



## **Big Wealth Firms Weak on Client Trust: Study**

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More than half of affluent investors lack trust and confidence in their financial advisors at banks and brokerages, signaling future problems for attempts by these companies to retain clients or grow assets under management. The "Building Client Advocacy: New Opportunities for Wealth Management Firms" report released today by [IBM](#) Global Business Services of New York is based on a survey of 1,300 investors with \$500,000 or more in investable assets.

The report reveals cracks in the basic service model of a sector inundated by competitors, stressing how large firms that offer a breadth of products and services can't expect those offerings to compensate for a high-quality client service experience. To link to the study, [click here](#).

"You've got so many entrants vying for business, but they really have not connected with the clients," says Brian Lincoln, associate partner for financial markets in the IBM business consulting division. Despite broad efforts by these large companies to invest in staff and resources, particularly on the "front lines," the current models have had limited success because they are not grounded in high-touch service.

He says that lack of personal connection has a direct impact on "wallet share" of existing clients, the ability to tap new assets from them, and the ability to keep them from moving their money elsewhere. "There is a lot of money left on the table," he adds.

The findings ring true because large brokerages and banks do little to equip advisors with "soft skills" of listening to clients, collaborating with them on personalized strategies, and offering education or other extra services they might want, says Beverly Flaxington, principal at the [Collaborative](#), a business development consultant in Medfield, Mass. "There is a lot of effort at the front end to woo clients, but then there is not as much work put to the client experience element," she says. "This is the chronic problem in our industry. Clients want to feel like this is a personal experience, but so many advisors are doing poorly with the communication aspect."

IBM's Lincoln says that large companies might balk at spending \$5 million on an advisor training effort to improve the personal skills that clients would value. But he says they could be forfeiting tens of billions in assets that might come over if the pool of clients that were unenthusiastic about their advisor relationship instead joined the group of clients who have a deep allegiance to their advisors and value them as a trusted professional.

The IBM study based its ratings on responses to three questions: whether investors would recommend their advisors to friends and family; whether they would go to their advisors for a new financial service or product; and whether they would switch firms if a competitor offered an attractive option. It used those responses, as well as data from 38 questions overall, to create a customer loyalty quotient, and then segmented the respondents into three categories: clients who

felt strong bonds with their advisors; clients who harbored antipathy toward their wealth professionals; and clients who were ambivalent. The responses were relatively uniform at all income levels, says Lincoln, who authored the study with Robert Heffernan, another IBM associate partner.

A critical discovery from this segmenting effort was that clients with the strongest bond to their advisors also were least likely to remove their money and most likely to invest a high share of their assets. "This presents an enormous opportunity for progressive firms to make significant competitive strides," the study states.

Among the elements lacking in the weaker advisor relationships was a "staff dialogue" with the client. Only 39% of respondents who had an ambivalent attitude toward their advisors – labeled as "apathetics" in the study – said their advisors understood their needs, and only 36% of them said their advisors offered the best financial advice. In that same group, less than 32% of the "apathetics" said the advisor's team worked effectively on their behalf.

The report explains that having a broad product menu doesn't win client favor by itself, because in many cases investors want a discussion about which products best serve their needs. The respondents who described having the strongest bonds to their advisor reported that they receive customized attention and education about products. Lincoln says that generally the products that require a heavy advisory element are conducive to strengthening the client-advisor bond, including sophisticated products such as alternatives.

The study recommends that banks, brokerages, and other large providers convert their operations to a "customer-focused enterprise" model that strengthens the "staff dialogue" with clients, integrates the analysis of detailed client satisfaction data into business decisions, and retools operating models to spread and strengthen client service expertise.