The 2023 Firm Growth Survey

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Executive Summary

The reality is the majority of firms are not growing like they should. There are major risks to not growing such as stagnating revenue streams, decreasing firm valuation and advisor attrition. That's why Nitrogen launched the industry's first annual Growth Survey, probing the major differences between slow-growth and hyper-growth firms in the areas of technology, marketing, and client engagement. This report defines hyper-growth firms as firms that grew 21% or more in 2022; slow-growth firms, 5% or less.

While they identify the same challenges to growth, the behavior of hyper-growth firms differs significantly from that of slow-growth firms. The areas both groups choose to invest in, how they spend their time, and how they approach the concept of growing their firm couldn't be more different. Understanding these patterns is crucial for developing effective business strategies that lead to AUM growth. This report explores three key areas where hyper-growth firms excel and highlights the strategies they employ to outshine their slow-growth counterparts. By focusing on front-office technologies, emphasizing marketing efforts, and planning for the future, hyper-growth firms position themselves for success.

This report delves into these strategies and unveils the solution for bridging the gap between lead generation and conversion, the key to unlocking hyper-growth. Slow-growing firms can become hyper-growth firms, with improvements backed by data.

Key Findings

- Both hyper-growth and slow-growth respondents rank "increasing regulations and compliance" as the biggest threat to firm growth today.
- Hyper-growth firms are 2 times more likely than slow-growth firms to rank lead generation as most important to firm growth.
- 31% of hyper-growth firms spend 11+ hours a week growing their firm. Conversely, 61% of slow-growth firms spend 1-2 hours per week growing their firm.

Marketing

- Hyper-growth firms spend significantly more money on marketing per year than slow-growth firms–it's not even close.
- Hyper-growth firms are more likely to be highly satisfied with their marketing efforts than slow-growth firms.
- Paid social media is an area of opportunity where hyper-growth firms are finding wins.
- After referrals, events are the highest converting channel for hyper-growth firms. In fact, hyper-growth firms attend more industry events per year than slow-growth firms. This could include anything from traveling to industry conferences to hosting a webinar.

Client Engagement

- Hyper-growth respondents incorporate more automated communication into their practice.
- Hyper-growth firms are more prepared for the Generational Wealth Transfer than slow-growth firms.
- Hyper-growth firms are better equipped to convert leads into meetings, meetings into clients, and clients into referral champions with routine usage of proposal generation software and a lead-conversion tool.

Technology

- Hyper-growth firms tend to use their tech stack more efficiently than slow-growth firms, using technology daily and monthly, compared to quarterly and annually.
- Hyper-growth firms invest more into front-office technology, driving client satisfaction.
- Firms in their first year of using Nitrogen are 1.5x more likely to be hyper-growth firms than non-customers. This positive trend continues for customers in their 2nd, 3rd, and 4th years of using Nitrogen. Additionally, Nitrogen customers have a 60% higher chance of being hyper-growth than non-Nitrogen customers.

Why Firm Growth Matters

Having served financial advisors and wealth management firms for over a decade, we understand the importance of firm growth for achieving long-term success. Firm growth encompasses increasing assets under management (AUM), attracting and retaining top talent, building scalable processes that save time, and deliver personalized client experiences.

Unfortunately, many firms today are struggling to achieve significant growth. According to a study by DeVoe & Company, the average wealth management firm is only growing by 3% annually, excluding market impacts.[1] Outdated technology is another barrier to growth, with 65% of advisors admitting to losing business due to using obsolete wealth management software, according to Advisor360.[2]

New advisors also face significant challenges, with 80-90% of them failing within the first three years, as reported by *AdvisorPerspectives*.[3] Furthermore, competition in the industry is fierce, with many firms concerned about losing clients to rivals.

Another significant challenge is the trust gap that exists between clients and financial advisors. According to the Employee Benefit Research Institute, only 21% of workers and 23% of retirees strongly agree that they have been treated fairly by their financial professionals.[4] This trust gap can lead to clients being fearful, with nearly two-thirds of high-net-worth individuals unable to answer more than three out of five basic financial literacy questions, according to FINRA.[5]

Despite these challenges, real growth is possible. One-third of advisors are expected to retire this decade, creating a transition of almost 40% of industry assets worth over $10 trillion.[6] There is still room for growth, with only 33% of workers currently having an advisor, and 40% of those planning to get one eventually, according to the Employee Benefit Research Institute.[7]

Great firms are growing in the double digits and that allows them to invest in their staff, grow their valuation, and most importantly, expand their impact on their clients. But how are they doing it? There is a gap in the research around growing wealth management firms that explicitly compares the tactics of slower-growing firms and hyper-successful firms in the areas of technology, marketing, and client engagement. Nitrogen conducted research in order to answer the question, "What are hyper-growth firms doing differently?"

Key Research Objectives

This report explores what sets hyper-growth firms apart in the categories of technology, client engagement, and marketing. Comparing and contrasting hyper-growth and slow-growth wealth management firms is essential to gain valuable insights into the tactics and strategies that spur growth. By examining the differences between these two types of firms, we can uncover the strategies and practices that contribute to their varying levels of success. Understanding what sets hyper-growth firms apart, such as their focus on cutting-edge technologies, aggressive marketing efforts, and forward-thinking approaches to client engagement, helps to identify key drivers of growth and innovation. Conversely, analyzing slow-growth firms provides insights into potential pitfalls and challenges that may hinder growth. By analyzing both ends of the spectrum, this report uncovers insights that can be leveraged to optimize wealth management practices, enhance client satisfaction, and drive sustainable growth in the ever-evolving financial landscape.

Survey Participants and Methodology

Participants

One thousand and sixty-five participants were recruited via email, social media, and in-product messages for a study with the description "2023 Firm Growth Survey" for which they were compensated with a $10 Amazon gift card and guaranteed entrance to a raffle for an Apple iPad. Participation was limited to participants located in the United States. In total, there were 925 usable responses. In order to be included in the study, the respondents were required to be a financial advisor, a firm owner, or a firm executive. The majority of participants (76.0%) were aged between 35 and 64 years. The majority of respondents were financial advisors who owned their own firm (62.1%), followed by financial advisors that worked within a firm (35.9%), and firm executives (2.1%).

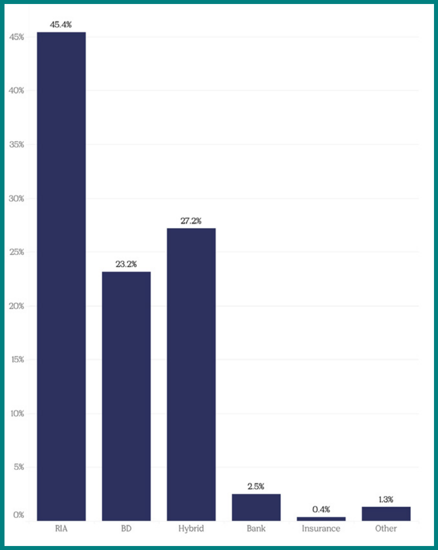


Figure 1: The breakdown of survey respondents by firm types

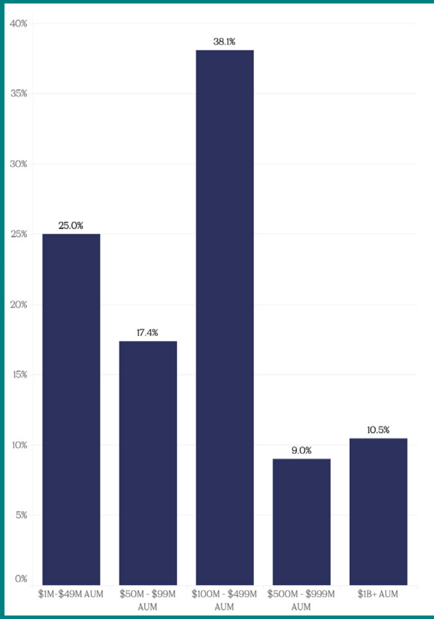


Figure 2: The breakdown of survey respondents by AUM

Materials and Procedure

An online survey was used to collect data from 1 March 2023 until 24 March 2023. The survey contained 50 questions and was divided into 5 sections: Demographics; Business Growth; Technology Growth; Marketing Growth; and Client Engagement & Satisfaction. The first content-specific section, Business Growth, assessed how respondents view and prioritize firm growth. An example question from this section was "What is the biggest threat to firm growth today, across the profession?" The next section, Technology Growth, examined how participants evaluate and use technology. An example question from this section was "How often are you using each of the following software categories?" The following section, Marketing Growth, set out to uncover how participants allocate marketing spending and what marketing channels are the most effective. Two example questions from this section are "Approximately how much money per year are you currently investing in marketing?" and "Which of the following options is the highest-converting marketing channel in terms of converting leads to paying clients for your firm?" The last content-specific section, Client Engagement & Satisfaction, assessed participants' client engagement effectiveness as well as how prepared participants are for the generational wealth transfer. An example question is "Do you have a relationship with your clients' children or inheritors?" The majority of questions were answered via a binary (yes or no) or topic-specific multiple choice.

In-Product Data

In addition to survey data, this report leverages Nitrogen's in-product data to expand its findings and provide more comprehensive information. The methodology for incorporating in-product data involved collecting and analyzing data from the Nitrogen growth platform used by financial advisors and wealth management firms. This data includes information on growth platform usage and other key performance indicators. By combining this data with survey responses, this report is able to provide a deeper understanding of the factors that contribute to growth and success in the wealth management industry.

Terminology

In the context of the Nitrogen Growth Survey, it's important to distinguish between slow-growth firms and hyper-growth firms. slow-growth firms are those that are experiencing very little to no growth, hovering around the industry average of 3% annual growth. On the other hand, hyper-growth firms are those that are experiencing explosive growth, in the double digits or more. This terminology is used throughout the report to segment firms based on their growth trajectory and identify what factors are contributing to their success or lack thereof. By comparing and contrasting the strategies and practices of slow-growth firms and hyper-growth firms, this report sheds light on how wealth management firms can improve their own growth prospects.

