First Rate: The Right Balance between Customization and Core Functionality

Site:	firstrate.com
Founded:	1991
Clients:	Financial firms and institutions
Value proposition:	Adaptable and tailored solutions that focus on meeting the diverse needs of wealth-management companies and fostering client relationships.
The executive team:	David A. Stone, Chief Executive Officer & Founder Trina Stone, Executive Chairman & Founder Craig Wietz, President Emily Traxler, Chief Marketing Officer, Director Marshall Smith, CIPM, Chief Product Officer, Products Patrick Flaherty, CIPM, Director—Product Owner

First Rate aims to help financial firms and institutions to grow, create transparency, and sustain long-term relationships with investors. The company has more than 25 years of experience. I wanted to find out the secret of its success, and so spoke with Craig Wietz, President, and Patrick Flaherty, Product Owner.

We talked about First Rate and the products it offers, such as performance management and reporting. I learned how the company measures customization and how they train the development staff in business issues.

Craig Wietz has been in the wealth-management technology industry for about 30 years. He started his career at FSI in the performance-measurement division. In 1995 Craig joined First Rate, starting out as an analyst and then moving into management. In 2011 he became President.

Patrick Flaherty held a number of roles throughout the wealth-management space, from financial advisor to product manager to performance reporting manager in such companies as Informa Investment Solutions and Wells Fargo Advisors. At First Rate, Patrick is responsible for back-end technology accuracy and speed, back-office functionality, and the API framework.

Today, First Rate is used by about 500 financial institutions. The system processes up to two million accounts. There are almost $2 trillion in assets running through the system.

What First Rate offers

All products offered by the company are centered around reporting and performance measurement. Supplementary functionality includes risk analytics, goal-based supporting, fee billing, and a number of other solutions. The company provide three options for using the solutions: on-premises, software as a service (SaaS), or outsourced.

According to Craig, the company doesn't try to position itself as an all-in-one solution.

> Craig: "There are a lot of good providers out there and our positioning is that we really want to have tight integrations with these partners and be able to just offer the best client reporting with [a] performance measure[ment] piece that we can provide and just focus on that primarily. We don't try to deviate off into a lot of different things."

First Rate provide their clients with more flexibility in terms of how they want to engage with the company. All of the company's solutions are split and may be used independently. Craig pointed out that First Rate wants to give clients the choice of whether to pay for the full package or for a separate solution. The majority of clients use reporting and the calculation engine.

Partnerships and integrations

The company aims to have good partnerships and tight integrations in order to offer their clients manifold reports based on data received via APIs.

> Craig: "We offer a very flexible, decentralized way of consuming the information, but at the same time, a very centralized way of processing, validating, and making sure everybody's calculating the returns or processing the data consistently."

Among the partners of First Rate, Craig named such financial data providers as **Morningstar**, **Charles Schwab**, **Lipper**, **TD Ameritrade**, **Fidelity**, and **Reuters**. The

company has integrated with a number of CRMs—for example, **Salesforce** and **Grendel**. **SunGard** (acquired by **FIS**), **SEI**, **Infovisa**, **Innovest**, **Merrill Lynch**, **Wealth Access** are also in the list of integrated financial tools and solutions.

> Craig: "We have a very active role in integrating with more companies. I feel like that's a key there, being able to make this positioning work for our solution."

The company aims to create their own API framework to facilitate integrations with other vendors. According to Patrick Flaherty, integrations with different companies using their APIs requires much effort.

> Patrick: "There's no real consistent standard. There's not a nice, clean, consistent way where we can quickly reach out, interact with, even see if there's consistency or that the documentation matches what we're getting back."

This is why they are working on the new generation of APIs to make any data point within the system, whether it is static or calculated, available through their API framework.

Reporting without limits

First Rate mainly focus on providing reports. The system allows their clients to use information for creating a standard report package that can be run either for one account or for a group of portfolios.

Advisors can also create their own report packages by customizing benchmarks, adding their company logos, and modifying the way the reports look. At the same time, First Rate enables clients to provide different customer reports from those in the base application.

> Craig: "I always say that there really is no limit in the way that we can provide the information once it gets into our system. We can do it any and all different ways."

The team structure

Today, First Rate have five core business lines; each is independent of the others and is run by a general manager. These business lines are:

- **Products,** responsible for clients that use on-premises software. They also update and maintain the core solution.
- **Managed Hosting,** responsible for clients that use the SaaS solution. They have their own back office that maintains and processes the information, validates it, and interfaces it to advisors.
- Two **sService Bureau** groups, responsible for clients that outsource the running of the application. These groups interface directly with advisors, and identify their needs and wishes. One of these groups works with clients that use the turnkey solution; the other provides services to firms that want more flexibility and need a lot of changes and handholding. I would adjust this wording
- **Professional services,** responsible for tailoring the solution to custom needs. They do custom reporting, history conversions, integrations that are not part of the core system, and all sorts of projects that are unique for a particular client.

