# Designing a First-Iteration Data Warehouse for a Financial Application Service Provider

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## EXECUTIVE SUMMARY

This case study will describe the efforts behind designing a first iteration of an evolutionary, iterative enterprise-wide data warehouse for AIIA Corp., a financial application service provider. The study demonstrates the importance of the following steps during a data-warehousing project: a well-defined mission, effective requirement collection, detailed logical definitions, and an efficient methodology for source systems and infrastructure development.

AIIA is a financial distributor that offers separately managed account and investment products with practice management services to financial advisors through a Web-based portal that can also be configured and private-labeled for the advisors to use with their clients. Unlike most companies, AIIA offers the advisors a hybrid of investment information and technology solutions, both designed with an open architecture.

## BACKGROUND

AIIA, the company described in this case, is established on the idea of seizing changes in the following three areas of the financial industry:
1. Distribution/Channel
2. Operations (or the Business Model)
3. Manufacture (or Products)
   Each will be discussed here as they relate to the opportunity that the company filled.
1. *Distribution/Channel.*  In the past ten years, there has been a substantial migration of brokers away from the institutional brokerage houses (where they turned over large commission to their wire house) to smaller, independent shops that are fee based.  There are now over 20,000 registered independent advisors (RIAs), and this new market is growing each year. While some of these advisors are grouped into regional consortiums or independent broker dealers (IBD), the market is still relatively fragmented and distributed.  Without the tools, research, and

products of their former companies, the advisors have little infrastructure in place to reach and service their clients.

2.   *Operations (or the Business Model)*.   The second main change was the growing acceptance of the application service provider (ASP) business model. Applications could be "leased" for use over the web on a monthly basis.  For the users, this lowers the up-front cost, reduces maintenance costs, and mitigates risk;, allowing new companies to enter a market previously unreachable.

3.   *Manufacture (or Products)*.  As mutual funds became mainstream, new separately managed account products became more palpable to those with $800,000 to $8,000,000 in investable assets (note that the inefficiencies of the mutual fund are not as significant for smaller investments totaling less than $800,000, and for those with more than $8,000,000 there are other advanced products that are available).  When an investor owns a mutual fund, they own a slice of a fund in which, while managed according to some style or investment philosophy, the specifics stocks are generally unknown.  For clients with multiple investments, transparency of the funds ensures that they are not over-allocated to a particular stock or sector.  Additionally, mutual funds have an inherent tax injustice: if one buys a fund today and tomorrow sells a stock with a large capital gain, then he/she would realize the tax consequences of the gain without the appreciation in the asset.  For an investor with substantial tax planning issues, the mutual fund is problematic. Separately managed accounts retain the efficiencies of a mutual fund, allowing the manager to pool assets together, and thereby gaining the same institutional transaction pricing and ability to manage and monitor the collective assets according to a model portfolio style expert. However, separately managed accounts also allow the investor to own, see and tailor their account to handle particular tax and asset allocation nuances of the financial picture.

Together these three trends opened the door to a host of new companies, one of which is AIIA Corp. (see Figure 1).

There are companies that provide technology/applications to the advisors, and there are others that offer separately managed account products.  Some companies charge monthly for the technology, some adhere to a transaction-oriented model and others have embraced the fee-based "assets under management" approach.  AIIA is designed to offer all of the comforts of the advisors' former brokerage

*Figure 1:  AIIA's Separately Managed Account Market Space*
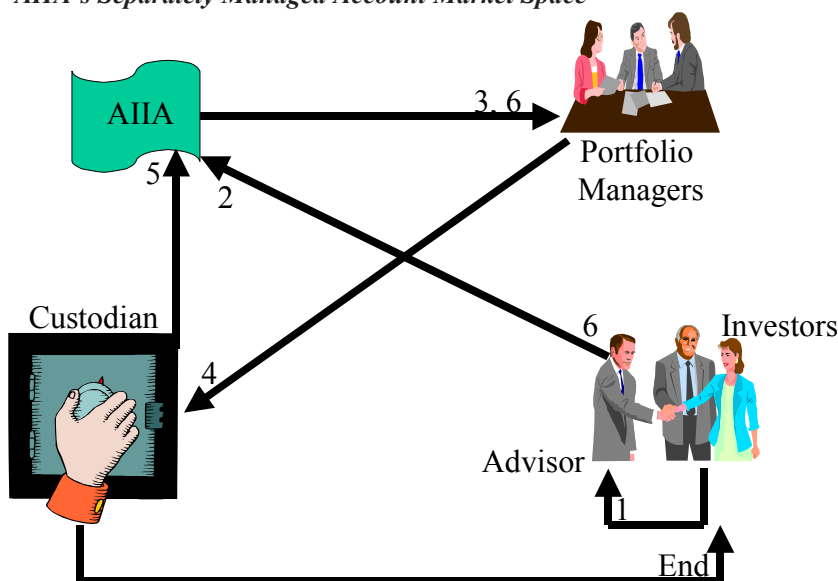
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