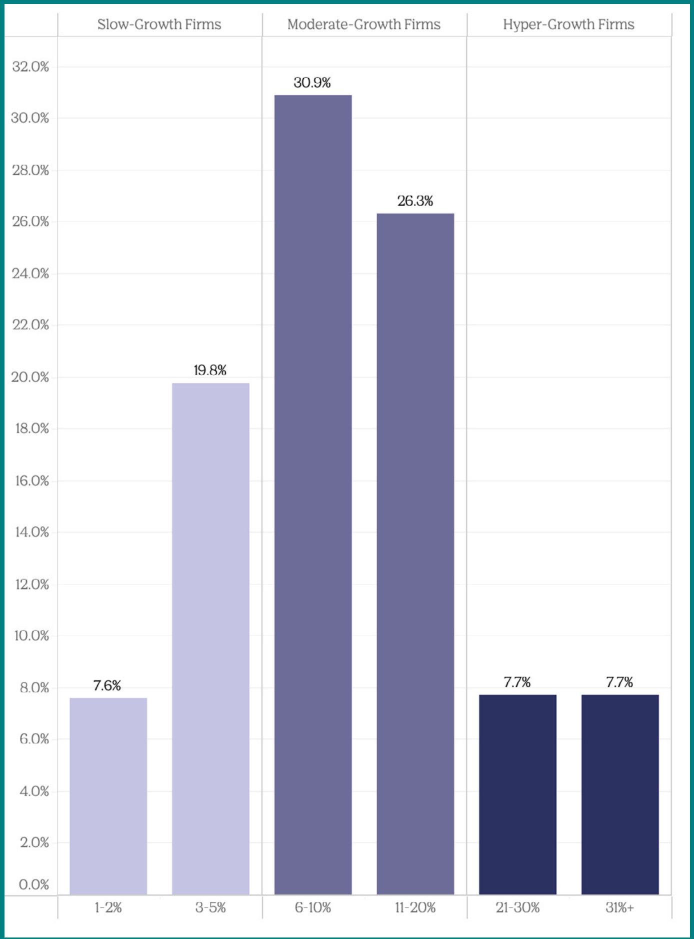


Figure 3: Definition of Firm Growth Stages

Hyper-growth firms grew 21% or more in AUM in 2022. Slow-growth firms grew 5% or less in AUM in the same year. Moderate growth firms grew between 6% and 20% in 2022, but they are not included in data visualizations that compare slow-growth and hyper-growth firms. The term "Growth Stages" refers to the categories, slow, moderate, and hyper-growth firms.

What is a "firm"?

When this report refers to a "firm," it denotes an organization or company that provides comprehensive financial services and advice to high-net-worth individuals, families, and businesses. These firms specialize in managing and growing their clients' wealth, offering a wide range of services such as investment management, financial planning, retirement planning, estate planning, tax planning, and risk management. A wealth management firm serves as a trusted advisor, working in the best interests of its clients to help them navigate complex financial landscapes, achieve their financial goals, and secure their financial well-being for the present and future generations.

Demographics

When it comes to licensure and location, slow-growth and hyper-growth wealth management firms appear quite similar. However, there are distinct differences between their firm size and AUM. Hyper-growth firms tend to have slightly higher assets under management (AUM), indicating their ability to attract and retain larger client portfolios. These firms also boast larger teams of advisors, which enables them to handle a greater volume of clients and provide more personalized services. Hyper-growth firm respondents tend toward a younger demographic, and the survey suggests that hyper-growth firms have a longer-term outlook, as their respondents express a lower inclination to retire compared to their counterparts in slow-growth firms. These contrasting characteristics highlight the dynamic nature of hyper-growth firms and their propensity for continuous expansion and evolution.

The data reveals that a majority (61.9%) of hyper-growth wealth management firms are registered investment advisors (RIAs) (Figure 4). Hyper-growth firms are 1.4 times more likely to be classified as an RIA than slow-growth firms. The RIA structure may provide certain advantages that contribute to the accelerated growth observed in these firms. The emphasis on independence, fiduciary duty, and client-centric approaches commonly associated with RIAs may foster an environment conducive to rapid expansion and success in the wealth management industry, even though hyper-growth also occurs in broker-dealers, hybrid, bank, and insurance firms.

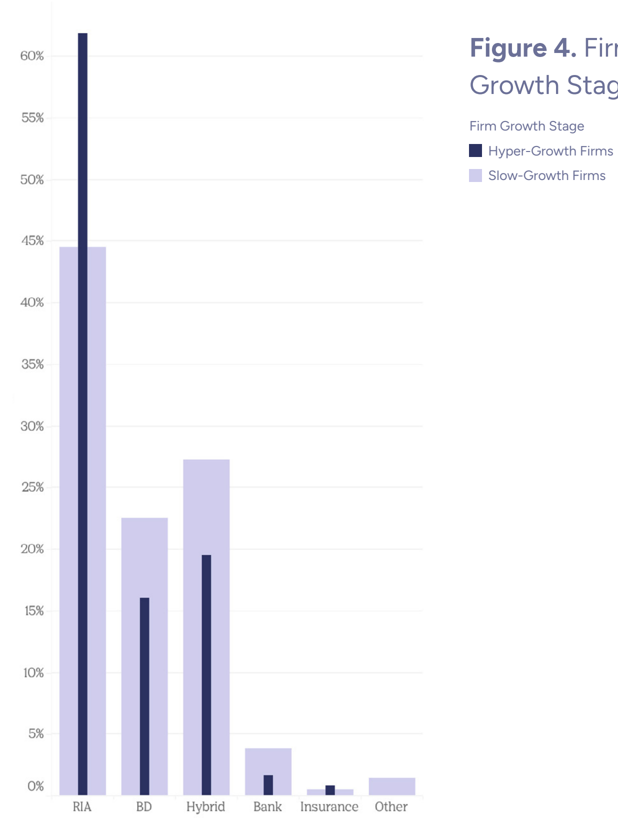
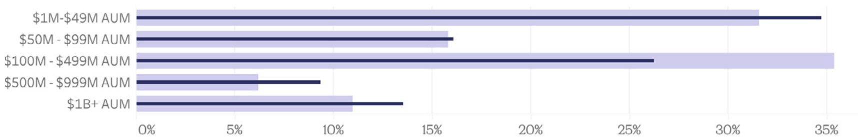


Figure 4. Firm Type by Firm Growth Stage

Hyper-growth wealth management firms have a tendency to outpace slow-growth firms in two specific AUM categories. In the $1M - $49M AUM range, hyper-growth firms experience rapid growth (Figure 5). This suggests that firms that are newly starting are rapidly acquiring new clients and expanding their AUM. The threshold for achieving 21% growth in one year is lower for firms that are starting at lower (or zero) AUM.

Hyper-growth firms also show remarkable performance compared to slow-growth firms above $500M AUM (Figure 5). These firms are characterized by their significant size and likely have a strong focus on client acquisition. By actively seeking out and onboarding new clients, they are able to further expand their AUM base.

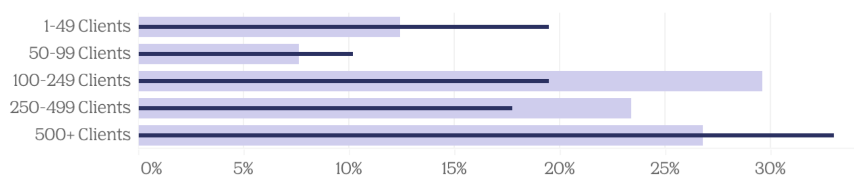
Figure 5. Firm AUM by Firm Growth Stage



Hyper-growth wealth management firm respondents outpace slow-growth firms in two client ranges: less than 100 clients or more than 500 clients (Figure 6). In the case of firms with less than 100 clients, this indicates that they are likely in the early stages of their business and experiencing rapid growth. These firms are actively acquiring new clients and expanding their client base at an accelerated pace.

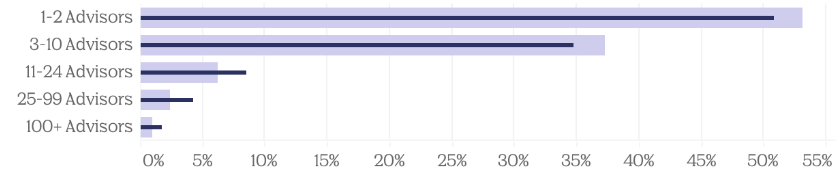
On the other hand, firms with more than 500 clients are classified as large firms with a strong focus on client acquisition. These firms are dedicated to adding more clients to their roster and leveraging their existing infrastructure to accommodate a larger client base. The emphasis on adding clients to their portfolio underscores their commitment to growth and solidifies their position as large and influential players in the wealth management industry. This disparity in client numbers showcases the diverse growth trajectories and strategic approaches employed by hyper-growth firms in the wealth management industry.

Figure 6. Client Number by Firm Growth Stage



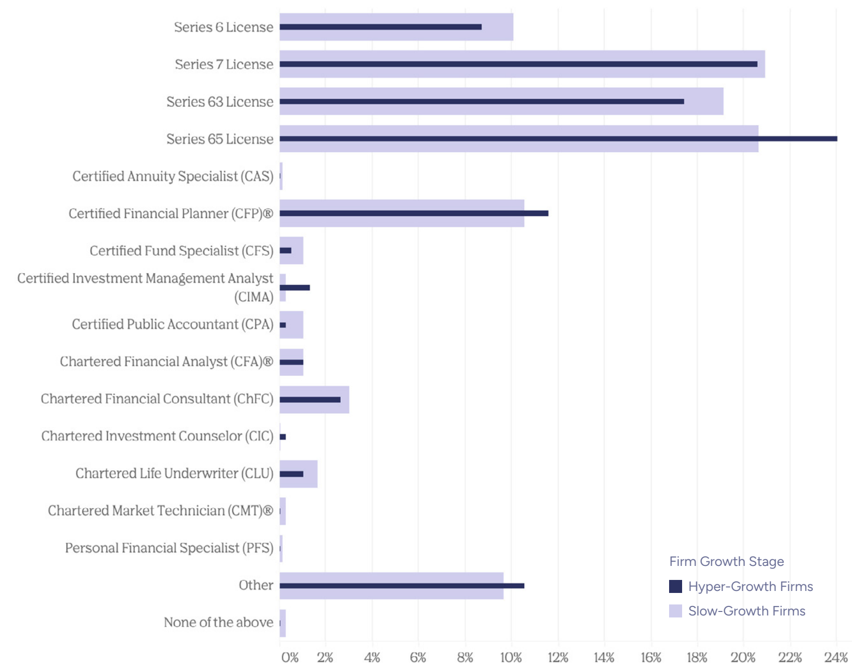
In order to serve a growing client base and scale AUM, hyper-growth firms tend to have more advisors than slow-growth firms. Hyper-growth firms are more likely to have teams with 11+ advisors than slow-growth firms (Figure 7).

