



# DTAYLOR GROUP ORGANIC GROWTH REPORT

*Organic growth insights, issues, and actions for wealth  
advisors and investment management firms.*

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*Executive Summary*

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- Organic growth is the lifeblood of long-term success of wealth advisory and investment management firms – it is the sustainer rocket for firm growth.
- Sales, Marketing, and Client Service all play important roles in driving growth.
- Client Retention – through top-notch client service – is the most crucial factor in long-term organic growth.
- Four of the top 5 reasons clients fire their advisor are client service related. Keeping what you already have is vitally important.
- Lack of a client referral process, along with not tracking leads through the entire sales process, are key factors in lagging growth for many firms.
- One of the most underappreciated components of organic growth success is having a repeatable sales process combined with a coordinated sales reporting effort.
- DTaylor Group is conducting unique, focused research and providing solutions around the drivers and impediments to organic growth within wealth advisory and investment management firms.

*“If you aren’t growing, you’re dying.” – Lou Holtz, Tony Robbins, and many other sources*

*“Without continual growth and progress, such words as improvement, achievement, and success have no meaning.” – Benjamin Franklin*

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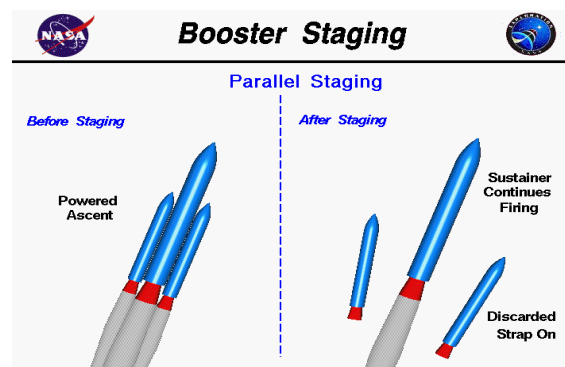
## Organic Growth

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Organic growth is the lifeblood of long-term wealth advisory and investment management firm success. Without organic growth, your firm’s strategic plans and key initiatives are not much more than hopes and dreams. Of the two types of business growth – organic and inorganic – organic is the only one that is sustainable over long periods of time. Both forms of growth can, and often do, play an important role in your overall business strategy. Their roles are complimentary, yet only one can function as a standalone strategy for the duration of your business.

Many firm leaders we speak with say that providing growth opportunities for their existing employees is one of their top priorities and concerns. It is organic growth that will generate these opportunities. If your base business is not growing, your employees will not have the chance to grow. Additionally, strong and consistent organic growth makes your firm more attractive when considering mergers and acquisitions (inorganic growth), no matter which side – buyer or seller – you happen to be on. Generating meaningful organic growth maximizes the value a seller can receive for his/her firm, while it makes buyers a more attractive successor to the acquired business and makes getting acquisition financing easier.

To demonstrate the roles organic and inorganic growth play, let’s use an example of launching a rocket into space. All rocket propulsion systems (growth engines) are made up of booster rockets and sustainer rockets. Booster rockets are shorter-burning rockets, generally used at takeoff, to provide a short, powerful burst of velocity (growth). The sustainer rockets (their name alone gives a strong clue to their role) are the primary engines propelling the rocket for the duration of its flight.



