

Client experience has become THE differentiator

Seize the opportunity

June 2019

Accomplish

Research and Development

One-minute briefing



- In key market sectors, multi-decade industry trends mean that for many asset managers client experience (CX) has become **THE** reliable way to get noticed and to retain their clients' confidence.
- A deliberate CX will impact your profitability twice: increased revenue retention will protect gross profits, while minimising end-to-end complexity will manage costs and defend net profits.
- However, about 75% of firms lack a CX strategy and sufficient CX governance, and it is causing problems that span the client journey.
- This situation presents an opportunity to gain a competitive edge. To seize it, firms should consider a four-stage response:

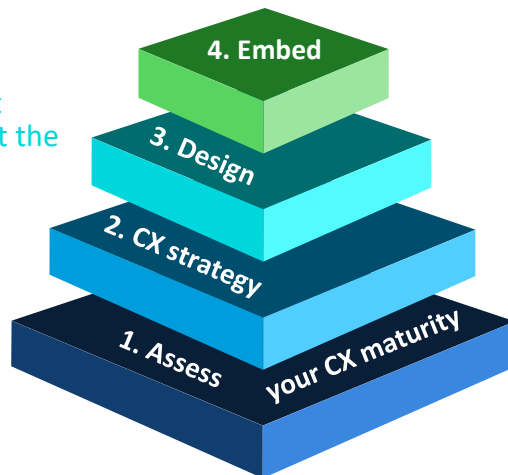
A CX response plan

Stage 4 – Embed

Safeguard the durability of your CX by embedding it into digital workflow and governance

Stage 3 – Design

Design a deliberate client journey designed to meet the needs of your client base



Stage 2 – CX strategy

Choose a CX strategy – segment, customise, or standardise

Stage 1 – Assess your CX maturity

Ensure you only build on solid foundations by first assessing the maturity and sustainability of your current CX capability

Executive summary

“When we pitch, we know our product and fees are no longer differentiators – our reputation for service is the decisive factor”

Senior distribution professional

For many firms, CX has become *the* differentiator

- Client Experience (CX) is a client’s overall impression of you as a supplier. It is personal, subjective, open to influence and subject to change as a result of any and every interaction they have with your firm.
- In key market sectors, multi-decade industry trends mean that for many asset managers CX has become THE reliable way to get noticed and to retain their clients’ confidence.

CX will impact your profitability twice

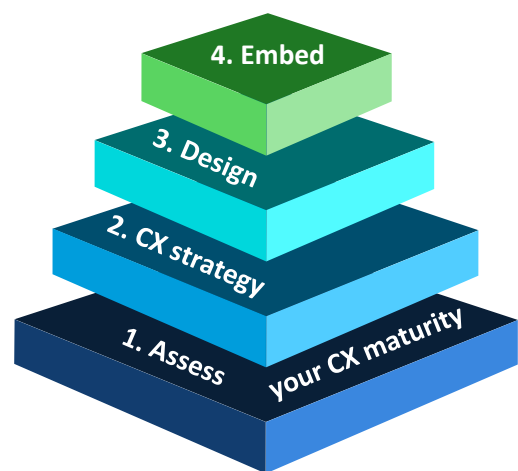
- **Over 90% of participants agreed a favourable CX keeps clients satisfied and onboard, protecting their revenue.** Unfavourable CX, however, can cause client departures, which decreases revenue.
- Turning to costs, complexity is a major driver, so controlling it through a **deliberate CX will defend your net profits.**

A lack of CX strategy and CX governance is causing problems

- Firms are experiencing twice as many indicators of an unfavourable CX than of favourable one. This signals a CX issue.
- They cited the reasons as being common issues relating to RFPs, onboarding, contracting, reporting and billing. But these activities span the client journey, which implies a deeper root cause(s).
- On further investigation, our data implies that the root cause lies not in these activities. The root cause is that **~75% of firms lack a CX strategy and sufficient CX governance** to control the operational complexity of serving clients with different needs.

Seize the opportunity to adapt

- This situation is controllable, and it presents an opportunity to gain a competitive edge.
- To seize it, firms should consider a four-stage response:



A CX response plan

1. **Assess** the maturity of your CX capability to ensure you only build on solid foundations.
2. **Choose a CX strategy** – segment, customise, or standardise.
3. **Design** a deliberate client journey with clear accountability and controls to meet your clients’ needs.
4. **Embed** – safeguard the durability of your CX by embedding it into digital workflow and governance

Learn more: <https://www.accomplish.world/services/>

CX is about commercial edge



In brief

- CX is the combined effect on a client of every ‘touch point’ along its journey through the firm.
- Over 90% of participants agreed a favourable CX keeps clients satisfied and onboard, protecting their revenue. Unfavourable CX, however, can cause client departures, decreasing revenue.

