Edwards Jones 2006
Case Analysis

Next Step Consulting
Industry

• Industry SIC Code: 6211 Security Brokers, Dealers, and Flotation Companies

• Establishment that deal with:
  • Securities
  • Mutual and money market funds
  • Investments trusts
  • Investment advice
Problem Identification

• How does the company deal with the changing landscape of competition?
  • Online companies
  • Customers requiring more complex products
  • Investors also want to maintain quality service and relationships with Financial Advisors.
  • Customers have more knowledge.
SWOT Analysis: Strengths

• Unique hiring and training practices
• Strategy that focused on high quality product offerings
• Served individual investors.
SWOT Analysis: Weaknesses

• Conservative - No high risk/high yield investment
• Slow to adapt to technological changes
  • No online trading offering.
  • Recently started using email, limited internet usage
• Poaching of Edward Jones Financial Advisors
SWOT Analysis: Opportunities

- Increase firm coverage
- Implement online features and focus on offering new products
- Target a more diversified audience
SWOT Analysis: Threats

- Increased competition from online discount brokers
- Losing many employees to competitors
- Increased in new online technologies
Edward Jones’ Strategy

• Focus, Differentiation
  • Personal Interaction between customers and FA.
  • Does not offer a Call Center
  • Focused on non risky investments (mutual funds)
    • Avoid high risk investments (penny stocks, options, and derivatives)
  • Branch locations are in convenient, high traffic areas.
Customer Analysis

• Serves only individual consumers.
• Focused on all market sizes.
  • Historically focused on rural and suburban areas.
• Customer Segmentation:
  • Retirees
  • Pre-retirees
  • Small-business owners
• Customer Equality
Edward Jones Core Competency

- Diversity
- Providing a personalized and secure experience.
- High quality municipal and Corporate bonds.
- Exceptional Customer Service experience:
  - Rated #1 in customer satisfaction in 2006.
Porter’s Analysis

• **Threat of New Entrants – Moderate - 3**
  • Low entry barriers
    • Technology increases information availability, E-trading and online brokering
    • Falling costs margins, discount brokers
    • 19% self-directed, 81% validator, delegator
    • Ex) Charles Schwab, Scottrade, TD Ameritrade
  • Access to distribution channels
    • Mutual funds – revenue sharing

• **Threat of Substitutes – Moderate - 2**
  • Financial planning firms (Series 66)
    • Ameriprise and other firms
    • Greater fiduciary standards and broker qualification
Porter’s Analysis

Bargaining Power of Suppliers – Moderate - 3

• Suppliers are FA’s
  • Productive FA’s are highly sought after
  • FA sees high levels of turnovers
• Selling power is high
  • Top brokers are recruited heavily, offered 200% bonus on commissions
  • Strong client relationships can add significant value
• Threat of forward integration
  • Brokers are largely independent
• No threat of backward integration
Porter’s Analysis

Bargaining Power of Buyers – Low – 1

- Many buyers, low concentration
  - Individuals vs institutions
  - Lower buyer volume
- Low value density
  - Revenue based on completion of transaction
- Switching costs
  - Liquidation penalties
  - Broker relationships
- Many providers
  - Availability of FA’s
Porter’s Analysis

Industry Rivalry – **High - 5**
- Broker-centric industry
- No product differentiation
- Highly concentrated, numerous competitors
- Variable growth rates – surges
- Competitive pricing
  - Flat vs Tier fee structures
Porter’s Analysis

- Threat of New Entrants: 3
- Threat of Substitutes: 2
- Bargaining Power of Suppliers: 3
- Bargaining Power of Buyers: 1
- Competitive Rivalry: 5

Total: 14

/ 25
Alternative 1: Focus on High-Net-Worth Individuals

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<tr>
<th>PROS</th>
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<tr>
<td>More revenues</td>
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<tr>
<td>Higher AUM</td>
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<td>Increase reputability</td>
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<table>
<thead>
<tr>
<th>CONS</th>
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<tbody>
<tr>
<td>Tiered customer service</td>
<td>-3</td>
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<tr>
<td>Deter traditional Edward Jones investors</td>
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<tr>
<td>Increased competition</td>
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Total: 2
Alternative 2: Establish Client Call Center

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<tr>
<td>Quicker access for less sophisticated requests</td>
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<tr>
<td>More focus on larger portfolios</td>
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<tr>
<td>Greater availability to customers</td>
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</table>

<table>
<thead>
<tr>
<th>CONS</th>
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<tbody>
<tr>
<td>Abandoning mission statement</td>
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<tr>
<td>Tiered Customer Service</td>
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<tr>
<td>Under service traditional clients</td>
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Total: -3
Alternative 3: Offer a Wider Range of Investment Product

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<td>Cater to more sophisticated investors</td>
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<tr>
<td>Deepen the share of client’s wallets</td>
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<tr>
<td>Greater incentive for FA to stay with firm</td>
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<table>
<thead>
<tr>
<th>CONS</th>
<th>Score</th>
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<tbody>
<tr>
<td>FA needs additional training</td>
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<tr>
<td>Moral Hazard</td>
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<tr>
<td>Traditional investors may question strategy</td>
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Total: 4
Recommendation

- Wider range of Investments
  - Greater complexity
  - Weddle’s biggest concern

Edward Jones
MAKING SENSE OF INVESTING
Implementation

• Additional training for segments 4 & 5
• Reach out to accredited individuals
• Promote Products
## Implementation Issues

<table>
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<tr>
<th>Issue</th>
<th>Solution</th>
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<tbody>
<tr>
<td>Straying from Core Values</td>
<td>Overburdened Segment 4 &amp; 5 FAs</td>
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<tr>
<td>Changing investment environment</td>
<td>Increase this segment by training segments 1-3</td>
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Thank You

Questions?