

# Excellent Client Experience shown to compensate for weak financial performance, but what are the crucial elements of CX?

Two weeks ago, INSTICUBE reported on the findings of a study conducted in partnership with a leading international consulting firm.

The research team examined data<sup>1</sup> collected from Institutional Investors who use the INSTICUBE platform to report on their perceptions of the service and value they receive from asset managers they employ.

The data highlighted that, contrary to popular belief, financial performance is not the sole driver for investor satisfaction.

In fact, when it comes to client satisfaction, good Customer Experience (CX) – a term which encompasses multiple areas of service, can actually compensate for performance challenges.

*But what are the decisive factors of CX?*

To get to grips with this question the research team applied regression analytics to INSTICUBE's data to establish which elements influence CX the most.

Out of the eight value chain categories measured by INSTICUBE, it was clear that four categories are more likely to influence customer experience and act as a differentiator. Whilst four appeared to be hygiene factors, i.e. areas where an Asset Manager should provide services to an expected market standard, but beyond that, their clients do not appear to value excessive investment.

These 'hygiene factor' categories are Reporting, In-House Research, Valuations & Benchmarking<sup>2</sup>, and Risk Management.

The four categories that show room for perceived differentiation - or - where potential investment would be wisely spent are Operations, ESG, Value Delivered - and with by far the highest potential impact on client satisfaction– Relationship Management.

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<sup>1</sup> Altogether, INSTICUBE has over 2.5mn data points about the value and service provided by over 550 asset managers from 700+ of the largest 2,000 European Institutional Investors over the past 7 years. They collate this data to provide benchmarks, ratings and risk monitoring reports for Asset Owners, and client generated insights for Asset Managers. INSTICUBE also regularly analyses the collective data they hold to produce reports on asset allocation trends and leading indicators for Institutional Markets.

<sup>2</sup> The Valuations & Benchmarking category contains questions covering the integrity of valuations and the quality of data sources used for performance benchmarking.



It's clear that the times when relationship management consisted simply of wining and dining are no more – as organisations focus increasingly on good governance and regulatory compliance tightens.

The data shows that what investors are looking for now is the capability of the relationship manager to understand their needs and to have sufficient technical know-how. In short, to embody what is commonly referred to as the 'trusted advisor'.

The other differentiating factors highlighted are also related to the integrity of the working relationship, such as the ability of an Asset Manager to adhere to its stated investment process and to meet the investor's needs when it comes to smooth operational workflow.

Perhaps unsurprisingly, ESG is also noted as an area where asset managers can distinguish themselves, with engagement capabilities and adequate reporting of high importance to institutional investors.

**To conclude, it appears it would be prescient for Asset Management Firms to reassess the potential value created by investing in Client Experience, and especially in relationship management, to ensure they are fully meeting their client's needs and building long-lasting working relationships.**

To learn more about the client satisfaction research INSTICUBE conducts contact: Carsten G. Eckert, Managing Director of INSTICUBE GmbH at [info@INSTICUBE.com](mailto:info@INSTICUBE.com)