April 10, 2014

SEI White Paper: Behavioral Segmentation Drives Long-Term Profitability for Wealth Management Industry

Needs-Based Segmentation Nets Greater Efficiency to Service Untapped Clients

OAKS, PA -- (Marketwired) -- 04/10/14 -- While traditional wallet-based segmentation approaches have historically been the norm in the wealth management industry, future long-term profitability will be driven by a firm's ability to adapt its segmentation model to the evolving needs of its clients, according to a whitepaper released today by SEI (NASDAQ: SEIC). "SEI Insights: Can Segmentation Lead to Sustainable Profits?" explores the benefits of enhancing current segmentation models to incorporate investors' behavior patterns. The paper concludes that unified technology platforms, which enable flexible model-based portfolio construction and provide advisors with varied tools, offer wealth managers the resources necessary to develop and execute more effective segmentation strategies.

"It's clear that wealth management firms become more profitable as they evolve with and ahead of their customers, and enhanced client segmentation strategies have been found to help drive this evolution and profitability," said Al Chiaradonna, Senior Vice President, SEI Wealth Platform(SM). "We've also found that achieving this will hinge on a firm's ability to develop a technological environment that can collect, manage, and analyze vital client data. With this improved data, firms can better understand the modern segmentation of their clients and prospects and ultimately target them more effectively."

The paper examines how the wealth management industry traditionally segmented individuals en masse, using three static dimensions: amount of wealth, source of wealth, and age of wealth. While this approach worked successfully for many years, wealth management clients' needs and values have evolved. The paper reveals that a dynamic segmentation style has recently emerged, which considers not only an investor's amount of wealth but also incorporates an individual's behavior patterns. Capturing behavioral insights can enable wealth managers to anticipate future demand and develop value-based solutions. For this new behavior-based segmentation to be effective, wealth managers need to collect and maintain client data to properly understand their clients' needs.

"We're seeing a lot of wealth managers struggling with segmentation and looking for immediate solutions," said [Chiaradonna](). "Current segmentation based on wallet-share has caused a significant strain on resources, as firms tend to focus on providing their wealthiest clients highly customized solutions. This greatly limits how many clients a wealth manager can adequately serve. But, trend analysis and data collection make it possible to identify, for example, that the needs of a mass-affluent client are not that different than those of an ultra-high-net-worth client. A unified platform allows you to segment clients based on similar goals, many times resulting in the ability to better service existing clients, while freeing up resources to acquire new business."

The paper explores how this challenge and trend is not unique to the wealth management industry and examines segmentation process improvements within the car insurance industry, which centered on using enhanced data to better understand customers. For decades, the insurance industry based its premiums on basic factors often sourced by brokers, but this approach increasingly mismatched clients and products and ignored many who did not fit into strict segmentation models. Insurers instead began to assess clients based on behavior patterns and, using enhanced technology, collected and analyzed client data. Through this strategy, insurers discovered a way to identify other drivers with similar behavior patterns and target them more effectively.

Traditionally, the wealth industry has focused on the ultra-high-net-worth (UHNW) segment. The paper reveals an opportunity for wealth management firms to create a unique client experience for the high-net-worth (HNW) and, largely untapped, mass-affluent segment of investors. Firms that upgrade their technology solutions and, in turn, segmentation strategies will find themselves with greater revenue margins than firms that focus solely on the UHNW segment.

The paper, published by SEI Executive Connections, is the third in a four-part series, titled "SEI Insights: The Future of Wealth Management," which explores four key areas outside of the financial industry that offer opportunities for transformation in the wealth management industry. The first two parts of the series examined the benefits of employing a unified platform to overcome legacy system issues and embracing business model reinvention to improve enterprise risk management, while the final paper will look advisor productivity. SEI Executive Connections is a community for bank executives and industry experts which provides business intelligence and opportunities to interact on banking topics and trends. To request a copy of the full paper, please visit https://www.seic.com/enUS/about/13722.htm.

About the SEI Wealth Platform(SM)

The SEI Wealth Platform (the Platform) is an outsourcing solution for wealth managers encompassing wealth processing services and wealth management programs, combined with business process expertise. With the Platform, SEI provides wealth management organizations with the infrastructure, operations, and administrative support necessary to capitalize on their strategic objectives in a constantly shifting market. The SEI Wealth Platform supports trading and transactions on 107 stock exchanges in 46 countries and 33 currencies, through the use of straight-through processing and a single operating infrastructure environment. For more information, visit: www.seic.com/seiwealthplatform.

About SEI

SEI (NASDAQ: SEIC) is a leading global provider of investment processing, fund processing, and investment management business outsourcing solutions that help corporations, financial institutions, financial advisors, and ultra-high-net-worth families create and manage wealth. As of December 31, 2013, through its subsidiaries and partnerships in which the company has a significant interest, SEI manages or administers $559 billion in mutual fund and pooled or separately managed assets, including $232 billion in assets under management and $327 billion in client assets under administration. For more information, visit www.seic.com.

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Source: SEI