Figure 7. Advisor Number by Firm Growth Stage



Licensure trends among hyper-growth and slow-growth firms show a similarity in their preferences (Figure 8). Both types of firms exhibit a concentration of license holders in the Series 7 and Series 65 categories. These licenses appear to be the most prominent among respondents, regardless of the firm's growth stage. This suggests that both hyper-growth and slow-growth firms recognize the significance of Series 7 and Series 65 licenses in enabling their advisors to provide a wide range of services to clients.

Figure 8. Licensure by Firm Growth Stage



The major difference between slow-growth and hyper-growth firm respondents becomes evident when examining their retirement plans.

The data shows that 85.6% of respondents from hyper-growth firms have retirement plans extending 20 years or more into the future (Figure 9). Hyper-growth firms are far from reaching retirement and are focused on long-term growth and sustainability. Slow-growth firms, on the other hand, may have a higher proportion of respondents approaching retirement or with shorter retirement timeframes. This disparity in retirement plans underscores the divergent stages of the business life cycle between these two types of firms, with hyper-growth firms actively seeking to expand and solidify their market position while slow-growth firms may be transitioning towards succession planning and preparing for the next phase.

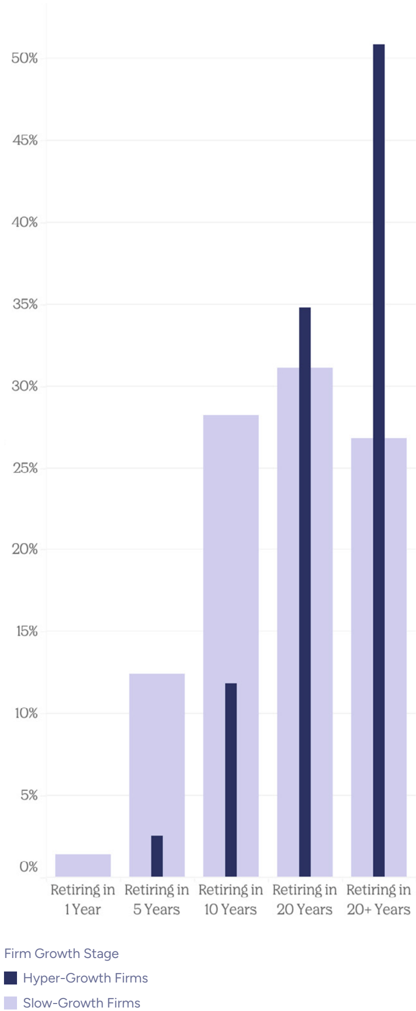
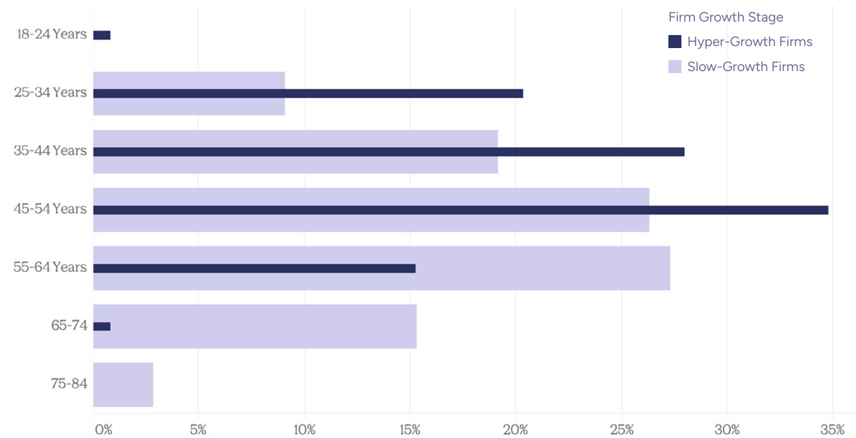


Figure 9. Retirement by Firm Growth Stage

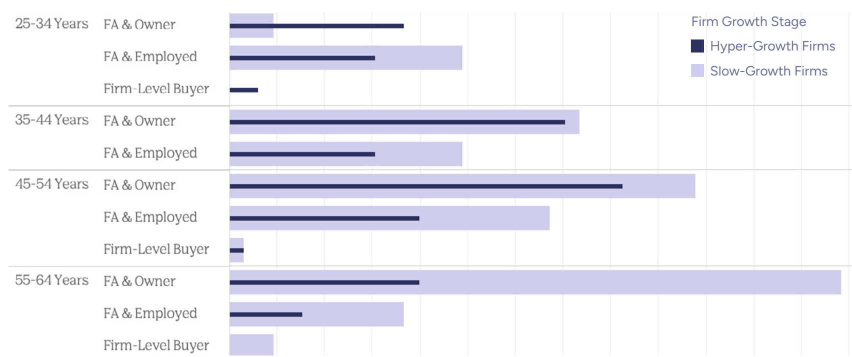
In alignment with the retirement statistic, 83.06% of respondents from hyper-growth firms fall within the age range of 25 to 54 years old (Figure 10). This indicates that the majority of individuals driving the growth in hyper-growth firms are in their prime working years. Their relatively young age suggests a dynamic and energetic workforce that is actively involved in expanding the firm's operations. This demographic trend highlights the emphasis on youthful talent, innovation, and forward-thinking strategies within hyper-growth firms.

Figure 10. Age by Firm Growth Stage



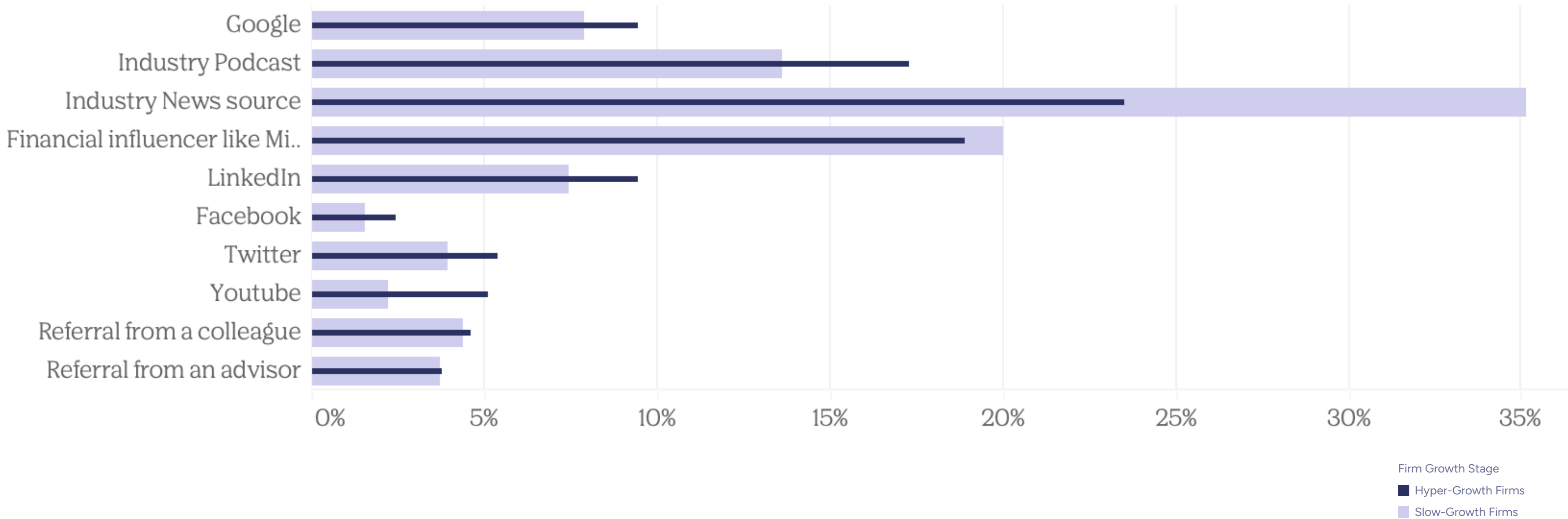
Examining the roles of the 25-to-54-year respondents, the majority of those in the Hyper-Growth category are financial advisors that own their own firm or business. Having an ownership mindset and leadership abilities associated with the "FA & Owner" role could contribute to their hyper-growth success.[8]

Figure 11. 25 to 64-year-olds by Role and Firm Growth Stage



Hyper-growth respondents are elite at sourcing industry expertise compared to their peers, as they are twice as likely to engage with industry podcasts and follow industry influencers and consultants. When slow-growth firms often rely on a single news source, hyper-growth firms adopt a more comprehensive approach by leveraging multiple sources. This trend may be attributed to the younger demographic within hyper-growth firm respondents, as millennials rely on a wider array of news sources compared to older generations.[9] This diverse information-gathering strategy reinforces the dynamic and adaptable nature of hyper-growth firms as they actively seek insights from various channels to stay at the forefront of industry trends.

Figure 12. Trends by Firm Growth Stage

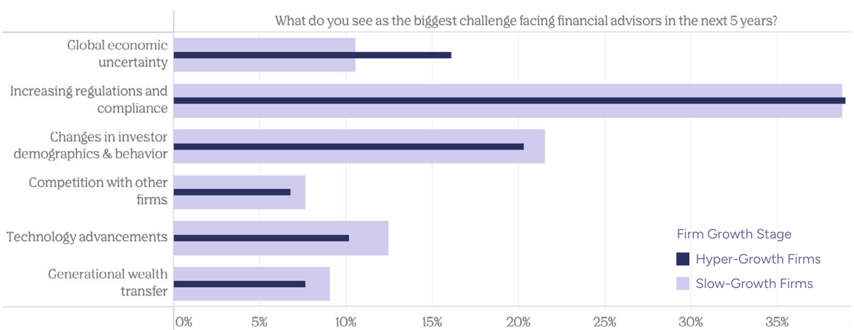


Business Growth

This section of the survey analysis delves into the contrasting business strategies and opinions of hyper-growth and slow-growth wealth management firms, exploring the top challenges hindering growth, the primary barriers to acquiring clients, the amount of time devoted to growth-focused activities, and other relevant factors. The data reveals that hyper-growth firms and slow-growth firms agree on what limits growth, but differ in their tactics to achieve growth.

