

Maximizing Wealth Management Client Segmentation



Produced by:

Wealth Management 

Introduction

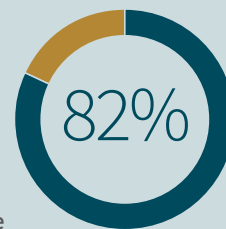
As organic growth through enhanced marketing and more effective client retention becomes a priority for wealth management firms, client segmentation has assumed greater importance. Wealth Management IQ and BNY Mellon | Pershing recently conducted an in-depth survey to discover advisors' and managers' attitudes toward and experience with client segmentation.

This report presents the highlights of that research, discusses its implications and offers insights into what advisors and firms will need to know to make more informed decisions about segmenting clients and prospects.

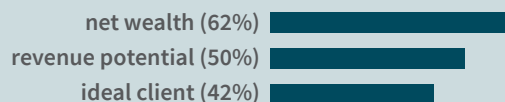


Survey Highlights

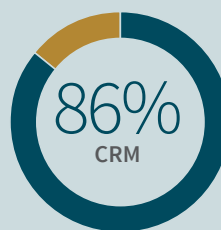
Most respondents (82%) believe segmentation is at least “very important” to delivering personalized financial services. Improved client engagement and more effective personalization are seen as the two top benefits of implementing segmentation.



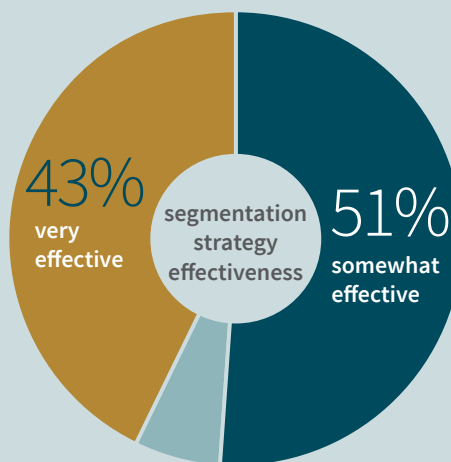
In their segmentation efforts, respondents are most likely to use:



The three biggest challenges in segmenting clients are identifying the best segments, defining the “ideal” client and finding time and resources.



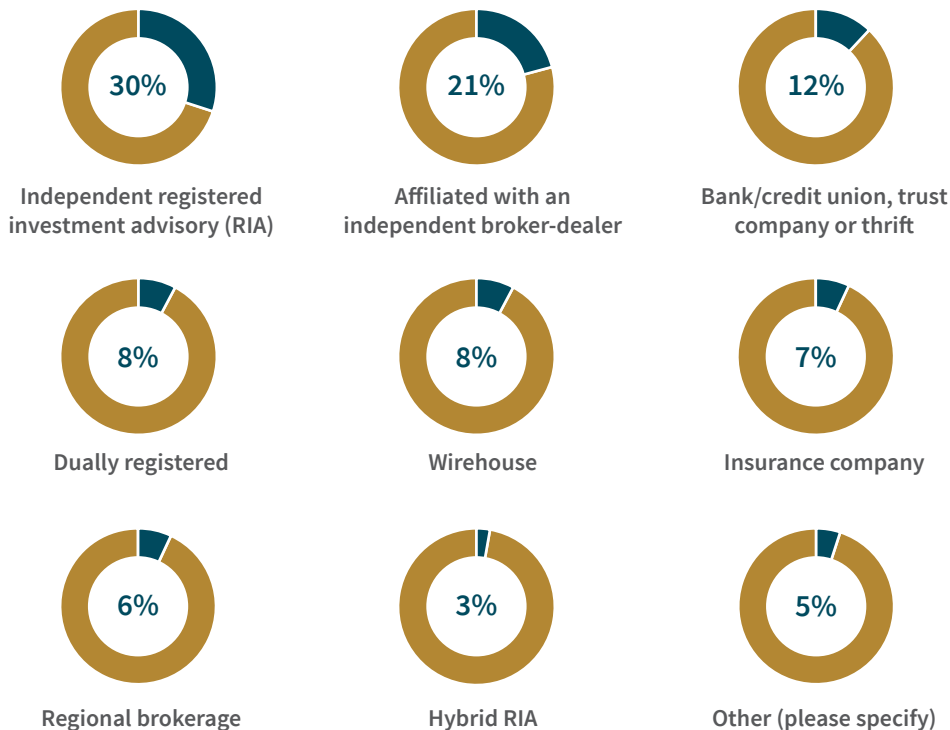
For 86% of respondents, the firm’s client relationship management (CRM) system drives segmentation efforts.



