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SENIOR CONSULTANT

The Voice of the Investment Management Consultant

Wells Fargo To Double Its Private Client Service Unit by 2002

Stephen C. Winks

Wells Fargo, the bank that understands investment management consulting, that has integrated both the asset and liability sides of the client's balance sheet into their advisory services, that has a definitive approach to estate planning, that will likely be the first firm of any kind to offer an internet-based, comprehensive investment process technology which will empower its consultants to consistently deliver an extremely high level of professional investment counsel, wants to double its private client business in the next two years. Dennis Mooradian, president of Private Client Services, will take his unit's revenues from $1 billion to $2 billion and will account for 25% of Well Fargo's bottomline.

The move would provide Wells Fargo a more strategic balance in its earnings as the Private Client Group becomes an important growth vehicle for the firm. Mooradian will grow the firm internally through recruiting 400 sophisticated financial service professionals and through acquisition of firms with attractive franchises within Wells Fargo's 21-state footprint.

> **WELLS FARO IS AN UNUSUALLY WELL-RUN FINANCIAL SERVICES FIRM THAT RECOGNIZES ITS FUTURE IS NOT IN BANKING BUT IN BUILDING A WORLD-CLASS, BROAD-BASED FINANCIAL SERVICES FRANCHISE**

Wells Fargo is an unusually well-run financial services firm that recognizes its future is not in banking but in building a world-class, broad-based, financial services franchise. It is a leader in offering financial products and services via the internet, and its web site is ranked first within the financial services industry. Wells Fargo knows that the traditional consumer loan and deposit business is not a fast growing business. It understands that their investment side of the business is growing, and high level advice is their future.

When Mooradian was chief operating officer at Lehman Brothers, Lehman was trying to figure out how to build trust and estate planning capabilities, and how to get into the lending business in order to build deeper, longer lasting relationships with high net worth clients. When he became president of Well Fargo's Private Client Group, he found the trust, estate and lending pieces in place, but the brokerage business was under-developed.

In the past four years, Mooradian has built a competitive line of products, has built a robust investment process and has successfully recruited from the top echelon of brokers and consultants at all major firms. The much celebrated team of Nick Bock and Jeff Frum have built a billion-dollar consulting practice from scratch in two years. Mooradian sees his biggest competition coming from the Private Client Group of Goldman Sachs and Merrill Lynch, not other banking concerns or more conventional commission brokerage firms.

On the recruiting front, Wells Fargo was built to service the high net worth client with assets of $5 million to $10 million or more. There are not many organizations that have put together a complete configuration of high net worth services to include lending, trust and estate services like Wells Fargo has. Importantly, Wells Fargo has more well qualified clients than they have sophisticated financial services professionals to serve them. As the financial services industry fully awakens to the imperative of moving toward advice, few firms, with the possible exception of Merrill and Schwab, will be prepared to compete with Wells Fargo on the basis of the advice they empower their advisors to deliver.

In the high net worth arena, Mooradian sees that in order for the consultant to provide the highest level of financial counsel which would include the liability side of the client's balance sheet, sophisticated financial services professionals could only manage 25 to 100 relationships. This would mean they would advise $125 million to $1+ billion in assets. Thus, Mooradian must recruit and retool a new generation of more sophisticated financial services professionals who are eager to add value, train them to consistently provide an extremely high level of service and empower them to be preemptive and predatory to the mainstream commission brokerage delivery format geared to product distribution. The 400 consultants who join Wells Fargo over that next 24 months will be beautifully positioned for the next 25 years during a period of radical change within the financial services industry. Wells Fargo is very likely to emerge as an industry leading financial services organization as the industry is being reordered for the next 50 years. Wells Fargo's recruiting strategy is the slow, sure way to grow its Private Client business.

Wells Fargo will also grow through the acquisition of firms in its 21-state trade area which stretches from Chicago south to Texas and west to the West Coast. Many of the fastest growing areas of the country (Texas, New Mexico, Arizona and Nevada) offer extraordinary growth opportunities, and areas in which Wells Fargo is the dominant bank franchise (e.g., California and Minnesota) are underpenetrated. The model acquisition was Wells Fargo's acquisition of Seattle-based Ragan MacKenzie which had 380 brokers and $11 billion under advisement. Ragan MacKenzie doubled the number of brokers that Wells Fargo had in the Northwest which was a quantum leap forward.

The major regional brokerage firm which perfectly overlays Wells Fargo's trade area, except for California, is Dain Rauscher. Dain Rauscher with its 1,200 brokers would accomplish 60%-70% of Wells Fargo's objective of doubling revenues over the next two years. More importantly, Dain Rauscher would be very compatible culturally. Scott Spiker, Tim Paulin and Nikki Sorum understand the industry's evolution toward advice and have greatly influenced the firm's culture, structure and technology. They have created perhaps the best electronic asset study capability in the industry as well as electronic client contact management, performance monitor and reporting, and account opening and management capability. With Wells Fargo, Dain Rauscher would gain estate, trust and lending services for a more robust high net worth investment process as well as access to Wells Fargo's industry-leading internet capability and gain a corporate partner with the vision and resources to make a difference.

Sutro in San Francisco has 300 brokers but is part of Freedom Financial which also owns Tucker Anthony of Boston with 650 brokers. The Tucker Anthony franchise either wouldn't fit or would give Wells Fargo an East Coast presence. There are few financial planning firms such as KMS in the Northwest and American Express Financial Advisors (the old IDS), but neither firm would bring the assets per financial advisor of Dain Rauscher or Sutro, and American Express is not likely to be sold. Thus, the match made in financial services heaven of firms which share the vision of providing high level advice would be a Wells Fargo and Dain Rauscher combination. This could be a most formidable franchise that is geared to excel in today's dramatically changing business environment while others cling to status quo. U.S. Trust would be immediately vulnerable to a reconstituted Wells Fargo Securities that views its consultants as relationship builders who add value through high level advice. It's the story of asking the Piper brokers, "Do you want to distribute product or add value?"

The dynamics for both Dain Rauscher and Wells Fargo could be extraordinary in the supercharged competitive business environment that is emerging, where vision, leadership, initiative and innovation will be handsomely rewarded. ■

Notes

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