Both slow-growth and hyper-growth firms identify "increasing regulations and compliance" as the most significant challenge for advisors in the next five years (Figure 13) and the primary threat to firm growth across the profession (Figure 14). This coincides with research across the industry by multiple thought leaders including Cerulli[10] and Michael Kitces' Nerd's Eye View.[11] Kitces highlights regulatory compliance as one of the most daunting aspects of running an independent RIA business.[12]

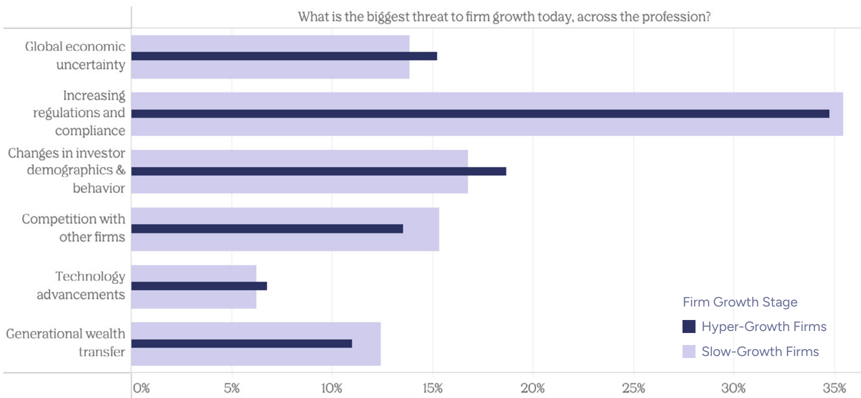
Figure 13. The biggest challenge facing FAs in the next 5 years



When compliance/regulations are removed, the differences between hyper-growth firms and slow-growth firms are more obvious. Hyper-Growth firms are ~1.5 times more concerned about "global economic uncertainty" than Slow-Growth firms.

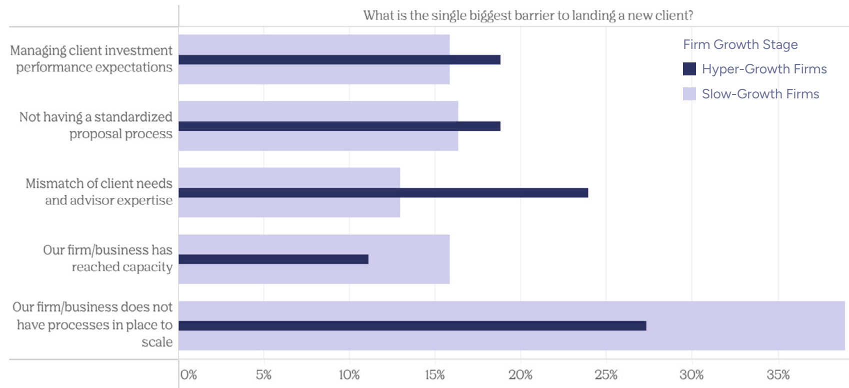
One explanation for this has to do with the demographics of the data set. Hyper-growth firm respondents tend to be younger, and younger respondents will have seen fewer economic challenges than older, more experienced respondents. Also, an economic downturn would negatively affect firm growth.

Figure 14. The biggest threat to firm growth



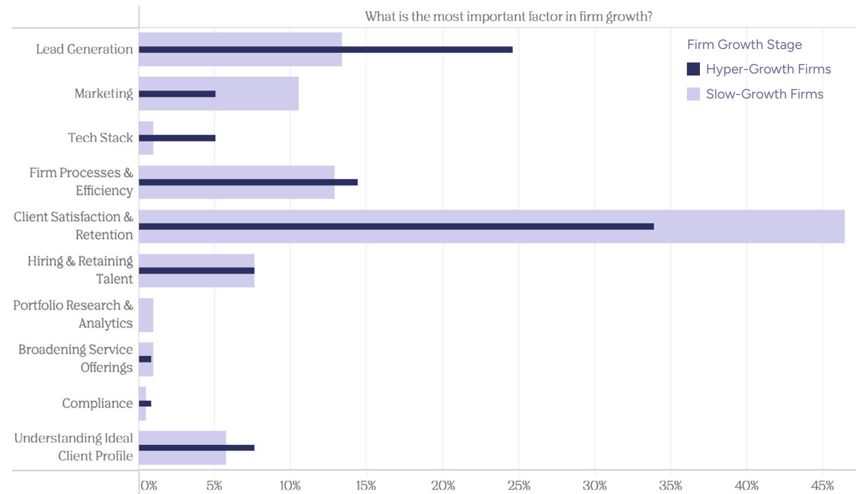
The most significant obstacle to acquiring new clients varies between slow-growth and hyper-growth firms. Approximately 38.9% of slow-growth firms lack a scalable process, compared to approximately 27.4% of hyper-growth firms (Figure 15). There is also a higher proportion of hyper-growth respondents in the category of "mismatch of client needs and advisor expertise," potentially attributed to the hyper-growth respondents' younger demographic and relatively less experience in the industry. This could also be due to hyper-growth firms strategically operating within a business niche, making them unable to meet the needs of every prospect.

Figure 15. The greatest barrier to converting a prospect into a client



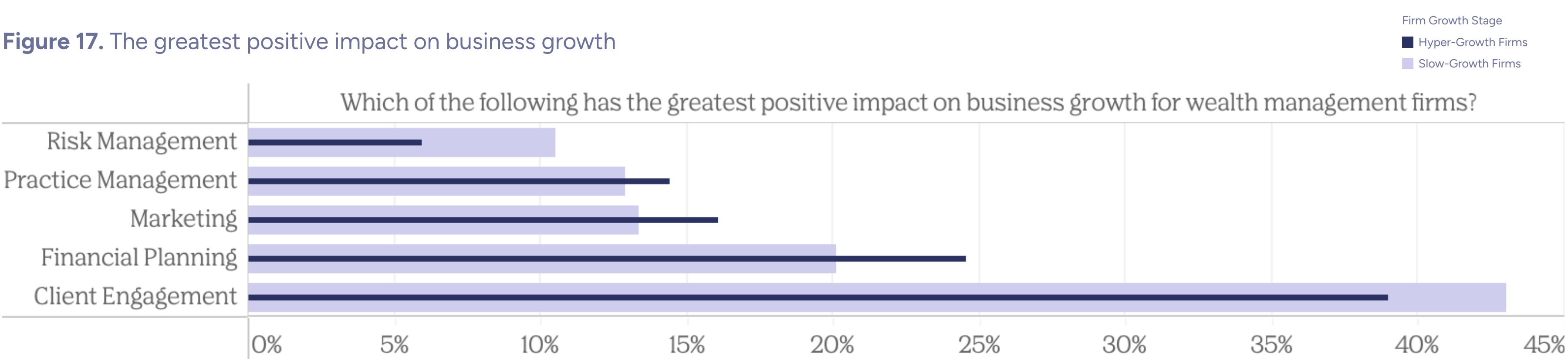
The most important factor contributing to firm growth is "client satisfaction and retention" for both hyper and slow-growth firms (Figure 16). However, there are ~1.4 times more slow-growth firm respondents that selected client satisfaction than hyper-growth. Hyper-growth firms were more evenly split between "client satisfaction" and "lead generation." In fact, hyper-Growth firms are ~1.8 more likely to select "lead generation" as the most important factor in firm growth than slow-growth firms. This could be because once hyper-growth firms have a lead, they are confident that they can move forward and convert that lead in a reliable and scalable way. Their focus is on bringing leads to the firm.

Figure 16. The most important factor in firm growth



Both hyper and slow-growth firms ranked "client engagement" as having the greatest positive impact on business growth for wealth management firms; "financial planning" came as a distant second (Figure 17).

Figure 17. The greatest positive impact on business growth



Hyper-growth firms place a higher emphasis on the importance of "growth" than slow-growth firms, with 78% of hyper-growth firms considering it very or extremely important, compared to 43.4% of slow-growth firms (Figure 18). **Hyper-growth firms are 1.8 times more likely than slow-growth firms to rank "growth" as very or extremely important.** This belief in the importance of growth may serve as a motivating factor that increases the likelihood of achieving growth objectives. Setting clear goals is a crucial step toward attaining them.[13]

Hyper-growth firms invest a significant amount of time each week in growing their firm, whereas slow-growth firms allocate comparatively less time (Figure 19). **The majority of hyper-growth firms dedicate six hours or more per week solely to growth initiatives.** The majority of slow-growth firms spend five hours or fewer on firm growth. Hyper-growth firms have a greater commitment to driving expansion.

Figure 18. The importance of firm growth by Growth Stage

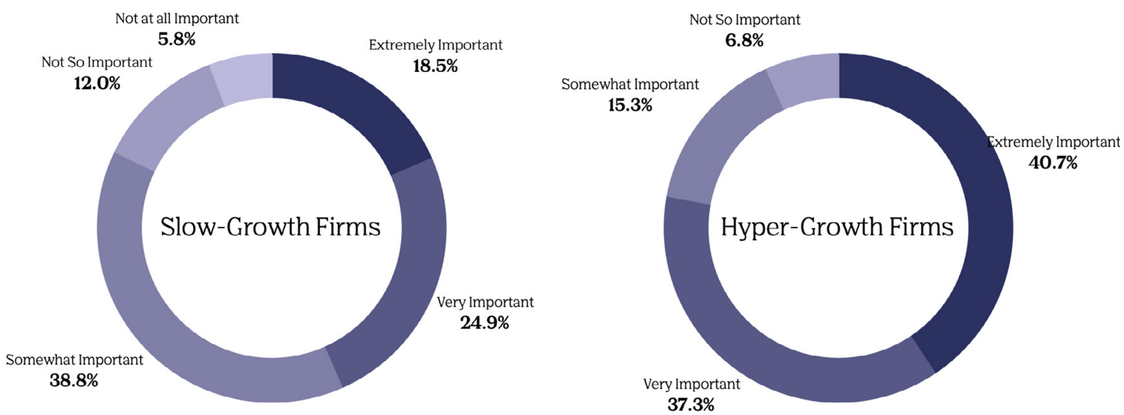
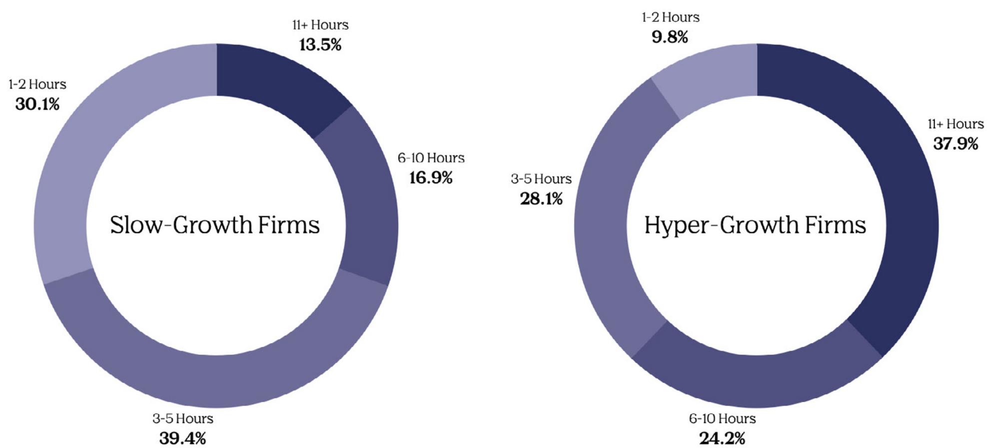


