

# Business Building—A Focus on Small Business Owners

AN INVESTMENT PROFESSIONAL'S GUIDE

This guidebook developed in conjunction with:



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# Building a Business With Small Business Owners

The three million private business owners across the U.S. could prove to be viable prospects for your business. Surprisingly, less than one-third of financial services firms focus on entrepreneurs when developing a target market criteria. This lack of attention, combined with the vast number of entrepreneurs and their wide range of financial needs, represents a business opportunity.

Given the complexity of their needs, entrepreneurs tend to be highly dependent on investment professionals, which creates strong client loyalty and supports high levels of client retention. Further, by serving a specific type of entrepreneur, you can develop a reputation for providing deeply specialized and targeted expertise that others cannot easily replicate.

Despite the advantages of pursuing entrepreneurs as a niche market, many investment professionals are hesitant. Business ownership creates an extra layer of complexity as business matters are tightly intertwined with a client's personal finances. The dual nature of these client relationships requires special skills and deep technical capabilities. While many entrepreneurs may be high in net worth, the share of their net worth that is available for investing is quite often lower compared to their high-net-worth counterparts.<sup>1</sup> This results from entrepreneurs typically directing the bulk of their personal savings into their businesses rather than money management accounts.

This guidebook, commissioned by Pershing and developed by independent research and consulting firm FA Insight, offers strategies for overcoming these concerns. As with any strategic decision, you must assess the opportunity to pursue entrepreneurs and the implications such a decision may have on service delivery and marketing. This guidebook offers insight into how to actively target entrepreneurs as a means to drive growth within a niche market strategy. Directional support is provided in terms of sizing the business owner market and highlighting growth opportunities. Practical assistance is offered on how to best profile the entrepreneur demographic and then apply this profile to develop a unique service offering and value proposition that will speak directly to the needs of the entrepreneur. Small business retirement plans may be an excellent entrée into this segment.

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<sup>1</sup> Small Business Association, Frequently Asked Questions about Small Business Finance, <http://www.sba.gov/sites/default/files/files/Finance%20FAQ%208-25-11%20FINAL%20for%20web.pdf>

# Introduction

Several strategies are available to drive sustainable business growth. One of the most effective is to pursue a niche market strategy. This requires sharply defining the type of prospects that will be pursued and how value will be delivered to these targeted prospects. Whether focusing on entrepreneurs or other targeted segments, a niche market strategy offers several benefits:

- > In serving a more homogenous clientele with a niche market, you deepen your capabilities in areas most relevant to target clients, which drives efficient delivery.
- > Professional positions can become more efficient and productive when delivering to a niche market.
- > Scarce marketing resources make a bigger impact when targeting a specific niche.

Despite the advantages, few financial services firms or investment professionals maintain a niche focus. According to 2010 survey data, 70% of respondents describe their target market according to level of investible assets and 54% of respondents use the client's life stage as an aid in segmentation (Figure 1).<sup>2</sup> Level of assets, even when combined with life stage, however, provide a weak foundation for a niche market strategy.

<sup>2</sup> Unless otherwise noted, all cited statistics are derived from 2010 FA Insight proprietary survey data. Survey respondents included a wide range of independent firms, representing a cross section of firm sizes and affiliation models including independent RIA, independent broker-dealer and dually registered firms.

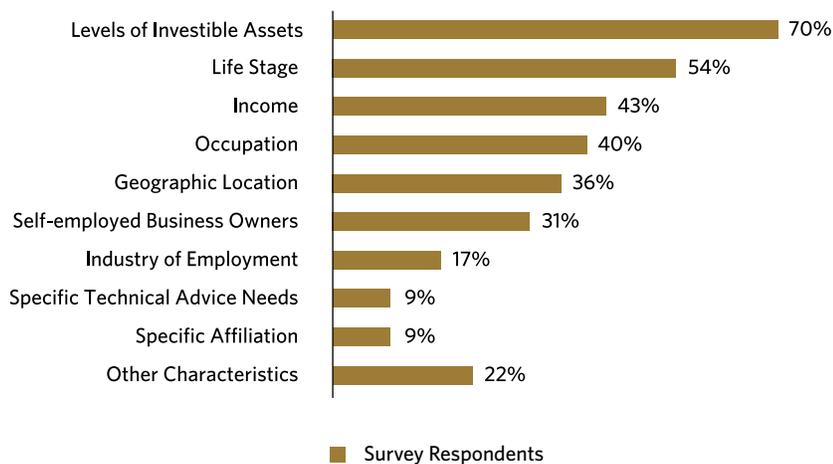
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# Assets and Life Stage Are Most Common Target Criteria

Less than one-third of survey respondents (31%) cite self-employed business owners as a defining characteristic of their targeted client base.

