

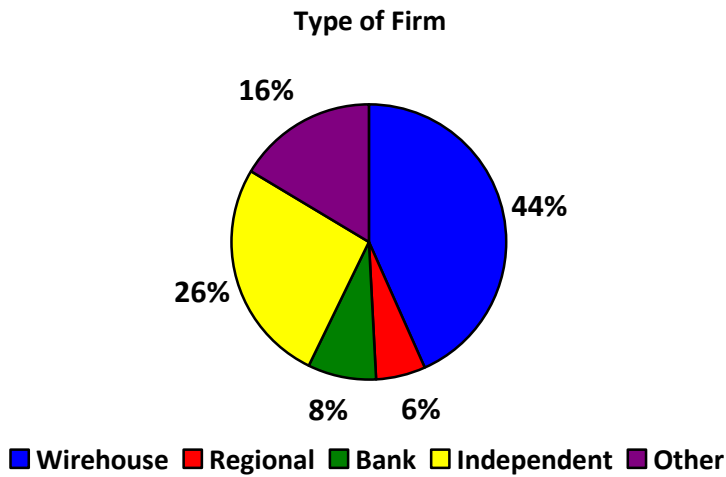
# Research Report on Service in the Investment Advisory Industry



2010 Edition

Paragon Resources, Inc. and Know No Bounds LLC conducted a survey on service between June 1, 2010 and September 1, 2010 for the sole purpose of better understanding the needs of the Investment Advisory Industry and to compare to the 2006 survey results. Data was collected from 1550 Investment Advisory Professionals who volunteered to participate and were not compensated for their participation. Their identity is confidential and will not be provided. General information about the participants is provided in the graphic below. In some cases, the written comments to open-ended questions have been summarized for ease of reporting. The information contained in this report includes views and strategies that may not be suitable to all readers. We consider the data to be reliable, but we cannot represent its accuracy and make no guarantees to its effectiveness. This report is provided to assist individuals in making well-informed decisions on improving the service function of their practices.

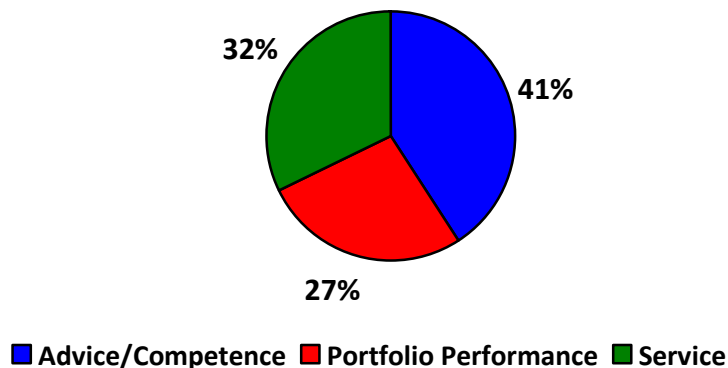
**1550 volunteer survey participants**  
**Average Years in Business: 18.4**



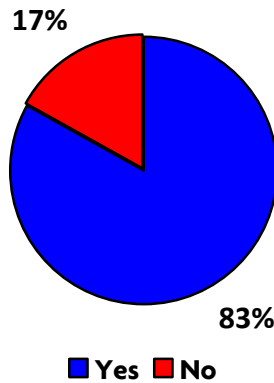
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Please tell us how effective you are in the following activities. Your answers will be used to identify areas of need within the industry as well as identifying successes and best practices.					
	Needs significant improvement	Needs some improvement	Works well	Works extremely well	Not sure
Communicating with clients on a proactive basis (you initiate contact)	7%	<b>45%</b>	30%	18%	0%
Responding to client inquiries and requests (client service, reactive)	0%	8%	35%	<b>57%</b>	0%
Responding to service problems or mistakes	0%	6%	35%	<b>59%</b>	0%
Conducting client appreciation activities or events	22%	<b>46%</b>	23%	8%	1%
Showing your clients that you appreciate their business	4%	<b>54%</b>	32%	8%	2%
Exceeding your clients' expectations	3%	<b>44%</b>	38%	11%	4%
Capturing all or most of your clients' investment assets	3%	33%	<b>35%</b>	29%	0%
Anticipating your clients' NON-financial needs	6%	<b>52%</b>	31%	10%	1%
Getting to know your clients' family members	10%	<b>53%</b>	26%	11%	0%
Client experience when they visit your office	2%	30%	<b>39%</b>	26%	3%
Client experience when they call your office	1%	23%	<b>49%</b>	26%	1%
Overall service that you deliver	1%	27%	<b>52%</b>	19%	1%

