

CHAPTER 1

Selecting the Right CRM System

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When it comes to technology, few decisions are going to be as far reaching or consequential to an advisor's work life than choosing a CRM system. Whether you define it as client-, contact-, or the most commonly used customer relationship management (CRM), the software encompasses much more than the acronym might suggest.

Most advisors, and perhaps even more tellingly, two major custodians that support between them almost 10,000 advisors, are of the opinion that CRM has moved to center stage. In other words this crowd has made CRM technology the central hub around which all the rest of their technology revolves.

Historically, the hub of many types of financial services systems has been account management, and even to this day quite a few brokerages and broker-dealers continue to organize and manage their systems this way. Almost in parallel with the overall growth in the registered investment advisor industry we have seen a trend evolving in the CRM world. It began with registered investment advisors (RIA) firms bringing general CRM systems like GoldMine and Sage ACT! into their firms and trying to customize them as much as possible to the way they work. It quickly became apparent that these systems and others fell short on the features desired by advisors, features specific to their industry.

Fast forward to today.

Despite the relatively small size of the advisory industry there are more than two dozen CRM packages out there with some type of financial services slant. Sure they can all record your client notes, many can track and archive related e-mails and act as repositories for scanning and storing imaged documents. In fact, most of the available products can handle these mundane chores with aplomb. These features, however, are just the tip of the iceberg. And it is really the rest of the iceberg that will help you narrow your choices to something that best fits your needs.

With that in mind I am not going to provide you a review of each CRM package out there. One could write an entire book on the subject instead of a chapter, but, frankly the advisory industry remains small enough that this would not be worth the author's while—it would remain far short of best-seller status. Rather, I will focus on the half-dozen leaders, the brightest lights in the CRM space and examine the trends that have some of those products—despite a small market share at present—growing rapidly.

Junxure and Redtail

Let's start with the two most popular products in the space: Junxure from CRM Software Inc. and Redtail from the eponymously named Redtail Technologies Inc.

Two different advisory industry technology surveys have these two vendors leading the pack, though in reverse order. In a 2011 technology survey among advisors conducted by *Financial Planning* magazine, 32 percent of more than 3,000 respondents reported using Redtail, while Junxure was being used by 14 percent. My own publication, *InvestmentNews*, has begun to conduct its own annual survey, and in 2011, this survey found that Junxure was being used by 21.2 percent of just under 1,000 respondents, while Redtail provided CRM to 18.1 percent.

Junxure has been around for 15 years and was born from the minds of advisor and company president Greg Friedman and his developer-partner Ken Golding. About the time this book is published, a new product from CRM Software called Junxure Essentials should be available. In a nutshell, this product, a truly web-based software-as-a-service offering, is meant "to keep the Junxure DNA," according to Mr. Friedman but is more lightweight and thereby more easily delivered over the Internet than the extremely feature-rich traditional Junxure.

Many RIA firms have, over the last few years, chosen to partner with third-party providers that host Junxure for them instead of running it themselves on their own premises. The main justification for this has been offloading the expense and tedium of maintaining the software and hardware themselves. That option has proved less than optimal in terms of speed for some advisors; the application simply runs better on a local server or personal computer and was never intended to be delivered over an Internet connection.

Essentials, then, is meant to be an offering that competes head-to-head with Redtail and other CRM systems that are delivered over the Internet. That should make it of interest to quite a few breakaway types or other smaller advisory firms interested in a fairly comprehensive product that has been built from the ground up for RIAs. And that last bit goes a long way toward explaining what has made Junxure so popular among RIAs.

It was built by an advisor with other advisors in mind. Therein is also my only hesitation for calling it the best CRM product out there for RIAs: It was created by "an" advisor.

Granted the firm has gotten a great deal of input over the years from its thousands of users and has very high retention rates but even so, no two RIA firms do things the same way and some firms have hankered for more flexibility and others a less expensive solution. Its cost is acceptable for most midsize firms, but smaller ones and solo practitioners tend to find it a bit expensive.

