

# People Are the Key to Driving Business Results through Technology

## Insights from The 2013 Fidelity RIA Benchmarking Study

In today's world, harnessing technology effectively is imperative for most businesses. RIA firms are no exception. As more members of Generations X and Y join the ranks of the advised and the advising, having a robust technology environment will become even more important.<sup>1</sup> Consider this:

- **87% of Gen X/Y millionaires in a recent Fidelity survey said that technology enhanced their relationship with their financial advisor** (vs. 32% of Baby Boomers+ surveyed).<sup>1, 2</sup>
- **92% of Gen Y advisors in a recent Fidelity survey considered themselves to be technology savvy** (vs. 51% of Baby Boomers+ surveyed).<sup>3</sup>

The 2013 Fidelity RIA Benchmarking Study (the "study") takes a deep dive into the issues of RIA technology strategy, usage, and integration. In addition, the study examines key business performance metrics and business processes to help RIAs understand how they compare with their peers and gain insights to help them grow and improve their businesses.

<sup>1</sup>For purposes of this report and the recent Fidelity studies cited on this page, Gen Y refers to those born from 1980 to 1992, Gen X refers to those born from 1965 to 1979, and Baby Boomers+ refers to those born in 1964 or earlier.

<sup>2</sup>2013 Fidelity Millionaire Outlook Study—A primary research study (Fidelity not identified) among 542 U.S. millionaire investors conducted via an online survey during the period of May 15–23, 2013. Qualified respondents had investable assets of at least \$1 million, excluding workplace retirement accounts and any real estate holdings.

<sup>3</sup>2013 Fidelity Advisor Insights Study—An online, blind survey (Fidelity not identified) fielded during the period of August 8–21, 2013. Participants included 813 advisors from across multiple firm types who work primarily with individual investors and manage a minimum of \$10M in individual or household investable assets. Firm types included a mix of large and small IBDs, regional broker-dealers, RIAs, insurance companies, wirehouses, and banks, with findings weighted to reflect industry composition.

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This year's report highlights two groups of firms worth watching: High-Performing Firms (those RIA firms that outperformed peers financially and may have some lessons to share with the rest of the industry)<sup>4</sup> and Aggressive Technology Adopters (firms that have made a conscious decision to be on the cutting edge of technology and who could shine a light on the road ahead).<sup>5</sup>

## Key Study Findings

1. RIAs recognize the strategic importance of technology, using it to improve efficiency and profitability, enhance their clients' experiences, and enable scalable organic growth.
2. Firms are primarily focused on optimizing their current systems—vs. investing in new systems—by driving initiatives related to integration, workflows, and training.
3. System utilization is a key driver of satisfaction—unfortunately, both measures are relatively low, particularly for key systems like CRM.
4. Internal staffing issues, rather than system limitations or budget, present the greatest challenge to technology optimization.
5. While a fair number of business processes at RIAs are standardized, many are not documented or automated—which may be hampering efficiency.
6. Marketing and prospecting are the business processes that RIAs are least satisfied with and most want to improve—an imperative given the importance of growth.
7. Outsourcing of key processes is more aspirational than actual—RIAs are conceptually open to outsourcing, but many are not doing it today.
8. High-Performing Firms appear to take a pragmatic approach to technology, reporting strong, but not cutting-edge, technology environments.
9. Aggressive Technology Adopters, however, embrace cutting-edge technology and are reaping benefits in system utilization, integration, and satisfaction.

## About the Research and Respondents

The 2013 Fidelity RIA Benchmarking Study was conducted by Fidelity Institutional Wealth Services as part of its Practice Management and Consulting Program to give RIA firms insight into how their firms compare with others in the industry. The objectives of the study were to understand the behaviors of RIA firms in order to determine best practices in the industry and, in turn, to share these learnings with the RIA community. Respondent firms were primarily RIA firms that custody some portion of their assets with Fidelity Institutional Wealth Services.<sup>6</sup> Fidelity was identified as the study sponsor. The online survey was conducted from May 1 through June 28, 2013, and administered by an independent third-party research firm. More than 500 RIA firms participated in the study, of which 324 completed it and form the basis for the findings in this report. In this report, the terms "RIAs," "RIA firms," and "firms" refer only to those RIA firms that participated in the study.

Figure 1: Highlights of the study sample



Source: The 2013 Fidelity RIA Benchmarking Study.

<sup>4</sup>The term "High-Performing Firms" refers to the subset of participating firms with business results that meet the criteria defined in this report. Reference to the concept of "performing" in the name of this group is not intended to connote investment returns. Past performance is no guarantee of future results.

<sup>5</sup>Aggressive Technology Adopters = Firms that identified their overall technology approach to be investing aggressively in their technology, and their technology environment as cutting edge in many areas.

<sup>6</sup>Clearing and custody provided by National Financial Services LLC.

## Section I: High-Performing Firms

As in past studies, a group of High-Performing Firms has been identified as having outperformed other firms in terms of their financial results (see Figure 2 for definitions and qualifying criteria). These firms are examined to see what makes them different and what other RIA firms can learn from them.

### High-Performing Firms Come in All Sizes, and Significantly Outperform Their Peers

Based on the definition, we know that High-Performing Firms have demonstrated excellence in the areas of growth, profitability, and

productivity. But, by how much have they outdistanced their peers? Is the gap large or small? The figures to the right show just how much High-Performing Firms outperform All Other Eligible Firms<sup>7</sup> in terms of these three areas.

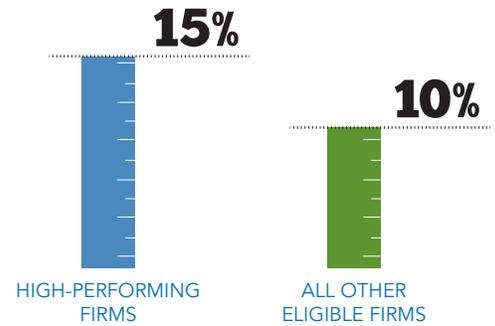
What types of firms are High-Performing Firms? The definition is carefully constructed so that firm size is not necessarily a factor. In fact, High-Performing Firms come in all sizes. See Figure 6 for a comparison of basic business metrics for High-Performing Firms vs. All Other Eligible Firms.

**Figure 2: Qualifying criteria for High-Performing Firms**

First Criterion	Pass eligibility screen	<ul style="list-style-type: none"> <li>Practice established prior to December 31, 2009</li> <li>Assets under management (AUM) of \$50M or more as of December 31, 2009</li> <li>Two or more full-time employees as of December 31, 2012</li> <li>Merger or acquisition activities contributed no more than 25% of the change in AUM from 2010 to 2012</li> </ul>
Second Criterion	Rank in the top 25% of eligible survey respondents, based on a composite ranking across three areas	<ul style="list-style-type: none"> <li>Three-year AUM compound annual growth rate (CAGR) as of December 31, 2012</li> <li>Earnings before owners' compensation (EBOC) margin for the calendar year ending December 31, 2012</li> <li>Revenue per full-time equivalent (FTE) for the calendar year ending December 31, 2012</li> </ul>

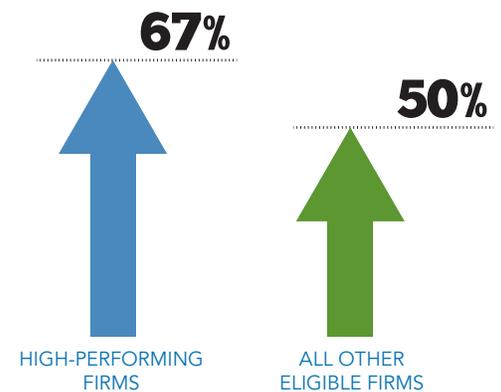
Source: The 2013 Fidelity RIA Benchmarking Study.