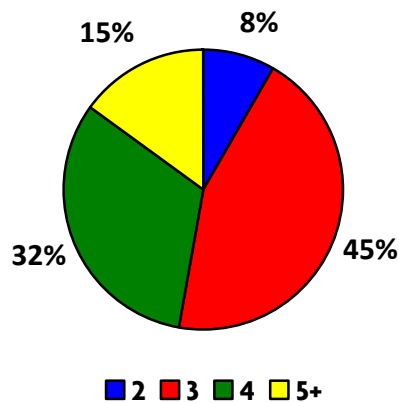
What weight (%) do your clients place on each of these factors when working with you?



**Do you segment the clients within your book of business?**



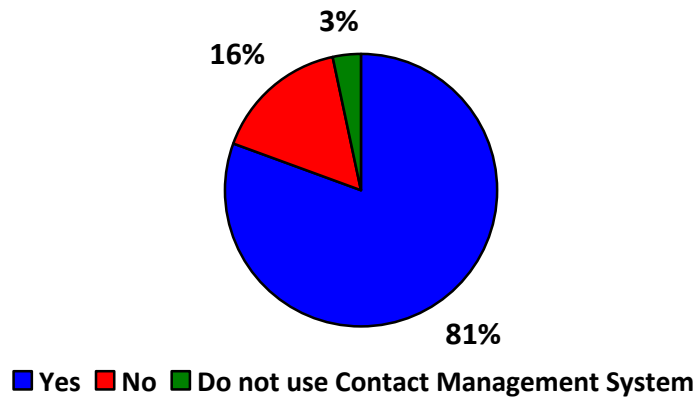
**If yes, how many segments do you have?**



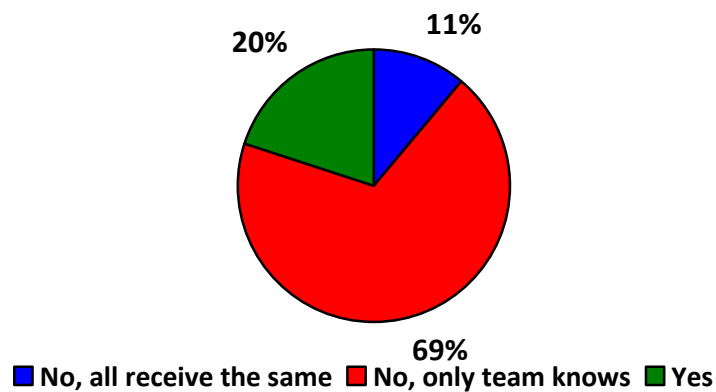
Segment names submitted:

- Top, middle and the rest.
- A,B,C, D
- AAA, AA, A, B, C
- A1,A2,A3
- A, B, C
- (Centurion)Platinum, Gold, Silver, & Bronze (Gravel) (Blue) (Courtesy)
- Elite, (Premier) Preferred, Service Plus
- Highest Priority, Moderate Priority, Important
- 1-4 (5)
- Planning versus Non-Planning
- Retail versus Institutional
- Private Wealth, Platinum, Achiever
- Top 50 and Other
- Select (other), Prestige, Signature