Junxure and the upcoming Essentials application are closely integrated with Microsoft Exchange and Microsoft Outlook. Rather than totally reinventing the wheel, CRM Software long ago decided to adopt and rely on Microsoft's ubiquitous e-mail architecture as part of its own plumbing.

This is mostly a good thing given that so much of the rest of the business world continues to rely on Microsoft for this technology, too—meaning it is proven and not disappearing anytime soon. Of course, it also means that an advisory firm that wishes to get the most out of Junxure (or Essentials when it comes out) will have to run Outlook and Exchange, either its own local versions, or more likely, it will go through one of many third-party providers of this technology.

Redtail's genesis as a web-based offering and one that has easy-to-integrate document management and compliance modules has also helped boost its popularity, especially as an option among independent broker-dealers and their registered representatives. In addition though, the price also happened to be right for small RIA firms and solo practitioners for whom Junxure tends to be overkill. While it is an oversimplification to call Redtail simple, it is far less complex and in many ways less comprehensive than Junxure, the evolution of which was meant to serve what are often larger, more complex firms with an often more diverse staff and multiple roles.

Redtail is also fairly inexpensive and, refreshingly, publishes its pricing, which is based on databases (not per-user licenses). At the time of this writing one database that supports up to 15 users costs \$65 per month. Its other products, including its own e-mail and e-mail archiving as well as document management, are priced separately but are listed on its website.

One reason I have heard given by those abandoning Redtail is that it lacks the ability to support much customization by individual advisory firms. In other words, advisors starting out find it comprehensive enough for their needs initially but as their firms grow or their business model changes or becomes more complex, Redtail is sometimes viewed as lacking the flexibility to accommodate this.

That said though, another big plus in favor of Redtail is its knack for integration. It has built-in account feeds through TD Ameritrade Institutional, making it somewhat of a no-brainer for advisors that already have the majority of assets at the custodian. And this penchant for integration is one way, though not a perfect one, for advisors to add functionality to their practices by adding point-specific applications for handling particular tasks.

That said, both Junxure and Redtail have excelled at delivering a great many integrations with other advisory technology providers to their customers. I will not waste space here listing them; a quick visit to their respective websites will display these as will YourSilverBullet.net (see the resources section at the end of the chapter).

So Who Are You?

It is very likely that many different types of financial advisors will be picking up a copy of this book, among them, registered investment advisors, be they wealth managers or holistic planners who also manage assets. Registered investment advisors have the most choice when it comes to selecting their technology, usually they have a blank slate.

But advisors should think of that slate more like one big piece of a larger puzzle. Perhaps the more apt analogy is to think of CRM as a central chunk of building blocks. If you were a kid in the 1970s or 1980s, chances are good that you are familiar with Lego's plastic building blocks. At first, the blocks and kits were fairly rudimentary, but over the years they came to include far more specific scenarios and specialized pieces.

Today's kids can find kits based on themes from fairy tales to spaceships; the array of pieces and types is astounding. While most Lego pieces from one kit fit together with pieces of another, non-Lego blocks usually do not. And that analogy should help to illustrate the second most important aspect of CRM selection—integration.

In addition to the dozens of CRM system choices available to advisors, there are many dozens of other types of applications. These include other core components that will make up an advisor's platform such as financial planning, portfolio management and accounting, as well as document management. And depending on the type of practice you have or plan to build, it can include many others, such as estate planning, analytics packages, tax software, and the list goes on.

For RIAs, the selection of a CRM solution will be influenced by whether you are starting from scratch or are already established and are dumping one CRM system for something more modern or one that better fits your work. Another consideration is whether you want to transition from a locally installed system to one that is cloud-based. For RIAs, in particular, the cost of the CRM application itself—including both initial outlay for setup as well as ongoing licensing—is an important consideration.

Advisors leaving one system must also consider the costs associated with migrating their data from what they are using now into the new system, the amount of training that staff will require, and how compatible that new system will be with the other software you are already using.

Some advisors reading this book may be hourly planners or planners on annual retainer. Plenty of independent registered representatives affiliated with a broker-dealer might also be wandering through these pages seeking answers. Much as it is impossible to lump every advisor into one particular type of practice we cannot pin every firm to the same point in its lifespan either.

