

TOP LEVERS FOR ADVISOR ADVOCACY IN 2023

March 2023

Learn More
ssctech.com



Focus on advisor advocacy to increase long-term customer value

The long-term value of an advisor goes far beyond sales, since advisors have significant influence on their clients' and peers' perception of a firm as well. Turning them into advocates for your firm can increase that value immensely by opening doors and building trust to others in their network.

Typically, when we're looking for advisors who will deliver the highest long-term value to the firm, we're looking at specific traits of the advisor and their practice. For example, having a high AUM in the type of products your firm offers, the propensity to choose their own investments or third-party models, and using an investment approach that makes the advisor likely to need a number of your products. Traits like these are difficult for asset managers to change, though, since they're inherent to the way advisors run their practice.

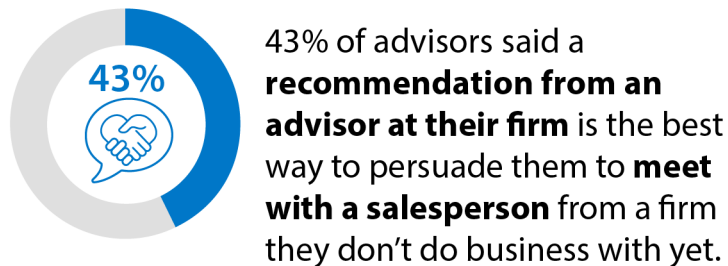
But the quality of the relationship the firm has with an advisor is something a firm can change — and it's an important way for firms to increase the long-term value of advisors once they become clients of your firm.

**Loyalty leaders
grow revenues
roughly 2.5 times
as fast as their
industry peers.**

*Source: Harvard Business Review,
Are You Undervaluing Your
Customers? January-February 2020*

Deepening the relationship the firm has with an advisor — more specifically, turning them into advocates — can increase long-term customer value, too.

Deeper Relationships Open More Doors



Source: SS&C Research, Analytics, and Consulting, *What Advisors Do Online Survey and Advisor Insights Survey, 2021*, in association with Horseshmouth

Harvard Business Review recently highlighted research showing that companies who are loyalty leaders — at the top of their industries in Net Promoter scores or satisfaction rankings for three or more years — grow revenues roughly 2.5 times as fast as their peers.

Loyal customers not only buy more and stay with a firm longer, they're also more likely to become advocates — sharing that firm's content and recommending its products and services to others. Those referred customers also buy more and have a higher retention rate — increasing the long-term value of both the referring and referred customer as well.

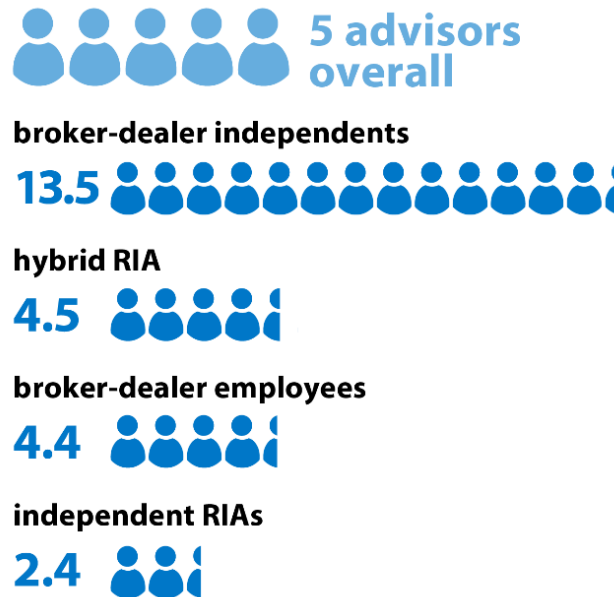
Source: SS&C RAC, *What Advisors Do Online Survey and Advisor Insights Survey, 2021*, in association with Horseshmouth

In fact, a recommendation from another advisor is the most effective way to spark an advisor's interest in a product. Nearly half of advisors considered a new product last year after **another advisor recommended** it. That average varies widely, from 2.4 times for advisors who are independent RIAs to 13.6 times for advisors who are independently affiliated with a broker-dealer. Advisors recommend a product when they're happy with the results and are confident it will continue to deliver as promised. So, the recommendation alone will increase the likelihood of advisors choosing it.

