



Research results: Document Management, CRM and Portfolio Management are the most challenging systems areas for wealth managers

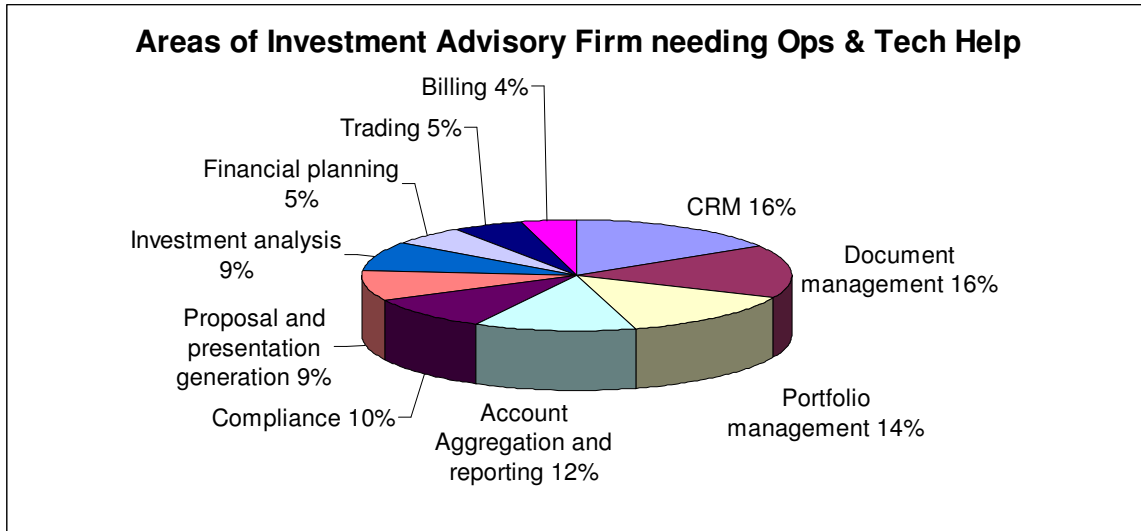
July 15, 2008

Which areas of operations and technology are most challenging to wealth management firms, and how are custodians and vendors perceived in supporting advisor's operational needs? This is the main question The Collaborative and Advisors Perspectives answered in a survey of investment advisors and wealth managers conducted in May 2008. The study shows that document management, customer relationship management and portfolio management rank as the top three most problematic system areas, while billing and trading are the least worrisome.

While 83% of respondents rate the overall operations and technology support and systems from their custodian as "excellent" or "very good", 47% say they their custodian doesn't support them in *any* of their top three most problematic areas. Respondents were asked to answer several questions about their three most painful areas of operations and technology, chosen from the following 10 possibilities:

- Proposal and presentation generation
- Customer Relationship Management (CRM)
- Compliance
- Financial planning
- Portfolio management (transactions, holdings accounting, performance, etc.)
- Investment analysis (investment analysis, risk analysis, asset allocation, etc.)
- Document management
- Account Aggregation and reporting
- Billing
- Trading

Aggregating all responses shows how investment advisors rank their ops and tech concerns:



Respondents were asked to rank their top three most troubling operations or systems areas. In compiling the results, we assigned the following weightings:

Ranking of most troubling area	Weighting
1	3
2	2
3	1

Based on these weightings, document management came in slightly ahead of CRM as the most troublesome area, but in the overall tally (most votes in #1, 2 or 3 ranking) CRM was slightly ahead of document management.

We also asked respondents to identify their biggest unresolved problems in each area they ranked as the most problematic, and the following themes were evident:

Document management

1. The paper explosion – vast amounts of paperwork required by custodians and regulatory bodies
2. Having a process that mirrors the firm’s prospect-to-client transition needs, including input to ancillary systems
3. Having the trained staff – and enough staff -- to organize the vast amount and types of documents, and then get it into a paperless system
4. Differing formats and documents required by both regulatory agencies and custodians
5. Perceived cost of imaging equipment and software



When asked “What system, service or tool do you currently use?” no dominant vendor was found. With “none” as the most frequent answer, others were:

Pershing's online document retention
TD Ameritrade's Veo website
Xerox Docucenter
Thomson One
Advisor Compass
LaserFiche
DocuXplorer
Laser App
docSTAR
WORLDOX
Junxure with Portfolio Center
Advent AXYS and APX.

When asked “If you have an opinion, who is the best vendor in this category?” the most cited products included LaserFiche, docSTAR, WORLDOX and DocuXplorer.

Customer Relationship Management (CRM)

1. The biggest frustration is the lack of integration with other systems – portfolio management, document management, planning, custody and *especially* email systems.
2. Lack of “user friendliness”, most typically defined as the CRM not being tailored for a wealth management-type business
3. Many responses indicate that *process* and *incentives* around the use of CRM systems is a big problem – managing work flow of tasks/research/projects, knowing when and how to update information, how to best use to communicate with clients and prospects and motivating everyone to use it

When asked “What system, service or tool do you currently use?” ACT! and Junxure were the CRM systems most named – but the number one response by far was Microsoft Outlook. This illustrates both the opportunity and the challenge for CRM vendors: a significant number of advisors are not using a *CRM*, but the importance of what Outlook offers as a *foundation* for CRM usage – full contact information, calendars and reminders, tasks and notes – is critical to their decision to buy and use these.