Some of you are going to be coming right out of a university program; others leaving a wire house; some work for an independent broker-dealer; still others might be leaving a broker-dealer and setting up shop as an RIA; and some may be mature, established RIAs in need of a modern CRM program.

Most advisors, especially those who have departed wire houses, should begin their search for the right CRM system based on who they expect their custodian or

broker-dealer to be. At least, try to narrow this decision to a few choices—this will not only help you decide your business model but will assist you in making a more informed choice on the technology front, as well.

Some affiliated advisors and brokers have little choice in selecting their CRM system because either their broker-dealer or other provider requires they use the brokerage's system or dictates a certain product or provides the advisor with a set of products from an approved list. Usually products on this list have been shown to easily integrate to a broker-dealer's account management or books and records system.

For example, those who join independent broker-dealer Commonwealth Financial Network LLP do not have to worry about CRM or technology selection; the firm built its own and it was built from the ground up as a fully integrated system. That system is well-respected, and the firm spends liberally on its upkeep and development.

Quite a few broker-dealers provide Redtail as their CRM of choice or have it on their short list as a recommended product.

Salesforce, Salesforce, Salesforce

Other broker-dealers select particular systems to integrate with their back-office systems. One example is Advisor Group, the large independent-broker-dealer network that this year rolled out Salesforce.com to the more than 4,000 affiliated advisors at its three firms—FSC Securities Corp., Royal Alliance Associates Inc., and SagePoint Financial Inc.

Advisor Group worked with Salesforce to integrate the CRM system with its Vision2020 accounting platform and had plans, as of this writing, to integrate another popular bolt-on module from Salesforce's App Exchange called Chatter. That application will power an internal social network for employees at the home office and all three of its firms and is another example of why Salesforce can be a compelling choice for larger, more distributed organizations.

The App Exchange has a lot of other potential components, too. One built specifically to help advisory firms create workflows is called ProcessComposer. That app was spun off from efforts at RIA firm Orchestrate LLC, which is owned by Foster Group Inc., a wealth management company with 800 clients and \$1 billion in assets under management.

Orion Connect is another Salesforce App Exchange application that should be mentioned. Orion Advisor Services LLC, which is known for its high-end portfolio management and performance reporting, had requests for such an application from some of its large RIA customers.

Thanks to the open application programming interface from Salesforce, development was fairly quick and easy—a good illustration of why Salesforce is growing in popularity. While it appears that Salesforce is taking over the world of CRM, it is a good time to remind readers that the company will likely not hold the hand of smaller advisory firms in a manner they may be accustomed to.

There are a handful of consultancies and firms that have built overlays. Think of them as sort of a customized framework set down on top of Salesforce proper that attempts to make it into a tailored solution for advisors. A case in point is Concenter Services, a consultancy in Texas that does this very thing. Its overlay is called XLR8 (sounds like accelerate) and costs \$75 per month per user (at the time of this writing), with all the customizations it claims an advisor would need right out of the box, including a workflow creation engine.

Salesforce itself is all about sales, not customer service, and has sold millions of licenses across dozens of verticals. It first launched an advisory-specific version—Salesforce for Wealth Management—in 2008. By and large, though, that version was seen as too limited for most RIA firms, which, if they purchased the application then had to spend a significant amount of money and time customizing it for their needs.

When it comes to RIAs and Salesforce it is the custodians that are starting to take on the role of intermediary and/or reseller.

Both Schwab Advisor Services and TD Ameritrade Institutional have worked the last two years to bring out versions of Salesforce heavily integrated with their respective back-office portfolio management and accounting systems. TD, for its part, built out Salesforce integrations with its Veo account management system along with a batch of 50 automated workflows, as well as several other third-party applications in mid-2011.

Workflows provide a template for how a firm should handle its everyday tasks in a uniform, consistent manner, for example, the new account opening and client onboarding process, which was one of the 50 prebuilt workflows found in the initial TD Salesforce offering.

