
As B/Ds merge, technology and culture are keys to success

By Editorial Staff Thu, Feb 4, 2021

In a recent survey by Cerulli Associates, technology was tied for the top spot among the factors most frequently cited by advisors as influencing their decision to join a broker-dealer.

As retail wealth management broker/dealers (B/Ds) continue to consolidate, so does the share of B/D advisors who are affiliated with the 25-largest B/D networks. The trend is driven by mergers and acquisitions (M&A), as well as B/Ds' desire to increase scale in response to a changing industry, according to the latest *Cerulli Edge—U.S. Advisor Edition*.

It's expensive for B/Ds to maintain and refresh the sophisticated advisor-facing technology of their web-based platforms in the face of competitive threats, and bulking-up helps.

"Greater scale enables firms to increase these fixed investments, and the returns on those investments can increase significantly when they support a larger number of advisors and assets under management (AUM)," said Michael Rose, Cerulli associate director, in a release. "Those investments also increase their appeal to prospective advisors and help them grow market-share."

In a recent Cerulli survey, technology was tied for the top spot among the factors most frequently cited by advisors as influencing their decision to join a B/D. B/Ds also say they plan to expand their use of client portals, e-signature, customer-relationship management, and financial planning software, among others.

The COVID-19 pandemic has shown advisors that technology enables them to communicate more effectively with clients, expand geographical reach, and operate more efficiently, among other benefits.

The success of a merger or acquisition, Cerulli believes, often depends on whether the acquiring B/D can retain the advisors in the acquired firm. "This gives a competitive edge to larger B/D firms with greater scale and more robust technology and platforms, which are vital to advisor satisfaction and retention during their migration to the acquiring firm," Rose added.

Other stickiness factors include advisor support, firm culture, and restrictions on how advisors operate their businesses. These are critical to advisor satisfaction and are not directly correlated with the size of a given firm. This means M&A opportunities are not

limited only to very large B/Ds, Cerulli believes.

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