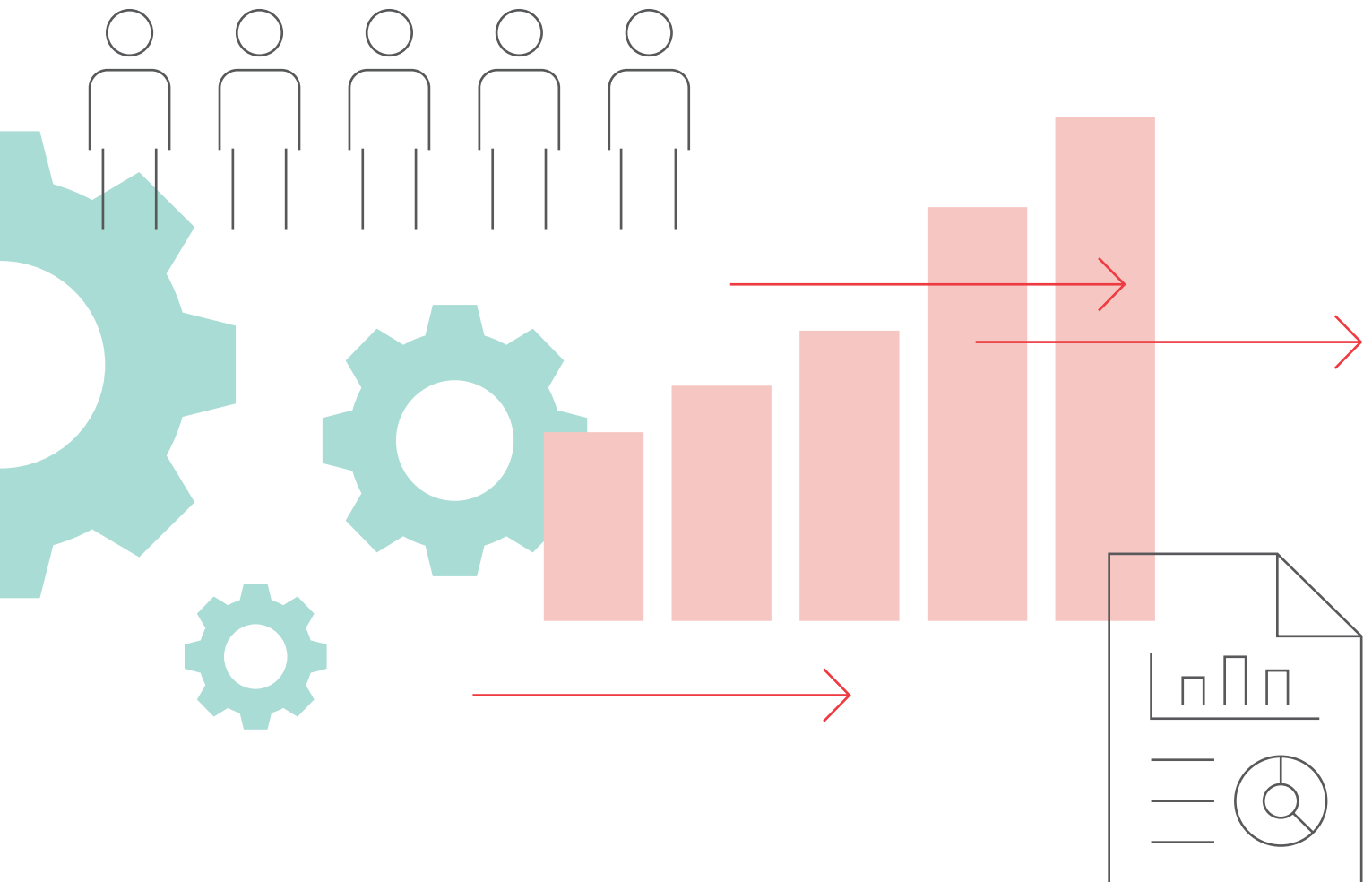


Morningstar's Financial Marketing Guide

Opportunities, Challenges, and Solutions to Better Tell Your Story



Advisor Insights Survey Overview

Earlier this year, Morningstar addressed a research gap in the wealth management space by surveying nearly 290 financial professionals about advisors' practices, their client needs, their business development strategies, and their challenges. To make the findings more generalizable and robust, we adjusted the findings across age and gender to be representative of the broad U.S. advisor universe. The results not only help advisors better understand the clients they serve, but also their peers and peers' advisory practices.

