

**MEMO# 8805**

April 17, 1997

## **1997 RESEARCH ON SHAREHOLDER SERVICE QUALITY**

April 17, 1997 TO: PRIMARY CONTACTS - MEMBER COMPLEX No. 24-97 RESEARCH COMMITTEE No. 5-97 INDUSTRY STATISTICS COMMITTEE No. 4-97 DIRECT MARKETING COMMITTEE No. 9-97 SALES FORCE MARKETING COMMITTEE No. 9-97 SMALL FUNDS COMMITTEE No. 6-97 OPERATIONS COMMITTEE No. 11-97 TRANSFER AGENT ADVISORY COMMITTEE No. 17-97 BROKER/DEALER ADVISORY COMMITTEE No. 7-97 RE: 1997 Research on Shareholder Service Quality

For more than a decade, the Investment Company Institute has conducted many market research projects on behalf of its members. From time-to-time, projects are undertaken that benefit a specific segment of Institute members. In such instances, those companies interested in the research are asked to share in the research cost. This year the Institute is planning a participant-financed study of shareholder service quality, previously conducted in 1994, and is pleased to invite your organization to participate. Background In order to determine shareholder perceptions of the quality of service delivered by the mutual fund industry, the Investment Company Institute executed a study in 1994 of mutual fund shareholders on behalf of participating companies. The 1994 Shareholder Service Quality Study demonstrated, among other findings, that mutual funds deliver the best overall service compared with other financial intermediaries. The findings also concluded that service quality impacts shareholders perceptions of their satisfaction with their investment, and more importantly, their subsequent investment behavior. This research is being repeated in 1997 for Institute members who decide to participate. Benefits to Participating Companies Providing quality shareholder service is an important element in the operation of a successful mutual fund. There are many reasons for promoting top-quality service for shareholders: to build shareholder loyalty, which can result in the purchase of additional funds and/or increase balances in current funds; to produce recommendations from shareholders to friends and family for purchase of funds; and to develop a positive service image to differentiate products in an increasingly competitive market. The 1997 Service Quality Study's findings will establish an industry-wide benchmark from which individual fund companies can conduct a parallel study of their own shareholders for comparison. This ability to do a parallel study will provide unique opportunities for comparison because the same questionnaire and analytical programs will be available to participant companies as to the Institute. Scope of the Research The main purpose of the 1997 Shareholder Service Quality study is to measure the overall quality of service provided to shareholders by mutual fund companies, and to evaluate shareholder perceptions and expectations of mutual fund company telephone, mail, and personal computer-assisted service. Based on shareholders most recent service experience, the evaluation will include their assessment of the fund companies range of services, the quality of service provided, and a close

examination of service problems with mutual fund companies. Focusing on their most recent service experience, specific objectives of the study include the following: To identify shareholders assessment of the quality of service provided by mutual fund companies relative to other financial intermediaries; To identify shareholders awareness of the range of services provided by their mutual fund companies; To identify shareholders expectations of the types and frequency of services provided; To identify the types and frequency of services shareholders use; To identify whether the types and frequency of services shareholders experience satisfy, fails to meet, or exceeds their expectations; To determine the relative importance of service quality in the decision to invest, whether it affects decisions to increase or withdraw their investment, or to recommend the fund to others; To identify which of several components of service (e.g. making it easier to conduct transactions, having friendly employees, etc.) are most important to shareholders and to assess which determinants offer mutual fund companies the greatest opportunities to improve service quality; To identify shareholders assessment of mutual fund company telephone, mail, and personal computer assisted service. The study will utilize random digit dialing to obtain a sample of 2,800 respondents who have had a service experience for long-term mutual funds in the last twelve months. The study will actually comprise two distinct surveys, one measuring shareholders views on mutual fund service quality versus other financial intermediaries, and the second measuring shareholder service and problem episodes. No mutual fund company will be identified in the findings since the data will be reported for the industry as a whole. A full proposal is available, should you wish; call 202-326-5919. Participant Fees Only companies that agree to participate in this study will receive its results. The cost of the research on the Shareholder Service Quality Study will be shared by the participants in proportion to their mutual fund assets under management as of December 1996. The costs below do not include the parallel research which has been costed by our vendor to give a participating fund company a reasonable base cost, with the opportunity to add custom modules. The overall cost of the industry study meets the direct and indirect costs incurred by the Institute. This cost will be assigned to each participant using assets under management as of December 1996 as estimated in the following schedule.

Total Fund Assets as of December 1996	Participation Fee
Greater than \$50 billion	\$12,500
Between \$20 - \$50 billion	\$10,000
Between \$10 - \$20 billion	\$8,500
Between \$2 - \$10 billion	\$6,000
Between \$250 million - \$2 billion	\$4,000
Less than \$250 million	\$2,500

ICI members wishing to participate in the study must indicate their support before May 2, 1997 by completing the attached form and forwarding it to James Erceg. Fees must be paid before delivery of the final report, which is expected to be in late 1997. Responsibilities Companies that agree to participate in the research on the Service Quality Study will need to : Assign a manager to serve as a point of contact with ICI on this project; Agree that ICI members who do not participate in supporting this research will not receive the final report; and Agree to pay the proportionate share of the cost of the study. Action Requested Please note that this letter has been sent to participants of each Institute committee listed on this memorandum and thus may have been sent to others in your firm. So that we may proceed with this project as quickly as possible, it is important that we hear from you promptly as to your interest in participating in the research on the Service Quality Study. Please return the attached form to the Institute before May 2, 1997 via fax at 202/326-5924 or by mail to indicate whether or not your organization will participate. Please contact James Erceg, who will manage this project, at 202/326-5919 if you have any questions regarding this important industry project. Sandra J. West Director, Market and Policy Research Attachment

**INVESTMENT COMPANY INSTITUTE 1997 SHAREHOLDER SERVICE QUALITY STUDY**

Participation Form CHECK ONE: ☐ The organization listed below agrees to participate in the 1997 Investment Company Institute Shareholder Service Quality Study. The obligations are to 1) assign a manager to serve as a point of contact with ICI on this project; 2) agree that

the final report will be available only to those ICI members who participate in this research; and 3) agree to pay the appropriate participant fee. [ ] The organization listed below will not participate. COMPLETE: ORGANIZATION: \_\_\_\_\_

ADDRESS: \_\_\_\_\_

\_\_\_\_\_  
RESEARCH CONTACT:

\_\_\_\_\_  
TELEPHONE NUMBER:

\_\_\_\_\_  
Authorized Signature

\_\_\_\_\_  
Name -----

----- PLEASE RETURN THIS FORM TO: James

Erceg Research Analyst, Market and Policy Research Investment Company Institute 1401 H  
Street, N.W., 12th Floor Washington, D.C. 20005 Fax: (202) 326-5924 Phone: (202)  
326-5919

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