



ACCESS GROUP  
**ROUNDTABLE**



# Wealth Management White Paper: Advisers & Clients

## A Report on the Leaders Knowledge-Exchange Roundtable

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# Wealth Management White Paper: Advisers & Clients

## Executive Summary

*“We need to get out of commodity selling and earn the right to be advisers. We need to be more productive, make better use of CRM and other tools.” – Taimour Zaman, President, the Access Group and Producer of the *Leaders Knowledge Exchange Roundtable* on Wealth Management, Toronto, January 26, 2005*

Wealth management in Canada has seen rapid growth over several decades. However, as the industry matures, a number of issues are becoming visible that may have gone unnoticed during the growth years.

The Investment Advisor relationship – forward to the client and back to the organization – is one of these issues, judging by the comments of the participants in the Wealth Management *Leaders Knowledge Exchange Roundtable* held in Toronto on January 26.

As Taimour Zaman identified in his opening remarks, the IA has a pivotal role in the middle ground between the wealth management firm and the client, and is integral to winning or losing both continuing and new clients.

The Roundtable participants, an industry panel of seven experts and an audience of some 75 industry players, came up with some fundamental conclusions about the business and technology, including:

- The use of customer relationship and other tools with back end data support is growing, but there are still technology black-out areas in the front line
- Technology is ‘table stakes’ to get the IA in front of the client - significant emphasis was placed on developing people skills for dealing with clients
- In this regard, wealth management is evolving to be all about the underlying connection to the brand and the firm - human relationships and creating trust
- Intergeneration relationships and connecting with family are a critical preoccupation of the wealth management industry today

- Both differentiation and commonality were advocated for improving the client experience – and both may indeed be required in delivering the customer experience
- Every advisor essentially working at his or her own business – traditionally seen as a revenue generator – in the emerging market place is also a recipe for conflicts

Technology will continually improve understanding of customers, according to the roundtable participants, but people skills, not just technology, will take on added importance in building client relationships. This idea of balancing soft skills with technology is a theme outlined in the rest of this document.

## Setting the Scene

Three decades of sustained growth have made the Canadian Wealth Management a substantial industry. Today, more than two million households in Canada have investment assets of \$100,000 or more, according to Boston Consulting Group data.

Wealth management seems to enjoy remarkable stability, at least compared with other industries that are struggling with disruptive innovation from low cost foreign competitors and technology.

**Technology has benefited wealth management in an incremental rather than a revolutionary fashion..... Part of the reason for stability is that the Investment Adviser remains the focal point in the broker-client relationship.**

Technology seems to have benefited wealth management in an incremental more than revolutionary way. It has enabled new product flow. It has led to increasingly sophisticated analysis, decision and trading tools on the desktop. It has provided communications technology that can make the IA somewhat location independent. It has increased knowledge through real time price discovery for all, easy access to research, investment news alerts, and complex client and investment financial modeling. It has enabled back offices to provide faster and more accurate transaction processing that in turn feeds more powerful data warehouses with customer and other data. While it has improved client access through the web, this has so far had less effect on competitive market rankings than might have been anticipated.

Anchored by the “know your customer” rule, the IA delivers a one-to-one personal service to clients – much as in the past, largely based on market trends

and investment styles. Compensation has generally been good. Full service is in good demand in Canada, in contrast to some European markets that have seen cut backs in full service offerings to middle and low end investors in response to profitability concerns.

The pace of wealth management change has picked up recently. Baby boomers are moving into middle age, pension risk is being transferred to individuals, and management expenses are starting to be squeezed.

Although large banks and insurance companies have been consolidating the industry, wealth management is still broadly based, with numerous mutual funds, investment managers, financial planners, discount brokers, and investment advisors. Growth seems set to continue, but the industry may have to work even smarter to sustain profitability.

## Customer Relationship Tools

Our research is telling us that wealth management growth strategies are being held back by project misalignments – projects poorly aligned to the needs of customers and processes not keeping pace with Investment Advisor and customer experience needs.

The Roundtable posed the tools & technology question right away – where are the Customer Relationship Management tools today, and where do we want to be with them?