Figure 1: Characteristics Included in Target Market Criteria



The attraction of entrepreneurs is understandable, given the breadth of the marketplace and the myriad of demands these individuals have for trusted financial expertise and services. Effectively and profitably serving this marketplace requires a deep understanding of the entrepreneur, including the unique financial challenges these individuals face and their specialized needs for financial expertise.

“In the beginning of my career, most of my peer group was chasing down multi-million dollar accounts—a lot of competition and no differentiation. With private business owners, we can serve an underserved niche and win customer loyalty that does not stop.”

– California-based Investment Professional  
Focused on Entrepreneurs

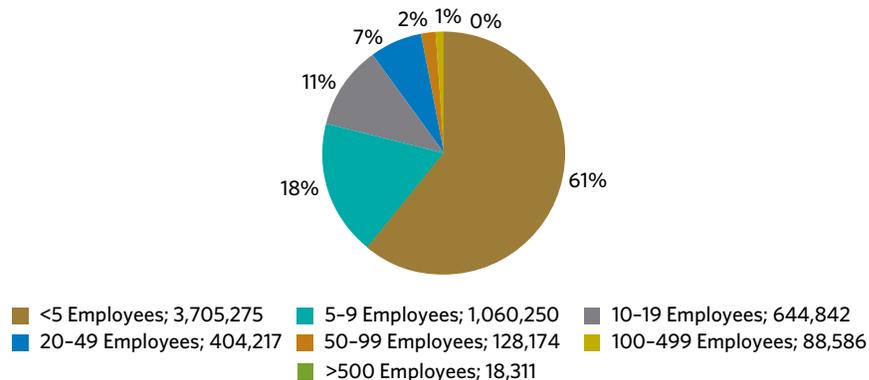
# The Entrepreneur Opportunity

## A Leading Occupation Among Millionaire Investors

“Business owner” ranks among the top four occupations for millionaire investors. Of those investors with \$1 million or more in net worth, 9% were business owners or entrepreneurs.<sup>3</sup> Based on a range of small business data, there are likely two to three million entrepreneurs in the U.S.

There were approximately six million small businesses in the U.S. as of 2007, comprising 99.7% of total businesses according to the Small Business Administration (SBA) by employment size.<sup>4</sup> Only about one-third of these firms, however, would have owners that are likely to be target clients for investment professionals. Figure 2 breaks down the total number of businesses by size based on 2007 census data, the most recent data available. More than half of these firms have fewer than five employees. At this size, owners may not have sufficient investible assets or the financial advice needs to be attractive clients. As for larger firms with more than 100 employees, they are less likely to be independently owned and operated.

Figure 2: Number of Firms by Employee Size, 2007



Source: U.S. Small Business Administration, Office of Advocacy, based on data provided by the U.S. Census Bureau, *Statistics of U.S. Businesses*. (2007).

<sup>3</sup> Spectrem Group (2011). *Millionaire Investor 2010*.

<sup>4</sup> The U.S. Small Business Administration (SBA) defines a small business as one that is “...independently owned and operated, is organized for profit and is not dominant in its field.” The SBA uses either a number of employees or annual sales volume to determine whether a business fits their definition—up to 500 employees for most manufacturing and mining industries and up to \$7 million in average annual sales receipts for most nonmanufacturing industries. However, there are many exceptions to these standards.

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A realistic focus for investment professionals is owners affiliated with firms in the range of five to 99 employees. This consists of more than two million firms representing at least three million business owners.

Relative to larger firms, a firm in the range of five to 99 employees is more likely to have concentrated ownership and be family-owned. Relative to smaller firms, a firm in this range is more likely to have enough net worth to necessitate paying for financial expertise. Among the firms with between five and 99 employees, more than 80% have just one or two owners. Approximately 40%, or more than 900,000 total firms in this size range, are family-owned. Firms with five to 99 employees average approximately \$2.8 million in annual revenue per year.

Partnership and sole proprietorships are other characteristics that define or size the business owner market. In 2007, 1.6 million or 28% of all businesses filed as either a partnership or sole proprietorship, with more than 600,000 firms filing as partnerships and about 1 million firms filing as a sole proprietorship. Although most sole proprietorships are very small, with fewer than five employees, more than 200,000 of these had between five and 99 employees.<sup>5</sup>

## Who and Where Is Your Target?

Although entrepreneurs represent a potentially large market, you should be aware that opportunities are particularly rich within certain industries as well as regions of the country. For example, government data reveals that the retail trade, construction, professional, science and technical services industries show large concentrations of family-owned businesses. Partnerships and sole proprietorships, also associated with business owners, are prevalent in these industries and in the accommodations and food services industries.

