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How to Build Your Reputation: Survey Findings and Implications

A. Lynn Matthews, PhD -- *Wichita State University*

Blaine Aikin, AIFA[®], CFA, CFP[®] -- *Fi360*



Introduction

- Today's topic: data-driven findings of how investment professionals can build their reputations with clients
- Learning objectives
 - Building reputational value is important for business success
 - Can build reputation through emphasizing, enacting:
 - Credibility
 - Reliability
 - Client-centricity
 - Specific practices to help enhance reputation
 - How these practices have worked for other investment professionals

Background

- About me: assistant professor of marketing, Barton School of Business, Wichita State University
- My research: how can individuals strategically market themselves?
 - Personal branding, marketing strategy for service providers
 - Background: survey methodology
- Partnership established with Fi360 in 2018
- Goal: identify factors that enhance investment professionals' reputation and performance
- Survey designed, fielded, analyzed in 2019

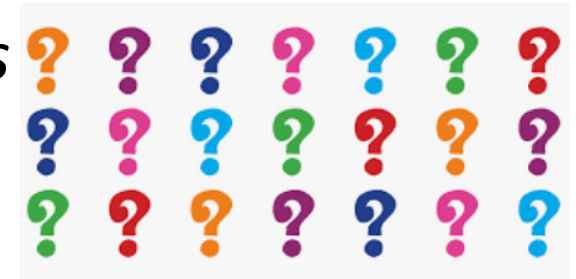


Key Drivers of Reputation

- Past research (Aikin 2018): “drivers of reputation” for service providers include...
- **Credibility:** “demonstrated or verified competence and quality” (Aikin 2018)
- **Reliability:** Conscientiousness, following through, doing what was promised
- **Client-centricity:**
 - **Positive:** Building strong, personal client relationships
 - **Negative:** Avoiding hard selling or placing one’s own wellbeing before the client’s
- **How do these apply to investment professionals?**

How Do These Reputation Drivers Apply to Investment Professionals?

- Which matters more: *general attitudes* or *specific behaviors*?
- Which specific credibility, reliability, and/or client-centricity behaviors are associated with enhanced performance?
- Are these results different for different types of investment professionals?
 - Serve primarily individuals versus organizations?
 - RIA, Broker-Dealer, Dual status?
 - Number or type of designations held?
 - Patterns of behaviors employed?



Methodology

- Collaboration with Blaine Aikin at Fi360
- Goal: survey how real investment professionals behave and associated outcomes
- Developed questionnaire based on Fi360 white paper
- Measures reviewed by subject matter experts for validity
 - **Attitude and behavioral measures** of credibility, reliability, client relationship strength, selling orientation
 - **Self-reported financial performance**
 - **Demographic information**



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Credibility Measures

- Attitudes/General Practices: “I make sure that my clients know that...”
 - Strongly Agree – Strongly Disagree
 - I have a great amount of experience
 - I am skilled in what I do
 - I have great expertise
 - My work is of high quality
 - I am very competent
- Behaviors (yes/no)
 - Designations earned: AIF? AIFA? CFP? CFA? Other?
 - Regularly write/blog/contribute to professional publications?
 - Speak at professional events?
 - Teach others in area of expertise?
 - Have won awards for work-related accomplishments?
 - Other?

Reliability Scale Measures

- Attitudes/General Practice (Strongly Agree—Strongly Disagree)
 - “If I say I will do something, I will get it done no matter what”
 - “My work gets done on time
 - “I am sometimes unable to fulfill my commitments to my clients” (reverse)
 - “I tend to let work slip through the cracks” (reverse)

Reliability Behavioral Measures

- Which of the following activities, if any, do you use to improve your work outcomes?
 - Use the latest technology available to help me with my work
 - Leverage technology to ensure consistent delivery of services to clients
 - My firm is certified by CEFEX
 - I work with my institutional clients to help them earn CEFEX certifications
 - Active in professional associations
 - Hold a leadership position in at least one professional association
 - Follow Fi360's Prudent Investment Practices and/or standards of conduct published by other professional organizations
 - Other

Client-Centricity: Positive Measures

- Professional relationship strength (Strongly Agree – Strongly Disagree)
 - I have strong professional relationships with my clients
 - I personalize my advice for each client
 - My clients know they can trust me with their financial information
 - My clients regularly share sensitive personal information with me
- Personal relationship strength
 - I have warm feelings toward my clients
 - I would personally miss my clients if they moved away
 - I treat each of my clients specially
 - I care about each of my clients
 - I like my clients