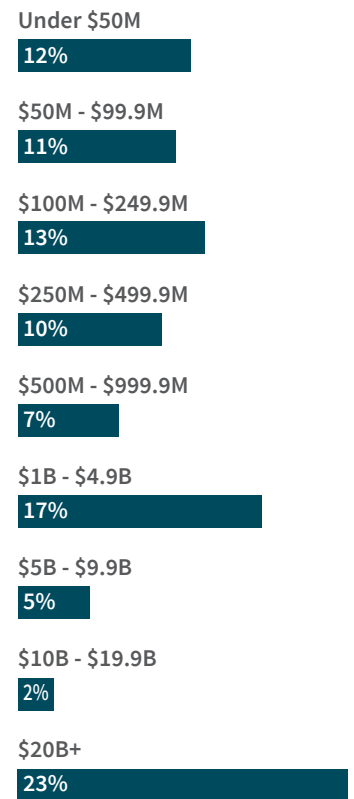
43% of respondents believe their segmentation strategies are “very effective” and 51% consider the strategies “somewhat effective.”

Respondents at a Glance

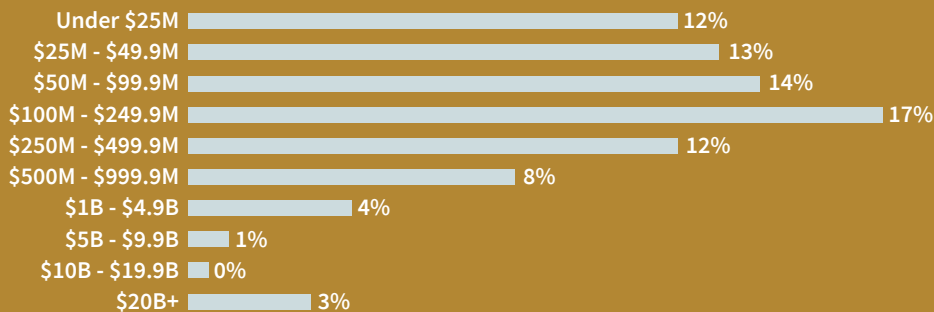
Firm Type



Firm or Branch AUM/AUA



Personal Assets Under Management/Advisement (AUM/AUA)

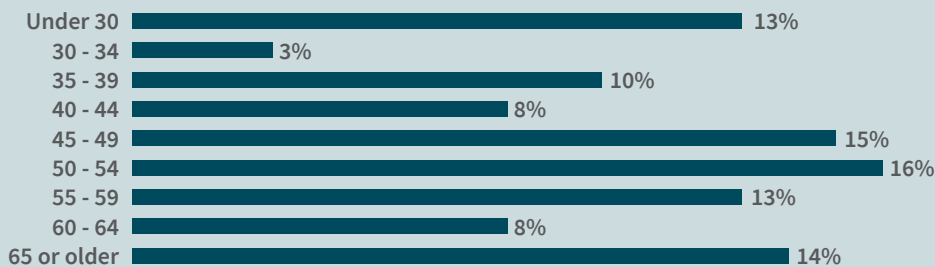


Mean	\$1,277.3
Median	\$175.0

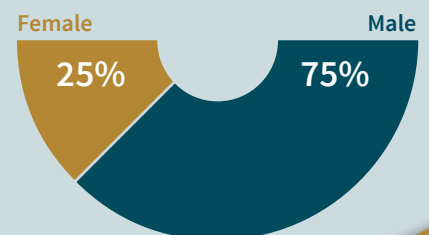
6% My firm considers all clients to be clients of the firm, not the advisor

