



ALLIANCEBERNSTEIN®

EXECUTION GUIDE

TARGET MARKETING: DEVELOPING YOUR UNIQUE VALUE PROPOSITION

As a Financial Advisor (FA) today, you face intense competition from more than 600,000 other client-facing advisors who are all prospecting intensely within a small group of wealthy investors. This makes it imperative to clearly define your target market and develop a compelling Unique Value Proposition (UVP) that motivates action.

This step-by-step guide shows you how to tightly define your target market, how to improve the impact of your messaging, and how to develop a powerful and customized UVP. We explore three common mistakes that advisors make in their marketing strategy and offer several messaging guidelines that help to avoid these errors. The guide concludes with a simple three-step model for generating your UVP and then considers six examples of UVPs that successful advisors have used to grow their businesses.

AB **ADVISOR INSTITUTE**™



Ken Haman
Managing Director



**STAND OUT FROM THE COMPETITION:
DEFINE YOUR TARGET MARKET
AND DEVELOP YOUR UNIQUE
VALUE PROPOSITION.**

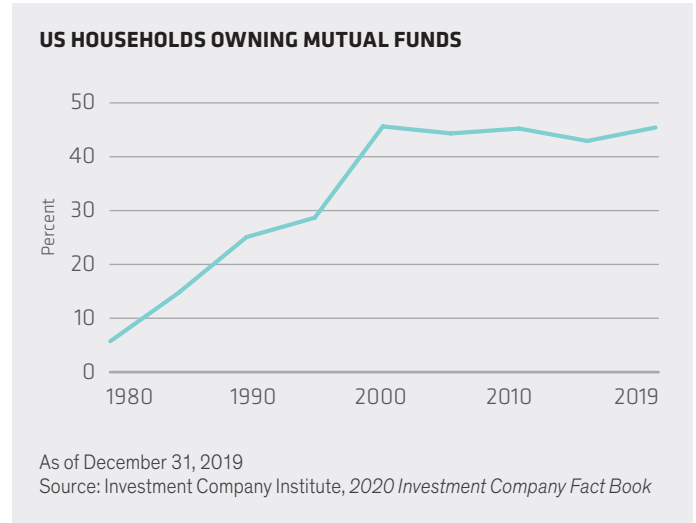
HOW WE GOT WHERE WE ARE TODAY

A retrospective look at the industry is necessary to help us understand the changes in our culture and our economic environment and how those changes influenced our industry.

Over the past 40 years, the Baby Boomer generation has represented an important and formative influence on the financial-services industry that has affected how FAs designed and managed their businesses. Understanding the Baby Boomers' experience with financial services over these years gives insights for constructing more effective outreach messaging that will help attract new clients to a practice.

Let's start by observing the trajectory of growth and plateaus of our industry over the past 40 years. In 1981, 5.7% of households in the US had a mutual fund investment—a relatively low penetration rate.¹ In this case, we're using ownership of mutual funds as a representation of the public's engagement with the financial markets. Mutual funds have been available since the 1930s, but until 1981, only a small percentage of the population was invested. Suddenly and explosively, the culture embraced mutual fund ownership. Ownership maxed out at 46% of households by the mid-2000s and then leveled off.

The financial-services industry expanded along a similar trajectory, from 243,700 advisors in 1980 to more than 670,000 Registered Representatives in 2000.² What caused this explosion of growth? Demographically, the oldest Baby Boomer turned 35 in 1981, followed by 78 million others (approximately four million a year for 20 years). When we look at the statistics together, it seems likely that aging Americans began purchasing mutual funds and that the industry grew to accommodate the demand.



As millions of Americans began to own mutual funds, the interest in the benefits of investing grew and became magnified in the culture (a virtuous cycle). The industry naturally grew as quickly as possible to accommodate the need.