The survey clusters around four pillars:

1 What advisors do ("A Day in the Life")

Detailing advisors' client management, working patterns, decision and performance evaluation practices.

2 What clients want from advisors ("Is there a gap that can be bridged?")

Focusing on clients' interests, as well as the topics they are least receptive to.

3 Effective communicating/marketing techniques ("How am I telling my story?")

The strategies advisors believe are their secret sauce for business growth.

4 Business growth and succession plan ("How am I planning for the future?")

Advisors' growth plans and the hurdles foreseen in achieving them, as well as specialization opportunities advisors can seize in order to stand out from the crowd.

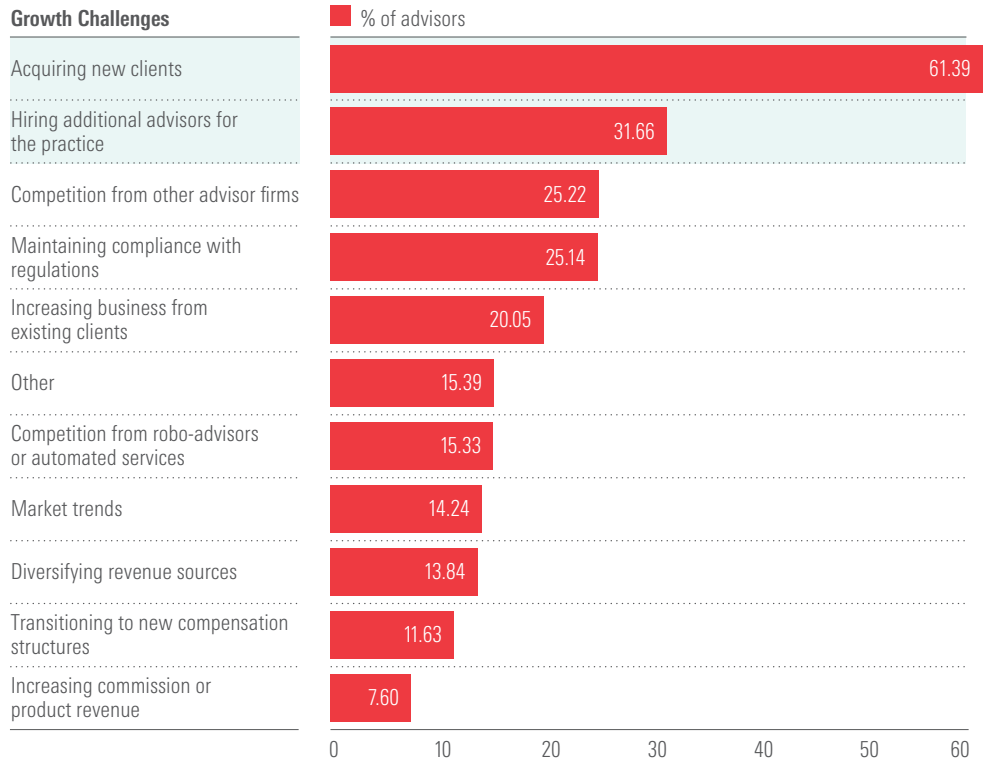
In this paper, we will dive deep into our survey findings, and explore the insights they yield about a hot topic for financial professionals: marketing.

Setting the Stage: How do Advisors View Marketing?