**Do you store segment information in your Contact Management System?**



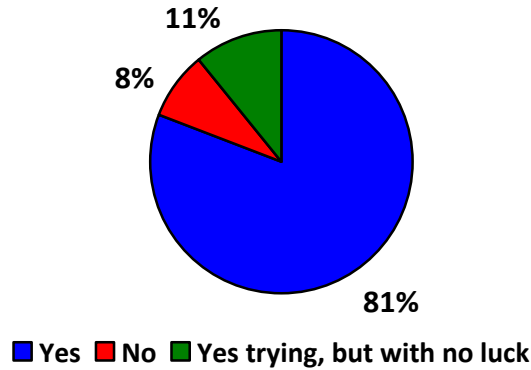
**Do your clients and/or prospects know you offer different levels of service?**



**Other than financial and referral criteria, please describe any ADDITIONAL factors you use to determine your segments. (i.e. information other than minimum account size and referral potential).**

- Ability to add money in future
- Receptive of advice, coachable
- Attitude, value us, advocacy
- Availability, access, responsiveness, listen to us
- Social Influence
- Demographics, market niche
- Likeability: fit with us, chemistry, personal values, level of trust, ease of service, fun
- Length of time as client, entire family relationship, intergenerational relationship
- Connected to other larger clients
- "Power ranking system"
- Knock out factors

**Are you currently trying to minimize the amount of clients in your lowest segment?**



**Do you use your segments in any other way in your business?**

- No, but we need to work towards this
- Number and types of yearly contacts, proactive communication
- Prioritization of internal workflow
- Use with prospects also
- Service levels
- Investment recommendations
- Client appreciation events
- Determines primary advisor
- Age-related sensitivities
- Gifts, cards, flowers

**What characteristics do you use to define your ideal client relationship? Select all that apply.**

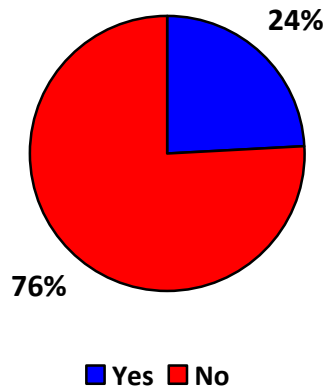
	% of respondents who use the characteristic
Assets Under Management	85.4%
Revenues	79.6%
Profitable	52.6%
Referrals (includes actual and potential)	81.8%
Market Niche	17.5%
Accepts My Advice With Ease	84.7%
Demographic Fit	19.0%
I have not defined my ideal client relationship	3.6%
Other	10.2%

**Additional characteristics to define your ideal client relationship:**

- Like them, good relationship, personality, nice person
- Attitude
- Advocacy

- Related to or referred by top client
- They are respectful to team
- Realistic
- Defined cost efficient benefit offered to client

**Do you have a written definition of your ideal client relationship?**



**What do you do to maximize business potential with your clients?**

- Frequent communication with clients, proactive plan for each segment
- Have a call schedule to follow up and check on them. Be proactive
- Quarterly reviews, client meetings – personal and financial
- Constant education on the market
- Good team work in the office, involve team members
- Provide exceptional service over time and develop a steady, trustworthy relationship
- Expose them to the suite of services and expertise that we have
- Consistently asking them what problems they are having, ask questions
- I try to produce analysis reports that helps my client understand what I do for them and can do for them
- Financial plans, holistic planning
- Client management system (eMoney) that allows our office too aggregate all client’s assets regardless of where they are held.
- Hosting client appreciation events that are fun, some with only 4-5 persons
- Discuss personal and business lending- managing the liability side of ledger
- Case prep system to track & review for opportunities
- Service the heck out of them
- I develop a full understanding of all the client’s financial needs. I ask about wills, trusts, insurance, mortgage needs and so on. I want them to call me when they are going to do something as simple as buying a car.
- KNOWLEDGE
- Copious notes on their situation
- Seminars
- Family Multi-generational meetings. Appreciation Events where they can invite their families.
- Fact finder, thorough discovery process
- Regular contact with clippings and/or articles of interest with hand written notes.
- Always use Socratic opening, what’s important to you?
- Provide excellent service and point out other services that our company offers that the client may not know about.
- Try to find everything and then work to get it.

