

Investment Managers Face Rising Standards for Service Quality

2014 Greenwich Leaders: U.S. Institutional Investment Management Service

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Investment management firms are expanding their client service functions as a means of deepening relationships. This broad commitment to client service is reflected in the list of 2014 Greenwich Quality Leaders in U.S. Institutional Investment Management Service.

Client Service Standards Raised

Although investment performance remains by far the most important driver of business and assets, client service is taking on an increasingly important role as managers attempt to strengthen their competitive positions by meeting institutions' new demand for advice and assistance in running their portfolios. The result: Overall client service standards are climbing, putting even further pressure on asset management firms to upgrade their own capabilities.

The increased emphasis on client service is being driven by an emerging willingness among institutions to introduce new products and strategies that can help them meet their investment target goals both within their portfolios and for their organizations more broadly.

Satisfying these new client demands with high-quality client service can have clear and significant benefits to managers. "Our research demonstrates that strong client ratings for service quality are linked to higher rates of asset retention during times of underperformance and to increased rates of cross-selling," explains Greenwich Associates consultant Andrew McCollum.

New Focus on Service Quality

The new focus on service quality is raising standards across the industry. Every year, Greenwich Associates asks institutional investors participating in its U.S. Institutional Investors Study to rate the asset managers they employ in a series of investment and service categories, and then uses the results to compile Greenwich Quality Index (GQI) scores for each manager. Firms with GQI scores that top those of competitors by a statistically significant margin are named Greenwich Quality Leaders. "Over the past several years, GQI scores have been on the rise industry-wide," says Greenwich Associates consultant Davis Walmsley.

Firms of all sizes are increasing both the number and the quality of their client service teams. Large asset management organizations are upgrading their client service by taking on solutions-based approaches designed to build

"trusted advisor" relationships with clients. Often, these approaches are supplemented with robust thought leadership programs—a technique that is being embraced by many smaller asset management firms as well.

Many larger firms are installing a new layer of relationship managers tasked with providing support to large clients at a very high level. Firms large and small are hiring client service professionals with significant experience, many with CFAs. "There has been an important shift away from transactional product sales to a more consultative process based on client needs," says Andrew McCollum. "Achieving that consultative role requires client service professionals capable of having in-depth conversations with institutions spanning a wide range of topics and developing a real understanding of the client's needs."

Greenwich Associates research confirms that the key drivers of client service quality ratings are not formal investment review meetings or materials, but rather the manager's general understanding of the client's goals and objectives and the capability of the firm's relationship managers.

Greenwich Quality Leaders

The following table presents the complete list of 2014 Greenwich Quality Leaders in U.S. Institutional Investment Management Service.

Greenwich Quality Leaders — 2014



Overall U.S. Institutional Investment Management Service Quality

Investment Manager

Adage Capital Management
Baillie Gifford
Colchester Global Investors
NISA Investment Advisors
Silchester International Investors

Note: Based on interviews with 1,277 institutional investors. Quality leaders are listed in alphabetical order.

Source: Greenwich Associates 2014 U.S. Institutional Investors Study

Greenwich Associates consultants Andrew McCollum and Davis Walmsley advise on the investment management market in the United States.

Methodology

Between July and October 2014, Greenwich Associates conducted 1,277 interviews with senior professionals at corporate and union funds, public funds, endowments and foundations, insurance general accounts, and healthcare organizations with either pension or investment pool assets greater than \$250 million. Study participants were asked to provide quantitative and qualitative evaluations of their investment managers, qualitative assessments of those managers soliciting their business, and detailed information on important market trends.

The findings reported in this document reflect solely the views reported to Greenwich Associates by the research participants. They do not represent opinions or endorsements by Greenwich Associates or its staff. Interviewees may be asked about their use of and demand for financial products and services and about investment practices in relevant financial markets. Greenwich Associates compiles the data received, conducts statistical analysis and reviews for presentation purposes in order to produce the final results.

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