

## Bloomberg Wealth Manager Story

April 6, 2001

### "It's 11 PM - Do You Know How Happy Your Customers Are?"

By Brian O'Connell

Kinko's does it. 7-11, too. Hey, even Federal Express is considering going the 24/7 route.

So why be surprised when independent financial advisors adopt a 24-hour, seven-day-a-week mentality with their practices? Sure, advisors go home at night but that doesn't mean their businesses are closed. With increased enhancements of their World Wide Web sites that enable clients to visit the site to peruse account records, research company stocks, or bat around sample portfolio ideas anytime, advisors are entering into a new client interaction phase. Slipping the surly bonds of the 9-5-business hour mentality, clients can don their bathrobes at 11 PM, log onto their advisor's Web site and find out what they want when they want. That means less direct communication between advisor and client but more time for advisors to work on other customer service initiatives -and some unique new Web-based services for clients.

"I'm a regular on CNBC and all of my interviews are linked to my Web site so clients who missed me can link back to the Web site later on," says Michael Kresh, a Hauppauge, NY-based CFP with over \$50 million in assets under management. "Not a lot of my clients are Web friendly but we're seeing more and more every day. They have busy lives too, so, for example, having a link on our site to our broker/dealer's Web site so they can check their accounts or review a quarterly report online whenever they like is a big benefit for them."

Aubrey Morrow, president of San Diego-based Financial Designs is another independent financial advisor who merges his media campaigns with his Web site. "I have a radio show that's heard all over Southern California," he explains. "If someone hears us and wants more information we not only catalog that call manually on a Microsoft Outlook database we'll point them to our Web site for more information where they can take a look anytime night or day. It's a big time saver for both sides."

Maximum Hours, Minimum Face Time?

Is 24/7 client access a good idea for the independent advisor?

Yes, most advisors say, but only if client access to the practice is monitored as closely as a phone call or face-to-face meeting. "Increased interaction is always desirable," notes Susan Kaplan, founder and principal of Wellesley, MA-based Kaplan Financial Advisors. "But my fear is that we're making the relationship too distant instead of too personal. Too many firms are turning into "do it yourself" firms at a time when the reverse should be happening." Consequently, Kaplan sometimes feels she's between a rock and a hard place with continuous Web access to her company. "We value our Web site and have, in fact, hired a consultant to come in and polish it up for us and add some new features. But I still prefer clients to call me rather than pop-in online."

For some advisors, the mix of the Web culture and an "all day, all night" client access mode is not only a sign of the times, but a necessity to those advisors in urban areas where Web-savviness is a staple. "We're definitely moving toward 24/7," says Malcolm Greenhill, CFP and one of three principals at San Mateo, Calif.-based Sterling-Wood, an independent advisory firm with over \$100 million in managed assets. "We have a lot of dot.com millionaires with large positions and complex tax issues. Obviously, they all love the Web and love the freedom of accessing their own information off of our Web site."

Greenhill advocates a "carrot and stick" approach to an all out Web strategy, giving clients good information online, but not everything in an advisor's arsenal. "We've plugged a new program called Portfolio 2000 into our Web network, which provides consolidated investment performance information online on a 24/7 basis,"

he adds. "While we want to be as amenable to our client's needs as possible, we don't let them access everything we have. We still want them talking to us face to face or over the phone."

For clients that want unlimited access to an advisory firm's Web site on a 24/7 basis, that's fine - as long as they claim responsibility for decisions they make at 2 AM without the direct intervention of an advisor.

"Clients who want 24/7 access to their financial advisors for "market emergencies" are usually not long term investors," says David John Marotta, principal at Charlottesville, Va.-based Morotta Asset Management. "They are probably trying to time the market. If they cannot be convinced of the ineffectiveness of market timing, they should either take responsibility for their own investments or find a financial advisor who they are convinced with consistently predict the highs and lows of the market within three weeks." For most client contact, Marotta adds, his firm still relies on phone calls and email during regular business hours.

## Merging Web Services with CRM

So, what are advisors doing with all the extra time they have not answering questions clients are answering for themselves on the Web?

Most advisors say having a Web site enables them to do the job they're paid to do - manage their clients' portfolios. Many also say that time saved from having a Web site allows them to spend more time to get to know their customers' preferences and investment tendencies better. To them, that means investing in a customer relationship management software (CRM) package that gives them an ongoing, 24/7 customer marketing technology capability of their own.

"CRM helps give me an idea of what kinds of things my clients are looking for on a 24/7 basis," says Kaplan. "Any call, fax or e-mail that comes in to anyone in our company I know about."

CRM is hardly a new phenomenon - it's origins date back to the 1980's when companies would store customer demographics on large computer databases - but it is becoming a staple of the financial services industry. Quite simply, CRM enables advisors and their staffs to track customer information and interactions across all channels, including call center, face-to-face meetings, Web activity and any other interaction within the enterprise.

The latest manifestation of CRM is a Web-based strategy called E-CRM that synchronizes customer relationships across even more channels, business functions and audiences. As the Internet shifts power to consumers, advisors implementing E-CRM solutions can exploit the capabilities of the Internet, allowing online collaboration, personalized e-commerce and sharing of information via their Web sites with customers.

E-CRM is becoming a hot-button issue in financial circles. According to Shaw Lively, an analyst with Framingham, Mass.-based International Data Corporation, 39 percent of financial services companies want E-CRM implemented by 2001. AMR Research says that licensing and services revenues for CRM software developers rose from \$4.4 billion in 1999 to \$6.8 billion in 2000, leaping to more than \$20 billion.

