

Improving Retention Metrics and Attrition Outcomes

WISE Video Presentation

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DISTANCED LEARNING OPPORTUNITIES

Q4 2020

RECENT

The WISE Big Book: Wealth Management Fees 2021

This research synthesizes data from more than 1600 bank, trust, and RIA fee schedules to compare firm-specific fees to current market benchmarks to help identify pricing opportunities, evaluate fees for different types of service providers, analyze trends in fee levels, returns on assets, and per-account revenues, and search for evidence of fee pressure.

Using Pricing Practices to Strengthen Returns on Assets

Date: Tuesday, November 17th at 2:00 p.m. Eastern ([link to recording](#))

Co-host: Doug Trott, former McKinsey Partner and Founder of PriceMetrix, a data analytics firm that provides fee data to the brokerage industry.

UHNW Pricing Trends and Best Practices

Date: Thursday, December 3rd at 2:00 p.m. Eastern ([link to recording](#))

Co-host: Thom Melcher, Director of Family Wealth at Glenmede
Co-host: Jamie McLaughlin, CEO and Founder of J.H. McLaughlin & Co.

TODAY

Improving Retention Metrics and Attrition Outcomes

Date: Tuesday, December 8th at 2:00 p.m. Eastern, 1:00 p.m. Central, 11:00 a.m. Pacific

Co-host: Greene Consulting

Registration link: <https://attendee.gotowebinar.com/register/7675290862449575952>

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SPEAKERS

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A Managing Partner at Greene Consulting for over 20 years, Dan has served as a primary client contact in major account relationships focusing on the design and delivery of training programs for both Wealth Management and Institutional Asset Management organizations. Dan has consulted with over half of the top 50 Wealth Management organizations in the U.S. and trained over 10,000 industry professionals.

Dan is frequently a featured speaker at wealth management industry conferences, addressing key topics including “Retaining Clients through Troubled Markets”, “Strategies for Sourcing Opportunities in Today’s Competitive Marketplace” and “Bridging the Advice Gap.”

Rick joined the team in 2012. Capitalizing on over 20 years of experience in senior leadership positions for top financial services organizations in the U.S., Rick brings a practical, real-world perspective to helping retail banking, mass affluent, and wealth management clients design and deliver solutions that drive revenue growth.

Rick has specific expertise in the areas of sales and sales leadership and serves as a Senior Consultant in relationships focused on these issues.

INTRODUCTION

TWO TRUTHS ABOUT RETENTION

Overlooked in Favor of Sales

"How do we improve retention? How do we attack attrition in a way that's as meaningful as investing in the front line? **We spend way more time on offense than defense. I have no way of knowing when certain relationships will leave us.** Seven or eight out of ten technology tools are about sales. There's not nearly as much about retention or existing relationship behaviors."

- Executive Vice President, Top 30 US Private Bank by Assets

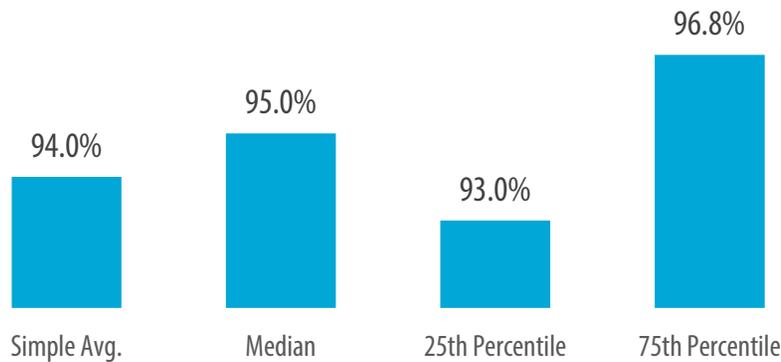
Attrition is a **process**, not an event.

A CLEARER PICTURE

WHAT ARE INDUSTRY RETENTION RATES?

Firms need better data about retention rates and client attrition causes so they can develop 'at-risk' profiles and manage attrition risks.

