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Develop Business/Marketing

How to Launch a Successful Niche Practice

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Oct. 14, 2003

Here are three time-tested strategies to find clients who can afford to pay for your services. Find out if your target-market approach is viable—and enjoyable.

Have you established a nice, cozy niche for your practice? If you have, well done. If not, don't feel badly—you're in good company. Advisors approach us all the time looking for help selecting and developing a niche. And more than 60% of the FAs who responded to a recent [Horseshmouth poll](#) said they define their target market (if they have one at all) broadly. Broader is not better when it comes to niches.

Prospecting and marketing to a [finely tuned target market](#) can propel your practice to new heights. But how do you choose your niche—and how do you know whether or not the one you pick is really the right choice?

Experts generally talk about selecting a target market in one of two ways: looking at your existing practice and attempting to [replicate your best clients](#), or analyzing your interests and talents and finding the point where they intersect with a given group.

Bottoms up

A very common and time-tested way of identifying your best target market entails profiling your best existing clients and finding their significant points of similarity. We'll call this the "bottom-up" approach. Veteran financial planner Karen Ibach of Arlington Heights, Ill., used it to hone in on her niche, advertising executives. "I have a background in music," she recalls, "and at the time I was developing this niche, I was still very involved in the arts. I looked at where my top clients' professions were and what their interests were, and figured out that I really enjoyed working with the creative ones. I had one client who was in a special, very affluent niche of the advertising field that nobody knew about. He told all his competitors and friends about me, and word spread."

Shabri Moore, a financial planner and founder of Women's CFO in Frederick, Maryland, also built her niche from the bottom up. The former molecular biologist initially tried to develop what was for her an obvious natural market when she got started in the business: biotechnology professionals. But that didn't work out. "They're all do-it-yourselfers. They don't like to work with advisors." In the meantime, Moore was unintentionally starting to build a clientele of professional women through her seminars—she found that the women were the ones who came up afterward to chat. "I started hearing, 'I have a friend who's a business owner, and she'd prefer to work with a woman.' And the woman attorneys and CPAs had clients who wanted to work with a female advisor." Moore soon recognized the makings of a niche practice: [women business owners](#) and professionals making more than \$100,000 per year. She liked working with these women, and they were great referral sources. So she began

tailoring her marketing and prospecting—and eventually her company's name—to target her niche. Eighty percent of her clients now fit that profile.

Take it from the top

What if the patterns of your existing practice just don't meet the [criteria](#) for a viable niche? What if you don't have many (or any) really good clients to clone? Or what if you're looking to transform your practice and want to break from your past and start fresh? In these instances, a top-down approach may be the way to go.

There are a couple of ways to develop a target market from the top down. To continue the spatial metaphor, we'll call one outside-in and the other inside-out.

The outside-in approach. Working from the outside in involves identifying a financial sweet spot and then finding a way to make it your own. "Go to where the money is, advises John Bowen of consulting firm [CEG Worldwide](#). "Pick clients who can afford to pay you to provide service. The goal of any financial advisor is to parade in a stream of pre-qualified, pre-endorsed prospects who want to become clients."

Bowen outlines his niche-uncovering process in four steps:

1. **Identify the largest concentration of wealth in your local geographical area.** For example, says Bowen, "I'm in Silicon Valley, so it's technology executives." While an industry focus like this can be very effective, also remember to consider hobbies and social activities. For example, American Express advisor Jeff Hoadley [built his niche around affluent cigar smokers](#). "Wealthy people have passions," notes [Richard Weylman](#), an expert in marketing to the affluent and author of [Opening Closed Doors, Keys to Reaching Hard to Reach People](#). "If you don't know where they're putting their time, effort, and energy, you miss unique opportunities to market there."
2. **Identify niche markets within that broad target market.** Bowen says he prospected executives at just a few local companies when he was an advisor. Why so few? "There are 500 public companies in Silicon Valley. How credible is it that I can be an expert in 500 companies? On the other hand, how tough is it for me to know the benefit plans for a couple? I could really position myself as an expert." Bowen's approach worked for him, but an advisor targeting technology executives could specialize in numerous other ways: prospecting chief information officers, for example, or just people who work in the gaming industry. The key is making sure you've identified [a real community](#).
3. **Identify significant opportunities within the niche.** To learn more about your future prospects' needs and issues, says Bowen, talk to centers of influence in the niche you're considering. "Do interviews with 10 top movers and shakers," he suggests. Find out which associations they belong to, which trade publications and journals they read, and which specific financial issues are most on their minds. You can even ask them a question like "If you were me, knowing what you know, what would you do to market to other people like you?"
4. **Analyze your client base to identify opportunities and centers of influence.** Only after you've done all of the previously discussed analysis does Bowen advocate digging into your client roster to find overlap with the niche you've identified. He also urges advisors to consider how they can leverage their own interests. "There are a few guys who really use golfing effectively in business," he says by way of example. "Whether it's

golf, sailing, fine dining, tennis," he continues, try to identify an interest or hobby that will create affinity with the people in your niche.

