance (clients 1, 4, and 5) all have roughly the same income and assets. Two of them are married. Two of them have children and are involved with Little League Baseball; all three have a moderate lifestyle.

Assess Variables Related to Profit Generation. While the level of compensation generated from clients is not the top priority, it is a factor that should be considered. Also consider the quantity and quality of referrals; you will probably have a great deal of referability within a market segment that includes clients who regularly refer good prospects to you.

Develop Profiles. The result will be the identification of market segments that are potential target markets. Develop profiles for the stronger potential target markets, identifying their relevant distinguishing characteristics. Add any missing characteristics that you feel strongly about but for which you may have only anecdotal evidence. For example, you may sense that most clients in

the “Little League Baseball parents” market segment are planners because during the interview, they expressed some concrete goals (see Figure 1-5).

FIGURE 1-5
Example of Target Market Profiles

Little League Baseball Parents

- Between ages 25 and 40
- Average income: \$60,000
- Average investable assets: \$50,000
- Children in Little League Baseball
- Looking to insure income at death
- Sensible spenders
- Planners

Women Business Owners in Chester County

- Ages 30 to 55
- Average income: \$80,000
- Average investable assets: \$125,000
- Thinking about retirement
- Looking for tax breaks
- Members of Women’s Referral Network or WRN (www.wranchesco.com)

Targeting a Market

The next step is to narrow your target market options and select one or a few to test and pursue. The following activities are recommended for completing this step:

- Create selection criteria.
- Conduct market research.
- Assess other factors.

Create Selection Criteria

Some market segments make better target markets than others. Take the top five or so market segments you identified and compare and prioritize them using criteria of your choosing. Such criteria will depend largely on your product mix (including services).

Group your criteria into three main categories⁶ (you may add your own, of course):

- fit of resources to segment’s needs
- level of potential compensation
- level of competitiveness

Assess each market segment and give it a score. You may use a chart like the one in Figure 1-6.

FIGURE 1-6 Selection Criteria					
	Market Segment				
	1	2	3	4	5
Fit of resources to segment's needs					
Products (financial needs I can meet)					
Personal traits					
Subtotal					
Level of potential compensation					
Potential compensation per client					
Referability					
Size of market segment					
Subtotal					
Level of competitiveness					
The number of competitors is few					
The competition is not firmly established					
Subtotal					
Total					
Market Segments					
1—Little League Baseball parents					
2—Financially savvy singles from Exton and Downingtown					
3—Maxed-out empty nesters who live at Hershey Mills over-55 community					
4—Women business owners in Chester County					
5—Members of the Kiwanis Club					
Score low to high—0 to 5					

Consider the details for each of the categories, as explained below.

Fit of Resources to Segment's Needs. Assess how well your resources match your market segment's needs. The best way to do this is to create another chart as illustrated in Figure 1-7. This time, the first column lists the needs your product(s) meet. Create columns for each of the market segments you identified. For each need and feature, rank the relevance to each segment. Factor into your assessment the priority that market segment members would place on meeting that need as well. How high a priority is it in light of other needs, wants, and desires?

FIGURE 1-7 Matching Resources to Needs					
Life Insurance	Market Segment				
	1	2	3	4	5
Income replacement	5	1	2	4	1
Education funding	5	0	0	3	0
Debt repayment	5	0	2	5	4
Estate planning	1	1	4	4	4
Philanthropy	0	0	0	3	1
Estate creation	4	1	4	4	1
Maintaining responsibility and preparedness	5	1	1	4	1
Long-Term Care Insurance					
Asset protection for heirs	1	1	4	5	1
Preservation of dignity and assurance of choice (avoidance of Medicaid)	1	1	5	4	4
Security that loved ones are not burdened	4	4	5	5	5
Avoidance of Medicaid 5-year lookback period	1	1	3	3	1
Maintaining responsibility and preparedness	1	1	4	5	3
Market Segments					
1—Little League Baseball parents 2—Financially savvy singles from Exton and Downingtown 3—Maxed-out empty nesters who live at Hershey Mills over-55 community 4—Women business owners in Chester County 5—Members of the Kiwanis Club					
Relevance of need or feature, scored low to high—0 to 5					

In addition to the chart, consider your product's affordability. Price your product. For example, if you sell life insurance, calculate the cost of a policy with a typical coverage amount that you expect members of a particular market segment to need. Then compare the cost to the market segment's average income. How reasonable is it?

How well do your personal traits match each market segment? Remember, your personality will have a lot to do with your ability to approach members of the market segment on a favorable basis. If you have created an ideal client profile (see Appendix A for information on how to create an ideal client profile), how closely does the market segment match the profile? (It probably will not be a 100 percent match.) What is your basis for a favorable approach? For example, are members in the market segment your friends? Do they belong to the same country club? How favorable is your basis to approach them

relative to other market segments? You could construct a chart similar to the one you made to evaluate the fit of your product.

Level of Potential Compensation. Estimate the possible lifetime profitability that each market segment can produce. Lifetime profitability includes income from product purchases (the initial purchase and repeat purchases of the same or other products) and from referrals. It also accounts for the size of the segment (think in terms of sales volume).

Calculate the price for a likely product purchase, and estimate the income you would receive for all probable purchases over an individual client's lifetime. Do not simply total up the prices for all possible products. Remember the affordability factor. A \$1,500 monthly premium for multiple insurance policies for a family with a gross income of \$5,000 per month is not reasonable and thus not probable. Estimate a probable average amount and then figure the income that amount produces for you (if you are dealing with a commission). If you have been in the business for a while, you can base these figures on your current clients. Otherwise, ask a more experienced advisor what might be reasonable. This task will require approximating a market segment's average level of income and assets.

How many referrals do you think a client in this market segment will provide if he or she is satisfied with your service? To gauge your referability, determine the formal or informal communication systems that clients in this segment have and how much they use these systems. The presence of a communication system, whether formal (a meeting, a newsletter, and so on) or informal (neighborhood relationships), increases your potential referability. Estimate the income potential from referrals by assuming that a percentage of the referrals will produce the same average income as just calculated above. Multiply the number of referrals by the amount of average income produced. These are estimates, but you only need a general idea.