Just as important, the workflows and other integrations are meant to help ensure that account and client data from Veo or other back-office account systems can be passed seamlessly to Salesforce (or other integrated CRM systems). This was completed as one part of TD's larger Veo Open Access/Open API initiative begun in 2010. In essence, TD created an RIA-specific version of Salesforce.

Intelligent Integration Can Be Confusing

Schwab Advisor Services (SAS) announced completion of something very similar shortly thereafter—its own turnkey Salesforce-centered Integrated Office platform. For the uninitiated, things in Schwab-Advisor-Services-land can get confusing quickly. So here is a brief tutorial. Everything available in terms of technology platforms for RIAs at SAS falls under what is called Schwab Intelligent Integration.

Within that initiative are multiple offerings; I like to refer to them as flavors. One of them, the most straightforward and simplest to describe is Schwab Integrated Office (SII). It has at its core a highly customized version of Salesforce CRM that is completely integrated with the Schwab PortfolioCenter portfolio management application. A unit of SAS develops, sells, and maintains this turnkey system itself and handles any advisor support needs.

The other flavors of SII all fall under what are called the Schwab OpenView Gateway offerings. A different business unit within SAS handles this set of offerings and each flavor has a different CRM.

In an oversimplified nutshell, these include the previously mentioned Junxure (which actually has a long history with Schwab—Schwab even owned its own version of Junxure for a few years) as well as a version of Gateway for Salesforce and Microsoft Dynamics. With these gateway offerings, Schwab builds the integrations between its back office and the CRM applications, but advisors purchase those applications on their own.

By the summer of 2012, Schwab, too, had announced the availability of 33 universal workflows in its own library. Those workflows can mean a big boost in efficiency for advisors using the turnkey version of Salesforce or the Gateway version of it or Junxure.

At the time of this writing in mid-2012, Schwab reported that 250 firms were on board the Gateway platforms, evenly split between Junxure and Salesforce. And 20 firms had signed on for the turnkey platform with Salesforce at its core.

Factor in Your Favorite Apps, if You Have Them

Integrating all your other technology is another big piece of completing the CRM puzzle.

As we discussed, most advisory firms are going to make their CRM system the core around which the firm's other applications and processes revolve. That is why, if you are fairly sure about the type of firm you will build (or already have built), it is important to determine the other technology applications you will rely on most before settling on a particular CRM solution.

For many advisors, financial planning or portfolio management will represent the other core components of their work. Established firms will already have technology they use and hopefully replacing a CRM system does not also mean dumping other key technology.

If you are happy with what you're using in these two areas, then good, it will make your task of identifying a new CRM that much easier—simply start with the portfolio management, financial planning application, and/or document management system(s) you already have and find out what CRM systems they integrate with.

If you happen to be that breakaway broker starting from scratch or an established firm shedding everything, keep in mind that there are more than a dozen of each type of application (portfolio management and accounting and financial planning) that are fairly popular in the industry.

Matching this number of financial planning and portfolio management applications with a compatible CRM application results in a daunting number of possible combinations. To keep things simple, let's say you use MoneyGuidePro, the very popular goal-based financial planning software from PIETech Inc. You will find the firm has built integrations with many other advisory software providers, including six dedicated CRM applications.

Many of the other providers of popular financial planning systems have done the same thing, including Zywave (formerly Emerging Information Systems Inc.) purveyors of the popular NaviPlan and Profiles planning applications.

Once you have narrowed down the number of providers that you are looking at, it is time to examine the actual level of integration that they provide to the CRM systems you have your eye on.

For the sake of efficiency, seek a set of applications that can seamlessly share data and that bring in data from custodians and other providers automatically, rather than having to perform multistep downloads of files.

Again, attempting to cover the gamut of integrations of just the more than a dozen fairly popular portfolio management and performance reporting vendors goes beyond the scope of this writing, but if you have favorites start with their websites to begin finding what integrates with what.

Other Considerations

There are a few options that will render much of what I have written null and void.

What am I referring to? Simple, going with an all-inclusive system. Two leap to mind, although neither is going to be a panacea for everyone, as you will see shortly.

