

CX Forum Peer-group research How asset managers segment and tier their clients

November 2020



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Asset management CX benchmarking

Exploit CX or don't be surprised

Headwind

Bargaining power has shifted to clients ... CX has become **THE differentiator**

Unreliable differentiators

Product performance Pricing Brand

X Market over-supply X Price-taking X External events

CX is here to stay

Your clients are consumers in the

This is driving demand for CX from

your B2B asset management firm.

Reliable differentiators

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Client experience (CX) Tailwinds

 \checkmark Controllable ✓ Commercial ✓ Incremental

What can you do about it? Measure it



Evaluate your internal CX capability

Compare

CX Maturity Benchmark



Measure, compare, and predict your clients' experience





Engage with the industry CX community

Asset Management CX Forum

This a CX Forum **R&D project**

Our focus on benchmarking means we have **no** conflict of interest when we work with clients

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B2C economy.

Purpose-built through research

Command of the latest data

Relevant. Brief. Gone.



Definitions

- Segmentation subsets of clients (e.g. insurers, pension funds, central banks) based on their needs, common interests, and behavioural criteria. It enables an asset manager to sub-divide a market and, through client journeys, to align itself with their needs.
- Tiering the relative prioritisation of clients, e.g. strategic vs. core. Its aim is to ensure sales and servicing teams neither over- nor under-invest in relationships as they pursue opportunities and defend against risks.
- They work together and a large organisation will likely need both.

Key findings

- ~80% of firms tier and / or segment their institutional clients, of which ~30% pointed to gaining strategic value from the arrangements.
- The firms gaining strategic value employed multiple approaches but displayed two common features: 1) they keep it simple, and 2) they enforce it.
- 18% of firms pursue alignment through segment-specific client journeys

Implications

- With only 18% aligning experience (journeys) to needs (segments), it appears the industry may be limiting the effect of segmentation by conflating it with tiering.
- Providing different client journeys to (unsegmented) tiers creates problems because a client's attractiveness is not an indicator of its needs.
- This approach, therefore, creates a risk of misalignment between the client journey and the client's needs. This is important for two reasons:
 - From the perspective of CX, your alignment with what your clients want will drive their impression of your value.
 - Where there is misalignment customisations will follow, along with their associated costs and risks.

Segmentation and tiering sit within the CX strategy building block of CX



18 firms created a directionally-valid dataset

Aberdeen Standard Investments AEGON Asset Management Allianz Global Investors Ashmore Aviva Investors BlackRock BNP Paribas Asset Management Columbia Threadneedle Investments Dimensional Fund Advisors

Invesco Fund Management J.P. Morgan Asset Management Natixis Investment Managers Royal London Asset Management Schroder Investment Management State Street Global Advisors T. Rowe Price The Asset Management Exchange Wellington Management International

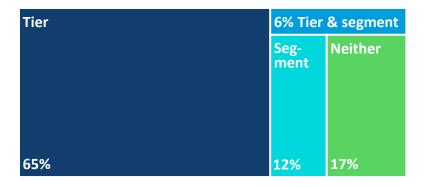
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Firms are gaining strategic value from tiering

Of the ~80% of firms that tier and / or segment their institutional clients ...



... 30% pointed to gaining strategic value from it¹

Strategic value	Tactical value	No effect
31%	38%	31%

Why? What are they doing differently?

They keep it simple

Firms gaining strategic value			Remainder		
# of	tiering criteria	# of tiers	# of criteria	# of tiers	
Lowest	1	2	1	2	
Most common		3	3	4	
Highest	3	3	5	6	

They enforce it

- Sales team assigns tiering; regional leadership approves assignments to the top tier
- A committee considers proposed customisations, if supported by BAU owners
- Business managers track sales and operational activity by tiers and review tiering assignments regularly



Your alignment with what your clients want will drive their impression of your value. Distinct from tiering, 18% of firms pursue alignment through segment-specific client journeys.

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- **1. Strategic value** improves multi-year profitability; drivers include greater organic growth, efficient prospecting, minimised complexity, optimised operational costs, lower operational risk.
- 2. Tactical value affects current profitability; drivers include material but less repeatable sources of value, such as meeting the present needs of individual clients and consultants

