

UK Wealth Management

March 2009

Client Satisfaction - increasing dichotomy?

2008 saw an increasing dichotomy between client satisfaction in the top quartile firms and the rest of the industry; and between satisfaction with wealth advisory services and discretionary portfolio management.

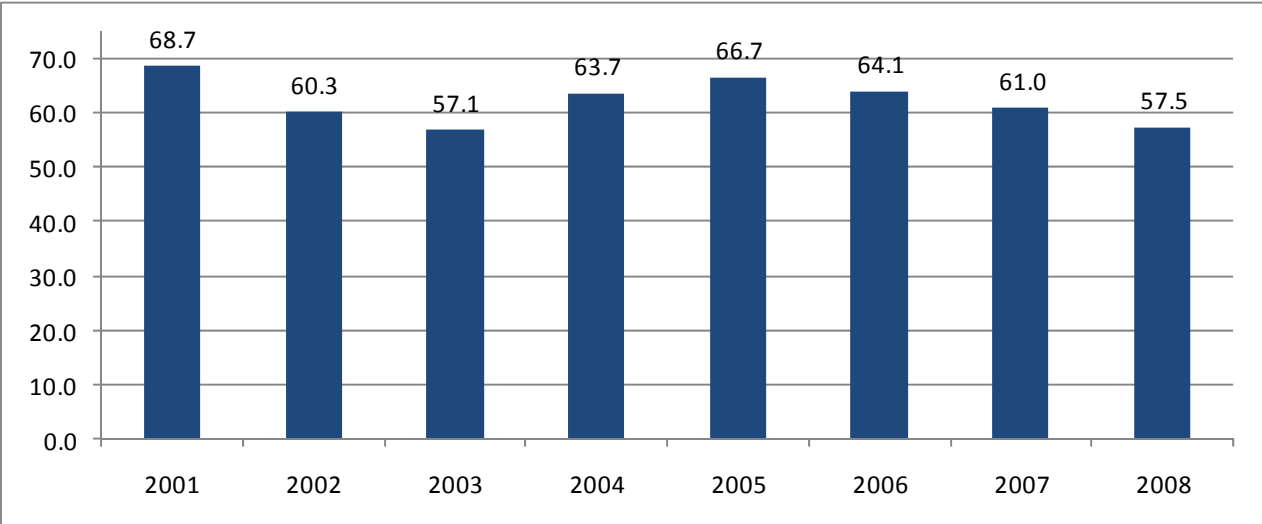
After restating the MDRC index to allow changes in client priorities, the satisfaction index was 57.5, a fall of 5.8% and just below the “Good” rating of 60.0. The highest client satisfaction score for UK domiciled clients was again achieved by C. Hoare & Co. with an unchanged rating of 82.0.

The industry fall of 5.8% was not uniformly distributed. The 2008 top decile firms had a largely unchanged score of 77.8, while top quartile firms increased their scores by an average 6% to 70.3. However, the scores of the bottom quartile firms fell by nearly 11%.

Highlights

- The UK client satisfaction benchmark fell by 5.8% to 57.5 (re-based)
- The highest client satisfaction score in 2008 was achieved by **C. Hoare & Co** with an unchanged rating of **82.0**.
- The highest client satisfaction score for a multinational private bank was achieved by **HSBC Private Bank**.
- **Cazenove Capital Management** and **Berry Asset Management** both achieved the highest score for private client investment managers.
- Clients express disappointment with the quality of relationship management staff and the frequency and quality of client communication - but not necessarily with investment performance.

Figure 1 - UK Client Satisfaction Index (re-based)



Introduction

As in the previous studies in this series, MDRC has investigated how well the UK’s wealth managers performed across the entire client experience and, in particular, how well the service provider met their clients’ expectations. From the data gathered in this exercise MDRC has been able to develop a **Client Satisfaction Index** for the private banking and wealth management sector, and has been able to identify relative client satisfaction between individual firms and their peer groups.

Using the MDRC model, a private bank or wealth manager with an index score of over 75 would be considered to be excellent, a score between 60 and 75 would be rated by clients as “good”, a score between 50 and 60 would be “acceptable” and an index score below 50 would be considered “poor”. An industry average score of 57.5 suggests that most clients consider that they receive an acceptable level of service and that the products offered usually meet expectations. However, the 2008 study identifies that clients are not satisfied with all aspects of the product or service mix.