When asked to rank their business goals for the next five years, most advisors ranked "growing the business via more clients" as most important. The full list of advisor priorities is shown on the chart below.



However, most advisors also ranked “acquiring new clients” as their number-one challenge to growing their business—suggesting that finding new clients is both a priority and a pain point.

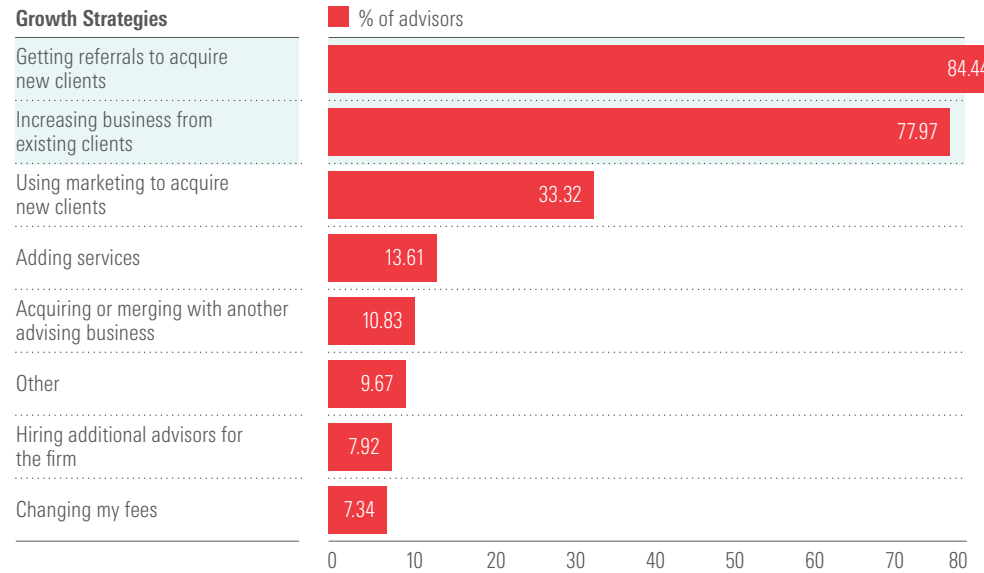


And this makes sense. The proliferation of robo-advice, independent advisors with broad-reaching investment products, and easily accessible financial information means that being a financial advisor is more competitive than ever. Plus, the emerging group of investors tend to have different values and preferences than previous generations. These factors mean that in order to keep their businesses afloat, financial advisors must continue to demonstrate the evergreen value of their advice.

However, the research also demonstrates that the percentage of advisors who indicated “competition from other advisor firms” as a challenge was only about half of those who indicated acquiring new clients, suggesting that perhaps the challenge isn’t just staying competitive within the advisor space, but encouraging new business from those that might not have considered any type of advisor in the past.

To better understand how advisors are responding to this challenge, our survey drilled down into the strategies that advisors use to try to grow their business.

“Getting referrals to acquire new clients” was chosen by **85%** of clients, and **78%** selected “increasing business from existing clients.” But the percentage of advisors who reported using marketing to acquire new clients was only **33%**.

