What Advisors Can Learn from Ken Fisher

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by Bob Hanson

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As an outside observer, I'd say Ken Fisher *appreciates* a "tenbagger."

The term "tenbagger" was popularized by the legendary Fidelity fund manager Peter Lynch in his book *One Up On Wall Street*. It describes an investment that *appreciates* 10 times its initial purchase price.

Ken Fisher, of *Forbes* and TV Ad fame and head of Fisher Investments, started his business in 1979 with $250. Today he has more than 40,000 private clients and $96 billion in assets under management.

Let's look to Ken for insight and inspiration.

What two numbers does Ken Fisher live by that the average advisor ignores?

When Ken was asked in a recent interview how much he spent on marketing, he responded, "a lot."

The reason Ken Fisher and his team of marketers can afford to spend "a lot" is they know these two things:

- not only the amount it costs to acquire each new client,
- but also what a client is worth over their lifetime.

These are the key metrics of inputs and outputs of a practice.

Cost to acquire a client (CAC)

This metric is fairly straightforward.

It answers the question, "What is the total marketing and sales investment required to get the average new client into the marketing process and then to sign on the dotted line?"

Client lifetime value (LTV)

What is the average new client worth in gross profits to your business?

This second number can be a little trickier *because* it includes the cost of delivery of services in an advisory practice for the next client. We should really apply a discount rate to that money *because it is collected over time.*

But the "easy math" is to look at fees collected per year; then be conservative about the number of years a client stays with you.

A not so random walk through CAC and LTV

In the marketing planning process, I often ask advisors and team leaders, "What would you pay to acquire a new client?"

They usually think for a minute and then respond, "Well, what do you think is a good number?"

When I began to specialize in working with financial advisors, I would ask them: How did you build the practice originally?

Many had relied on dinner seminars exclusively, and their numbers worked out something like this:

> The advisor would run a couple of seminars a month, often averaging a marketing spend of about $10,000. *The result:*

> two clients acquired who are worth a total of $10,000 in fees collected ($5,000 each) over the first year.

In other words, the marketing investment to acquire a client (CAC) was about $5,000, or equal to the first year's revenue. This may sound like "a lot," to repeat Ken Fisher's answer.

***Be aware*:** Many advisory clients could be paying $1,250 or more per quarter for 10 years, even more. The lifetime revenue of a good client is likely to be $5,000 x 10 or $50,000, a "tenbagger."

For those working with higher net worth clients – who may collect annual planning and investment fees of $20,000 or more – a lifetime value of $250,000 is not unusual.

Insights from knowing your CAC and LTV

***Consider*:** As a starting point, recognize that most established practices and firms can afford to pay 1x annual revenue, or first year revenue, in the client acquisition process.

***Consider*:** This dynamic also suggests that you should expect more competition for wealthier clients because other practices will tend to invest more to acquire higher LTV clients.

Higher-growth practices often invest more in both marketing dollars and as a multiple of first year's revenues.

> To ratchet up growth and new client acquisition, pressing the gas pedal on trackable marketing investments is one lever you have at your disposal.

If you are uncomfortable with this investment dynamic, here's an option: Look for lower-cost ways to acquire new clients. (Consider webinars, for example, as a lower-cost alternative to marketing seminars or workshops.)

> Of course, I've used a simple example here, but the nuances may help you to discover further breakthroughs *to lower your own CAC.*

More marketing gold in leads

Advisory practices often find marketing gold in the leads that do not convert to clients right away.

Let's use our seminar marketer as an example. Assume that they generated 50 registrants a month to acquire those two clients.

And there is marketing gold in those other 48 registrants. With a consistent follow-up marketing system to educate and nurture those leads into clients, you are likely to convert another two to clients over time.

Yes, it would be expensive to pay to nurture just those 48 leads to yield two new clients.

But if you looked at two years of seminars and 48 leads a month, you'd benefit from the scale of marketing. That's 24 months x 48 leads or 1,152 prospects. Now that could yield an impressive 96 new clients!

The Noah's Arc principle of referrals

Remember: This ancillary concept in lifetime referral value can work for you like this:

Each client may bring to your practice another client like themselves as in the story of Noah's Arc when the animals arrived in pairs.

If the average client offers one client referral over their lifetime with your practice, then you could add a lifetime referral value multiplier for new clients as well.

Factor referrals into your client "input and output" math.

Key takeaways

For growth-oriented advisors: Track your all- CAC and know your LTV.

Recognize that you can lower your CAC with a lead/prospect education and nurture program.

Today's marketing prospects are tomorrow's sales opportunities and clients.

Focus your marketing investments on proactively identifying and recruiting ideal clients because they tend to have a higher lifetime value.

While there will generally be more competition for these higher lifetime value clients, narrowing the majority of your marketing efforts to a specific market/niche – and having multiple ways of reaching out to this same market – will increase the number of prospects, lower your CAC, and increase conversion of prospects to clients.

Channel your inner Ken Fisher while you are at it! If your marketing investments are "tenbaggers," then investing in new clients may be the surest way to build the practice of your dreams.

Bob Hanson is a book author recovering from producing Marketing Power for Financial Advisors. To grab his free report, 7 Client Attraction Secrets of Highly-Successful Advisors, click here*.*

