Managing the Client Lifecycle

May 2021

Prepared by Compeer Limited working in partnership with Wealth Dynamix

Contents

Compeer, an independent research firm, worked in partnership with Wealth Dynamix to review how front office professionals currently manage the client lifecycle within the UK wealth management industry and where improvements can be made, with the aid of technology. For the research, Investment Managers, Portfolio Managers and Relationship Managers across the industry completed an online questionnaire, with the results outlined in this report.

An Introduction to our research partner, Wealth Dynamix

As a leading provider of intelligent Client Lifecycle Management (CLM) solutions for the wealth management industry, Wealth Dynamix digitises and orchestrates the entire client lifecycle: from client acquisition and onboarding through to ongoing relationship management and client servicing.

All Wealth Dynamix clients want a best-in-class CLM platform that streamlines the end-to-end client journey, helps achieve AuM growth and ensures compliance, but we recognise that no two clients are the same. Some want to adopt their CLM solution quickly, out-of-the box with no bespoke customisation; others need an adaptable solution that can be tailored to individual requirements and integrated with complex pre-existing IT infrastructures.

Wealth Dynamix offers two CLM options to meet specific client requirements:

- WDX1 is a robust, adaptable CLM solution best suited to large private banks and the wealth and asset management divisions of global financial institutions.

With three fully-configurable best practice modules (Engage, Onboard, Manage), which are underpinned by Microsoft Dynamics 365 and can be deployed standalone or combined, on-premise or in the cloud, WDX1 can be customised to meet complex requirements, at enterprise-wide scale. WDX1 allows wealth managers to nurture profitable client relationships, eliminate administration time, ensure regulatory compliance and cut operating costs to optimise cost-to-income ratio.

- CLMi is a cost-effective, cloud-based CLM SaaS platform that is ideally suited to mid-size discretionary fund and investment managers wanting out-of-the-box ease-of-use, rapid deployment and hassle-free maintenance.

CLMi's intuitive and insightful dashboard is a tool that advisors want to use, every day. A mobile-first solution, CLMi provides a 360-degree view of each client relationship and client book, spanning the full client lifecycle – from initial engagement and onboarding through to ongoing relationship management. Tasks can be filtered and prioritised according to the individual goals of each advisor, whether they be revenue growth or client service. Pre-configured integrations with best-in-class systems ensure speedy adoption and seamless connectivity. Regular, automated updates ensure you are always using the latest technology, and the latest release.

Both WDX1 and CLMi are powered by an intelligent, rules-based process engine that eliminates manual administration, ensures timely recommendations and compliance, accelerates client service and optimises cost-to-income ratio.

Front office professionals enjoy client engagement and want more of it. However, they are burdened by administrative tasks and regulation.

Despite market conditions, many still have growth targets of close to 10%, with a large group with targets of 11-25% over the next 12 months.

Referrals remain the most important source of new business, followed by introductions by intermediaries. However, it is projected that social media will be used at an increasing rate in the coming years.

Although many will consider future potential when approaching a prospective client, it is still likely they will need to meet a minimum investment threshold before signing up with the firm.

There is huge demand for the return of face to face meetings. Although virtual meetings are useful, they are far harder to build rapport and trust with the client.

Onboarding often takes more than one working week and is dominated by manual processes.

The delay in onboarding can cause clients to drop off. Price is also a major factor for clients opting to use an alternative provider.

Too much time is spent by front office professionals on internal meetings and compliance. They wish for this time to be replaced by face to face meetings and sourcing new clients.

Client engagement is preferred to be face to face (physical meetings), at least on a six monthly basis and often certain clients will be prioritised (either by wealth or due to the demand from certain clients).

Many believe that much time can be saved in the generation of reports.

Lower than expected uptake of CLM or CRM systems with below par satisfaction levels for those currently being used.
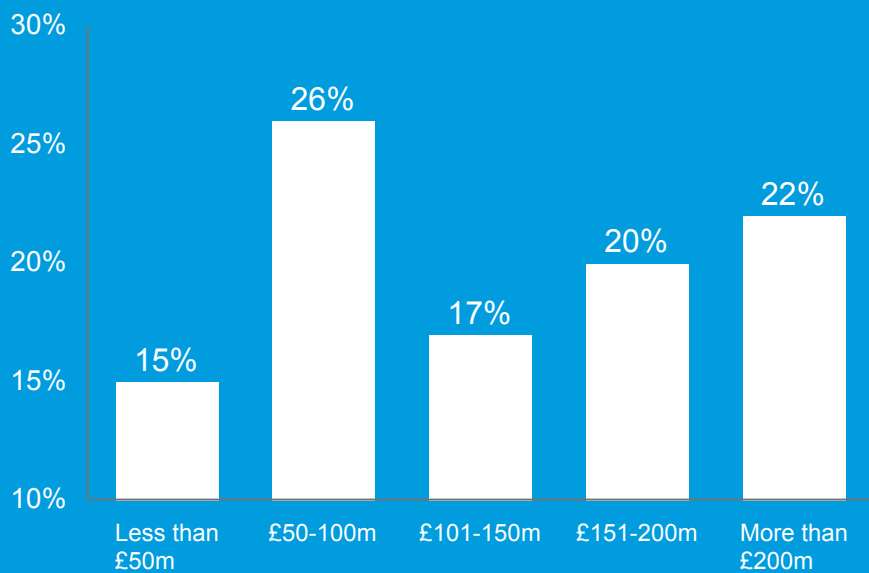
Lack of a good CLM or CRM system is inhibiting productivity. Too many cannot provide a single client view (covering the whole lifecycle of the client) and very few can be accessed via a mobile device or tablet (despite demand from front office professionals). Current systems are outdated, inflexible and are hard to navigate.

