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BMGT 495

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Mentor Assignment

1. Finance
2. Wealth Management
3. Porter’s Five Forces
4. Kenneth Long. <https://www.linkedin.com/in/kenneth-long-22285713/>
5. Mr. Long expressed that certain elements from Porter’s five forcers are vital to understand in the field of wealth management. First it is important to understand the bargaining power of customers. Clients have large amounts of power over advisors and can leave if they don’t feel that they are receiving the best service. That is why it is vital for financial advisors to have strong customer service skills.

Substitutes also play a key role according to Mr. Long. Substitutes such as banks, insurance companies, and even online resources are easily accessible to potential clients. That is why it is important to demonstrate the possible benefits that you can bring to the table.

Lastly, rivalry is a crucial factor. Whether you are private or work for a large firm, it is important to remain ahead of your rivals by strong client relationships and networking. Clients can easily switch to a rival therefore it is always important to provide clients with the highest care.

1. Porter’s Five Forces – Wealth Management

* Threat of New Entrants
* Customer Loyalty: Existing players have an advantage from the client relationships that they created. Loyal customers will stay with their current provider rather than switching to a new one.
* Reputation: Established companies and private financial advisors are also able to rely on existing reputation to help them gain new clients.
* Economies of Scale: Customers can range from 20 year old’s to 65 year old people looking to maintain wealth management. Must people who don’t have a financial advisor could be convinced to become a client with good advertising.
* Buyer Power
* Who are they: Anyone looking to receive advise on financial issues can be a customer. Mainly it comes from those who are going through major life moments such as marriage, new baby, buying a house, and retirement.
* Are Services Differentiated: Every service is different in this industry. Individuals are able to provide financial advice as well as larger firms.
* Supplier Power
* Who are they: Mutual funds, hedge funds, and for big companies their advisors. All of these factors provide information that is used to advise clients.
* Concentration: There is a large number of suppliers for this industry. Firms can hire more advisors and there are an ever-increasing number of mutual funds and hedge funds.
* Power of Rivalry
* Who are they: Large companies such as Goldman and Sachs are rivals with each other as well as large companies. Each company competes for clients as well as with smaller companies.
* Industry Concentration: There are a rather large number of firms with an even larger number of smaller individuals who offer wealth management services. Therefor there are not just a few firms who dominate the market.
* Industry Growth: The industry will most likely remain constant with not very much room for growth.
* Threat of Substitutes
* What are they: Substitutes can range from banks, and insurance companies, even to the knowledge consumers can gain from computers.
* Switching Costs: There are low switching costs involved. Consumers can easily look for advice from computers or friends for free but they wont be receiving the best possible solution. Banks and insurance companies can further offer plans to aid in money management.