**Rick Wolfe** made the point that wealth management has traditionally been supported by direct marketing rather than CRM. He said that CRM has developed relatively slowly in wealth management and has been declared dead more than once. Even today, it is still quite hard to fix on a definition of CRM. What impact will CRM tools have over the next twelve to eighteen months, he asked the full audience?

According to **John Parsons** from SAS, one of the Roundtable sponsors, technology is being addressed in both bank and non-bank firms. There is widespread integration of information and transfer of it to Investment Advisers and customer, but we have to work on integrating knowledge and systems into the management process — where the customer defines the relationship. There are a variety of increasingly powerful analytic and decisioning tools being placed on

**A variety of increasingly powerful analytic and decisioning tools are being placed on IA desktops, and a positive shift in IA attitudes to the firm and the client on hearing they will have a system.**

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It was pointed out that desired data is not always captured by the systems. When it does exist in central systems, it can still be quite difficult to access at the IA desktops to maximize their business.

The Panel was brought into the discussion. **Nick Mancini** of Connor Clark and Lunn advocates sophisticated management sciences and data bases to address the challenge of integrating all the information and using it to optimize relationships. Advisors and managers know their client but the system is often inadequate to link them properly to the back office. Connor Clark is working from the institutional to the retail upper mid-market, targeting relationships selectively, and is placing increased emphasis on scientific analysis of all kinds of data – including market, client and transaction data.

**Jay Slade's** RBC Dominion Securities modifies bank tools to work with IAs, even bringing in outside tools to make the process work better. While he sees some IAs collecting data but not using it adequately, he believes it is the job of the firm to make sure the systems work. However, he acknowledged that CRM tools often work best on a large scale, making it more difficult to use effectively in wealth management.

Complex product sets and delivering an excellent client experience require extremely effective systems, with excellent people to run them. TD Waterhouse's **Bill Fulton** sees systems as important, but they need to be aligned from the top of the organization and motivate staff to do what is best for the client. CRM will make the hand-off from channel to channel easier in understanding the actual client situation.

## Technology or relationships

The IA conversation with the client is just as important as the CRM tools. The focus, a participant said, should be on the customer's major life events and human factors, both of which affect the individual's wealth management strategy.

The Panel, mostly from the business side, agreed. While they want a balance between technology tools and people skills, the non-technology aspects of the client relationship are clearly pressing for them.

**Terry Jenkins**, who runs the private client business for BMO Harris, sees the need to be much more disciplined in what we do. For him, technology is only

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'table stakes' to get the IA in front of the client. There is a danger of spending too much time on technology, thereby leaving information on table. He has easy access to information combined with incredible purchasing power, but he wants transparency so that we do not forget the people in front of the client and their skills and imagination to bridge the technology. People skills and soft skills of the front line people are most important – the middle ground has much value in this discussion. Focus less on the information age, he advised, and bridge the soft skills gap of how best to deal with people.

National Bank's **Reg Jackson** reinforced this point with the benefit of first hand knowledge as a producing branch manager and recruiter of what advisors are looking for and what platforms other firms are providing.

**Alan Kay**, of the Glasgow Group, added that in a growing firm, business systems must reinforce the brand to get front line people connected and tending the whole relationship. Business today is about change around client experience and branding. When you have forty thousand clients, you still need to have a relationship with each one of them, and this means reframing the way the business is run, especially with experts on client business.

Similarly, **Mario Frankovich**, Burgeonvest Securities, sees CRM not so much being about hardware and software, rather about human relationships and creating trust.

**Nick Mancini** described how wealth management is evolving at his firm to be all about the underlying relationship to the brand and the firm. He wants to see more specific *wealth* management, not just asset management, which takes in the whole household balance sheet and financial needs. **Bill Fulton** emphasized the importance of mining a data base in a bank with 10 million clients all with wealth needs.

While the Panel certainly spoke for a combination of technology and soft skills, we need to be concerned about a possibly lingering distinction between IT and the business people in wealth management.

Does function perhaps color preference for the one or the other, rather than view client information and the tools to process the information as interdependent? We need to be sure that the traditional wealth management technology and business cultural divide is being fully addressed.