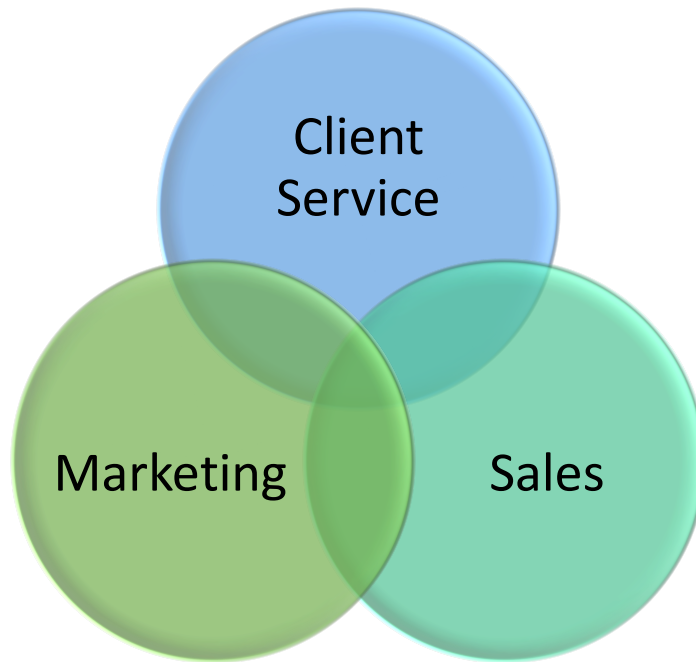
Inorganic growth (mergers and acquisitions) is akin to a booster rocket – it provides a short, powerful boost to assets and revenues. At the right time and for the right reasons, inorganic growth can play a meaningful role in a firm’s overall business evolution. Just like with booster rockets, though, inorganic growth cannot be used as a long-term growth strategy because it burns way too much energy (time, money, internal resources) and is too costly (eventually you

run out of fuel). It is organic growth (the sustainer rockets) that will propel your firm for the long haul.

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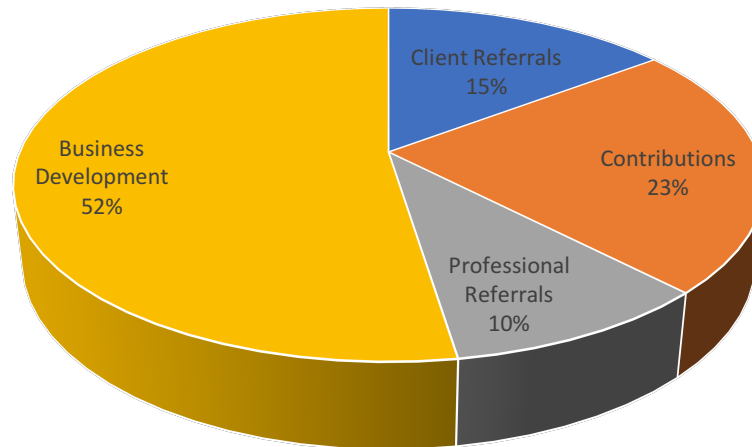
*How do you generate organic growth?*

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As shown above, organic growth is driven by your firm's sales, marketing, and client service efforts. While that might seem simple, it is anything but. The A #1, absolute greatest way to generate consistent organic growth is to provide the highest quality customer service possible to your existing clients. Most firms' departing clients leave with meaningfully higher assets than the average new client brings in the door. So, it often takes 2 or more new clients to replace the lost assets of 1 departing client. Keeping what you already have is vitally important to long-term growth and 4 of the top 5 reasons clients fire their advisors, according to a FA magazine study, are client service related.<sup>1</sup> Additionally, highly satisfied clients are more likely to continue adding assets to their accounts and are also the best source of referrals, and their referrals tend to be pre-qualified and often pre-sold. According to the 2016 Investment News Financial Performance Study, contributions from existing clients and client referrals accounted for about 40% of the average advisory firm's AUM growth for the year ended 12/31/2015, yet only 1 in 3 firms in their study have a client referral process.<sup>2</sup> How do your numbers compare?

