

actionconsulting

ADVISER SNAPSHOT

A market in transition

Adviser Snapshot 1: Baseline research on changes in the financial adviser market

Introduction

Adviser Snapshot researches the adviser firm market to assess how firms are reacting to the implementation of the RDR. This first report analyses the baseline research which looks at some of the most basic choices firms have had to make.

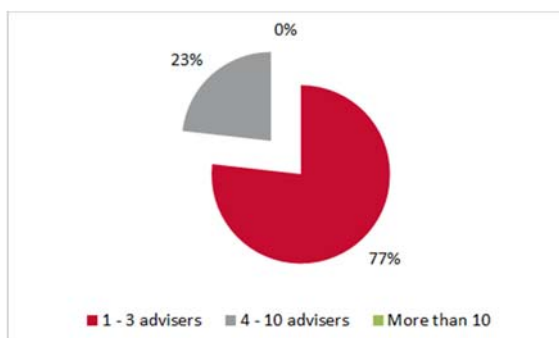
Full analysis of the results is provided to advisers taking part in the research.

Overview

- Nearly 90% of firms in this research have remained independent
- Roughly 75% base all or some of their charges on a % of amounts invested but
- A quarter of those fund-based charges are lower than the firms were receiving in commission pre-RDR
- More than half the firms have segmented their clients, and half of those have withdrawn service from some clients.

The survey sample

Respondents by number of advisers



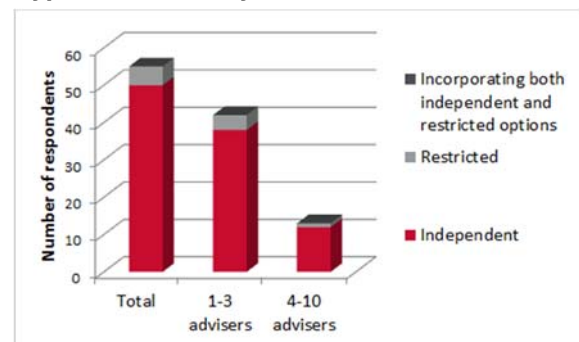
The vast majority – 84% – of the respondents are directly authorised, and almost as many – 77% – are firms with 3 or fewer advisers.

The survey very much tests how smaller, mainly directly authorised firms are reacting.

Type of advice

Nearly 90% of firms have opted to remain independent. Of the 13 firms with 4 to 10 advisers, only 1 offers 'restricted' advice.

Types of advice by size of firm



In addition no firms in this sample are offering both independent and restricted advice.

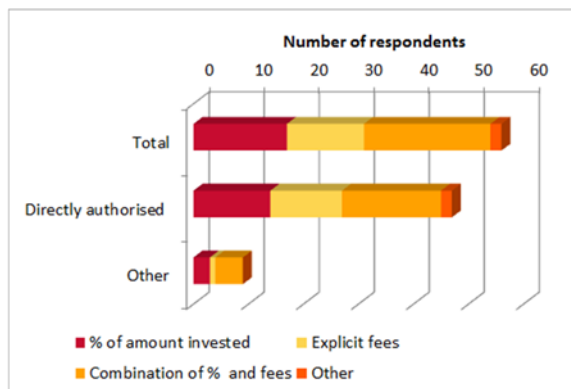
Adviser Charging

The survey indicated that, post-RDR:

- 30% of firms charge solely on the basis of a % of the amount invested;
- 25% charge explicit fees and
- 40% use a combination of the two.

This suggests that at least 30% of firms charge only if they carry out implementation, charging nothing if their advice is not taken up.

Charging basis by number of firms

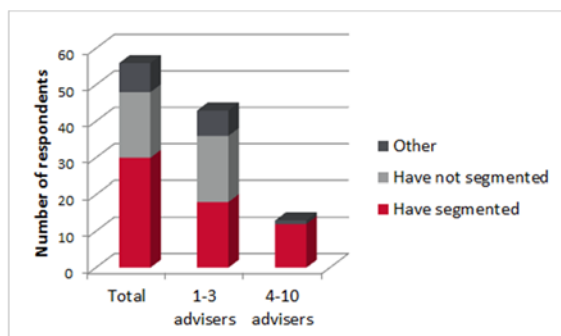


The research also shows that, of the firms that are charging wholly or partially on the basis of a percentage of the amount invested, 72% are charging percentages broadly in line with their pre-RDR practice, while just over a quarter are charging percentages that are, broadly, lower.

Client segmentation

The research also indicated that while 92% of firms with 4 - 10 advisers have segmented their clients, only 42% of smaller firms have done so. Overall, just over 50% of firms had carried out some form of segmentation.

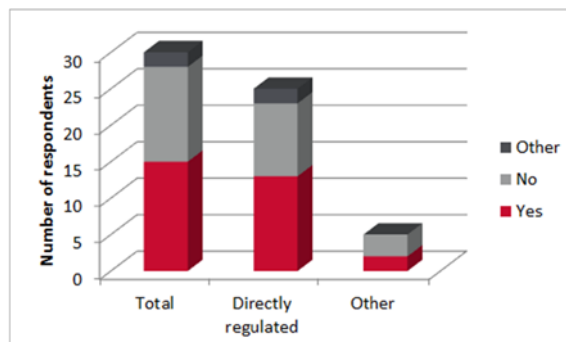
Incidence of segmentation, by size of firm



In addition, of those firms that had segmented their clients, over half had decided, on purely economic grounds, not to offer any service to some of their clients.

The survey also asked what criteria firms had used to segment their clients. Here, economic grounds predominate, with assets under management and value to the business being significantly ahead of other criteria.

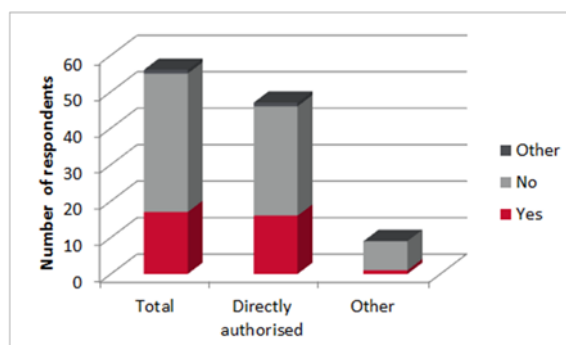
Are any clients not being offered a service?



Services

While a third of directly authorised firms have introduced a new type of service, only 1 in 10 other firms had done so.

Number of firms introducing new services



The most commonly introduced new service was an explicitly-charged for on-going service.

Next steps

Future surveys in the series will consist of:

- Tracker surveys, looking at how the adviser market is evolving as firms adapt to the new regulatory environment.
- More in-depth surveys on specific topics.

If you would like to participate in this research – each survey only takes 3 to 5 minutes – and find out what other adviser firms are doing, simply email us at:

kevintwomey@actionconsulting.co.uk

and ask to be included in our adviser panel.

Action Consulting is a research-based consultancy that helps professional services businesses to improve the loyalty of their customers, the performance of their staff, and the effectiveness of their marketing and service propositions.

Action Consulting (UK) Limited
48a High Street, Henlow, Bedfordshire SG16 6AA

www.actionconsulting.co.uk
T +44 (0)1462 813020
F +44 (0)1462 813021

actionconsulting