

Quantifying the Opportunity and Creating Client Treatment Groups

Best Practices for Brokerage Firms

Challenge: Quantify Total Opportunity and Help Financial Advisors Prioritize Clients

A leading brokerage firm wanted to better understand the total financial opportunity held by its clients. The firm had thousands of clients, yet it did not have a way to gauge its overall opportunity and share of wallet.

With over 2,500 financial advisors (FAs), the firm also wanted to help its FAs prioritize their time and spend the most energy on high opportunity clients. The firm needed a way to enable FAs to evaluate their book of business and identify those clients that had the most opportunity to bring additional assets to the firm.

Solution: Household-Level Total Assets Estimates Enable Brokerage Firm to Determine Opportunity and Identify High Potential Clients

The brokerage firm utilized WealthComplete[®] to gain a better understanding of the firm's client-base. WealthComplete provides anonymous estimates of total assets at the household level (including assets that may be held at the firm or at other companies). It also provides estimates of the total assets held in a variety of product categories, such as stocks and mutual funds.

By using WealthComplete's total assets estimates, the firm was able to:

- Gauge the total opportunity and its share of wallet for its entire customer base
- Provide actionable information to each FA about their book of business to clearly identify those clients with the most growth potential

WealthComplete total assets estimates are based on our proprietary, anonymous, direct-measured[™] financial assets database of approximately \$10 trillion collected from over 95 of the nation's leading financial institutions. We project this database to represent the total liquid financial assets held by all U.S. households – about \$24 trillion.

Because the firm was a member of the IXI[™] Network, we were able to easily work with the firm to conduct the analysis by using the firm's total assets and total number of households, as well as an anonymous list of the firm's customers (a list comprised of ZIP+4 and age).

IXI Network Member Financial Services Firm

CHALLENGE

Brokerage firms and their financial advisors (FAs) need to be able to understand the hidden asset potential within their client-base. However, they often only have a view of what their clients hold with them, resulting in decreased efficiency and missed opportunities.

SOLUTION

Brokerage firms can utilize WealthComplete to quantify growth opportunity and help FAs prioritize their efforts.

RESULTS

By comparing WealthComplete's total assets estimates for a firm's clients against those clients' assets under management at the firm, a brokerage firm FA, Branch Manager, or senior executive can:

- Quantify how much untapped potential exists within their current client base
- Enable financial advisors to segment their books of business and pinpoint those clients with incremental asset opportunity

By comparing the firm's total AUM for its clients to the total assets held by those client households, the firm can understand the hidden opportunity within its customer base.

Step-by-step process: Strategically Understand the Opportunity

1. Compare total assets to firm AUM

WealthComplete total asset estimates were attached to the firm's client base using ZIP+4 and age. By comparing the firm's total AUM for its clients to the total assets held by those client households, the firm can understand the hidden opportunity within its customer base.

2. Set a benchmark

We then calculated the average firm asset balance and average WealthComplete total assets balance for the firm's customers, setting these values as benchmarks.

Number of households	662,675
Assets at firm	\$106.3 Billion
WealthComplete Total Assets estimate	\$256.7 Billion
Avg. firm assets per household	\$160,463
Avg. WealthComplete asset estimate per household	\$387,314

3. Develop treatment groups

Next, the firm grouped its clients by treatment segment, using the following four segment definitions:

- Develop**

Households that have a less than average balance at the brokerage firm, but high total investable assets.
- Protect**

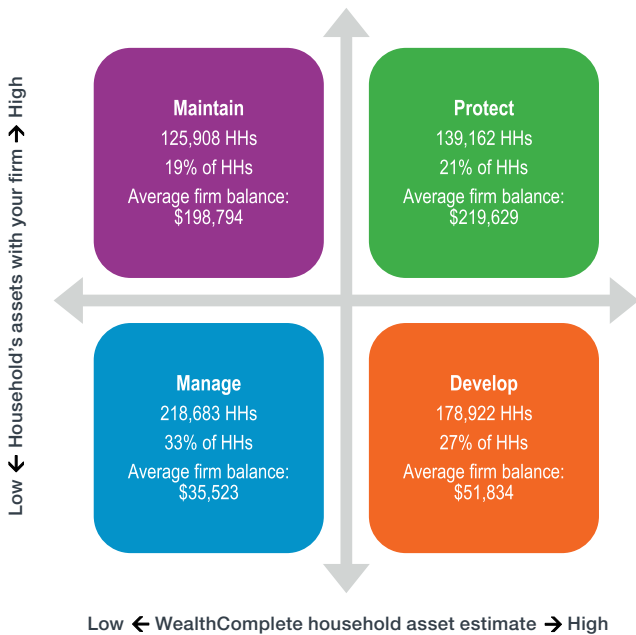
Households that have a greater than average balance at the brokerage firm and greater than average total investable assets.
- Maintain**

