



WEATHERILL
EXECUTIVE CONSULTING

The Value of Trust: The quest by Wealth Managers for 'Trusted Advisor' status

The Bahamas

INTERNATIONAL BUSINESS AND FINANCE SUMMIT 2012

Abaco, 3 February 2012

ABOUT WEATHERILL CONSULTING



WEATHERILL
EXECUTIVE CONSULTING

Experience

- W Financial services Partner in PwC for 20 years and a Global Leader of PwC's Private Banking and Wealth Management practice for over 10 years
- W Formed own consultancy in 2008 and continues to write 'thought leadership reports' for the Wealth Management industry

Services

- W Challenge to business strategy, business plans & proposition
- W Advice on how to address client issues arising from the Credit Crunch
- W Wealth Management & Investment Management benchmarking
- W Client satisfaction survey design and execution
- W Best practice Corporate Governance
- W Efficiency and effectiveness of client delivery
- W Financial analytics, KPIs, segmentation advice
- W Facilitation of Board / Management discussions or workshops



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REPORT HAS GLOBAL COVERAGE

SURVEY RESPONDENTS BY REGION



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TERMINOLOGY AND ANALYTICS

TERMINOLOGY

Most of the questions required participants to answer on a 10 point scale with 10 being very high and 1 being very low and when describing responses the following refer:

The responses were banded for analysed purposes as follows:

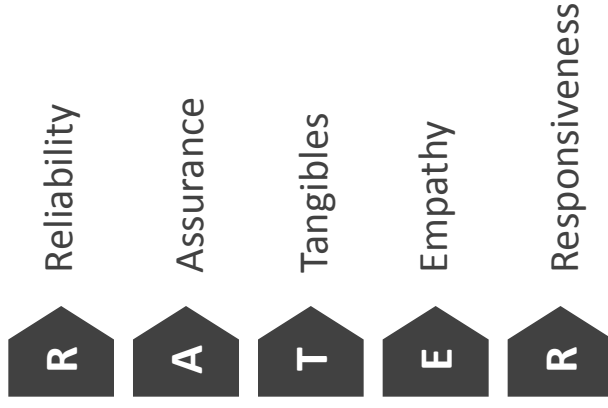
- 0-3 disagrees, unimportant, irrelevant to the question
- 4-7 neutral to the question
- 8-10 agree, important, satisfied with the question

Where the findings refer to **Trust** or **Net Promoter Score** (NPS) analysis or findings then the usual NPS criteria were used:

- 0-6 Detractors, 'untrusted'
- 7 -8 Neutral, apathetic
- 9-10 Promoters, trusted

RATER ANALYSIS WAS USED TO ASSESS TRUSTED ADVISOR STATUS

The RATER analysis identify key drivers of satisfaction, effort, trust and advocacy and data collected was used to assess their importance to Trusted Advisor Status.



THE VALUE OF TRUST

**“If you think that you cannot put
a value on trust...think again”**

(CISI Jan 2102)