Client-Centricity: Negative Measures

- Selling Orientation Scale (Strongly Agree—Strongly Disagree)
 - If it is beneficial for me, I will sometimes apply pressure to get clients to choose a particular product/service even if I am not sure it is the ideal product/service for them
 - I decide what products/services to offer clients on the basis of what I can convince them to agree to, not on the basis of what will be better for them in the long run
 - It is necessary to sometimes stretch the truth in describing products/services to clients
 - I offer the product/service of mine that is best suited to my client's problem (reverse)
 - I answer clients' questions about products/services as accurately as I can (reverse)

Client-Centricity: Behaviors

- To what extent do you demonstrate the following characteristics to your clients?
 - Positive emotions: enthusiastic, kind, friendly, motivating, supportive
 - Engage in client education
 - Be up front and open about the costs and benefits of the services I provide
 - Be available whenever clients need me
 - Communicate effectively in the ways my clients desire
 - Actively listen to them
 - Take their concerns seriously
 - Place their interests ahead of mine
 - Maintain client privacy

More Client-Centric Behaviors

- To what extent do you demonstrate the following characteristics to your clients?
 - Engage in small talk
 - Share personal anecdotes
 - Talk about my own family
 - Actively empathize with my clients when they are going through a hard time
 - Let my clients know if I'm going through a tough time
 - Willing to be open with clients about what's going on in my life
 - Willing to admit when I don't have all the answers

Altruistic Behaviors

- To what extent do you demonstrate the following characteristics to your clients?
 - Making money is NOT the primary reason I do my work
 - I regularly donate to and/or volunteer with charitable organizations
 - I regularly do charitable/pro bono work

Financial Performance Measures

- Thinking back over the past 12 months, how would you describe your personal annual compensation?
 - Less than \$25,000
 - \$25k-49k
 - \$50k-99k
 - ...
 - \$500k-999k
 - \$1 million or more
 - Don't know
 - Prefer not to state

Data Collection and Analysis

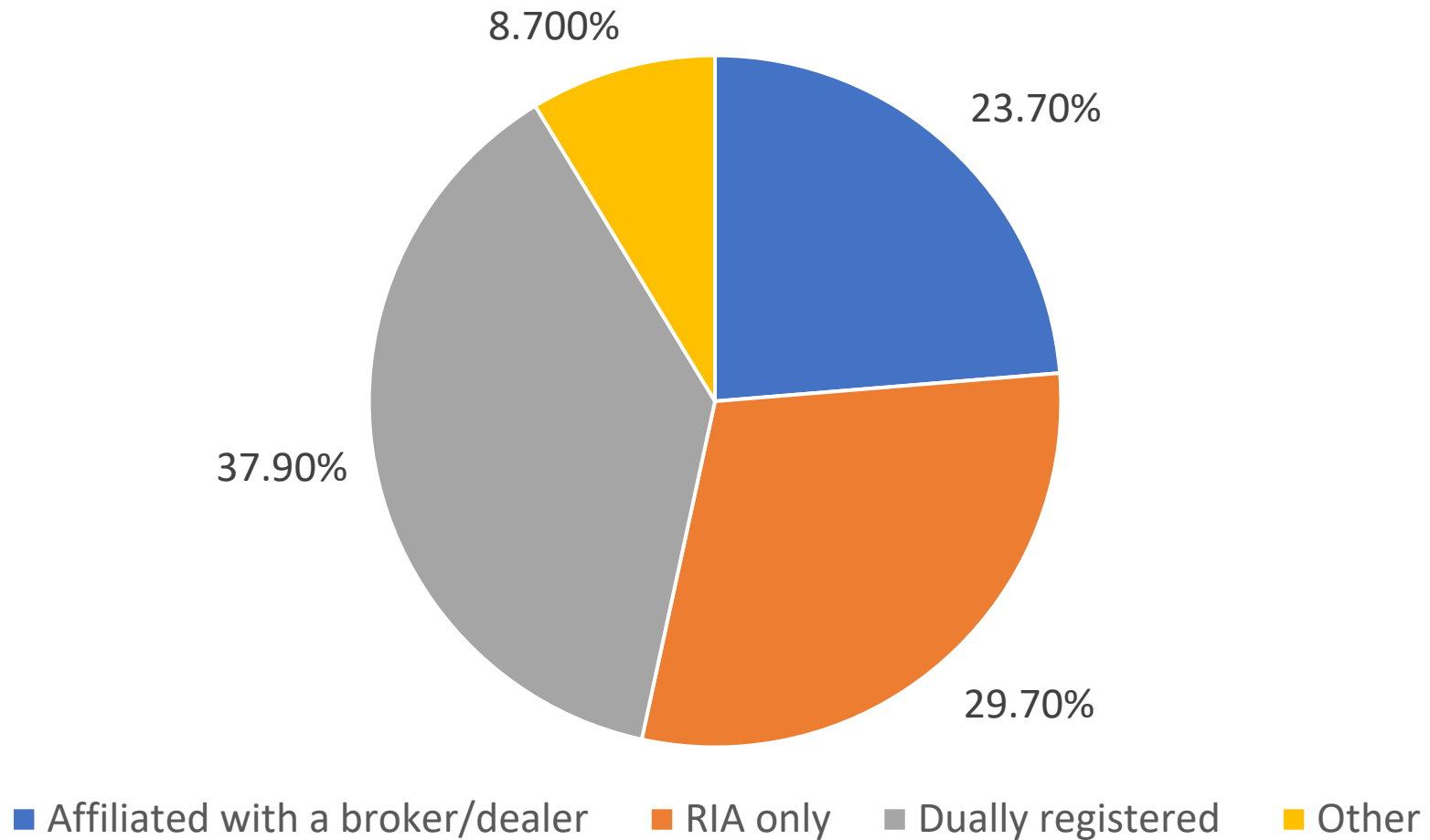
- Survey fielded to Fi360 email list in Spring 2019
- Approximately 15 minutes in length
- Received 372 complete + partial responses
- Statistical analysis conducted, preliminary results shared with Fi360 management and survey participants in Summer 2019
- **Correlation DOES NOT EQUAL causation! Past performance does not guarantee future results!**
- That said, interesting and useful findings for investment professionals...