## Servicing Generational Change

Changing demographics have made inter-generation relationships and connecting with the investor's family a preoccupation of the wealth management industry today. **Bill Fulton** recommends investing in training on how to understand clients better and conduct a client diagnostic. It is crucial to understand clients' dreams, build their wealth plan, deepen the advisor relationship, and know the whole family context.

**By building trust, when the "event" occurs they can come to you as trusted advisor.**

Wealth management is in the forefront of demographic changes as the pre-war generation leaves the stage to baby boomers. This opens up the question of how to deal with wealth moving on to someone else who may have never been previously consulted by an IA. In this "great wealth transfer", will CRM help or hurt?

For **Bill Fulton**, broad personal contact is a prerequisite. As an IA, the relationship should not be just with "patriarch", you must know the family and other generations, and make sure the data is in the system. By building the relationship more broadly, when the "event" occurs they can come to you as trusted advisor. **Mario Frankovich** concurs. However, it can depend on at what age you inherit. Younger people can and do use a do-it-yourself channel. It is not until the late 50s that people tend to seek advice and have a service relationship. The "nightmare" for the IA is that, if a client's son and daughter develop an advisory relationship elsewhere, the IA is left with just form filing.

**Alan Kay** pointed out the children will also exhibit behavioral differences. Reg Jackson stressed the need for continuity, with teams of advisors not just individual advisors, especially as the advisor will not be there forever.

For **Nick Mancini**, meeting the entire household is critical, for continuity comparable to a family lawyer or doctor. He pointed out that attrition typically runs in the range of only 1-2% with a household relationship, compared to about 10% for the rest of financial services. 90% of his new business comes from referrals, emphasizing the importance of client relationships and retention.

**Terry Jenkins** uses a CRM predictive model to assess retention and attrition probabilities. A good CRM data base platform will support this. **Jay Slade** likewise, goes through the data base regularly, and may notice a client without children and perhaps alert the IA to the opportunity to lay down a service. He will visit the client at the IA request and conduct a discovery process. He stressed that the IA still controls the client relationship.

## The Channel & Segment Experience

The network is an essential part of client experience. In fact, we are competing with a series of networks. Who builds the best network to create a client experience locks in loyalty and gets clients to stay with the organization. Marketing strategy is paying increasing attention to the client experience and rebuilding processes to reinforce value where the client wants it.

Today, it needs to be part of everyone's job. The participants made it clear that they expect that everyone will soon have CRM systems and use the data to enrich the potential and actual client experience and differentiate the firm's service. It was pointed out that clients judge the experience they receive not just against other wealth management providers but against experiences in all industries. Client experience is less about one organization, according to **Terry Jenkins**.

A diagnostic based on systems information helps **Bill Fulton** transport the client relationship to the right channel. For **Reg Jackson**, the rhetoric about the message and the client experience are increasingly becoming the same across the industry. Since clients *are* different, the systems must be able to differentiate their characteristics and needs. He added that one indicator of client needs segmentation is that high net worth clients want it immediately.

**Mario Frankovich** agreed that everyone is unique but advocates bringing it down to commonalities. The IA and the clients will be happier eventually. It helps ensure the broker role is fulfilled – whether as discount broker or service channel – irrespective of size of client.

Commonality is aimed at ensuring that no one gets less, according to **Nick Mancini**, but you have to tailor service for wealthier tiers. The result is that you struggle with image and branding. In this environment boutiques continue to win, because for the larger players segmentation is too broad around their intended image so the IAs do not define themselves clearly.

**Bill Fulton** added that in client segmentation there needs to be a minimum standard for every customer, so that we can tier service levels and service based on needs, size, needs, life cycle, etc.

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Target the segment profile at the front end, advises **Nick Mancini**. Today, this may be done to satisfy a compliance requirement but compliance brings the

benefit that the data becomes a great knowledge base. You can translate the data into better marketing and sales activities. He noted that permission based marketing is well entrenched in the US and is coming to Canada, so it is only a matter of time before everyone will need relationship and profiling capabilities.

## Working with the Investment Advisor

A participant described a widespread challenge in wealth management – every advisor essentially is working at his or her own business. This has broad implications both for how the firm’s brand is portrayed to clients and for continuity of the firm-client relationship.