Areas of particular concern in 2008 were:

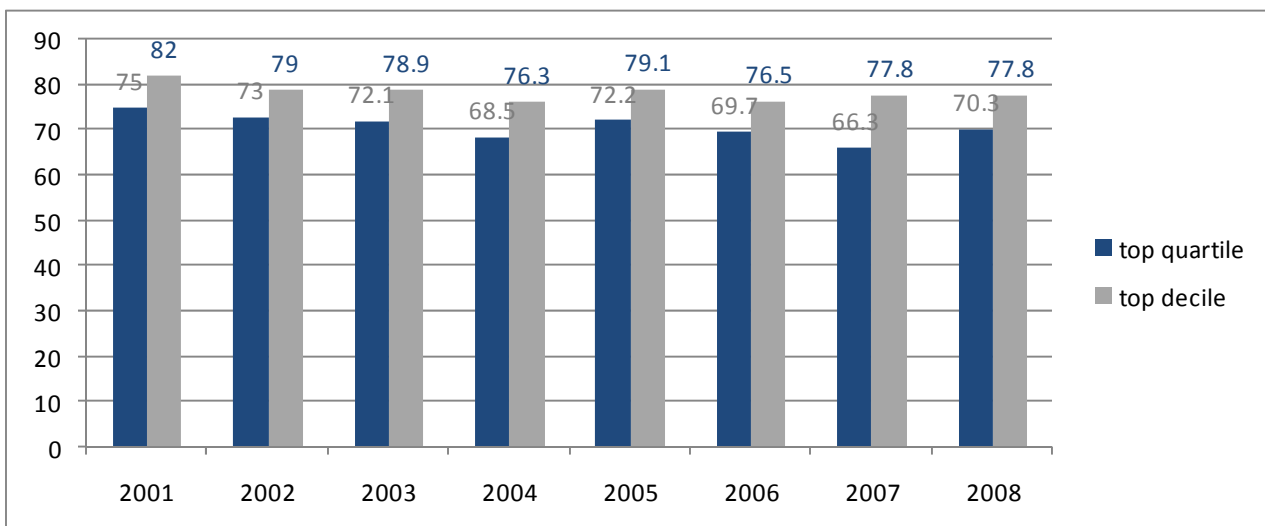
1. The availability of financial advice,
2. The frequency and quality of communication - particularly about investments,
3. The high level of relationship staff turnover,
4. The level of fees (particularly for mediocre investment performance) ,
5. The impact of the non-wealth management activity of the bank (or banking parent) on the wealth management business.

Our 2008 focus groups identified 2 issues of increased importance to clients of private banks and private client wealth managers:

- The reputation of the organisation and quality of business management,
- The quality of financial advice.

Both issues have grown in importance to such an extent that we have re-based our results to permit comparison of the current index with those of previous years.

Figure 2 - Client Satisfaction Index (re-based)



MDRC is a management consulting firm and a leading advisor on wealth management and private banking business strategy.

We help clients in all sectors of financial services across the EU and the Middle East to gain a better understanding of their target markets, identify highest-value opportunities, benchmark their performance and improve the way they work.

• **Creating an impact - Innovation & Sustainable Advantage**

We help our clients build a sustainable competitive advantage by focusing on the core skills of client management, marketing and brand strategy and product and corporate development.

Our approach to consulting combines deep insight into the dynamics of business organisations and unrivalled knowledge of the wealth management and private banking industries. MDRC's associates cover all 27 states of the EU and the world's major financial centres.

• **Understanding consequences - Strategic Research**

MDRC's strengths come from our investment in strategic research. Each year MDRC group commissions strategic research into the key issues impacting on the world's wealth markets to stay relevant to our clients and bring them unparalleled thinking and advice.

MDRC's proprietary research base of HNWI individuals in countries across the EU allows rapid and accurate testing of most business hypotheses at minimal cost.

• **Committed to success and value - Business Planning**

We believe that consultants should only provide business managers the support they require. If this means that assignments are focused on simply validating or challenging business assumptions and plans, we are happy to work on that basis.

We focus on facilitating the strategic and business planning process; we support businesses to develop robust strategies and we test existing plans against our market knowledge and planning scenarios.

• **Building reliability - Understanding and Improving Client Relationships**

We are committed to assisting our clients in understanding and improving their client relationships and expand their client bases. A key element of our proprietary research focuses on the potential of the client relationship and the performance of organisations in meeting clients' needs and expectations.

Over the past 10 years we have developed robust methodologies to measure and improve client satisfaction and retention in service sector businesses.

• **Building the future – the Position Assessment**

The foundation for building a competitive and robust business is to understand the strengths and weaknesses of that business and those of its competitors; when this is carried out with a structured methodology we call this a "Position Assessment". We develop new insights about the business and the market, assist the business to act and drive tangible results, and become more capable.