The first is a firm that has gained a lot of traction over the last five years: Tamarac. What used to be known as Tamarac Inc. was acquired in 2012 by the cloud-based hosted-asset-management firm Envestnet, Inc. (The Tamarac division within the company has now been renamed Envestnet | Tamarac). For years, Tamarac was best known for its sophisticated portfolio rebalancing technology, but in 2010 it launched its own all-in-one all-online software as a service RIA platform, called Advisor Xi in its most recent form. The modules making up Tamarac's platform include its Advisor customer relationship management system (built on Microsoft Dynamics), its rebalancer, and its Advisor View billing application.

Advisor Xi is also integrated with other core advisory applications, including Schwab PortfolioCenter for portfolio management, a proprietary performance-reporting module, as well as MoneyGuidePro for financial planning, and ByAllAccounts for those seeking to bring in a view of clients' held away assets through account aggregation.

Advisor CRM, as it is called, is organized around easy access to client information and, as noted, is a highly customized version of Microsoft Dynamics CRM, which was built from the ground up to work in tandem with Microsoft Outlook.

In May 2012, Schwab Advisor Services announced that it would be partnering with Tamarac to build integrations. While at the time of this writing it remains to be seen just how deep those integrations will go or when they will be completed, in theory they will provide a real-time conduit for custody data from Schwab to flow from the Schwab Advisor Services back-office systems directly into the Advisor Xi platform.

It is important to keep in mind that Tamarac is custodial agnostic; it takes in feeds of data from all the major custodians.

So what is the downside? Well, for quite a few midsize to large RIAs, there really is no downside. For smaller firms and those breakaway advisors salivating at the idea of getting, in one fell swoop, much of what they left behind at their wire house in terms of a cohesive all-in-one solution there is the cost.

Most firms will probably end up paying at minimum \$50,000 a year for the full Tamarac platform. Another all-in-one technology option is Solution 360° consolidated wealth management platform from Interactive Advisory Software Inc. better known as IAS. Version 5 of that product was released in 2012 and included a much-needed interface upgrade completed in 2011.

As the name would suggest it is a highly integrated system, indeed that is its chief *raison d'être*: all the core applications, including home-grown CRM, an advisory firm requires powered by a single central database. The firm has been around since 2001 and has never achieved a mass following but does have a loyal one composed of around 200 RIA firms around the country, quite a few of which are managing more than \$1 billion in assets.

IAS is a web-hosted software-as-a-service model (though it began life as an on-premises client-services system).

Solution 360° combines multiple applications including client relationship management, portfolio management and reconciliation, financial planning, performance reporting, and online client portals, again, all running off a single central database.

And therein is also the only major complaint I have heard among advisory firms, all smaller shops, which migrated from the system—it was too much for their needs. Too comprehensive, too difficult for a few people to master, overkill in other words and it can cost more than \$2,000 a month. It will resonate with midsize to larger firms on a growth trajectory.

Innovation Continues

As I stated at the beginning, this chapter is not meant to be a soup-to-nuts review of the more than two dozen products on the market that specifically target advisory firms. Rather, I sought to present the leaders and the trends driving them.

Junxure and Redtail are two companies with offerings that many advisors use, each has strong momentum and a loyal following among advisors, but custodians are spending a lot of money on their platforms. That has given Salesforce.com a lot of credibility it did not have in the advisory space before.

Similarly, Microsoft Dynamics seems to be claiming growing market share as well and cannot be dismissed. It also makes up one of the choices in Schwab's Gateway product line though Schwab Advisor Services has not developed its own integrated version the way it did with Salesforce.

Schwab has instead chosen to partner with other independent software vendors, the first of which is Salentica, a company that already offers a highly customized version of Microsoft Dynamics used by wealth and asset management firms (called Salentica Advisor Desk). At the time of this writing, Schwab Intelligent Technologies

and Salentica announced availability of Advisor Desk with Schwab OpenView Gateway after completing a pilot. Advisors using it can view real-time information on their clients' financial holdings within their CRM. Data available from Schwab Advisor Services includes account balances, profiles, positions, transactions, and alerts. Schwab Advisor Services and Salentica have also completed the first version of an integration plug-in for advisors who had purchased Microsoft Dynamics CRM 2011 directly from Microsoft. The plug-in is meant to provide both the integrations with Schwab that Salentica had built for data as well as some customizations specific to advisory firms.

