

Tool Claims to Predict Recordkeeper Sales

By [Emile Hallez](#) October 22, 2014

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One research firm claims it can predict the outcomes of a plan sponsor's recordkeeper selection process. [Boston Research Technologies](#) recently began offering a recordkeeper selection simulator, a program that the firm built using data from interviews with 300 large-plan sponsors. The program is capable of predicting which firms are most likely to receive requests for proposals, which firms are likely to advance to the finals selection and which recordkeeper ultimately wins the plan's business, company CEO Warren Cormier says.

The projections for plan winners come within plus or minus 1 to 5 percentage points, with a certainty of 95%, he says. The program has four models, which are based on a plan's asset levels. The smallest plans in the simulation have \$25 million to \$100 million in assets, while the largest plans have more than \$300 million.

About 25% of plan sponsors that initiate a search have a true intention of changing recordkeepers, but only about 4% to 6% of plans actually change recordkeepers in a given year, Cormier says, citing data from a survey his firm conducted earlier this year.

While brand recognition and reputation can be a strong predictor of whether firms receive requests for proposals, other factors, such as price, quality of service and the existing relationship between a plan and a recordkeeper, also play roles in the selection process, the firm says.

Because services and technology can be matched by competitors, there are other, often emotional, factors that determine which firm wins the bid, Cormier says.

"[Recordkeepers] can understand where their sensitivities lie on these factors, and they can simulate how they might pitch themselves to that prospect, or they can simulate how their competitors might pitch themselves," he says.

While Boston Research has conducted qualitative interviews in the past about the factors that draw sponsors to certain recordkeepers, this is the first time the company has done a quantitative survey related to the selection process, he says. The survey included questions about how heavily certain factors weigh in the selection process. Other factors include the influence of senior executives in the plan's firm, the support service a recordkeeper provides, the influence of plan consultants and the quality of a recordkeeper's sales presentations.

In the first round of the selection process, firms such as [Fidelity](#), [Vanguard](#), [T. Rowe Price](#), [Charles Schwab](#), [Wells Fargo](#) and [Merrill Lynch](#) are the most likely to receive requests for proposals across most plan sizes, he says.

Recordkeepers can preview their odds of winning a plan and develop a sales strategy to improve their chances of gaining the business, he says.

"The thing they want to know is about [a sponsor's] sensitivity to pricing," Cormier says, noting that plans can vary in how much they will sacrifice low costs to receive higher levels of service, superior recordkeeping systems or other features.

“As the plan size grew, that the sensitivity to pricing was somewhat dampened,” he says. A recordkeeper’s existing relationship with a plan almost ensures it will be given a request for proposal. Recommendations by plan consultants are also critical, he says.

When sponsors subsequently select finalists, technical factors are given more weighting, such as how a recordkeeper works to improve participant contribution rates, he says.

Among finalists, those features are often comparable, and the recordkeeper with the best sales finesse often wins, he notes. Strong proposals are customized to a specific plan.

“You can have great services, but you still have to do a good job of showing them,” he says. “The plan sponsor is trying to pick what is ultimately an important business partner.... They use the sales process as a surrogate for what the relationship will be like once the contract is signed.”

The largest retirement plans report having the highest levels of satisfaction, indicating that plans with higher levels of assets often trade in cost for better services, says Linda York, VP of syndicated research at Cogent Reports. Among all plans, brand recognition is cited as the top consideration in recordkeeper selection, followed by the ease of doing business with that firm and the value sponsors get for the money, she says, adding that those factors have been consistent in surveys the Market Strategies International subsidiary has been conducting since 2010.

“The plan sponsors feel that they’re not necessarily with the cheapest provider, but [for] the fees they’re paying,” says York. “They’re receiving the quality of service that they would expect.” Brand recognition is particularly important for the smallest plans, though noticeably less so for large plans, she adds. The selection of investment options is also critical, even for recordkeepers that do not offer proprietary funds, she says.

“The mega plans are not as concerned with brand recognition. They’re looking for a match,” she says. “When they’re sitting down across the table ... these are people that they’re going to be working with day in, day out, and they want to feel there is a rapport there.”