THE ‘VALUE OF TRUST’ PROPOSITION EXPLAINED

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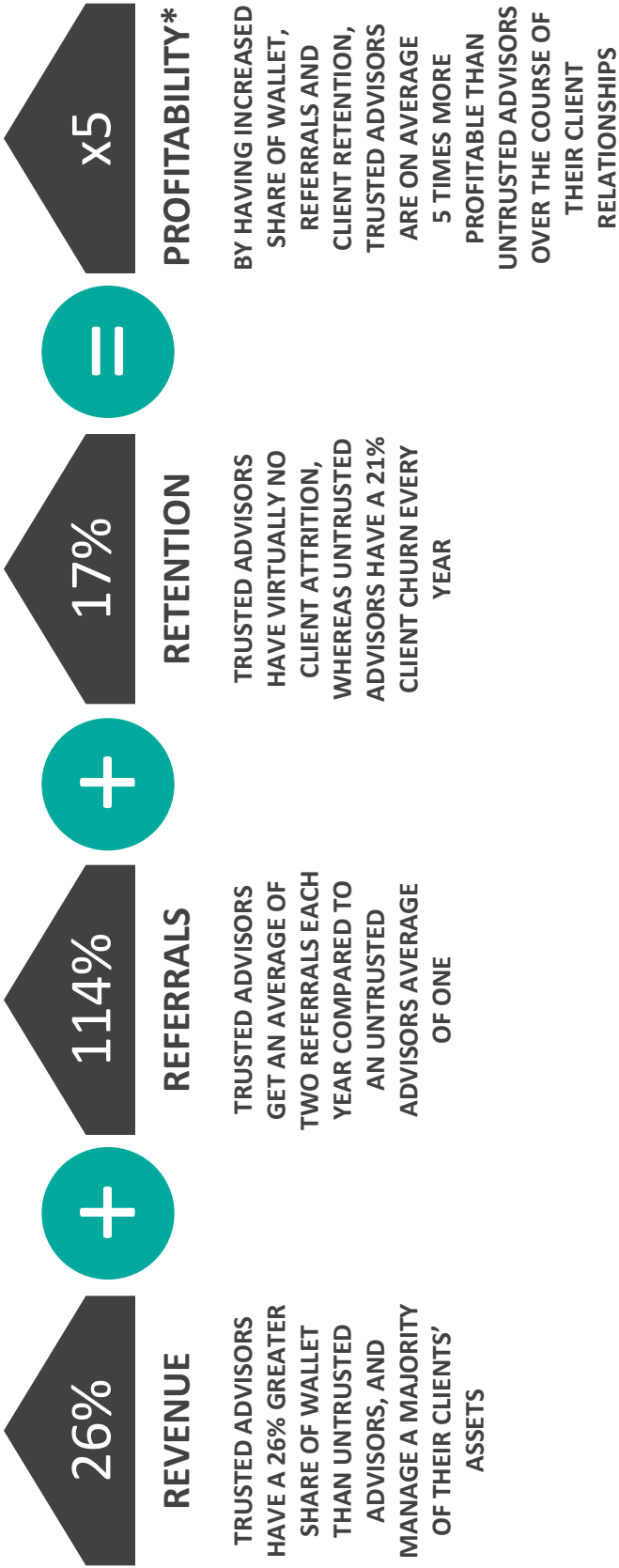


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WHY THE 'QUEST FOR TRUSTED ADVISOR STATUS' IS WORTH IT

THE VALUE OF BECOMING A TRUSTED ADVISOR

*FIGURES ARE APPROXIMATE AND DERIVED FROM A CLIENT LIFETIME PROBABILITY CALCULATOR DEVELOPED BY WEATHERILL EXECUTIVE CONSULTING IN COLLABORATION WITH IMPERIAL COLLEGE



IT MAKES CLEAR ECONOMIC SENSE FOR WEALTH MANAGERS TO SEEK ‘TRUSTED ADVISOR’ STATUS

W Increased referrals:

- Trusted advisors get more referral each year than untrusted advisors. This is a great source of new business and profit at low cost.

W Increased client retention:

- For every unit increase in trust, the likelihood of client defection decreases by approximately 5%. Using a client profitability model designed in conjunction with Imperial College, a 5% reduction in client defection could result in an NPV increase in profitability by 70%.

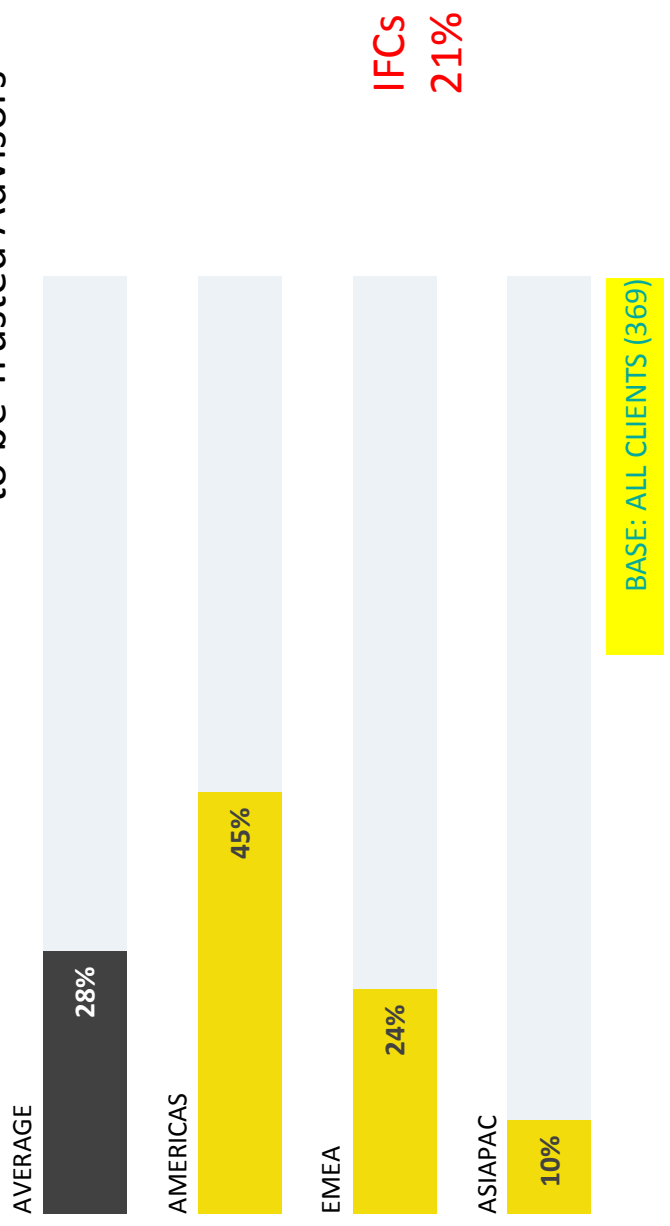
W Increased share of wallet:

- for every unit increase in trust, share of wallet increases by approximately 5%

THE PROBLEM IS THAT TRUSTED ADVISOR STATUS IS NOT AS HIGH AS DESIRED

CLIENTS: % STATING THAT THEIR WEALTH MANAGER IS 'TRUSTED'

45% of Wealth Managers (35% IFCs) consider themselves to be Trusted Advisors



WHAT IS STOPPING WEALTH MANAGERS ACHIEVE 'TRUSTED ADVISOR' STATUS?

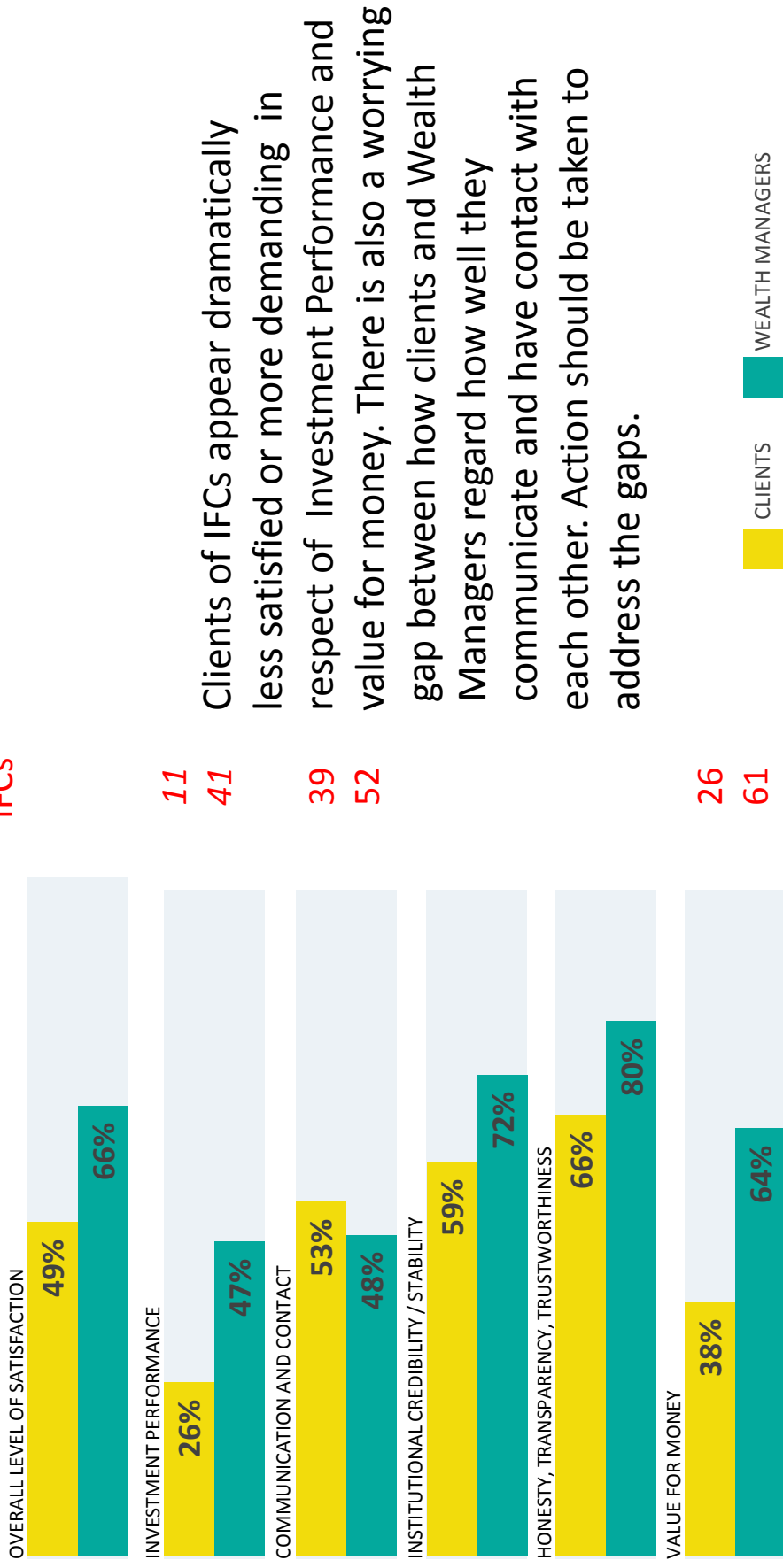
- W Organisational issues obstruct the nurturing of TRUST
- W Clients are less likely to leave than before...but... **It takes six years to reach**