Recommendations are powerful in prospecting as well. Two in five advisors said a recommendation from another advisor at their firm was the most effective way for an asset management salesperson at a firm they don't do business with to land that first virtual meeting.

And unlike the practice-related traits mentioned earlier, asset managers can **change the quality** of their relationship with an advisor — increasing the long-term value of that relationship to the firm — and can continue to do so long after an advisor becomes a client.

Propensity to Recommend Products Varies Widely



Source: SS&C RAC, Advisor Insights Survey, Q3 2022, in association with Horseshmouth

Advocacy is a function of the relationship with the *firm*

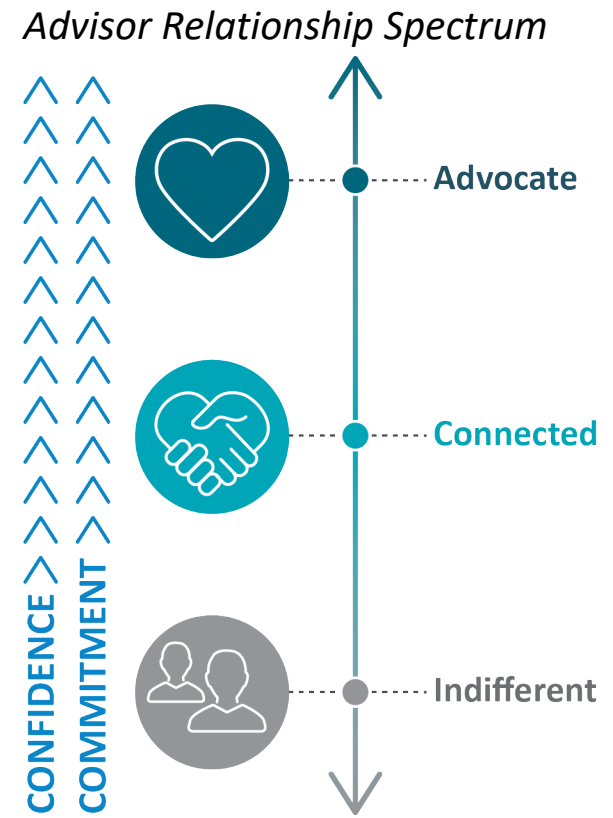
While the relationship between the advisor and the salesperson is important, the advisor's relationship is much broader than that: it's with the entire firm.

Moreover, sales and engagement activity alone aren't accurate measures of the depth of that relationship. The quality of the advisor's relationship with the overall firm falls along a spectrum, marked by increasing levels of two key traits — confidence and commitment.

Confidence that the firm and its products have performed and will continue to perform as expected. And **commitment** to becoming, or remaining, a partner with the firm.

The deeper the relationship, the more often advisors will seek out the asset manager's products and expertise, and the more likely they are to become advocates who recommend your firm to others.

But products aren't the only things advisors can recommend. They can also recommend a firm's salesperson and its content.



For the purposes of our study, advisors were asked to rate the likelihood they would recommend the firm, their salesperson and its content on a 10-point scale, with scores of 9 or 10 indicating advocacy.

3 Types of Advocacy Offer Distinct Benefits

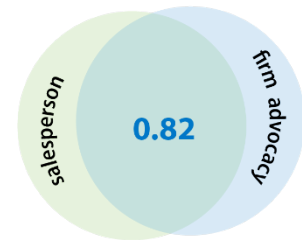
Firm advocates are advisors who believe in the firm enough to recommend the brand or its products to other advisors. It's the broadest type of client advocacy, and one with many benefits. Firm advocates are typically very loyal clients, investing more assets with the firm, buying more often, with higher levels of retention than the average advisor.

But the recommendations themselves offer social proof — evidence that other advisors have used and found value in a firm and/or its products. This creates new prospects for the firm in a powerful way and helps convert existing prospects into clients — fueling new asset sources for the firm.