Asked “If you have an opinion, who is the best vendor in this category?” the most common responses were “don't know” or “no idea”. Junxure and Salesforce.com



got the most nods, but clearly CRM vendors have not articulated and conveyed their value and differentiators to the advisor market.

Portfolio management (defined as managing transactions and holdings; general reporting including performance, etc.)

1. Lack of good trading tools, with rebalancing and the inclusion of outside assets being a huge obstacle
2. Efficient rebalancing (at a reasonable cost), that considers all relevant factors (tax impacts, transaction cost as a percentage of trade amount, short-term redemption fee exposure for mutual funds subject to such fees, etc.)
3. Differing portfolio accounting methods among custodians and the lack of automated or well-working aggregation and reconciliation functions. This was also cited by those demanding, and not finding, systems that smoothly interface for straight-through-processing.
4. Reporting flexibility and customization, and the inability to seamlessly include data from other custodians, with most complaints centered on performance reporting.

Points 1, 3 and 4 reflect many concerns expressed in the fourth most troubling area – account aggregation and reporting.

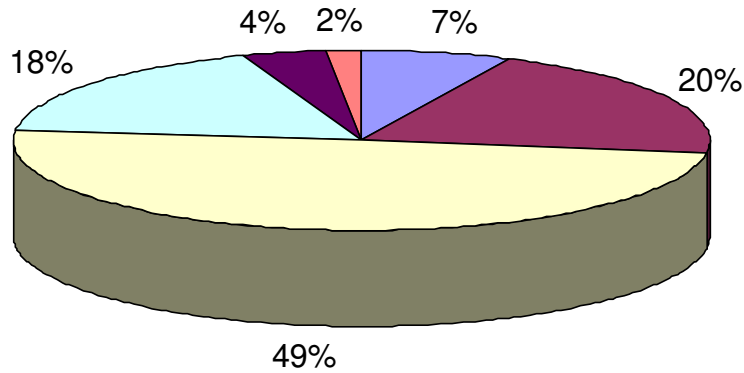
The portfolio management system used the most was Advent, by far (primarily AXYS, but some APX users and one Geneva responded). Again illustrating the marketing challenge faced by vendors, the second most-used “system” is Excel spreadsheets, with Schwab’s Portfolio Center coming in third. Fidelity was a distant fourth. Advent’s dominance in this arena is reaffirmed in the answer to “who’s the best”, as AXYS was cited by 31% of those responding with Schwab’s Portfolio Center a distant second at 5%. The news for Advent was not all good – several comments indicated undefined dissatisfaction with the quality of Advent’s offerings.

Custodian support in ops and tech

In each of the three most problematic areas selected, respondents were asked several questions about their custodian. The five most-cited custodians were 1) Fidelity, 2) Schwab 3) Ameritrade 4) Pershing and 5) Merrill Lynch.

When asked “In general, how would you rate the Ops & Tech support and systems you get from your custodian?” custodians received generally high marks, 27% saying “excellent” or “very good”, 49% saying “good” and only 6% saying “very poor” or “terrible”:

How would you rate the Ops & Tech support and systems you get from your custodian?



■ Excellent
 ■ Very Good
 ■ Good
 ■ Poor
 ■ Very Poor
 ■ Terrible

Respondents were asked if their custodian supported them for all of their top 3 ops and tech needs. For the top 5 custodians, the answers were:

	No	Yes	d/n
Fidelity	40%	32%	27%
Schwab	49%	35%	16%
Ameritrade	57%	25%	18%
Pershing	48%	35%	17%
Merrill Lynch *	0%	88%	13%

* Only Merrill Lynch advisors cited the firm as their custodian.