10% I do not personally manage or advise any assets

Age



Gender



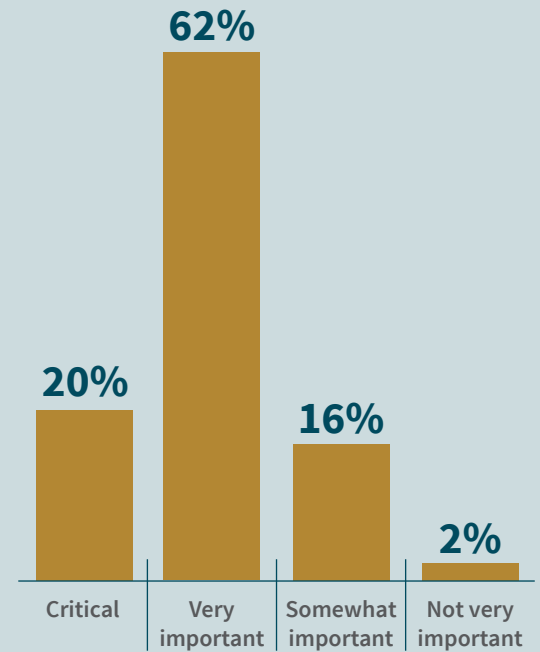
Client Segmentation: Importance, Benefits and Challenges

Respondents would likely say that segmentation is vitally important to marketing and business success at wealth management firms — yet difficult to implement.

The numbers support that view. When asked about the importance of client segmentation for delivering personalized financial services, 82% of respondents said it was either critical or very important. Only 16% said it was somewhat important and 2% said it was not very important.

The key benefits of segmentation, said respondents, are improved client engagement (63%) and more effective personalization (61%), followed by operational efficiencies/time savings (51%), enhanced communications (39%), improved referrals (23%), and firm differentiation (20%).

Importance of Segmentation for Delivering Personalized Financial Services



While client segmentation is looked upon quite favorably, implementing the effort is where difficulties arise. The chief challenge, cited by 42% of respondents, is identifying a firm or an advisor's best segments. Just behind that, each cited by 38% of respondents, is the difficulty in defining the best clients and a lack of time and resources to do the segmentation. Additional challenges are technology limitations (cited by 27% of respondents), data privacy concerns (8%), and lack of executive buy-in (5%). Just 7% said they saw no challenge in implementing segmentation.

The client segmentation criteria used by respondents and their firms tend to be net wealth, cited by 62%, followed by revenue potential (50%), idea client (42%), demographics (36%) and referral value (24%).

Completing a client segmentation effort, of course, begs the question of how that work is eventually used. More than eight in 10 respondents (82%) said that client segmentation informs their service model. In fact, half of respondents (52%) use different fee structures for different clients, and another 31% are considering doing so. Virtually all of those using different fee structures for different client segments believe it is an effective strategy (90%), as do 36% of those not currently using different fee structures.

But the road to segment-based fees is bumpy. Half of survey respondents fear losing clients to competitors with lower fees if they were to adjust their tiered fee structures to align with client segments. Another 26% cited economic uncertainty as a reason for not adjusting fees, while similar percentages cited insufficient technology to support segmented fee structures (24%) and misalignment with client cultural expectations (24%). Smaller percentages (14% and 13%, respectively) cited poor communications strategies in connection with a fee change and limited access to accurate client data.

Challenges in Effective Client Segmentation

Identifying the best segments

42%

Difficulty defining the "ideal client"

38%

Lack of time/resources

38%

Technology limitations

27%

Data privacy concerns

8%

Lack of executive buy-in

5%

N/A; no meaningful challenges

7%

Obstacles in Adjusting Fee Structure to Client Segments

Fear of losing clients to competitors with lower fees.

50%

Economic uncertainty impacting fee adjustments.