Profile of the survey participants

Below are some statistics profiling the front office professionals that responded to the survey. These individuals currently manage over £7bn of private client assets, with representations from firms of various sizes. The key target market is High Net Worth individuals, with almost all clients based in the UK.
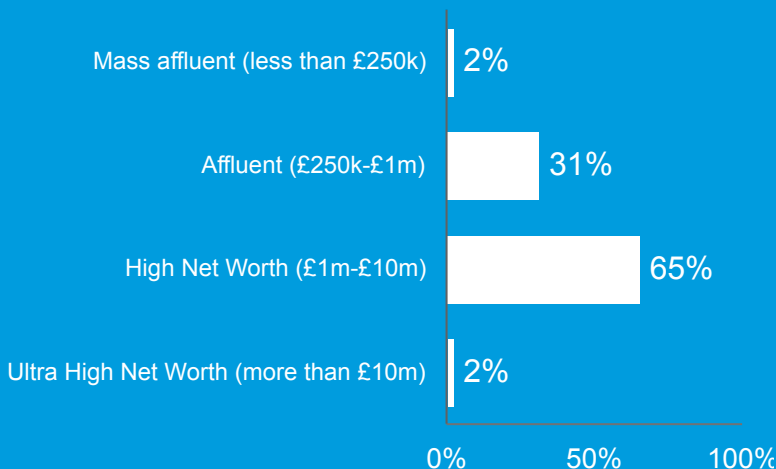
AuM of the firms they work for

■ Less than £1bn	9%
■ £1bn - £5bn	26%
■ £5bn - £10bn	20%
□ £10bn - £20bn	13%
□ More than £20bn	31%
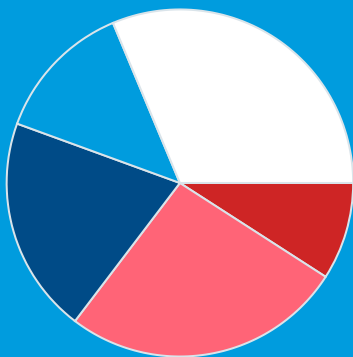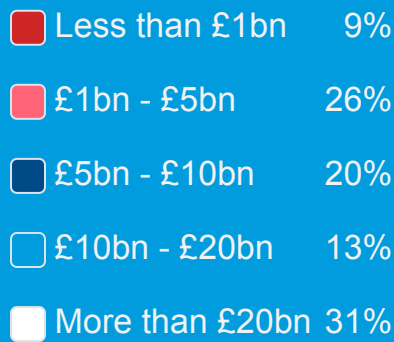
Size of the client books they, individually, are responsible for

Less than £50m	15%
£50-100m	26%
£101-150m	17%
£151-200m	20%
More than £200m	22%

Proportion of clients based outside of the UK

■ More than 75%	2%
■ 51-75%	2%
■ 26-50%	0%
□ 10-25%	6%
□ Less than 10%	90%

Their key target market

Mass affluent (less than £250k)	2%
Affluent (£250k-£1m)	31%
High Net Worth (£1m-£10m)	65%
Ultra High Net Worth (more than £10m)	2%
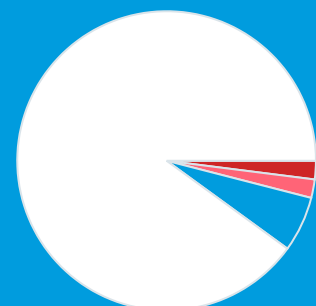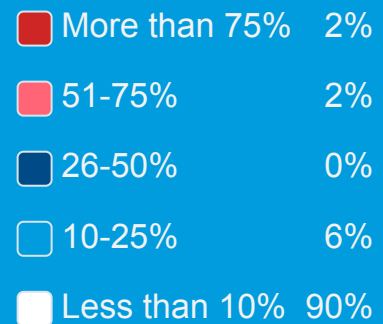
To provide more background to the front office professionals and their day to day working lives, they were each asked to outline what they enjoy most and least about their jobs.

MOST enjoyable aspects of the job

Client interaction

Getting investment decisions right

Variety

Finding new clients

Helping clients with their financial objectives / affairs

Observing the markets

Ongoing challenge of managing money

Meeting interesting people

Exceeding client expectations

Growing my book

LEAST enjoyable aspects of the job

Administration

Compliance / Regulations

Not enough thinking time

Barriers to new business

Form-filling

Stress of having to win new business

Increasing focus on short-term rather than long-term returns

Poor systems

Bureaucracy

Unresponsive clients

Client engagement and meeting their needs is a vital part of the role, and clearly one that brings much satisfaction to the front office professionals. However, regulations and administration requirements cause much frustration, and some feel burdened by the systems they have access to.

We saw on the previous page that growing a client book and sourcing new clients, is often an enjoyable aspect of a front office professional's role. However, with the targets set and administrative requirements, it can often be a cause of stress.

We therefore, first, wanted to understand the targets that were being set for these individuals, to gauge the level of pressure they are under from their businesses, in what is a highly competitive market and difficult market conditions given the COVID-19 pandemic.

Target levels of growth in AuM from both new and existing clients in the next 12 months

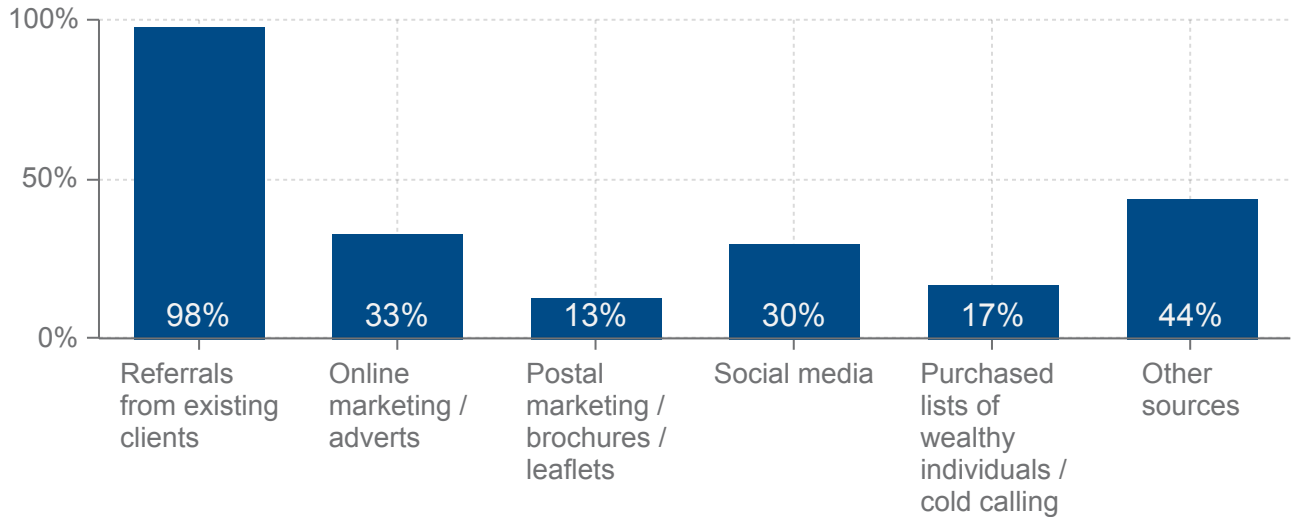| Growth target	ALL	Client book of less than £150m	Client book of more than £150m	Firm of up to £10bn AuM	Firm of more than £10bn AuM
0-10%	54%	55%	52%	50%	58%
11-25%	35%	26%	48%	43%	25%
26-50%	6%	10%	0%	0%	13%
More than 50%	6%	10%	0%	7%	4%

