



## **DRAMATIC SHIFTS IN INVESTOR LOYALTY TO LEADING DISTRIBUTORS**

*New study from Cogent Research identifies investment distributor winners and losers in the battle for investors' loyalty*

**CAMBRIDGE, MASS., (November 20, 2008)** – Amid market uncertainty and tough times for investment services companies, some unlikely suspects have managed to increase loyalty among affluent investors, while some of Wall Street's biggest players have experienced precipitous drops in the proportion of their affluent clients who remain loyal. According to a national study of 4,000 affluent Americans to be released next month by Cogent Research, nearly half of the top 23 distributors have made gains in loyalty among their affluent clients over the past two years, while the remaining firms have experienced anywhere from minor to substantial erosion.

Investor Brandscape™ 2009, which reports on a comprehensive survey conducted in mid-October of this year, compares the customer loyalty scores distributors earn today to those they received two years ago (October 2006). Cogent used Net Promoter® Score (NPS) as a basis for the ranking, a widely accepted proxy for customer loyalty.<sup>1</sup> The study uncovers that while the *average* loyalty score across all distributors has remained consistent, individual firm scores – and hence, the rank order of firms – has changed dramatically.

The overall *average* NPS for the top 23 distributors is 40; not that far off from the average figure in 2006 (36). Across the spectrum of distributors, there is an 88-point spread, from USAA which receives the highest positive score of 86 to Bank of America Securities which receives the only negative score at -2. “Holding on to your clients, while always important, becomes mission critical in a declining market where the chances of attracting new clients to replace those dollars is becoming increasingly difficult” said Antonio Ferreira, Managing Director of Cogent's Wealth Management Group.

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<sup>1</sup> Reichheld, Fred. The Ultimate Question, Driving Good Profits and True Growth, Boston, MA: Harvard Business School Press, 2006.

The top performers across the 23 firms in terms of loyalty – firms Cogent designates as “Stars” – are USAA (which maintains the #1 spot in customer loyalty) and Scottrade. Scottrade made outstanding gains in its ranking (now #2, up from #17), replacing Vanguard and pushing them down into the “Leaders” category. Among the 10 firms ranked as “Leaders,” three firms have made substantial gains over the past two years. Specifically, TIAA-CREF, ING, and Raymond James made double-digit gains in investor loyalty, upping their rankings from #6, #20, and #21 (respectively) to #4, #6, and #12.

Firms that have suffered the greatest losses in loyalty include Bank of America Securities, Merrill Lynch, and Wachovia. These firms all find themselves in the “Drifters” category this year, having experienced double-digit declines in loyalty. Although sustaining smaller losses than some of their counterparts, three firms dubbed “Players” have also taken hits in loyalty, including Ameriprise, UBS, and JPMorgan Chase.

Looking across channels, there are some well-defined trends. Online broker/dealers, particularly the discount providers, including Scottrade, ING, and TD Ameritrade have all made gains in client loyalty. Firms in the bank channel are all suffering sizeable losses in loyalty – with the exception of Wells Fargo – which is not only the top performing bank when it comes to client loyalty, it managed to increase its score and improve its ranking to #10. Morgan Stanley, one of the few pure wirehouses left standing, has improved its NPS and is looking very strong in the #13 spot. Edward Jones is still the top ranked regional/independent firm (ranked #5 across all firms), however the major strides made by Raymond James have closed the gap between the two firms substantially.

“While performance continues to be the primary driver of loyalty – and certainly can’t be dismissed – this year, we see that the big differentiator lies in investor perceptions of a firm’s financial stability” says Christy White, Founder and Principal of Cogent Research.

Ranking of Distributor Customer Loyalty

2009 Rank	2007 Rank	Firm	
1	1	USAA	} STARS
2	17	Scottrade	
3	2	Vanguard	
4	6	TIAA-CREF	
5	4	Edward Jones	} LEADERS
6	20	ING	
7	7	Charles Schwab	
8	5	Fidelity	
9	12	TD Ameritrade	
10	15	Wells Fargo	
11	–	LPL	
12	21	Raymond James	} PLAYERS
13	22	Morgan Stanley	
14	–	AXA	
15	10	T. Rowe Price	
16	9	UBS	
17	16	Citi Smith Barney	
18	8	JP Morgan Chase	
19	19	E*Trade	} DRIFTERS
20	11	Ameriprise	
21	14	Wachovia/A.G. Edwards	
22	13	Merrill Lynch	
23	18	Bank of America Securities	

Source: Cogent Research, Investor Brandscape™ 2009

**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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