Multiple approaches to gaining strategic value

The state of the later

	Strategic value	Tactical value	No effect	
"	31%	38%	31%	
90% $20 %80%$ $-70%$ $20 %60%$ $-50%$ $-40%$ $-30%$ $60 %20%$ $-10%$ $-0%$ $-$	We segment by clients needs and have journeys for each one. The teams who own each market then tier them based on their goals, e.g. asset growth, or revenue retention. It's simple, and it works. We segment clients then provide a standardised journey to each segment. It's efficient and we find it really powerful for identifying and responding to their changing needs. Tiering powers our sales activities and helps us exploit CRM data: we track activity levels and aim to spend 80% of our time with top tier clients, and we sort client feedback by those who are most valuable to us. We use tier-based KPIs to identify where we can free-up time and resources, e.g. 1 service manager now serves 200 lower tier clients with a 48-hour response time, vs. 1 to 12 top tier clients with a 24-hour response time.	 We offer 'good standard and a discussion bet' for others. It's lt's a journey of error. Segmentation anticipate requires that have mad special and collook good in friclients. It's OK, but by perfect. We not say yes, but we too many cust It's difficult: we all things to all we also want to Changing service your back boo challenging, as see service level like for their clients. 	a have ween adults not perfect. of trial and allows us to uests in ways e clients feel nsultants ont of their no means b longer just e still have omisations. e want to be people, but to scale. cce levels for k is really consultants els they'd	 Where we struggle is with the nuance of being in asset growth mode in one market and revenue retention mode in another. We need a governance model that enables people to challenge and understand a tiering decision. And we need a standard baseline offering. It has worked as an internal signal of intent about using our resources efficiently and effectively. Where we have faltered is on actually doing things differently for existing clients. It's still in its infancy so it's too early to tell what effect it will have.

Learn from others to get a strategic return on your efforts

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Segment & tier Segment Neither Tier

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2/3 firms that neither tier nor segment experienced negative effects



- We offer 'good' as standard and a have discussion between adults for others. It's not perfect, but it's a journey of trial and error.
- Our organization has started to creak under the weight of bespoke processes that aren't scalable and bring operational risks and costs.
- Fed-up and tired people who are constantly bombarded - not just client service staff, but also investment specialists and fund managers.

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A mix of criteria in use, that imply firms may be conflating segmentation with tiering

The four most common criteria represented ~90% of responses

Cri	iteria	Definitions in use
AU	ential M or enue	 Commercial opportunity to us; targeted AUM or revenue in a sales plan
	rent AUM evenue	 Actual current revenue or AUM the client has invested with you
The imp to t	oortance	 Importance of their name Relationship importance, e.g. have they come through a gatekeeper like an aggregator or a consultant, or do we have a relationship with their parent organisation Strategic 'fit', e.g. a key client in a new market, importance to us of the product; or connectivity with another business unit. Level of departure risk.
Cor of c nee	nplexity client eds	 The nature of their information needs Vehicle complexity (pooled vs. segregated) Asset class complexity (plain vanilla listed assets vs illiquid real assets) Labour intensity (meetings, reporting, manual processes, etc.) vs. willingness to self-serve
Jud	gement	 Willingness to entertain exceptions is an explicit part of the process
	r bortance :hem	 Client's exposure to us: single vs. multiple mandates; proportion of their portfolio trusted us with, e.g. 5%, 50%, or 100%
Sale tim	esperson's le plan	 The proportion of time an individual sales person intends to allocate to the client

Potential AUM or revenue		Current AUM or revenue		
33%		21%		
Their importance to us	Complexity their need		Judgement 7%	
19%	14%		Our importance to them 5%	Z Salesperson's % time plan

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Asset manager's needs (i.e. tiering)

Client's needs (i.e. segmentation)

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- There was a mix of criteria in use depending on the firm's objectives, e.g. asset growth, or revenue retention
- Some firms empowered teams to choose different criteria in different markets



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A forum like no other The industry's CX community

"Very valuable for understanding the industry direction." Head of Client Services

The Asset Management CX Forum

- As an industry, asset management was a late adopter of CX so the ways firms can exploit it have been underresearched and this has led to misunderstandings.
- The Asset Management CX Forum is fixing this problem by providing the industry-level R&D function needed to help asset managers catch up with other industries on CX. This results in better experiences for investment clients.
- Who will you mix with at the CX Forum? At the latest count in March 2021, member firms comprised 8% of the top 400 asset managers in the world.
- They represent the innovators and early adopters of CX. Many are 'blue chip' global firms.
- The CX Forum is **Accomplish's gift** to the industry





Examples of CX Forum R&D

- Both of the industry's CX benchmarks came from CX Forum working groups:
 - Evaluate your internal CX capability
 - Compare your external 'effect' on your clients' behaviour
- Impact of COVID-19 on CX in the industry
 - How did investment clients' needs change?
 - How did asset managers respond?
 - What does this mean for CX's direction of travel?
- Digital CX for B2B clients what digital services were firms giving to B2B clients and what were their plans for the future? What effect do these services have on CX, and how were firms tracking engagement?

Not a talking shop

Accomplish Purpose-built through research

Accomplish leadership team



Adam Grainger Founder and MD

A 20-year veteran of the investment industry. Client experience. Behavioural analytics. Data science.

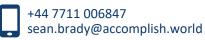


+44 7889 178019 adam.grainger@accomplish.world



Sean Brady Chief Operating Officer

25 years' experience of strategy and implementation, as a senior officer in the UK commandos.





+44 207 100 1680 nana.banton@accomplish.world

Nana Banton Non-executive

Over 15 years' experience helping leading organisations challenge the status quo and deliver strategic change. Also serves on several other Boards across industries.



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