Revenue Retention Rates, All Banks and Trust Companies, 2019



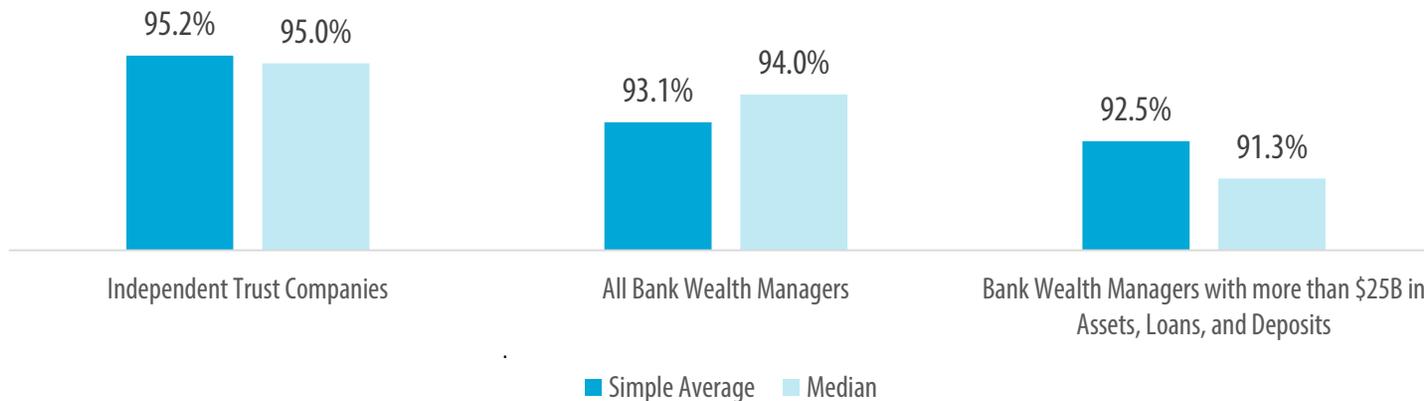
Causes of Attrition (Three Year Average)

Controllable*	44%
Uncontrollable**	53%
Other (Unknown)	3%

*Controllable: e.g., poor performance, client service, fees.

**Uncontrollable: e.g., scheduled distributions, death.

Revenue Retention Rates, By Service Model, 2019



A CLEARER PICTURE

HOW DO FIRMS CALCULATE ATTRITION AND RETENTION RATES?

Widespread variations in methodologies imply that there is considerable room for improvement in how firms track attrition and retention.

Calculating Retention Rates: Common vs. Best Practice

	COMMON	BEST
Retention Metrics		
1. Primary	Assets	Assets and Revenue
2. Retention by Account	Yes	Yes
3. Retention by Product	No	Yes
Attrition Events		
4. Account closures	Tracked	Tracked
5. Asset drawdown	Tracked	Tracked
6. Asset drawdown threshold	Vary, all asset distributions and withdrawals	\$100K, all atypical asset distribution and withdrawals
Calculating the Revenue Value of Attrition		
7. Centralized tracking team	Yes	Yes
8. Focus (monthly)	Monthly average ROA	Monthly recurring revenue accrual
9. Evaluation (monthly)	Estimated monthly revenue retention	Actual monthly revenue retention
10. Evaluation (annual)	Current YE revenue / prior YE revenue (by account)	Month-over-month change in recurring fees annualized
Accounting for Market Effects		
11. Have a process	No	Yes
12. Methodology	N/A	Varies by firm

A CLEARER PICTURE

PRINCIPLES

Common versus Best Practice: Three Key Distinctions

1. How effectively firms estimate revenues associated with asset outflows

- Best practice: precise, monthly measures of revenue attrition

2. How precisely firms track asset drawdowns

- Best practice: Set low thresholds for tracking drawdowns; differentiate "typical" withdrawals from atypical withdrawals.