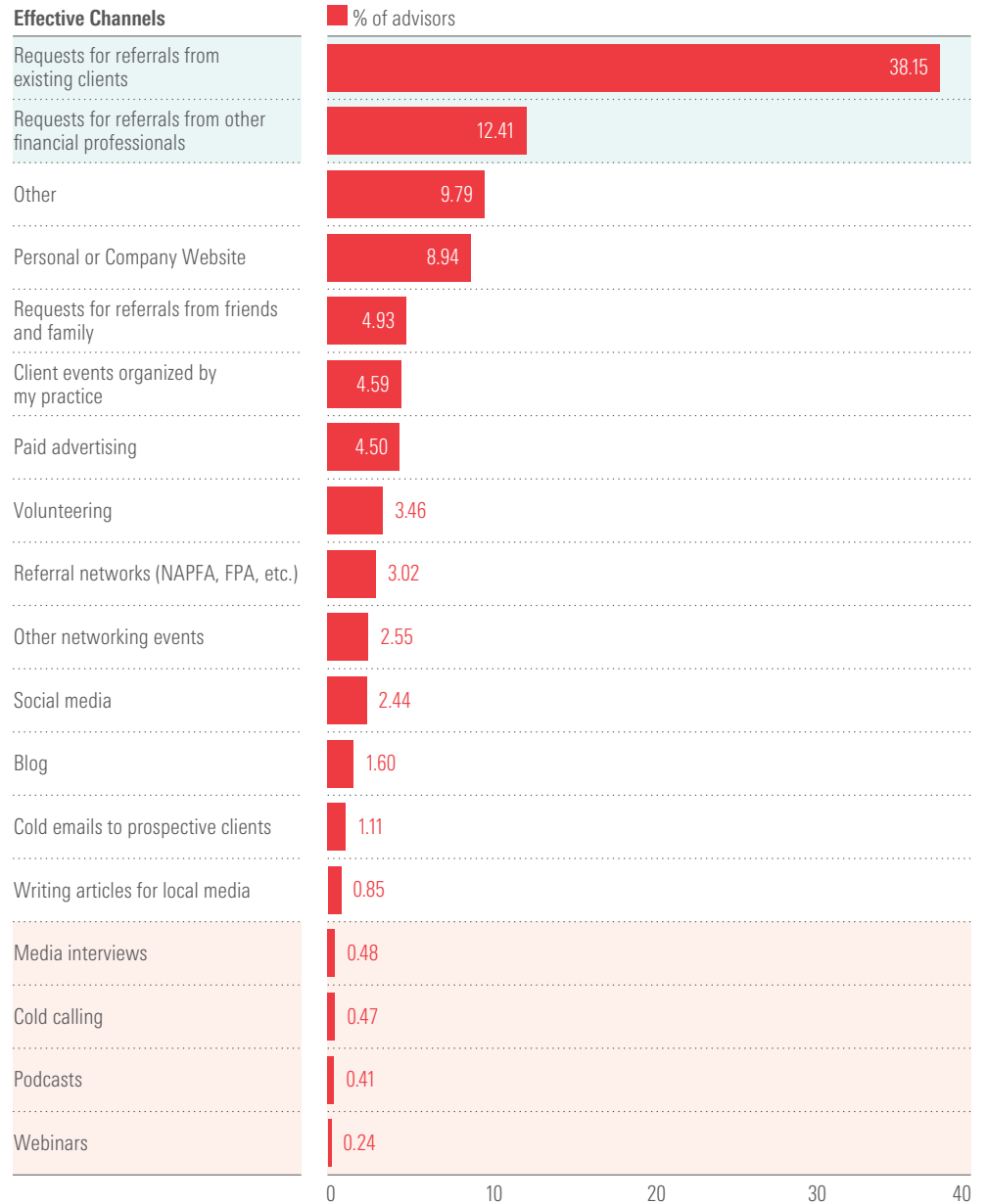


Given the research demonstrating that advisors recognize both their desire and need to acquire new clients, why is this statistic relatively low?

According to Kristin Mateja, the head of brand at Morningstar, the answer might be a problem in perception. “My hypothesis is that these numbers reflect how advisors are defining marketing,” she said in a recent interview. “Many people think that marketing is billboard, or TV spots, but marketing is just telling your story.”

