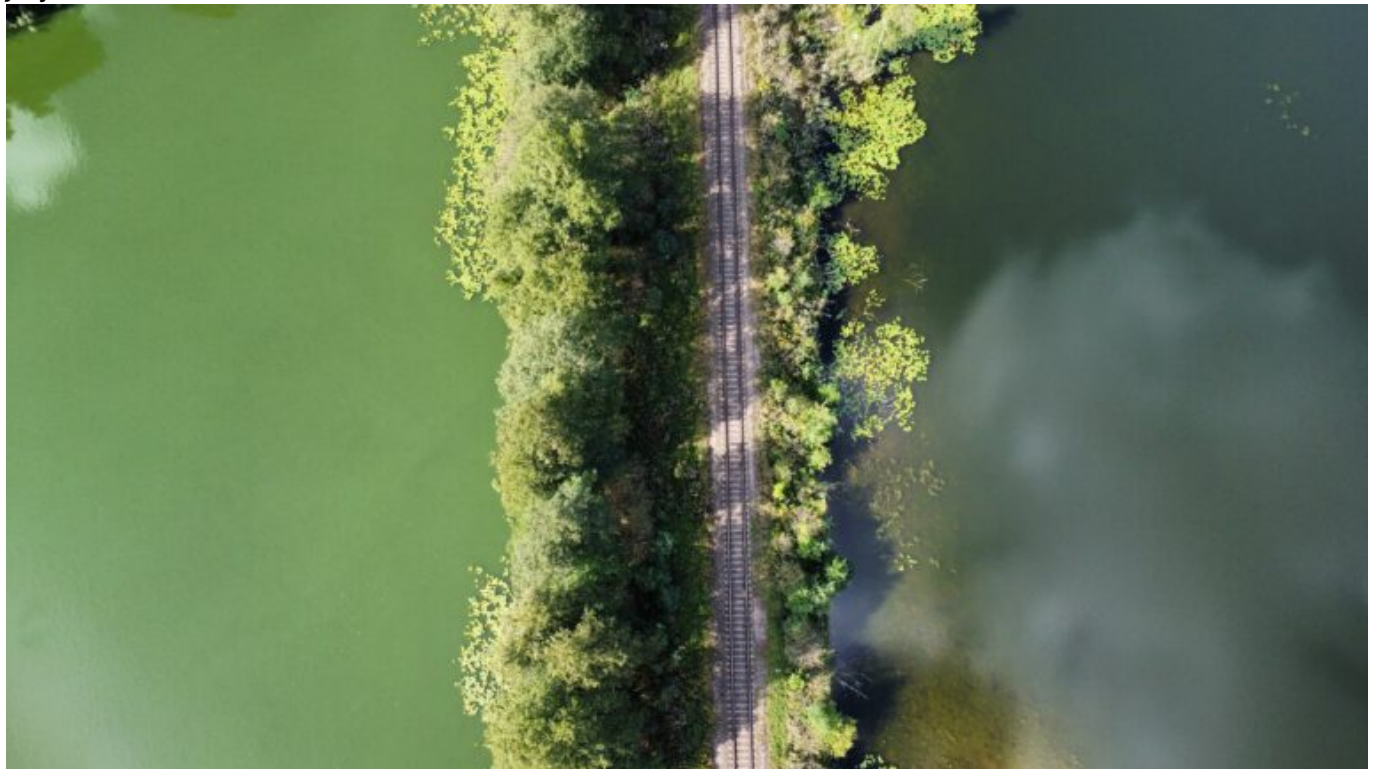


Understanding DC Advisors' preferences

July 17, 2024



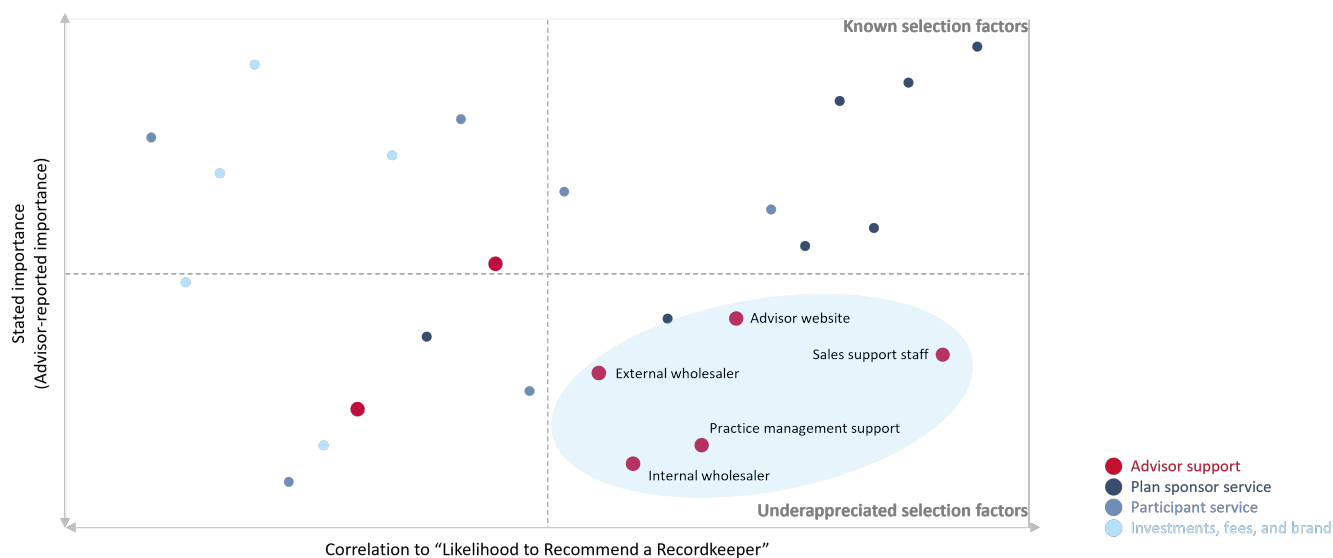
Recordkeepers face a complex challenge in addressing both the explicit and implicit preferences of DC Advisors. Advisors often say they prioritize factors like recordkeeping compliance, communications, participant services, and technology. However, the real drivers of their decision-making tend to be related to strong support in sales and practice management.