Households that have a greater than average balance at the brokerage firm, but have the majority of assets invested with the firm already.
- Manage**

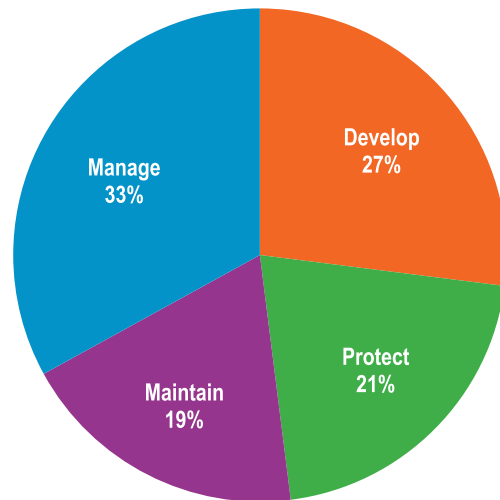
Households that have a less than average balance at the brokerage firm and less than average total investable assets.



The firm's distribution of households and average assets by segment are shown here:



Distribution by firm's households by segment



4. Quantify the opportunity

Finally, the firm focused on the Develop segment to quantify the opportunity. The Develop households look just like the firm's best customers, the Protect households. Both segments have high average total invested assets, but the Develop households do not hold high balances with the firm, whereas the Protect households do have high balances at the firm. The firm calculated the total assets that it would gain if it could increase the Develop customers' average balance to be as high as the average balance of households in the Protect segment, since both segments had households with similar wealth profiles. This conversion would represent over \$30 billion in asset growth.

Develop segment households	Total Assets opportunity gap (Total Assets of Protect segment less Total Assets of Develop segment)	Total opportunity
178,922	\$167,795	\$30.02 Billion

5. Expected results:

It is unlikely that the firm will be able to capture 100% of the Develop segment's opportunity. However, with even modest cross-sell and upsell success, the firm can reasonably expect to generate a significant amount of assets from its Develop households.

Here are three possible scenarios showing the effect of capturing assets among Develop households by the specified percent:

- 10% of the total opportunity would increase AUM by \$3,002,225,894
- 15% of the total opportunity would increase AUM by \$4,503,338,841
- 20% of the total opportunity would increase AUM by \$6,004,451,788

Action plan and next steps: Tactically Identify High Potential Households within Each FA's Book of Business with Client Action Planner Reports

We then worked with the firm to develop Client Action Planner reports. These reports offer a unique "Book-of-Business" analysis for each of the firm's FAs, enabling them to quickly identify which clients hold the most potential and where they should focus their time.

First, the firm develops a treatment plan for each of the four treatment groups described above. A sample plan is as follows:

Client Action Planner

Develop	Households that have a less than average balance at the brokerage firm, but high total investable assets.
Protect	Households that have a greater than average balance at the brokerage firm and greater than average total investable assets.
Maintain	Households that have a greater than average balance at the brokerage firm, but have the majority of assets invested with the firm already.
Manage	Households that have a less than average balance at the brokerage firm and less than average total investable assets.

Then, each household within a FA's book of business is assigned to one of the four treatment groups, based on the household's assets held at the firm and the household's estimated total invested assets rating (one dollar sign to five dollar signs). The appropriate treatment group is listed next to each client, as shown below.

Sample Client Action Planner report for Financial Advisor John Doe

Client	ZIP+4	Age	Client asset balance at firm	Total Assets rating	Client target balance	Action
A	12345-5481	43	\$5,000	\$\$\$\$	\$150,000	Develop
B	12345-5481	52	\$120,012	\$\$\$	\$130,000	Protect
C	12345-5481	36	\$28,345	\$\$	\$35,000	Maintain
D	12345-5481	67	\$20,043	\$\$\$\$	\$1,500,000	Develop
E	12345-5481	89	\$3,650	\$	\$10,000	Reduce Costs
F	12345-5481	64	\$15,365	\$	\$15,000	Reduce Costs
G	12345-5481	58	\$432,987	\$\$\$\$	\$500,000	Protect

By applying the steps above and following the treatment plans for each group, the brokerage firm can help its FAs be more productive in their cross-sell and upsell efforts and ensure they are providing the appropriate service level for each of their clients. Using the Client Action Planner reports, FAs can easily identify the Develop and Protect clients within their book and allocate the most time toward those households. The result is increased AUM for the FA and the firm. Furthermore, each FA can be more productive by focusing on those clients that offer the greatest opportunity to grow assets.

NOTE: The data in this document is for representative purposes only.

CONTACT US

info.ddm@equifax.com
 800-210-4323
 equifax.com/DDM

2010 Best Practice. Results may vary based on actual data and situation.