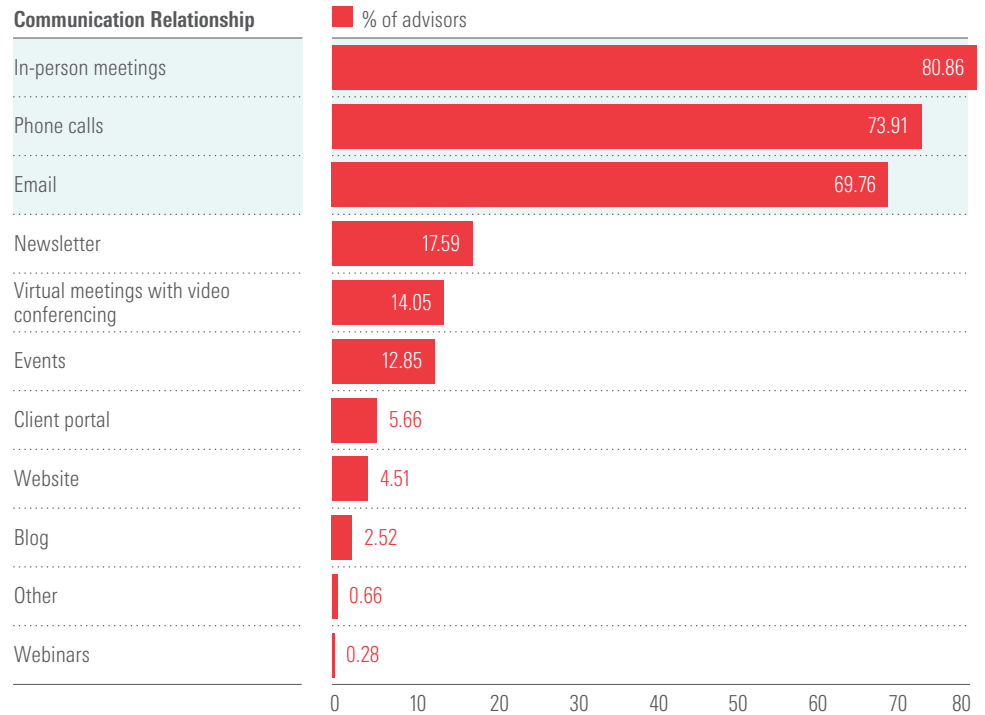
Telling Your Story

Our Advisors' Insights Survey results show that nearly **50%** of advisors believe that the most effective marketing vehicle for advisors is referrals, with **38%** indicating that their word-of-mouth referrals came from existing clients and the other **12%** pointing to other financial professionals as the source of their referrals. This suggests that even in this technologically-saturated day and age, word of mouth is still a good way of telling your story.



Notice that less personalized marketing vehicles such as podcasts, media interviews, and webinars are thought to bear less significance when it comes to acquiring new clients.

These findings support a larger trend in our survey, which suggests that when it comes to telling your story to new or existing clients, the highly-personalized, “human touch” is key. When building relationships with existing clients, nearly **80%** of advisors believe that in-person meetings, phone calls, and email are the most effective channels.



Note: The sum of percentages could be more than 100 as this question allows multiple selections.

However, to scale a business in today’s hyper-connected, technology-rich culture, even a word-of-mouth referral needs to be supported by a robust online presence. According to the 2018 Morningstar Tech Survey, 90% of advisors said their clients want a digital experience to support the relationship. This includes an attractive website, but also compelling social media accounts. LinkedIn, for example, is an ideal platform to share the skills and the years of experience of an advisor. Given our study’s findings that that experience is the only characteristic predicting client loyalty, it would be a misstep to ignore LinkedIn as a marketing vehicle.

To help advisors evaluate their marketing strategies, we came up with a Financial Marketing checklist of questions:

Financial Marketing Checklist

- ▶ How do I show up on the web?
- ▶ What's the story I'm telling if someone googles me?
- ▶ What's the story I'm telling in my social media channels?
- ▶ How do I come up in search results for advisors in my area?
- ▶ Do I want to consider paid search, so my practice comes up when people search, "advisors near me" or "advisors in my area"?
- ▶ How are my clients hearing about me and my practice? Where are my prospective clients from?