**Figure 3: Growth comparison, 2009–2012 AUM CAGR\* (median)**



\*CAGR = Compound Annual Growth Rate  
Source: The 2013 Fidelity RIA Benchmarking Study.

**Figure 4: Profitability comparison, 2012 EBOC margin\* (median)**



\*EBOC = Earnings Before Owners' Compensation  
Source: The 2013 Fidelity RIA Benchmarking Study.

**Figure 5: Productivity comparison, 2012 Revenue per FTE\* (median)**



\*FTE = Full-Time Equivalent  
Source: The 2013 Fidelity RIA Benchmarking Study.

<sup>7</sup>Based on the criteria in Figure 2, All Other Eligible Firms = all study respondents who passed the eligibility screen in the first criterion, but did not rank in the top 25% of the composite ranking in the second criterion.

**Figure 6: Comparison of attributes (median 2012 data)**

	HIGH-PERFORMING FIRMS	ALL OTHER ELIGIBLE FIRMS
Number of clients	299	295
Number of FTEs	7	9
Number of owners	3	2
Assets under management	\$360M	\$261M
Revenue	\$2.4M	\$1.8M
Revenue per advisor	\$910K	\$542K
Revenue per client	\$9,310	\$7,369
Total clients per advisor	93	68

Source: The 2013 Fidelity RIA Benchmarking Study.

## High-Performing Firms Are Technology Pragmatists

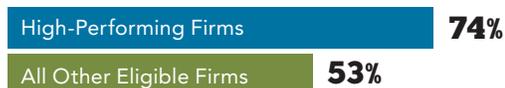
What makes High-Performing Firms stand out? Given that the focus of the study was on technology, this group was specifically

analyzed to identify key differences in terms of their technology approach. While several specific differences are highlighted on the following pages, an overall theme of technology pragmatism clearly emerged.

**Figure 7: Strong, but not cutting-edge technology environments**

Survey Question: Which of the following best characterizes your firm's overall technology approach?

**Percent of firms who chose "We invest significantly in technology and our technology environment is strong, but not typically cutting edge"**

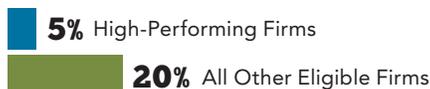


Source: The 2013 Fidelity RIA Benchmarking Study.

**Figure 8: Changing support resources as a top opportunity**

Survey Question: Where do you see the biggest overall opportunities to optimize the technology and operations environment in your firm?

**Percent of firms who ranked "Changing amount of resources allocated to technology and operations support" as 1st, 2nd or 3rd**

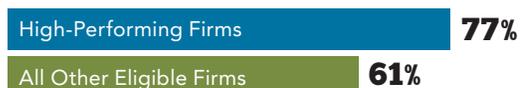


Source: The 2013 Fidelity RIA Benchmarking Study.

**Figure 9: Client experience as a goal for using technology**

Survey Question: What are your firm's goals in using technology?

**Percent of firms who ranked "Enhance client experience and satisfaction" as 1st, 2nd or 3rd**



Source: The 2013 Fidelity RIA Benchmarking Study.

**1 Strong Technology Environments.** High-Performing Firms are more likely than All Other Eligible Firms to describe their technology environments as strong but not cutting edge (see Figure 7). These High-Performing Firms appear to recognize the importance of investing in technology—but not to the point of investing in the “latest and greatest” technologies. This may be seen as favoring proven technologies over newer, not-yet-proven systems. (In the next section on technology, we will take a closer look at Aggressive Technology Adopters, those RIA firms that are investing aggressively in cutting-edge technology, and delve into the benefits they are seeing.)

**2 Stable Support Resources.** High-Performing Firms appear to be more satisfied with the amount of technology and operations support that they currently have. They view changing the amount of resources allocated to technology and operational support as less of an opportunity than All Other Eligible Firms (see Figure 8).

**3 More Focused on Client Experience.** When asked about their goals for using technology, High-Performing Firms were more likely than All Other Eligible Firms to cite improving their clients' experience and satisfaction as a top goal (see Figure 9). This year's study found that a top strategic priority across all firms was new client acquisition. Given that client referrals are the biggest source of new clients for most

firms, High-Performing Firms may recognize to a greater degree that delivering a positive client experience can help generate referrals that could eventually lead to new business. As a result, they appear to be aligning technology with their strategic growth goals.

**4 More Focused on Technology Integration.**<sup>8</sup> When asked about their biggest technology opportunities, 67% of High-Performing Firms ranked integrating existing systems in their top three opportunities vs. 56% of All Other Eligible Firms (see Figure 10). While High-Performing Firms are no more or less likely to have integrated systems, their focus on integration as the top opportunity implies that they recognize the potential benefits—primarily more streamlined workflow—to a greater degree.

**5 More Concerned about Business Disruption.** As noted above, High-Performing Firms are more focused on technology integration. But when asked what stops them from integrating systems, High-Performing Firms are more likely than All Other Eligible Firms to say disruption to their business is the biggest challenge (see Figure 11)—and are less likely to cite cost or skill set of staff. This may be linked to High-Performing Firms’ greater focus on client experience, as referenced earlier. If a system integration project is viewed as

**Figure 10: System integration as an opportunity for using technology**

Survey Question: Where do you see the biggest overall opportunities to optimize the technology and operations environment in your firm?

Percent of firms who ranked “Integrating existing systems” as 1st, 2nd or 3rd



Source: The 2013 Fidelity RIA Benchmarking Study.

**Figure 11: Worried about business disruption**

Survey Question: What are the biggest challenges when integrating your systems?

Percent of firms who ranked “Business disruption given time required” 1st



Source: The 2013 Fidelity RIA Benchmarking Study.

disruptive to business processes or the client experience, High-Performing Firms may weigh this risk more heavily.

**6 Other Differences.** Aside from differences in their technology approach, High-Performing Firms close new business in fewer meetings, and drive higher rates of AUM growth by retaining client assets and generating higher levels of contributions from existing clients. These and other differentiating factors will be examined more closely in future studies.

## Key Takeaways from High-Performing Firms:

Like many RIAs, even High-Performing Firms have room for improvement when it comes to technology. However, their approach yields several insights:

- While it may not be necessary to have “cutting-edge” technology to achieve superior business results, a strong technology environment may be a key enabler.
- Driving increased levels of system integration to accrue potential benefits such as streamlined workflows is a top priority for High-Performing Firms.
- Never lose sight of the impact technology has on your clients—improving the client experience and avoiding business disruption are critical for High-Performing Firms.

<sup>8</sup>It should be noted that there are various definitions and levels of integration. For purposes of the study, integration was defined in terms of three levels: Limited integration (e.g., systems updated via a file delivery process), Moderate integration (e.g., automated data synchronization), or Full integration (e.g., automated synchronization with single sign-on and seamless user interface).

## Section II: Technology Landscape

RIA firms recognize that technology is important, and they have articulated clear goals for how they want technology to benefit their firms. However, adoption, implementation, and utilization will need to improve for many firms to unlock the full benefits of technology. One group of firms—Aggressive Technology Adopters—appears to be aggressively investing in technology and is experiencing benefits in system utilization, integration, and satisfaction.