Demographics are important. How large is the market segment? How fast is it growing? If you are evaluating the market segment of Hispanics in Lehigh County, Pennsylvania, for instance, you would find that the population increased from 31,881 in 2000 to 50,884 in 2007.⁷ That is a growing market!

Level of Competitiveness. As sure as a picnic will attract ants, a good target market will attract competition. How competitive are you? To determine your competitiveness you will need to evaluate your competition. Specifically:

- Who are your competitors? How many are there?
- How well are your competitors established in the market?
- How highly rated are your competitors within each market segment?

If the competition already has an established presence within one of your possible target markets, you must evaluate your potential to be a formidable rival or ability to carve out a specialized niche within that segment. Determine whether or not the competition has a good reputation or if there are other unexploited opportunities. If possible, you should choose target markets that are underserved or in which the competition does not yet have a solid presence.

Conduct Market Research

Once you have created selection criteria, you will need to obtain the necessary information to evaluate them. You will need to conduct market research. There are two types of market research: initial research and market surveys. Initial research is less intensive and used as a means to sift the wheat from the chaff. On the other hand, market surveys require more time because they involve talking to people either in the potential target market or who work with its members.

Initial Research. A good place to begin your research is on the Internet or at the local library. The Internet is a treasure trove of valuable information. The local chamber of commerce is also an appropriate place to start if you are targeting business owners.

Your main goal is to gather information regarding the selection criteria you previously developed. The information does not have to be precise; a very rough estimate will do fine.

Example:

Cecil wants to target realtors in Chester County, Pennsylvania. Cecil finds the Suburban West REALTORS® Association website located at SuburbanwestRealtors.com.

From the website, Cecil finds that there are more than 5,000 members in the association. Some members are businesspeople who provide products and services related to the real estate industry.

There is also a database of names, phone numbers, and addresses of members that he can use for market research and, ultimately, for prospecting.

Use your initial research to learn about market segments and to prioritize them. Because of the time commitment required to survey a market segment, you will want to invest that time initially in the top two or three segments. Note that the more information you can gather about any of the market segments you have identified, the fewer questions you will need to ask in

your survey. Your initial research can also guide you in developing appropriate questions for the survey.

Market Survey. Select your best potential target markets from the market segments you have chosen, and prepare to conduct a market survey.

Before you construct the survey, you must identify whom you will survey. This will affect what questions you ask. It is important to clearly identify your prospective survey participants.

You will want to survey people from the market segments you identified in the previous step. In particular, you will want to survey current clients who are members of one of the identified market segments, beginning with your best clients. But other professionals who currently target this market segment and potential centers of influence are good people to survey, too. Although this will mean crafting two distinct surveys, it will be worth your time.

Once you know whom you will interview, construct your survey. Keep in mind that the primary purpose is to gather information related to the selection criteria that you were unable to obtain from your initial research efforts. In addition, the market survey can assist you with the following:

- Confirm or discover distinguishing and relevant characteristics common to members of the potential target market.
- Define clearly the most important problems and goals common to most members, especially financial problems and goals.
- Understand how members perceive the financial products and/or services you provide.
- Determine the income potential of the market segment.
- Evaluate the competition's marketing efforts and success within the target market.

Make your survey thorough but concise; you do not want to overwhelm your participants. Keep the number of questions under 10 if you can. Figure 1-8 contains some sample questions from which you can build your own survey.

FIGURE 1-8
Market Survey Sample Questions

Characteristics

- What attitudes and interests do you share with others in your group?
- If an outsider went to a convention for [name of market segment], what impressions would he or she get from meeting members?
- Is there something special or interesting that members of your group have in common? Why is this common to your group?

Fit of Resources to Segment's Needs

- What are the common problems and concerns people in your situation face? Which are the most important and pressing?
- If you could have a day's fee paid that would allow you to hire a good financial advisor to solve a problem that people like you face, what would you have that person do? Why?
- How do you feel about [the advisor's product or service]? How important do you think it is? Why?
- What determines how you buy [the advisor's product or service]? Price? Quality? Brand name? Customer service? Convenience? Other?
- What do you think is an affordable price for [the advisor's product or service]?
- Where or to whom would you go to find information about [the advisor's product or service]?
- What do you expect from [the advisor's product or service]? What are you looking for in a [the advisor's profession]?

Level of Potential Compensation

- What range of income do you estimate people in your group earn?
- What do you feel that people in your group spend money on?
- How would you determine from which company to purchase [the advisor's product or service]?
- What do people in your group read to keep up with the latest information?
- What industries, associations, or clubs support your group?
- How do members of your group network and share information?
- How often do you get together with other people in your group, and what do you do when that happens?
- How often do you consult others in your group for a recommendation of products and services?
- How often do you tell friends, family, business associates, and so on about good products and excellent service?

Level of Competitiveness

- Who comes to mind when [name of market segment] think of [the advisor's products and services]?
- How do you know about (name of a competitor)? Does [name of a competitor] send you mail or e-mail? Does [name of a competitor] advertise? Where?
- What reputation does [name of a competitor] have among [name of market segment]?

Ask several members of each potential target market to participate in your survey, assuring them that your purpose is not to sell anything, but to find out more about the potential target market to which they belong. Here are some additional thoughts and tips:

- Be polite and professional. You are probably dealing with a possible prospect and/or center of influence. The survey is an opportunity to create a favorable impression of yourself.
- If you are interviewing a current client or noncompeting professional, consider treating him or her to lunch or a cup of coffee.
- Be observant when interviewing members from your target market. How does the person dress (conservatively, casually, ostentatiously)? What kind of car does the person drive (luxury, minivan, truck, compact)? Where does the person live?
- Listen carefully, especially during small talk. What does the person value? What nonfinancial needs does he or she have? To which organizations does the person belong?

Surveys provide a number of benefits. First, you obtain information about the market segment directly from its members or someone who knows them well. Consequently you are able to make your own judgments rather than relying solely on statistics and data from others. Second, because you develop the questions and possibly interview people yourself, the information you acquire is specific and relevant to your marketing efforts. Moreover, the members of the market segment you interview may notice your efforts, which will let them know you can help solve their problems. This can build your prestige and create awareness of you in your role as an advisor. In fact, it is an excellent first step to prospecting within your target market.

