

Client Reporting Is Key, But Still Lacking Resources

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Client reporting perhaps once was underestimated by asset managers as just another brick in the wall. But firms recently have realized that it absolutely is critical to their success. "Client reports are either the first or second most common reason why people leave a firm," contends Robert Ellis, senior analyst at Boston-based Celent.

"Up to two or three years ago, client reporting was underestimated -- not now. The quality of client reports is the single most important thing," Ellis continues. "If I get a report from one firm, and a friend of mine tells me the report he just got from another firm is better, I will leave the first firm."

So how did the asset managers surveyed by Cutter Associates on client reporting perform?

Overall, firms that generate a higher volume of reports and enjoy a larger geographic footprint and number of accounts performed better than their peers -- although a firm's total assets under management was not a significant factor. More important, however, Cutter found that all firms suffered from a lack of resources that could be dedicated to client reporting.

While participating firms dedicate an average of seven to 10 employees to client reporting, the top-performing firms employ 13 to 18 staff members dedicated to the area. The most varied results in the survey came on the workflow front: for the most part, firms either had a robust and automated workflow environment, or the workflow environment was very unstructured and manually intensive, Cutter says.

Cutter surveyed nine asset managers: AIG Global Investment Group, Bank of America, Fidelity, Loomis Sayles, MetLife, Principal, UBS, Western Asset Management and World Bank. Questions covered organization and workflow, technology and data collection, report generation, and report contents and distribution.

On the technology side, three firms in the Cutter study received a perfect score because they employ a single instance of one platform that meets all of their report-generation requirements. Those platforms, Cutter stresses,

include separation of data sourcing and report generation. Only two firms use an automated solution for report design, customization, data collection, and report approval and distribution.

The Data Challenge

In fact, for most firms that took part in the survey, data collection is a blend of automated and manual feeds. Less than half of the firms responded that they have automated processes across all products and asset types. And only a quarter of the firms said they have consistent and controlled storage of commentary with alert capabilities. Overall, few firms said their systems support alerts for failed processes or missed deadlines at all, either by E-mail or in another form.

Cutter associate Jackie Alvarez points out that data movement and aggregation are an ongoing challenge for firms. "There wasn't a single member who could solve the problem efficiently," she says. About half of the study's participants classified their firms' data quality as "understandable and reliable." Surprisingly, only one-third said their data represented a "clean, straight-forward single version of the truth."

"Technology and reporting is only as good as the underlying data," says Alvarez. "A lot of firms are looking for tools that simply format nicely, or a tool that allows clients to go to different systems and pull data together in a fluid, intuitive way. That's the area where clients are having the biggest difficulty. And it will continue to get more challenging, partly due to the growth of alternative investments."

Meanwhile, nearly half the firms reported that they use an enterprise solution that is a combination of a proprietary solution and a vendor-supplied solution for client reporting. Most said they use Business Objects' (San Jose, Calif./Paris) Crystal in combination with proprietary solutions and FMC Pages (now known as SS&C Pages following FMC's acquisition by Windsor, Conn.-based SS&C Solutions) for commentary and custom external reporting. They also continue to use Microsoft Excel for internal customization. Significantly, however, about 80 percent of the firms that participated in the survey said their platforms do not meet all of their periodic and ad hoc reporting needs.

Still, overall, two thirds of firms responded that they were either "satisfied" or "very satisfied" with their current technology platform, while the remaining third indicated that they were "very unsatisfied." Over half of the respondent

firms said they had no plans to change their systems or tools, while almost 40 percent indicated that some change was planned within the next year or two.

Lack of IT/Business Collaboration

But technology is only half the equation. Generating client reports also must incorporate business requirements. So how do the IT and business sides collaborate in client reporting? According to the Cutter study, not often.

No firm in the study received a perfect score for IT/business collaboration, as there generally was no collaboration on the modification of report templates and data feeds across business functions. Firms indicated that the modification of data feeds falls under the purview of either IT or operations, and only one-quarter of participants said both areas collaborate on report generation. Most reporting teams interact with data management teams, but are not administratively aligned with them, Cutter found out.

However, the personalization of reports is a top priority, and six firms received a "best in class" rating for their report content, which was judged customizable and flexible with commentary. Distribution, on the other hand, remains a problem -- only two firms received a "best in class" designation; most institutions report distribution still occurs overwhelmingly via hard copy or E-mail.

Self-service capabilities, however, are improving. Cutter found that an increasing number of firms are providing more and more self-service capabilities to clients, who often can access their reports through browser-based solutions and track their investments in a more timely fashion. Firms also are increasingly providing clients with graphics through dashboards and in reports, while also offering ad-hoc reporting, Cutter notes.

Despite the increased focus on browser-based, self-service solutions, however, Cutter says firms still offer monthly, quarterly and annual reports to clients primarily through preformatted hard copy. Monthly reports largely are the norm, and clients have limited intraday access to reports. According to Cutter, none of the firms polled give their clients access to real-time data, and most do not give their clients the tools to develop their own reports.

Meanwhile, Cutter found that standard client reporting packages typically do not include attribution, but do include transactions, market positions and performance.

Further -- despite today's increased focus on globalization, and the fact that all the firms that participated in the survey have clients around the globe -- almost three quarters of the respondents confirmed that they only offer reports in a single language.

Nevertheless, Alvarez suggests firms are ready to adapt to clients' changing needs as the financial services universe gets smaller. "They have started adopting a more holistic approach to client reporting, bringing in data from external relationships and aggregating the information to all accounts," she asserts.

"They understand the problems, where they need to go," Alvarez continues. "Technology has got a lot better in the last few years. They don't think they need to build things in Excel spreadsheets anymore. But it's just a question of how much of their budgets they can allocate in light of the volatility of the markets."

Armed and Ready

According to asset managers such as AIG, which has more than \$712 billion in assets under management, that is precisely where a benchmark report such as Cutter's can be instrumental in securing a larger budget for their IT departments. "We use benchmarking as part of our ammunition when we speak to management," relates AIG CIO Steve Weinreb. "When we look at IT and operations spend, we use it in big way. It's not a driver for budgeting, but it lends support when we need it."

One of the areas on which AIG has been focusing lately is the creation of a universal client ID, says Weinreb. "We've been actively working on the integration efforts to help track client information across all business units, asset types and the systems we use," he says. "This is directly related to data."

Weinreb credits benchmarking such as Cutter's with helping AIG advance its efforts. "One thing Cutter does is to pull an organization's departments together," Weinreb adds. "We all have a common goal -- to be best in class -- and Cutter provides the ability to see where we are compared to our peers."