### Technology Is a Strategic Priority

There is broad consensus across RIA firms on the top three goals for technology in their firms:

1. Increase efficiency, staff capacity, and firm profitability
2. Enhance client experience and satisfaction
3. Facilitate and support scalable organic growth

These top three goals are all strategic in nature and outdistance other possible goals explored by a wide margin (see Figure 12).

### Significant Technology Investment Will Continue

To achieve their goals, RIA firms have been investing and will continue to invest in technology based on the results from the study. In the period from 2010 through 2012, firms said that their median annual technology spend ranged from 2.7% to 3.1% of firm revenue.<sup>9</sup> They projected their spend as a percent of revenue would drop slightly from 2.9% in 2013 to 2.7% in 2014. By the end of 2014, firms expect that their technology spend will have increased at a CAGR of approximately 14% since 2010. They expect their comparable revenue growth rate to be 13%—which implies that technology spend will grow at a slightly higher rate.

The continued rise in technology spend is driven largely by a desire to keep pace with business growth (see Figure 13), and to maintain what most firms (75%) describe as strong or cutting-edge technology environments (see Figure 14).

**Figure 12: Goals for technology**

Percent of firms who ranked each as 1st, 2nd or 3rd



Source: The 2013 Fidelity RIA Benchmarking Study.

<sup>9</sup>For purposes of this study, technology spend includes all hardware, software, license fees, IT consulting costs, and disaster recovery costs. It does not include the compensation costs associated with people supporting the firm's technology.

**Figure 13: Plan for technology spend next five years**

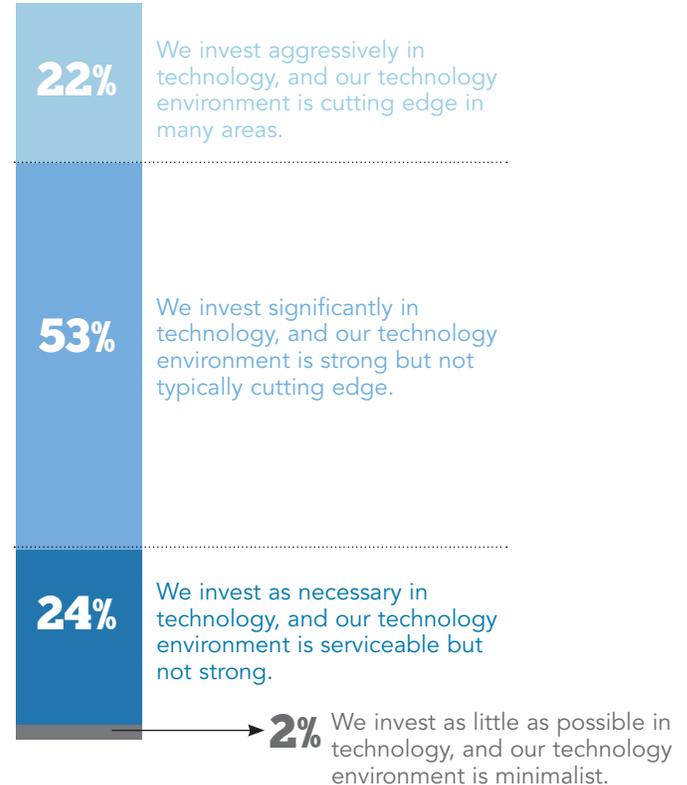
Percent of firms



Source: The 2013 Fidelity RIA Benchmarking Study.

**Figure 14: State of technology environments**

Percent of firms



Note: Figures do not sum to 100% due to rounding.

Source: The 2013 Fidelity RIA Benchmarking Study.

### Technology Plans Are Focused on Optimizing Current Systems

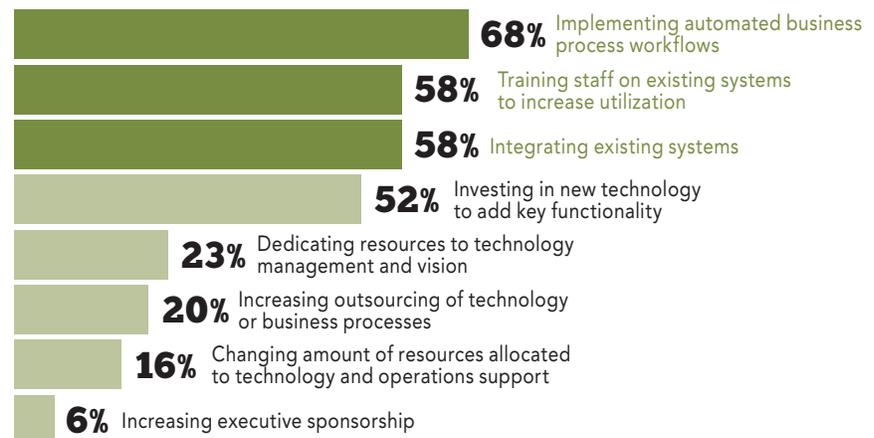
RIA firms have a good sense about what they feel the top technology opportunities are:

1. Implementing automated business process workflows
2. Training staff on existing systems to increase utilization
3. Integrating existing systems

Taken together, these top three opportunities seem to indicate that RIAs are focused on getting the most out of their existing technologies before investing in new systems (see Figure 15).

**Figure 15: Biggest technology opportunities**

Percent of firms who ranked each as 1st, 2nd or 3rd



Source: The 2013 Fidelity RIA Benchmarking Study.

RIA firms also appear to be putting resources behind these top initiatives. A majority of firms currently are, or in the next 12 months will be, devoting resources to optimize their current systems through training and customization, or creating process workflows and automation (see Figure 16).

### Satisfaction with Technology Systems Is Relatively Low

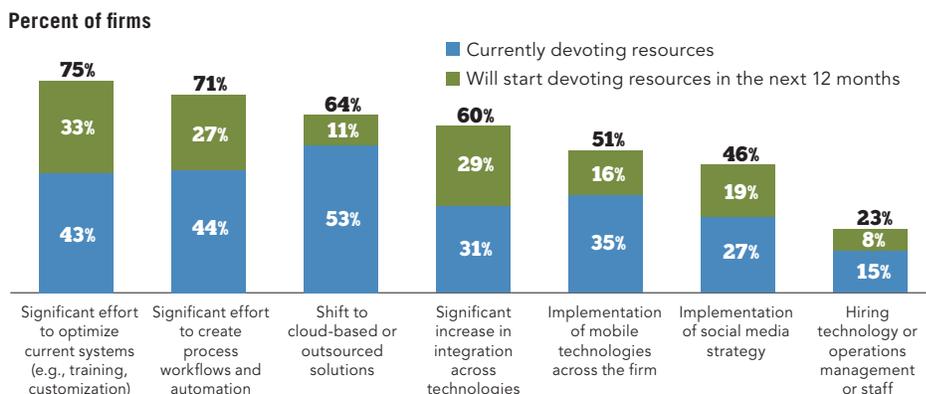
Although there is a large degree of focus and investment in technology, technology nirvana is still somewhat elusive. In particular, satisfaction with key systems remains relatively low—particularly for CRM (see Figure 17). On average across the four top systems, only about 50% of RIA firms rate their satisfaction as an 8, 9, or 10 (out of 10).

Relatively low levels of system utilization (Figure 18) may be a contributing factor to these rates of satisfaction, especially in the case of CRM. Why aren't the utilization numbers higher? The top three reasons selected (for Portfolio Management and CRM systems) were:

1. Not enough initial or ongoing training
2. Poor understanding of functionality/benefits of using
3. Lack of clear incentives for staff to use

As one might expect, those most satisfied with their systems are firms who are utilizing more of the functionality in their systems (see Figure 19).