Assess Other Factors

The market research is complete. The market segments have been evaluated according to the selected criteria. The next phase of the selection process is to assess other factors, including the following.

Advisors Selling a Single Product. Advisors who sell only one product will typically utilize a product specialization strategy in which they market one product to multiple target markets. One best practice is selecting target markets that are related to one another. For example, real estate agents, title insurance agents, home inspectors, and mortgage brokers are related market segments. In fact, if there is a local real estate agents' association, the others may be members. Although the needs and characteristics are different between market segments, there is often a common point of access.

A second strategy, the single-segment concentration, involves marketing one product to a single market segment. This approach is applicable for advisors who are targeting high net worth clients such as dentists, doctors, professional athletes, and so on.

Advisors Selling Multiple Products. Selective specialization is a coverage strategy that involves marketing a few different products to multiple target markets. As with the product specialization approach, it is ideal to target market segments that are related to one another in some way.

The market specialization strategy is like the single-segment concentration strategy in that the advisor specializes in one market's needs. It allows the advisor to devote his or her undivided attention to a particular target market and to become an expert in that market's financial needs. The difference is that the advisor sells multiple products to that market. The advisor should choose a target market that needs and values the products that the advisor sells.

Advisors who sell property and liability insurance along with other insurance and financial products can use an undifferentiated full-market coverage strategy to sell auto and homeowners insurance but then use one of the other coverage strategies, such as selective specialization, for their other products.

Market Segments without Communication Networks. You may identify some market segments that lack a communication network. Most likely, this will happen if you segment by need and motivation. Look a little deeper to see if there is the potential for targeting this market segment within larger undifferentiated groups that do have a communication network (formal or informal). If there is a strong correlation between certain characteristics and buying behaviors, ask: "Where can I find people like this?" The answer may be a common location or within groups that have communication networks.

Example:

Eloise notices that a few of her best clients for life insurance were expectant parents. None of them were associated in any way. One day she stopped at a local shopping center. She noticed a boutique that sold maternity and infant clothing. She decides to approach the business owner and see if he would be interested in cosponsoring a 30-minute seminar for first-time parents. The seminar would include a raffle of a few \$50 gift certificates to the store, an infant carrier, and anything else the business owner wanted to include.

Groups Lacking Common Financial Needs. As will often be the case, a group may have common characteristics and an excellent communication system but may lack common financial needs. For example, members of a religious group comprised of people of all ages have common characteristics and a communication system. But, their financial needs are different due to their different ages, marital status, and family status. Technically, such groups fail to meet the criteria of a target market. However, because of their common characteristics and strong communication network, these quasi-target markets should be considered target markets.

One approach for working in quasi-target markets is to segment the target market further by life cycle (age) and/or life stage (marital and family status). Then target each resulting market segment according to its members' common financial needs.

Example: Paulo has a client who is on the board of a local gun club. Members of the club are as young as 18 and as old as 70. Paulo believes he could segment the members by life cycle and offer different retirement planning seminars to each age-based market segment. He plans to use metaphors related to hunting in his presentations.

Positioning Your Personal Brand and Products

positioning

According to management expert Philip Kotler, *positioning* is “the act of designing the company’s offering and image to occupy a distinctive place in the mind of the target market.”⁸ The objective of positioning is to create in the minds of your prospects a favorable perception of both your personal brand (image) and your product (offering). Effective positioning results in a value proposition or a compelling reason for prospects to buy financial products and to buy them from you.⁹

Positioning Your Personal Brand

Your financial plans, insurance policies, and mutual funds cannot set you apart from the competition. If an insurance policy includes a much-coveted feature, you can be sure that other companies will soon offer it to their policyholders. But one thing is virtually impossible for your competitors to copy—you! You and your personal brand are the differentiators. Your personal brand is an amalgamation of the qualities, characteristics, personal experiences, and skills that make you who you are. It is critical to identify the relevant,

unique aspects of your personal brand and position them appropriately in your target market. The process includes the following steps:

- Identify a relevant, unique position.
- Put it in writing.
- Test it.
- Establish your position.
- Monitor and protect it.

Identify a Relevant, Unique Position. Your relevant, unique position is determined by analyzing all of the information that you have gathered about your target market to this point. Specifically, organize and analyze the following:

- what the target market needs and values
- your resources, skills, and so on that position you well in the target market
- how your competition is positioned in the target market

Look at the intersection of the characteristics of your personal brand (your life experiences, skills, hobbies, interests, and so on) and what the target market needs and values most. Then examine how your competition is positioned (you may need to conduct more research to understand your competition's position) to address the same intersection of personal characteristics and target market needs. Identify the competition's weak and nonexistent positions, and choose the one you are best suited to address. This is the same process you used to select a target market. In other words, by completing the target marketing process, you will have done most of the work to identify a relevant, unique position.

What remains is to select from the possible positions you have identified the aspects of your personal brand that you will emphasize. There are at least two aspects to which you should give your attention: deliverables and public image.

deliverables

Deliverables are the ancillary products and service experiences you promise and provide to your prospects and clients. As you carve a position in a target market, look for ways that you can use your skills and background to offer a unique approach to or perspective of the planning process. Consider any ancillary products and services you can provide because of your personal resources and skills.

Example: Pat Smith is a former human resources employee of General Motors and he understands the company's employee benefits package. Given the number of GM

employees in the area, Pat decides to position himself as a financial advisor who specializes in retirement planning for GM employees.

public image

Public image is how people—your target market in particular—perceive you. It is composed of all the characteristics that make you recognizable and memorable. As much as you hope it is your financial expertise that causes people to connect with you, more often it is your personal traits and/or the reputation of your character that attracts people to you.

In fact, Peter Montoya and Tim Vandehey contend that you should not market your abilities as a financial advisor as much as you should “market yourself by highlighting a set of characteristics—your military experience, your travels, your family’s local history, your previous career racing cars, whatever—that makes you stand out from the crowd, and then hammer those characteristics home over a period of time through consistent marketing efforts.”¹⁰

How much you use your personal traits to position your personal brand will depend on your target market. Some target markets will not respond to such an approach. But others will find personalization of their financial advisor quite appealing.