- Honesty and doing what we promise. If they are better served elsewhere I tell them. If we say we will do something, we do it.
- Product diversification
- Offer to maintain ongoing financial and estate planning for FREE if managing at least \$500k in assets
- Add value to their business by giving them business development ideas
- We're doing a very poor job of it right now!
- Family fee aggregation through consolidation of assets
- Spend most of my time w/Gold & Silver clients
- Analysis of their assets
- Ask them a lot of questions....
- Hope and Pray

**What do you think is the ideal way to PROACTIVELY communicate with your best clients?**

- Constant and consistently
- Telephone call cycles
- Visits or meetings at their convenience
- Appreciation events
- Email
- Following up with discussions by assistant calling or mailing notes/action items
- Directed messaging by knowing the client
- Contact management system reminders
- Pre-schedule next year's meetings
- Execute our service schedule
- Anticipate client questions/needs
- Blogs
- Newsletters
- Have multi-faceted approach
- Appropriate frequency and method PER client
- Areas of interest
- This is where we need help!
- Non-sales calls to touch base
- Document and acknowledge life events
- Go to meet them at their residence, vacation home, favorite restaurant

**How frequently SHOULD you PROACTIVELY communicate with your best clients?**

- 77% indicated monthly
- 9% Indicated quarterly
- 9% of respondents indicated 24-60 times per year
- The rest indicated responses that were determined based on clients' needs and requirements

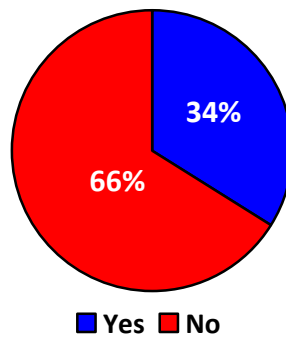
**Please describe what you do to show your appreciation to your clients.**

- Client events, golf, cultural events, comedy, movie theatre, sports
- Gifts, personalized
- Birthday calls
- Anniversary cards – account and marriage
- Lunch
- Dinners, in client's honor, quarterly
- Value-added workshops, investment and non-investment related

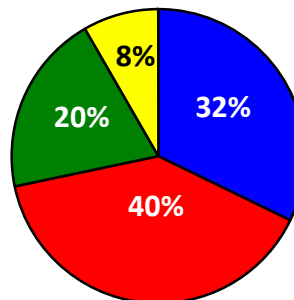
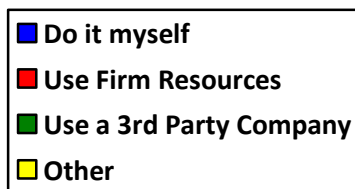


- Hand written notes, thank you's
- Calls on important dates
- Acknowledge family events, aha's
- Inspirational book for difficult transitions or celebrations
- Annual holiday (Christmas, Thanksgiving, Rosh Hashanah, Hanukkah) event or cards
- Gift certificates
- Tickets to events
- Year end gift, segmented
- We need to work on this
- Needs improvement
- Firm limiting
- Tell them
- Charitable donations or purchases from community towards charitable organizations

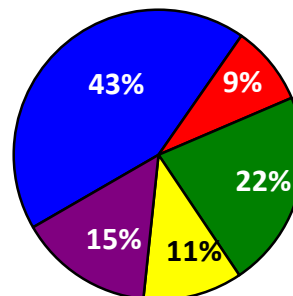
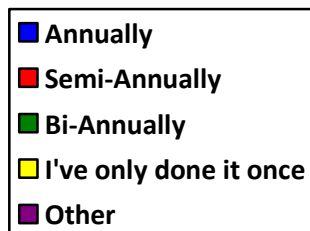
**Do you survey your clients on the service you provide?**



**For those who answered yes, how do you conduct your surveys?**



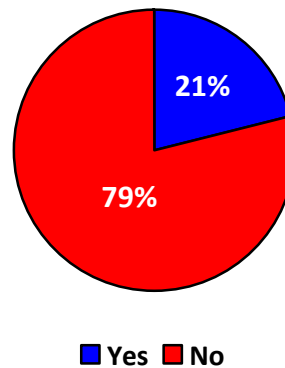
**and, how often?**



**Comments on client service surveys:**

- Use Zoomerang
- Send survey with welcome letter
- I'm overdue for one, thanks for the reminder
- Corporate headquarters decides to conduct
- Infrequently, random