26%

Insufficient technology to support segmented fee structures.

24%

Misalignment with client cultural expectations.

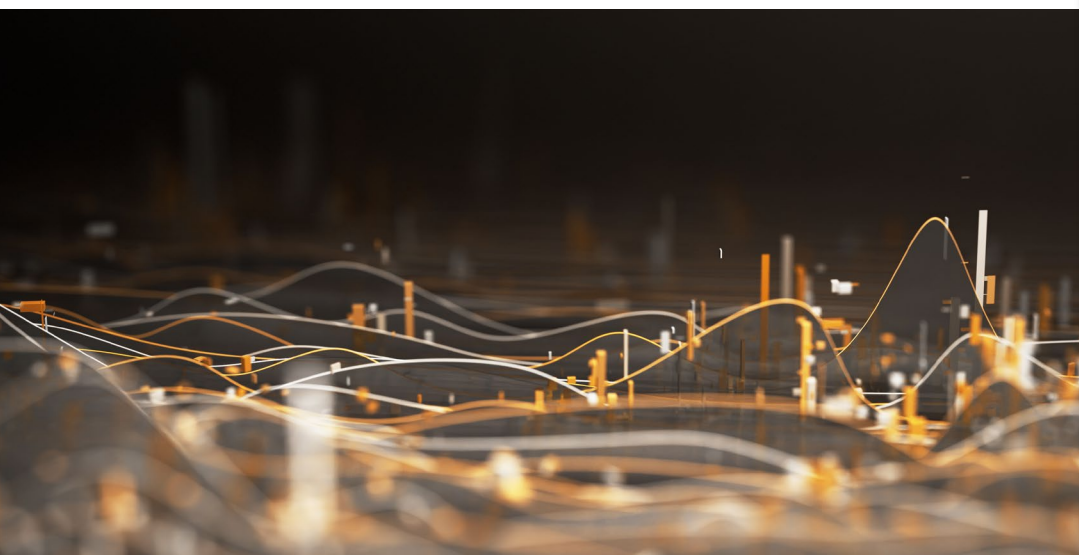
24%

Poor communication strategies for fee changes.

14%

Limited access to accurate client data.

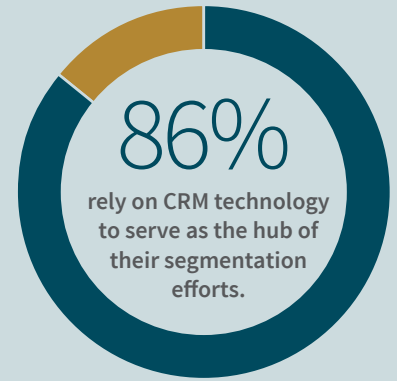
13%



The Role of Technology

The vast majority of respondents — 86% — rely on their customer relationship management (CRM) system to serve as the hub of their segmentation efforts. The CRM systems most often cited by name by respondents were Salesforce, Redtail and Wealthbox.

To ensure that advisors adopt technology solutions that support client segmentation, respondents are most likely to integrate segmentation tools into daily workflow processes (45%). A third of respondents said that their firm actively sought input from advisors on tech improvements. An equal percentage said their firm provided ongoing educational resources on segmentation tools. Under one-fifth, 18%, said their firm conducted pilot programs with select advisors for tech testing.



Steps taken to ensure advisors adopt technology solutions that support client segmentation