Regardless of whether you buy into Montoya and Vandehey’s idea of personal marketing, an important aspect of your public image is your character. Character qualities such as punctuality, honesty, politeness, and responsiveness should be a part of every advisor’s brand. Although your character is not something you can easily advertise and publicize, it is crucial to your long-term success. Guard your character; your reputation is priceless.

Put It in Writing. The culmination of your analysis of personal characteristics and target market needs should result in two written statements: a positioning statement and a value proposition. If you are targeting two or more markets that have very different needs such as parents of young children and seniors (not that such a selection of target markets is recommended), you may have to create positioning statements and value propositions for each.

positioning statement

The *positioning statement* consists of one short paragraph. It is a private declaration of how you want your target market to perceive you. The statement should guide all that you do from prospecting methods, advertisements, and planning approaches to postsale service. It is the basis for any value proposition you make to prospects in your target market.

Your positioning statement should answer the following questions:¹¹

- Who are you?
- What business are you in?
- For whom?

- What do you do?
- With whom do you compete?
- What will differentiate you from your competition?

Example: Pat Smith is a financial advisor who works with General Motors employees to develop and implement retirement plans. Unlike other mutual fund brokers, Pat understands the GM benefits package and can help GM employees structure optimal retirement plans.

From your positioning statement, you can create your value proposition. Write it in terms of the tangible results you will deliver to prospects and clients. Unlike the positioning statement, the value proposition is for external communication to your prospects and other interested parties. In addition, it is not aspirational, but based on what you are currently able to deliver.

Ideally, you can boil your value proposition down to a few sentences, articulating the relevant benefits that fall into such categories as

- improving the prospect's financial position through increased income, decreased expenses and taxes, or both
- optimizing the prospect's productivity
- creating emotional satisfaction or relief
- increasing the prospect's competitive advantage (for business owners)

Example: Pat has developed his financial planning process to serve the needs of GM employees. His 16 years as a human resources employee at GM give him extensive knowledge of GM's benefits package. Pat can help his clients take full advantage of their employee benefits, and design integrated retirement plans to provide a smoother and more enjoyable ride during the best years of their life.

Take time now to define any deliverables (ancillary products and services) you can offer, even though they may not be part of the value proposition. These products and services are the equivalent of the stylish in-store café, spacious aisles, and spotless restrooms that contribute to the distinct shopping experience offered by clothing retailer Nordstrom's. People

shop at Nordstrom's to buy clothes, but they choose Nordstrom's because they enhance the shopping experience with these amenities. In the same way, people may buy financial products from you, but why they choose you over your competition can be influenced by deliverables you offer that your competition does not. Again, the focus is on relevance to the target market and differentiation, when possible.

Example:

Henry is considering offering the following complementary services to his clients and prospects:

- assisting with completion of online student financial aid forms
- sponsoring a website for parents that will provide information about what their children should have mastered at various grade levels, and offer supplemental activities to strengthen their children's abilities
- teaching adult education classes sponsored by the school district that guide parents through the process of preparing their children for postsecondary education and providing strategies for funding it
- offering seminars to high school juniors and seniors on writing essays for college applications
- providing a link with SAT preparation tutors
- sponsoring seminars taught by financial aid officers for parents of middle school and high school students

Test It. Before you start pitching your value proposition and any complementary deliverables in earnest, evaluate them. Then ask a few of your best clients and centers of influence from this target market for their feedback. Ask such questions as

- How well does my position reflect the most important needs and values of the target market?
- How meaningful are the differences between the competition's value propositions and mine?
- Will the target market be attracted to my value proposition (position statement plus meaningful differences)?

- Are the elements of any deliverables cost effective in terms of time, energy, and money?
- Most important, can I deliver?

After feedback and evaluation, make any adjustments to your value proposition and ancillary products and services.

Establish Your Position. Establishing your position involves two basic principles: creating awareness of your personal brand and value proposition and delivering on your promises.

Members of your target market need to know who you are and what you do. This is all about creating awareness of your personal brand and thus your value proposition. Some of the more common, basic methods of creating awareness include social mobility, personal brochures, websites, newsletters, and advertising. Start with these foundational methods and innovate. The possibilities are endless, limited only by your creativity (and compliance, of course). In addition, you must make sure selected methods are consistent with your target market's expectations and needs as well as your personal brand.

Above all else, the most important aspect of establishing your position is to deliver what you promised in your value proposition. As the adage goes, "Say what you'll do and do what you say."

Example:

What comes to mind when you think of a Honda? For many car owners, Honda means quality. It is positioned as a reliable, durable, gas-efficient, well-engineered, driving machine.

It was not always that way. In the 1970s before the gas crisis, Honda was associated with "cheap, low quality, and tinny." This poor reputation existed because of the bad experience American consumers had with other Japanese products. But when the gas crisis hit, the American consumer began to value fuel economy, which was something the Honda Civic offered that American cars did not. People began to buy Hondas, and to their surprise—and much to the chagrin of American automakers—they found the cars to be reliable and well engineered.¹²

For the past quarter of a century, Honda has forged its hold on a quality position in the automobile industry by delivering consistent reliability, durability, fuel economy, and design as advertised.

Monitor and Protect Your Position. If you have success in the target market, you will need to monitor and protect your position. Success will attract competitors. Vigilantly monitoring your target market and competition will enable you to make necessary changes to your value proposition, which will keep you in a dominant position.

Keep one eye on your target market. By cultivating relationships in the target market, you will have access to the information you need to make your position more responsive.

Keep your other eye on the competition. Assess their movements within the target market and around it. Although they may not try a head-on attack, they may try to outflank you. It is important to sense your competition's priorities and intentions.

When you have an understanding of any changes in your target market and in your competition, you can make good strategic choices to protect your position. As you develop your strategy, consider the following:

- Keep your name in front of the target market.
- Build a reputation as an expert advisor within your target market.
- Cultivate relationships with key members of your target market.
- Form strategic alliances with other key noncompeting advisors who serve the same target market.
- Look for new, relevant, and meaningful ways to distinguish yourself from the competition.