**Every advisor essentially is working at his or her own business**

For example, this can translate into client ownership concerns in case the IA moves to another firm, taking the client along too. This can also create an obstacle in implementing the firm’s strategy. There may be a significant gap between business strategy goals and actions of senior management and those of the IA. It suggests that it may often be hard to get sufficient traction in the front line for management intentions in changing organizational culture, work practices, and branding.

Paying systems attention to IA data needs is an obvious way to engage the IAs more closely. As noted earlier, a positive shift in IA attitudes to the firm can result from hearing they will have a system.

Discussions during the first break out session raise questions as to how well this gap is being addressed in wealth management. All large organizations experience tensions between different groups with different objectives. However, it appears from the discussions that wealth management is only slowly coming to grips with how to treat the IAs as full staff members when they have previously been more like semi-autonomous operators.

## Managing Front Line Talent

The need for talent management generated considerable discussion throughout the Roundtable. Putting the customer first and converting the culture of front line people to finding out what the customer wants, were identified consistently as critical needs. A participant reminded us that this is not the job of HR but a matter of setting up new customer-focused standards to replace the standards we used to have that were more to do with technology.

The most successful firms now hire for an ability to work with clients – the softer skills. While the back office view of IAs as being rule-averse is old news, the new compliance regime has given it renewed visibility. Several participants spoke of IAs being treated as liabilities instead of the assets they most clearly are.

IAs rely on valuable information to serve their clients effectively, but reluctance in flowing information signals a lack of trust in employees. This is compounded by the multiplicity of regulators, which seems to have given the “Sales Prevention department” a new reason for existence.

Regulation should not be allowed to degenerate into policing, but instead should concentrate on finding what works. **Reg Jackson** appreciates that KYC – Know Your Customer – requires advisors to communicate with clients correctly, but sees the system that takes them through to the rest of the organization as being counterproductive when the required checks and balances lead to hassle from the back office. He asked whether compliance is starting to get in way of communication and customer service, leading to tension between the IA and back office about whose client it is. Among other things, it can cause vital information to be lost in the shuffle.

**The challenge is how to create great employees.**

How can we work with a performance team towards finding customer satisfaction, a participant asked. For **Nick Mancini**, the need is to hire people with the ‘DNA’ and resources to make it happen. The challenge is to create great employees. For him, it is often preferable to work with people with only two years of experience, rather than long time employees with well entrenched habits and attitudes.

It is critical to create trust in the mind of the IA’s. **Mancini** believes in building the firm’s image for the IA, and validating the firm’s service proposition. The key to success is connecting to the client and the client’s need, and understanding how clients value the relationship.

For this writer, a performance management practitioner, it is noteworthy that the whole topic of talent management and career development generated so much discussion. It reflects that it is increasingly occupying the minds of financial services management in a more and more commoditized market. This is evidenced also by the earlier discussion of the importance of soft skills compared to IT solutions in adding value to the client experience and adding competitive advantage. It is particularly encouraging to hear this about financial service front line sales or service functions, traditionally perhaps not always the focus of soft skills development.

## Middle Space & Execution

**Rick Wolfe** described the middle space, where talent comes face to face with the client. It is at this intersection between two parties who are dependent on each other that execution becomes the differentiator.

The participants see this as a matter of team work – alignment, traction, direction, and getting service to keep pace with customer requirements. **Don Allen**, a participant with National Bank, sees the middle ground as helping to establish consistency of treatment across country. For example, big companies need to work according to a life cycle approach, with CRM consolidating all the relationships and assets of a client across the whole spectrum of financial services. This would win against competition for assets by facilitating bringing in different experts to deal with sophisticated needs.

Various IAs, rather than always competing, can work together as a team to accomplish more, said **Monica Schmidt** from the **Janus Group**, a Roundtable sponsor, following up on **Bill Fulton's** ideas on alignment at TD Waterhouse. CRM and technology strategies tend to be somewhat disconnected so it is important to build the systems to support bringing people together. Quality of execution is critical, but it is important to recognize that not every client wants the same service level, e.g. some may want a single IA while others might want to deal with want multiple IAs for different investments and not have the conversations overlap.