According to Craig, most financial institutions use 80 to 90% of the core product, but they still have some unique needs. First Rate are proud to give their clients the opportunity to use an application that bridges that gap and perfectly fits their requirements.

This doesn't mean that the company aims to provide full customization. Craig said that today customization accounts for about 10% of their business, and he perceives this balance to be efficient. This is how the team manages the core system functionality: when they undergo a lot of customizations, the custom functionality should be added to the core system.

Product management

The company is very attentive to customers' needs. Product management has become a central activity of the products group. The team studies the overall marketplace, and attends industry events in order to understand what competitors are doing, and where they are (or are not) successful. To identify the product direction, the team also gathers information from the clients, end customers, and other business lines about the needs and customizations.

The company created a group of representatives of different clients who are aware of market trends and willing to contribute. This group helps First Rate to determine the roadmap.

Patrick Flaherty spoke about the opportunity filter analysis. The products group generates ideas, then analyzes from their perspective whether each of them is useful. The team also discusses ideas with other groups to get their input and prioritize the ideas.

Software-development process

According to Craig, the majority of the software development is done within two business units—the products group and the professional services group. There are two teams that provide software development:

- The **Reporting and Analytics** team is focused on the system user interface in terms of how reports look.
- The **Performance and Integrations team** is focused on calculations, data storing, and system performance.

  Patrick: "While each team runs separate sprints and roadmaps, we do a lot of collaboration so that the front-end knows what the back-end's doing, and vice versa."

For the development lifecycle, First Rate use Agile with monthly sprints and up to three releases per year.

  Patrick: "In each release we are attempting to make sure we can deliver value. For a front-end user, it may be nice looking designs and displays or speed enhancements. But we also maintain our back-end technology, and so some of the release items are not as viewable and glamorous, but they are fundamental."

Patrick believes that they have created a very secure environment because the team puts a lot of focus on how the system performs from a speed, accuracy, and safety perspective.

Under the hood

To build the system, First Rate use mainly Microsoft products. They use **SQL** as the database language. For analytics, they use **WebFOCUS** designed by Information Builders.

> Craig: "WebFOCUS is the primary technology that we're using. It basically creates the SQL code that does the interaction in the SQL databases."

The company uses **Veracode** scanning tools to check the code for vulnerabilities.

> Patrick: "We take great pride in achieving 100% clean Veracode scans.

Human factor as the main challenge

Craig says that he considers not technology or understanding clients' needs as the biggest challenge in terms of company growth, but people.

> Craig: "We have great people at the company today, but to me, it's a matter of as we grow, how do we keep our culture in place, keep this experience with our clients ongoing."

Craig thinks that the right people with great experience really help the company grow.

Another challenge noted by Patrick is the lack of industry specific end-user experience of development staff.

> Patrick: "The team is extremely dedicated, bright and are high-value assets, but it is very hard to find someone who is working for us who within the last 10 years has also sat in an organization of one of our clients. This is a reason why we value direct client interaction and push for it across the entire team."

Patrick says that he has often to translate the CEO or COO's vision so the team understands not only what should be done, but also why it should be done.

Domain knowledge transfer

To resolve this issue, the company requires each team member to make at least one in-person client visit per year.

> Patrick: "That can be at a conference, directly with a client or that can be with another vendor of ours. But really the best way to get what the client's hoping to see is not something filtered through me or anyone else. You can do it yourself, and that's great. It's vitally important for the end results [of their creations]."

The company created First Rate University, an online portal through which they supply end-users' content, information, and knowledge about the product and the industry. This information is used for internal training.

According to Patrick, a lot of training is geared to technical aspects, as well as general industry knowledge. Developers undergo training in secure coding, performance reporting, client reporting space, etc.

As a result, there aren't many serious miscommunications between product owners and the development team.

In addition to internal training, the company encourages developers to obtain industry-specific certifications such as the Certificate in Investment Performance Measurement (CIPM).

Takeaways

First Rate is a successful company with a custom approach that leads to satisfied enterprise clients. According to the company's president, they don't have intentions to go public or be sold, and this positions them very well from a long-term perspective. They endeavor to address clients' needs and have no other business objectives that could conflict with that.

I like the way they decide when custom functionality should be added to the core system. The company don't waste efforts on doing the same customization for different clients.

What I like most is First Rate University, the platform that helps the company train their developers in the wealth-management space. This approach is similar to what we at INSART do within our FinTech Engineering Approach.

Written by Vasyl Soloshchuk, CEO and co-owner at INSART, FinTech & Java engineering company. Vasyl is also the author of WealthTech Club, which conducts research into Fortune and Startup Robo-advisor and Wealth Management companies in terms of the technology ecosystem.