¹ Investment Company Institute, 2020 *Investment Company Fact Book*, as of December 31, 2019

² Financial Industry Regulatory Authority (FINRA) and US Bureau of Labor Statistics, as of December 2019

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EXPLOSIVE GROWTH LEVELED OFF

The growth was explosive for the first 20 years, but then leveled off. This helps to explain why growth rates of individual FA businesses have been far less robust in recent years. This also helps us understand some patterns of behavior in well-established FAs. For FAs who experienced the “golden age” of expansion, the past decade has been very challenging. “The way we’ve always done it” no longer applies, and the business-management and client-management requirements for building a successful business have increased dramatically.

THE DISTRIBUTION OF WEALTH

Another factor that is challenging today’s FA relates to the distribution of wealth in the US. Rather than being distributed evenly, wealth is controlled by a very small percentage of the US population. In fact, the top 1% controls more than 32% of all the wealth in the country, and the top 10% accounts for 70% of the wealth.³ In practical terms, this means that there are about 12 million families who have \$1 million or more in investable assets and have the kind of complex financial lives that require a full-service FA.

To put this in even starker perspective, there are 1.5 million high-net-worth families in the US with more than \$10 million in assets,⁴ and many of the 600,000-plus representatives and brokers are pursuing them. It’s a very crowded industry of highly motivated advisors chasing a relatively small number of clients, most of whom already work with at least one advisor.

Not only is it a crowded and competitive environment, but the audience is less responsive. Over time, investors have become more sophisticated in how they choose their advisors. Talking with

an advisor two decades ago was a novelty, and many advisors were able to capitalize on this by cold-calling novice investors. Today, most successful individuals and families have advisors and have lived through several full business cycles. This has resulted in an audience reluctant to listen to marketing efforts.

CHANGE THE MESSAGING STRATEGY

It should be no surprise that the messaging that worked in the 1980s and 1990s doesn’t work nearly as well (if at all) today. Traditional forms of cold-calling marketing, tombstone advertisements and brochures are no longer sufficient to generate new clients. But many marketing consultants and sales managers still see the world through a perspective they learned more than 20 years ago, when they were mastering their craft. This has led to three common mistakes that advisors tend to make when marketing their practices:

1. They lead with their capabilities rather than establishing relevancy with prospective clients by demonstrating that their practice has been designed to appeal to each client’s unique and particular needs.
2. They speak in generalities when describing their business model when they should be talking about specific ways they can benefit the people they work with.
3. They focus on the medium that will carry their message (such as website design or brochure illustrations) rather than focusing on creating messages designed to motivate a positive response.

The remainder of this guide will provide tips for how advisors can create more impactful messages that avoid these three common mistakes.

³ Katharina Buchholz, “The Top 10 Percent Own 70 Percent of U.S. Wealth,” Statista.com (October 14, 2019)

⁴ “How Many Millionaires Are There in America?,” DQYDJ.com (September 30, 2020)

POWERFUL MESSAGES INSPIRE THOUGHTS AND FEELINGS

An effective message should not be a simple description of your capabilities. In order for your messaging strategy to be effective, it needs to motivate action.

When beginning to build your message, throw away preconceived notions that you should start with the traditional “Lead With” description of what you do for your clients. Every CPA and attorney knows what an FA does, and so do most investors. This means your message must take a different approach. Today’s marketplace requires a “Lead To” communication strategy that activates both thoughts and feelings and fully captures your audience’s attention from the start.

To properly create this message, it’s helpful to understand how the combination of thoughts and feelings cause human beings to become motivated and make decisions. When making a decision to take action, an investor uses the rational part of the brain to understand the meaning of an investment—that is, whether or not it’s a good idea.

Understanding the meaning isn’t enough to motivate action; actions require feelings to be activated. When it comes to influencing an investor about making a decision on hiring or changing advisors,