3. How early firms can identify attrition risks

- Account consolidation and declining balances can be warning signs
- The earlier firms catch signs of attrition the better
- Early warnings may be 'false positives' (due to greater uncertainty)
 - The costs of 'false positives' are negligible

A CLEARER PICTURE

CHANGING YOUR PERSPECTIVE



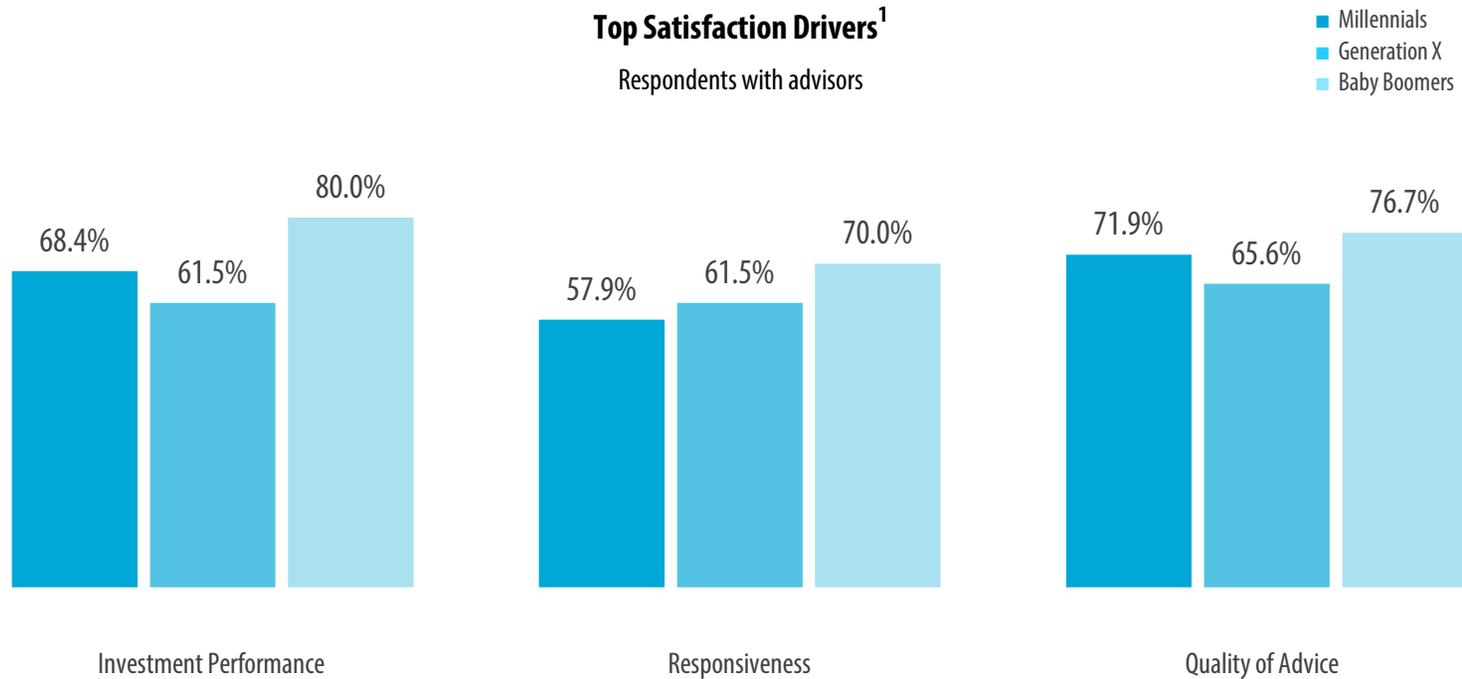
A 1% increase in retention has a 5% bottom line impact in financial advisory firms - Bain & Company

Stop Looking in the Rear-View Mirror: The Strategic Value of Understanding Client Commitment

- Question: What percentage of your clients are "Loyal"/"Satisfied"/"At-Risk"?
- "Falling Prey to Silent Discontent"
- The Value of Knowing: Would it be valuable information if you knew the answer to this with Certainty?
 - "Loyal" Clients: Catalyzing Advocacy
 - "Satisfied" Clients: Unlocking the Drivers of Loyalty
 - "At-Risk" Clients: Triaging the Relationship