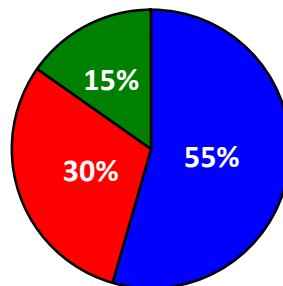
**Do you have a written service agreement defining exactly what the client should expect by doing business with you?**



**Comments on service agreements:**

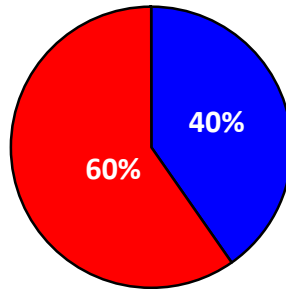
- Use in our team brochure
- Use with prospects and in proposals
- Multi-page agreement, lengthy and detailed
- Working on it
- Legislation prescribes this in RSA
- Detailed in contracts, disclosures, retainer agreements
- Very customized to client
- Based on different solutions offered
- Proprietary

**Do you include client service and relationship management goals in your business plan?**



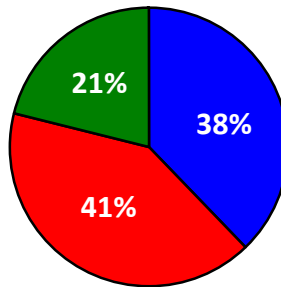
■ Yes ■ No ■ I do not have a business plan

Do you conduct exit interviews if a client leaves your practice?



■ Yes ■ No

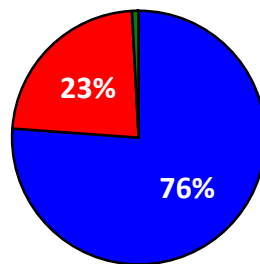
Has a client ever left your practice due to service issues?



■ Yes ■ No ■ Don't know

Have you ever fired a client?

1%



■ Yes ■ No ■ I would never fire a client

**Reasons for firing clients:**

- Did not comply with asset requirements, not profitable
- Did not fit with our investment philosophy
- Did not take advice/recommendations
- Did not respond to calls/documentation
- Had unrealistic expectations
- Was not a good fit, negative attitude, pain in the...
- Rude to staff, difficult, abrasive, abusive
- Did not value us
- Too demanding, couldn't justify time
- Couldn't have honest, open communication
- Geographically too far for amount of revenue
- Better suited working with another advisor
- Considered a "Small Household" by firm and were charged exorbitant fees
- Would not convert to current business model
- Don't need the level of service we provide
- Never would come in for reviews
- Did not fit our goals of a client
- High service requirements with low revenue
- Misaligned

**On average, how much of your clients' wallet share do you control?**

	0-20%	21-40%	41-60%	61-80%	81-100%	I don't know
% of assets you control	0%	2%	10%	37%	<b>46%</b>	5%

**How would you respond if a client/prospect asks you: Why should I do business with you rather than another advisor? Phrases and concepts included in comments are:**

- Service – provide more, better, and personalized
- Because we care
- Take the time to make sure my clients and I share the same goals
- x years of experience to provide advice through many market scenarios
- Credentials, knowledge, reputation
- Relationship and attention to THEIR needs, client's needs come first
- Follow through on everything
- All clients are unique, customized solutions
- Collaborate with other advisors
- We are selective on engaging new clients
- We are your CFO
- I use my heart and head every day
- We hold ourselves accountable
- Comprehensive financial plan/health, take time to fully understand
- I am not product driven, but solutions driven
- Focus on YOU
- Consultative, disciplined approach
- Quality of firm, platform, process, state of art resources
- Take time to uncover personal values/drivers/needs
- Provide examples of how we help others