Trusted Advisor Status

- W The expectation gap still exists
- W High staff turnover makes trust difficult to achieve
- W Employees not proud to work for you hinder Trusted Advisor status
- W You 'get what you reward'
- W KPIs must be aligned

THE EXPECTATION GAP HAS NARROWED OVER THE LAST TWO YEARS BUT NOT IN RELATION TO ‘VALUE FOR MONEY’

HOW WOULD YOU RANK THE PERFORMANCE OF YOUR WEALTH MANAGER OVER THE PAST 12 MONTHS IN RESPECT OF THE FOLLOWING?:
IFCs



Clients of IFCs appear dramatically less satisfied or more demanding in respect of Investment Performance and value for money. There is also a worrying gap between how clients and Wealth Managers regard how well they communicate and have contact with each other. Action should be taken to address the gaps.

CLIENTS WEALTH MANAGERS

BASE: ALL WEALTH MANAGERS (285); ALL CLIENTS (369)



QUALITY OF SERVICE IS STILL THE TOP REASON WHY WEALTH MANAGERS ARE CHOSEN NOT PRODUCTS



IFCs

80
95
73
87
67
71
61
93
45
58
28

Clients in IFCs are very challenging, have high expectations of their Wealth Managers and require ‘something special’ to gain loyalty, Clients differ markedly over the importance of the relationship with their RM

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WHAT CLIENTS SAY WEALTH MANAGERS
WHO ARE TRUSTED ADVISORS DO WELL



Question: What is the SINGLE MOST IMPORTANT thing that your wealth manager does well that helps them to be your ‘trusted advisor’?

