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Using technology to improve the performance of relationship managers in private client wealth management and private banking

Since the decline in stockmarkets during 2001 and 2002, many PCAMs have been hit by a decline in AUM and new business and hence revenues. Some notable players have retrenched or cancelled purely online propositions and have refocused on relationship-based business models. The emphasis is now on cost reduction, and maintenance of the existing franchise of clients

The cost of relationship management has become a major issue both because good relationship managers are expensive and because PCAMs perceive they have many lower scale portfolios which do warrant the “full service”. The instinctive response is therefore to “segment” the clients based on portfolio size and to increase the client/RM ratio, thereby reducing servicing costs.

Although this may be part of the answer, in this article we argue that it could have damaging effects if it is the sole thrust of the sales strategy. New information technologies and behaviours are also required to ensure an effective approach.

On the face of it changing the client/RM ratio looks sensible - one client recently aimed to halve the number of RMs in order to double the RM contribution. But such a move can have a damaging effect on the business, by leaving portfolios unmanaged and potentially wealthy clients with small portfolios with their money elsewhere.

How can PCAMs avoid these risks? In the rest of this article I set out briefly how the use of information technology coupled with a thorough approach to salesforce management can be used to improve RM performance and business performance.

There are three parts to this process:

- Automate key processes to free RMs for relationship management
- Direct RMs to opportunities through improved management information and process
- Lever RM's capabilities through better resources at point of service/sale

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Automating key processes

In many of our clients, RMs spend time doing things which typically are not strictly 'relationship management' – and they do these things less efficiently and less well than alternative processes. This can be because a PCAM's business model is in transition from advisory to discretionary and so involves creating new processes, or because a PCAM is not fully automated, leading to duplication of effort or manually intensive tasks for the RM .

For example:

- **Portfolio Management.** Large numbers of discretionary portfolios can be managed using decision-support tools to support modelling and automatic re-balancing of portfolios against complex and tailored asset allocation, trading and instrument strategies.
- **Administration.** No touch processes for information management and productivity tools greatly reduce the time spent on compiling ad-hoc materials and chasing errors and exceptions.
- **Client Reporting.** A structured approach to compiling performance, trading and research materials can lead to the provision of custom-designed, on demand information to clients through whatever channel is required, greatly reducing the RM involvement in shoring up defunct processes and freeing time for value-added ones.

In our experience, RMs can free up around 30% more client-facing time through these processes.

(See Exhibit 1)

Directing RMs to opportunities

The next priority is to determine which relationships must be prioritised. Different tactics are required for new and existing clients – the knee jerk reaction may be to attempt to get more from existing clients, but this is difficult in today's market, and it is likely to be more productive to tap into sources of new clients.

For New Clients....

For new clients the information management tools must address the need to identify and actively manage relationships with people who can make referrals. In some asset gathering models, there can be up to four 'layers' of relationship to manage, including introducer firms, introducers/advisers, the RM and the clients themselves. There are three parts to this process:

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- **Identifying sales opportunities.** It is crucial to understand which players are providing new clients or assets, and how they can be managed. Throughout the sales chain the PCAM required information on the firms of influencers, the adviser, appointed reps and the RMs who are generating business. Beyond this, PCAMs need information on what the relationship could produce if managed properly
Not only do RMs need to 'get on introducer's lists', they also need to become a favoured supplier – frequently 80% of individual's or firm's referrals go to just two or three suppliers.
- **Sales targeting and tracking.** The sales management system must be able to track performance over time so that RMs can be targeted and rewarded for making it happen. Frequently RMs "satisfice" on their earnings, and only draw in new advisers on clients when existing ones move on.
- **Pipeline management.** The opportunity management process should lead directly to a diary system in order to drive opportunities and to ensure that contacts are expanded and actively developed.

In practice, what is required is an operational 'CRM' system which is adapted to handling these layers of nested relationships, linked to a diary management system and sales targeting and reward system.

This can all be provided on the RM laptops., and all necessary information would be synchronised with the latest sales, product and client information, appointments, and objectives when the RM logs on.

For Existing Clients....

The crucial information management needs are around identifying additional opportunities with existing clients. One recent client commented that they only had good information on 10% of their clients – if it is not collected at the outset, they are often too embarrassed to do so retrospectively. The critical issue here is not how the data is stored but whether it is effectively collected.

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The potential upside in this area is enormous. The difference between top producers and average producers can be a factor of 5, how far you are able to improve the average by better direction and targeting depends on how well you can design insight into the system and develop RM's behaviours.