- Defined communication/expectations plan
- We offer solutions that others cannot
- Our team
- Holistic, long-term approach
- Transparency
- Trust, integrity, loyalty, dedicated, competent
- Risk mitigation
- Build relationships with other professionals that can deal with all challenges and issues
- You should meet with others and ask many questions before making a decision
- We provide a fiduciary standard of care
- Look for mutual commitment
- We work hard
- How can you guarantee you pick the right advisor?
- Show them e-money marketing materials
- We are specialists, not general practitioners – we understand your needs
- I'm from this community
- Life-centered approach
- It's all about the personal relationships, this is a relationship business

**When profiling your clients, what information do you gather besides financial data and objectives?**

- Personal goals (short and long term), dreams, desires
- Values, moral principles
- Needs and wants
- Hobbies, interests, things for fun, passions, wish list, restaurants
- Church affiliation
- Charities
- Life and legacy
- Family member information, pets
- Special events, major life events
- Likes/dislikes
- Membership in associations/organizations
- Expectations from an advisor, what hasn't worked in the past
- What keeps them up at night, concerns
- Health
- Occupation/business owner information
- Other professional advisors
- Education, background
- Behavioral style (DISC), risk style, communication style
- Nothing but financial
- EVERYTHING, constantly modifying data collection

**How do you communicate your team members' roles to your clients?**

- 71.2% of respondent communicate team members' roles
- Needs work
- Verbally
- Provide contact information in letter or card
- Team bio sheet, 1 pager, brochures, presentations, pitch book, org chart
- Personal introductions included in meeting agenda, members come into meetings

- On website
- Explain what each brings to the table
- Have everyone involved from the start
- Welcome package, correspondence from other team members
- Train client on who to call, forwarding client to appropriate team member when they call in for advisor
- Constant communication
- Identify service associate, create service agreements

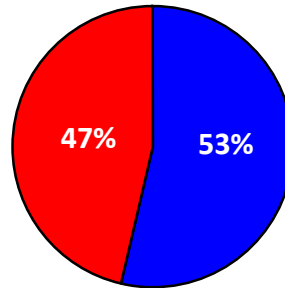
**How comfortable do you think your clients are when working with your support staff?**

	Very Comfortable	Somewhat Comfortable	Not at all Comfortable	N/A, I do not have a team
Clients are...	76%	19%	1%	4%

**What challenge(s) do you have when servicing your clients?**

- Time
- Too many clients, too many that don't fit, too many small, non-profitable
- Not a scalable business
- Trying to do too much for too many people with not enough capacity to do it
- Random, scattered, reactive
- Team communication
- Documenting interactions/conversations, keeping track of touches
- Poor client response time, following up
- Lack of delegation
- Staying ahead of everything before errors made or something bad happens
- Not enough staff
- Delineating different levels of service
- No systems,
- Contact management system is lacking
- Clients only working with advisor, not going to staff for needs
- Firm limitation, inadequacies, lacking resources
- Differing service beliefs among team members
- Reaching clients, receiving calls or information back
- Trying to not let things fall through the cracks
- Staying on topic with clients, focusing discussions with clients
- Meeting with clients long-distance
- Office experience, client experience
- Keeping staff motivated
- Juggling use of technology with proper personal interactions
- Providing meaningful, valuable contact with clients
- None

**Have you changed your service strategy and model based on market volatility?**



■ Yes ■ No

**Comments on changing service strategy and model based on market volatility:**

- Increased proactive communication, phone calls, market commentaries, education, information
- More focus on tax implications, financial planning
- More frequent reviews
- Review of financial goals, redefine targets
- Spend more time in client meetings
- Less talk on capital markets
- More discussion on recovery and tactical strategies to preserve
- More aware of service model
- More discussions on risk
- Client re-segmentation
- Answering phone on first ring
- Resolving service issues quickly
- Streamlined practice and service
- Created more standardized processes
- Less industry jargon, more personal discussions
- Email campaigns
- Changed business model
- Reset expectations
- Stay ahead of the noise from the news