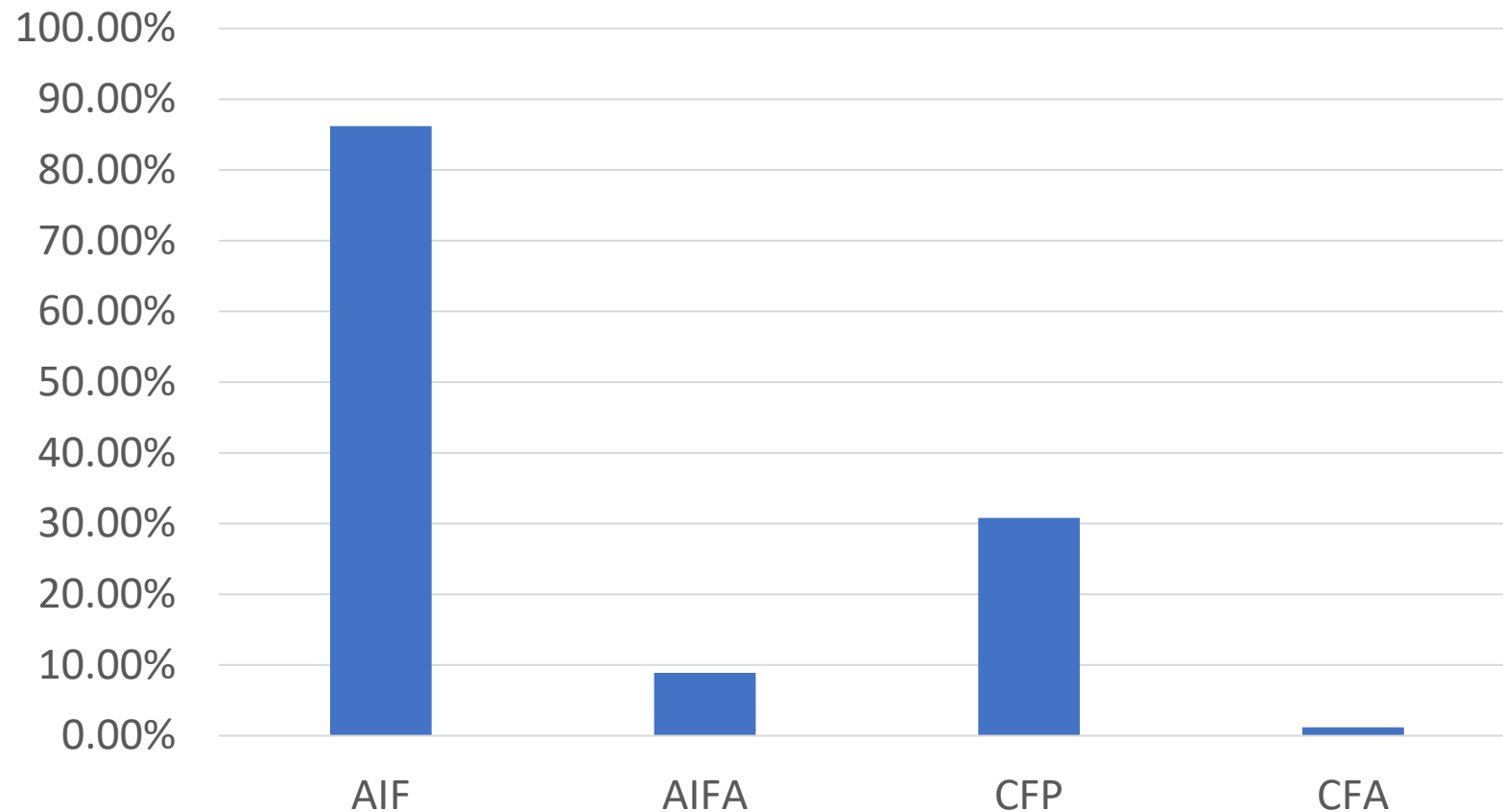
Who Responded?

