



New Study Ranks Financial Advisor Loyalty to Financial Services Firms

Cogent's benchmark advisor survey, The Advisor Product Forecast™, ranks loyalty metrics into 2009 based on advisor data

CAMBRIDGE, MASS., (February 19, 2008) – Fewer than one third of all financial services firms providing products across five investment categories enjoy positive loyalty ratings among advisors who sell their products. A new comprehensive study examining advisors' product use and loyalty across multiple sales channels, conducted by Cambridge, Mass.-based Cogent Research, signals major challenges for many product manufacturers, especially as advisors migrate toward new products that support more complex investment strategies. The study, *The Advisor Product Forecast™*, measures advisor loyalty to specific firms across several product categories: open-end mutual funds, variable annuities, SMAs, ETFs and closed-end funds.

The Cogent Research study loyalty measures were derived based on Net Promoter® Score (NPS), a management tool used to gauge the strength of a firm's customer relationships.

Key insights from the five product categories measured include:

- ETFs are the only category where providers have consistently high positive loyalty scores (+14 percent on average), meaning promoters outstrip detractors by a significant margin.
- By contrast, open-end mutual fund companies—long the dominant providers of advisor-sold investment products — clearly have a loyalty problem. Only one in four companies measured have more promoters than detractors among advisors currently selling their products. The overall average loyalty score for the category was -5 percent.
- Variable annuity and closed-end fund providers receive the lowest average loyalty scores (at -14 percent and -16 percent, respectively). In fact, among 17 VA providers measured, only three manage to garner loyalty scores in positive territory.
- As a category, SMA providers fare somewhat better than VAs and closed-end funds, with promoters outpacing detractors by +4 percent on average.

“Companies can no longer afford to think of loyalty as a ‘soft’ metric,” said Bruce Harrington, managing director of syndicated research for Cogent Research. “Our study projects through 2009 flat or negative growth for mutual fund and variable annuity sales, trends that are clearly reflected in these current loyalty scores.”

The Cogent Research study concludes that mutual fund firms and VA providers need to commit to rebuilding loyalty among advisors across a wide variety of touch points, including client outreach, product and service innovation, and other value-added services to support advisors’ changing business models.

“This is a major wake-up call,” says Tony Ferreira, managing director of Cogent’s custom research solutions practice. “Mutual fund companies and VA providers need to adapt more quickly to changing advisor-sold market dynamics, or risk slipping even further in the minds of producers.”

Additional loyalty-related findings from *The Advisor Product Forecast*[™] include:

- A 122 point loyalty gap exists between #1 ranked American Funds and last place Putnam.
- Only eight mutual fund providers, including American Funds, Russell, and Franklin Templeton have more promoters than detractors among advisors selling their products.
- Despite poor loyalty ratings among nearly all VA providers, Ameriprise achieves an NPS rating that rivals top-tier providers across all product categories.
- NFJ Investments (Allianz, Inc.) earns the top advisor loyalty spot among SMA providers, ahead of Goldman Sachs Asset Management and Davis Selected Advisors, which are tied for second.
- While iShares ranks number one in advisor loyalty among ETF providers, Wisdom Tree shows surprising strength in advisor loyalty as well.

Advisor Loyalty Rankings: Mutual Fund Providers

Positive NPS

1. American Funds
2. Russell
3. Franklin Templeton
4. Dodge & Cox Funds
5. The Hartford
6. Davis Funds
7. Oppenheimer Funds
8. Natixis Funds

Negative NPS

9. Fidelity Advisor Funds
10. JPMorgan Funds

► *Industry Average: -5%*

11. John Hancock Funds
12. RiverSource
13. Janus
14. PIMCO Funds
15. Van Kampen
16. Eaton Vance
17. AllianceBernstein
18. BlackRock
19. Calamos
20. Lord Abbett
21. Legg Mason Funds
22. American Century

23. Evergreen Investments
24. MFS Investment Management
25. DWS Scudder
26. Federated Investors
27. Morgan Stanley Funds
28. AIM Investments
29. Dreyfus
30. Pioneer Investments
31. Putnam Investments

Advisor Loyalty Rankings: Variable Annuity Providers

Positive NPS

1. Ameriprise Financial
2. Lincoln National
3. John Hancock

Negative NPS

4. Jackson National
5. The Hartford

6. Genworth Financial
7. ING
8. Pacific Life
9. Prudential/American Skandia/Allstate

► *Industry Average: -14%*

10. Equitable

11. MetLife
12. Nationwide
13. AXA Financial/MONY
14. AIG/SunAmerica
15. Sun Life
16. Aegon/ Transamerica
17. Allianz

About Cogent Research

Cogent Research helps clients gain clarity, obtain perspective, and formulate direction on critical business issues. Founded in 1996, Cogent provides custom research, syndicated research products, and evidence-based consulting to leading organizations in the financial services and life sciences industries. Through quality research, advanced analytics, and deep industry knowledge, Cogent Research delivers data-driven solutions and strategies that enable clients to better understand customers, define products, and shape market opportunities in order to increase revenues and grow the value of their products and brands.

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