Marketing Pain Points: Bridging the Gap

Given the highly-personalized nature of the financial advising space, it follows that a deep understanding of the investor is essential for successful marketing. So, we dove into the findings of another Morningstar study in which researchers asked two groups to rank 15 attributes of financial advisors in order of importance. The first was a group of investors who were asked: "What do you value most when selecting a financial advisor?" The second was a group of advisors who were asked: "What do you think investors value most when working with a financial advisor?"

In a perfect world, advisors and investors would be completely aligned about which advisor offerings the investor finds valuable. However, findings from Morningstar's research team suggest a substantial disconnect between what advisors think investors value and what investors actually value.

The biggest gaps in attributes that advisors and investors found valuable were:

- ▶ **Can help me maximize my returns**, which investors ranked as the fourth most important attribute and advisors ranked as the second least important attribute.
- ▶ **Helps me stay in control of my emotions**, which investors ranked as the least important attribute and advisors ranked as the 11th most important attribute out of 15.
- ▶ **Understands me and my unique needs**, which investors ranked as the seventh most important attribute and advisors ranked as the most important attribute.

Overall, the study's findings also suggest that investors seemed to undervalue advisor offerings related to behavioral coaching, like "helps me stay in control of my emotions" and "acts as a coach/mentor to keep me on track."

Our findings expose a major pain point that could be inhibiting an advisor's ability to market themselves to new clients—both those who are working with competitors and those who still need to understand the value of an advisor in general. If advisors are disconnected with what attributes investors value in financial coaches, then they may be making strategic mistakes when advertising themselves.

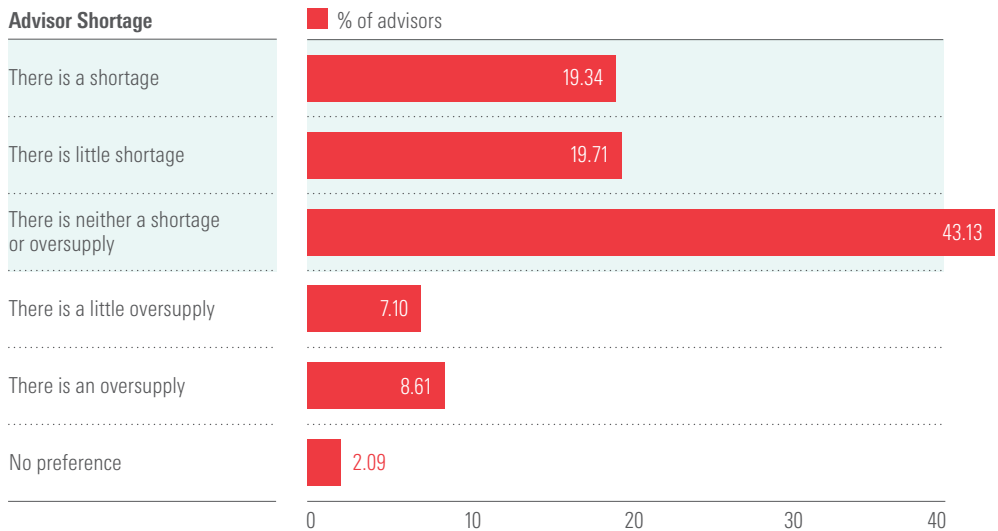
Specifically, if investors are undervaluing certain advisor offerings, then advisors need to add an educational component to the way they market themselves in order to appropriately bridge that gap and demonstrate the value of those offerings.

Kristin Mateja put it this way, "Advisors know that services they provide—behavioral coaching, helping clients control their emotions, personalized advice—are effective and help people. They also know that goals-based planning can make a difference... being focused on small, tailored goals. But our research shows that some investors haven't gotten that message yet, that these are ways to help them gain wealth."