AN OUNCE OF PREVENTION

SATISFACTION DRIVERS



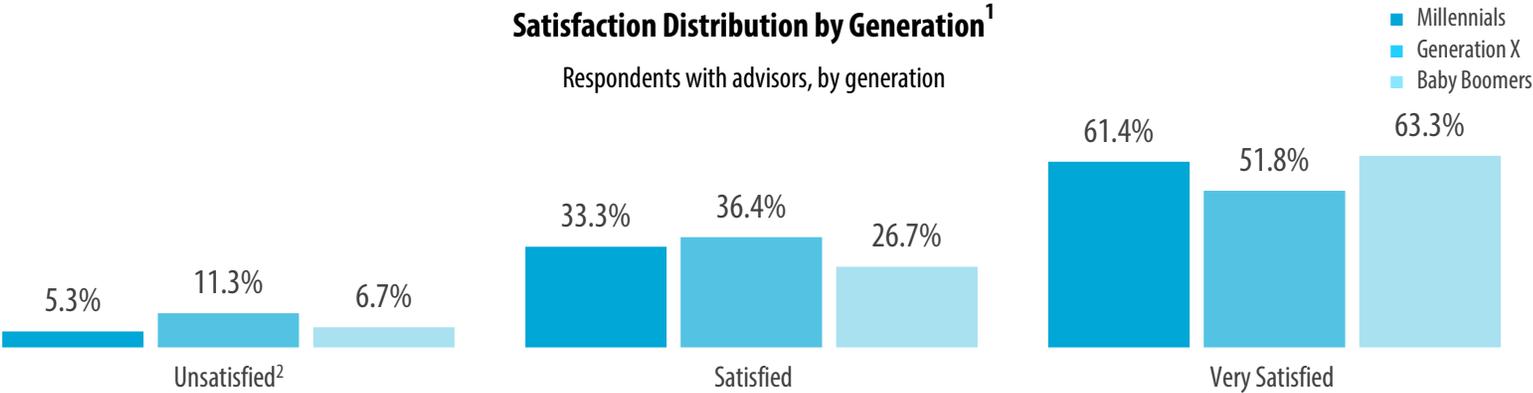
Please Don't Make a Big Mess

"I think of attrition [management] processes as the cleanup crew that comes in after the party is over." - Finance Executive, Bank F

Notes: ¹Q: What about your primary financial advisor's service quality are you satisfied with?

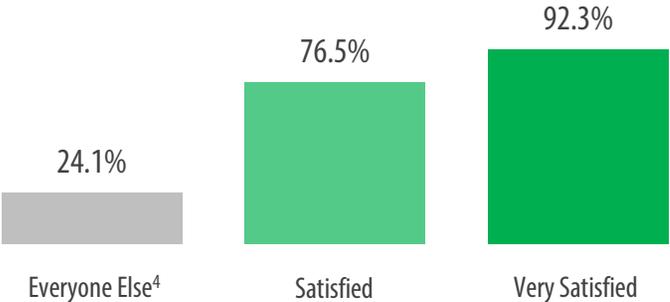
AN OUNCE OF PREVENTION

RETURNS ON SATISFACTION



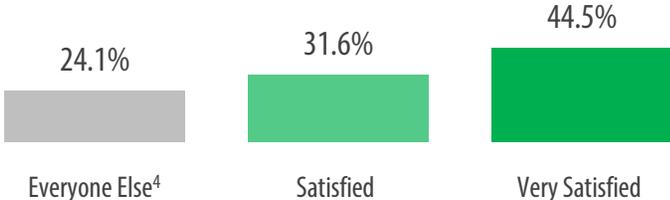
Willingness to Refer Business to Their Advisor³