Growth rates, in terms of net business formation, provide a further indication of the opportunity. A review of the compound annual growth rates in the number of firms from 2004 to 2009 shows which industries and regions have been healthiest for small business formation. Note that data is not available beyond 2009. Inclusion of more recent years would likely show higher rates of growth given a particularly weak economy in 2008 and 2009 and some recovery since this period. The weak economy unquestionably negatively affected the creation of businesses, both small and large, across all industries during that period.

National five-year growth rates for firms in the five to 99 employee size range are shown in Figure 3 by industry. Based on this analysis of business formation, mining, agriculture and services industries showed the most promise. Not surprisingly, given the economic downturn, the construction industry was hardest hit in new business creation in the five to 99 employee size range.

<sup>5</sup> U.S. Small Business Administration, Office of Advocacy, based on data provided by the U.S. Census Bureau, Statistics of U.S. Businesses. (2007).



#### QUESTIONS TO ASK YOURSELF

What levels of business growth have been reported in your geographical footprint? In which industries are business owners growing most notably?

Figure 3

	Industry	2004-2009 Compound Annual Growth Rate
SMALL BUSINESS GROWTH BY INDUSTRY 2004-2009	Mining	3.9%
	Agriculture, Forestry and Fishing	2.2%
	Services	1.4%
	Retail Trade	0.0%
	Transportation, Communications, Electric, Gas and Sanitary Services	-0.5%
	Finance, Insurance and Real Estate	-0.8%
	Wholesale Trade	-1.7%
	Manufacturing	-1.8%
	Construction	-4.1%

Source: FA Insight and U.S. Census Bureau Center for Economic Studies

Providing a sense of regional opportunity, Figure 4 lists the top 10 states in terms of the growth of firms in the five to 99 employee size range from 2004 to 2009, with every top 10 state located west of the Mississippi River. Although even the highest rates of growth by state and industry may seem low, during this period the national compound annual growth rate for business creation in all size ranges was virtually non-existent, at less than one-tenth of a percent.

Figure 4

TOP 10 STATES FOR SMALL BUSINESS GROWTH 2004-2009	State	2004-2009 Compound Annual Growth Rate
	Utah	1.9%
	Nevada	1.9%
	Wyoming	1.5%
	North Dakota	1.4%
	Idaho	1.4%
	Montana	1.1%
	Texas	1.1%
	Washington	1.0%
	Oklahoma	1.0%
Oregon	0.9%	

Source: U.S. Census Bureau Center for Economic Studies

This data provides only general examples of possible areas and industries of opportunity. Investment professionals seeking to target entrepreneurs will need to become more familiar with the small business environment within their own geographic footprint. For example, although the construction industry has suffered recently, some investment professionals may be located in areas with isolated building booms. In these cases entrepreneurs in the construction industry may be appropriate to target. Local business publication and other secondary research sources can provide insight into the top-growing firms and industries within a specific region.

# Sharpening Your Entrepreneur Focus

## Defining and Refining the Target

Confirming sufficient opportunity is a necessary first step. Capitalizing on the entrepreneur market opportunity next requires that you define the target market in adequate detail. As with any successful niche market strategy, this will enable you to effectively locate, market to, attract and service prospective clients.

Although targeting entrepreneurs helps to narrow your focus, not all entrepreneurs are the same. Depending on how the business owner market is defined, service needs will vary as will the most effective marketing methods for attracting target prospects. For example, startup entrepreneurs may be more interested in business financing and setting up employee retirement plans, while owners of more mature businesses may be more interested in valuation or succession planning. When it comes to marketing, advertising in a local newspaper will likely be far less effective for attracting owners of boutique technology firms than an ad campaign in digital technology trade media.

# Case Study: Be Specific to Be Successful

“Whatever and however you define your business target, build replicable processes around the target market. Ensure you build workflow and processes into your CRM system. This allows you to delegate and be scalable and have knowledge that is transferable.”

A Vice President of a Kansas firm acknowledges that establishing a target market of business owners in the medical profession was more happenstance than by design. The firm was eager to quickly bring on new clients in its early days. To do so, it initially targeted medical school students, who had little money to invest but were a ready market for disability insurance products. As the years progressed, the firm’s student clients became surgeons, radiologists and cardiologists who were running their own practices and grappling with a range of business needs.

Today, the firm works with business owners from a range of industries, including the medical profession and has learned much from their experiences. The firm emphasized that, above all other reasons, a carefully defined entrepreneur target market will support the achievement of scale.