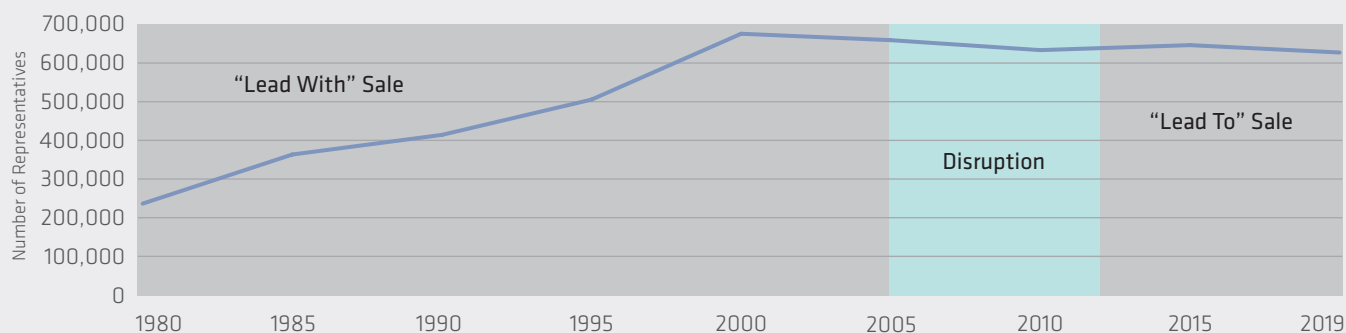
you need to motivate action. The main tool for this kind of decision is language. The choice of words and the illustrations used to accompany those words will determine what kind of motivation is created. It’s only when the recipient of your message recognizes the personal implications that he becomes motivated to act. Once the recipient is motivated, you can migrate the conversation and introduce your practice capabilities, Standard of Care and intended client experience.

MISTAKE #1

The first mistake many FAs make is **creating a “Lead With” message that is all about them and their capabilities**. Instead, it’s far more powerful to “Lead To” a conversation about your practice as the solution from a different starting place, one that prepares the recipient’s mind to see the solution as a remedy to a painful problem.

A key insight from behavioral finance research is that a desire to avoid negative sensations (loss aversion) is the primary motivator of all

TIME AND INCREASED COMPETITION REQUIRE A CHANGE OF MESSAGING



As of December 2019

Current analysis does not guarantee future results.

1980–1988 include securities and commodities brokers and services personnel; 1989–2019 include Registered Representatives.

Source: FINRA and US Bureau of Labor Statistics

human behavior and activity—even in highly rational professionals. Research into loss aversion shows that someone who experiences the potential of loss or has experienced an actual loss feels a great deal of pain. This pain can be in the form of fear or dread. Such fear and dread become the organizing principles for behavior and stimulants of activity.

MISTAKE #2

In the absence of pain, pleasure can motivate some actions; however, behavioral finance research has shown that avoiding pain is more than twice as motivating as achieving pleasure. This means that your main task is to frame an idea so that the primary motivator of behavior (avoiding pain) is activated within the other person. Avoid the second mistake: **speaking in generalities**. Instead, frame an investment strategy as a way to solve a potential problem. Help the listener understand why the story is important for his well-being. Make the message relevant, especially in a marketplace that is overflowing with competing messages. At every stage of the messaging process, your tasks are to help the prospective client:

- + Understand the danger or challenge he faces
- + Experience the feelings associated with the implications of that danger or challenge
- + See you, the provider (the messenger), as the solution to avoid those bad feelings

MISTAKE #3

The third mistake that advisors make is **becoming more fascinated with the communication medium** they are working with (brochure, website, pitch book, etc.) than with the messaging strategy they are executing. From your side of the conversation, it's exciting and very satisfying to select photographs and fonts and to build interesting graphics that help you tell your story. But the key to effective messaging is not found in the graphics or the media you employ; rather, it's found in how the message affects the thoughts and feelings of the prospect. Building a great website is useless if no one looks at it or if, when potential investors do look at it, they don't find it helpful and compelling. The wrong message at the wrong time—even when using cutting-edge media—is a waste of time, effort and money. More importantly, the attention span of your prospect is extremely limited, and there are lots of other providers for him to choose from.

BUILD THE MESSAGE BY ESTABLISHING YOUR EXPERTISE

There are two fundamental questions you must ask yourself: When in the sequence of steps for making this decision will the prospective client receive this message? What action do I want the prospect to take as a result of receiving this message?

Part of your messaging strategy must include showing the listener that you are an expert. There are two approaches you can take to establishing expertise: you can be an expert on navigating the complexity of wealth events or the complexity of disruptions in the capital markets.