Integrated segmentation tools into daily workflow processes

45%

Actively sought input from advisors on tech improvements

34%

Provided ongoing educational resources on segmentation tools

33%

Conducted pilot programs with select advisors for tech testing

18%

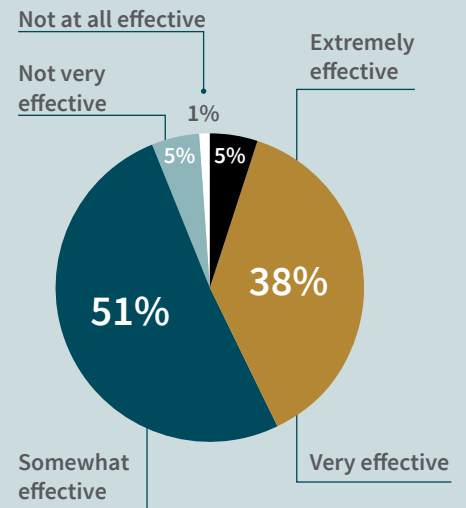


Effectiveness of Segmentation

Overall, an air of “if only” about segmentation efforts exists. While the efforts are necessary and successful, they could be even more effective. Just under half of respondents (43%) believe their segmentation strategies are at least “very effective,” while an additional 51% consider them “somewhat effective.” Equal percentages, 5%, consider the efforts either extremely effective or not very effective.

Looking at segmentation through the lens of clients, one in five respondents (19%) have observed a strong correlation between client satisfaction and the effectiveness of their segmentation strategy, while nearly half (49%) report a moderate correlation. Nearly a quarter (22%) have observed a slight correlation and 11% say they see no correlation.

How effective are your firm's segmentation efforts?



Takeaways

- Client segmentation is essential to deliver a high level of customer service to attract and retain today's clients .
- Advisors agree that segmentation improves client engagement, makes personalization more effective and creates operational efficiencies.
- Implementing segmentation efforts is difficult given the challenges of defining the most meaningful segments .
- Net wealth and revenue potential are the most-often used criteria for segmentation, perhaps because identifying “ideal” clients is difficult.
- Segmentation is useful in tiering service efforts, but advisors are fearful of losing clients to lower-cost providers.
- CRM systems are the technology hub of segmentation efforts.
- Firm segmentation efforts are successful, but advisors would like them to be even more successful.



Survey Information

Methodology, data collection and analysis by Wealth Management IQ on behalf of BNY Mellon | Pershing. Data collected September 20, through October 2, 2023. Methodology conforms to accepted marketing research methods, practices and procedures.

Beginning on September 20, 2023, WealthManagement.com emailed invitations to participate in an online survey to active users. By October 2, 2023, WealthManagement.com had received 250 completed responses.

To encourage prompt response and increase the response rate overall, email invitations and survey materials were branded with the WealthManagement.com name and logo to capitalize on user affinity for this valued brand. The first 100 respondents to complete the survey were afforded the opportunity to receive a \$10 Starbucks gift card.

About BNY | Pershing

BNY Mellon | Pershing is a leading provider of clearing and custody services. We are uniquely positioned to help complex financial services firms transform their businesses, drive growth, maximize efficiency, and manage risk and regulation.

Wealth management and institutional firms outsource to us, or one of our affiliates, trading and settlement services, investment solutions, bank and brokerage custody, middle- and back- office support, data insights and business consulting.

Pershing brings together high-touch service, an open digital platform and the BNY Mellon enterprise to deliver a differentiated experience for every client.

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About Wealth Management IQ

Wealth Management IQ is a dedicated division of Informa Connect that provides research, content creation and marketing services to the wealth and asset management communities. WMIQ has a truly unique combination of:

- Deep research and analytical capabilities
- Extensive knowledge of the financial advice industry
- Content strategy and direct distribution to over 400K wealth management professionals

Our mission is to educate and inform financial advisors with our research content — and provide the companies that support and empower them with unparalleled access, intelligence and understanding of the wealth management market. Through the audiences of WealthManagement.com, Trust & Estates and WMRE, WMIQ has the ability to tap into some of the most influential communities of financial advisors to conduct targeted surveys, focus groups and one-to-one interviews to inform our research projects.

Our audiences of RIAs, IBDs and wirehouse advisors—and their affinity for our brands—positions WMIQ to access more engaged advisors than any other industry research provider. This reach across the entire wealth management ecosystem is a unique differentiator of WMIQ—and allows us to discover the true drivers of change, behaviors and influence throughout the industry.

If you would like to partner with WMIQ, please contact Graham Thomas, Director – Relationship Management & Strategic Partnerships, Graham.Thomas@Informa.com, 312-343-0686.