Today’s sophisticated technology solutions hold much promise for the registered investment advisory (RIA) business. For firms that manage technology well, it can be transformational to their business. However, realizing the full benefit of their technology investments has proven difficult for many firms—even for those that are tech savvy and willing to invest the necessary time, money and resources.

Strategic approach matters more than big budgets

According to the 2010 RIA Benchmarking Study from Charles Schwab, spending more on technology does not always result in better operational or financial performance. Rather, a positive attitude about integrating technology strategy into the firm’s business is a more accurate predictor of success.

Firms that report being early adopters and view technology as “central” or “critical” to business strategy say they benefit the most from their technology investment. However, these firms are not always the biggest spenders. They allocate only 2.4 percent of revenue to technology, compared with 5 percent for the top spenders,¹ but they generate more than twice the operating income (18.3 percent versus 8.3 percent). This suggests that some top-spending firms may be acquiring technology without a clear vision for how it will enable their strategic priorities, purchasing the wrong technology, purchasing it at the wrong time or simply unable to implement it properly.

The message from the benchmarking data is clear: A well-planned strategy for technology investment and smart implementation are critical success factors. Based on our analysis in Schwab’s 2010 MKT Integrating Technology into Your Practice, the biggest productivity and profitability benefits are enjoyed by firms that embed technology deeply within their business. This requires integrating core applications and using technology to help streamline and automate key business processes.

¹. Top 20 percent of firms that participated in Schwab’s 2010 RIA Benchmarking Study in terms of technology investment. Calculated using average of technology spend as a percentage of revenues from 2006 to 2008.
Integration is a key driver of productivity

While integration is a key driver of productivity gains and satisfaction with technology, it is also the most significant challenge for most firms. According to Schwab’s benchmarking data, the top two challenges are “integrating technology with existing systems” (56 percent) and “selecting the right vendor or solution for a particular need” (55 percent). The third-greatest challenge is “implementing design changes into workflows or processes” (51 percent).

Why is integration so challenging? Many of the systems RIAs rely on are independent, task-specific applications focused on task efficiency, not cross-system efficiency. Currently there is limited integration between applications. Although the latest solutions are more customizable and integrate more easily with other applications, advisory firms must still design and implement systems so that they work together seamlessly.

This degree of integration delivers the powerful benefits of visibility and control across the firm’s business. We believe that firms seeking to get the most out of their technology investment should focus on these two areas:

- Integration of process workflows in Customer Relationship Management
- Integration of key systems, including CRM, portfolio accounting and document management

### Integration of workflows in CRM

The level to which CRM technology is integrated into the daily operations of the firm is directly correlated with the level of benefit—productivity and ease in client service delivery—advisors can expect to receive.

Benchmarking data shows that as firms increased the level of integration of standardized workflow processes and other applications with CRM, they report experiencing much higher levels of satisfaction and greater time savings. Firms with a high level of CRM integration—integrating at least one workflow and one other system with their CRM—report being more than twice as satisfied with their CRM, compared with firms with no integration (75 percent satisfaction versus 29 percent).

Reported time savings are even more dramatic. Nearly half the firms (44 percent) with a high level of CRM integration report time savings of more than 20 percent, compared with just 10 percent of firms with no integration. Even moderate levels of integration result in significant time savings. Twenty-eight percent of firms that integrate just one workflow or one system with CRM report time savings of greater than 20 percent—nearly three times the rate of firms that do not integrate.

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**EXHIBIT 1: STRATEGIC FIRMS SPEND LESS ON TECHNOLOGY**

<table>
<thead>
<tr>
<th>Technology Spend as Percentage of Revenue</th>
</tr>
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<tbody>
<tr>
<td>2.4%</td>
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<tr>
<td>5.0%</td>
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</table>

**EXHIBIT 2: STRATEGIC FIRMS OUTPERFORM TOP SPENDERS**

<table>
<thead>
<tr>
<th>Standardized Operating Income (Median)</th>
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</thead>
<tbody>
<tr>
<td>8.3%</td>
</tr>
<tr>
<td>18.3%</td>
</tr>
</tbody>
</table>

- Strategic Firms*
- Top 20% of Spenders of Firms with Passive Attitude**

Results shown for $100MM+ AUM firms.

* Firms that report they view technology as critical to their business strategy and that say they are often early adopters.

** Firms that report that they make moderate, selective or minimal investment in technology.

Source: 2010 RIA Benchmarking Study from Charles Schwab
Creating a holistic view of the client relationship

RIA firms rely on information from multiple custodians and different applications, including CRM, custodial technology platforms, portfolio management, financial and tax planning, and trading and rebalancing. Today, many advisors manually bring together information from all these systems right before a client meeting. But if they could view key information from these sources through a single portal—the CRM—they would benefit from seeing most important details about the client relationship in one place, saving time and creating efficiencies.

This holistic, comprehensive view gives firms visibility and insight into their client relationships and the operational performance of their business. Important client information is at their fingertips, providing advisors with the information they need to respond to client questions and make informed decisions faster, improving service.

Make technology work for you—today

Schwab’s research confirms that technology is increasingly a driver of competitive advantage for RIA firms, and that the biggest productivity and profitability benefits are enjoyed by firms that deeply embed technology in their business. But for those firms that do not learn how to maximize their technology investments, the risk of falling behind tech-savvy competitors is very real. This is particularly true now, as technologies are maturing and adoption rates are rapidly rising.

### Exhibit 3: CRM Integration Increases Productivity and Satisfaction

<table>
<thead>
<tr>
<th></th>
<th>High integration*</th>
<th>Moderate integration**</th>
<th>No integration***</th>
</tr>
</thead>
<tbody>
<tr>
<td>Satisfaction with CRM</td>
<td>75%</td>
<td>53%</td>
<td>29%</td>
</tr>
<tr>
<td>High impact on business</td>
<td>96%</td>
<td>94%</td>
<td>72%</td>
</tr>
<tr>
<td>Firms reporting greater than 20% time savings</td>
<td>44%</td>
<td>28%</td>
<td>10%</td>
</tr>
</tbody>
</table>

Results shown for $100MM+ AUM firms.
* Firms integrating workflows and at least one other system with CRM.
** Firms integrating workflows or another system with CRM, but not both.
*** Firms using CRM without workflows or systems integration.
Source: 2010 RIA Benchmarking Study from Charles Schwab
The following reports are available to advisors who custody for Schwab electronically or in hard copies. To access other Schwab Market Knowledge Tools reports, please visit the Resource Center on schwabadvisorcenter.com.

- **Getting the Most out of Your CRM Investment:**
  *Customer Relationship Management Best Practices, 2009*
- **Best-Managed Firms: The Business of Serving Clients, 2009**
- **Technology Best Practices: Making the Most of Your Technology Investment, 2007**

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Responses were collected during February and March of 2010.

All data is self-reported by study participants and is not verified or validated. Each participating advisory firm submitted only one set of responses. Individual experiences may differ, there is no guarantee of future performance or success, and may not be representative of your experience.

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MKT57297 (08/10)