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# Wealth Management Industry Must Reinvent the Value Chain, According to SEI and WISE Gateway Report

## Report Examines Pressures Facing Bank and Trust Wealth Managers Today and Uncovers Significant Growth and Profitability Opportunities

OAKS, PA -- (Marketwired) -- 04/04/16 -- According to [The Case for Change](#), a report released today by [SEI](#) (NASDAQ: SEIC) Private Banks and leading research provider WISE Gateway, there is a paradigm shift underway in the wealth management industry, forcing firms to reinvent the way they approach the relationship between customer value, growth and profitability. The report suggests that while wealth management industry leaders acknowledge the importance of productivity and profitability, significant inefficiencies continue to impede their ability to maximize the client experience and firm success.

"Wealth management is in the midst of unprecedented change," said [Al Chiaradonna](#), Senior Vice President, [SEI Wealth Platform\(SM\)](#), North America Private Banking. "Regulation, globalization and evolving customer demands are impacting firm growth and forcing the industry to reinvent itself. While this can feel overwhelming, it actually creates tremendous opportunity for pioneering firms with visionary leaders who are willing to re-examine their business model's profitability structure. Wealth management executives will play a key role in this reinvention and must commit to identifying their firms' inefficiencies and addressing them by re-examining and re-thinking the entire value chain."

### ***Inefficiency Hinders Growth and Profitability***

The report finds that inefficiencies are hamstringing advisors -- from team organization to the various, often disconnected technologies on which they operate. Despite the fact that advisors are a firm's primary business drivers, they are saddled with time-consuming administrative tasks that prevent them from engaging with clients. In fact, the research revealed that almost 40 percent of an advisor's day is spent on low-value administrative work. At a recent wealth management executive roundtable, 10-15 industry veterans estimate that greater efficiency would give back an additional hour and a half of time per day per advisor.

Another roadblock to profitability is outdated and disconnected technology, even when surrounded by newer support systems. Firms operating on legacy technology spend

significant money and time overhauling these aging systems. Those who operate on a system older than five years (more than 65 percent of firms) spend five percent more of their technology budget on maintenance than firms operating on a newer system. In addition, wealth management firms continue to bear expenses associated with additional surround systems, which support their aging infrastructure. More than one-fourth of all firms have between 10 and 25 surround systems in place, and nearly one-fifth of platforms older than five years have more than 25 surround systems.

Inefficiency can also be found in managing client data, especially in larger firms that manage over \$30 billion in assets. Approximately 40 percent of managers at small firms describe their client data as "very accessible," with 60 percent of these managers also describing their client data as "very consistent," meaning the data is the same throughout the organization. The report shows that as a firm's size increases, these numbers drop dramatically, with larger firms citing figures lower than 30 percent for both accessibility and consistency. The front office, especially, is burdened by disconnected systems, affecting critical sales and service processes and taking up even more manager time. As noted within the report, when asked to rate their firms' sales and service processes, on average, not a single process was given a top-three score, and very few managers described their manual processes as "very automated."

"As advisors are tasked with delivering a more holistic approach to helping clients achieve their goals, their time becomes an even more valuable asset," said David Lincoln, Co-founder and Partner at WISE Gateway. "Finding ways of increasing efficiency through better use of people, process and technology will help wealth managers deliver a better service experience while continuing to grow both client numbers and profitability."

### ***Productivity Improvement Proves High Returns, But It Is Only The Beginning***

*The Case for Change* reveals that firms of all sizes have significant opportunity for growth through addressing inefficiencies. It identifies five characteristics that separate the most productive and profitable firms from their counterparts. High-performing firms:

1. Provide client-facing teams with higher levels of support and better infrastructure
2. Turn technology from hindrance to enabler
3. Streamline sales and service processes
4. Centralize lower-value sales and servicing tasks
5. Create a plan for managing small accounts and single-service relationships

The study found that high-margin teams are more likely to have productive advisors and teams than their counterparts. Each dollar of compensation, for example, generates comparatively high levels of revenue. Scale in client relationships and high levels of support for client advisors are also hallmarks of highly productive teams.

As firms grow in size, so do efficiency challenges, increasing the likelihood that they will outsource operations. While only 36 percent of firms managing under \$1 billion in assets chose to outsource, 71 percent of those with assets above \$10 billion are outsourcing. Nearly half (48 percent) of firms managing \$1 billion to \$4 billion in assets choose to outsource, as do 58 percent of firms managing \$4 billion to \$10 billion in assets. The survey also found that firms that outsource operations reported 25 percent higher assets per full-time employee than those that did not.

"The case for change is clear. While productivity will marginally improve profits, wealth managers need to question not just how productive they are, but exactly what activities in

the value chain make sense to be owned and done by the firm," said [Chiaradonna](#). "At SEI, we see wealth managers struggle with inefficiency and technological setbacks all the time. In the end, it is up to wealth management executives to take action within their firms. If you look outside of our industry, some of the greatest success stories today embraced disruption and innovation in a huge way. Look at Uber, Amazon, and Airbnb. They didn't focus on feature or function. They re-invented their respective value chains with the customer at the center of their strategies. Wealth management executives who have a vision and commitment to change have a great opportunity to become the disrupters in our industry."

To review the full report, please visit: [seic.com/caseforchange](http://seic.com/caseforchange) and/or for more information about SEI Private Banks, please visit: [seic.com/privatebanks](http://seic.com/privatebanks).

### ***Methodology***

We surveyed 80 firms and conducted interviews with dozens of executives from US-based, bank wealth management firms and trust organizations that serve high-net-worth individuals. WISE Gateway collected data from three sources: a paper-based survey of bank and trust company financials where approximately 75 firms provided data about their wealth-management operations, including revenue, expense, productivity and related information; a web-based survey of bank and trust company operations where approximately 40 firms provided data about their service processes and teams; and qualitative research interviews with industry executives.

### ***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 132 stock exchanges in 51 countries and 35 currencies, through the use of straight-through processing and a single operating infrastructure environment. For more information, visit: [seic.com/wealthplatform](http://seic.com/wealthplatform).

### ***About SEI***

SEI (NASDAQ: SEIC) is a leading global provider of investment processing, investment management, and investment operations solutions that help corporations, financial institutions, financial advisors, and ultra-high-net-worth families create and manage wealth. As of December 31, 2015, through its subsidiaries and partnerships in which the company has a significant interest, SEI manages or administers \$670 billion in mutual fund and pooled or separately managed assets, including \$262 billion in assets under management and \$408 billion in client assets under administration. For more information, visit [seic.com](http://seic.com).

### ***About WISE Gateway***

WISE Gateway helps wealth management executives communicate more effectively, make better decisions, and improve their top and bottom line performance by providing high-quality comparative benchmarks, syndicated research, custom analysis and empirically-derived insights about wealth management sales, productivity and pricing strategies. For more information, visit [wisegateway.com](http://wisegateway.com).

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