Given the highly volatile markets, substantial change in working conditions and continued concerns linked to the pandemic, any growth is commendable. Therefore many firms have taken a realistic approach to targets, setting them at 10% or less.

However, the industry has performed very well throughout the past year and some are looking to expand on this, with targets of 11-25% also popular, especially among the front office professionals that already have substantial client books.

Naturally there is more pressure on percentage growth for those with smaller client books, with 1 in 10 expected to achieve growth in excess of 50%, among those with less than £150m of client assets on their books.

The industry remains optimistic regarding its growth prospects and so sourcing these new clients remains a vital part of a front office professional's role.

Which of the following do you use as a source for new business?

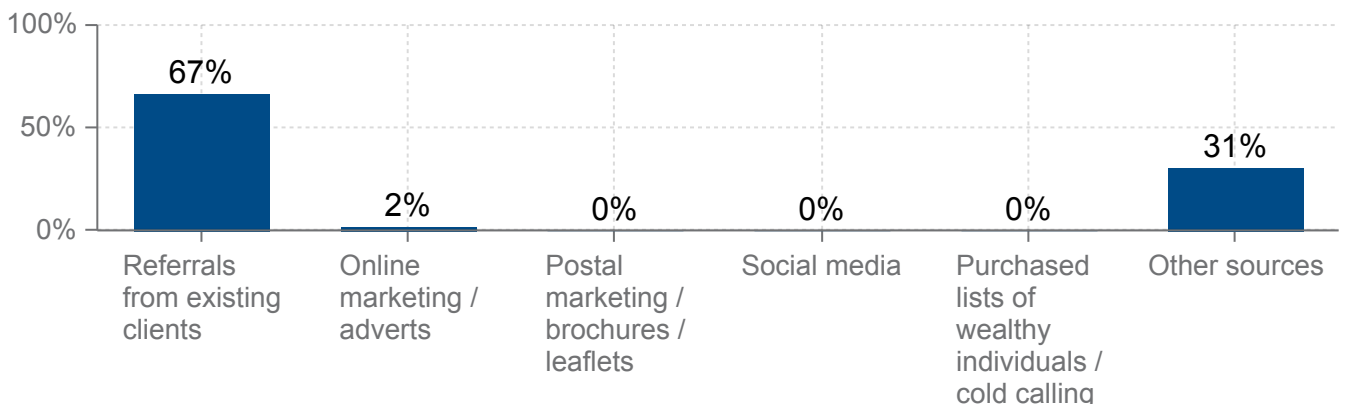| Source	Value
Referrals from existing clients	98%
Online marketing / adverts	33%
Postal marketing / brochures / leaflets	13%
Social media	30%
Purchased lists of wealthy individuals / cold calling	17%
Other sources	44%

In almost all cases, referrals from existing clients remain a source, and often the most important source, of new clients. It therefore shows the extreme importance of maintaining a high level of client service to encourage more of these referrals.

The second most common source of new business, was 'other sources', which most commonly referred to receiving business from introducers such as IFAs and Financial Planners.

In recent years we have seen more firms turn to social media, and so although it is uncommon to use it to engage with existing clients, for 1 in 3 it is a useful tool for finding new clients. This has displaced the traditional technique of sending printed copy to prospective clients. Also, further growth is expected in the use of social media, with 87% believing over the next 3 years it will be used more than it currently is as a source of new business.
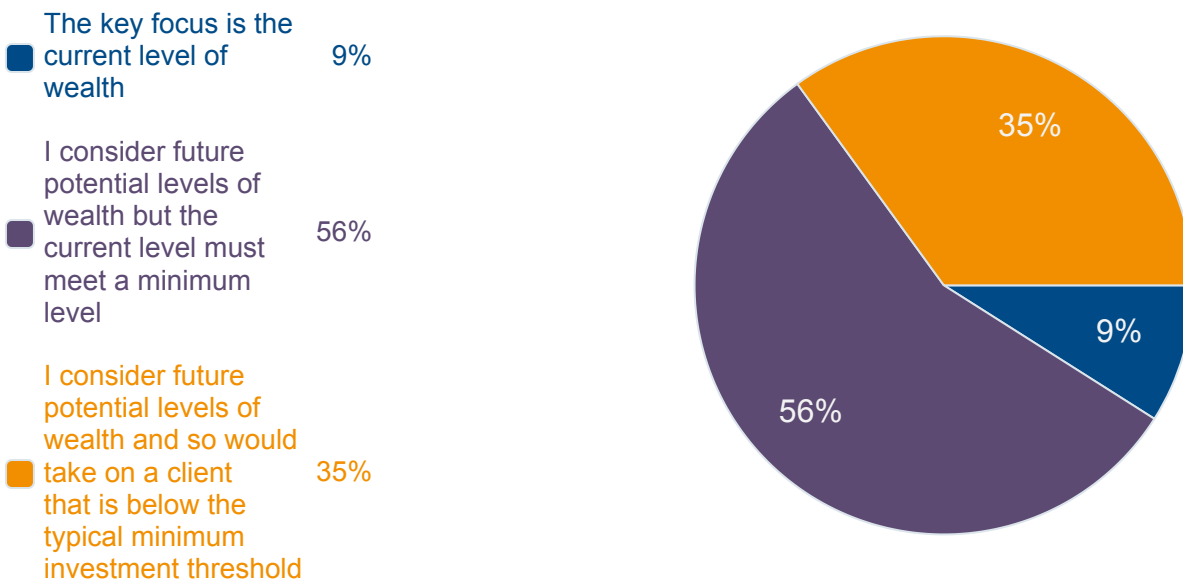
Which of these sources of new business is most important?