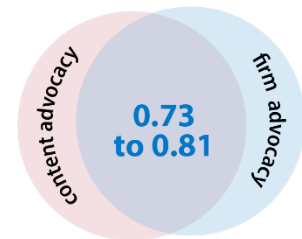
Salesperson advocates are advisors who recommend the firm's sales consultant to fellow advisors, opening the door to new relationships for the salesperson. This advocacy is a sign that the salesperson is one of the advisors' few trusted sources — one they talk to more often and turn to with their needs.

The 3 Types of Advocacy are Inter-related

Correlation
0.82 between
salesperson and
firm advocacy



Correlation of
0.73 to 0.81
for content
advocacy to
firm advocacy



Source: SS&C RAC Advisor Insights Survey Q3 2022
in association with Horsemouth

That strong relationship is a competitive advantage for the firm in an environment when the number of salespeople advisors meet with and trust is between zero and three for the majority of advisors.

The one downside of salesperson advocacy is that it is tied to the individual salesperson. So it can weaken or be lost if the salesperson servicing the advisor changes.

Content advocates recommend and share content, which builds familiarity for the brand among advisors and investors. When a trusted source recommends content, it typically generates higher engagement and is seen as more trustworthy.

Providing good content for them to share is a key way firms can be useful to advisors beyond products — making it easier for them to network with clients and colleagues.

In short, all three matter. While you want more advisors to recommend your firm, getting them to recommend your salespeople and your content make it more likely they'll do so. That's because the correlation between salesperson advocacy and firm advocacy is 0.82, on a scale of 0 to 1, while the correlations between content advocacy and firm advocacy range from 0.73 to 0.81.



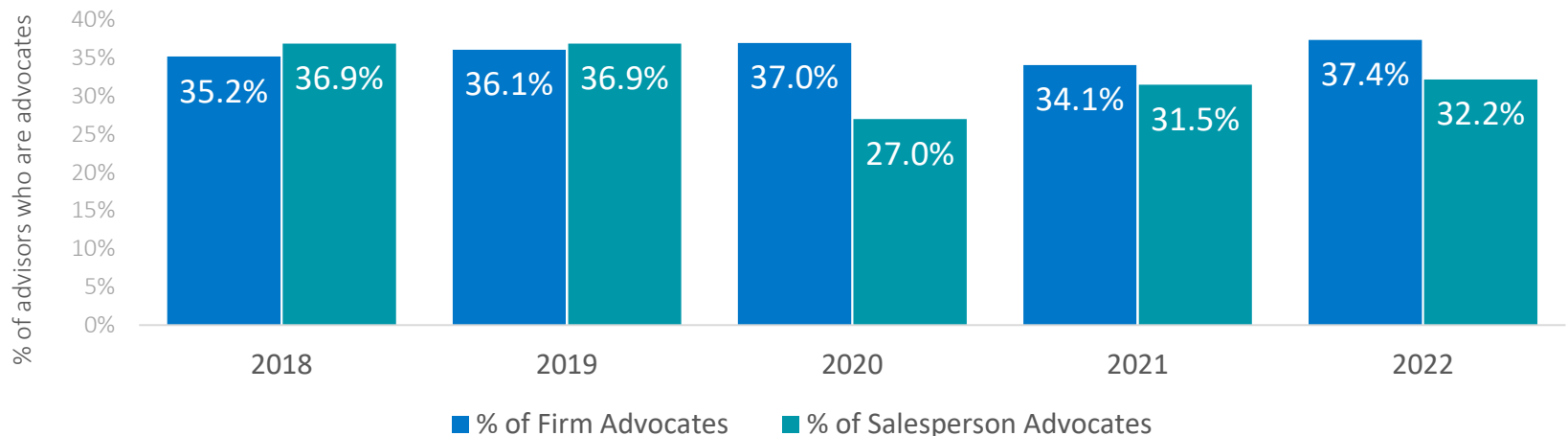
Firm advocacy has been more consistent than salesperson advocacy

37% of advisors were advocates for the average firm in 2022, while the number of salesperson advocates was just under one-third

In 2022, 37.4% of advisors were advocates for the average firm. Although the number of firm advocates has been relatively steady the last few years — with a small dip in 2020 — the number in 2022 was at a five-year high.