Understanding advisor needs

NMG's insights into DC Advisors uncover a consistent theme: while advisors talk about client-facing services such as compliance, participant services, and technology, their behavior suggests a deeper appreciation for factors that impact their own businesses. Sales and practice support—though rarely at the top of advisors' explicit wish lists—are, in fact, essential in determining which recordkeepers they recommend to clients. Recognizing this gap between stated and actual preferences is key for recordkeepers aiming to enhance advisor relationships and capture market share.

Exhibit 1: Underappreciated recordkeeper selection criteria

A view of the factors that are overlooked when choosing a recordkeeper



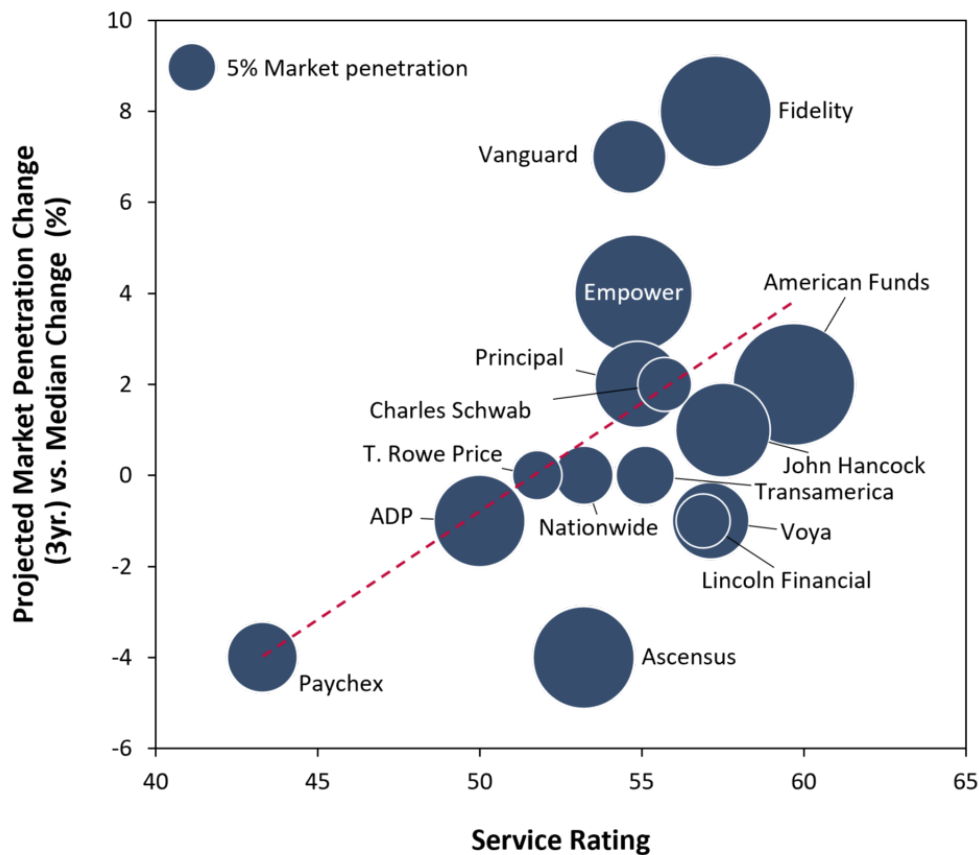
Source: NMG Consulting

Unspoken advisor preferences

A key insight from NMG's survey of over 600 DC Advisors in early 2024 is the importance of service in shaping advisor loyalty and market-share growth. Advisors consistently tell us that service quality is key to advisors' selection of new recordkeeping partners as well as satisfaction with their current providers. This is particularly true in the areas of sales and practice support—where high quality interactions position recordkeepers well to expand market share. Exhibit 2 plots the expected change in recordkeeper usage (Y-axis) against service rating scores, underlining the potential for quality service to drive growth in share of wallet from DC Advisors.

Exhibit 2: Market penetration, growth projections, and recordkeeper service ratings

% of market share penetration, projected change in three years, and ratings of recordkeeper DC Advisor service



Source: NMG Consulting

Providing a quality advisor experience reduces friction and is therefore critical for retention among recordkeepers with strong market shares. For recordkeepers not yet among the giants, investments in service are an offensive strategy designed to grow market presence and advisor engagement.

Investing in advisor support

Our analysis shows that focusing on advisor service and support is a powerful strategy to both retain and expand market share. While price and product offerings are certainly important, they alone are not sufficient. Investing in the advisor experience, particularly in areas like sales and practice support, can differentiate recordkeepers and foster stronger advisor relationships. For market leaders, it helps solidify their position; for smaller players, it provides a crucial lever for growth. For those who opt not to invest in DC advisor relationships, the data presents a clear cautionary tale.

Understanding both explicit and implicit needs is important, and our findings suggest that the stakes are high. The imperative for recordkeepers is to discern what is truly important to their DC advisor clients and what is not, while recognizing that not all DC Advisors want or need the same things.



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