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RESEARCH

Luxury consumers prefer boutique wealth-management firms: report

July 24, 2014

Mark Panarese and Loraine Tsavaris of Rockefeller Wealth Management

By JOE MCCARTHY

Ultra-affluent consumers appreciate the relationship-building culture fostered at boutique wealth management firms, according to a new report by the Luxury Institute.

The New York-based Rockefeller Wealth Management firm received the highest score in the report, followed by Atlanta-based Atlantic Trust Private Wealth Management and Convergent Wealth Advisors. As wealth management firms continue to repair their reputations following the financial crisis, prioritizing relationships over transactions will be important.

"It's much more difficult for the larger firms to create a unified culture where people live those values and standards daily," said Milton Pedraza, CEO of The Luxury Institute, New York. "In a smaller environment you can nurture your wealth advisers and they can in turn nurture your clients.

"When you scale a culture, you don't necessarily scale with consistency," he said.

"We see that over and over, especially in financial services, even though most wealth managers can't out-compete the market. Frankly, [large firms] are a little too oriented on fees and making profits, rather than building relationships. Building relationships doesn't always give you instant gratification."

For the "Luxury Brand Status Index Wealth Management" report, The Luxury Institute's interviewed a national sample of 506 consumers with an average net worth of $15 million and annual average income of $800,000 to share detailed opinions of 39 leading firms in the wealth management business.

Investing in relationships

The Luxury Institute asked respondents to rate each firm's "product quality, exclusivity, social status and ability to deliver special client experiences."

Of course, respondents differ in their familiarity with each firm. Some respondents inevitably know some firms and do not know others, but the scoring system aims to root out inconsistencies.

Firms received an LBSI score of 1-10 based on responses to the criteria.

Wells Fargo Facebook background

After synthesizing the results, the institute found that boutique firms tends to be regarded more favorably than larger firms.

Mr. Pedraza postulates that this is because small firms are better able to cultivate relationships with clients. Even if an adviser at Merrill Lynch, for instance, was exceptional at building and maintaining relationships, she still has the reputation of the firm, that may have been compromised over the years, shadowing her performance.

Conversely, a smaller firm is better able to monitor the conduct of its employees and ensure that the overall experience is unified.

Rockefeller Wealth Management received a score of 7.94, Atlantic Trust Private Wealth Management a 7.93 and Convergent Wealth Advisors a 7.92.

Although wealth management firms rarely outperform the market, they are still highly sought after by affluent consumers who need expert advise. Oftentimes, consumers want to be able to capitalize on market movements quickly, and wealth management firms are capable of guiding them in a lucrative direction.

"In terms of asset allocation and dealing with immediate personal needs, wealth managers have an immense role to play as trusted advisers," Mr. Pedraza said.

Other firms contained in the survey include Ameriprise Financial, Bank of America, Barclays Wealth Management, BB&T Wealth Management, Bernstein Global Wealth Management, BMO Harris Private Banking, BNY Mellon Wealth Management, Boston Private Bank and Trust, Brown Brothers Harriman, Charles Schwab, Citi Private Bank, Credit Suisse Private Banking, Deutsche Asset & Wealth Management, Deutsche Bank Alex. Brown, Fidelity Investments, Fifth Third Private Bank, Goldman Sachs, HSBC Private Bank, J.P. Morgan Private Bank, J.P. Morgan Private Wealth Management, Merrill Lynch, Merrill Lynch Private Banking & Investment Group, Morgan Stanley Smith Barney Wealth Management, National City Private Client Group, Neuberger Berman, Northern Trust, PNC Wealth Management, SunTrust Private Wealth Management, U.S. Bank Private Client Group, U.S. Trust, UBS Private Wealth Management, Vanguard Personal Investors, Wells Fargo Private Bank and Wilmington Trust Wealth Advisory Services.

More than consumers
The importance of relationship-building has been established by other researchers as well.

For instance, 84 percent of luxury marketers host events to reach ultra-high-net-worth individuals, according to the latest report from Wealth-X.

For the 62 percent that calculate ROI from their events, the most successful parties were product-centric, either launches, displays or educational. Even though events typically revolve around merchandise, the focus is usually more about making a connection (see story).

When relationships turn sour, they can quickly impact a brand.

The United States' wealthiest consumers primarily spend their shopping dollars in-store, but only a quarter of these consumers enjoy the experience of in-person shopping, according to a new survey by Time Inc. and YouGov.

"The Q2 Survey of Affluence and Wealth," published by Time Inc. and YouGov, seeks to answer the question about United States consumers' shopping experiences and whether they face enjoyment or disappointment when shopping. The results of the study will likely inform brands of how to positively change in-store and online experiences to appeal more highly to affluent consumers (see story).

"Good behavior and bad behavior in today's world spreads quickly," Mr. Pedraza said. "All you have today is reputation."

Final Take
Joe McCarthy, staff writer on Luxury Daily, New York

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