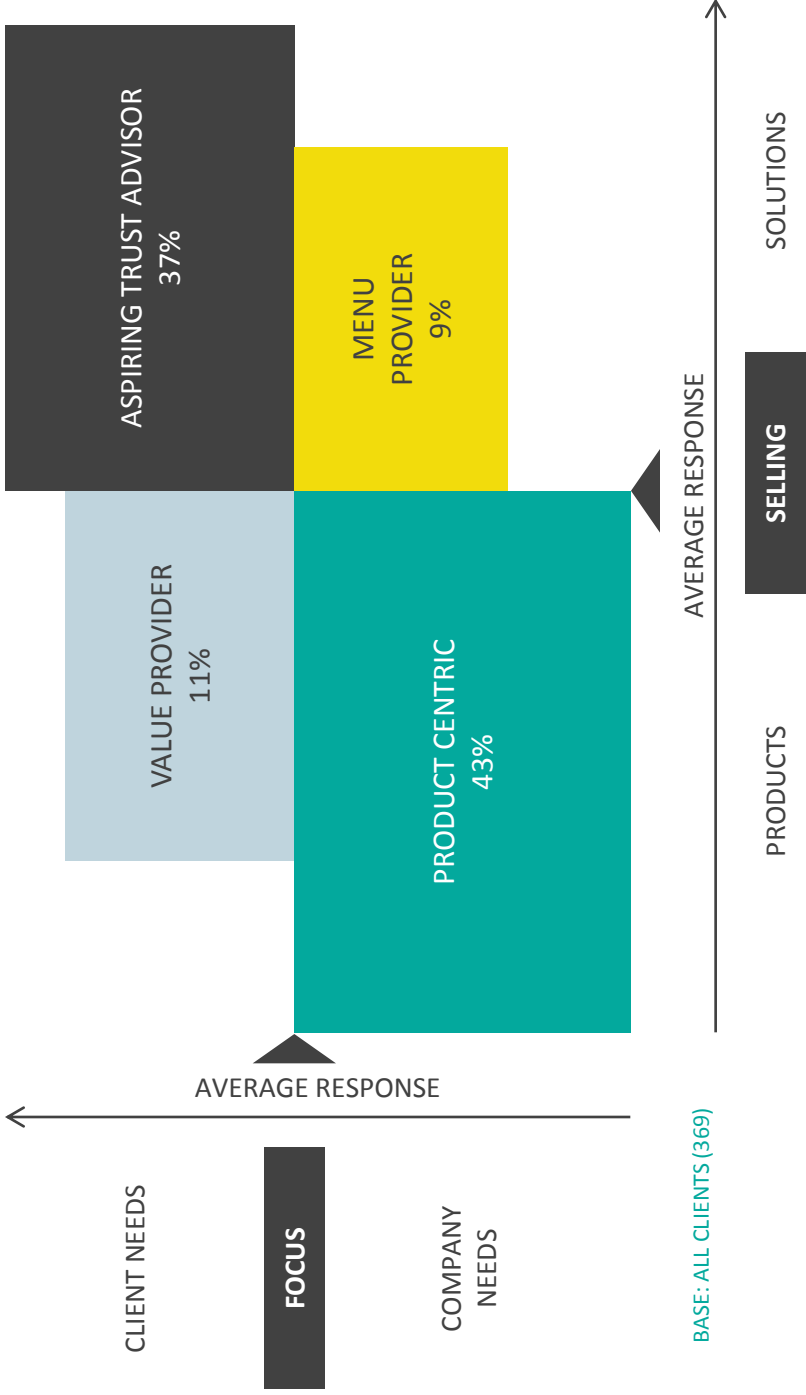


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CLIENT PERCEPTIONS ARE WORRYING

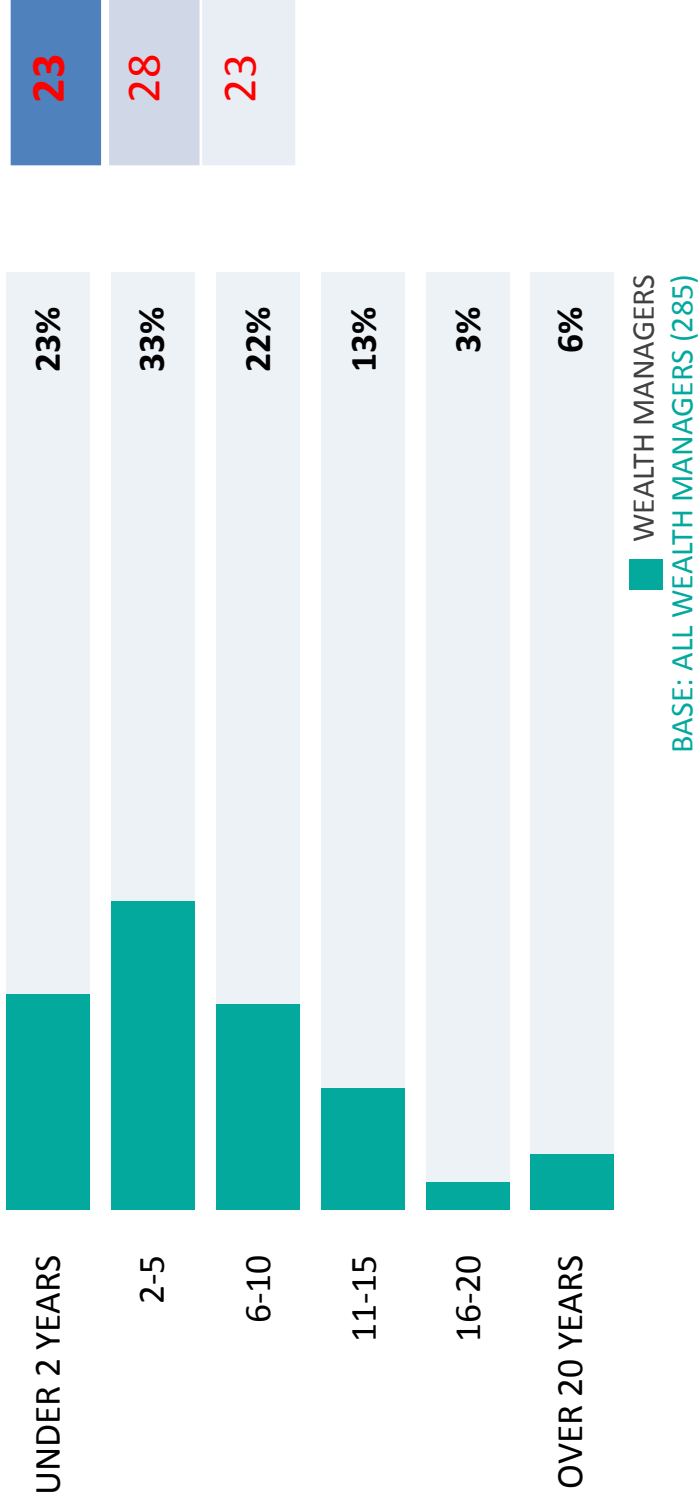
ONLY A THIRD OF ORGANISATIONS ARE CLIENT-CENTRIC