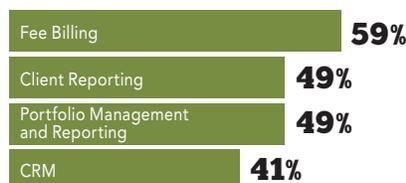
**Figure 16: Top tech initiatives for devoting resources**



Source: The 2013 Fidelity RIA Benchmarking Study.  
 Note: Figures may not total 100% due to rounding.

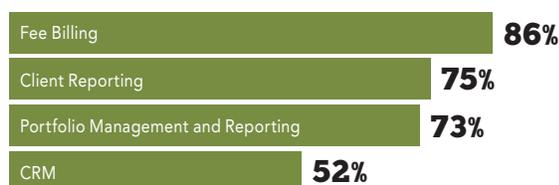
**Figure 17: Satisfaction with systems used**

Percent of firms who rated each an 8, 9 or 10\*



\*On a scale where 10 = extremely satisfied and 0 = not at all satisfied.  
 Source: The 2013 Fidelity RIA Benchmarking Study.

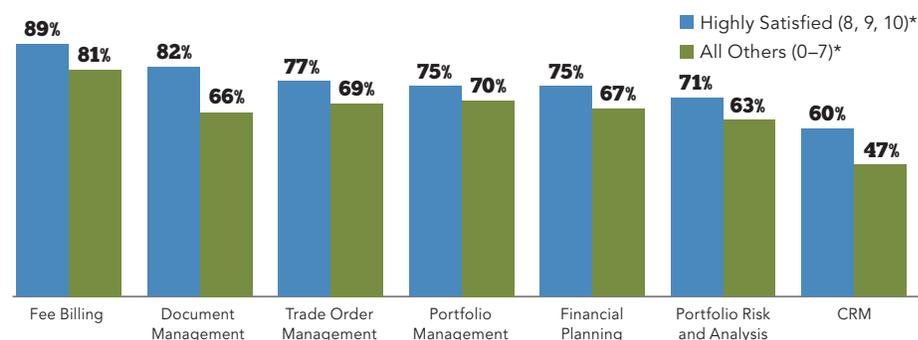
**Figure 18: Percent of system functionality utilized (mean)**



Source: The 2013 Fidelity RIA Benchmarking Study.

**Figure 19: Utilization for highly satisfied firms vs. less satisfied firms**

Percent of system functionality utilized (mean)



\*On a scale where 10 = extremely satisfied and 0 = not at all satisfied.  
 Source: The 2013 Fidelity RIA Benchmarking Study.

Relatively low levels of system integration, again for CRM in particular, may also be contributing to lower levels of satisfaction (see Figure 20). In many cases, higher levels of integration make it easier for firms to utilize a higher percent of system functionality. Firms most often cited the risk of business disruption as the biggest barrier to integration (see Figure 21).

## People-Related Issues Create Barriers to Technology Optimization

The top barriers to optimizing technology in RIA firms are all related to people (see Figure 22). From a list of possible barriers, the top three selected were:

1. Internal resource constraints
2. Training discipline
3. Implementation skill

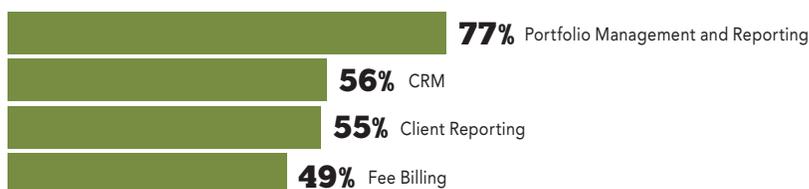
In other words, the technology may be in place, but firms appear to lack the right resources to implement it effectively and to train the rest of the organization to utilize it. As a result, satisfaction suffers and opportunity is missed.

Given that people-related issues are a top barrier to technology success, one might think that hiring new resources or outsourcing these functions might be potential solutions. However, study results appear to indicate that firms are not necessarily embracing these options:

- More than half of firms (55%) do not plan to devote resources to hiring technical or operations staff at all, and another 14% do not plan to devote resources to this for at least two years.
- Outsourcing seems to be more attractive in concept than in practice. While three in four RIA firms are either proponents of outsourcing (19%) or are open to outsourcing (56%), almost 40% of firms do not currently outsource any part of their business and only 22% of firms are currently outsourcing three or more processes.

### Figure 20: System integration

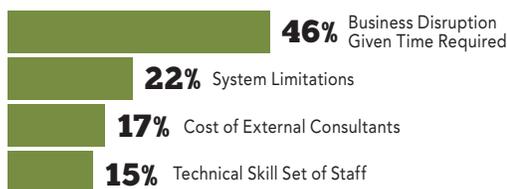
Percent of firms that have integrated each system to some degree with other systems



Source: The 2013 Fidelity RIA Benchmarking Study.

### Figure 21: Integration challenges

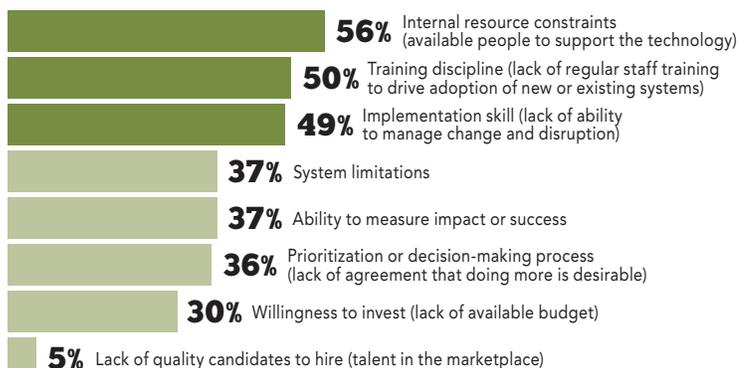
Percent of firms who ranked each as their biggest challenge when integrating systems



Source: The 2013 Fidelity RIA Benchmarking Study.

### Figure 22: Biggest technology optimization barriers

Percent of firms who ranked each 1st, 2nd or 3rd



Source: The 2013 Fidelity RIA Benchmarking Study.

## Aggressive Technology Adopters May Show a Path Forward

Despite the challenges just described, there may be a group of firms who is leading the way when it comes to technology. Over one-fifth of firms (22%) say they invest aggressively in technology and that their technology environments are cutting edge in many areas. This group of Aggressive Technology Adopters stands out in a number of ways:

### 1 Higher Levels of System Usage—and Utilization.

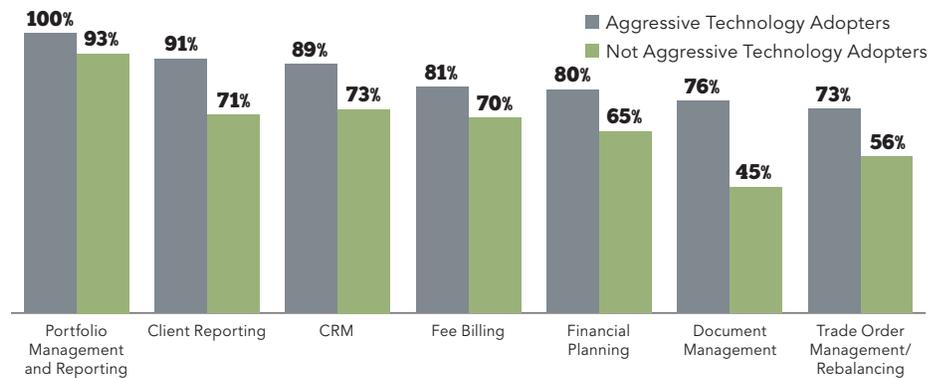
Aggressive Technology Adopters are more likely to use systems in general (see Figure 23), which can lead to immediate time savings. The average amount of time that was saved by implementing key systems is substantial—from 20% to 30%+ of staff time, depending on the system. Aggressive Technology Adopters also utilize more of the functionality of their systems. As we saw earlier, utilization is a key driver of satisfaction.