There are also quite a few small, independent players in the CRM space that will resonate with advisors, as well. There are three in particular that I would be remiss in not mentioning.

The first is Grendel from Big Brain Works LLC, which its creators define as an information management system for advisors that happens to provide customer relationship management, account aggregation, and document management (the company does not like to be pigeon-holed as purely a provider of CRM). It also serves as a client portal so that clients can access their account information, and the whole thing is web-based and used by both registered reps affiliated with a few broker-dealers as well as a few RIAs.

The solution has built-in integrations; for broker-dealer iterations there is a supervisory module for overseeing reps; and several external integrations, including MoneyGuidePro, links to Albridge Data Aggregation, a Google application that synchronizes with Microsoft Outlook, and Laser App for form filling.

The second is ProTracker from Pro Tracker Software Inc., which has a small but loyal following among RIAs. It has both a desktop and cloud offering and a suite of compliance modules.

Finally, there is Advisors Assistant from Client Marketing Systems Inc., which has developed quite a following among advisors who specialize in insurance. It provides CRM with optional portfolio management and insurance management modules.

Resources

I have to put in a plug for the *InvestmentNews* Tech Directory, which has listings and contact information for 252 providers, 32 of which offer CRM products.

Those with a paid membership to the Financial Planning Association should get the FPA-ActiFi Adviser Technology Reports: CRM Edition, published in 2010. At the time of this writing the reports had not been updated but perhaps they have by now. Even if they have not, the reports contain a great deal of detailed information on many of the products discussed here.

Advisors should also visit the website of Your Silver Bullet LLC (yoursilverbullet.net). This alliance of 18 (at the time of this writing) technology providers have paid dues to maintain a website tracking integrations between all their software offerings. Currently that includes four dedicated CRM vendors (CRM Software Inc., makers of

Junxure; Client Marketing Systems Inc., makers of Advisors Assistant; ProTracker Software; and Redtail Technology). I said dedicated because Tamarac is also a member and while its Advisor View CRM that is built on top of a customized version of Microsoft Dynamics cannot be used without buying into the Tamarac Advisor Xi platform, it is nonetheless a comprehensive CRM package.

The YourSilverBullet site can help advisors in determining the right combination of software applications for them and is especially helpful for advisors that might already be using a piece or two of their technology (for example financial planning software). In that case, the advisor will have a starting point and can narrow their search just to applications that work with it/them.

Keep in mind that the membership is by no means exhaustive (I regularly track more than 100 firms in my day-to-day work) but does represent a cadre of future-looking providers, many with the best interests of both themselves and advisors in mind.

Advisors who are considering outsourcing their technology or some of their technology-related operations should pay a visit to VirtualSolutionsforAdvisors.com. The site provides lists of consultants and companies; those that pay a small fee have links to their websites. It can at the very least provide a novice advisor a place to start from and company names to start a web search for.

Finally, one should not discount the usefulness of social media these days. Advisors who are members of the Financial Planning Association have their own networking system called Connect where you can search among various “communities” and “networks” for advice and reach out to other members.

In addition to membership organizations like FPA, NAPFA, and others, there are plenty of advisory groups to be found on social networking sites. In particular LinkedIn.com has a burgeoning population of dedicated financial advisor oriented “groups” that are easy to search. A few that might be of interest are the Financial Advisor Network group or FAN, RIAMarketplace, and InvestmentNews for Advisers, each of which already has thousands of members.

Several of the authors of this book also frequently write about CRM products or related topics as part of their regular writing too. Searches on CRM at the websites for Financial Planning Magazine, Bill Winterberg’s excellent FPPad.com blog, and InvestmentNews.com will bring up a great deal of content on the subject.

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