Respondents with advisors, by satisfaction level



Likelihood of Relationship Consolidation

Respondents with advisors, by satisfaction level



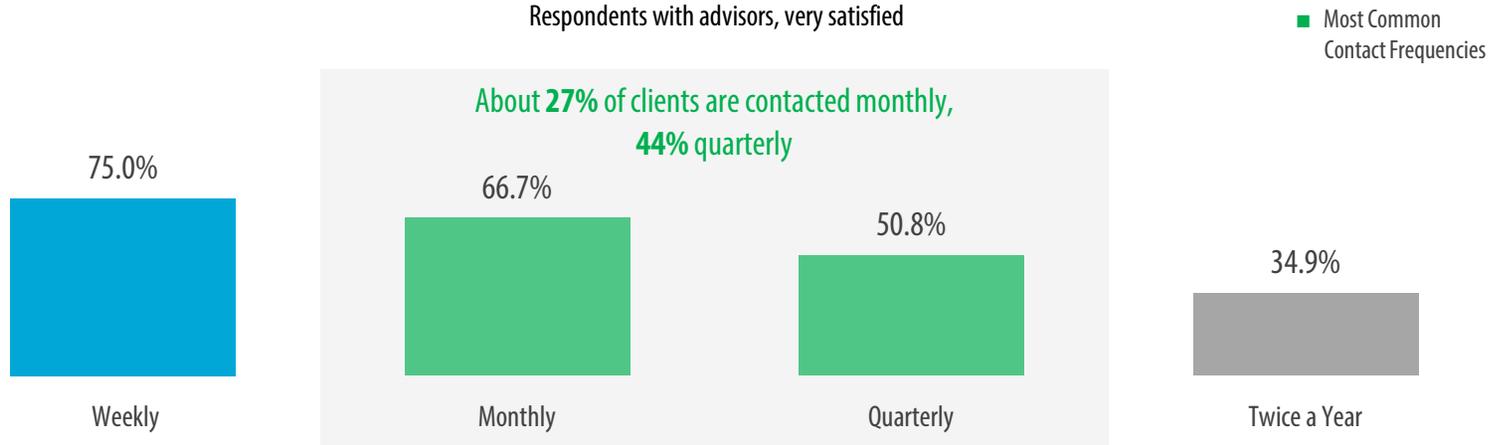
Notes: ¹How satisfied are you with the service quality of your primary financial advisor? Not shown: somewhat satisfied and neither satisfied nor unsatisfied, which account for less than 1% and less than 2%, respectively. ²Includes respondents that identified as very unsatisfied, unsatisfied, somewhat unsatisfied. ³How likely are you to recommend your primary professional financial advisor to a friend, family member, or other acquaintance? ⁴Includes respondents that identified as very unsatisfied, unsatisfied, somewhat unsatisfied, neither satisfied nor unsatisfied, and somewhat satisfied

AN OUNCE OF PREVENTION

RETURNS ON SATISFACTION

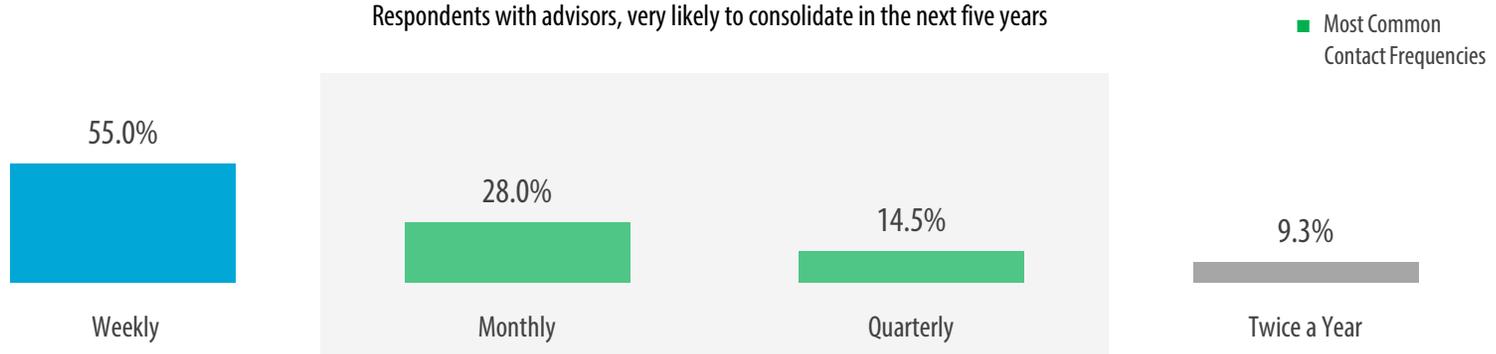
Satisfaction Levels, by Contact Frequency¹