Positioning Your Products

Personal branding is not enough. Advisors can stand out from the competition. Their target market may think highly of them. But advisors still need to help prospects see the need for their products and services. Advisors must provide a compelling reason for prospects to choose them as advisors, and a compelling reason for purchasing their products. Why do prospects need a financial plan? Why do they need life insurance? Why do they need mutual funds?

Logic and Emotion. At the heart of positioning is persuasion. Advisors want to persuade people to have a certain perspective—in this case, the need for products or services. According to Aristotle in his classic *The Art of Rhetoric*, there are three elements to a person's argument: ethos, logos, and pathos. Ethos refers to the person's character. Is the person credible? Knowledgeable? Trustworthy? Logos refers to the facts of an argument. Is the argument logical? Pathos refers to the emotional appeal of the argument. How does it make the listener feel? We have already dealt with ethos in

explaining personal branding. Let us look at the other two aspects: logic (logos) and emotion (pathos).

To quote the immortal Sergeant Friday, “Just the facts, ma’am.” All persuasion must be rooted in the truthful presentation or reflection of the facts. It is important to identify the relevant facts that pertain to the prominent financial needs of the target market and individual prospects. Examine the financial needs you listed in the first step of the target marketing process. What are the facts concerning household income at the death of a wage earner in your target market? What types of current expenditures financed by that income and important to your target market are affected? For example, if you are target marketing parents of children in a private school, the inability to afford tuition could be a relevant logical outcome of the death of a wage earner.

Statistics are often used to present a logical appeal. Be careful, however, in your use of statistics. To safeguard your credibility, use only statistics that have a reliable source. If a book or website quotes a study, it is advisable to find the original source if you can. Also be careful not to overuse statistics. They will detract from your appeal.

Recall that a buyer responds to external stimuli that trigger a sense of need. Triggers are usually based on an emotional response. Therefore the positioning of your products must appeal to your prospects’ emotions. In selecting reasons for purchasing the products, advisors need to examine the key emotional reasons that flow from the financial need that the prospect has for the products.

Creating a Position. Once you have identified the key logical and emotional reasons for buying your products and services, you should create a way to communicate them to prospects in the target market. As life insurance great Ben Feldman puts it, “What otherwise would be dull, complex actuarial legalisms are transformed into attractive ‘packages of money’ that anyone can understand. Packages that solve a problem. Packages that do a specific job; a job that the prospect needs done.”¹³

According to Feldman, positioning a product should accomplish at least three objectives:¹⁴

- First, it should help prospects see their financial needs clearly. This takes a few well-placed facts that will stir up prospects’ emotions. Consider creative ways to pique prospects’ curiosity. Imagine, for example, that you are a prospect who received a two-foot canoe paddle in the mail from an advisor who has been trying to set an appointment with you. How would you react to the note, “Will your current financial strategies leave you up the creek without one of these?”¹⁵ You might be a little curious!

- Second, prospects should have a general sense of the cost of doing nothing compared to the cost of addressing their financial needs. In other words, you must help them see that “a stitch in time saves nine,” meaning it is more costly to do nothing than it is to tackle the problem now.
- Third, the positioning of products should motivate prospects to take action. It should be a trigger to move them from awareness of their need to searching for information and being willing to solve their problems. This is accomplished by statements and questions that cause prospects to evaluate the harsh reality of the status quo.

Example:

Ben Feldman targeted business owners who had cash flow problems related to their businesses and/or estates. Here is one of the ways he positioned his products:

“You spent 30 years putting this company together. I’ve never known anybody who had a lease on life; do you? No? Then it’s only a question of time until you walk out and Uncle Sam walks in. Know what he wants? Money! And he has a way of getting it. First. Not last. Could you, right now, give me 30 percent of everything you own—in cash—that’s the least Uncle Sam will take—without hurting a little bit? Do you think it would affect your credit position? Your working position?”¹⁶

These are the facts he used to accomplish his objectives: Everyone dies. The federal government assesses an estate tax at a taxpayer’s death. The business owner will have to pay an estate tax. The funds for that tax must come from the current cash flow or a liquidation of assets.

Feldman appeals to the emotions of a business owner who has poured his or her life into a company. It would hurt the company if the business owner had to give the federal government 30 percent of what he or she owns. The owner would hate to have the company go under because of his or her death.

Granted, you will probably not be able to accomplish all of these objectives in one mailer or advertisement. The important thing at this point is

to identify what you must communicate to accomplish your objectives. Remember, too, what works for one advisor and his or her target market may not work for you. As with everything else, your position must reflect facts and feelings that are relevant and important to your target market.

Expect this creative process to take some time. Feldman was known to work for six hours on a 30-second statement.¹⁷

SELECTING PROSPECTING METHODS

Whereas target marketing deals more with groups of people, prospecting deals with individuals. The objective of prospecting is to identify individual prospects from the group to preapproach and approach for sales interviews. Prospects will come from one of three sources:

- (1) people who know you favorably (friends, family members, clients, and so on)
- (2) people recommended by those who know you favorably (referred leads from clients, centers of influence, and so on)
- (3) people who do not know you at all

Analyze each target market and estimate the percentages of prospects that come from each of these sources. Then select appropriate prospecting methods based on these percentages and the preferences of the target market(s) involved. What follows is a general discussion regarding prospecting methods that are used when accessing prospects from these three sources.

People Who Know You Favorably

People who know you favorably are usually the best source of qualified prospects since they are approachable by you on a favorable basis. There are two major groups of people to consider here: clients, and friends and family.

Clients

Prospecting among your client base is usually applicable when you are cross-selling other products. It is best undertaken using one of three methods: service transactions, financial reviews, and seminars.

Service Transactions. Service transactions are typically initiated by the client (a change to a policy, contribution amount, mutual fund account, and so on). When clients contact an advisor for service, they are thinking about financial matters. Therefore this is a perfect time to see if they need other

products or services. This prospecting method works well for advisors who have products, such as property and liability insurance, requiring some amount of servicing.