### 2 More Use of Vendor-Hosted Systems.

Aggressive Technology Adopters are less likely to have systems locally installed, and are thus more likely to use vendor-hosted systems. This is likely to relieve the burden of supporting locally installed systems (see Figure 24).

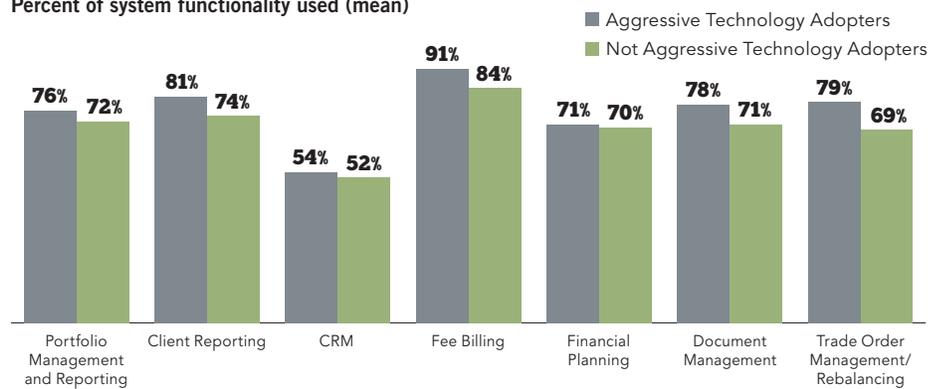
**Figure 23: System usage and utilization**

Percent of firms that use the system



Source: The 2013 Fidelity RIA Benchmarking Study.

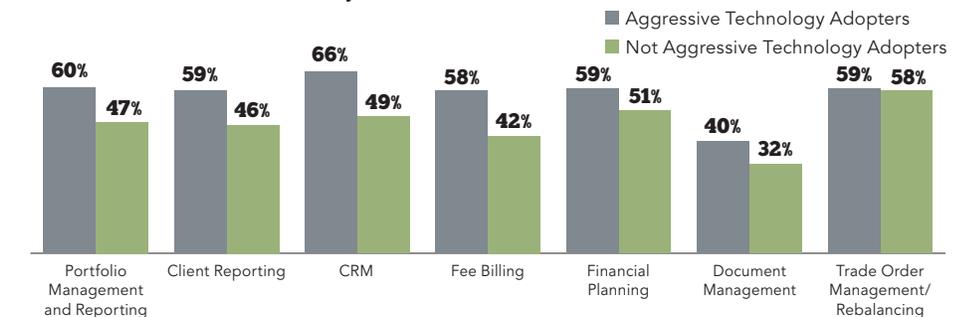
Percent of system functionality used (mean)



Source: The 2013 Fidelity RIA Benchmarking Study.

**Figure 24: Use of vendor-hosted systems**

Percent of firms with vendor-hosted systems



Source: The 2013 Fidelity RIA Benchmarking Study.

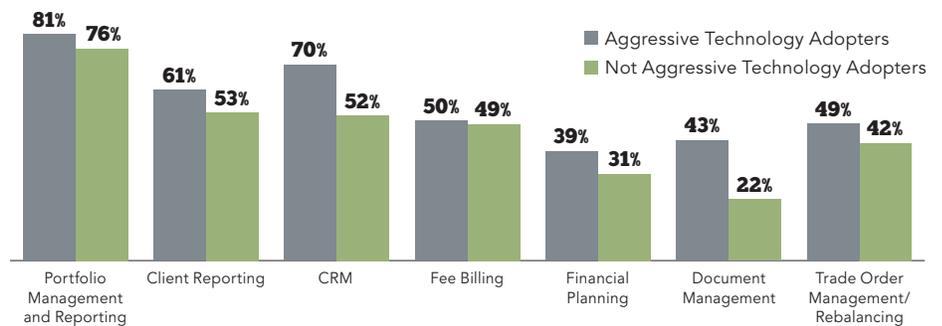
**3 Higher Levels of Integration.** Aggressive Technology Adopters are more likely to have achieved system integration in key areas. In particular, CRM systems and Document Management systems are much more likely to be integrated with other systems (see Figure 25). Across all firms, the most commonly integrated pairs of systems are:

- Trade Order Management/Rebalancing with Portfolio Management and Reporting
- CRM with Document Management

**4 Higher Levels of Outsourcing.** Aggressive Technology Adopters are bigger proponents of outsourcing in general (see Figure 26). And for key processes, including data reconciliation and client reporting, Aggressive Technology Adopters are significantly more likely to be outsourcing (see Figure 27).

**Figure 25: System integration**

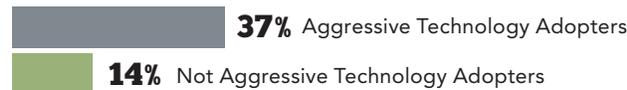
Percent of firms that have integrated each system to some degree with other systems



Source: The 2013 Fidelity RIA Benchmarking Study.

**Figure 26: Attitude toward outsourcing**

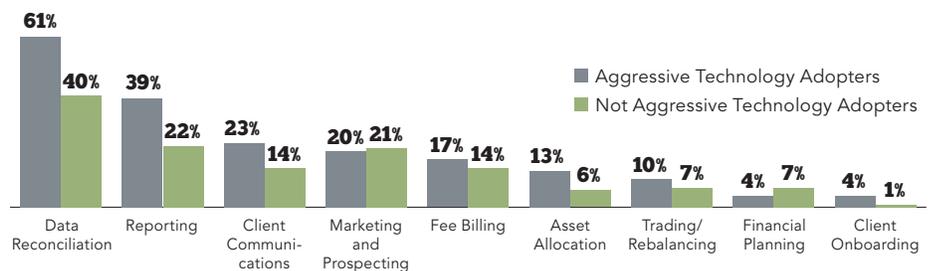
Percent of firms who chose “Proponent of outsourcing—We see tremendous value in it, are doing it today, and will outsource as much as we can in the future”



Source: The 2013 Fidelity RIA Benchmarking Study.

**Figure 27: Level of business process outsourcing**

Percent of firms that outsource at least some of this work



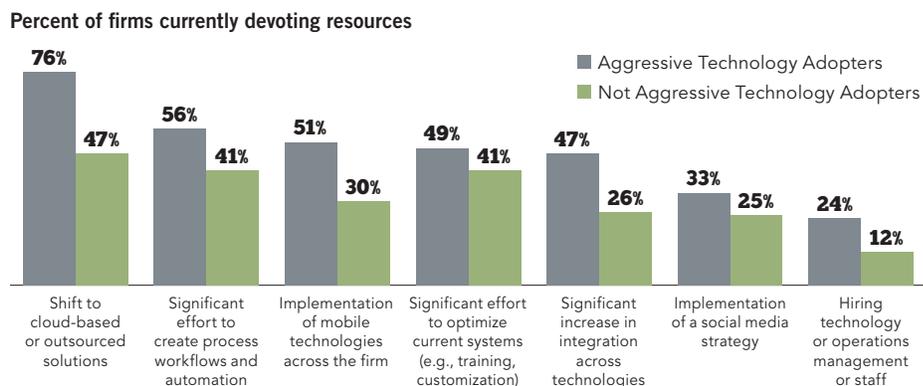
Source: The 2013 Fidelity RIA Benchmarking Study.