The inside-out approach. This approach flips all of the preceding ideas over. Rather than starting with a desirable niche and making a place for yourself within it, this process involves starting with your own skills, experience, interests, knowledge base, and personality, then identifying a niche that fits you and that has financial potential.

That's how Mark Colgan did it. Colgan, an advisor with McDonald Investments in Rochester, N.Y., specializes in [financial planning for widows and widowers](#). When he lost his wife in 2001, Colgan's two-year search for a niche came to an end. His widowed clients had been the ones with whom he most liked working and most easily struck a rapport. "But after Joanne died," he recalls, "it suddenly all came together. Now I had a personal attachment and a passion for helping these folks. I was in a position where I was running into financial challenges of my own, having been a planner for a decade. I thought, 'If I'm an expert and can't handle this situation, what are those folks going through? Maybe this is my calling.'"

Few advisors are guided to their niche by such a dramatic epiphany, but every FA has something in his or her personal history, skill set, or range of interests that can provide the foundation for a good niche. You need not have experience working with CEOs or belong to the most exclusive country club in town. Tucson-based advisor Tom Vetrano, for example, leveraged his childhood in a union household and established a very profitable niche [working with union members](#).

The key is to figure out what is most unique about you that can help you launch a niche practice. "You don't want to be competing with everyone else out there," warns Ibach. Your love of golf will probably not do much to differentiate you from other advisors. But a passion for rare coins or a past foray into pet-supply-store ownership just might. What are your quirks?

By George, I think I've got it!

So you've done all the recommended analysis and soul searching and you think you've come up with the perfect niche. But how can you be sure?

Well, nothing in life is certain. In the end, you'll need to just put yourself out there and see what happens. But after checking that you've chosen a [viable niche](#), you'll want to ask yourself some additional questions before investing yourself too deeply. Consider the following:

- **Do I feel comfortable here?** Ask yourself what types of people you enjoy spending time with, says Weylman, because if you're going to succeed in any niche, you're going to have to spend a lot of time networking inside it. "The financial services business is very much about word of mouth. It's about targeting people based on how they network and communicate." Ibach considered and then rejected a potential niche based on lack of comfort. "I was looking at the funeral profession, and I decided it just wasn't for me. I don't want to go to those conventions and read about embalming fluid. I took a pass on that."
- **Can I empathize with my prospects?** Make sure you can relate to the members of your chosen niche, urges marketing consultant [Howard Jacobson](#). "If you say, 'I'm going for high-net-worth individuals because that's where the money is,' and you come from a working-class background and you're rolling your eyes every time you hear a client moaning, 'Muffy's off to France and I don't know what she's doing with her life; she's

taken four years off from Smith already,' it's going to come across. You're not going to be successful with that niche."

- **Do I know what I need to know?** You may have to do some serious learning to prepare to target your niche. "If you really want to be one of the top financial advisors," says Bowen, "you have to position yourself as an expert in areas where those prospects are seeking advice. It has to be something you can be credible in." Bowen assures advisors that they need not let current lack of knowledge interfere with pursuing a niche. Just be prepared to develop the necessary expertise. "The first thing you have to do is decide you want to be [an expert], and then gain the knowledge necessary," Bowen advises. "If I want to focus on Intel, I can become an expert on their stock options and deferred compensation within three weeks." It may take more than three weeks to learn what you need to know, but success sometimes means [reinventing yourself](#).
- **Do I want to know what I need to know?** If members of your prospective target market will need life planning services and you've always been a stock picker, you'll probably need to get your CFP. Is that what you want to do? If not, keep looking. Karen Goodfriend, a veteran who has made *Worth's* annual list of the best financial advisors for five years running, decided to become an expert in the tax issues around stock options in the early '90s because a growing number of her clients held them. "I decided I really wanted to dig in and understand options thoroughly. I really enjoyed it—I liked the intricacy." Some advisors would run screaming from this stuff, but Goodfriend—an MBA, CPA, CFP, and PFS (personal financial specialist)—loved it. If you wince at the mere thought of learning what you'll need to know to serve your chosen niche, imagine how you'll feel when you've got the books spread out in front of you.

Follow your bliss

There's little in your professional life more personal than the niche you serve, so take your time choosing it. At the risk of sounding touchy-feely, give yourself permission to do what you love—or at least what you really like. "[Leo Pusateri](#) talks about having your stomach smile and a burning in your heart to help particular people," says Colgan, recalling the discussion at a Pusateri retreat he attended. "What I've learned from my experience and going through Leo's class is that you have to have more of a reason to specialize in a niche than just, 'It's going to make you money,' whether that's personal interest or personal experience."

The best niche practitioners feel passionately about the services they provide and the people with whom they work. Find a way to have fun and fulfill your passion at work every day, and you'll multiply your chances at success a hundredfold.

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