## Key Considerations

Local market conditions, characteristics of existing clients and your current capabilities and preferences all should be taken into account to form a tight definition of the type of entrepreneur you are best suited to serve. Local market conditions are a logical starting point. You would be particularly well-served to evaluate the following key factors:

- > Size and growth of the business market in general
- > Predominant and fastest growing industries for businesses
- > Degree of competition among financial services firms

An assessment of your existing client base can further sharpen your entrepreneur focus. Where applicable, key areas to review would include:

- > Extent to which you are already serving entrepreneurs
- > Characteristics of the entrepreneurs' businesses including industry, firm size and development stage
- > Degree of difficulty for converting prospects and retaining entrepreneur clients
- > Revenues and profitability generated by existing entrepreneur clients
- > The behavioral characteristics of entrepreneur clients, especially willingness to delegate and seek advice

Lastly, your specific capabilities and preferences will also provide an important component in establishing or refining an appropriate entrepreneur profile. Examples of considerations are the following:

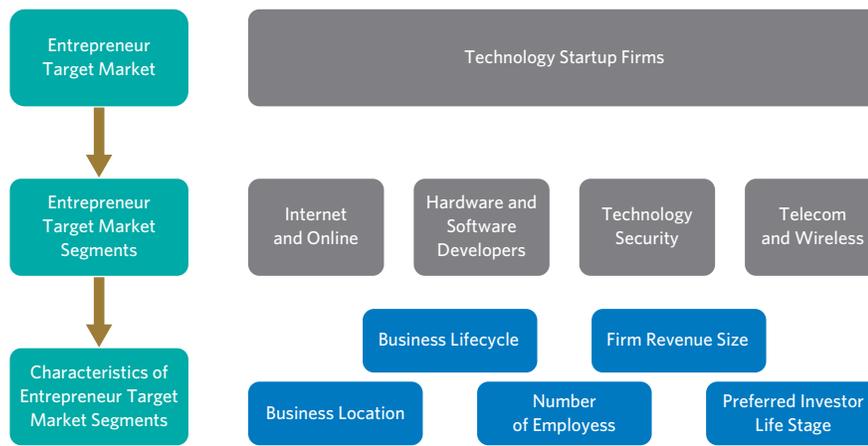
- > Available technical capabilities for meeting the needs of entrepreneurs
- > Your level of experience, capabilities and effectiveness for attracting entrepreneur prospects
- > The personal satisfaction that you have when working with entrepreneurs

Collecting and assessing this information will provide a framework for determining and detailing the attributes that will be most ideal for your entrepreneur target profile. For further assistance with this exercise, detailed checklists for quantitative and qualitative considerations are provided in the Appendix. Be prepared to evaluate local market conditions and quantify the business owner opportunity within a given footprint.

## Building the Profile of Your Entrepreneur Target Market

An effective review of the previously noted key considerations will crystallize attributes of your ideal entrepreneur client. Figure 5 provides an example of a how you might go about this. The more granular you can define your target business owner market, the more tailored and efficient you can be in allocating scarce firm resources to attract and serve this market.

Figure 5: Example of Developing a Profile of the Target Market



In this example, an entrepreneur target market, which includes owners of technology startup firms has been identified. Within this market, four target segments are identified to further narrow the universe of owners to Internet and online service providers, hardware or software developers, technology security specialists and telecom or wireless technology providers.

# Activity

How would you define the target market segments within your entrepreneur target market? Identify three to five potential segments as a starting point.

1. \_\_\_\_\_
2. \_\_\_\_\_
3. \_\_\_\_\_
4. \_\_\_\_\_
5. \_\_\_\_\_

Considering a range of additional client characteristics builds a more meaningful profile of each target market segment. For example, a software developer just out of college who is establishing a tech startup with family financing will have very different advice needs compared with a former corporate technology executive who now owns and oversees a boutique telecom firm. Such differences are important to understand to develop a distinct marketing message and service offer for the segment. In Figure 5, lifecycle of the owner's business, number of employees in the business and the business owner's investor life stage (accumulation, consolidation and liquidation) all will affect the needs of entrepreneur clients.

## How Many Entrepreneur Target Markets?

Figure 5 identifies one target market and four potential segments. The answer for how many targets to pursue depends on your goals. However, it will vary significantly according to the resources available to invest in the niche market strategy and where you can best add value. A typical investment professional with limited marketing resources should focus on achieving deeper infiltration of a narrowly defined target market.

