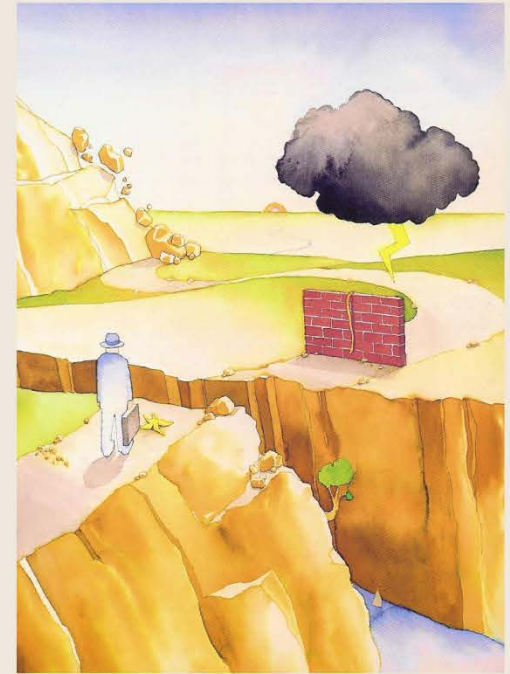


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Client Survey Practices of Institutional Investment Managers

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Investment managers face many challenges in the quest to win and retain assets. Eager, Davis & Holmes will help you negotiate these challenges so that you reach the prize on the horizon.

Background, Purpose and Method

The importance of client service is well documented. Yet the majority of institutional investors and investment consultants are dissatisfied with client service levels. (See *Client Service: What It Takes to Walk the Talk*, SEI, February 2014 at <https://www.sei.com/docs/IMS/SEI-2014ClientService-Paper-US.pdf>.)

Systematic client feedback is integral to ensuring your organization meets clients' needs and expectations. Eager, Davis & Holmes (EDH) pioneered the use of third party customized client satisfaction studies for investment managers. We have strong interest in promoting their effective use. EDH conducted this survey to help establish industry practices for investment managers' use of client surveys.

Purpose/Objectives

- Study purpose: Learn the current practices institutional investment managers use to gain feedback from their clients
- Key objectives:
 1. Measure client surveys' prevalence of use
 2. Understand various practices associated with implementation of client surveys
 3. Understand managers' perceptions of client surveys' usefulness overall and in specific areas

Method

- Web-enabled survey of institutional investment managers with whom EDH has active relationships, either as a client or prospect
- Thirty nine managers completed the survey
- Sample size (US-based AUM) distribution:

<\$10 B	12 investment managers
\$10 - \$100 B	17
>\$100 B	<u>10</u>
Total	39
- *Interpret results with caution.* Subsamples in this report (below 25) are too small for statistically valid projections

➤ Survey use not widespread; driven by managers' size (AUM)

- Just over half of the 39 firms responding to this survey have gained feedback from their clients in the last four years, including all of the largest managers (>\$100B).

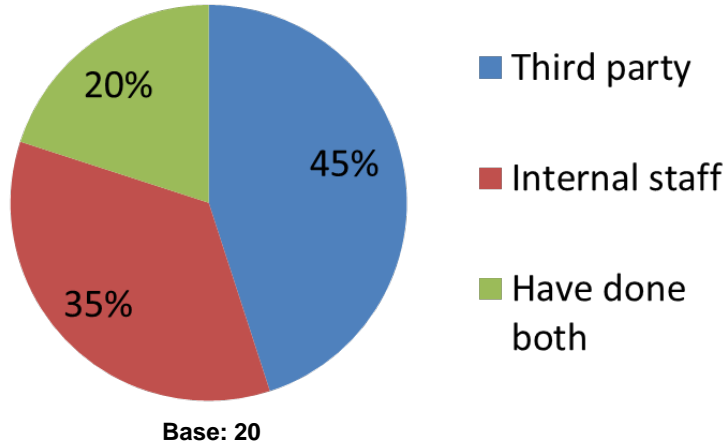
Representative quote: “Our firm has always recognized the value of client feedback, and obtaining such feedback via an independent third party.”

Within the past four years, has your firm gained survey-based feedback that includes measures of client satisfaction from your institutional investment management clients?

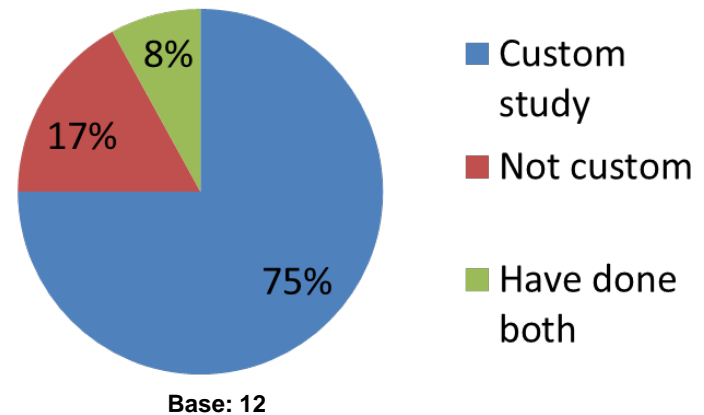
		<u>Firm Size</u>		
	<u>Total</u>	<u><\$10B</u>	<u>\$10B-\$100B</u>	<u>>\$100B</u>
Yes	51%	17%	47%	100%
No	49%	83%	53%	0%
Base: (Total Respondents)	(39)	(12)	(17)	(10)

- Survey by third party most prevalent; internal staff close second
- Custom studies used more often than broad multi-manager surveys

Was the survey conducted by internal staff or a third party?