Source	Value
Referrals from existing clients	67%
Online marketing / adverts	2%
Postal marketing / brochures / leaflets	0%
Social media	0%
Purchased lists of wealthy individuals / cold calling	0%
Other sources	31%

High Net Worth individuals with over £1m are the key target market for many firms and front office professionals. However, it is possible that they will take on clients below this level if they see potential in them to become High Net Worth in the future.

91% of front office professionals consider potential growth in wealth, with a third willing to take on a client even if they are below their typical minimum investment threshold.

When reviewing prospective clients, do you focus just on current wealth levels or do you consider future potential?

The key focus is the current level of wealth　9%

I consider future potential levels of wealth but the current level must meet a minimum level　56%

I consider future potential levels of wealth and so would take on a client that is below the typical minimum investment threshold　35%

35%

9%

56%

In the current environment, as the nation battles COVID-19, it has brought a significant change to working conditions and with it difficulties for front office professionals to acquire new clients.

The key difficulty is the lack of face to face meetings! Although virtual meetings help in some way, it is not possible to build the same level of rapport as you would if you could physically meet with a prospective client. Clients are more reluctant to commence a business relationship without meeting in person first and so there are concerns regarding trust.

The industry therefore faces a substantial conundrum of trying to continue to hit growth targets, when in the foreseeable future, face to face meetings will remain limited.

80% of front office professionals feel the **lack of face to face meetings** is the main difficulty they face when winning new business in the current environment
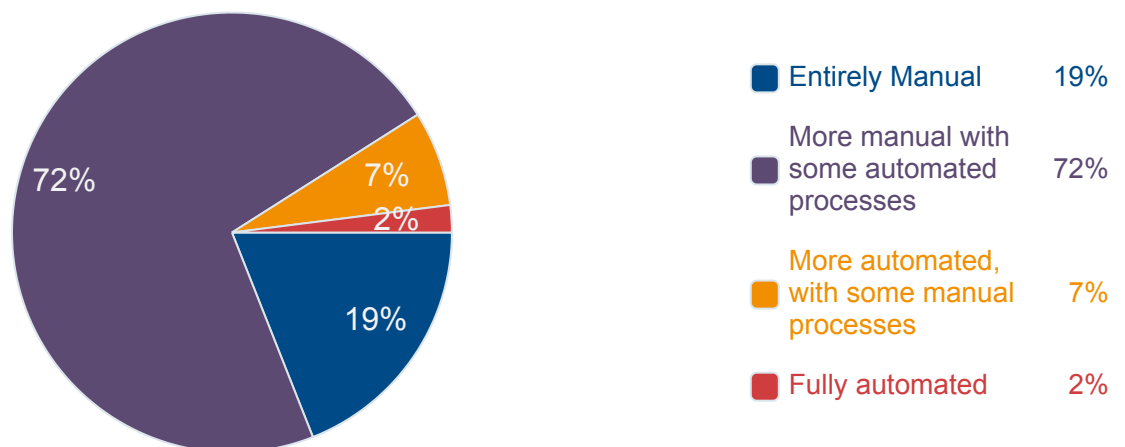
One of the major issues in the wealth sector is that although new clients can be sourced, the onboarding process can be laborious and slow - unlike other financial services industries when the onboarding can be close to instant. Often, the vast quantity of regulations is a cause for delay due to the increase in administrative steps.

How long does it take to onboard a new client?

- ■ Less than a day   4%
- ■ 1-2 days   11%
- ■ 3-4 days   17%
- ■ 5 or more days   69%

In the majority of cases it takes at least an entire working week to onboard a client, which is cause for concern and is likely to be behind the client's expectations. This is predominantly a result of too many manual processes in the process, adding the risk of human error and costing time. For example, only 2% of front office professionals believe their firm's onboarding process is entirely automated. In contrast, 19% believe it to be entirely manual!

How would you describe your current onboarding process?

- ■ Entirely Manual   19%
- ■ More manual with some automated processes   72%
- ■ More automated, with some manual processes   7%
- ■ Fully automated   2%

With the majority of stages during onboarding being manual, this also limits the amount of information that can be collected on behalf of clients. For example, 41% of front office professionals are unable to see the full history of the client, including details of how and when they first engaged with their firm, when they onboard clients.

When onboarding new clients, are you able to see the full history of the client, including details of how and when they first engaged with your firm?
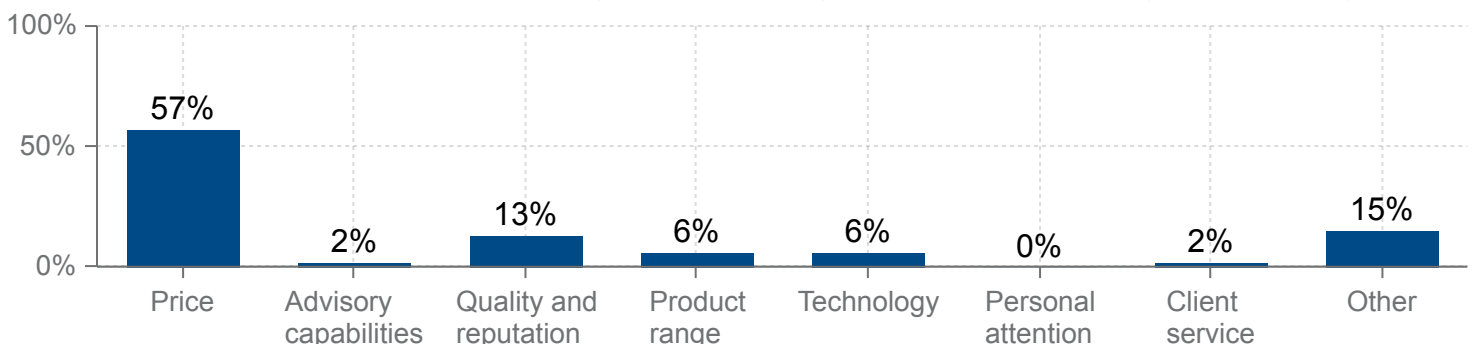
59% YES   41% NO
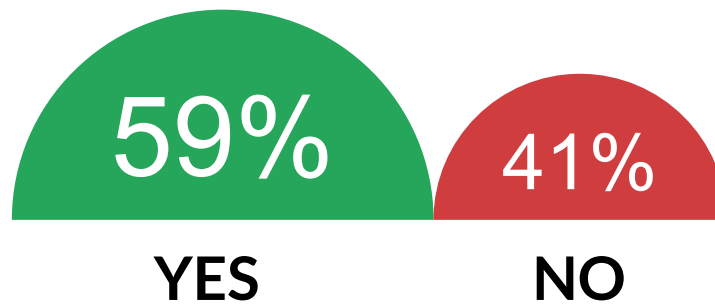
With the time delay, it also increases the chance that clients will be lost during onboarding. Below are the most frequent drop off points front office professionals mentioned during the onboarding process.