When determining how many target markets and segments to pursue, consider:

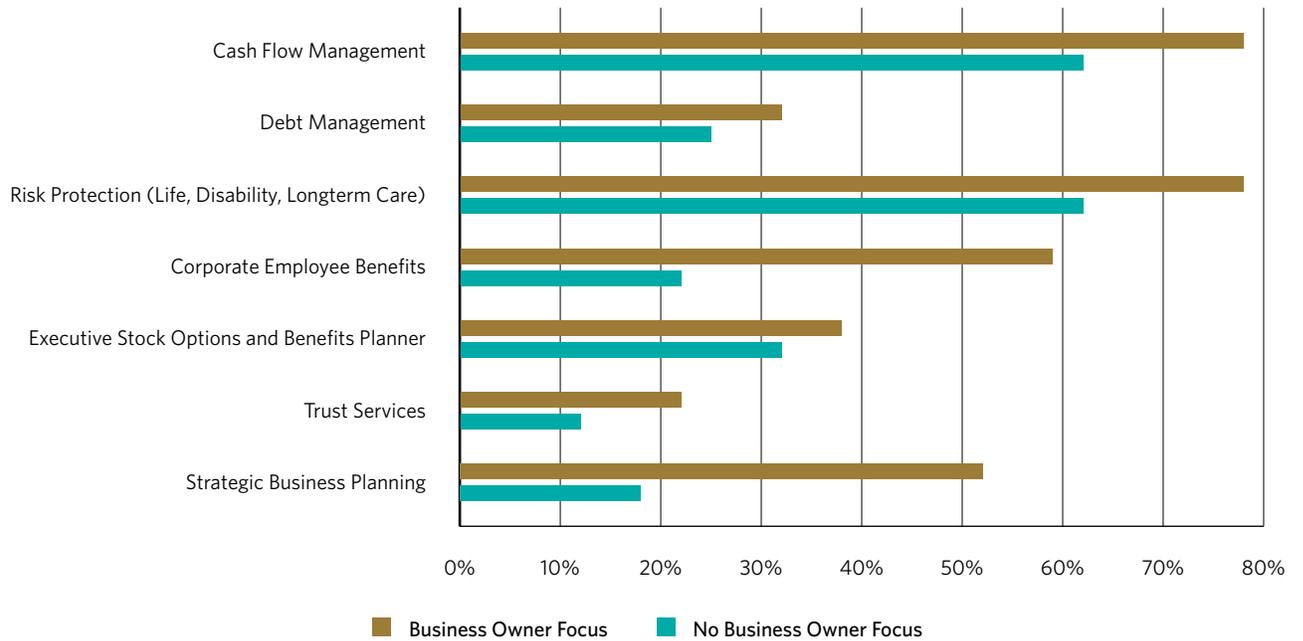
- > Which target markets represent the largest opportunity?
- > Which segments can be penetrated with greatest ease and speed? Which segments would represent a longer-term strategy?
- > What resources are available to implement the strategy? Do you have marketing capabilities and how much capacity will you have to dedicate to the strategy?
- > What budget do you have to invest in the niche market strategy? Where and how can this best be applied to increase the likelihood of success?

## Creating a Compelling Entrepreneur Offer

A specific well-defined perspective of your business owner target market enables you to tailor marketing and services in a way that best speaks to the needs of this market. The target profile will shape the areas where these clients will require greatest assistance and how you can effectively communicate the outcomes that will be achieved for entrepreneurs when marketing.

According to FA Insight, in 2010 the survey respondents that pursued business owners were more likely to deliver a comprehensive service offering across 12 areas of service. This compared with a median of nine services delivered by others surveyed. Figure 6 illustrates some of most significant differences in the typical services offered by those with a business owner focus.

Figure 6: Survey Respondents Targeting Business Owners Offer More Services



Developing an effective service offer requires you to carefully consider the most common and most pressing entrepreneur needs. Although key needs will vary depending on how you define your business owner target market and segments, entrepreneurs typically look for help with five general areas. If these are beyond your area of expertise, consider building relationships with professionals whose expertise complements your own.

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## Key areas where entrepreneurs can benefit from financial expertise:

### CASH FLOW AND FINANCING

Perhaps one of the biggest challenges for an entrepreneur is managing the cash flow of the business so it supports both the sustainability of the business as well as the personal spending needs of the owner. Expertise on obtaining and structuring financing is typically vital to the start-up and expansion needs of a business.

### RISK PROTECTION

Whether it is a heavy reliance on a few key individuals or a limited supply of reserve capital, owning and managing a business can be fraught with risk. Risk can be managed and minimized, however, with proper help and effective products. Risk protection offerings may include insurance products (e.g., key-man, life, disability and income protection), hedging strategies and legal assistance.

### BENEFIT PROGRAMS

Programs such as group health or 401(k) plans for staff are important tools for recruitment and retention. Personal or non-qualified retirement plans and insurance benefits can help owners manage taxes and build personal wealth.

### WEALTH MANAGEMENT

Entrepreneurs have financial needs similar to other clients of comparable wealth. However, there is an additional layer of complexity. Personal financial planning must frequently integrate with business planning, especially as it relates to tax efficiency, liquidity needs and estate planning or wealth transfer issues.

