



Building your Business

Narrowing your focus

Specialization helps make your business more efficient and profitable

By Wendy Cuthbert | October 2012

A leap of faith. that's what Karin Mizgala says it ultimately took for her to leave her job as an investment advisor with a wealth-management firm six years ago and zero in on the client market she enjoyed serving the most: women in need of financial advice. In 2006, Mizgala cofounded (with Sheila Walkington) the Women's Financial Education Centre, a fee-only financial advisory practice in Vancouver.

"It was a meeting of desire on my part to fulfil my own personal mission," she says, "and seeing a gap that needed to be filled."

Although Mizgala admits it wasn't easy to turn her back on her lucrative former job, she had believed deeply that moving into her current niche would eventually pay off.

"The interesting thing was that it immediately worked," she says. "I had clients, I didn't starve and I didn't have to fret."

Mizgala credits her success to hard work and planning. For example, she previously had sold mutual funds and insurance products on a fee-plus-commission basis. But she felt that dealing in her new niche would require a different approach, in which she would separate products from advice. So, Mizgala made the shift to a fee-only model.

"I went in with my eyes wide open," she says. "I didn't delude myself that this was going to be easy."

Specialization allows you to focus on your greatest strengths, says Kim Poulin, a coach with the Personal Coach in Montreal. Specialization frees you from the pressure of trying to be everything to everyone. And, as the financial services industry becomes more sophisticated, she adds, being an all-round expert is becoming almost impossible. Holding supreme proficiency in one area ensures your business is operating at peak efficiency.

For a financial advisor, Poulin says, there are three basic ways to specialize:

1. By client (affluent retirees or information-technology professionals, for example).
2. By business style (relationship-building vs financial planning).
3. By product (such as socially responsible investments [SRI]).

In addition, Poulin points out, some financial advisors blend two or three criteria. So, for example,

you might specialize in SRI for affluent retirees.

The move toward specialization is one many advisors take eventually, whether by design or by default, says George Hartman, CEO of Market Logics Inc. in Toronto. Few advisors begin their careers as specialists because new advisors are always too happy to take on any new clients they can.

As with professionals in other fields, such as medicine and law, it's not unusual for a financial advisor to discover an area of interest, a particular expertise or an affinity for working with a certain type of client after a few years in the business.

"What's great about this career path," Hartman says, "is that you get to choose the type of people with whom you work."

Still, it takes considerable thought, planning and effort to determine your area of specialization, Hartman says, and how you will serve this market.

John Moakler and James Carney, advisors and partners with **Investors Group Inc.** in Brampton, Ont., took a methodical approach to fine-tuning their business when they decided to specialize slightly more than four years ago.

"We went off-site and did a planning session [regarding] what kind of client we wanted to work with," says Moakler, who had mentored the less experienced Carney before they became partners. The two advisors decided that their niche would be small-business owners and professionals, particularly physicians and dentists.

But identifying their target market was just the beginning. The next step was identifying their prospects' needs.

"We really had to see what makes them tick," Moakler says. "What keeps them up at night and what they are looking for in a financial planner."

They surveyed the needs of their current clients who fit the advisors' desired niche, as well as the needs of prospects within the target market. The partners spoke with other professionals within the two target professions' circles of influence and researched issues relating to the governing bodies under which members of the target niche operate.

Moakler and Carney also sought the appropriate designations needed to serve this target clientele, each partner earning a chartered life underwriter designation to go along with his certified financial planner designation.

Educating themselves about their new specialization took about 18 months, according to Carney. "It was a tremendous amount of time and resources," he says, "but absolutely well worth it."

The partners' business strategy, which focuses on quality over volume, relies on the slow but steady approach, according to Moakler: "Out of the gate, people are always looking for these huge home runs. But it's really nice to get some base hits and grow from that standpoint."

Carney adds that the partners' growth targets remain relatively modest, with a goal of bringing on 15 to 20 new clients each year.

Moakler and Carney demonstrate that they have what Poulin calls "the two key components of specialization": planning and vision.

"You need to have a clear vision," she says, "of where you want to be."

To that end, here are some tips you can follow in moving toward a specialized practice:

EXPLORE YOUR CLIENT LIST

It's almost impossible to consider specialization without first examining what you love about your job, Poulin says, and what you envision doing three to five years from now. You should consider not only how much revenue you want to generate but how you wish to spend your days. If there are aspects of your current work that you find yourself dreading, for example, you might need to focus on other work and delegate those tasks to someone else.

Take a long look at your list of top clients. Pick your favourites and find a common thread. Those common characteristics might not be assets under management or profession. They might start with less tangible traits, such as personality and shared values.