ESTABLISHING YOUR EXPERTISE ON COMPLEX WEALTH EVENTS

Expertise about wealth events embraces two stages around events such as the sale of a business or a wealth-transference strategy. In each case, the wealth event is composed of two sets of activities:

1. The prospective client must make a set of decisions under the conditions of uncertainty. Whenever there is great complexity or significant potential for loss, uncertainty causes decision-making to become more painful and the decision-maker will seek assistance.
2. The prospect must face the ongoing problem of deploying assets into the capital markets. This presents a secondary area of concern about complexity and need for support.

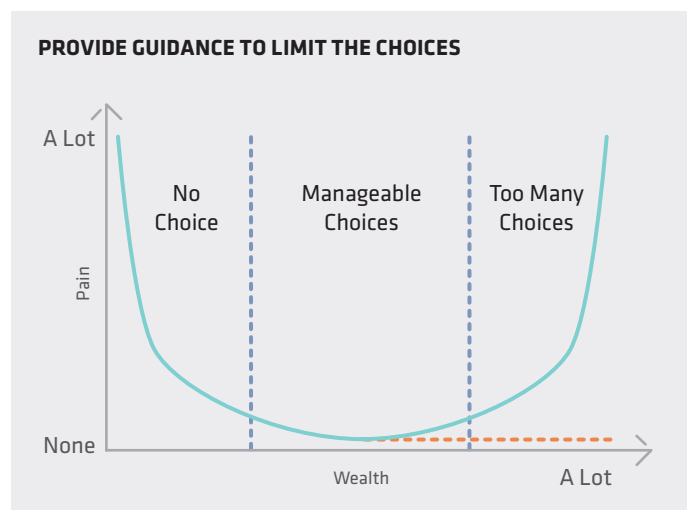
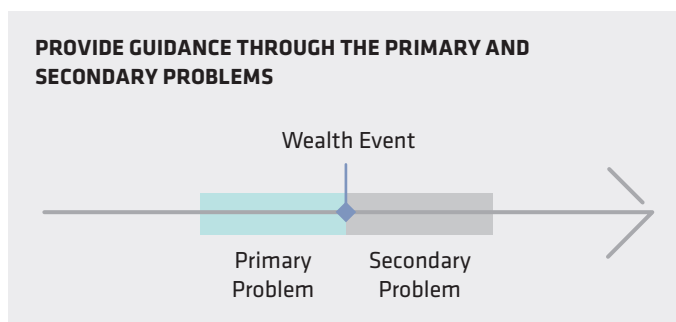
If you elect to be known for your expertise in navigating significant wealth events, it's important that your messaging demonstrates two things: you know and understand the primary problem that the prospect is facing at a unique level of mastery, and you are able to provide effective counsel and solutions for both stages of the problem.

When working with a client who is facing a wealth event, it is useful to remember that people with low levels of wealth have high levels

of anxiety/pain. As wealth grows, anxiety falls until the person has enough to be comfortable. If wealth expands beyond that point, it becomes painful again because the challenge of making confident choices gets harder as wealth gets greater. It's not the wealth that causes the pain; the pain is caused by the potential to make bad or wrong decisions about the wealth because of the complexities involved.

Because most advisors don't have enormous wealth (they are still seeking to increase their wealth), they don't understand this dimension of pain. Rather, they assume that more money is better. They don't realize that a client may feel the pain of too many choices related to managing his money.

One way of creating a UVP is to provide a multi-scenario model that provides several alternative ways for the client to address his problem. This allows the FA to move the client from too many choices to meaningful yet manageable choices. By constructing a case study that illustrates how the advisor has done this for other clients, she can demonstrate her expertise and inspire the prospect or referral advocate to explore her services more fully. For more information on building multi-scenario case studies, ask to see the AllianceBernstein Advisor Institute's guide *The Effective Case Study*.