### BUSINESS PLANNING

You can also provide valuable expertise as it relates to business planning, especially in aligning the business strategy with the owner's personal life and financial goals. Valued business expertise includes tax planning, succession planning, business valuation, equity transfer and succession issues. If these are beyond your area of expertise, consider building relationships with professionals whose expertise complements your own.

The most commonly asked financial questions serve as a logical starting point for determining the services you will deliver to targeted business owners. Figure 7 provides an example of how identifying the priority questions (left column) can support how you articulate the services and value you deliver (right column).

Figure 7

	Priority Questions	Service Description
<b>EXAMPLE BUSINESS OWNER ADVICE QUESTIONS AND RESULTING SERVICES OFFERED</b>	How can I manage my monthly cash flow so that I can meet all of my business and personal financial commitments?	<b>Cash Flow Management:</b> I can work with you to analyze your business cash flow and identify opportunities for improvement that will, in turn, provide you with greater certainty in managing your personal cash flow. I can also work with you and your family to build a monthly budget to optimize your cash flow.
	How can I ensure my family is provided for if something happens to me and I cannot run the business?  I am worried about what will happen if my business partner has an unexpected illness and is unable to work. How can we protect the business?	<b>Risk Protection:</b> Ensure you, your business and your family are protected in the event of illness or an unexpected event. I can address all of your insurance needs including life and disability insurance, key-man insurance and income protection. We should also consider your need for buy/sell agreements to protect you and your business partner.
	I want to sell my business in five years. What will it be worth?  What should I be doing to prepare for the sale of my business?	<b>Business Planning:</b> Whether you seek an internal or an external sale of your business, I can work closely with you and a succession advice specialist to identify your business succession objectives, conduct a valuation and build your succession plan. I can also support you through the implementation of your succession plan to help you realize full value in your most important asset: your business.

As previously indicated, specific characteristics of targeted entrepreneurs will also help to focus the priority services required. Figure 8 illustrates how the emphasis of needs might shift as the owner’s business reaches different stages of its lifecycle. An awareness of the entrepreneur’s priority needs based on business lifecycle allows you to further tailor services.

Marketing communications and discussions with prospects can be more customized as well. For example, as an entrepreneur’s business matures you should have a schedule in place to promote retirement planning and business succession services.

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Figure 8

PRIORITY OF SERVICE NEEDS BY BUSINESS LIFECYCLE	Components of Service	Lifecycle Stage			
		Startup	Growth	Maturity	Decline or Transformation
	Cash Flow and Financing	High	High	Medium	Medium
	Risk Protection	Medium	High	High	Medium
	Benefit Programs	Medium	High	Medium	Low
	Wealth Management	Low	Medium	High	High
	Business Planning	Medium	Medium	High	Medium/High

In addition to business life stage, other client characteristics such as the business owner’s wealth stage (i.e., accumulator, consolidator or liquidator) will also influence your offering. Consolidators, for example, whether they are running a business in growth or maturity stage, will likely need retirement planning services.

The financial needs of entrepreneurs are extensive. It is likely that you may not have the capacity to supply all the expertise required to adequately meet the priority needs of these target clients. As a result, effectively delivering on various technical financial needs often requires working closely with a range of professionals in order to provide comprehensive solutions.



QUESTION TO ASK YOURSELF

How could the stage of the business lifecycle influence the number and type of services required to serve entrepreneurs effectively? How would you deliver each of these services profitably?

# The Entrepreneur Value Proposition

Developing a value proposition specifically for entrepreneurs will better enable you to effectively communicate with, attract and retain the target. An effective value proposition articulates what outcomes to deliver to business owners and how.

Of survey respondents that targeted business owners, almost 80% had developed a unique client value proposition to attract clients, compared with just 61% of all other respondents. Furthermore, those with a business owner focus were more likely to consistently implement their value proposition with clients, reinforcing the importance of not just articulating but delivering on the promise of value to these clients.

Defining a value proposition begins with identifying outcomes that are most critical for your target clients to achieve. Figure 9 provides examples of some fundamental outcomes that can be achieved for business owners. Once established, these outcomes will focus service delivery and marketing and provide continual reinforcement for your value proposition.

Figure 9

	Outcome	Description
VALUED OUTCOMES— EXAMPLES FOR BUILDING A CLIENT VALUE PROPOSITION	Increased Peace of Mind and Comfort	<ul style="list-style-type: none"> <li>&gt; Ensuring effective cash flow management to meet both the needs of the business and your personal lifestyle needs.</li> <li>&gt; Hedging against the investment risks associated with concentrating wealth in a business.</li> <li>&gt; Ensuring the continuation of your business and income in the event of an unforeseen event.</li> </ul>
	Realizing the Value You Have Created	> Ensuring that when the time arrives business equity is realized and your retirement is well funded to support your desired lifestyle.
	Retaining Your Best People	> Ensuring that when the time arrives business equity is realized and your retirement is well funded to support your desired lifestyle.

