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Companies such as ScotiaMcLeod are turning to PriceMetrix software, which lets their advisors properly price services and manage their business

The right tools for the right jobs

BY HUGH ANDERSON
Financial Post

Most advisors have experienced that tense moment when a big client presses for an even heftier commission discount than he or she already enjoys.

Wouldn't it help in the subsequent negotiations to be able to call up a screen of numbers that shows the additional discount demanded is below what a typical discount broker charges?

That's just one of the tools Toronto based PriceMetrix Inc. offers full service firms to help price their advisors' services properly and manage their business. ScotiaMcLeod was the first firm to use the PriceMetrix software. It will shortly be joined by Montreal-based Desjardins Securities, which plans to roll it out to its 300 or so advisors in September.

PriceMetrix has also made big progress in the international market. It recently signed up the securities arm of a major global bank — "one of the 10 largest in the world," according to Doug Trott, the firm's president. A U.S. regional brokerage firm is now a client, too.

At Desjardins, national sales manager Marc Jobin explains that his firm concluded that PriceMetrix provides the best tools to "analyze all the information we have already" about our business. The software will help his advisors to "manage their clients' portfolios and be more disciplined in terms of commissions and fees," he says.

Over the past 12 months, PriceMetrix has added tools to analyze fee-based, fixed-income and equity options business. According to Jeff Marsden, the firm's vice-president for client service and the advisory group, the suite of tools provides full-service investment firms with "unparalleled business intelligence on productivity that doesn't exist today."

Cutting expenses is one thing, he says, "but the real lever of profit is productivity."

For Victor Enns, a ScotiaMcLeod advisor in Toronto with 23 years' experience in the business, the PriceMetrix tools have "really helped me to prioritize my time." Mr. Enns says that "we in the business tend to spend time with whoever is calling us." He adds: "Every advisor has one or two clients who call frequently but do very little business even though they may have a lot of assets with the firm."



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Doug Trott, PriceMetrix president, says it has made significant progress in the international market.

Will Small, a ScotiaMcLeod advisor in St. John's, Nfld., with 25 years in the business, says he has been using PriceMetrix tools since the firm made them available. "I want to operate as efficiently

as possible so I want to know what aspects of my business to concentrate on. I've always been a numbers man so I used to try to do that kind of thing myself. It's a lot easier to find out with the numbers the PriceMetrix tools provide."

In the United States, PriceMetrix recently did presentations to the CEOs and CFOs of regional brokerage firms in the Securities Industry Association. "I have not seen anything comparable in the U.S.," says Rob Gannon, an association official. "This type of information that helps the bottom line and tightens discount policies is very interesting to our members."

There is a sense in which the PriceMetrix tools and reports merely do what good advisors and branch managers have always tried to do to manage the so-called "book" of their business. But the information is far more accurate, precise and up to date, and is available in a much more convenient manner.

A rough and ready traditional measure known to industry insiders as the turn lives on in the price to assets ratio available online at any time to any advisor. This is merely the advisor's gross revenue as a percentage of client assets with the firm. An advisor with \$30 million of client assets and doing \$300,000 gross would have a "turn" of 1%. This is a pretty crude measure because it tells you nothing about which of your clients generate good revenue and which don't.

A more useful measure is the price charged as a percentage of the trade principal, the dollar amount of the order. Looking at this for a list of clients can reveal that your pricing policy related to size of transaction makes little sense.

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That's especially clear when client accounts are grouped into households.

The information is generated directly from a firm's internal data. It's available to advisors on their computers in various reports such as revenue management, price performance and household management. Reports are also available on paper for those who prefer to get their information that way. Branch managers get similar reports for all their advisors and for the branch as a whole. Senior management gets aggregate reports for their areas of responsibility. All infor-

mation is available in French as well as in English, an important factor for Desjardins. Peter Russel, former national sales manager at RBC Dominion Securities, advised PriceMetrix on the firm's newest service for fixed-income business. He recalls that many advisors have viewed their bond business as a sort of loss-leader service, paving the way for more rewarding business in stocks. But "right now, with yields so low, a change in pricing has a huge impact."

"I was the first customer of PriceMetrix," recalls James Werry, former

managing director at ScotiaMcLeod. "I saw the power of the tool there and that for many advisors it's become an essential tool of their business." Now a partner with GMP Capital, he is building a "high-end, private client boutique" for retail investors — and he expects to become a customer of PriceMetrix again.

Hugh Anderson is a freelance journalist and a former retail broker