Try to be as specific as possible, Hartman says, when identifying your favourite clients and their traits. Also consider the clients who rub you the wrong way, because there's probably an underlying reason you don't enjoy working with them.

GET CLIENT FEEDBACK

Seek feedback from your current ideal clients on your service and offerings. It may not be the most pleasant of discoveries, but finding out that few top clients appreciate a certain area on which you've been focusing, for example, can translate into putting more energy into and concentrating on areas in which you excel.

REVIEW YOUR GROWTH STRATEGY

Remember that even the best-laid plans can get sidetracked, says Naguib Kerba, branch manager with **Investment Planning Counsel** in Mississauga, Ont. That's especially true when growing your book through acquisition. Over the two decades Kerba has been in the industry, he has made inroads into specializing in the client market that he finds most comfortable: households headed by women over the age of 45. It's a group he had gotten along with even in his pre-advisor days, he says, when he worked in retail.

But, Kerba adds, he has, on two occasions, acquired books of business from colleagues. These were books of advisors who did not work in his preferred niche. Picking up 10 years' worth of clients in one transaction may be great for growing a business, he says, but not so great for specialization goals. Kerba remains a generalist thanks to these acquisitions, but when it comes to new clients, he aims for his preferred market.

COMMIT YOURSELF (IN WRITING)

Once you have a vision and an idea about the way you should specialize, Poulin says, "It's time to fill the middle."

Write down all the steps you need to take to reach your specialization goal. The list might include education and further designations you might need to cement your expertise, for example.

This step also might mean setting up a plan to change significant aspects of your practice, Poulin adds. For example, you may need to hire or eliminate staff, depending on whether your plan includes carving off parts of your current clientele. Or you might decide, as Mizgala did, to change your fee model.

A new mission statement also can help to underscore your new path, says Lou D'Aversa, an advisor who works exclusively with Canadian medical doctors and their families through the Toronto office of Ottawa-based **MD Management Ltd.**, a subsidiary of the Canadian Medical Association.

Says D'Aversa: "You need to have a clear picture of who your target market is."

Jotting down as much as you can about your specialization goals is much more effective than simply thinking about them, Mizgala says, because it formalizes your strategy. It also encourages you to be accountable to your plan.

The final step you should be committing to paper is to break your specialization plan into "baby step" goals, with a plan to review them on a regular basis. This phase, Hartman says, is crucial to staying on track.

REVIEW YOUR PLAN FREQUENTLY

Assess your progress toward reaching your goals and revisit your plan. "Block out time in your calendar," Poulin says, "and focus on what's needed to make it to the next level."

Moakler and Carney have a team meeting every Friday morning. They also host an off-site planning meeting every quarter to review what's working and what needs to be addressed in order to sustain their business's specialization goals.

It's important to leave the office for these meetings, Moakler says, to avoid the everyday distractions of emails and phone calls: "If we're off-site and not at the computer or at the office, we get a lot more accomplished in a shorter period of time."

DECIDE HOW NARROW YOU SHOULD GO

Some advisors have taken specialization a step further by focusing on a "micro-niche" - a target group so narrow few advisors can match these specialists' level of expertise. Mizgala, for example, now believes she might have narrowed her focus further because "women" is still a fairly broad market.

On the other hand, Hartman warns against making your area of specialization so narrow that the very elements that make your career interesting are lost.

"There's a risk of boredom," he says. "You could find all of your clients have the exact same issues."

"It's all about cultivation"

Lou D'Aversa, senior financial consultant with MD Management Ltd. in Toronto, works only with Canadian doctors and their families. D'Aversa says being a specialist gives him the focus to serve his clients best. "Ideally," he says, "you want to become the go-to person for your clients."

Although not everyone has a niche as clearly defined as D'Aversa's, there are ways to improve your efforts at zeroing in on a particular client type:

MARKET YOURSELF. Write articles and newsletters aimed at your target market, join associations and become involved in the philanthropic organizations of interest to your target audience, say advisors who specialize.

ENGAGE YOUR MARKET. D'Aversa and his colleagues have a long-standing tradition of visiting medical schools to speak directly to graduate students. "We introduce ourselves early," D'Aversa says, "and assist them when they need it the most."

TAKE YOUR TIME. You have to make the investment of energy, time and resources to address your target audience properly, says James Carney, an advisor with Investors Group in Brampton, Ont. Patience and flexibility are key, he adds, especially when you are considering a move toward a specialization when the markets are less than favourable.

Carney's business partner, John Moakler, compares the process to gardening. "It's like growing a flower," he says. "It's all about cultivation."

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