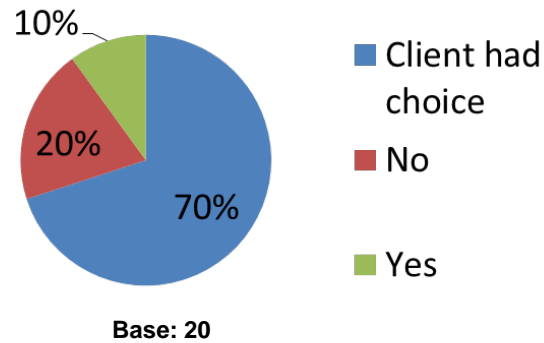


Was the survey a custom study done for your firm, or a broad study for a group of firms?

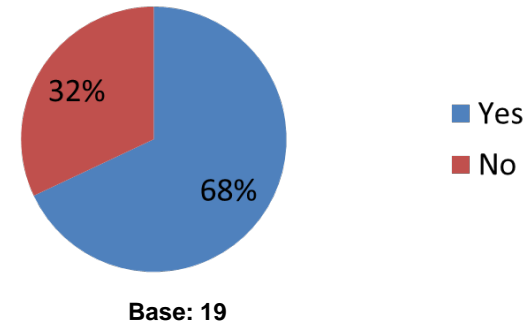


➤ Other practices

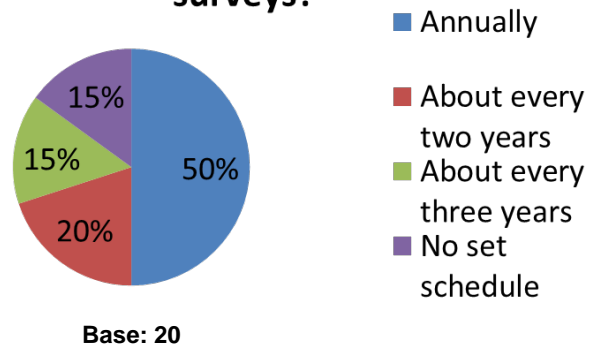
Were responses attributable to each client (versus anonymous feedback)?



Did your survey include qualitative feedback?



How often do you conduct client surveys?



➤ Client surveys are highly useful

How useful was your survey overall and in the following areas?

	Percent Rating "Highly Useful" (5 or 4)		
	Total Respondents	Use External Firm	Do Not Use External Firm
Overall	85%	92%	71%
Providing feedback to our staff	80%	92%	57%
Learning each client's servicing preferences	65%	62%	71%
Prioritizing actions to improve client satisfaction	63%	77%	33%
Establishing benchmark measures of satisfaction	60%	62%	57%
Identifying "at risk" clients	56%	50%	67%
Gaining understanding of issues our clients are facing	47%	58%	20%
Establishing benchmark measures that are compared to peers	39%	50%	17%
Establishing satisfaction measures that can be used to promote our firm	33%	55%	0%
Improving ability to expand "share of wallet"	25%	36%	0%
Aligning staffing to best meet client needs	11%	15%	0%
Base: (Managers who conducted surveys)	(19)	(13)	(6)

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- Many managers are not addressing high-value topics including cross selling opportunities and client loyalty (Net Promoter Score)

What topics did your client survey address?

Satisfaction ratings in specific areas	90%
Clients' communication and reporting preferences	70%
Importance ratings in specific areas	55%
Comparisons to other managers	50%
Clients' awareness of other products you offer	50%
Net Promoter Score (Clients' propensity to recommend your firm)	50%
Clients' interest in other products you offer	45%
Information to help address decisions you are facing	30%
Base: (Managers who conducted surveys)	(20)

EDH finds
these topics
provide high
value

➤ Cost, reliance on RM's are key barriers to client surveys

Which of the following do you feel are barriers to your firm's use of a third party consultant or research firm to conduct client surveys?

	Total Respondents	<\$10B	\$10B- \$100B	>\$100B
Too expensive	60%	82%	7%	40%
We rely on our relationship managers and/or senior management to gain feedback and respond	60%	64%	64%	40%
Focused on higher priority issues	27%	18%	36%	20%
Not comfortable with outside firms contacting our clients	20%	18%	21%	20%
Our clients are too busy for surveys	20%	0%	29%	40%
Past surveys were unproductive	17%	0%	29%	20%
Staff too busy	10%	18%	7%	0%
Never thought about it	10%	18%	0%	20%
Base: (Respondents who answered*)	(30)	(11)	(14)	(5)

* Base excludes nine respondents who conduct client surveys and indicated “no barriers.”

➤ Wide range of cost for client surveys conducted by third party consultant

If you used a third party consultant/research firm, what was your approximate budget for a comprehensive North America-focused client satisfaction survey?

Number of Respondents in Each Budget Range

		<u>Firm Size</u>			
		<u>Total Respondents</u>	<u><\$10B</u>	<u>\$10B-\$100B</u>	<u>>\$100B</u>
Includes studies gaining feedback for many managers in a single survey, and/or lacking qualitative feedback	{ Less than \$30,000	3	1	2	0
	{ \$30,000 to \$50,000	3	0	1	2
	{ \$51,000 to \$75,000	2	0	2	0
Larger, multi-product managers	{ \$76,000 to \$100,000	1	0	0	1
	{ >\$100,000	1	0	0	1
Base: (Those Who Answered)		10	1	8	8

➤ Other sources of feedback used

What other types of surveys has your firm used to gather feedback from clients, prospects, or intermediaries, if any?