Respondents with advisors, very satisfied



Likelihood of Relationship Consolidation, by Contact Frequency¹

Respondents with advisors, very likely to consolidate in the next five years



Notes: ¹About how often does your primary professional financial advisor contact you? "Less often" is a small sample and not shown

AN OUNCE OF PREVENTION

SEGMENTATION VS. PERSONALIZATION

The Power of Understanding Client Preferences

Traditional Thinking: The Old World

- Segment your Book by A/B/C/D Clients based on Revenue
- Apply Contact Standards
- Manage implementation via CRM

Modern Thinking: The New World

- Virtual Meetings are here to stay
- Focus on Personalization over Segmentation
- Digital Engagement is a potential driver of Differentiation

Key Tactic: Understanding Client Preferences

- Frequency
- Forum
- Focus

MANAGING ATTRITION RISKS

TRACKING ATTRITION CAUSES

Consistency, standardization and accountability are paramount.

Frequency with Which Firms Track Various Attrition Causes

	CONTROLLABLE	UNCONTROLLABLE
Most	<ol style="list-style-type: none"> 1. Client servicing/client satisfaction 2. Purposefully moving client assets to a different part of the bank/forcing client out (e.g., client unprofitable) 3. Client consolidating assets with different bank/internal entity 	<ol style="list-style-type: none"> 1. Death of a client 2. Market performance 3. Client withdrawal for personal reason (e.g., loan payoff)
Some	<ol style="list-style-type: none"> 1. Pricing 2. Investment performance 3. Staff turnover/staff related 	<ol style="list-style-type: none"> 1. Services requested not within policy 2. Services requested outside of footprint 3. Per terms of document, account no longer needed
Few	<ol style="list-style-type: none"> 1. Operational issues 2. Other (explanation required) 	<ol style="list-style-type: none"> 1. Divorce 2. Client moved outside of footprint 3. Other (explanation required)

External/Internal

Many firms also segment attrition into external attrition (e.g., assets leave the bank entirely) and internal attrition (e.g., assets leave the wealth management division but stay within the bank)

MANAGING ATTRITION RISKS

TRACKING ATTRITION CAUSES

Consistency, standardization and accountability are paramount.

Tracking Attrition Causes: Common and Best Practice

	COMMON	BEST
The Team	An existing, non-dedicated centralized team tracks attrition causes (e.g., the finance team)	A dedicated in-house retention team tracks attrition causes in detail.
Attrition Causes Metrics		
Type	Uses a nonstandard list of attrition causes; lacks detail; not segmented	Uses standardized list of attrition causes; little ambiguity; typically, segmented into meaningful groups (e.g., controllable vs. uncontrollable)
Purpose	Focuses on what happened to a clients' assets (e.g., more transactional, internal attrition, external attrition).	Focuses on why a client's assets left the bank (e.g., poor service, market performance, death, etc.)
Recording Attrition Events		
Process	<ol style="list-style-type: none">1. When attrition event occurs, relevant frontline employee must fill in attrition causes metric sheet2. Non-dedicated team generates monthly attrition report	<ol style="list-style-type: none">1. When attrition event occurs, relevant frontline employee must fill in attrition causes metric sheet2. Dedicated team generates bi-weekly attrition report to management

MANAGING ATTRITION RISKS

ACCOUNTABILITY AND OVERSIGHT

How do firms use information about attrition causes to manage attrition risks? To instill accountability and/or enable teams to manage risks in advance of attrition events?

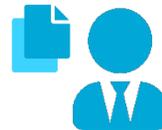
Example 1. Tracking and Accountability

Retention Tracking Team: Bank A uses its finance team to track attrition causes.