The table on the next page shows the asset managers with the highest share of advisors as firm advocates in 2022, with 64.4% of advisors who do business with Dimensional Fund Advisors (DFA) saying they would recommend the firm to a colleague.

Firm Advocacy Levels Have Been Higher than Salesperson Advocacy since the Pandemic



One advisor we spoke with said the fact that DFA looks at things from an academic point of view is what turned him into a fan. “It comes back to conversations with clients — I can rely on the fact that there’s a lot of research and education behind what we’re trying to accomplish. It’s a lot more authentic than saying ‘I have a feeling this will do good next quarter.’”

With a small firm such as Polen Capital ranked second, at 63.5% of advisors, the message is clear that winning advocates is not merely a matter of resources. Vanguard, Capital Group and Federated Hermes round out the top five.

Salesperson advocacy was a different story than firm advocacy. After a peak in 2019 — when 36.9% of advisors were advocates for the average firm’s salesperson — advocacy levels fell significantly in 2020.

And those numbers are still climbing back to pre-pandemic levels, with 32.2% of advisors being salesperson advocates for the average firm in 2022.

FIRM ADVOCACY — TOP FIRMS

1	DFA	64.4%
2	Polen Capital	63.5%
3	Vanguard	59.4%
4	Capital Group	58.9%
5	Federated Hermes	56.8%
	Average Firm	37.4%

Source: SS&C RAC, Advisor Insights Survey, in association with Horsesmouth, Q3 2022

In their own words

“It comes back to conversations with clients — I can rely on the fact that there’s a lot of research and education behind what we’re trying to accomplish.”

~ Independent RIA

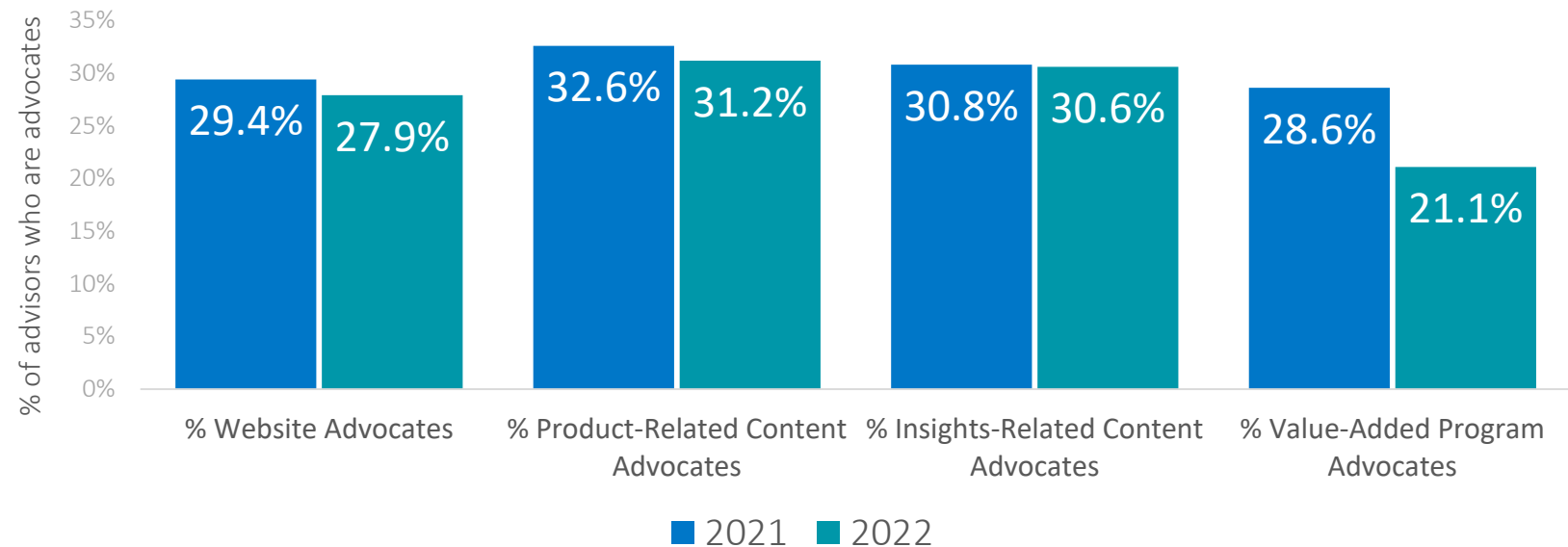
Since different types of content may be of value to individual advisors, we measure content advocacy by four specific types of content: product, insights, value-add and the firm website. The result — the average firm had three in 10 advisors who were advocates of its website, product-related and insights-related content.