What is the most frequent drop-off point during the onboarding process?

Completing background information / risk questionnaires	Time between initial meeting as signing up as a client	Waiting for in specie transfers
Uploading details on to the system	Following the issuance of an engagement letter	Getting the final paperwork back from the client

Given the highly competitive nature of the wealth management industry there are a number of factors that could cause a client to pick an alternative provider (most commonly price). Therefore adding to these by having a manual onboarding process will be detrimental to firms.

What is the most popular reason clients give for choosing another wealth manager instead of your firm?

| Price	Advisory capabilities	Quality and reputation	Product range	Technology	Personal attention	Client service	Other
57%	2%	13%	6%	6%	0%	2%	15%

In this section we review the average working day of a front office professional based on time spent on certain activities. Then we asked how they would change this (i.e. which activities they would rather spend more or less time on).

In the current working environment, as we battle the pandemic, what proportion of your day is spent on each of the following areas?

(Average Values)

For each of the areas would you rather spend more or less time on them than you currently do?

Most common answers
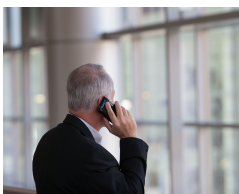
Telephone / email / other communication with existing clients

27% of working day

69% are happy with the time they spend

Internal meetings

21% of working day

56% want to spend less time on it

Compliance (KYC, onboarding, AML)

18% of working day

75% want to spend less time on it

Face to face communication with existing clients (including video calls)

16% of working day

69% want to spend more time on it

Prospecting new clients

11% of working day

77% want to spend more time on it

Training / skills

7% of working day

**56% are happy with the time they spend**

Front office professionals currently spend most time on communicating with existing clients (outside of meetings), which they are happy with. However, the remainder of their day should change -ideally they would spend less time in internal meetings and dealing with compliance matters, and more time on face to face meetings and prospecting new clients.

Clearly engaging with clients is a vital part of a front office professional's role. From the previous section we are also aware that they would like to spend more time on engaging with clients, in particular face to face meetings. In fact, as can be seen below, face to face interactions are their preferred engagement method with clients and they very much look forward to being able to have physical face to face meetings again.

In contrast, the front office professionals are entirely against engaging with existing clients through Live Chat, social media or mobile apps. These may be an add on feature, but no respondents selected either of them as their preferred method of communication.

What is your preferred method of communication / client engagement?
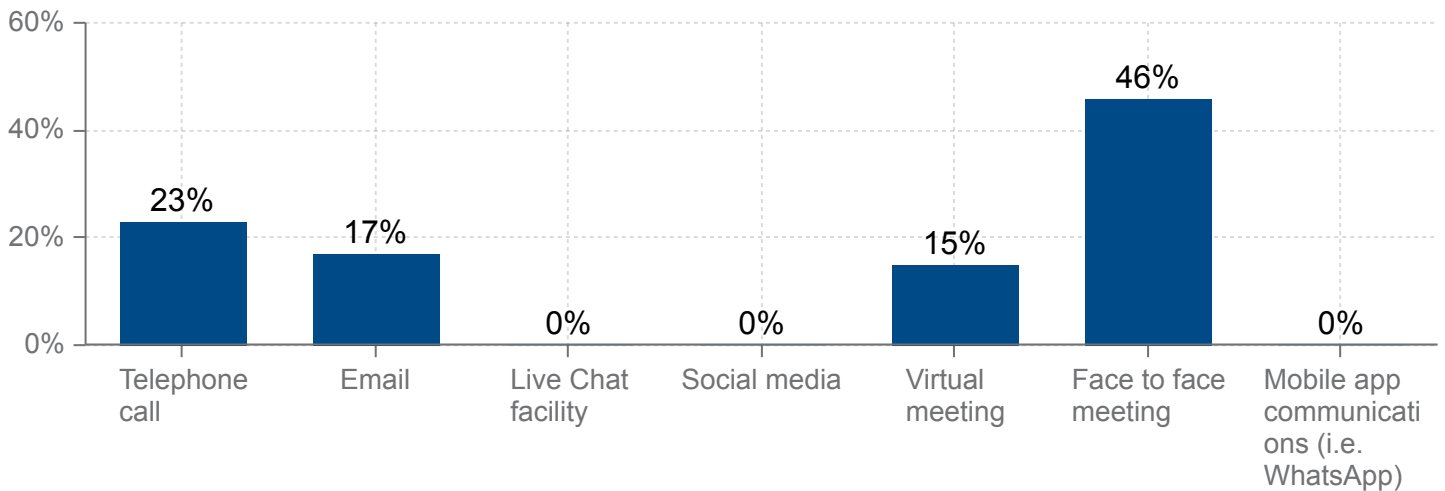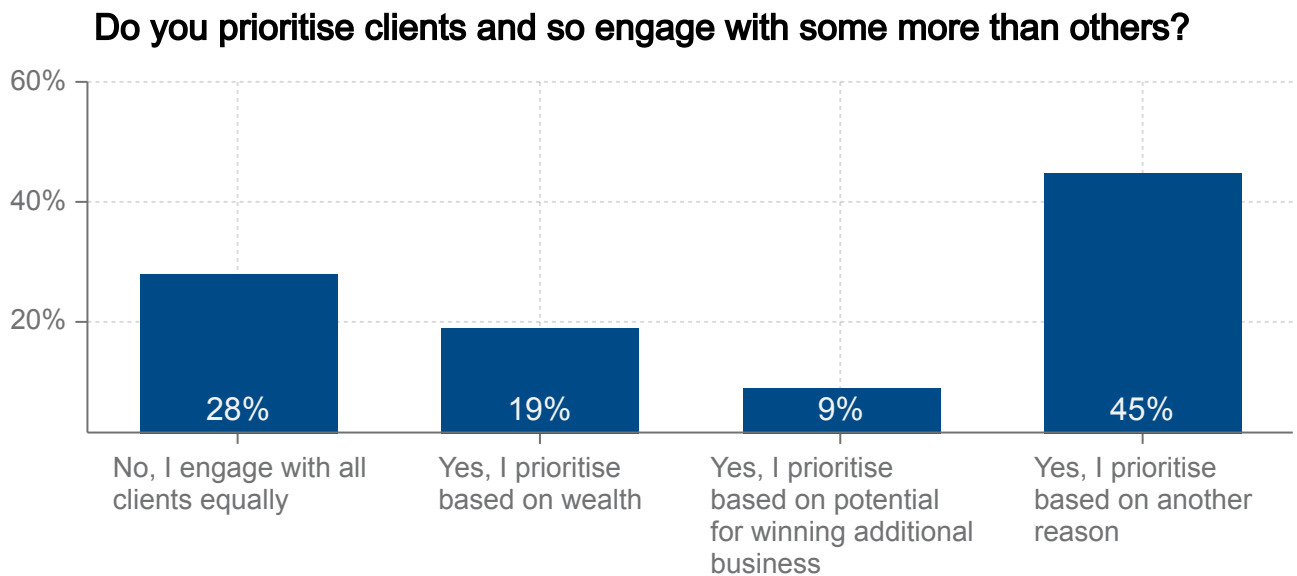