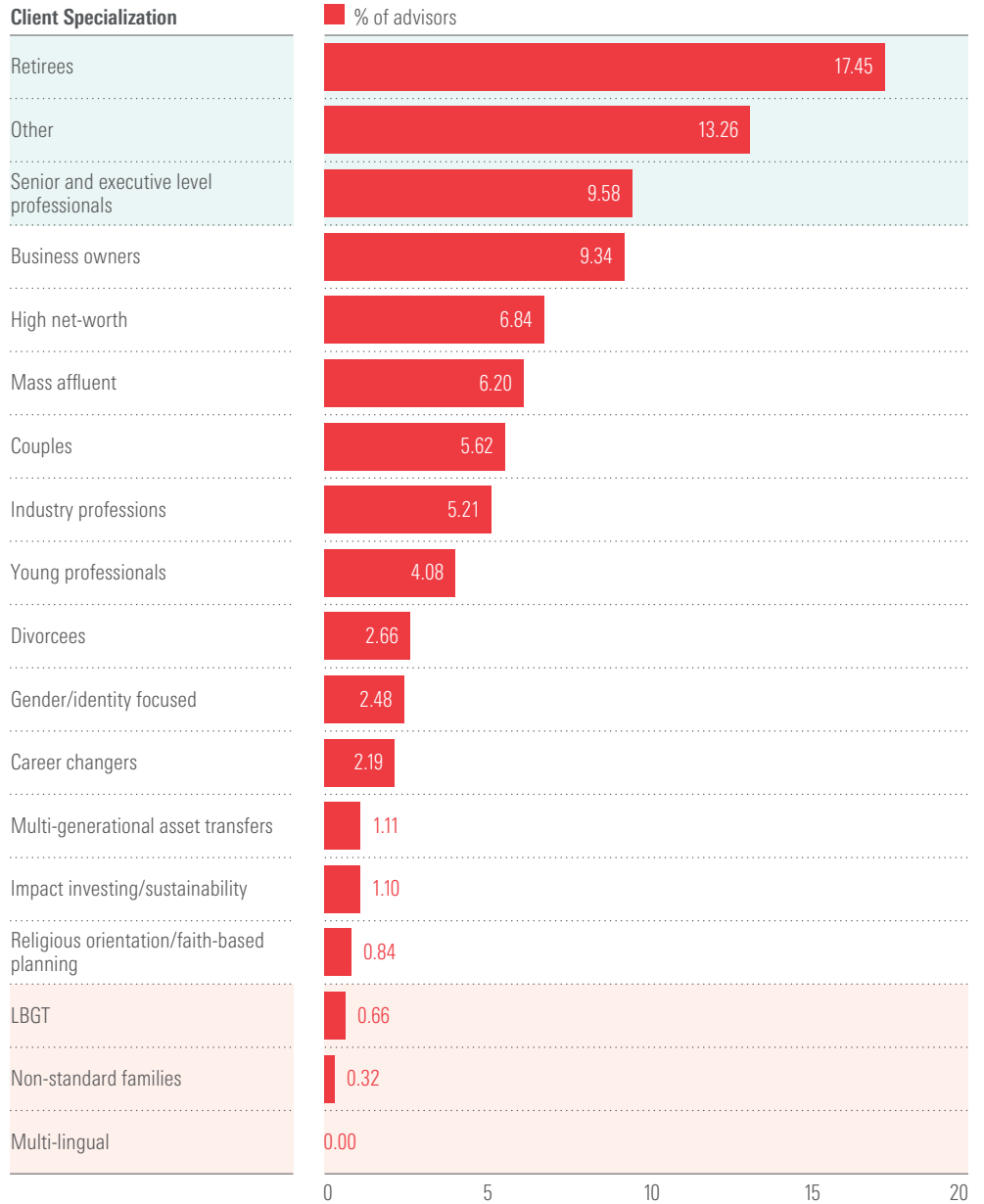
Given the gap, it's essential that advisors put in the time necessary to communicate the potential value of these services to current and prospective clients, to set them up for marketing success.