**5** **More Immediate Focus on Initiatives to Optimize Their Infrastructure.** Aggressive Technology Adopters are more likely to be devoting resources—currently—to initiatives that will streamline or optimize their technology environment, such as shifting to cloud-based or outsourced solutions, creating process workflows and automation, and implementing mobile technologies (see Figure 28).

**6** **Higher Levels of Satisfaction with Systems.** Perhaps most importantly, and likely as a result of all the drivers just described, Aggressive Technology Adopters are often more satisfied with their systems (see Figure 29).

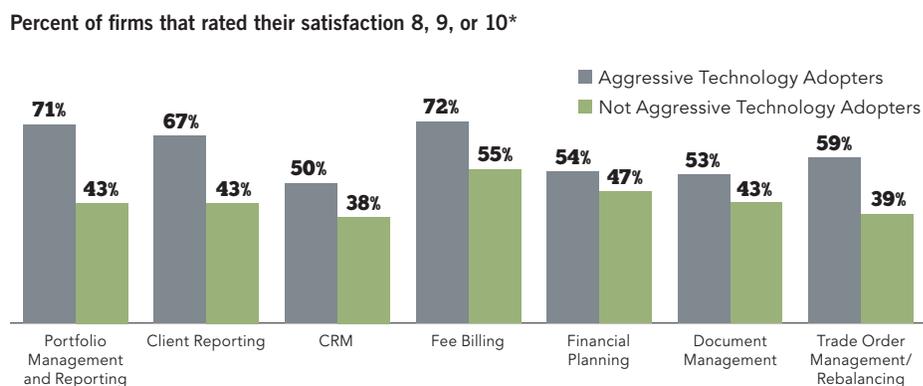
Interestingly, there is little overlap between Aggressive Technology Adopters and High-Performing Firms. In fact, Aggressive Technology Adopters are no more likely to be high performing than other firms are. It is worth noting that given the broader definition of what it means to be a High-Performing Firm, RIAs with strength across the board, not just in technology, will rise to the top. While Aggressive Technology Adopters may be strong when it comes to technology, they may not be quite as strong in other areas of the business. This is a group that bears watching, however, because their investments in optimizing their operations and technology should enable them to dedicate more resources to other areas of their business down the road.

**Figure 28: Allocation of resources to technology initiatives**



Source: The 2013 Fidelity RIA Benchmarking Study.

**Figure 29: Satisfaction levels with systems**



\*On a scale where 10 = extremely satisfied and 0 = not at all satisfied.

Source: The 2013 Fidelity RIA Benchmarking Study.

## Key Takeaways on the Technology Landscape:

- Technology is a strategic priority, and firms will continue investing to drive growth, efficiency, profitability, and improvements in the client experience.
- Optimizing current systems is the top priority—via integration, development of workflows, training, and utilization.
- Satisfaction is consistently driven by higher levels of utilization—but training and adoption require commitment.
- Key barriers to success are all about people—lack of resources, expertise, and discipline—and are not being addressed via hiring or outsourcing.
- Aggressive Technology Adopters take a far more progressive approach to technology (higher levels of integration, outsourcing, utilization, and satisfaction) and as a result may be better positioned for future growth than other firms.

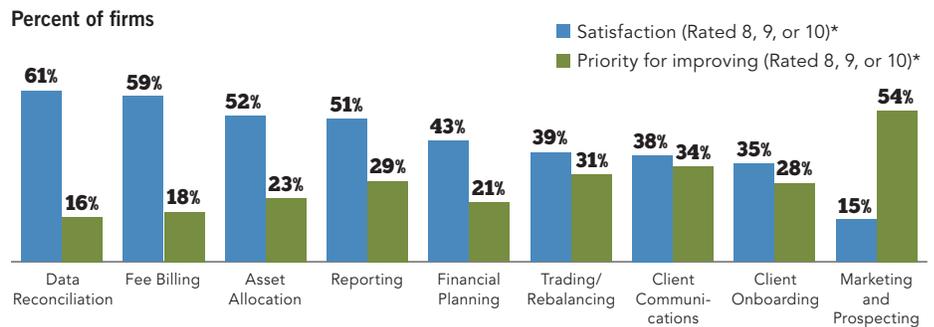
## Section III: Business Processes

Efficient business processes are important to every enterprise. Study findings indicate that more effort is needed in this area to help RIAs manage their businesses more effectively. In particular, although client acquisition was the top strategic goal for RIA firms, the vast majority are unsatisfied with their marketing and prospecting processes. Results also show that while many firms have standardized processes, most firms have not documented these processes for training, contingency, or other purposes, and many are not outsourcing processes to others.

### Satisfaction with Business Processes Is Relatively Low

Data reconciliation (61%) and fee billing (59%) garnered the highest satisfaction ratings among the nine business processes investigated, although those rates are not that high on an absolute basis.

**Figure 30: Satisfaction with business processes and priority for improving**



\*On a scale from 0 to 10, where 0 is low and 10 is high.

Source: The 2013 Fidelity RIA Benchmarking Study.

The marketing and prospecting process received the lowest satisfaction rating at 15%. Because client acquisition is the number-one strategic imperative, low satisfaction with this process is a significant disconnect. More than half of firms reported that this process is a high priority to be improved. This trumped the need to improve all other processes explored by a significant margin (see Figure 30). The largest firms (\$1B+ AUM), however, do place a high priority on reporting (48%) and fee billing (41%) improvements.

### Documentation of Key Processes Remains an Opportunity

Approximately 80%–100% of firms have standardized each of the business processes studied. The notable exception is for marketing and prospecting for which only 47% have a standardized process (see Figure 31).

However, far fewer firms have taken the critical step to document their processes—only two processes have a significant percent of firms

**Figure 31: Standardization and documentation of business processes**

Percent of firms

	WE DO NOT HAVE A STANDARDIZED PROCESS	WE HAVE A STANDARDIZED, UNDOCUMENTED, PROCESS	WE HAVE A STANDARDIZED, DOCUMENTED, PROCESS	WE HAVE AN AUTO-MATED PROCESS
Marketing and prospecting	53%	25%	21%	1%
Client communications	21%	38%	38%	3%
Client onboarding	17%	24%	55%	4%
Financial planning	17%	38%	42%	3%
Trading/rebalancing	14%	29%	49%	8%
Asset allocation	13%	26%	56%	5%
Data reconciliation	7%	26%	52%	15%
Reporting	4%	24%	57%	15%
Fee billing	2%	19%	66%	13%

Source: The 2013 Fidelity RIA Benchmarking Study.

with documentation or automation. (Reporting at 72% and Fee billing at 79%). Again, marketing and prospecting is the lowest, with only 22% of firms having documented or automated processes. While levels of documentation were somewhat higher at larger firms, it remains an opportunity at firms of all sizes.

Even among firms with standardized, documented processes, very few have automated processes (15% or fewer firms for any process).