The prospecting method is simple. Casually ask the client, “What’s new?” or “What’s going on with you?” These questions not only re-establish rapport, they can gather some important information about changes in the client’s financial situation and needs.

In addition, probe to determine the reasons for the requested change. The client’s answers may reveal additional financial needs. For example, a client decreasing her IRA contributions may be doing so because she is having a baby, which indicates a need to revisit her life insurance situation. If the situation warrants, ask for an appointment.

financial review

Financial Reviews. The purpose of a periodic *financial review* is to monitor the client’s progress in meeting financial goals and identify any new financial needs they may have. They are a staple in every advisor’s prospecting arsenal, applicable to nearly every financial product or service.

Given their importance, take the time to refine your financial review process to ensure that it provides value to the client because it is one of the best prospecting tools. Furthermore, sell the importance and value of the financial review to clients during the initial sale. This means you need to understand why your clients would value a financial review in the first place.

Seminars. Seminars for clients are better thought of as client education events designed to achieve one or both of the following objectives:

- (1) to create client awareness of financial needs and methods for addressing them
- (2) to help clients with ancillary aspects of their goal that cannot be addressed with your products and services

The key is to understand your clients’ needs on a more holistic basis. It may mean finding other non-competing advisors or service providers to handle aspects of the need you are not qualified to teach.

Relevant client education events will also reinforce your reputation as an advisor who uniquely understands a target market’s needs, leading to referrals.

Friends and Family

Friends and family present an interesting conundrum. They know you favorably, but often advisors are afraid that approaching friends and family may damage relationships. If this is a concern, here are two prospecting methods to consider.

Introduction of Your Practice. This method involves meeting with your friends and family and giving a concise 10-minute overview of what you do for a living. The overview should focus on the types of needs someone like them would have, and how your products and services can help address these needs. Clearly state that your intention is to share with them what you do for a living so that if they need help with products and services you provide, they know you are there to help them. That is all.

Target Market Sounding Board. A more indirect approach is to use your friends and family as a sounding board for the various target markets they represent. The advisor can ask their friends and family members to answer a market research questionnaire, to respond to particular marketing ideas, to provide feedback on telephone approaches, or to role-play the interview process. This method provides your friends and family insight into what you do. The information you share with them and the questions you ask them will then create awareness of their needs and your ability to help them.

People Recommended By Those Who Know You Favorably

referrals or referred
leads
referrer or nominator

Very few advisors can survive marketing only among their friends and families. At some point, the advisor will need to gain access to strangers. A prospect who does not know the advisor will be reluctant to meet with him or her. However, the prospect is more likely to meet with the advisor if the advisor has been recommended by someone the prospect knows and trusts. Therefore the best prospecting source that includes strangers are prospects recommended by those who know you favorably. Prospects from this source are known as *referrals or referred leads*. Advisors should handle them with great care since the *referrer or nominator* has put his or her reputation on the line for the advisor.

Referred leads are gained through three different prospecting methods: personal recommendations, centers of influence, and networking. In all three prospecting methods, it is important to have a clear description, such as an ideal client or target market profile, of the type of qualified prospect you are seeking. Outlining characteristics of the prospects you seek will help the referrer provide better qualified leads within the target market.

Personal Recommendations

personal
recommendations

Personal recommendations are the referrals an advisor receives from clients, friends, and family. Personal recommendations are the dominant prospecting method among most advisors. This method is especially important when a target market's communication system is more informal, and interaction between members is in smaller groups, such as a

neighborhood community (as opposed to a neighborhood association that has an association newsletter and planned events).

Centers of Influence

center of influence (COI)

A second way to generate referrals is by identifying a *center of influence (COI)* within a desired target market. A COI is an influential person who knows you favorably and agrees to introduce you or refer you to others. Its use is indicated when you can identify a person or persons whom the target market looks to for guidance and leadership. The president of an association is a potential COI, or all of the businesses may use a particular CPA or attorney.

The relationship is a two-way street. Your relationship with the COI should benefit directly him or her, helping the COI achieve personal goals or goals for the members of his or her sphere of influence. Identify what you can bring to the table and make the case for how cooperation will help the COI.

Networking

networking

Networking is the process of continually sharing ideas, resources, and prospect names by non-competing businesses that target the same market. It is indicated when there are other professionals and businesses that specialize in working with your target market.

tips club

One type of networking, known as a *tips club*, meets solely for the regular exchange of information on prospects. Each member of the tips club shares his or her own expertise, business connections, and social contacts with the group.

Another variation of networking is what authors Bob Littell and Donna Fisher have termed *NetWeaving*: “NetWeaving is all about putting other people together in win/win relationships that will solve problems, satisfy needs, or result in new or expanded business opportunities.”¹⁸ In other words, match the person who needs a plumber with the outstanding plumber you know. Or do some pro bono work for someone.

People Who Do Not Know You at All

The last prospecting source consists of those people who neither know you nor those who know you. Although we will discuss methods for identifying such prospects, keep in mind that these methods should be accompanied by awareness creation strategies relevant toward a particular target market. These strategies should capitalize on a target market’s communication network, both formal and informal.

Some target markets naturally lend themselves to these prospecting methods, so consider using them even if you have access to the target market through referrals. If the bulk of the market is not accessible through referrals, these methods will be your only option for effectively penetrating the market.

Personal Interaction

personal interaction

Personal interaction requires mastering the art of listening and the art of small talk, and showing a genuine interest in others. It also requires an ability to ask meaningful but innocuous questions that help you qualify a prospect. A good interaction is subtle and natural and avoids the appearance of shameless personal marketing. This prospecting method works best at gatherings and events attended by a particular target market, especially if the meetings are informal.

One advisor combines his love for golf and his extroverted personality to prospect on the golf course. He arranges to play golf with complete strangers. After 18 holes, he walks away with contact information that he later parlays into appointments and sales.