Figure 19. The time spent on firm growth by Growth Stage



Technology

This chapter explores how hyper-growth firms prioritize their tech stack investments, with a specific focus on front-office systems that drive client satisfaction. These firms have a pronounced inclination to use their tech stack more frequently, sometimes even on a daily basis. By examining their technology preferences and usage patterns, the data analysis reveals the pivotal role that technology plays in fostering hyper-growth.

Overall, across all growth stages (slow, moderate, and hyper), "client satisfaction" and "efficiency" stand out as the most crucial factors in the decision-making process of adopting new technology (Figure 20). The difference between slow and hyper-growth firm's technology selection priorities are marginal. When considering new technology, hyper-growth firms place slightly more importance on factors like "growing AUM" and "efficiency," after "client satisfaction" (Figure 20). Slow-growth firms emphasize "compliance" slightly more than hyper-growth firms in their technology selection process. Factors such as "new advisor onboarding" and "attracting new advisors" are not significant priorities for both growth stages when it comes to adopting new technology.

Hyper- and slow-growth firms alike consider the CRM to be the most important tech to scale their business, followed by financial planning software, and a client engagement platform (Figure 21).

Figure 20. Tech selection methodology
This is the breakdown of how important each category is when it comes to adopting new technology, across all growth stages.

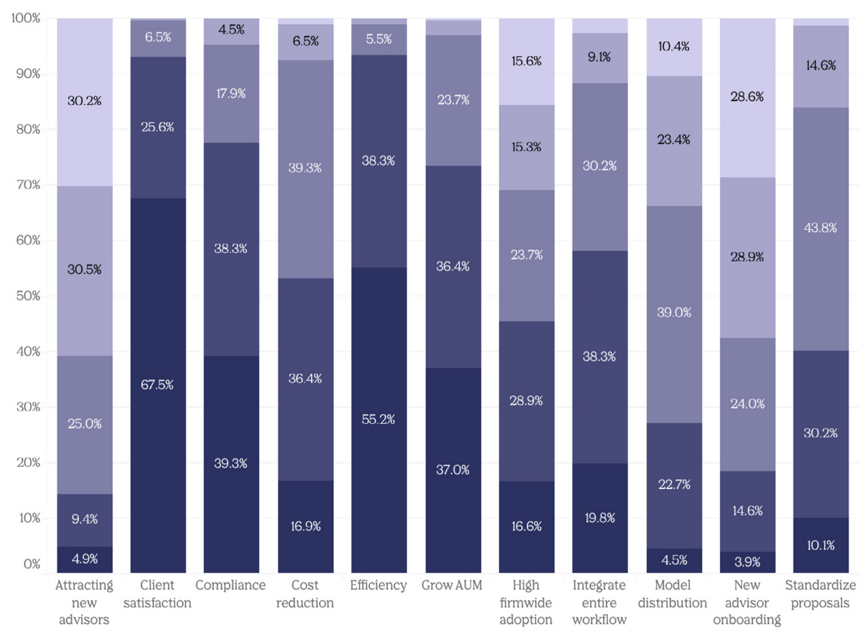
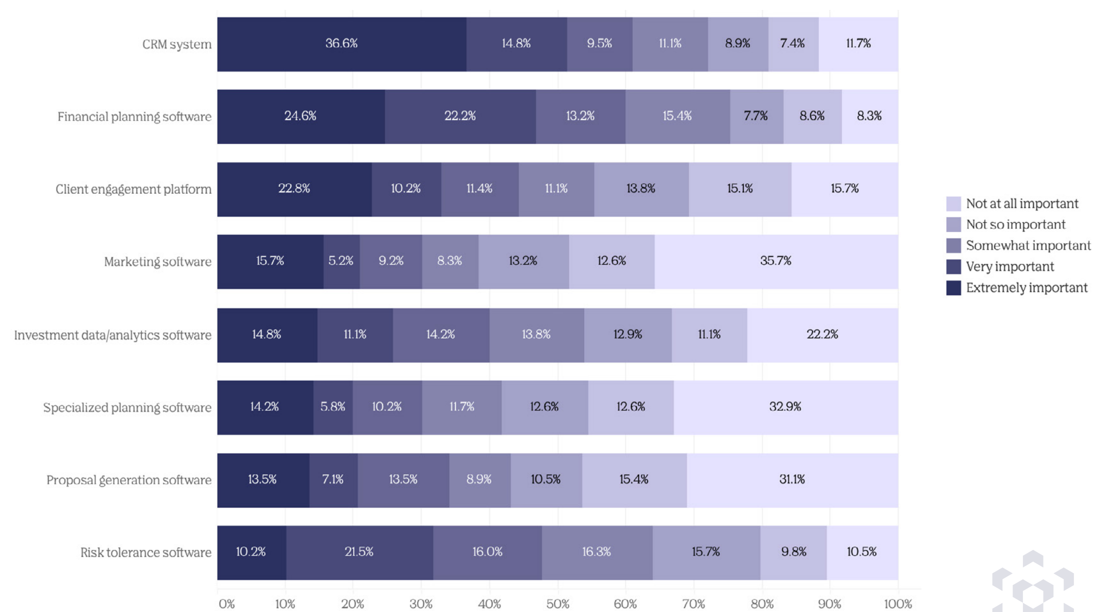


Figure 21. Technology's importance to firm growth
This is the breakdown of how important each technology is to growing a firm, across all growth stages.



Hyper-growth firms are using more tech, more efficiently, across every category. Overall, they have more technology that they report using "daily" and "monthly" than slow-growth firms do (Figure 22). While it may seem daunting to set aside time to learn new technology, this is what the top growing firms are doing to save time and create efficiency in the long run.

Hyper-growth firms prioritize their tech stack investments, particularly in front-office systems that help drive client satisfaction (Figure 23). **Hyper-growth firms are 1.5x more likely than slow-growth firms to spend 75% of their budget on front-office, client-facing technology.** The integration of robust front-office systems becomes a catalyst for success, enabling hyper-growth firms to surpass their competitors.

Figure 23. Front office vs. back office technology

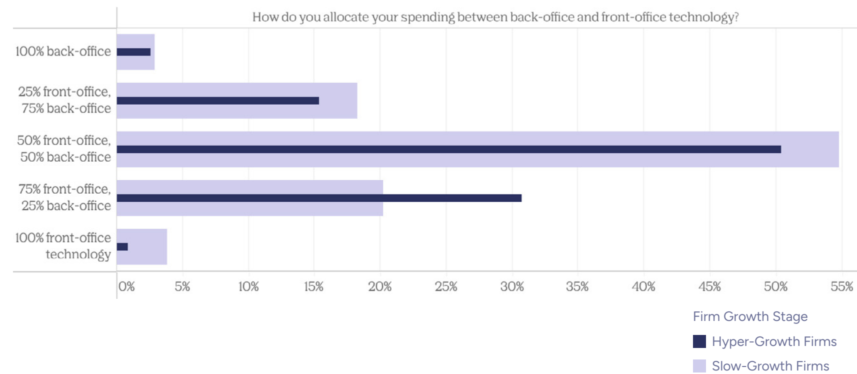


Figure 22. Technology Usage by Growth Stage

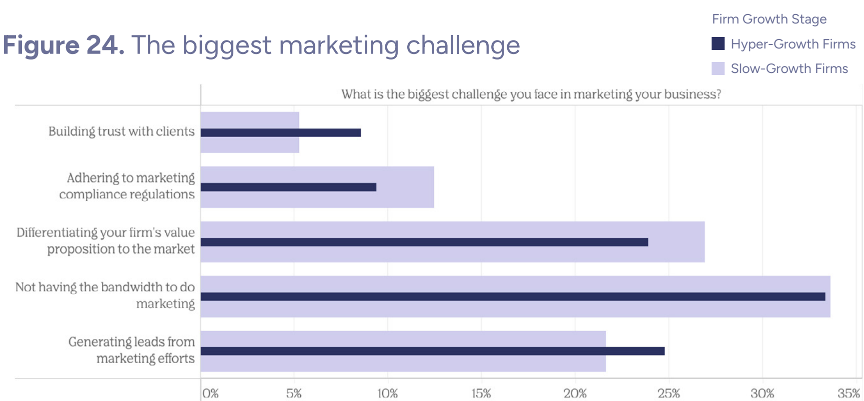
This shows the breakdown of how often firms use technology (slow growth on the left; hyper growth on the right). From left to right, the darker color represents daily, and the color gets lighter for monthly, then quarterly, then yearly, and beyond.

Marketing

Marketing is how hyper-growth firms fuel business development. The marketing efforts of hyper-growth firms are significantly more focused and strategic compared to slow growth firms. This chapter will explore how hyper-growth firms allocate substantial resources to promote their brand and pursue various channels to drive leads. Notably, hyper-growth firms prioritize events as a powerful avenue for expanding their reach and connecting with potential clients. The commitment to marketing excellence is evident, as hyper-growth firms meticulously evaluate their marketing initiatives to ensure maximum effectiveness.