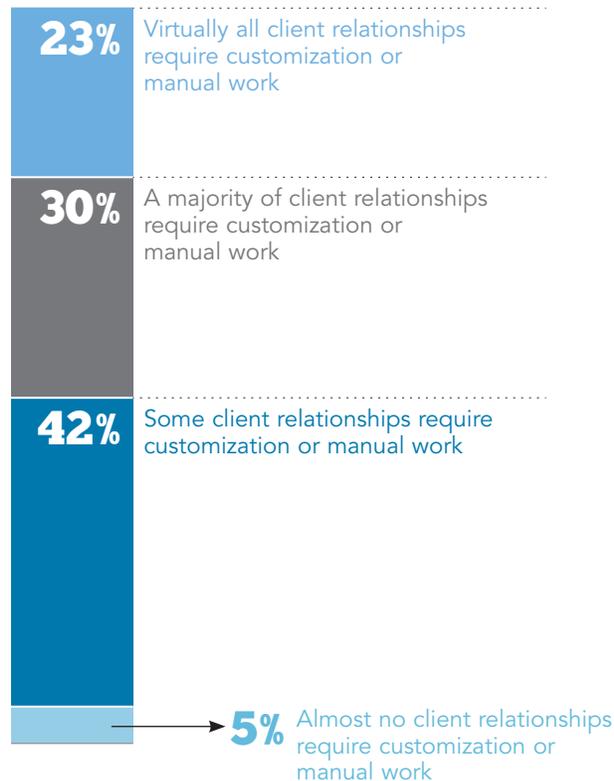
### Customization and Complexity Are Biggest Obstacles to Standardization

More than half of RIA firms say virtually all or a majority of their client relationships require customization or manual work, which complicates the implementation of common standards and practices (see Figure 32). The biggest driver of complexity is the client experience delivered (see Figure 33).

Customization to this degree makes it very difficult to implement standard processes, and in turn to implement any form of segmented service delivery model, which helps explain why only about half of firms do so.

**Figure 32: Client customization requirements**

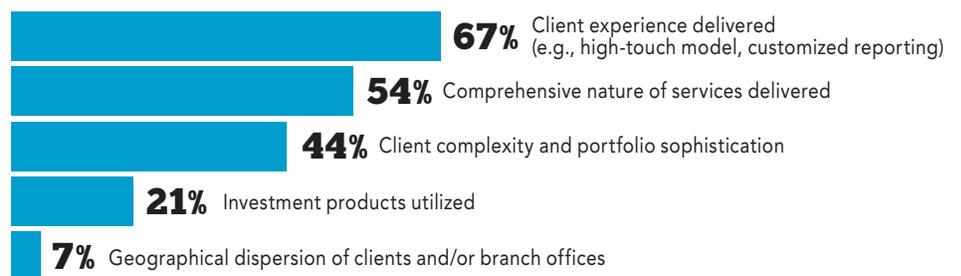
Percent of firms



Source: The 2013 Fidelity RIA Benchmarking Study.

**Figure 33: Drivers of operational complexity**

Percent of firms

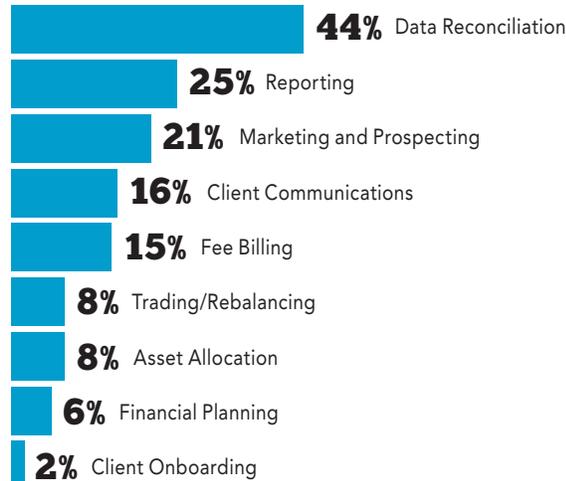


Source: The 2013 Fidelity RIA Benchmarking Study.

## Outsourcing Does Not Have a Strong Foothold in RIA Firms

Despite the fact that a majority of firms indicate they are at least open to outsourcing, if not a proponent, almost 40% of firms do not currently outsource any part of their business. Given the low satisfaction with many business processes, and the lack of internal expertise at many firms, this is clearly an underutilized solution. When firms do outsource, the top three outsourced business processes are: data reconciliation, reporting, and marketing and prospecting (see Figure 34).

**Figure 34: Level of business process outsourcing**  
Percent of firms that outsource at least some of this work



Source: The 2013 Fidelity RIA Benchmarking Study.

### Key Takeaways on Business Processes:

- Significant opportunity exists to improve satisfaction with many business processes—especially marketing and business development, given the importance of client acquisition and low levels of satisfaction with current processes. Implementing automated workflows can be a powerful way to drive process efficiency and satisfaction.
- Widespread customization, given client complexity, is a key barrier to process standardization—but one that can be overcome with increased focus on segmentation.
- Even when processes are standardized, many firms fail to document these processes, making automation difficult or impossible.
- Outsourcing remains an underutilized solution—despite being open to the practice, many firms are not pursuing this option.

## Section IV: Growth and Outlook

### Historical Growth Has Been Strong

Overall, RIAs experienced strong client, asset, and revenue growth rates over the last several years (median compound annual growth rates):

- Annual client growth was 7.3% from 2009 to 2012
- Annual AUM growth was 13.8% from 2009 to 2012
- Annual revenue growth was 13.1% from 2010 to 2012

### Future Growth Is Expected To Be Similarly Strong

Firms also anticipate solid growth in clients, assets, and revenue looking forward through 2016 (see Figures 35–37).

**Figure 35: Projected client growth**

	ALL FIRMS	TOTAL AUM					
		<\$50M	\$50M–\$99M	\$100M–\$249M	\$250M–\$499M	\$500M–\$999M	\$1B+
TARGETED NUMBER OF NEW CLIENTS (MEDIAN)							
2013	18	9	15	15	35	50	60
2014	20	10	20	15	40	50	75
2015	25	12	20	20	50	51	84
2016	25	12	20	20	50	55	91

Source: The 2013 Fidelity RIA Benchmarking Study.

**Figure 36: Projected AUM growth**

	ALL FIRMS	TOTAL AUM					
		<\$50M	\$50M–\$99M	\$100M–\$249M	\$250M–\$499M	\$500M–\$999M	\$1B+
PROJECTED AUM GROWTH RATES (MEDIAN)							
2013	10%	11%	10%	10%	12%	12%	12%
2014	12%	14%	12%	11%	12%	10%	12%
2015	10%	10%	12%	10%	10%	10%	12%
2016	10%	10%	12%	10%	10%	10%	13%

Source: The 2013 Fidelity RIA Benchmarking Study.

**Figure 37: Projected revenue growth**

	ALL FIRMS	TOTAL AUM					
		<\$50M	\$50M–\$99M	\$100M–\$249M	\$250M–\$499M	\$500M–\$999M	\$1B+
PROJECTED REVENUE GROWTH RATES (MEDIAN)							
2013	10%	14%	10%	10%	10%	10%	12%
2014	11%	14%	12%	11%	10%	10%	12%
2015	10%	13%	12%	11%	10%	10%	12%
2016	10%	10%	12%	11%	10%	10%	12%

Source: The 2013 Fidelity RIA Benchmarking Study.

## Section V: Conclusions

The year 2012 was a strong year for the RIA industry, with revenue and assets showing significant positive gains. High-Performing Firms continued to lead the way by outperforming their peers financially. To continue their growth trajectories, however, harnessing technology more effectively and streamlining business processes will be fundamental to sustaining growth and improving business performance for all RIAs.

There is substantial consensus that technology is a key strategic priority for RIAs, and that the role of technology is to support business strategy by creating efficiencies, increasing client satisfaction, and making scalable organic growth possible. Firms are aware that driving utilization, enabling integration, and implementing business process workflows are keys to getting the most out of their technology.