Frequent engagement is also important. In some cases this will be driven by the client, but firms should have a minimum engagement requirement for their front office staff. As it stands, most will look to contact all clients either quarterly or six monthly.

On average, how often do you engage / communicate with each of your clients?

■ Weekly	4%
■ Monthly	10%
■ Quarterly	44%
■ Six Monthly	40%
■ Yearly	2%
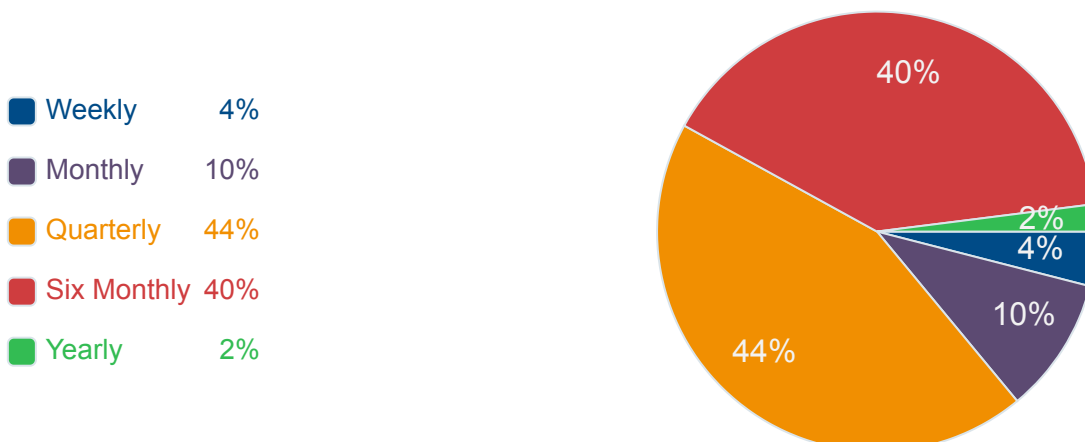
With high growth targets, the average number of clients per front office professional will rise. Therefore they may need to prioritise which clients they engage with more frequently. Currently 72% are already prioritising certain clients. Although 1 in 5 prioritise based on wealth, the most common response was to devote more time to clients based on their own demands and needs (covered by 'another' reasons in the chart below).

Do you prioritise clients and so engage with some more than others?

No, I engage with all clients equally	Yes, I prioritise based on wealth	Yes, I prioritise based on potential for winning additional business	Yes, I prioritise based on another reason
28%	19%	9%	45%

Client meetings are a key element of client engagement - something that front office professionals would like to do more of. However, they all require preparation time. Then there is the process of logging notes and finally generating reports for clients. All of these take time and therefore provide firms with an opportunity to improve productivity if they were to reduce these times. From the values below it the generation of reports that takes the longest and therefore should be an area for firms to focus.

For each of the following please outline approximately how long they take to complete

	Preparing for a client meeting	Writing up notes from a client meeting	Generation of reports
Average time	1.5 hours	1.3 hours	3.6 hours
Maximum Time	6 hours	4 hours	24 hours
Minimum Time	0.5 hours	0.5 hours	0.5 hours
Median Time	1 hour	1 hour	2 hours

Wealth management firms are starting to embrace technology and increasingly firms are purchasing a Client Lifecycle Management (CLM) or Client Relationship Management (CRM) system to assist their front office staff.

However, there is still some way to go until these become a given in a wealth management organisation. For example, of the front office professionals we spoke to, only 46% had access to a CLM or CRM system.

Do you have access to a Client Relationship Management (CRM) or Client Lifecycle Management (CLM) system?

46%
YES

54%
NO
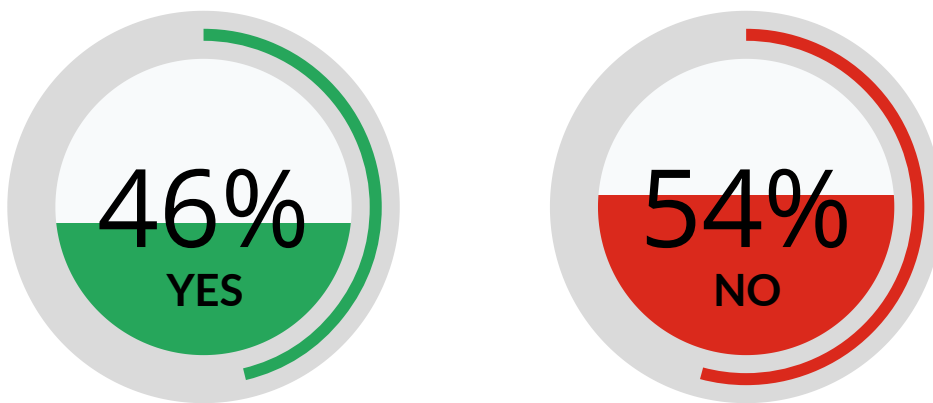
The question then needs to be posed - should more firms invest in these types of systems? Based on the views of the front office professionals, they are very much in favour of this with the majority stating that by not having one it is inhibiting the quality of services they can provide clients and as such will be restricting their growth opportunities.