Both Slow-Growth and Hyper-Growth firms struggle with having the bandwidth for marketing (Figure 24). For hyper-growth firms, the second-biggest marketing challenge is generating leads. For slow-growth firms, the second-biggest marketing challenge is differentiating their value in the market. Hyper-growth firms may prioritize lead generation more than slow-growth firms due to their ambitious growth goals (Figure 18), larger business development resources, and the need to stay competitive in the market.

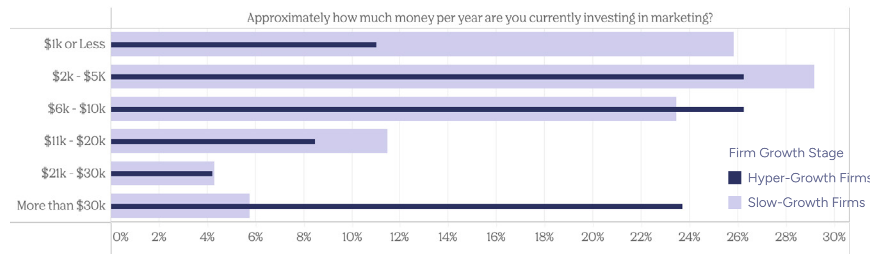
Figure 24. The biggest marketing challenge



One of the most remarkable differences between hyper and slow growth firms is in their marketing spend. **Analysis revealed that a staggering 27% of hyper-growth firms unleash a marketing powerhouse by investing over $30k per year (Figure 25).** The majority of these firms allocate a substantial budget of $6k or more annually toward their marketing endeavors.

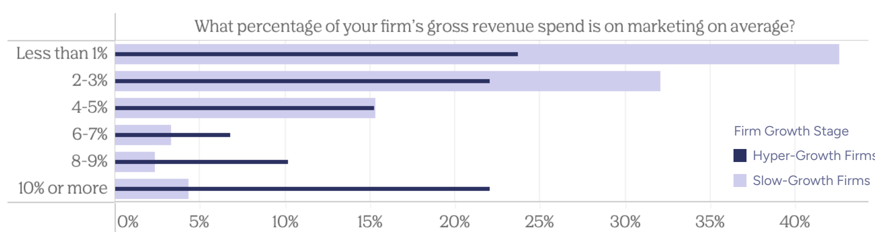
In stark contrast, 26.1% of slow-growth firms settle for meager marketing investments of $1k or less each year, while only 14.5% of hyper-growth firms embrace the same frugal approach. Investing more in marketing is crucial for hyper-growth firms as it enables them to generate a greater number of leads, expand their brand presence, and effectively differentiate themselves in the market, ultimately driving their rapid growth.

Figure 25. Marketing investment by Growth stage



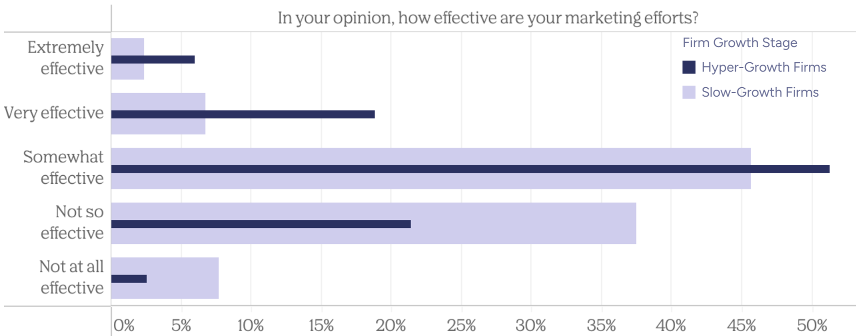
Further emphasizing marketing spend as a key marker of a hyper-growth firm, the research shows that hyper-growth respondents are 5 times more likely than slow growth firms to spend 10% or more of their gross revenue on marketing (Figure 26). In contrast, 75% of slow-growth firms allocate 3% or less on marketing each year.

Figure 26. Marketing Percentage Spend by Growth Stage



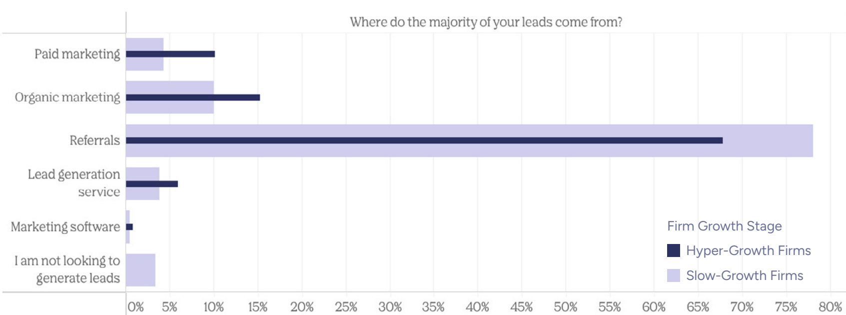
Hyper-growth firms consistently rate their marketing as highly effective, while slow-growth firms tend to have a lower perception of their marketing's impact (Figure 27). Because hyper-growth firms invest more in marketing, they're more likely to be pleased with the results. For slow-growth firms to become hyper-growth firms, they'll need to overcome negative sentiment around their marketing efforts and emulate the successful marketing tactics of hyper-growth firms.

Figure 27. Marketing effectiveness by Growth Stage



When it comes to lead sources, referrals are in the lead for firms in every growth stage (Figure 28). While referrals remain the primary source of leads for both types of firms, hyper-growth firms also benefit from a higher proportion of leads originating from organic marketing. Michael Kitces from Kitces.com and Nerd's Eye View blog released a comprehensive report called "How Financial Planners Actually Market Their Services" that goes into further depth affirming the opportunities for firms that leverage marketing, both organic and paid.[14]

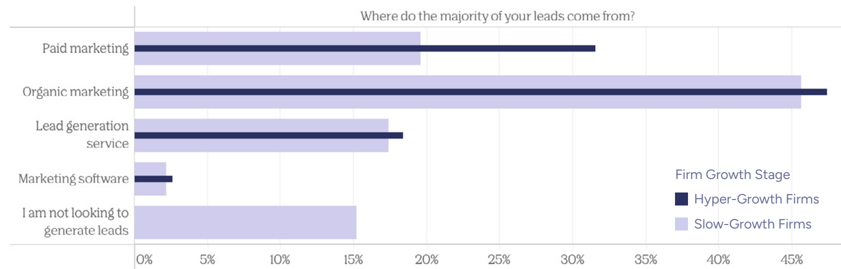
Figure 28. Lead sourcing by Growth Stage



With "referrals" removed (Figure 29), it becomes clear that hyper-growth firms win when it comes to "paid marketing." For hyper-growth firms, 20% of leads come from organic marketing. **Paid marketing and organic marketing bring in 2x more leads for hyper-growth firms than slow-growth firms.**

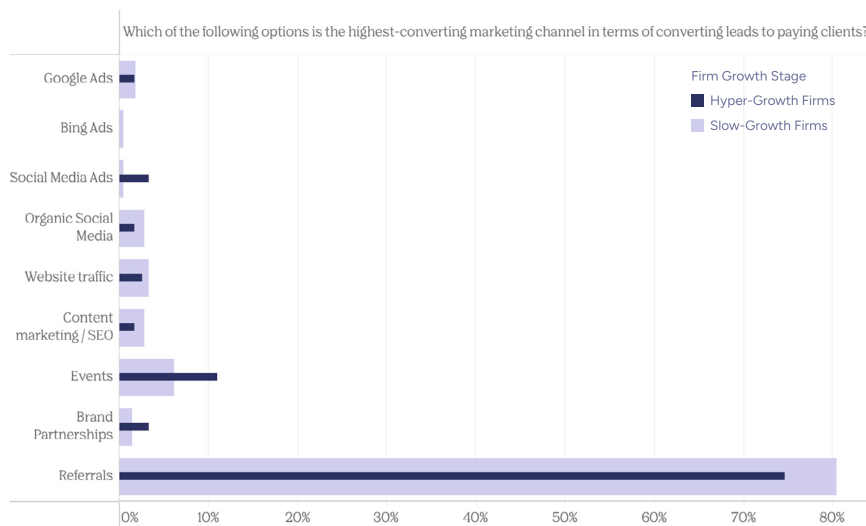
One thing worth noting in Figure 29 is that 5.3% of slow-growth firms are "not looking to generate leads." **This means that more than 94% of slow-growth firms want to grow and aren't growing.**

Figure 29. Lead sourcing by Growth Stage - Sans referrals



The highest converting marketing channel, in terms of converting prospects to paying clients, is referrals, followed by events for both hyper and slow-growth firms (Figure 30).

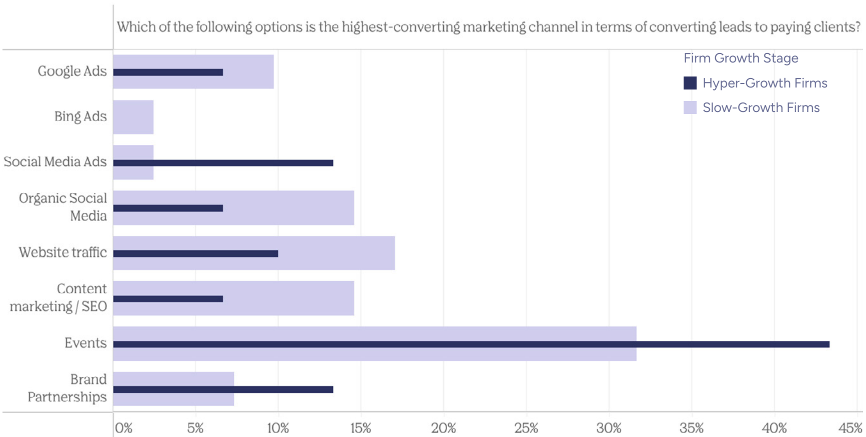
Figure 30. Highest converting marketing channel by Growth Stage



With "referrals" removed, hyper-growth firms tend to rank "events" and "social media ads" as the other highest-converting marketing channels

(Figure 31). They also rank "organic social media" low in the priority. This could be because hyper-growth firms aren't experiencing high-quality leads through organic social media or believe social media to be driven by vanity metrics like impressions and views.