Average Firm % Inflow Change in AUM

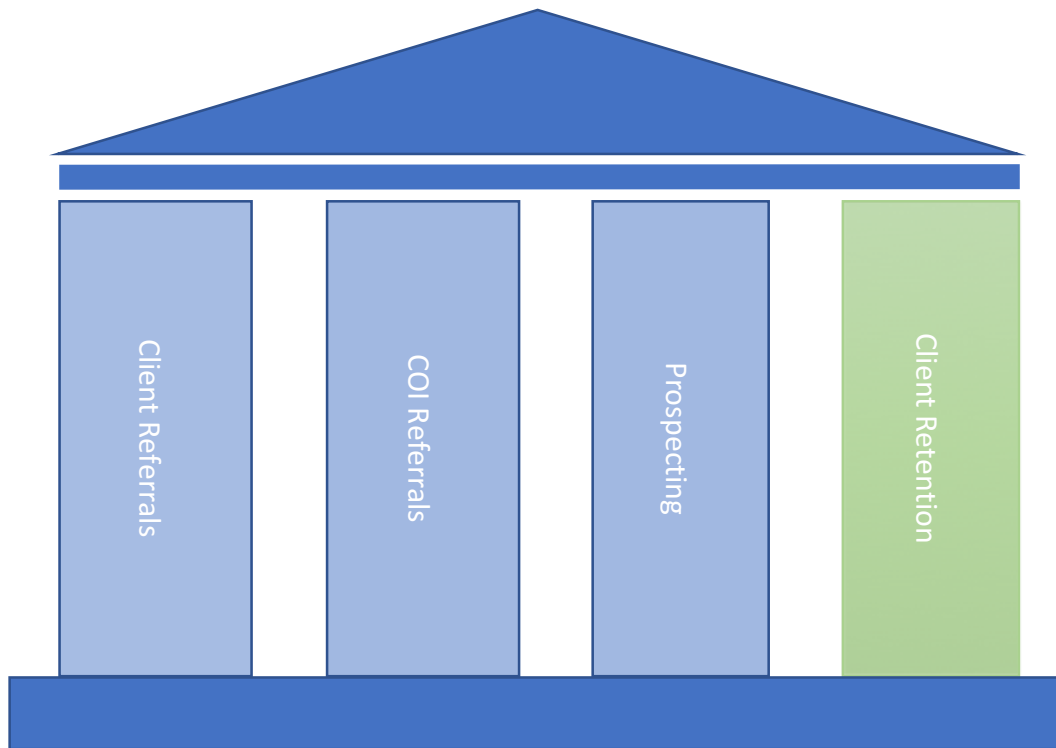


Sales and marketing efforts are the other critical aspects of generating consistent, sustainable organic growth for your firm. While many people separate them into two distinct functions, our experience shows that if they are not seamlessly integrated with a unified message being delivered both functions will flounder. The mechanics of developing a distinct, unified marketing message for a firm is outside the scope of this report (although it is within the scope of services that our firm provides).

Within a firm's sales efforts, possibly the most underappreciated components for their impact on organic growth are having a repeatable sales process and a coordinated sales reporting effort. An effective sales process is one that flows seamlessly from the time a firm receives someone's contact information (what we call a "suspect") all the way through until they become a new client or a lost sale, and all significant stages in between. The 2016 report from Investment News found that 62% of all firms in their survey do not track the leads they generate or any other sales process stages.<sup>2</sup> This lack of sales process tracking (which leads to no data for reporting) causes the majority of firms to classify their marketing methods as "moderately successful" at best.

With two-thirds of firms not having a client referral process and nearly the same number failing to track leads within their sales process it should not be overly surprising that organic growth rates for the average advisory firms have declined in each of the past 3 years.

## The FOUR Pillars of Sales Growth:



Each of the four pillars above are crucially, and equally, important to long-term sales growth. We highlighted client retention in the graphic above because many firms do not include it as part of their sales plan, yet we firmly believe that client retention is a critical pillar to any firm's growth success. As noted earlier in the report, keeping what you already have is vitally important to long-term growth. Focusing on each of the four growth pillars within your growth, or sales, plan, provides a well-balanced and effective path to strong organic growth now and in the future.

Paraphrasing Aristotle, *"We are what we repeatedly do. Excellence..is a habit."* Forming new habits will be critical to revitalizing organic growth within the advisory and investment management industries.

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*Groundbreaking data gathering*

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There are virtually no industry reports focused exclusively on organic growth of wealth advisors or investment management firms, specifically, what aspects firms are doing well and what gets in the way of maximizing their organic growth efforts. Why is that? We aren't sure, although it's possible that it's as simple as a business necessity not being very exciting. Foot soldiers are a necessity of military success, special ops are exciting. Sustainer rockets are a necessity for space

flight, booster rockets are exciting. Sales, marketing, and strategy (organic growth) are a necessity, mergers and acquisitions (inorganic growth) is exciting. DTaylor Group is currently conducting the only industry survey specifically focused on organic growth and its key drivers.