Operations and technology concerns vs. others

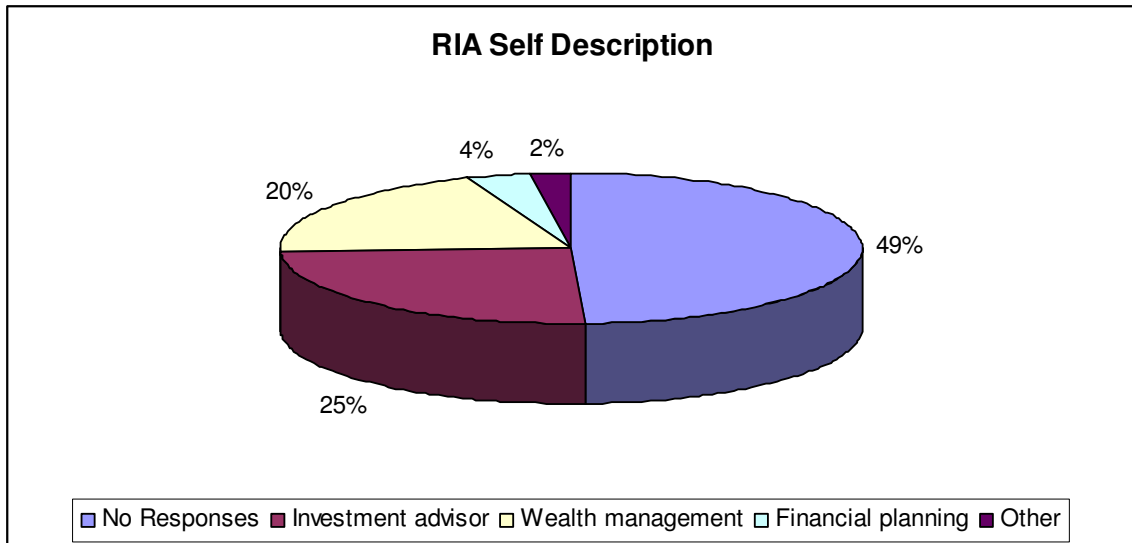
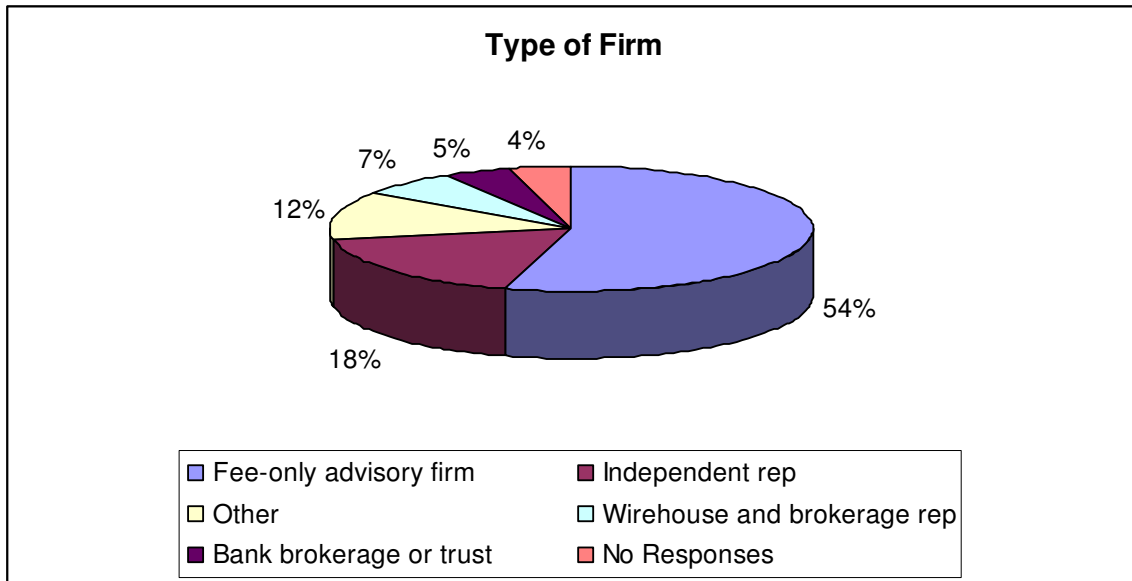
But how does ops and tech rank against other areas crucial to being a successful wealth management firm? Respondents were asked to rank-order seven areas crucial to the success of an investment advisory business. New business development was the runaway leading concern, with ops and tech coming in second:

1. New business development
2. *Operations and technology, and its effective deployment*
3. Managing firm growth
4. Product and service development and differentiation
5. Marketing (positioning, public relations, collateral, website, etc.)

6. Human resources
7. Building transferable value (valuation, succession planning, M&A)

Respondent breakdown

A total of 322 individuals, representing 315 firms, responded. Over half of the responses came from fee-only RIAs. Of those, 45% classify themselves either *investment advisors* or *wealth managers*.





The average and median assets under management, number of accounts managed and number of employees is as follows:

	Asset Size (in millions)	# of Accounts	Personnel
Median	\$ 200	256	7

Summary

These results show that both vendors and custodians face substantial challenges to adequately serve investment advisors and their operations and technology needs. These challenges are both technological and marketing driven. The lack of system interoperability is the root cause of much operational pain for wealth managers. An interesting issue for further research is why this problem is so dominant, given that “straight-through-processing” and general system interoperability are problems that have been largely solved for institutional investment managers.

Clearly, the top concern of advisors is the lack of seamless system integration and communication. With 61% of the (weighted) answers citing CRM, document management, portfolio management and account aggregation as the top problems -- and approximately 40% of the comments about these four areas citing interoperability as the main frustration – vendors have a golden opportunity if they can figure out how to work together.

On the marketing side, vendors and custodians can increase their success – and better serve the market – by improving their own communication. The large number of “don’t know” (18% regarding custodian’s offering a solution for their number one need) and other qualitative responses indicate that a vast number of prospects are left to guess what vendors and custodians really can do for them.

Please note

A more detailed report, including summary findings about the additional seven operations/systems areas and interviews with respondents, will be available soon. Please go to www.AdvisorsTrustedAdvisor.com for more information.

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