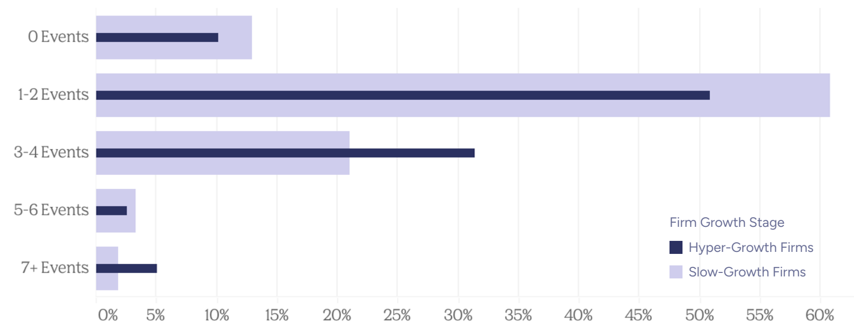
Figure 31. Highest converting marketing channel by Growth stage - Sans referrals



Hyper-growth firms attend more industry events per year than slow-growth firms (Figure 32). Events can include industry conferences, or events put on by the firm for clients such as dinners or educational seminars.

According to the 2022 Study of Best Practices for Financial Advisor Marketing by FMGSuite and WealthManagement.com, webinars (23%) are still not fully utilized by firms, despite their potential to efficiently reach a broad audience with targeted messages at a low cost.[15] Webinars are one tactic that slow-growth firms can employ to ramp up their events-per year and follow the tactics of hyper-growth firms.[16] Industry thought leader and Chief Evangelist at FMGSuite, Samantha Russell, suggests sending three pre-event emails to potential attendees and encouraging clients to share the webinar with friends to maximize registrants.[17]

Figure 32. Events per year by Growth stage

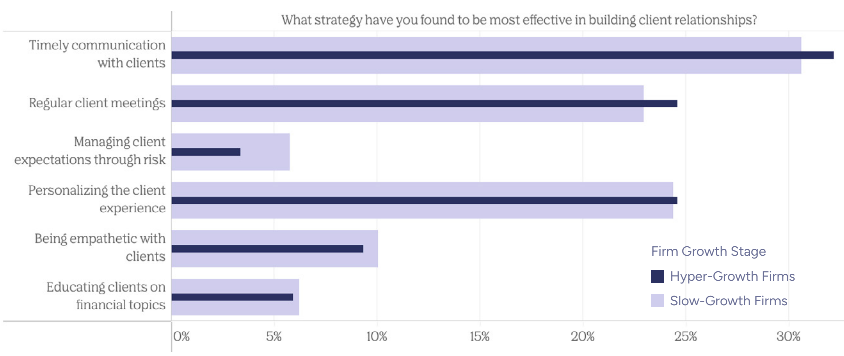


Client Engagement

Hyper-growth firms have a pronounced tendency to think about the future of their firm and are much better positioned to benefit, rather than suffer as the generational wealth transfer plays out. They have a deliberate strategy for pulling the families of their clients into their overall relationship with the client. This chapter will explore how hyper- and slow-growth firms engage clients differently, and what sets the former apart.

All firms rank "timely communication" as the most effective strategy in building client relationships, followed closely by "personalizing the client experience," and "regular client meetings" (Figure 33). This is an area where hyper- and slow-growth firms are aligned.

Figure 33. Most effective tactic in building client relationships

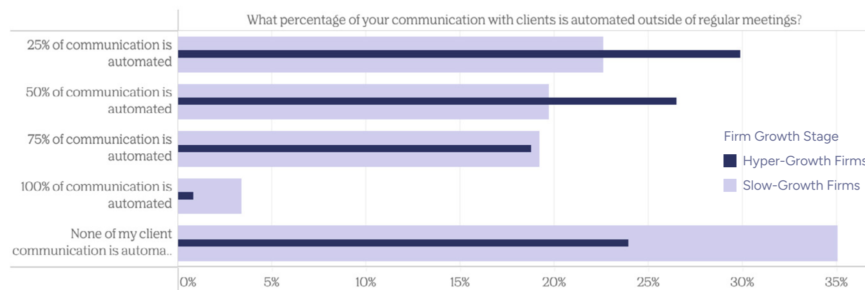


Routine client meetings are the top method that firms use to track client engagement and satisfaction. Hyper-growth firms are more likely to communicate monthly with clients (compared to quarterly with slow-growth firms) and use client reviews as a method to track client satisfaction. More slow-growth firms do not track client engagement and satisfaction than hyper-growth firms, although there is not a significant difference between the two firm types in this area.

Approximately 40% of advisors want their client onboarding process to be "personalized and comprehensive" compared to "streamlined and efficient" (12.4%), "minimalist and to the point" (15.3%), "standardized and routine" (18.8%), and "slow and time-consuming" (13.0%). This indicates that creating a "personalized and comprehensive" client process is important to firms across all three growth stages.

Slow-growth firms have less automated client communication than hyper-growth firms and are ~1.5x more likely to have no automated client communication than their hyper-growth counterparts. This could be because slow-growth firms don't have access to or may not be aware of automated marketing tools like FMG Suite or Snappy Kracken. Alternatively, this could be due to the fact that advisors are wary of automating communication because it may reduce personalization. However, automating some communication can free up time for advisors to focus on their soft skills and 1:1 personal interactions.

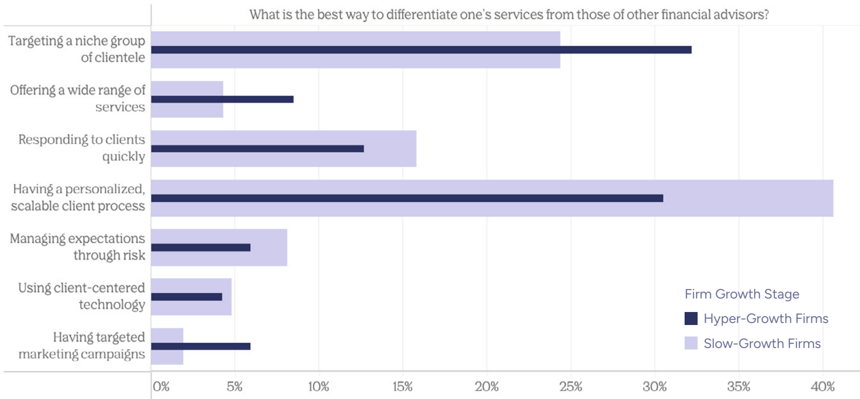
Figure 34. Automated Communication by Growth Stage



According to YCharts, "9 out of 10 clients consider their advisors' communication frequency and style when deciding whether to retain their services and make referrals, and about half (47.1%) of surveyed clients wish their advisor would contact them more frequently."[18] Marketing software can help advisors and firms increase the frequency of client communication without increasing workload.

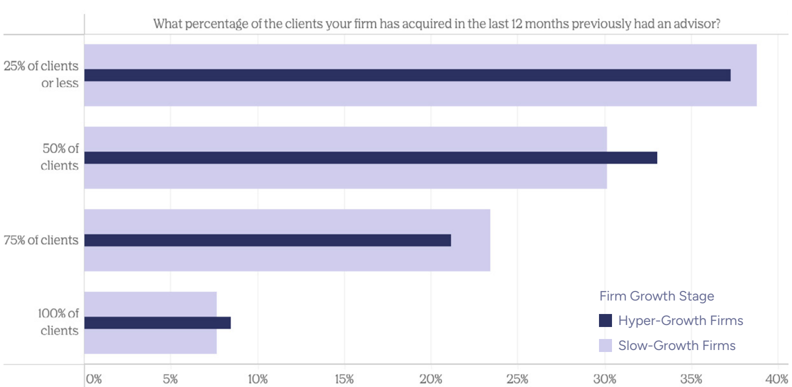
Slow-growth firms believe that "having a personalized scalable client process" is the best way to differentiate to clients; hyper-growth firms, "targeting a niche group of clientele" (Figure 35). One explanation for this is that hyper-growth firms are already adept at or have a personalized, scalable client process. Their focus is turned outward, to bring more clients to the firm.

Figure 35. Differentiation tactics by Growth Stage



Slow-growth firms are twice as concerned about competition as hyper-growth firms, while hyper-growth firms are more effective in attracting clients from other advisors. A majority (68.5%) of hyper-growth firms reported that 50% or more of their clients came from other advisors, indicating their ability to outperform competitors (Figure 36). This highlights the competitive advantage of hyper-growth firms in successfully onboarding clients who have had previous experiences with other financial advisors.

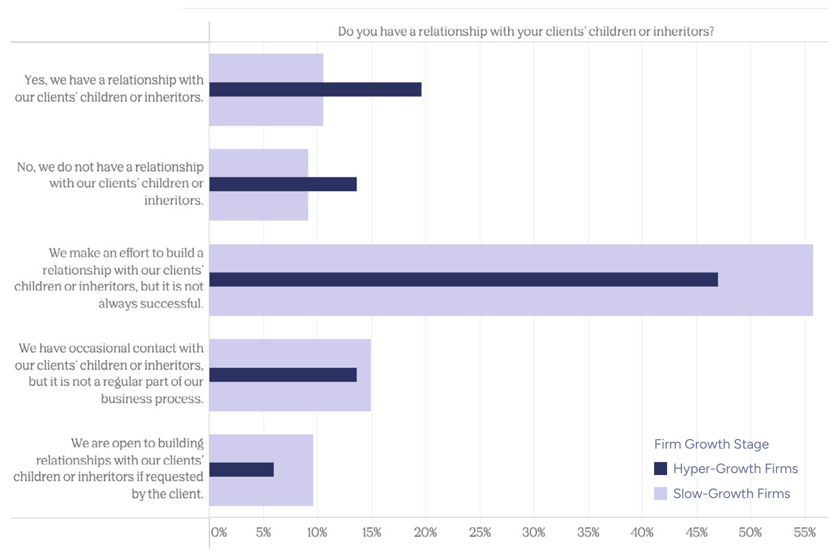
Figure 36. Competition in the market by Growth stage