Levering RM's capabilities at point of sale and service

Better use of information at point of sale or at point of service can enhance RMs ability to influence a client, or an introducer. Improved content management is the key process coupled with reporting and research systems which are able to

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respond to on-demand delivery of information to individual clients and their families. This could cover:

- **Needs diagnosis.** Needs assessments can be carried out online with the client based on prompts from the RM's laptop. Statutory requirements can be fulfilled based on these auto prompts. Comprehensive information can be captured and any explanations required by the client can be easily accessed.
- **Education.** Educational resources can be made available online or sent to clients and their families, driven by a menu created for each client
- **Planning tools.** A range of management and planning tools are available for clients to use to assist with financial management and aggregation.
- **Up to date news and status information.** RMs can be provided with up to the minute information on HNW clients and their various business interests through the use of content management systems and their appropriate feeds.
- **Family perspective.** Increasingly, wealthy families and their advisers are demanding a family perspective on their affairs. This could mean a consolidated report for all members of a family, but can evolve into structured reporting by seniority, and by type of adviser involved

All this can be provided via a blend of tailored paper reports and electronic devices, whether this is the client's PC, the RM laptop or, in some cases, the next generation of hand held PDAs.

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In most of the processes mentioned, there are package solutions which can be used to deliver the functionality required, although some adaptation will be required.

(See Exhibit 2)

The challenge is to identify a sales strategy that makes sense and delivers a positive ROI, and to select applications that are suited to the scale of the institution and the extent of the cultural change that will be required.

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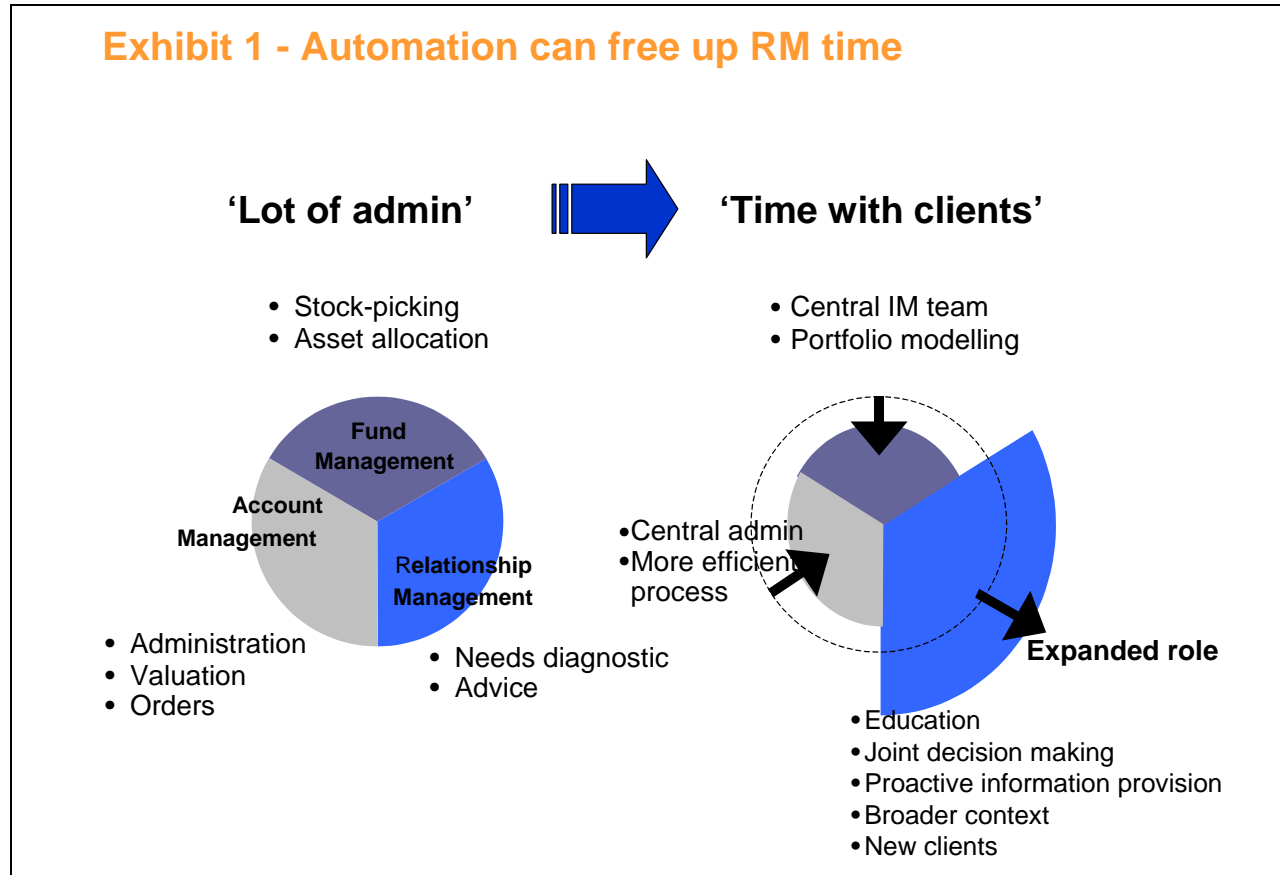
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Exhibit 1 - Automation can free up RM time



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Exhibit 2 - Applications are readily available, with modification and integration