One important aspect of using personal interaction as a prospecting method is to have a good response to the question, “What do you do for a living?” One approach is to have a brief commercial tailored, if possible, to the person with whom you are speaking. Here are a few guidelines to help you create and use a ten-second commercial for this purpose:

- Ask strategic, rapport-building questions to gather information that will help you ascertain possible needs the prospect may have.
- Ask a positioning question that is relevant to something the prospect might need. The question positions your response to be a solution to a problem or question they may be asking. It can be based on an analogy as will be demonstrated shortly.
- Follow up with your ten-second commercial, stating your value proposition in terms of the results you achieve for your clients.
- Use some creativity but make sure you do not run afoul of your company’s compliance requirements. You may be restricted in the way you can describe your work. Most importantly, don’t call yourself a financial planner unless you are properly registered and/or credentialed.
- End with a question that measures interest.
- Always have a business card to hand the prospect.

Example 1: “Are you familiar with Social Security benefits paid to people who lose an income earner to death or disability?” (Yes or No)

“I help young families like yours create and implement a personal benefits plan using life and disability income insurance. These plans ensure that the dreams young families have will remain achievable should the unexpected happen. Is that something that might interest you?”

Example 1: “Do you know what the U.S. Mint does?” (They make money.)

That’s what I do for young families like yours at the time when they need it the most. Through life insurance, I help them ensure that their basic needs are met if something should happen to a parent. Is that something you have thought about?”

Another way to use the personal interaction method is through popular social networking websites such as Facebook and LinkedIn (if your compliance department approves). Online networking will work when your local target market participates in an online community or would be interested in one that you intend to start. Groups dominated by younger members have a higher likelihood of responding to these methods.

Public Events

Another prospecting method is to sponsor or establish a formal presence at a public event that appeals to your target market. You could sponsor a child safety fair at a local school, coordinating your efforts with the local police department. Your booth, if you are a life insurance agent, could promote life insurance as a means for a parent to protect their children’s financial future. Although the main purpose of using public events is to create awareness, there are opportunities to gather names and contact information of people who may want more information about life insurance and other financial needs.

Prospecting with a Fishbowl

All of us have dropped one of our business cards in a fishbowl so our names could be drawn for a prize. Do you ever wonder what happens to all those cards with names and addresses? It's a great way to prospect. You might start with a restaurant that you like. It should be a spot where you eat on a fairly regular basis so that the host or owner recognizes you. Set up the drawing for your winning names so that each contest lasts for a week or a month. Two free lunches would satisfy the customer and make the restaurant happy too. Be sure you pay for them ahead of time. You will keep the waiter happy if you leave an extra tip for the unusual circumstances.

You can follow-up by phone or mail to announce the winners, and offer everyone else the second prize. It could be a free financial checkup or something else that will promote your business. A successful agency in the South uses a variation of this by placing a fishbowl next to the cash register in a busy baby furniture and clothing store. Their monthly winners receive a copy of a book listing names for newborns. Everyone else is eligible for a discussion on juvenile insurance and a planning session on college costs.

One advisor used this idea in a maternity clothing store. With a \$50 gift certificate for first prize, she made five sales from the other names in the fishbowl in less than a month. Pick a targeted prospect group and think about how you can approach them by offering a prize they will enjoy. You can use a garden shop, a drycleaner, a school supply store, a sports store, the county fair, a golf show, a mall fair, and so on. Study the stores and events in your area. Be sure that the customers include those with whom you can work and that the main prize will satisfy both the storeowner and the prospects.

Group Presentations

group presentations

Once you have established a good reputation, you will have the opportunity in some target markets to conduct *group presentations* to educate target market constituents about a topic on which you are an expert. It is different than a seminar in that, in most cases, it is not appropriate to give a sales pitch. Group presentations are more of a method for creating awareness than selling a product.

Group presentations would be appropriate only if the advisor is comfortable speaking in front of a group. Like the personal interaction method, the group presentation method is excellent for target markets that have regular meetings. Often, such groups are looking for speakers to talk about meaningful and important topics.

Example:

Hunter Jones is a life insurance agent whose target market is members of the West Brandywine Gun Club (WBGC). Many of the members are young parents. Hunter works with the WBGC to host an

educational event discussing the financial needs of young parents. An estate attorney will discuss the basics about wills and guardianships. Hunter will discuss the state inheritance tax and life insurance.

Direct Response

direct response

Another prospecting method is *direct response*, which involves sending letters with reply cards that prospects can return if they are interested in an appointment or more information. Sometimes, the letter will offer a small gift, such as a road atlas or a free booklet, to prospects who respond to the direct mail letter and agree to a free consultation with the advisor. An alternative is to use e-mail, if e-mail addresses are available. If prospects are not on a do-not-call list, advisors may follow up with a phone call to set an appointment.

The direct response method is only viable if you have names and appropriate contact information. Of all the methods, it is probably the least effective because of the federal and state do-not-call laws. It is more viable if the advisor is using information he or she personally gathered from the prospects themselves using one of the other methods discussed earlier. For example, if Mary Hart has a booth at the Philadelphia Home Show for which she gathers e-mail addresses, she could send a follow-up e-mail with information and an offer for a free consultation or perhaps a seminar on a relevant topic.

NOTES

1. Marketing, as defined by the American Marketing Association is, “the activity, set of institutions, and processes for creating, communicating, delivering, and exchanging offerings that have value for customers, clients, partners, and society at large.” Thus marketing includes selling and is not distinct from it.
2. Certified Financial Planner Board of Standards, Inc., “The Financial Planning Process,” <http://www.cfp.net/learn/knowledgebase.asp?id=2> (accessed January 22, 2009).
3. Marian Burk Wood, *The Marketing Plan: A Handbook* (Upper Saddle River, NJ: Pearson Education, Inc., 2003), 57.
4. Philip Kotler, *Marketing Management*, 11th ed. (Upper Saddle River, NJ: Prentice Hall, 2003), 287.
5. OpenOffice is an open source office suite that includes a word processor, spreadsheet, database, and presentation applications. As of this writing, it can be downloaded free. Visit OpenOffice.org for information.
6. Marian Burk Wood, *The Marketing Plan: A Handbook* (Upper Saddle River, NJ: Pearson Education, Inc., 2003), 64.

