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Dealer group consolidation debatable

Boutique model still popular

Julie May

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A number of planners have signalled that they expect a lot of consolidation among dealer groups, particularly at the smaller end of the market, according to new figures from Investment Trends.

The May 2010 survey revealed that out of nearly 500 respondents, 40 per cent of planners expected consolidation among smaller dealer groups, while 33 per cent expected larger dealer groups to take over smaller ones.

Broking firms, however, did not expect to see the same level of consolidation as planners.

Broker firm Centurion Market Makers director Wayne Marsh said there would be some consolidation by large and small dealer groups, but he did not expect there to be a lot.

"The reason we have smaller boutique licensees is because people inside them want independence and they want to retain their unique business models," Marsh said.

"I think smaller boutiques would only consider a merger if there was a good cultural alignment between groups and as a way to benefit from increased economies of scale, cost reductions or a new capability that the other might be able to provide."

Marsh said he expected to see a reduction in larger dealer groups taking over smaller ones, as many smaller groups had been established on the basis that they liked their status and independence.

Likewise, unless smaller dealer groups had developed a business model that was of strategic value to a larger group, acquiring them wouldn't make much of an economic impact, he said.

"The dealer group landscape is currently characterised by large institutional licensees and small boutiques, with the middle ground progressively disappearing over the last three to five years through acquisition," Marsh said.

"If anything, I think some of the larger and more innovative firms within larger licensees could consider establishing boutiques or their own licences to have more control going forward."

Kenyon Prendeville director Alan Kenyon said in an interview in April that due to the sheer size of some of the larger institutions, it could become very difficult for them to be flexible enough to accommodate the more entrepreneurial and broader offerings that some planners working in the top end of the boutique market require.

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