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## Morgan-Smith Barney Brand Tops Merrill: Study

By Tom Stabile February 1, 2010

**Morgan Stanley Smith Barney** edges its wirehouse rivals in a custom ranking of top characteristics measuring brand health, with **Bank of America's Merrill Lynch** in the next spot and **UBS Wealth Management Americas** and **Wells Fargo Advisors** trailing. That's according to the "2010 Investor Brandscape" report from **Cogent Research**.

The survey polled 4,000 investors with more than \$100,000 to invest last fall, including 760 with \$500,000 to \$1 million and 680 with more than \$1 million. Its primary ranking, the "Core Score," measures four main categories: customer loyalty, or the intent to recommend a firm; "ownership," measuring wallet share and spread of accounts; "revenue," which combines a look at wallet share with client wealth; and brand "equity," which gauges brand awareness and favorability impressions.

The 182-page report – summary available [here](#) (PDF) – tracks an array of product and advisor-focused topics, including tallies on investor use of separately managed accounts (SMAs), which appears to be down from prior surveys, as well as data on whether clients would follow their advisors to a new firm, broken out by their current brokerage.

SMA use is continuing its downward drift in the Cogent data, which found 13% of all investors using the products in its 2006 data, then 9% in 2008, and now settles at 8% in 2009 results. And that pattern also shows up among the survey's high-net-worth investors, with the \$1 million-and-up set's ownership of SMAs dropping from 14% in 2006 to 10% last year, says **Antonio Ferreira**, managing director at Cogent.

Even respondents with more than \$2 million in investable assets reported less SMA usage, down from 16% who owned them in 2006 to 11% in 2009, Ferreira says. SMAs tend to appeal to wealthier clients because they have high investment minimums.

At the same time, hedge fund use rose from 2% of investors in 2006 to 4% last year, the report finds.

The slippage for SMAs probably reflects the impact of the down markets of 2008 and early 2009, Ferreira says. But the trend also coincides with higher usage of exchange-traded funds (ETFs), which may signal that some advisors might be turning to these lower-cost investments as an alternative, he adds. That's a phenomenon the mutual fund industry is grappling with as well.

"In the custom work that we do, we're hearing more about that shift to ETFs," Ferreira says. "ETFs are changing how people think about investments, and that can change the revenue assumptions for these firms."

For investors who say they own SMAs, one steadying factor is that they generally have kept about a quarter to a third of their assets in these products across the past three studies, Ferreira says.

The report's broader ranking by "core scores" takes in various mass market financial services companies, including the two top finishers in **Charles Schwab** and **Fidelity Investments**. But the wirehouses scored well in that overall mix, with all four of the biggest brokerages in the top 10 among the 20 firms ranked.

Morgan Stanley Smith Barney ranked third overall, followed by Merrill at fifth, UBS at seventh and Wells in the number nine spot.

The wirehouses distinguished themselves somewhat among the 20 ranked companies by having higher mean levels of investable assets from clients who counted a firm as their "primary relationship." Both UBS and Morgan Stanley Smith Barney had mean client investable assets of \$1.1 million, while Merrill logged a \$969,000 mean. Wells was far lower at a \$740,000 mean, and that put it down in the pack among non-wirehouse firms. The only other firm cracking \$950,000 in the mean assets count was Schwab with \$1 million.

Ferreira says each wirehouse displayed strengths and weaknesses in total core score. At all four, customer loyalty was an Achilles' heel, particularly at Wells. Ferreira attributes the poor showing for Wells mainly to how some of its clients found themselves served by three firms in three years thanks to acquisitions – first **A.G. Edwards**, then **Wachovia**, and finally Wells.

Meanwhile, UBS scored low on the "brand equity" marker, which Ferreira says is most likely because of the battering the company has taken in the media from the market turmoil and its protracted battle with the U.S. government over alleged tax evasion practices involving wealthy clients. "The offshore issues have really hurt the image," he adds.

Overall, the report says the wirehouses had a better year than expected, at least in not losing significant ground from the previous year despite various firms digesting large-scale mergers. But the report also logged good showings for regional and independent brokerages, particularly **Edward Jones** and **Raymond James Financial**, both of which finished in the top six among all firms on the core ranking.

The report also tracked the number of respondents who said they would leave their previous firm and follow their primary advisor to a new home. The percentage of those willing to leave was higher for wealthier investors than those with less money, with 45% of the \$1 million-and-up set saying they would follow their advisors out the door.

There was dispersion among the wirehouses on this count, with only 43% of Merrill clients saying they would leave if their advisor exited. That figure was 50% for investors who would follow their advisor out of Morgan Stanley Smith Barney, 57% for those who would exit UBS with their advisors, and 61% who would walk away from Wells.

Other findings include:

- Asked for why they terminated a relationship with a firm, 18% of investors with \$500,000 to \$1 million said they left because fees were too high, 16% left in order to consolidate accounts, and another 16% cited an advisor leaving. For those with more than \$1 million, 21% cited a desire to consolidate and 13% said it was because an advisor left.
- Investors with more than \$2 million are much more likely to own ETFs – 25% of them compared to 8% among emerging affluent investors.

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