Like a lot of tuned-in experts these days, Lively says that E-CRM is the logical "next step" after interactive Web sites for advisors. "The Internet is taking online customer service from simple portfolio access to new levels that address client preferences and demographics that can help advisors keep existing clients and make it easier to identify the attributes needed to attract new ones," he explains. "The Web has really driven the demand for faster and better customer service. Customers see the Web as a 24/7-call center new with no waiting in queue. So expectations are high." In Lively's view, the Web has created a transaction account information capability where clients can log on and see account balance or place trade. "As people started doing that, the Internet has become the predominant channel or medium for customer relationship to occur," he says.

Others agree, adding that Web-based CRM applications are giving advisors real-time knowledge about their

customers that lead to better service and, ultimately, more assets under management. "CRM is all about pulling together customer information to help the advisors better understand and know that customer and their needs and then communicating that knowledge to closely personalize the products and services for each customer," says Erin Kinikin, vice president of research at Boston-based Giga Information Group. "We're seeing great interest from Wall Street firms who want to use CRM analytic applications to help pull together customer transactions and portfolio information across different accounts, and show advisors customer trends over time, such as increases or decreases in deposits, account value, or transaction frequency. Knowing customer's habits and preferences is going to lead to more business for advisors."

### Knowing Customers Better

Some Wall Street observers see the trend of blending Web-based customer outreach strategies with E-CRM as long overdue. They also say that deploying E-CRM applications is no longer a luxury but a necessity. "If you're not reaching out to customers and gathering data to help keep them satisfied with your level of service, somebody else will," notes Dean Williams, chief executive officer at Ascendix Technologies, a Dallas-based provider of CRM solutions to the financial community. "If you're in the advisory business today you have to have real time access to customer data that can be integrated with other portfolio management systems."

No doubt Williams has a point. While advisory firms do maintain detailed account information, most traditionally do not integrate this information with personal details about their contacts and the history of their representatives' interaction with them. Advisors usually maintain this information individually in a variety of hard-copy files, PC databases and low level software products. E-CRM can streamline that information gathering process by tying together all related customer information enabling advisory firms to drill down into data to quickly understand current sales activities and revenue opportunities.

It's a wonder, some say, that more advisors don't use E-CRM. "A great many financial advisors aren't using E-CRM tools, even though most do have Web sites now," explains Edwin P. Murrow, president of Financial Planning Consultants. "They think of themselves as financial services professional rather than as business owners and thus de-emphasize the client relationship aspect of their business."

Murrow adds that the solid results garnered from advisory Web sites has increased the appetite for more client relationship tools - but only at a price they can afford. "Independent financial planners don't have a lot of money to spend," he says. "They're not at a level not where Merrill Lynch or Charles Schwab are."

Murrow estimates that most advisors can have a good E-CRM package up and running for anywhere between \$2,000 to \$15,000. Their Web sites, he adds, are a big piece of that puzzle. "The key is having a three-pronged CRM strategy that uses the Web as its centerpiece, so you can provide them with information on a non-threatening basis, whenever they want it" he says. Bracketing the Web platform should be some kind of text-response system where advisors can "drip" information targeted to specific customers encouraging them to act and a database or repository where you can send educational articles and newsletters to customers. "Those three components are the cornerstones of a good E-CRM program," he says. "Combined, they show that the services a financial professional offers are critical to clients, each of whom is able to get exactly what they need from their advisor because the E-CRM tools are telling that advisor what his client needs."

Yet as important as a Web site can be for expanding an advisor's marketing opportunities, e-mail may be just as vital. We've built our CRM software through our (Microsoft Outlook) e-mail service to compliment our Web access stuff," adds Kresh. "It's easy to make minor plug ins to Outlook to, for example, link to our online calendar." In doing so, Kresh now has an E-CRM package that not tells him when a client calls or e-mails, but consolidates them together and adds the data to his calendar for easy access when he eventually does talk with a client. "24/7 works both ways," he adds. "Clients can reach us whenever they want but whenever they do, we can continually log their calls, e-mails and faxes and consolidate them. It's the

paperless office everyone's been talking about."

Kresh adds that clients like being able to reach his firm via the Web site and finds that they are much better prepared when they do meet to talk about money management issues. "They tell me they like the fact they don't have to play phone tag to get information they could not get without direct access to me a couple of years ago," he offers. "A lot of my clients are snowbirds so when markets are difficult they can hop online very easily to get direct information on their holdings. Then, we can get into a long conversation if necessary via the phone. I'd say that in 5 to 10 years, 25 percent of client contact will be through the Web."

### Pay Now or Pay Later

Then again, can advisors afford not to invest in 24/7 Web and E-CRM packages that more and more customers seem to demand? Couple increased customer demand with future Web-based applications like wireless communications - a market that's projected to reach 25 million users by 2003 in the U.S., up from 1.7 million today, according to Cahners In-Stat Group - and the demand for more customer personalization tools will rise exponentially.

"Customers like the ability to get information when they want it, how they want it -- over the web, on the phone, in person, or via a mobile device," says Giga's Kinikin. "Financial advisors financial advisors want to quickly see the status of customer transactions, learn about new products, and be notified of market trends. In that sense, E-CRM becomes part of a financial advisor's support structure, helping to better connect him to the products he recommends. That's a win-win for both sides."