

UK High Net Worth March 2008

Client Satisfaction Falls - Again

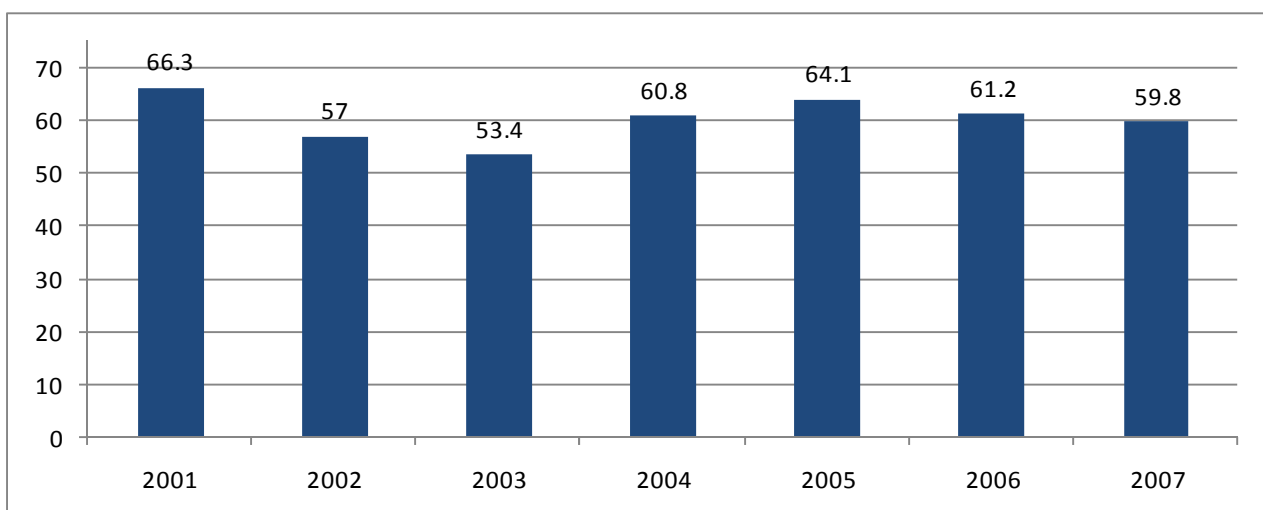
Overall client satisfaction in UK private banks and wealth managers fell again in 2007. The average satisfaction index score was 59.8, just below the “Good” rating of 60.0. The highest client satisfaction score in 2007 for UK domiciled clients was again achieved by **C. Hoare & Co.** with a rating of **82.0**, an increase of 2.2% over the 2006 score. In 7 of the past 10 studies C. Hoare & Co. has achieved the highest client satisfaction ratings. 4 of the firms with top decile scores in 2006 saw their satisfaction ratings fall by more than 10% in 2007.

The industry fall of 5.6% was not uniformly distributed. The 2007 top decile firms increased their scores by an average 1.7%, while the scores of the bottom quartile firms fell by nearly 10%. The lowest score achieved by a firm in the survey in 2007 was 50.2, 1.2% lower than the lowest score seen in 2006

Highlights

- UK client satisfaction benchmark fell by 5.6% to 59.8. The lowest level since 2003
- The highest client satisfaction score in 2007 for UK domiciled clients was achieved by **C. Hoare & Co** with an increased rating of **82.0**.
- The highest client satisfaction score for UK expatriates was achieved by **Kleinwort Benson Private Bank** (a rating of **75.2**).
- Very sharp falls in client satisfaction were recorded at those firms adversely affected by the “Credit Crisis”.
- Clients express disappointment with the frequency and quality of client communication and with increasing turnover in relationship management staff - but not with investment performance.

Figure 1 - UK Client Satisfaction Index



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. As in previous years, the index has been constructed to cover the entire client experience, from the initial introduction to the firm through to the continuing relationship with the client manager. The relative weighting attached to each of these components has been derived from the relative importance that HNW individuals attached to those components.

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 59.8 suggests that most clients consider that they receive an acceptable level of service from their wealth manager and that the products available are generally in line with expectations. However, the study identifies that clients are not satisfied with all aspects of the product or service mix. Areas of particular concern in 2007 are:

1. The high level of relationship staff turnover,
2. The relatively low level of experience of some relationship staff,
3. The frequency and quality of communication - particularly about current market conditions,
4. The level of fees, particularly for ancillary products and services,
5. The impact of the non-wealth management activity of the bank (or banking parent) on the wealth management business.

This last concern had an adverse impact on client satisfaction at some of the UK's largest wealth managers.

Figure 2 - Client Satisfaction Index