7. Pew Hispanic Center, "Lehigh County, Pennsylvania," pewhispanic.org/states/?countyid=42077 (accessed May 1, 2009).
8. Philip Kotler, *Marketing Management*, 11th ed. (Upper Saddle River, NJ: Prentice Hall, 2003), 308.
9. Philip Kotler, *Marketing Management*, 11th ed. (Upper Saddle River, NJ: Prentice Hall, 2003), 308.
10. Peter Montoya and Tim Vandehey, *The Brand Called You: Personal Marketing for Financial Advisors* (Costa Mesa, CA: Millennium Advertising, 1999), 30.
11. Harry Beckwith, *Selling the Invisible* (New York, NY: Warner Books, Inc. 1997), 113–114. This is an adaptation of questions Beckwith recommends.
12. Edmunds.com, "Manufacturers Histories: Honda," www.edmunds.com/reviews/histories/articles/65329/article.html (accessed September 28, 2006).
13. Andrew H. Thompson with Lee Rosler, *The Feldman Method* (Chicago, IL: Dearborn Financial, 1989), 30.
14. Andrew H. Thompson with Lee Rosler, *The Feldman Method* (Chicago, IL: Dearborn Financial, 1989), 32.
15. Pamela Yellen, "Web Site Exclusive: Secrets of Successful Prospecting," *The Advisor Today*, August 2001, www.advisortoday.com/archives/2001_august_web.html (accessed October 5, 2006).
16. Andrew H. Thompson with Lee Rosler, *The Feldman Method* (Chicago, IL: Dearborn Financial, 1989), 50.
17. Andrew H. Thompson with Lee Rosler, *The Feldman Method* (Chicago, IL: Dearborn Financial, 1989), 31.
18. Robert Littell and Donna Fisher, *Power NetWeaving: 10 Secrets to Successful Relationship Marketing* (Cincinnati: The National Underwriter Company, 2001), 5.

CHAPTER ONE REVIEW

Key terms and concepts are explained in the Glossary. Answers to the review and self-test questions are found in the back of the textbook in the Answers to Questions section.

Key Terms and Concepts

qualified prospects	deliverables
target market	public image
selling/planning process	positioning statement
value proposition	financial review
client	referrals or referred leads
target marketing	referrer or nominator
natural markets	personal recommendations
market segment	center of influence
geographic variables	networking
demographic variables	tips club

psychographic variables
behavioristic variables
positioning

personal interaction
group presentation
direct response

Review Questions

- 1-1. List and explain the five questions that must be answered when constructing a basic marketing plan.
- 1-2. List and describe the eight steps of the selling/planning process.
- 1-3. Describe the client-focused selling philosophy.
- 1-4. Define target marketing and list its advantages.
- 1-5. Outline the segmenting step of the target marketing process.
- 1-6. Explain the second step of the target marketing process: targeting a market.
- 1-7. Describe how to position your personal brand and products.
- 1-8. List and describe methods for identifying prospects that know you favorably?
- 1-9. List and describe methods for identifying prospects recommended by those who know you favorably.
- 1-10. List and describe methods for identifying prospects who do not know you at all.

Self-test Questions

Instructions: Read Chapter 1 and then answer the following questions to test your knowledge. There are 10 questions. Choose one answer for each question, and then check your answers with the answer key in the back of the textbook.

- 1-1. Identifying target markets of qualified prospects is associated with which of the following questions used to construct a basic marketing plan?
 - (A) What am I marketing?
 - (B) To whom am I marketing?
 - (C) How will I market to them?
 - (D) How effective am I?

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- 1-2. In which step of the selling/planning process does the advisor establish rapport, explain his or her business purpose, and ask thought-provoking questions?
- (A) Approach the prospect
 - (B) Meet with the prospect
 - (C) Gather information and establish goals
 - (D) Service the plan
- 1-3. Which of the following questions would best help determine the level of competitiveness an advisor may have in a particular target market?
- (A) How much networking occurs within the market segment?
 - (B) What level of income could be expected from the market segment?
 - (C) How many referrals do you think a client in this market segment would provide you?
 - (D) How well are your competitors established in the market?
- 1-4. Which of the following statements regarding positioning your personal brand and products is correct?
- (A) A positioning statement is designed to be used with your prospects.
 - (B) A value proposition defines the value of a target market to an agent in dollars and cents.
 - (C) Public image is composed of all the characteristics that make an advisor recognizable and memorable.
 - (D) Preapproach involves creating awareness of your personal brand.
- 1-5. Which of the following statements regarding important factors to be assessed when selecting a market to target is (are) correct?
- I. Groups with a communication network but lacking common needs should be avoided.
 - II. A product specialization strategy is perfect for multiline insurance agents.
- (A) I only
 - (B) II only
 - (C) Both I and II
 - (D) Neither I nor II

- 1-6. Positioning a product should accomplish which of the following objectives?
- I. It should help prospects see their financial needs clearly.
 - II. It should provide a general sense of the cost of doing nothing compared to the cost of addressing one's needs.
- (A) I only
 - (B) II only
 - (C) Both I and II
 - (D) Neither I nor II
- 1-7. Which of the following prospecting sources uses centers of influence (COIs) to identify prospects?
- I. people who know you favorably
 - II. people recommended by those who know you favorably
- (A) I only
 - (B) II only
 - (C) Both I and II
 - (D) Neither I nor II
- 1-8. All of the following statements regarding identifying market segments and creating profiles are correct EXCEPT
- (A) Examine the segmentation variables that would indicate that a client belongs to a group with a networking system.
 - (B) It is important to consider the quantity and quality of referrals.
 - (C) Note the common characteristics of clients who bought a product for the same reasons.
 - (D) The level of compensation from clients is the only factor that should be considered when evaluating the ability to generate profits.
- 1-9. All of the following prospecting methods are typically associated with identifying prospects among people who do not know you EXCEPT
- (A) financial reviews
 - (B) personal interaction
 - (C) public events
 - (D) group presentations

- 1-10. All of the following are advantages of target marketing EXCEPT
- (A) It enables the advisor to work with a wide variety of needs.
 - (B) The advisor can tailor postsale service strategies to facilitate deeper relationships
 - (C) It enhances an advisor's referability due to the communication network.
 - (D) The advisor gains a reputation within a target market for being an expert.