- Average age: 55.5
 - Average years worked in field: 21.9
 - Average number of clients: 124.4
 - Average firm size: 38.4 individuals
-
- Gender: 81.7% male
 - Race/ethnicity: 94.7% white
 - Marital status: 82.3% married
 - Highest Education: 57.1% college, 34.3% grad degree

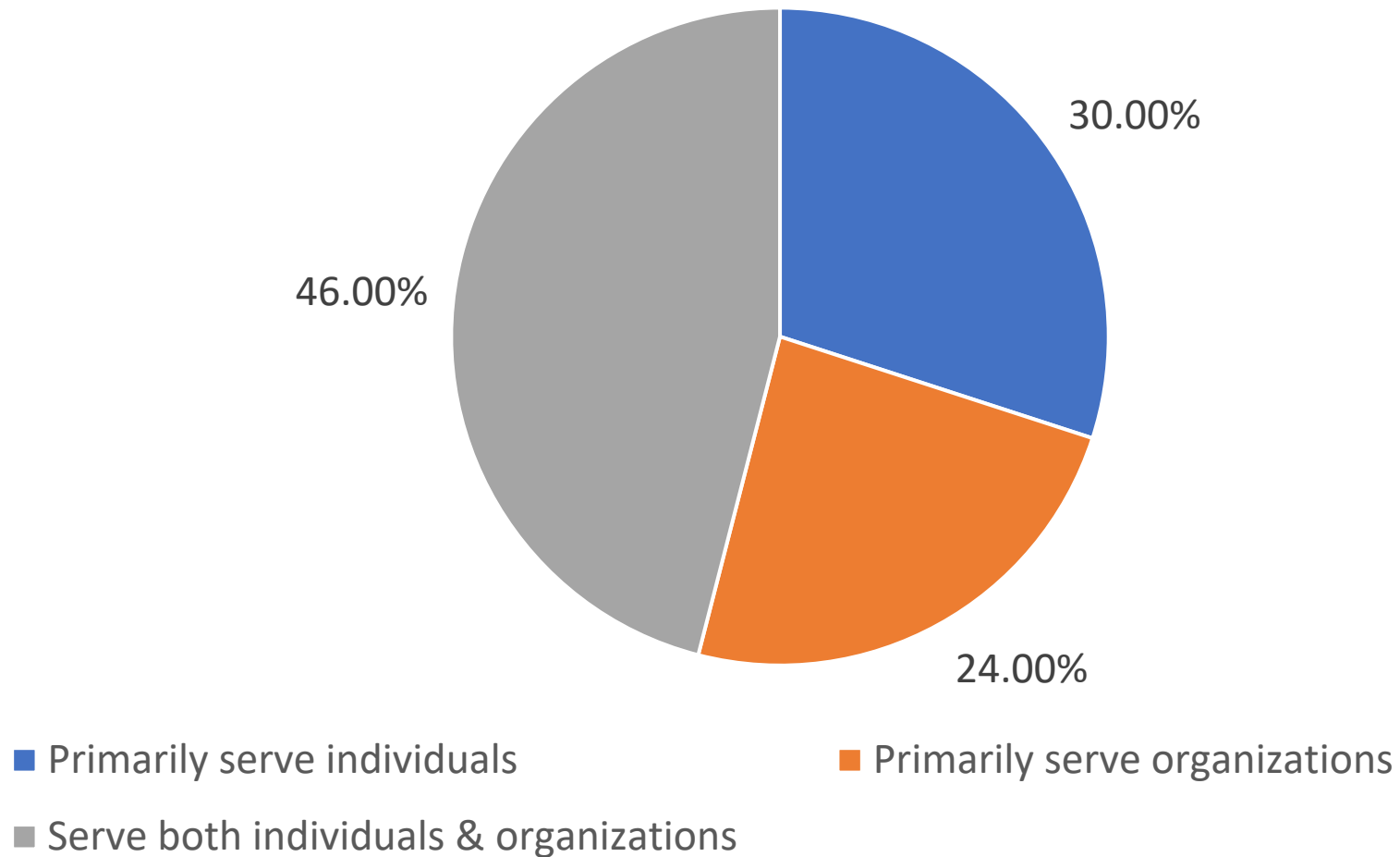