SERVICE LONGEVITY OF EMPLOYEES HINDERS BUILDING OF TRUST RELATIONSHIPS WITH CLIENTS

HOW LONG HAVE YOU WORKED FOR YOUR CURRENT ORGANISATION?

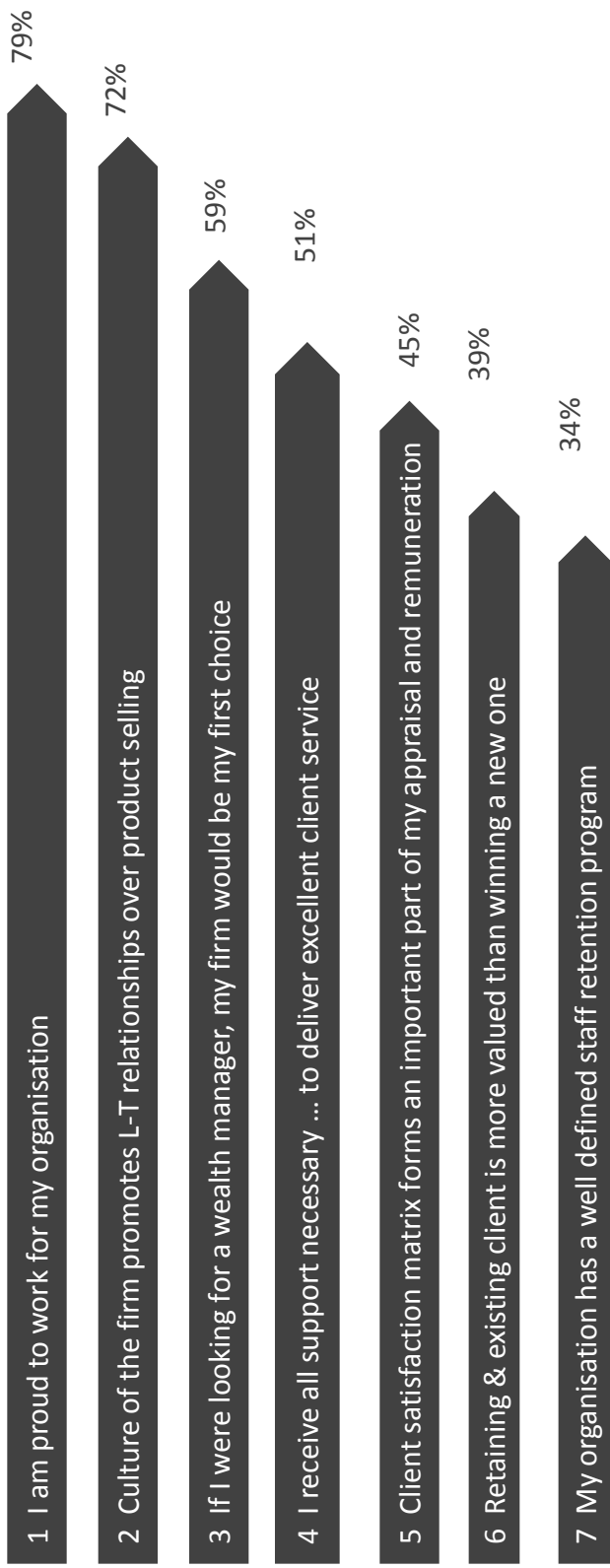
IFCs



74% of WMs in IFCs have been at their organisations 10 years or less vs. 78% globally