What is ‘client experience’?

CX is the combined effect on a client of every ‘touch point’ along its journey through the firm.

92% agreed a favourable CX protects revenue, and vice versa



Unfavourable CX stimulates ‘unwelcome client behaviours’

- ✗ Unnecessary ‘noise’ and issues
- ✗ Lack of repeat buying and referrals ¹
- ✗ Lack of demand for other strategies



Favourable CX encourages ‘welcome client behaviours’ ²

- ✓ Low level of ‘noise’
- ✓ Repeat buying and referrals
- ✓ Investment into other strategies

Examples of unfavourable and favourable client experiences

Unfavourable	CX	Favourable
No expectations set ✗ Sell first, client’s needs second ✗ Poor access to those who manage their money ✗	Prospecting & account management	✓ Clear expectations set ✓ Client feels valued ✓ Access to investment professionals
Non-adherence to instructions ✗ Poor translation quality ✗	RFPs	✓ Straight answers to straight questions ✓ Prompt delivery
Client unsure of its deliverables ✗ Funding dates missed ✗	Onboarding	✓ Timeline agreed at outset ✓ Proactive communication
Misalignment with onboarding causes delay ✗	Contracting	✓ Timely review of contracts ✓ Awareness of client’s regulatory needs
Errors and inconsistencies ✗ Late delivery ✗	Reporting	✓ Options proposed pre-pitch ✓ Push and pull reporting available
Inaccuracies and errors ✗ Late billing ✗	Billing	✓ Aggregation where requested ✓ Alignment to reporting cycles
Lack of ownership ✗ Slow or ineffective response to issues ✗	Client servicing	✓ Clear point of contact ✓ Effective issue resolution

1. Anecdotal evidence that obtaining a new client can cost up to x5 as much as retaining an existing client.
2. Anecdotal evidence that a favourable CX results in clients trusting asset managers longer during a period of investment under-performance.

For many firms, CX has become THE differentiator

“Over and again, clients tell us that the experience asset managers provide is an essential feature for them.”
Senior distribution professional

In brief

- In key market sectors, multi-decade industry trends mean that for many asset managers CX has become *the* way to get noticed and to retain their clients’ confidence.
- A deliberate CX will benefit your profitability twice: increased revenue retention will protect gross profits, while minimising end-to-end complexity will defend net profits.
- To adapt in time, firms need to choose a CX strategy: segment, customise, or standardise.

Bargaining power has shifted to clients

Unreliable differentiators

- Product performance ❌ *Market over-supply*
- Pricing ❌ *Price-taking*
- Brand ❌ *External events*



Headwinds

“For our passive business, the experience we provide clients is **THE** key differentiator”



Head of Distribution

Reliable differentiators

- Client experience (CX) ✓ *Controllable*
- ✓ *Commercial*
- ✓ *Incremental*



Tailwinds

‘Control the controllables’ and choose a CX strategy to adapt in time

CX impacts on your profitability twice

- In key market sectors, it is increasingly hard for asset managers to stand out from the crowd. Markets for mainstream active and passive investing are over-supplied with products. This has commoditised important asset classes and turned asset managers into price-takers, e.g. we heard recently of 150 bids for a single mandate in a mainstream active asset class.
- In the DC investment market, fund selectors’ reduced investment risk and duty of care to the individual saver encourage an additional focus on the experience savers will receive.
- Turning to costs, complexity is a major driver, so controlling it through a deliberate CX will defend net profits.
- This situation is controllable. To adapt in time, asset managers need a deliberate strategy for providing a favourable and durable CX.

1. Segment

Serve specifically-selected market segments in different ways



2. Customise

Target clients who value a 'high touch' service with an out-performing CX



3. Standardise

Target a specific segment and provide the same service to all of them

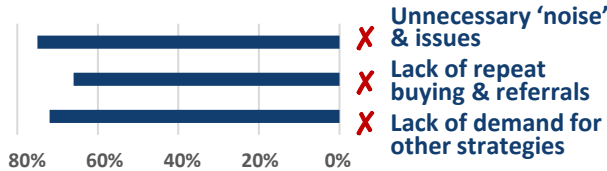


A lack of CX strategy and governance is causing problems

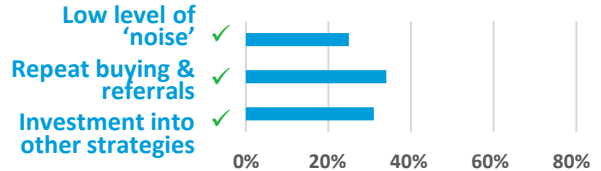
Effects Twice as many indicators of an unfavourable CX signals an issue ¹



