

2009: A good year for Mega Firms

The distributor landscape was changed forever in late 2008 and early 2009 with the acquisition and merger activity of industry heavyweights including Merrill/Banc of America, Wells Fargo/Wachovia Securities, and Morgan Stanley/Smith Barney. Indeed, for industry followers, the mergers of traditional banks with Wall Street brokerage and wealth management firms are likely to cause the extinction of the "wirehouse" channel. While, the past 16 months has resulted in lots of shareholder meetings, lawsuits, and never ending correspondence to affected customers, the mega firms have performed well in our CoRe Score metrics, reflecting that clients and prospects alike see brighter days ahead for these key industry players.



Banc Of America/Merrill Lynch

Of the three major mergers, the new Banc of America has seen the most improvement. The firm moved up to Player status from the Drifter category in 2008. Banc of America's rise is primarily due to an increase in its ownership score where the bank advanced from 20th to 12th in rank, overall. However the firm must shore up revenue potential by continuing to seek clients with higher investable assets or refer large retail depositors and banking business clients to Merrill Lynch advisors. Meanwhile, Merrill Lynch has retained its "Star" status, and has seen increases in customer loyalty from 2008, perhaps reflecting strong retention activities from Merrill Lynch financial advisors.

Morgan Stanley/Smith Barney

As Cogent Research proclaimed "last man standing" in the wirehouse channel in late 2008, Morgan Stanley was not only able to keep its strong overall CoRe Score™ "Star" rating, it also appears the firm is focused on creating synergies with former Smith Barney advisors and divisions. Recently, the firm announced that it will have an even stronger focus on the ultra high net worth (\$20M+) investor with the integration of the former Morgan Stanley Private Wealth Management division with Citi's former Family Office entity. Thus, the new Morgan Stanley Smith Barney has wasted no time in seeking complementary skill-sets in its quest to gain share from rivals. Further and seamless integrations like this will be important as the firm works to improve customer loyalty scores, where it ranks in the third quartile overall, and behind firms like Edward Jones that constantly promotes its own strong customer satisfaction scores.

Wells Fargo Advisors/Wachovia Securities

Based on this year's CoRe Score™, the newly combined Wells Fargo Advisors has gained ground relative to the stand alone scores for Wells Fargo in 2008. While Wachovia ranked as a Leader in 2008, Wells Fargo was in the Player category. This year the new entity is in the Leader category due to large gains in brand equity and ownership. However, the firm needs to focus on increasing customer loyalty where it ranks in the Drifter category and 17th overall. This is a dramatic decrease from the number 10 ranking held by Wells Fargo independently in 2008, but slightly better than the 21 rank achieved by Wachovia during the same time period.