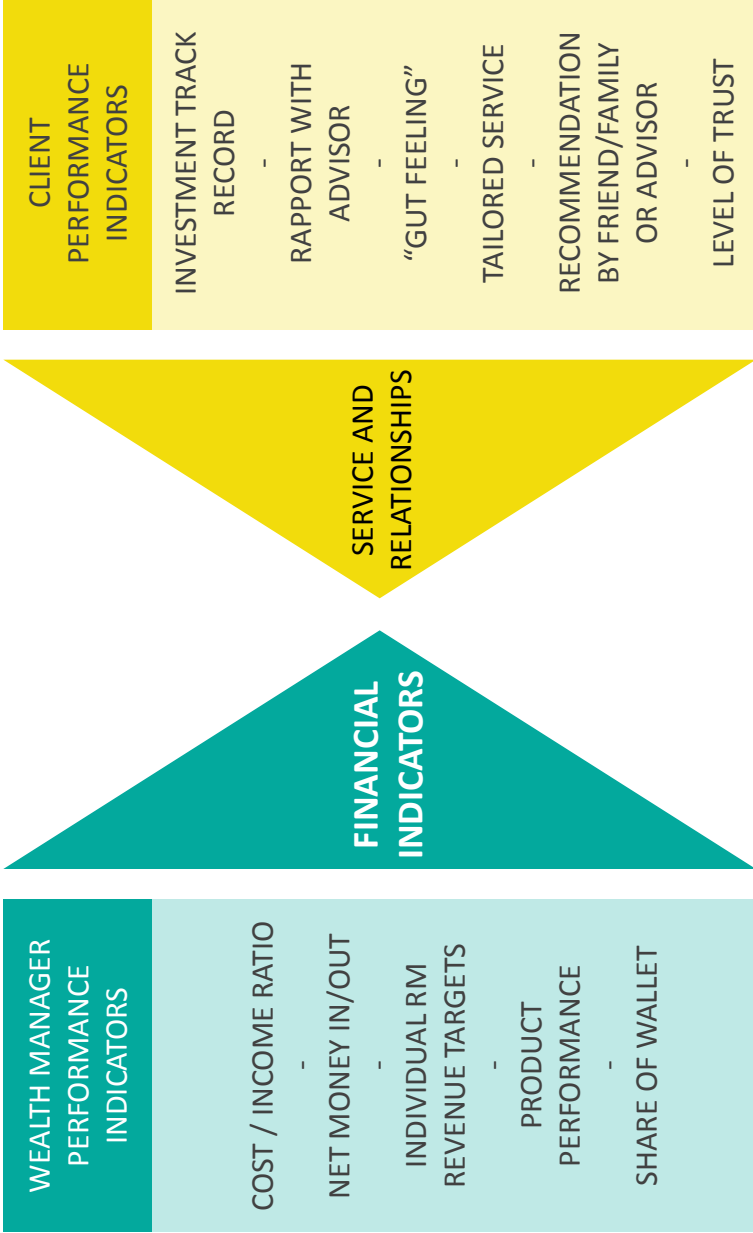


EMPLOYEES ARE NOT ALWAYS 'ADVOCATES' (59%) TO THE DETRIMENT OF WEALTH MANAGERS AND CLIENTS



SYSTEMIC LACK OF ALIGNMENT BETWEEN KPIS EXISTS

KEY PERFORMANCE INDICATORS OF WEALTH MANAGERS AND CLIENTS ARE UNALIGNED



WHAT NEEDS TO BE DONE

HOW SHOULD WEALTH MANAGERS RESPOND?