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# Case Study: Delivering Unique Value to Business Owners

“Conducting seminars allowed me to teach business owners using a non-threatening, non-sales platform. Products were never discussed during these workshops, only concepts relevant to business owners. I wouldn’t change this approach.”

A comprehensive financial planning firm in Oklahoma City, has worked closely with business owners for several years. The firm has long recognized the importance of delivering value that meets the unique needs of these clients. The firm principal emphasizes, “The needs of business owners are deeper and more drawn out than those of most individuals.”

To better address their demands, delivering education forms a foundation for the firm’s value proposition. The firm began running educational workshops for business owners several years ago, initially covering a curriculum that included group health insurance and 401(k) plans. Later the firm teamed with tax advisors and bankers who shared a focus on business owners in delivering targeted educational events. The majority of attendees were prospective clients. In addition to these seminars, the firm’s principal regularly taught at the Society of Human Resource Management to students who were either business owners or designated human resource managers for businesses.

Delivering value through education is just a starting point. To more efficiently address business owners’ needs, the firm invited an attorney and tax advisor to move into their office space to provide easy access to technical skills when needed. As another convenience for business owners, the firm set up a designated client office within the firm. The fully equipped office provides clients with a convenient and secure environment for addressing urgent business issues or negotiating sensitive transactions.

A tailored approach to the business owner reinforces a strong value proposition through its focus on what matters most.

# Conclusion

Entrepreneurs represent a vast and underserved market, one that is rich with opportunity for investment professionals who are properly prepared.

Assessing your opportunity to pursue entrepreneurs begins with market research. Which industries are flourishing within your desired footprint? What is the rate of new business formation in this area? You must look within as well and carefully examine your client base and existing capabilities.

If the entrepreneur opportunity is worthy of pursuit, a clear definition of the target market characteristics will help support profitable relationships. Although they will likely share many similar characteristics, each entrepreneur is different and services offered will be influenced by the way in which the target is defined. Industry, life stage and size of the entrepreneur's business as well as the their investor profile are just a few considerations for defining the optimal target to pursue.

A well-defined target will provide a base for your value proposition and help you to focus on the most appropriate services to offer. The financial needs of entrepreneurs are often more complex relative to other clients. However, even a focused service set may strain your ability to effectively meet these needs. To overcome this challenge, close partnerships with other professionals will be critical for addressing areas where you may lack a specific expertise.

Successfully establishing a niche market with entrepreneurs can require a significant investment in time and resources that many investment professionals may not be interested in making. This works to the advantage, however, of those who are willing to make an investment. Gaining a foothold with entrepreneurs may take some effort, but once established, you are on your way to success. This success comes in the form of reliable and profitable client relationships and a market position that by nature of strong differentiation is heavily protected from competitors.

# Methodology

FA Insight drew from both quantitative and qualitative sources for the production of this guidebook. The bulk of survey results presented are derived from 2010 FA Insight proprietary survey data. The survey's respondents included a wide range of firm sizes and affiliation types including independent RIA, independent broker-dealer and dually registered firms.

To further understand the best practices with regard to working with entrepreneurs as a niche market, FA Insight conducted interviews with leading financial services firms, all of whom have had a long history of working successfully with entrepreneur clients. These executive interviews ranged from 45 to 60 minutes. Additionally, FA Insight drew upon its extensive management consulting experience with individual firms.