Marketing Opportunities: Segmentation

When asked whether the industry is facing a shortage of advisors, **43%** feel that there is neither a shortage or oversupply in the market, and the other **40%** say that there is a shortage.

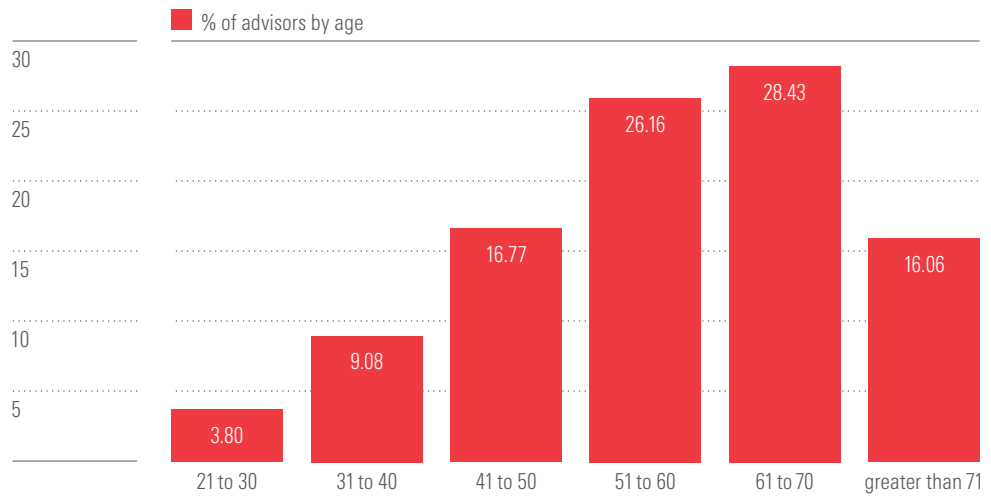


However, the image below, which describes the segments that advisors are currently targeting, suggests that while the financial advising market might not be oversaturated as a whole, there might be certain segments that are. It offers insight into areas where advisors could consider expanding their scope or specialization area to in order to better cater to the market.



Right now, most advisors (about **40%**) are focused on retirees and other high-net-worth clients. But very few are focused on other segments—less than **2%** of advisors are targeting LGBT or multilingual audiences. These less saturated segments might be spaces where advisors can find opportunities to scale and expand business, as they tailor their messaging to demonstrate understanding of the unique needs of these segments.

Another area where advisors could expand is millennial investors.



Right now, advisors primarily serve mid-aged and elderly clients. However, to build a solid foundation of business continuity, relationship building with the younger cohorts should start now, as these will be the clients of the future, who will sustain an advisor's practice in the years to come.

Empathy: The Heart of Marketing for Financial Advisors

Conventional wisdom can brand marketing as a time-consuming, expensive endeavor. Therefore, technologies that can help advisors communicate their value to clients in easy-to-understand, customizable reports, like Morningstar Reporting Solutions, are essential to staying competitive in the financial industry.

Still, at the heart of marketing is empathy, which entails "walking around in your client's skin" to understand their stories, needs, and challenges. And empathy doesn't require emptying the bank. Ultimately, it's about communication: Talking to prospects and clients more directly about what they value and are willing to pay for. Buying a cup of coffee so you have a chance to hear a client's thoughts might be the best \$5 an advisor ever spends on marketing, especially given the value of personalization, word-of-mouth referrals, and building relationships that our survey suggests.

Once empathy is achieved, advisors can begin to close the marketing gap, brainstorm how to best tell their story, and effectively demonstrate that, more than ever, empowering smart financial decisions starts with good advice.

Our survey analysis was led by Heymika Bhatia on Morningstar's behavioral science team. For questions regarding the survey or results: contact her at heyimika.bhatia@morningstar.com.

Interested in participating in future surveys or providing feedback to Morningstar's behavioral science and research team? Join Morningstar's Insights Circle at <https://go.morningstar.com/InsightsCircle>.