Competition is not the only thing that advisory firms must prepare for. Something critical is occurring across the wealth management profession: "57% of existing client assets are expected to pass to the next generation by 2045, yet advisors have reached out to only 13% of clients' children."[19] This is called, the generational wealth transfer. Thought leader, Samantha Russell, shared that there could be consequences for ignoring the next generation of young investors–potentially putting a firm's valuation and longevity at risk.[20] Fidelity found that households in which the next generation is engaged generate 160% of the revenue and 270% of the profits of households without family engagement.[21]

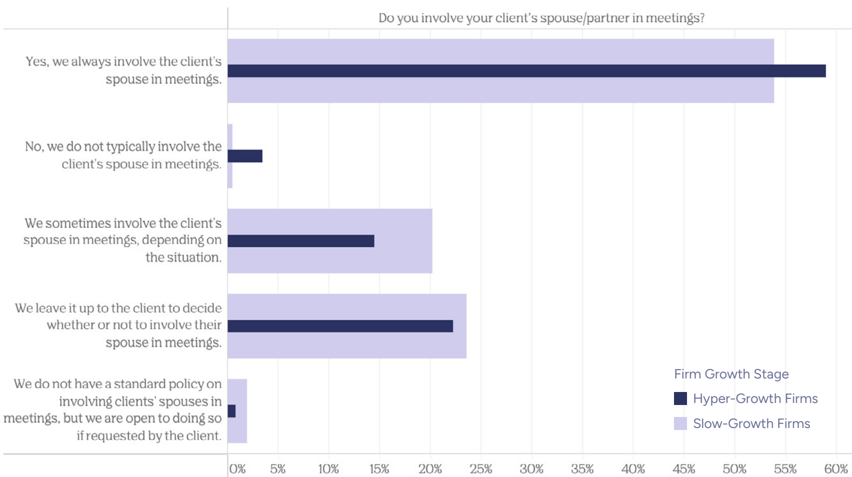
Hyper-growth firms possess a distinct advantage in their ability to envision the future of their business. Hyper-growth firms tend to have a better relationship with the children or inheritors of their clients than slow-growth firms (Figure 37). They proactively plan for the generational wealth transfer, positioning themselves to benefit from this phenomenon rather than being caught off guard. By formulating deliberate strategies, these firms create a seamless transition for the families of their clients, integrating them into the overall client relationship. This foresight strengthens long-term partnerships and enhances the firm's reputation, setting them apart from slow-growth firms.

Figure 37. Relationship to inheritors by Growth Stage



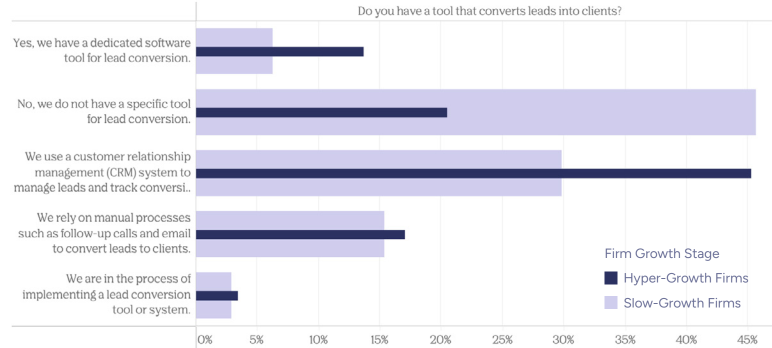
Both hyper-growth and slow-growth firms alike tend to involve partners/spouses in client meetings (Figure 38). This strategic decision reflects the recognition of the importance of holistic financial planning and the acknowledgment that partners or spouses often play a significant role in the financial decision-making process. This inclusive approach fosters stronger client relationships, enhances communication, and aligns the firm's services with the broader needs and dynamics of the client's household.

Figure 38. Partner/Spouse involvement by Growth Stage



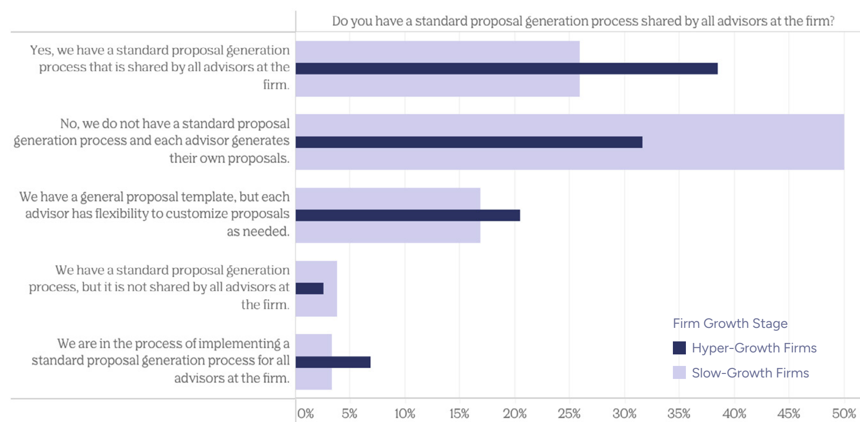
Slow-growth firms do not have a specific tool for lead conversion. Hyper-growth firms are more likely to have a tool that converts leads to into clients (Figure 39). Also, many hyper-growth firms rely on a CRM for this function.

Figure 39. Lead conversion tool by Growth stage



More slow-growth firms do not have a standard proposal generation process than hyper-growth firms (Figure 40). Hyper-growth firms demonstrate a greater emphasis on implementing and maintaining standardized processes throughout their organization, extending from client onboarding to technology utilization, to proposal generation. In contrast, slow-growth firms encounter challenges when it comes to establishing and optimizing their internal processes. The focus on robust and efficient processes in hyper-growth firms enables them to streamline operations, enhance client experiences, and effectively scale their business.

Figure 40. Proposal generation process by Growth Stage



The Nitrogen Growth Platform

Regardless of a firm's growth stage, there exists a gap between lead generation and the subsequent sales process. Many financial advisors find themselves straddling the line between generating leads and effectively converting them into clients. Survey analysis reveals that hyper growth respondents are more likely to be using a purpose-built growth platform to bridge this gap than slow-growth firms.

Customers in their first year of using Nitrogen are 1.5x more likely to be Hyper-Growth firms than non-customers. This positive trend continues for firms in their 2nd, 3rd, and 4th years of using Nitrogen.

Additionally, Nitrogen customers have a 60% higher chance of being hyper-growth than non-Nitrogen customers.

The Nitrogen Growth Platform emerges as the solution to lead conversion and client retention. Developed by Nitrogen, the world's first comprehensive purpose-built growth platform empowers advisors to excel in their primary role of delivering financial advice rather than acting as salespeople. By streamlining the lead-to-sales process, the Nitrogen Growth Platform enhances efficiency and elevates the conversion rate, ensuring that the firm secures business and cultivates referral champions.

The discovery that hyper-growth wealth management firms showed a stronger preference for utilizing comprehensive growth platforms served as a catalyst for an investigation into Nitrogen's in-product data, uncovering deeper insights into the key factors that contribute to the success of Nitrogen's customers, users, and their clients.

Generating High-Quality Leads

Nitrogen has designed a lead generation questionnaire that helps advisors collect pertinent information from prospects. This questionnaire gathers key details regarding an individual's financial objectives, risk tolerance, investment preferences, and other relevant factors, and assigns that person a Risk Number®.

The lead generation questionnaire has had 275,763 submitted total to advisors. Nitrogen customers that use the lead generation questionnaire have 2.4x more prospects on average than customers that don't use the questionnaire.

Increasing Client Satisfaction

Nitrogen offers a popular feature called "Check-ins" that enables advisors to regularly engage and connect with their clients in a streamlined manner. With Check-ins, advisors can schedule and send two questions to their clients at the click of a button, to see (one) how they feel about the market, and (two) how they feel about their portfolio. This functionality facilitates effective communication and collaboration between advisors and their clients, fostering a proactive approach to wealth management and ensuring that clients receive ongoing support and attention from their advisors. Based on our in-product data collected through Check-ins, client sentiment about the market typically mirrors how the market is performing at any given time–when the market is low, so is market sentiment. However, clients have improved portfolio sentiment over time, even when their stock market sentiment is low.

Managing Client Expectations

A key element of a growth platform is empowering advisors to set the right expectations with their clients. The Risk Number® is a distinctive metric provided by the Nitrogen growth platform based on a Nobel-prize winning framework that helps advisors evaluate and understand their clients' unique risk tolerance level. By utilizing a combination of factors such as financial objectives, time horizon, and risk preferences, Nitrogen calculates a personalized Risk Number for each user, ensuring a more tailored and informed approach to wealth management.

Analysis revealed that once a client's Risk Number is scored, it is only modified by the advisor 1.2 times on average, over the customer life cycle. This shows the robustness of risk scoring. Advisors can confidently incorporate risk scoring into their practice without anticipating making serious adjustments over time. There is a positive improvement in market, advisor, and portfolio sentiment after using Check-ins over time.

The combination of Nitrogen's Check-Ins feature, the Risk Number, and the Lead Generation Questionnaire plays a crucial role in helping customers of the Nitrogen growth platform attract and retain clients while transforming them into referral champions. By combining these powerful features, Nitrogen's growth platform customers can attract new clients who align with their services and retain them by delivering personalized and informed wealth management strategies. Satisfied clients, impressed by the personalized approach and continuous support, are more likely to become referral champions, promoting the platform and recommending it to others in their network, further fueling the growth and success of Nitrogen's customer base.

Discussion

The success of hyper-growth firms is not a result of mere chance but stems from well-crafted strategies. By prioritizing front-office technologies, executing targeted marketing initiatives, and planning for the future, hyper-growth firms position themselves as industry leaders capable of handling the competition. The Nitrogen Growth Platform offers a solution for financial advisors seeking to bridge the gap between lead generation and sales, enabling them to focus on their core expertise–financial advice. As the financial landscape continues to evolve, adopting the strategies of hyper-growth firms becomes imperative for long-term success and sustained growth.

About Nitrogen

Nitrogen revolutionized how financial advisors and wealth management firms grow with the launch of Riskalyze in 2011. Today, Nitrogen is the growth platform for wealth management firms, helping advisors turn leads into meetings, meetings into valued clients, and clients into referral champions. The company invented the Risk Number®, built on top of a Nobel Prize-winning academic framework, and is the champion of the Fearless Investing Movement — tens of thousands of financial advisors committed to our mission of empowering the world to invest fearlessly. To learn more, visit NitrogenWealth.com.

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