# Appendix

	Quantitative Characteristic	Considerations
<b>QUANTITATIVE CONSIDERATIONS FOR DEFINING A BUSINESS OWNER TARGET MARKET</b>	Size of Your Business Market	<ul style="list-style-type: none"> <li>&gt; How large is the business owner opportunity in your geographical footprint?</li> </ul>
	Growth of Your Business Target	<ul style="list-style-type: none"> <li>&gt; How many business startups are being reported annually in your footprint relative to other regions?</li> <li>&gt; What levels of business growth (revenue growth) are reported in your geographical footprint?</li> <li>&gt; In which industries are business owners growing most notably?</li> <li>&gt; If you are already working with business owners from various industries, which industries represent the largest growth opportunity in your geographical footprint?</li> </ul>
	Proportion of Existing Business Owner Clients Relative to Other Niche Markets Served	<ul style="list-style-type: none"> <li>&gt; What percentage of your business' revenue does the business owner market generate?</li> </ul>
	Business Owner Firm Size	<ul style="list-style-type: none"> <li>&gt; What is the typical revenue size of existing business owner clients and how does this impact the breadth of advice and services needed?</li> <li>&gt; How many employees does the typical business owner client have and how does this impact the breadth of advice and services needed? For example, the extent of employee 401(k) and employee benefits support required, etc.</li> <li>&gt; Does the number of shareholders impact the typical advice needs of the business owner? Consider succession advice needs, partnership agreements, profit distribution plans, etc.</li> </ul>
	Level and Type of Revenue from Business Owners	<ul style="list-style-type: none"> <li>&gt; What is the revenue generated from these relationships relative to other existing clients?</li> <li>&gt; Where is the revenue generated from—i.e., insurance, investments, mortgages, estate planning? Where is the opportunity to increase share of wallet?</li> </ul>
	Profitability of Existing Relationships With Business Owners	<ul style="list-style-type: none"> <li>&gt; How profitable are the existing relationships with business owners relative to other clients?</li> <li>&gt; Is there a pricing structure to compensate for the types of advice required by business owners (i.e., business succession planning, business and personal cash flow management)?</li> </ul>
	Tenure of Existing Relationships With Business Owners	<ul style="list-style-type: none"> <li>&gt; What are the retention rates of these relationships relative to other clients and why?</li> </ul>
	Client Conversion Rates Among Business Owner Prospects	<ul style="list-style-type: none"> <li>&gt; What success has been experienced in converting business owner prospects to clients relative to other client types?</li> <li>&gt; How long is the typical sales cycle and what is the cost of client acquisition when working with business owner prospects?</li> </ul>

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QUALITATIVE CONSIDERATIONS	Quantitative Characteristic	Considerations
DEFINING A BUSINESS OWNER TARGET MARKET	Current Industries Served	<ul style="list-style-type: none"> <li>&gt; Which industries do your business owner clients represent?</li> <li>&gt; Which industries represent the greatest growth opportunity within your geographical footprint?</li> </ul>
	Business Lifecycle Stage of Business Owners	<ul style="list-style-type: none"> <li>&gt; How will business lifecycle (startup, growth, maturity and decline) impact the advice and service needs of business owners? For example, levels of investible assets available, succession planning needs, lending or capital needs to fund expansion, etc.</li> <li>&gt; How could profitability be impacted by stage in the business lifecycle and will the pricing structure need to be revised to ensure profitability per client?</li> </ul>
	Technical Capabilities Required	<ul style="list-style-type: none"> <li>&gt; What technical capabilities are required to serve the broad advice needs of this target market? For example, business and personal cash flow management, employee benefits, business insurances, business succession, partnership or employment contracts, business planning, etc.</li> <li>&gt; Do you have these technical capabilities? If not, how will they be acquired? Consider recruitment of specialist talent versus leveraging strategic partners, such as income protection or key-man insurance specialists.</li> </ul>
	Ability to Pay for Specialized Service	<ul style="list-style-type: none"> <li>&gt; What has been your experience to date in generating revenue from business owners? Consider both their willingness to pay for specialized financial service.</li> </ul>
	Attracting Business Owners	<ul style="list-style-type: none"> <li>&gt; What marketing channels (i.e., use of various media, seminars, centers of influence) have been utilized to attract business owners? Have these been successful? If not, why?</li> </ul>
	Competition for Business Owner Clients	<ul style="list-style-type: none"> <li>&gt; Who are you competing with in the business owner market?</li> <li>&gt; Have your competitors achieved strong penetration of a segment of the business owner market? If so, how will this impact the way you define or market to business owners?</li> </ul>
	Enjoyment and Personal Reward	<ul style="list-style-type: none"> <li>&gt; What has been your personal level of enjoyment in working with business owners?</li> <li>&gt; What are the characteristics of those clients that are most enjoyable to work with (industry, stage in business lifecycle, areas of advice provided, etc.)?</li> </ul>





## About Us

Pershing LLC (member FINRA/NYSE/SIPC) is a leading global provider of financial business solutions to more than 1,500 institutional and retail financial organizations and independent registered investment advisors and hedge fund managers who collectively represent more than five million active investors. Located in 23 offices worldwide, Pershing and its affiliates are committed to delivering dependable operational support, robust trading services, flexible technology, an expansive array of investment solutions, practice management support and service excellence. BNY Mellon is a global financial services company focused on helping clients manage and service their financial assets, operating in 36 countries and serving more than 100 markets. Pershing is a member of every major U.S. securities exchange and its international affiliates are members of the Australian Stock Exchange, Deutsche Börse, Irish Stock Exchange, the London Stock Exchange and the Toronto Stock Exchange. Pershing LLC is a BNY Mellon company. Additional information is available at [pershing.com](http://pershing.com).

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