The number dropped to one in five advisors for value-added programs. This was also the largest

decline in content advocacy from 2021. It's unlikely the quality of firms' value-add programs declined in 2022. It's more likely that advisors simply had less time to spend with these programs last year than they did earlier in the pandemic.

Next, the report reviews each of the four primary levers for firm advocacy.

3 in 10 Advisors are Advocates for Most Types of Content



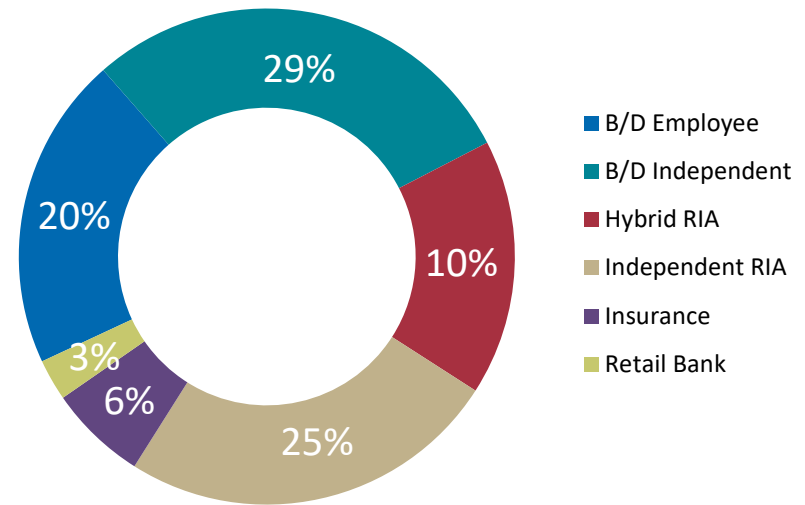
Our recent survey of 1,320 advisors identified four levers that are correlated with advocacy by advisors, which firms should focus on to increase all types of advocacy:

Lever	Key Points
Salesperson Advocacy	<i>When advisors are willing to recommend a firm's salespeople to their colleagues, they are more likely to advocate for the firm as a whole. Firms should:</i> • Know that salesperson advocacy matters more now — but is harder to attain • Build association with several key salesperson traits • Level up all types of engagement
Content Advocacy	<i>Building advocates for the firm's content can also build advocates for the firm itself. As a result, firms should:</i> • Foster advocacy for four types of content: website, product, insights and value-add • Forge association with several key content traits
Personalized Experiences	<i>Delivering consistent and personalized experiences is also linked to fostering advocacy for the firm among advisors. Therefore, asset managers should:</i> • Create consistent, bespoke experiences
Key Firm Attributes	<i>The perception of a firm having a particular attribute can directly feed advocacy for asset managers. Firms should:</i> • Increase advisors' association with the firm for three key attributes: • Consistent messaging on brand and products • Insightful thought leadership • Easy to do business with

Methodology

The SS&C Research, Analytics, and Consulting research team, in association with Horseshmouth, conducted a survey of 1,320 financial advisors in Q2 2022 about firms they currently do business with. Each advisor was asked to answer the questions for up to four individual firms. Data was excluded for firms with fewer than 10 responses whose main business is not asset management.

Advisor Participants by Business Model



Author

Tracy Needham is a Senior Research Analyst at SS&C Technologies. Her studies cover a wide range of topics from digital engagement strategies to advanced analytics. She is also a contributor to SS&C's Product Strategy Compass, which features timely articles on digital marketing and product development and management.