Indicators of an unfavourable CX

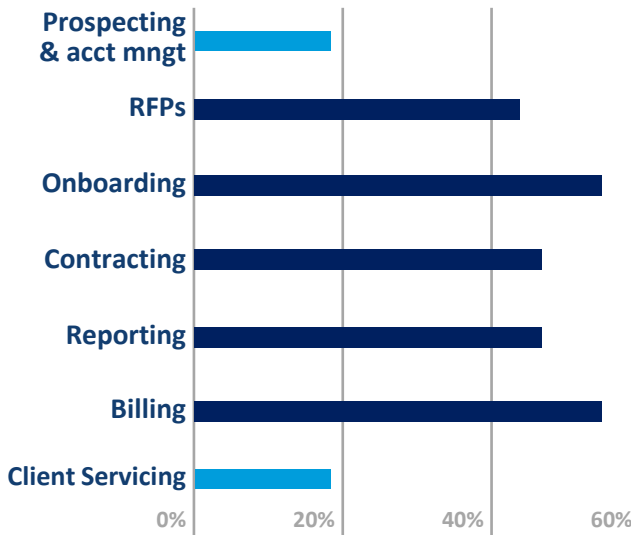


Indicators of a favourable CX



Events Common issues span the client journey, implying a deeper root cause(s)

% rated 'mixed' or 'unsatisfactory'



Unfavourable CX²

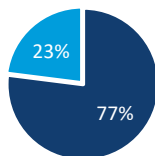
- ✗ Non-adherence to instructions
- ✗ Client unsure of its deliverables
- ✗ Misalignment with onboarding causes delay
- ✗ Errors & inconsistencies
- ✗ Late delivery
- ✗ Inaccuracies & errors
- ✗ Late billing

Common issues

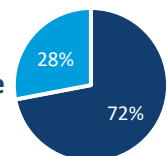
- "We focus on what we want to say, not the clients' questions"*
- "Clients chase us for updates"*
- "We're slow to appreciate client 'must haves' "*
- "Our portal data gets stale"*
- "Data issues regularly cause billing issues"*

Root causes ~75% of firms lack a CX strategy and effective CX governance

77% of respondents felt their firms lacked a coherent and end-to-end client experience



72% of managers were dissatisfied with their firm's governance needed to manage the operational complexity associated with customisation



Root cause analysis



Re-cap

- Firms are experiencing twice as many indicators of an unfavourable CX than of a favourable one. This signals a CX issue.
- They cited the reasons as being common issues relating to RFPs, onboarding, contracting, reporting and billing. But these activities span the client journey, which implies a deeper root cause(s).
- On further investigation, our data indicated that the root cause lies not in these activities. The root cause is that ~75% of firms lack a CX strategy and sufficient CX governance to control the operational complexity of serving clients with different needs.



- **Lack of a coherent and end-to-end CX strategy**
- **Insufficient CX governance to control the operational complexity of serving clients with different needs**
- **Key processes are more error prone and, presumably therefore, more expensive than they need to be**
- **Common issues span the client journey**
- **This implies a deeper root cause(s)**
- **Twice as many indicators of an unfavourable CX signals an issue**

Research methodology

Between March and May 2019, Accomplish interviewed 32 European investment management professionals holding sales and client-related operational roles across the firm (e.g. sales, client onboarding, client reporting).

The interviewees represented a broad spectrum of managers, from the largest (e.g. five out of the ten of the world's largest asset managers) to boutique active managers and hedge funds. In total, their firms managed over €5.1tn of European institutional client assets.

Covering a cross-section of seniorities, ages and genders, each interviewee was asked the same ten questions that were designed to prove or disprove the assumptions made within Accomplish's client experience hypothesis that you may find at www.accomplish.world/news/outperforming-client-experience-solving-the-puzzle/

The set questions allowed interviewees to provide quantitative and qualitative responses, allowing Accomplish to capture both statistical and anecdotal data. We then anonymised the answers and analysed the dataset on aggregate.

We recognise the challenges associated with qualitative data, especially when interviewing practitioners who perform similar roles. However, we believe that Accomplish's experience in this field enabled us to manage potential data biases (where these may have existed) and to draw valid findings and conclusions.

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