

PRACTICE POINTS

Segmenting Clients

Segmenting clients into defined groups enables you to analyze their attributes, attitudes, and servicing needs. The process can help you more effectively focus on strategic growth goals, align human capital skills and resources, and manage the overall client experience.

Seven reasons to segment

1. Assess profitability.
2. Evaluate advisor capacity.
3. Inform the client experience.
4. Determine demographics and characteristics of top clients.
5. Assess what services to provide to which clients.
6. Assign service models to client segments.
7. Identify clients ideal for shifting to newer advisors to address capacity challenges.

Benchmarking data

Results from Dimensional's 2017 Advisor Benchmarks Study show that 72% of responding firms segment their client base—and they use the following top criteria (drivers) in the process:

- Revenue generated (70% of advisors).
- Assets under management (60% of advisors).
- Unique client needs (22% of advisors).

How to segment

Many firms use segmentation to categorize clients in their CRM, track data in workflows, and onboard new clients. After establishing the segmentation process, maintain the data.

Limit the number of segmentation criteria. Start with three to five drivers and expand only as needed since excessive criteria may stall the effort or reduce the usefulness of the exercise. Consider applying weightings to emphasize certain drivers.

For firms with multiple advisory teams, firm leaders should establish baseline criteria and apply the criteria consistently across advisory teams. Having different criteria can lead to

conflicting service models and business metrics, and create operational inefficiencies.

Drivers to consider

- AUM and revenue (traditional metrics).
- Client demographics (e.g., client type, age, profession, marital status, geographical location, and multi-generational engagement).
- Relationship factors (e.g., making referrals, open to our advice, easy to work with, level of services used, required effort to maintain relationship, adaptable to our technology).

Top practices

- Conduct segmentation annually as part of your strategic planning.
- Consider how segments may impact profitability and the potential effects of firm actions, such as changing fees or service models.
- Identify attributes and personas of your top clients. Capture these to help inform your prospecting focus and develop your client experience.
- Look for concentration of clients in certain segments. Assess capacity and the opportunity to transition clients to new advisors.

Additional resources

- See *Client Personas* Practice Points.
- Contact a member of your service team for additional resources.

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