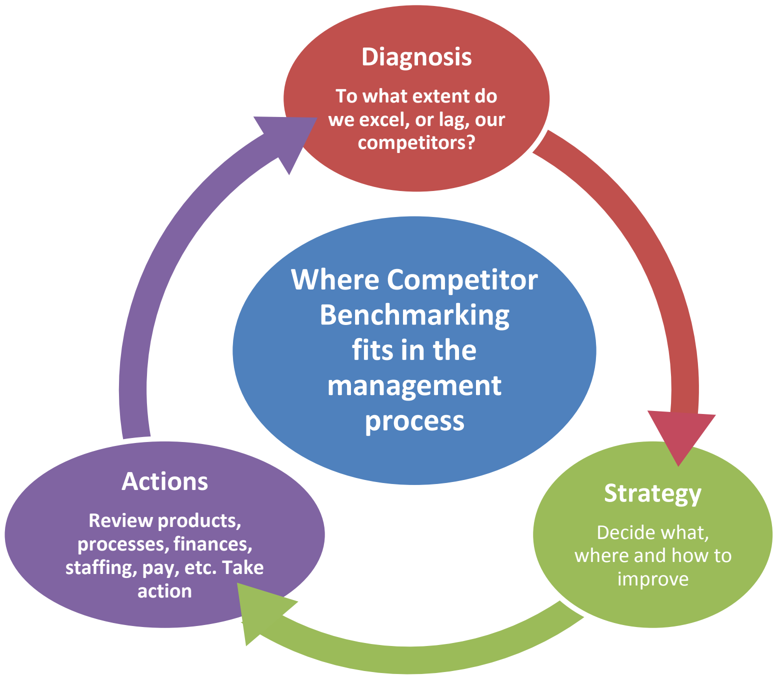
Our Benchmarking Methodology

Compeer's core methodology is known as **Competitor Benchmarking**, sometimes termed **Results Benchmarking**. The process is defined as ***using external comparisons to improve business performance***. Given that the key aim is to identify fundamental strengths and shortcomings against peers, it is both outward looking and diagnostic in character. Its management context is illustrated in the chart. Three important facets underlie Compeer's approach, which is based on many years' experience in the wealth management sector. These are: holistic approach, peer grouping and long term trend analysis.

Holistic and Comprehensive Approach

We have encountered benchmarkers who restrict their focus to a single category of metrics, for example, cost comparisons or investment performance and nothing else. We at Compeer take the opposite view - If it can be measured, then benchmark it. Our benchmarks cover relative cost performance, revenue quality and income stream analysis, profits, staff productivity, trade volume levels, assets under management and administration, product profile, salary/bonus levels, client satisfaction, operational quality and market share. Our multi-faceted coverage enables us to establish correlations that suggest the **reasons** for particular business outcomes, in a non-simplistic way. For example, take the case where a participating firm's costs are out of line with direct competitors. Our data will point up one or more apparent negatives as the likely cause, such as low productivity, above average compensation levels or excessive spend on a particular function. But, if other business outcomes such as comparative profits and market share are healthy, these could be indicative of superior customer care and product delivery; in such a case, embarking on a ruthless cost reduction programme could damage the business.



High Quality Comparative Data through Sophisticated Peer Grouping

We find in the wealth management industry several groups of firms, each specialising in particular groups of clients. At one end of the scale, knowledgeable DIY investors use execution only firms to transact their trades efficiently and cheaply. At the opposite end of the spectrum, private offices, private banks and some wealth managers provide discretionary management services for ultra-high net worth clients. In the middle, private client stockbrokers and wealth managers provide advisory and discretionary management services to clients in the mass affluent, affluent and high net worth space. For benchmarking purposes, comparative data based on these “business peer groups” are often quite adequate. But Compeer has gone one better by using “self select peer groups”, without disclosing a participant’s own data. These provide a firm with benchmarks for a unique group of other firms, which will most likely be the firm’s current direct competitors, or a group of firms all having a business model reflecting where the firm wants to be in say five years’ time.

Repeat Benchmarking over Long Time Periods

In the first couple of years, Compeer’s benchmarking was undertaken annually. Participating firms receive a customised report, containing a forensic analysis of their competitive strengths and weaknesses, plus a follow-up visit by a Compeer Analyst enabling the report’s conclusions and recommendations to be fully discussed with the client. In response to customer demand, we introduced a quarterly service for firms requiring more frequent updates on key numbers and ratios, albeit less detailed than the annual service. Later, we brought in a monthly service for execution only firms, providing a short report focusing on vital comparative trade volume and other market share data. We find that participants, after taking our service for the first time, tend to continue with it year after year, and sometimes, quarter after quarter, and month after month. Why is this, you may ask? In the first place, firms have to adapt to a constantly changing market place, with competition from new entrants, firms merging or otherwise re-shaping themselves, changing investment conditions, new compliance requirements, evolving business profiles (such as the trend towards online trading), and so on. In the example mentioned earlier, after deciding in year one that it is imperative to cut costs, a participant may set (and achieve) a target to attain an upper quartile ratio of costs per £1M of assets under management, or costs per trade. In such a case, it is vital for the firm to discover from next year’s report whether the target remains realistic, given that the competitive goal-posts may have changed. Participants’ priorities can change as they evolve through the business cycle, or in response to senior level personnel changes. Finally, participants use the benchmarks as a regular external health check, looking across all aspects of business performance.