**It is a matter of alignment, traction, direction, and getting service to keep pace with customer requirements**

Alignment requires getting the ducks in a row before execution, because there is a high switching factor based on the trust of the customer. As noted earlier, the client tends to follow the IA, so it may be very important to retain the IA. This ties in with an earlier comment by **Mario Frankovich** that to get more information to use with client relationship software and hardware tools, there must be trust and no conflict of interest.

## Support for Branding and Trust

**Rick Wolfe** raised the question as to the flexible, robust, and high integrity set of resources needed to back up the IA in supporting the brand promise. **Nick**

**Mancini** sees the firm's advice proposition that leads to branding the firm, and making the connections with the client.

He also sees the wealth management structure getting closer to retail, and integrating with retail CRM knowledge all the way down to teller. This will include transactions, service, and a recommendation of the next logical offer. Customer satisfaction is still the goal of senior management, along with employee satisfaction which was often debated and fought against in the past, but now is starting to gain acceptance.

**Alan Kay** acknowledges that talking about and living such ideas helps in bringing about success, but only if everyone is operating off the same principles. He welcomed the move by big organizations to appoint a Chief Marketing Officer, and even more a chief branding officer.

**Terry Jenkins** believes that ability depends less on the size of business, more on the ability to execute. The proof is in the way he runs a boutique operation very successfully inside a big bank. The alignment is critical when you consider the needs of boutique customers. They are looking for something they can't get in large organizations, a process around one focal point to deal with.

Is there loyalty any more? The cost of acquiring a customer is huge, meaning you need to keep the client for a long time to recoup that cost. The Panel reiterated that trust is the challenge – between the customer and the IA and the firm at every level. We need brand building around trust and advice. The building of systems and an image that validates trust will define us – and we can make it happen through the alignment of the organization.

## Summing It Up

The Sponsors summarized the key learnings at the Roundtable as follows:

- **Adventis** – customers can help us understand business needs
- **Ivey** – progress is being made in elevating the role of branding, reducing silos, and being willing to discriminate among customers needs; but customers see more transparency and use electronic channels and give their loyalty to providers who never see their customers
- **Hydrogen Creative** – the IA model is a moving target; building relationships to extend beyond the Investment Advisor is a marketing goal that requires understanding the unique relationship needs of the customer; generic services are easier for IAs to take with them

- **SAS** – it is good to hear such emphasis on the client experience; the key is not great IA talents with great execution, or great technologies – but a marriage of both
- **IQ Partners** – a people lens is required; there will be an evolution of the individual –who used to be either marketer, analyst, or IT professional – to hybrid marketer who understands EQ *and* IT
- **Institute of Canadian Bankers** – the classic course model is not the way people learn any more; we must help people manage people – with a learning environment that supports client service and linkage of employee and customers
- **Janus Group** – alignment is needed from the top of house down, reinforcing loyalty factors in both IAs and customers
- **Navantis** – recognize that vendors want to be at the table as a partner, and have value from knowledge of other industries and potential intelligence
- **ThinData** - banks tend to work within themselves so may lack connections; they should use vendors as connectors to help find solutions, and leverage experience

Any conversation is only as good as the participants and panellists. The Access Group thanks the executives from all the organizations listed below for taking time from their schedules to add to our collective understanding, and for the enthusiasm they brought to the conversation.

Robert Angel

January 26, 2006



## Roundtable Support

### Panel

**Nick Mancini**, Conner Clark & Lunn

**Reg Jackson**, Vice President, National Bank Financial

**Alan Kay**, Principal, The Glasgow Group

**Terry Jenkins**, Senior Vice President and Executive Managing Director, BMO Harris Private Banking

**Mario Frankovich**, President & CEO, Burgeonvest Securities Limited

**Bill Fulton**, President, Private Client Group, TD Waterhouse

**Jay Slade**, Vice President, RBC Dominion Securities

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### Sponsors

**IQ Partners**

**Navantis Inc.**

**ThinData Inc.**

**SAS Institute**

**The Janus Group**

**Hydrogen Creative**

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**Robert Angel** ([bob.angel@gilfordgrp.com](mailto:bob.angel@gilfordgrp.com)): Report President of The Gilford Group Limited and subject matter expert in customer marketing strategies, performance management, culture change, and organizational development.

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