However, the study indicates that most RIAs can still significantly improve the benefits they receive from their technology infrastructure and operational processes. RIA firms reported using less than optimal functionality, having less than optimal integration across systems, and experiencing relatively low satisfaction with technology systems and business processes. Possible solutions like outsourcing are not being pursued by all firms.

Why might this be happening? Several reasons stand out, many of them related to people:

1. There are not enough people—or not the right people—to support technological change.
2. There is not enough ongoing training to drive adoption of technology systems.
3. Firms struggle to manage technology changes and the disruption that such changes might engender. Key drivers reported include internal resource constraints or lack of implementation skill.
4. Less than two-thirds of RIAs outsource any aspect of their business today, thereby limiting the functions and roles that employees can perform.
5. Customization based on client complexity is widespread—and limits opportunities to standardize processes.
6. The fear of business disruption prohibits some firms from optimizing technology.
7. Most firms are not very proficient when it comes to measuring the success of their technology and operational initiatives.

There is a group of firms that are investing aggressively in technology and seemingly overcoming some of the above challenges. These firms may serve as an example for their peers, because they are using more system functionality, have more widespread system integration, employ vendor-hosted systems to a greater degree, outsource more of their processes, and are more satisfied with their technology. While many of these firms do not currently meet the definition of being a High-Performing Firm, they may be positioning themselves to achieve outsized financial results in the future by creating technology environments that enhance the client experience and free resources to focus on growth.

## Additional Fidelity Resources:

- Enabling the Next Wave of Growth with Workflows: A Technology and Operations Toolkit
- Harnessing Technology to Drive Your Business: A Technology and Operations Guide
- Time for Technology: Fostering Smarter and Stronger Relationships white paper
- Embracing Mobile Technology: The Next Game Changer for Financial Advisors white paper
- Vendor Due Diligence: Evaluating the Security of Hosted Solutions white paper
- Building an Action Plan to Drive Growth Within Your Practice: A Business Development and Marketing Planning Toolkit

## Appendix

**Figure 38: Business process metrics (median)**

	ALL FIRMS	TOTAL AUM					
		<\$50M	\$50M –\$99M	\$100M –\$249M	\$250M –\$499M	\$500M –\$999M	\$1B+
<b>BILLING</b>							
% quarterly billing	93%	91%	89%	89%	93%	100%	98%
Weeks from period end to mailing of bills—median	2	1	1	1.5	2	2	3
Staff hours spent each billing cycle—median	10	5	8	8	12	25	40
<b>CLIENT REPORTING</b>							
% quarterly reporting	80%	84%	69%	80%	82%	77%	84%
Weeks from period end to report completion—median	2	2	2	2	2	2	2
Per week, staff hours spent on reporting—median	10	9	6	5.5	10	15	27.5
<b>REBALANCING</b>							
% rebalance on regular basis	52%	49%	51%	61%	56%	54%	36%
% rebalance quarterly	22%	21%	27%	23%	16%	26%	23%
Days to rebalance all portfolios—median	3	2	5	3	2	3	3

Source: The 2013 Fidelity RIA Benchmarking Study.

**Figure 39: Key financial ratios (median)**

	ALL FIRMS	TOTAL AUM					
		<\$50M	\$50M –\$99M	\$100M –\$249M	\$250M –\$499M	\$500M –\$999M	\$1B+
Total revenue (in thousands)	\$1,116	\$231	\$524	\$1,092	\$2,164	\$4,660	\$8,515
Total expenses (in thousands)	\$931	\$218	\$426	\$891	\$1,599	\$4,148	\$7,319
Earnings before owners' compensation (EBOC) (in thousands)	\$619	\$138.0	\$301.5	\$623.3	\$1,275	\$2,324	\$3,803
EBOC as a percent of revenue (EBOC margin)	57%	68%	60%	57%	61%	51%	49%
All clients year-end 2012	175	58	110	163	343	437	593
Revenue per client (in thousands)	\$6.2	\$3.8	\$4.5	\$6.6	\$7.3	\$11.6	\$16.3
Expense per client (in thousands)	\$5.0	\$3.3	\$3.7	\$5.0	\$6.3	\$8.4	\$11.7

Source: The 2013 Fidelity RIA Benchmarking Study.

**Figure 40: Key technology system metrics (median values, except where noted)**

		ALL FIRMS	TOTAL AUM					
			<\$50M	\$50M –\$99M	\$100M –\$249M	\$250M –\$499M	\$500M –\$999M	\$1B+
Portfolio Management and Reporting	Spend	\$31,910	\$6,999	\$10,914	\$15,601	\$27,466	\$55,980	\$103,966
	# people using	4.0	2.0	3.0	4.0	7.0	12.0	20.0
	% utilization	75%	75%	65%	75%	75%	80%	85%
	Satisfaction*	7.1	7.3	7.4	7.3	7.0	7.1	6.6
CRM	Spend	\$12,301	\$2,194	\$2,668	\$4,206	\$11,425	\$18,681	\$39,288
	# people using	6.0	2.0	3.0	5.0	9.0	15.0	30.0
	% utilization	50%	50%	50%	50%	60%	50%	58%
	Satisfaction*	6.4	6.7	6.4	6.5	6.4	6.7	6.1
Client Reporting	Spend	\$8,739	\$1,560	\$2,792	\$3,456	\$5,417	\$21,294	\$31,066
	# people using	4.0	1.0	3.0	3.0	5.0	10.0	18.5
	% utilization	80%	75%	75%	80%	80%	80%	85%
	Satisfaction*	7.0	7.1	7.5	7.0	6.8	7.3	6.7
Fee Billing	Spend	\$4,208	\$755	\$1,403	\$1,971	\$5,170	\$7,309	\$14,696
	# people using	2.0	1.0	1.5	2.0	2.0	2.0	3.0
	% utilization	95%	100%	93%	95%	90%	90%	85%
	Satisfaction*	7.3	7.8	7.6	7.4	7.1	7.4	6.3
Document Management	Spend	\$4,298	\$1,182	\$1,974	\$2,253	\$5,632	\$8,413	\$11,311
	# people using	5.0	2.0	3.5	5.0	6.5	20.0	29.0
	% utilization	80%	80%	83%	80%	85%	75%	80%
	Satisfaction*	6.9	7.1	7.3	7.1	7.0	6.6	6.1
Financial Planning	Spend	\$4,709	\$1,692	\$2,497	\$2,749	\$5,225	\$6,526	\$13,918
	# people using	3.0	2.0	2.0	2.0	3.0	4.5	10.0
	% utilization	75%	80%	78%	75%	75%	73%	80%
	Satisfaction*	7.2	7.3	7.5	7.5	7.4	6.4	7.0

\*Figures represent mean values for firms that use each system.

Source: The 2013 Fidelity RIA Benchmarking Study.

**Figure 41: Vendors used for systems**

PORTFOLIO MANAGEMENT AND REPORTING		CRM		FEE BILLING	
	ALL FIRMS		ALL FIRMS		ALL FIRMS
Morningstar Office	20%	Salesforce	18%	Proprietary/Built Internally	18%
Portfolio Center	20%	RedTail	17%	Advent Revenue Center	11%
Advent Axys	13%	Junxure	16%	<b>CLIENT REPORTING</b>	
Advent Black Diamond	12%	Oracle	8%		ALL FIRMS
Advent APX	10%	MS Dynamics	7%	Portfolio Management System	25%
Orion	3%	Outlook	5%	Proprietary/Built Internally	11%
Tamarac	3%	Act4Advisors	4%	Advent Packager	10%

Source: The 2013 Fidelity RIA Benchmarking Study.





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