1. Online reporting form

Whenever an advisor experiences an attrition event, the finance team prompts the advisor to categorize the attrition event via an online reporting form.



2. Regional director review

- Regional directors review each report provided by their advisors for accuracy.
- Once approved by the director, the report is sent back to the retention tracking team.



3. Consolidated retention report

- At the end of each month, the retention tracking team generates an attrition report for the director of the wealth management group.
- The report summarizes actual attrition experienced in the month and the causes of the attrition.



4. Spot checks and follow-up

The director reviews the report and selects a few attrition causes for which the relevant advisor must provide more information.

Example 2 (Brief). Tracking and Accountability

Reviewing the Top 10 Attrition Events

- Each month, Bank B's management holds individual meetings with advisors that experienced the **top ten** attrition events.
- During the meeting, the advisor must explain why they experienced the attrition and what they planned to do in order to address the issue.

MANAGING ATTRITION RISKS

AT-RISK PROFILING

What is the profile of the "at-risk" relationship? How do firms help advisors identify at-risk relationships?

The 'At-Risk' Profile, Bank C

- 1 How old is the client?**
If a client reaches a certain age threshold, the account is at-risk.
- 2 How did the account perform?**
If an account does not achieve its benchmark several months in a row, the account is at-risk.
- 3 Has there been staff turnover?**
If the advisor for an account plans on leaving, the account is at-risk.
- 4 Does the client live far from an office?**
If a client moves outside of Bank C's footprint or does not live near a branch, the account is at-risk.
- 5 Have there been any irregular withdrawals?**
If a client makes an unexpected withdrawal of more than \$100,000, the account is at-risk.

MANAGING ATTRITION RISKS

STRATEGIES FOR BUILDING LOYALTY

“The One Thing”: The Power of Priorities

- Traditional Perspective
 - Balance Sheet
 - Relationship Info (Family, affiliations, etc...)
 - Investment Profile (Primarily driven from a product and compliance frame of reference)
- Modern Perspective:
 - Financial Priorities: Engaging Clients in “The Priorities Conversation”
 - Case Study: United Capital

Re-Thinking the Traditional Client Review

- Traditional approaches are failing to make emotional connections with many clients
 - “Living to Invest” vs. “Investing to Live”
- Re-Educate Clients to focus on Life Priorities through a modern Relationship Review

Engaging the Next Generation

- Making the “Kid Connection”
- Education to drive Engagement

MANAGING ATTRITION RISKS

CASE STUDY: SUPER REGIONAL US BANK

The Challenge

- Takeover of a Highly Popular Legacy Trust Company
- \$70+ Million Revenue Base
- Losing \$700K per month in revenue
 - Most advisors contending that lost revenue was “uncontrollable” due to death or things beyond their control (i.e. upset at takeover)
- Generating \$300,000 per month in new business revenue
- 20% turnover among Advisors (including best people)

MANAGING ATTRITION RISKS

CASE STUDY: SUPER REGIONAL US BANK

The Strategy

Defining our Purpose and our Client Promise

- With total Purity of Intent, helping our clients and prospects achieve THEIR goals, without regard to OUR goals

Proactive Client Outreach Strategy

- Concentrated effort to meet every existing client to:
 - Convey our Promise
 - Assess where we stand
 - Engaged in “The Priorities Conversation”

Re-Defined “Non-Controllable” Runoff

- Required distributions per documents
- All other distributions, even at death, assessed by leadership if controllable (e.g. if family members you could have won over, considered controllable)

“Hallway Accountability”

- Objectives/what matters most to this client/prospect? (How do you know?)
- How much do they value our relationship with them? (How do you know?)
- How did you fulfill on our Promise?

MANAGING ATTRITION RISKS

CASE STUDY: SUPER REGIONAL US BANK

The Impact

In 13 months, flipped the Revenue trend:

- \$300K in lost revenue per month
- \$1 million in new business revenue per month
- Performance success among advisors and teams
- Enlivened culture with sense of Purpose among the team
- Turnover issue resolved and began attracting top-level advisors



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