Affiliations of Investment Professional



Types of Designations Held



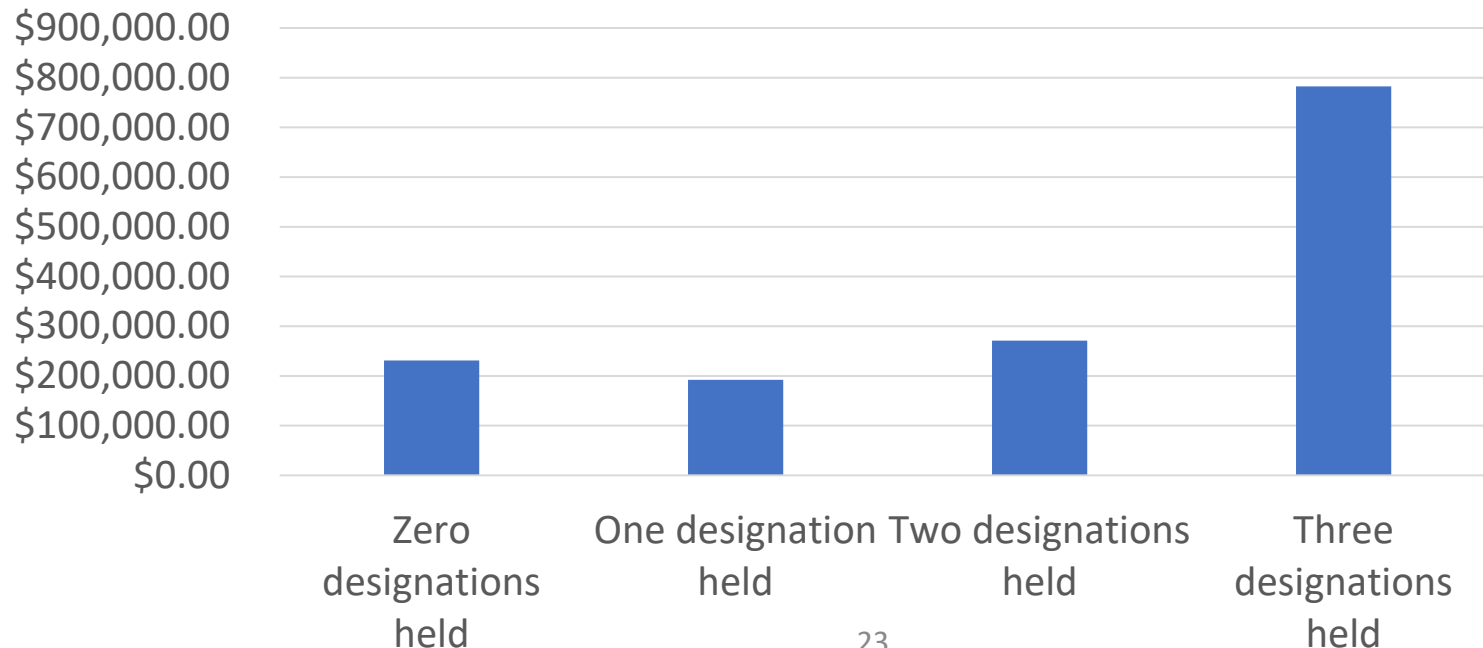
Types of Clients Served



Effects of Credibility Signals

- Significant indicator of credibility: number of designations held ($p < .01$)
- **Number of designations → significantly higher income**