Early results from our research show that the majority of firms are not generating the levels of organic growth they would like – 70% of respondents report organic growth of less than 8%, with another 20% of responding firms reporting organic growth between 8 – 12%.

#### Four Most Common Challenges Cited to Generating Organic Growth



While firms are taking steps to improve their organic growth, the two most frequently cited steps – more (online) marketing and having more client meetings – seem to fall into the category of “working harder, not working smarter.” Nearly all firms stated they have a goal of generating more referral business. However, with many firms lacking a strategic/business development plan getting more referrals may be more of a hope than anything else.

Additional data gathered show that the majority (60%) of responding firms say they have a defined target market. This result is positive since that is often one of the first steps a firm must take in focusing on organic growth. Yet, it seems that the positivity ends at target market definition. When asked, “How effectively does your firm deliver your ‘story’ or message to your target audience?” none of the responding firms answered, “Very Well.” 80% of respondents said “Fair” with the other 20% saying “Not Well.” Also, when it comes to reporting and tracking business across all stages of their sales process only 20% of firms said they do so “Very Well.” Leaving 80% of respondents as only “Fairly Well” or “Poor.”

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#### *What can you do?*

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No matter where you fall in relation to the survey responses above, here are 4 key steps you can take to strengthen, enhance, and boost your organic growth. These are by no means the only steps that can be taken. They are steps that are proven to have a significantly positive impact on organic growth.

**Step 1: Create an Organic Growth Plan** – Your plan should be both at the firm and individual levels. Use the 3-segment bubble chart (Client Service – Marketing – Sales) and the 4 Pillars of Sales Growth (Client Referrals – COI Referrals – Prospecting – Client Retention) as guideposts for your plan. Metrics and reporting should be tied into these plans.

**Step 2: Ensure your Messaging is Client-Focused** – Read your website, materials, and proposals from the client’s perspective. Are you mostly describing what you do, how you do it, and what makes you different from other firms? Do your verbal comments focus similarly on firm attributes? If so, your message is all about you. To truly be effective it needs to be equally, or more, about your client. How do your clients feel after you have done something for them? What emotions do your clients experience as they progress toward or reach their financial goals?

**Step 3: Assess your client and prospect engagement processes to see how Emotionally Intelligent they are** – Clients are emotional behavers. While some clients may engage with technical details and performance numbers, the decisions they are most committed to are those which satisfy their emotions. If their emotions are not being met in their relationship with you they are prone to emotional “hijacks” when turbulence (personal or market-driven) strikes. An Emotionally Intelligent engagement process will allow you to satisfy and keep your clients’ emotions calm in all environments.

**Step 4: Establish strong client service and responsiveness metrics, along with a regular, targeted client referral program** – Three of the top 5 (and one could argue 4 out of the top 5) reasons that clients fire their advisors or investment firms are related to lack of communication and/or timely responsiveness. Setting strict responsiveness and service guidelines and metrics for all client-facing employees is not just a good thing to do, it is an absolutely critical thing to do. You work extremely hard to get the right clients into your firm, communicating with them and responding to them in a timely manner are simple steps to take to keep from having clients needlessly walk away. Combine these service expectations with a regular, targeted client referral program – where you are asking clients for specific introductions at the exact right time – and you will not only maximize your client retention numbers, you will add a booster rocket to the best referral source your business has.

We are continuing to survey firms, both electronically and via phone, on organic growth and its underlying variables. Contact us at [dtaylor@dtaylorgroup.com](mailto:dtaylor@dtaylorgroup.com) if you would like to participate. Additionally, do not hesitate to contact us if you would like a no obligation needs assessment of your firm’s organic growth efforts.

<sup>1</sup> FA Staff, FA Magazine; “Top 5 Reasons Why Clients Fire Advisors”; <http://www.fa-mag.com/news/top-5-reasons-why-clients-fire-advisors-16238.html>, August 15, 2017

<sup>2</sup> Investment News Research; Investment News: “2016 Investment News Financial Performance Study of Advisory Firms”; [http://www.investmentnews.com/dcce/20160913/4/4/WP\\_SPONSORED/3422061](http://www.investmentnews.com/dcce/20160913/4/4/WP_SPONSORED/3422061), August 15, 2017