

SENIOR CONSULTANT

The Voice of the Investment Management Consultant

Brokers Moving to Advisory Fees

Stephen C. Winks

A new Marketing Matrix, Inc. survey of the top managers at 59 mutual funds groups, 201 investors and 203 registered representatives has found that nearly all believe that by 2005, registered reps will primarily be engaged in fee based consulting services rather than commission brokerage. The two-year study was part of a larger study on the differences in perception between mutual fund group managers, investors and registered representatives.

Dr. Marcia Selz of Marketing Matrix, a pioneer in the field of investment behavior research, says this trend toward advisory consulting services reflects how we manage information, the changing nature of the investor and the changing role of the registered representative.

One of the more significant findings of the survey was that investors are better informed today and far more self-reliant than either mutual funds or registered representatives believe. More than 40%

of the investors surveyed check mutual fund performance at least once a week and 10% check performance on a daily basis. In contrast, the survey found that most registered representatives believe investors check their accounts once a month or less, while 42% of the fund group managers believe investors check their accounts once a quarter or less.

Selz says, "The investor no longer needs to look to the broker as their only source of information. Ten years ago, a broker would direct a

client on what to do. Today, clients want education, and as a consequence, the broker's practice is evolving toward a fee-based advisory services format." Adds Selz, "This trend is independently confirmed by the perceptions of investors, brokers and top managers at mutual fund companies."

The financial services industry will increasingly become more focused on how information can be managed and articulated in terms meaningful to the investor. Identifying and responding to

each client's unique needs and circumstances will become the role that the broker must fill. Selz has found that fund groups are providing more information than the investor found of use. Considering that investors are being inundated with information that is of little use and given that investors are examining their funds more carefully, Selz observes that a more efficient means of communications, such as the internet, may increase investor

satisfaction and client retention.

Selz's work in behavioral science is particularly insightful on the changing nature of the investor and their needs. This awareness of the changing nature of the investor coincides with the emergence of investment management consulting within the financial services industry and the use of technology to address and manage their needs. Selz's findings are an important independent confirmation of the emerging role of the investment management consultant. ■

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