ESTABLISHING YOUR EXPERTISE ON DISRUPTIONS IN THE CAPITAL MARKETS

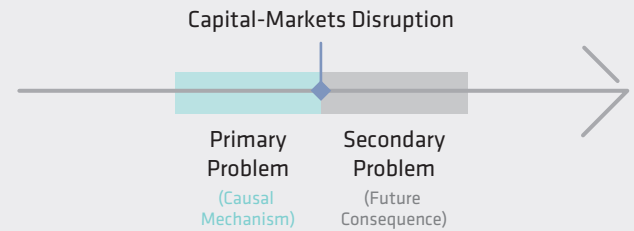
A second way to establish your expertise is by explaining how disruptions in the capital markets affect investors. Disruptions happen on a regular basis, and in many cases basic investment strategies don't protect against them. It's helpful to think about disruptions in this way: a disruption is a problem that occurs before a negative consequence.

Some advisors may not be aware of the implications of changes in the mechanisms of the markets. This oversight allows you to show how a specific, large-scale market disruption can represent a danger and show the prospect how you can protect him by the way you manage money *now*. In fact, the only time a disruption can be addressed/avoided is *before* the consequence occurs.

Examples of such disruptions include (but are certainly not limited to):

- + Major changes in the municipal bond market and how those changes affect the individual ownership of bonds
- + The rapid expansion of passively managed portfolios and the implications of this simple and familiar approach for investors who are underfunded for retirement

PROVIDE GUIDANCE BEFORE A DISRUPTION IN THE MARKETS



- + The tendency of fixed-income investors to succumb to home-country bias in an increasingly global marketplace
- + Misconceptions about various asset classes (alternatives and/or concentrated approaches) that can provide meaningful advantages to investors seeking greater risk-adjusted return

For more on how to construct UVPs on the basis of an expertise in navigating disruptions in the capital markets, ask to see the AB Advisor Institute's guide *How to Get Clients to Take Action Now*.

BUILDING THE MESSAGE IN THREE STEPS

Now you are ready to start building a Unique Value Proposition for your practice. The process follows a simple, three-step structure of selecting specific information for your message.

The exercises below will help you develop, test and refine your UVP. Read through the steps and use the space provided to complete the exercises. Once you've done so, you will be well on your way to creating a message that will grow your business.

STEP ONE: DETERMINE YOUR TARGET AUDIENCE

- + Which clients do you serve now? _____

- + Which clients do you wish to serve? _____

- + What type of clients do you want to create solutions for? _____

- + Who would you like to spend the rest of your professional life working with? _____

- + What group that you know and understand well is not being properly served by the advisors they work with? _____

Once you ascertain your target group, everything else about your business flows organically: your referral advocates, how you build marketing materials and how you service your clients. The needs of your target group will ultimately define your entire business, which in turn will continue to inform the services that you should innovate for your target groups.

As you get to know your target group more intimately, you'll be able to develop or install processes that appeal to their particular preferences. As your business evolves over time and fits these needs better, the highly satisfied clients you serve will also become passionate referral advocates. The prudent FA will select several groups to message to and work with and will experiment with different types of messages until the pipeline of new business reaches a critical and positive flow.

STEP TWO: CONSIDER YOUR TARGET MARKET FROM THEIR PERSPECTIVE

- + What is the greatest concern of the people in your target market? _____

- + What keeps them awake at night? _____

- + What problems associated with a wealth-creation event are they managing? _____

- + What common challenge do they face? _____

- + What shared trait makes this group cohesive? _____

Financial-services needs will vary depending on the group and the key factors that affect their lives. For example, the needs of franchise owners differ from the financial concerns of CEOs; different issues affect anesthesiologists and funeral directors. Ultra-high-net-worth investors struggle with different issues in the capital markets

than investors who are concerned that their retirement is not adequately funded. When you know all of the nuances of your target group, you'll gain relevance to them as an informed, desirable and effective FA.

As an advisor, your ultimate goal is to build better outcomes for your clients. At AllianceBernstein, we share your commitment. We've put our research to work for our clients around the world:

- + Exploring the opportunities and risks of the world's capital markets and the innovations that can reshape them
- + Helping investors overcome their emotions and keep their portfolios on track
- + Defining the importance of investment planning and portfolio construction in determining investment success
- + Providing tools to help advisors build deeper relationships that benefit their clients and their practices

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