Do you believe your lack of a CRM or CLM system restricts the level and quality of service you can provide clients?

73%

27%
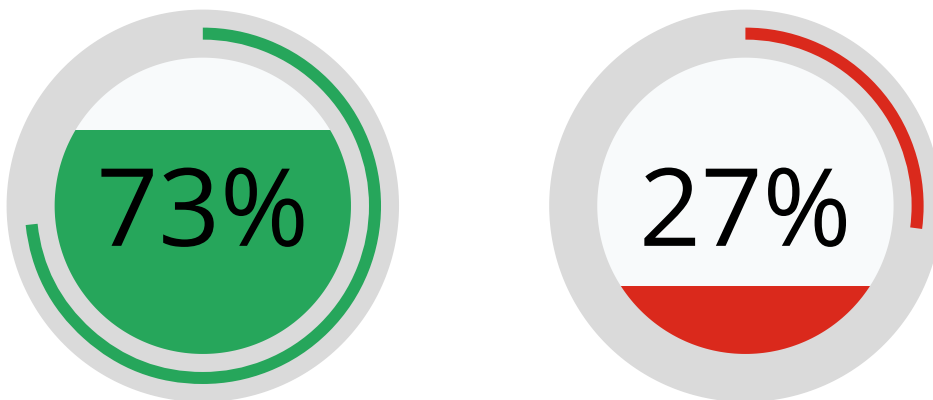
Yes, it restricts the quality of service I can provide

No, it has no impact on the quality of service I can provide

One reason why the number of firms using a CLM or CRM system is less than one may expect could be because of a lack of quality systems in this area.
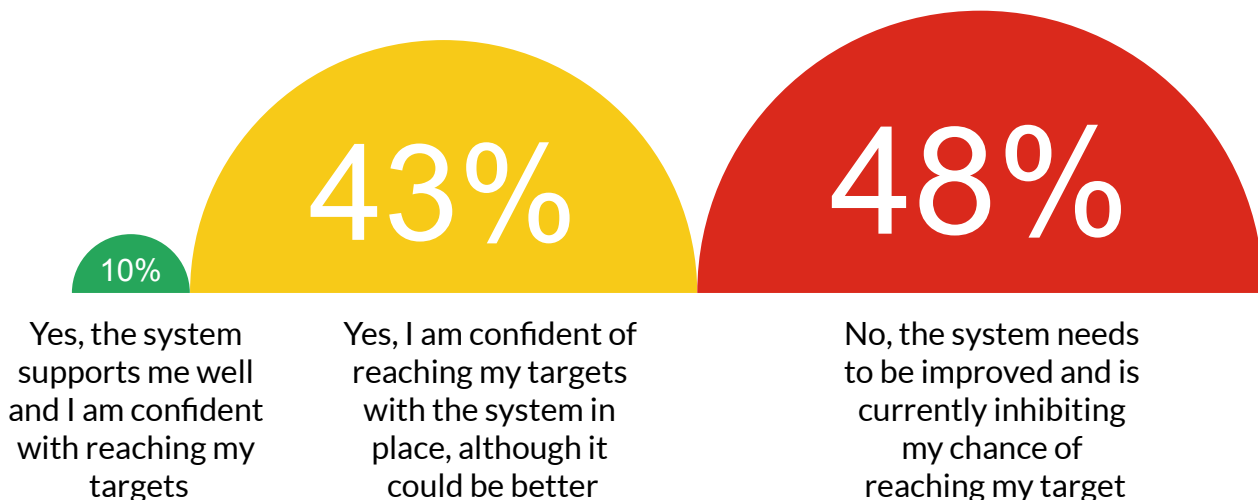
The evidence to suggest this is the case in the wealth management industry is just 10% of front office professionals who have access to a CLM or CRM system are satisfied with it (with no individuals being very satisfied).

How satisfied are you with your CRM or CLM system?

■ Very Satisfied	0%
■ Satisfied	10%
■ Neutral	48%
■ Dissatisfied	38%
■ Very Dissatisfied	5%

38%
5%
0%
10%
48%
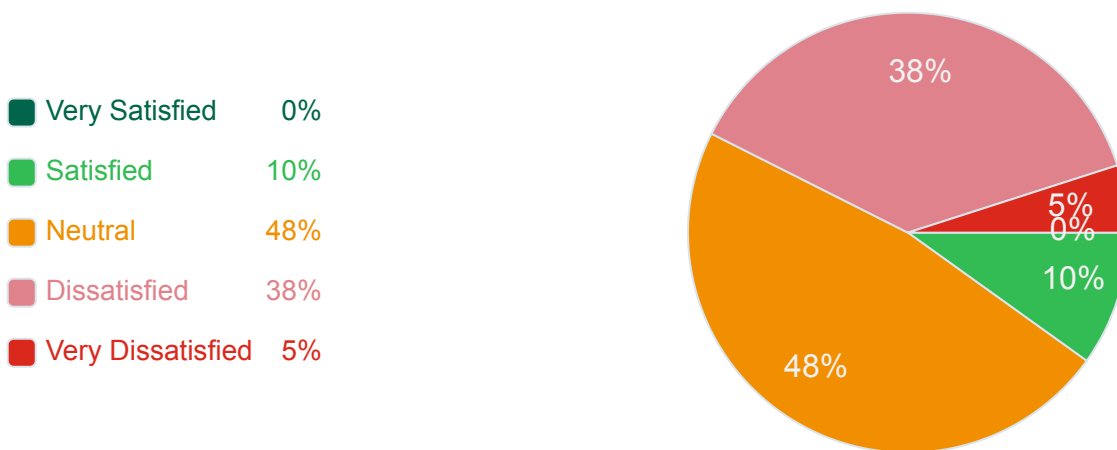
Satisfaction levels clearly could be improved. Issues with these systems need to be rectified soon, because a large proportion of front office professionals feel their current system is inhibiting their chances of reaching their growth targets. Also, the majority of individuals who are confident of reaching their target are relying more on their own abilities rather than the support they are getting from current systems, and so also want improvements in systems,

Do you believe your current system is good enough to meet your growth targets?