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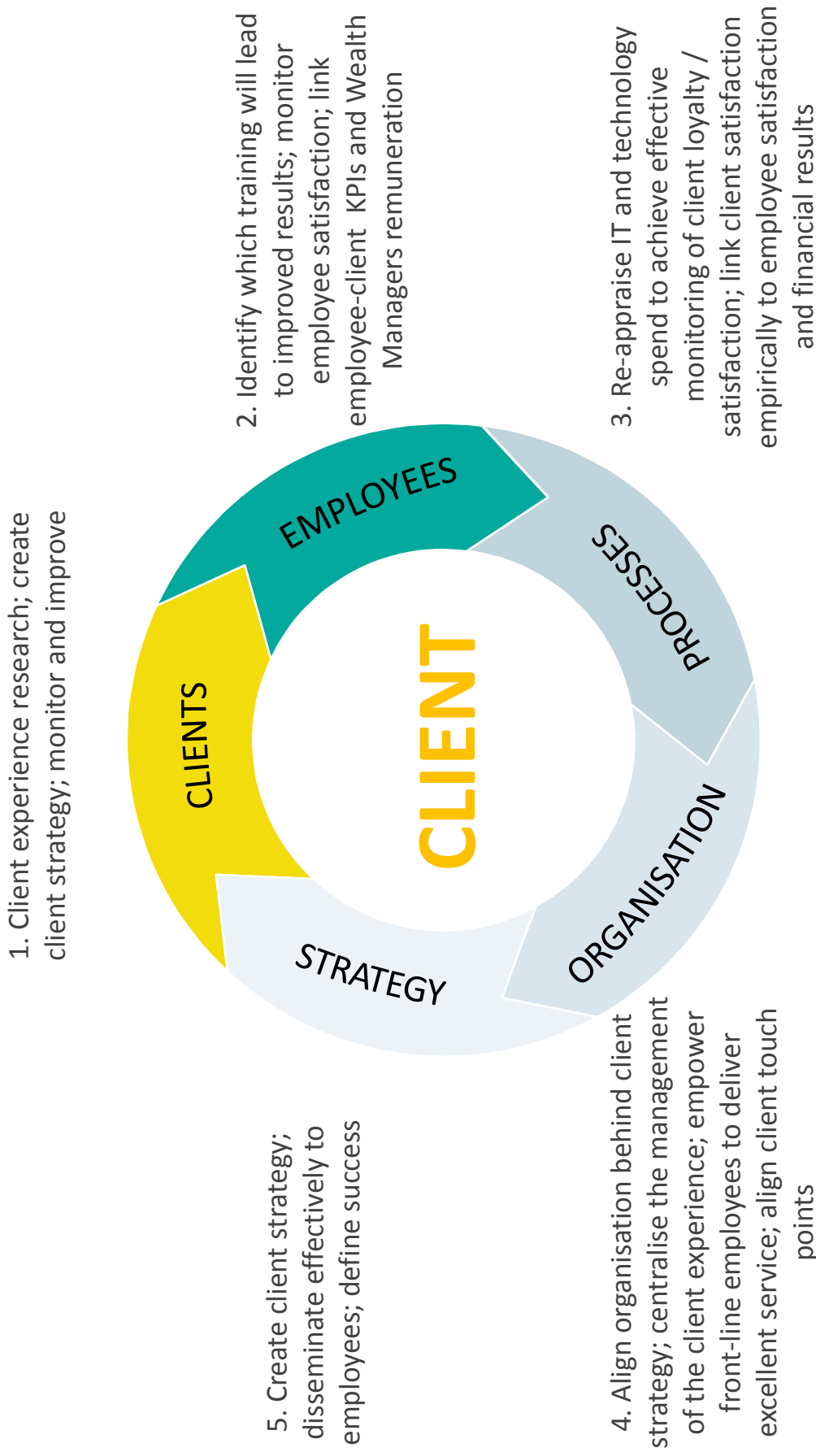
A NEW SET OF KPIS ARE NEEDED THAT FOCUS ON CLIENTS AND SERVICE QUALITY

These would help to:

- 1** Align interest of bank, wealth manager and client
- 2** Monitor and improve service delivery
- 3** Create a cohesive and consistent customer experience
- 4** Improve customer acquisition rates
- 5** Increase share of wallet
- 6** Reduce customer churn
- 7** Increase retention of top performing employees
- 8** Better fulfil regulatory requirements
- 9** Provide set of metrics that act as a leading indicator for financial performance

**CULMINATING IN
AN ORGANISATION
BETTER ALIGNED
TO CLIENT NEEDS**

CLIENT CENTRICITY- BLUEPRINT FOR FUTURE SUCCESS



BEWARE: THERE ARE DANGERS IN MOVING TO A CLIENT CENTRIC MODEL



- Don't underestimate the change to a 'client centric model', it will effect people, processes, systems, products and P&L and will take much longer than you think.
- There will be greater emphasis on financial planning and strategic asset allocation
- Comply with regulation.....or die.....**there is no half-way house
- The next decade will be the one for the 'Professional Wealth Manager'

ACTION POINTS FOR WEALTH MANAGERS IN THE BAHAMAS

- Trusted Advisor Status really is important ... read the full global report bw@bruceweatherill.com
- Think of what this means for you and the business model of your organisation
- Reconsider your KPIs.
- Strategize and act on it.
- Contact Weatherill Consulting for assistance and strategic advisory services.
- Hard current data is available to help you become a successful Trusted Advisor:
 - Benchmark your Organisation against relevant indicators
 - Get to know your Clients' needs and priorities better by requesting a customized and bespoke analysis services
 - If you want more IFC data, what Wealth Manager priorities are in IFCs, issues re offshore, most effective strategies for success then Contact Weatherill Consulting for further advice and assistance

Wealth Managers who are Trusted Advisors are more proactive sales- men and women than other financial advisors because they communicate more with their Client, understand their Clients' needs better, and are thus more effective in providing the right solutions for their Clients.....they are also the greatest contributors to an organisation's profitability



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