Average Income by Number of Designations



Effects of Reliability Signals

- Both *general practice of reliability* and *number of reliability behaviors practiced* were associated with higher income
 - General practice: four question 7-point scale, e.g. “My work gets done on time.” (Strongly disagree – strongly agree)
 - Behaviors: (yes, no)
 - Leveraging the latest technology
 - Leveraging technology for consistent service
 - Possessing/helping clients obtain CEFEX designations
 - Participating in professional organizations
 - Following industry best practices



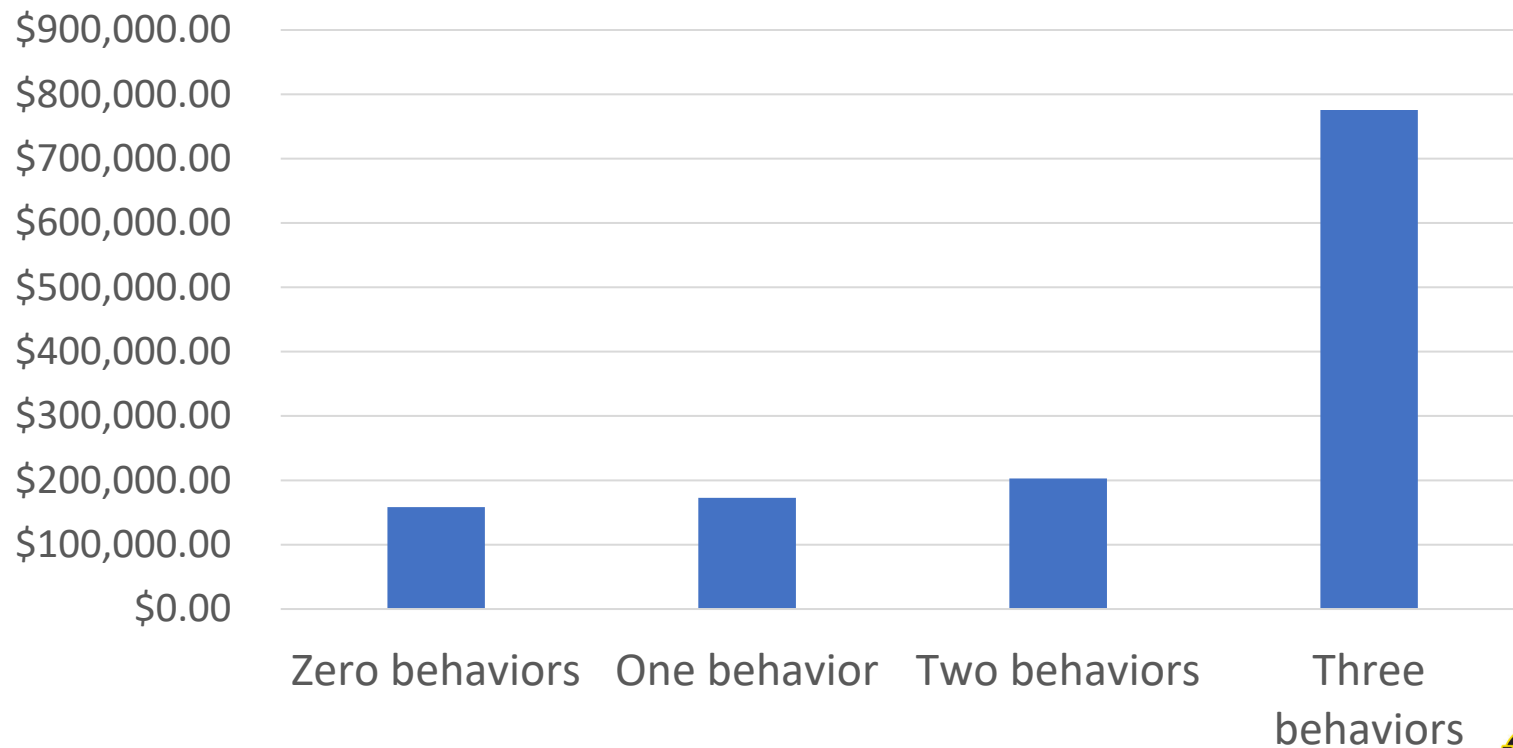
Reliability: Effect of General Practice

- Different observed effects for different types of investment professionals
- Multiple regression:
 - For **RIAs**: increased reliability general practice → predicted income increase of **\$191,429**
 - For those **affiliated with a broker-dealer**: increased reliability general practice → predicted income increase of **\$220,452**
 - For those **dual-registered**: increased reliability general practice → predicted income increase of **\$243,183**

Reliability: Effect of Behaviors

- No single behavior predicted income
- BUT more behaviors → higher observed income

Average Income by Number of Reliability Behaviors Reported



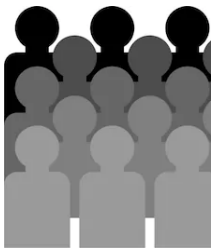
Effects of Client-Centricity

- More complex than expected
- Most surveyed individuals had high client-centricity, so difficult to assess
- For investment professionals who *serve individuals*:
 - Strong friendships with clients → predicted income *decrease* of **\$80,271**
 - Instead: focus on professionalism



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Putting It All Together



- Behavioral patterns of credibility, reliability, client-centricity identified
- Four major types of investment professionals:
 - Authentic All-Stars (35% of respondents)
 - Hard Sellers (13% of respondents)
 - Average Joes (37.5% of respondents)
 - Poor Performers (10% of respondents)
 - *Other types of investment professionals made up 4.5% of the sample*

Authentic All-Stars (35%)

- Average income: \$360,000
- What makes them different?
 - High levels of shown expertise, reliability, strong professional relationships, avoid “hard selling”
