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## **Squeeze Technology, Not Clients To Raise Profits - Market Street Advisors**

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Do you know how much it costs your company to maintain accounting information for each of your clients?

If the answer is no, you are not alone. The majority of family offices and private wealth managers have not put pen to paper to work out the numbers. If the answer is yes, the follow-on question becomes: who did the calculation? If it was done in-house, chances are good that the number is wrong. The upshot is very few firms really know.

Coming up with the right number may sound like an esoteric exercise, but it is key to understanding cost basis where technology is concerned. Everyone in wealth management knows that technology always comes up as a top three burning issue at industry conferences, forums and in studies. However, in the next breath, everyone admits that paying for it is the place where the need is forgotten in the light of the cost.

It's a circular problem. But correctly harnessing the right technology can make an incredible difference to the firm's bottom line, says Bevin Crodian of Market Street Advisors.

"There is a huge disconnect between what it truly costs to run accounts and what the firm believes the cost is," Crodian told this publication recently. "The right technology can deliver both lower costs and increased functionality at the same time – this is where a wealth manager can really make money without raising prices or negatively impacting clients."

Market Street Advisors, started ten years ago and presently headquartered in Edison, NJ, addresses the multiple system issue by creating a "core" system covering the middle and back office functions. The firm works across the financial services sector, with clients in the areas of retail/wrap platforms, institutional and private wealth management.

“We focus on middle and back office only,” said Crodian. “We are different from other technology providers in this space as we own our own technology and we provide system hosting so we function as an ASP (application service provider, also known as software as a service or SAAS). We are web-based, so our clients don’t have to worry about what’s happening with the software. Also, everyone at senior level on our team has experience in SMA (separately managed accounts).”

### **Separate list**

Private wealth management, he says, has a separate set of issues from other types of clients.

“With retail, it’s scale, with institutional, it’s complexity and with private wealth, it’s customization,” Crodian said. “Also, some private wealth managers are seeking to add product and we can offer them support as they go into new business channels – they won’t have to change systems to accommodate their expansion.

Crodian says companies of all sizes could realistically save a stunning 30 to 50 per cent on their technology systems by examining the current structure and streamlining.

“There’s one company we know of that’s running three accounting engines and order management systems for their different business channels plus a data warehouse to keep all the data in one central place. The lack of functionality and the runaway costs are keeping them – and other companies like them – from really moving forward,” he said.

The first step to realizing technology savings, he says, is to examine business processes and separate the perceived process from the real process. One MSA client believed it took 15 minutes to open a new account. MSA found that because so many other people had to touch the file to get the account open, it in fact took a whole day to open an account, rendering the cost considerably higher than fifteen minutes of one person’s time.

There are also “soft” costs that are not so easy to spot.

“You can miss all kinds of opportunities if you don’t have good control of your data,” Crodian said. “Investments, client marketing, expansion of the business all suffer when it takes too long to get information or you can’t accommodate something new. And then there is the problem of regulation – if you can’t demonstrate to a regulator that you have control of your data, you are in real trouble.”

Compliance with regulation and data transparency are the hot issues of 2010, according to Crodian, and private wealth managers who can’t keep up with demands in these areas will only see their technology cost spiral further and further upwards.

“Private wealth managers have a few choices as to how to run their technology,” said Crodian. “They can build it internally and try to run it, but that gets out of hand and they need more and

more help from the outside as the system gets outdated. For many companies, getting an end-to-end solution from an outside provider is the way to go because it lets them concentrate on what they are supposed to be doing, which is managing their clients' wealth.”

To view an associated White Paper on the subject raised in this article by the firm, click [here](#).