10%
43%
48%

Yes, the system supports me well and I am confident with reaching my targets

Yes, I am confident of reaching my targets with the system in place, although it could be better

No, the system needs to be improved and is currently inhibiting my chance of reaching my target

By providing front office staff with a single client view, with data gathered during acquisition, onboarding and ongoing client service activities, speed of access to client information should be fast within a CLM or CRM system. It is gives firms and staff the chance to monitor profitability on a client level as one can review the time spent on a client against the revenue generated from them.

This is an area that current CLM or CRM systems could be improved, with 38% of systems being used lacking a single client view.

Does your current system provide you with a single client view, with data gathered during acquisition, onboarding and ongoing client service activities?

62%
YES

38%
NO
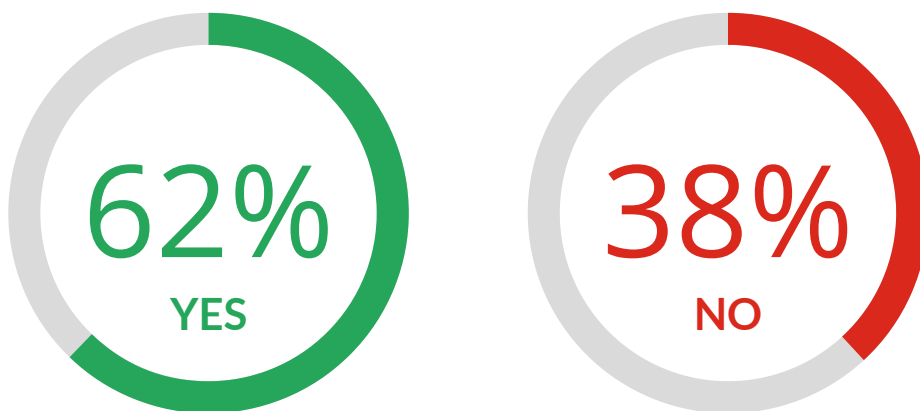
In a highly competitive market, there will also be competition for the top performing staff. Therefore there is the chance that staff will move to a competitor and as such another front office professional will be required to take on his or her clients and prospects (provided they do not move with them).

They will therefore be required to have instant access to this information on their systems, which as it stands is the case for 57% of firms. That means that, rather concerningly, 43% are not confident of accessing this information, therefore increasing the chance of client dissatisfaction and therefore withdrawals or missed opportunities with prospective clients.

If one of your colleagues were to leave tomorrow, would you easily be able to access their sales opportunities, contacts and communication history?

57%
YES

43%
NO
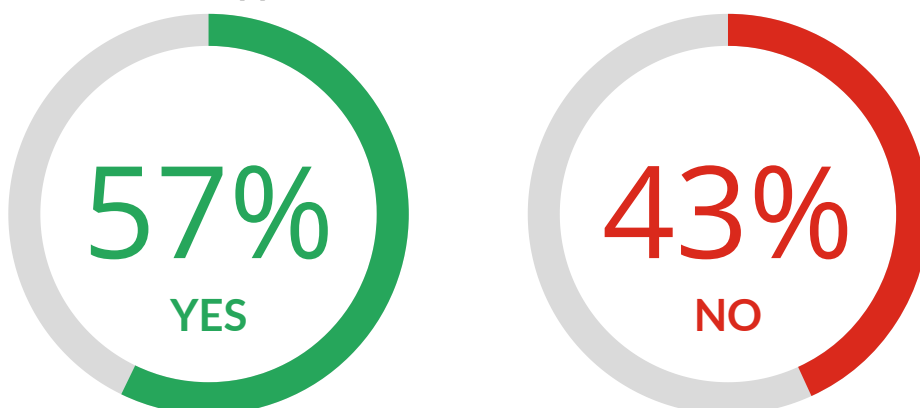
Another reviewing factor for CLM and CRM systems is the ease of access to them. It is a given that they can be accessed from a desktop or laptop. However, there are very few that can currently be accessed from a mobile device or tablet - something that a large proportion of front office professionals would support.

How do you access your CRM or CLM system?

	Currently access via this device	Do not access via this device but would like to in the future	Do not access via this device and do not want to going forward
Desktop / Laptop	95%	5%	0%
Mobile	5%	48%	48%
Tablet	10%	57%	33%

Due to the lack of access points currently, it is possible this is reducing the time that front office staff are able or willing to spend on their CLM or CRM systems. Most currently spend less than 25% of their working week on their systems.

On average, how much time do you spend per week working in your CRM/CLM system?
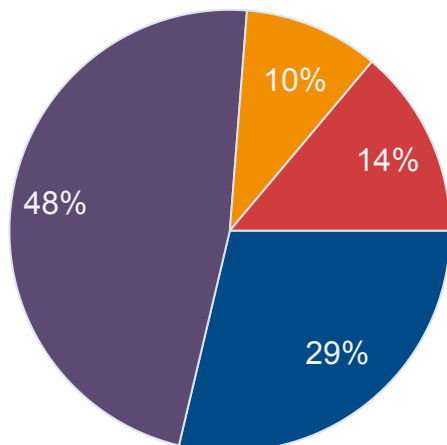
- less than 10% of the week — 29%
- 10-25% of the week — 48%
- 26-50% of the week — 10%
- more than 50% of the week — 14%

With many seeking improvements, it is highly likely there are pain points and challenges that front office professionals currently face with their CLM and CRM systems.

Below are some of these challengers suggested by our respondents, providing focal points for providers when developing new systems for the wealth management industry.

What are the main challenges you face with your existing CRM / CLM system?

" Find it very hard to navigate "

" Lack of straight through processing. Document search capability needs to be more accurate "

" Inflexible and processes take too long to complete "

" It is outdated, and you have to dig around a bit to find info. Running reports is a bit clunky "

" It's cumbersome, not very intuitive/user-friendly, it's outdated and poorly supported "

" Does not connect well with other systems "

" To be compliant it involves significant input by the Investment Manager , thus reducing time for client management or prospecting for new clients "