 - Show their quality to clients by speaking professionally, teaching, winning awards
 - Engage with professional associations
 - Show positive emotions to clients
 - Engage in client education
 - Passionate about what they do
 - Do pro bono work
 - Open with clients about their own lives



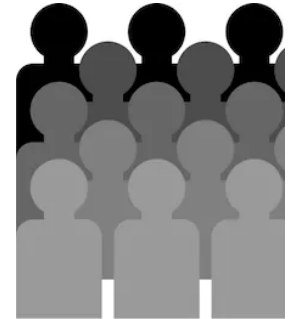
Hard Sellers (13%)

- Average income: \$310,000
- What makes them different?
 - Opposite of Authentic All-Stars
 - Low reliability, expertise, professional relationship strength
 - High emphasis on hard selling
 - Do not emphasize client concerns, place self above clients
- Unfortunately, hard selling can be profitable
- BUT still lower average income than All-Stars



Other Types of Advisors

- Average Joes (37.5%, Average Income=\$240,000)
 - Displayed some expertise, reliability, emphasis on professional relationships
 - Not as high as all-stars, not as low as hard sellers
 - Generally average on all measures and behaviors



- Poor Performers (10%, Average Income=\$204,000)
 - Low expertise, reliability, professional relationship strength
 - Moderate emphasis on hard selling
 - Disengaged, do not emphasize client concerns



Recommendations

- Work to build credibility, reliability, professional relationship strength!
- Credibility:
 - Designations (e.g. AIF, AIFA, CFP)
 - Speaking, teaching, earning industry recognitions
- Reliability:
 - Be active in professional associations
 - Leverage technology effectively
 - Follow best practices



Recommendations (continued)

- Client-centricity:
 - Be positive, supportive, and engaged
 - Emphasize effective communication
 - Engage in client education
 - Take client concerns seriously
- Do this authentically!
 - Be open with clients about yourself
 - Pursue and share what you're passionate about
 - Admit when you don't have the answers
 - Be an engaged member of the community



Conclusions

- Survey results indicate...
- Credibility, reliability, client-centricity are valuable tools for investment professionals
- Authentically displaying these tools is associated with higher average incomes
- Hard selling is risky as well as ethically problematic: can be profitable, but can crash and burn
- *Your reputation is crucial: how are you going to build it to enhance your personal brand?*



Questions?

Contact: Lynn.Matthews@Wichita.edu

Thank You!