

**Why financial planners
and wealth managers
can't afford to ignore the
digital world**



The Issue

“While consumers are becoming increasingly digitally savvy and are embracing technology on a daily basis, some wealth managers and financial planners are refusing to modernise their businesses. Recently published research from Roubini ThoughtLab reveals that 48%^[1] of investors will switch providers if their needs for new advisory and digital solutions are not met. What then is the outlook for those firms that fail to ‘go digital’? But, perhaps more importantly, what are the opportunities for those that get digital right? To debate the issue, we gathered together an expert panel.”

-Mark Gee, Associate Director, MRM.

Our discussion highlighted the following:

- Firms that don’t embrace digital technology risk becoming inefficient, and they could also lose assets and clients.
- Digital technology enables better engagement with clients, allowing a more personalised service to be delivered.
- All client segments can benefit from technology, not just young and low value ones.
- Technology can’t be looked at in isolation - it won’t deliver the desired benefits if a firm’s proposition and operating model aren’t right, and may even amplify any problems.
- Other sectors - such as challenger banks and retail business - offer useful case studies on how wealth management firms can improve their offerings. Reports published by organisations, such as PWC, also provide practical advice on how firms can improve their digital offering.

[1] Wealth and Asset Management 2021: Preparing for Transformative Change (Roubini ThoughtLab, September 2016)

The Panel

BARRY NEILSON (BN)**BUSINESS DEVELOPMENT DIRECTOR, NUCLEUS****(WWW.NUCLEUSFINANCIAL.COM)**

Barry is business development director at Nucleus, the financial adviser-owned wrap platform, where he looks after the sales, account management and communications teams. Before joining Nucleus in January 2010, he spent 14 years working with financial advisers in a range of senior investment sales and proposition roles at F&C Investments where he was the architect behind their pioneering range of risk graded investment funds. While at F&C, he also created their innovative Trust Review Service proposition.

**GARETH JOHNSON (GJ)****HEAD OF MANAGED INVESTMENT SERVICES, BREWIN DOLPHIN****(WWW.BREWING.CO.UK)**

Gareth is Head of Managed Investment Services and joined Brewin Dolphin in 2002. He has held a number of roles in the organisation and has helped define our operational strategy and increase the efficiency of the Group's fund administration. His roles have been varied and included management roles in both the Business Support team and Brewin Dolphin's award-winning Research team.

As well as being Head of Managed Investment Services, Gareth is also a Divisional Director. In this role he has been instrumental in the launch of the model portfolio service to the intermediary market, which is now available on 11 Platforms. Gareth and the management team are responsible for the group's efforts and strategy in the intermediary space which currently has over £5bn of assets under management.

**KEVIN RUSSELL (KR)****PROPOSITION DIRECTOR, SEI, UK PRIVATE BANKING****(WWW.SEI.COM)**

Kevin, who has over 30 years of wealth management experience, is responsible for driving forward the SEI Wealth Platform proposition in the UK. Prior to joining SEI, he spent five years working in a number of consultancy and advisory roles following a 26-year career at Standard Life, where his last role was Head of Platform and E-business Development.





STEPHEN GAZARD (SG)

MANAGING DIRECTOR, SESAME BANKHALL GROUP
(WWW.SBG.CO.UK)

A financial planner by background, with subsequent experience in the full business cycle from launch through growth, merger, acquisition, restructure in AIM and FTSE PLC environments, Stephen joined Sesame Bankhall Group in 2013. With a broad background from adviser through to operations, change management, business transformation, risk and commercial, he is ideally placed to lead the Executive team. Outside of SBG Stephen is Vice Chairman of the leading Meningitis Charity 'MeningitisNow'.



ANDREW FAY (AF)

CO-FOUNDER, MUNNYPOT
(WWW.MUNNYPOT.COM)

Prior to founding Munnypot, a new automated investment advice solution, Andrew spent three years as Head of Wealth Management at Close Brothers Asset Management. Here, Andrew's responsibilities included individual financial advice, IFA distribution, marketing, the execution only platform and employee benefits. Prior to this, Andrew was CEO of Cavanagh Group PLC, a wealth management business for nearly 15 years. Cavanagh was a start-up financial advice business which grew rapidly through organic and inorganic growth and listed on AIM in 2001. It was subsequently acquired by Close in 2011.



MICHAEL TAGGART (MT)

DIRECTOR - DIGITAL AND SOCIAL, MRM
(WWW.MRM-LONDON.COM)

Michael is a director at MRM, heading up the digital, social and SEO unit. As well as more than 10 years working in and with the media, he brings with him a wealth of ideas about how businesses can leverage social technologies to improve customer service, deliver more effective marketing and build trust and loyalty.

The Discussion

Current landscape

How good in general do you think wealth managers and financial planners are at embracing digital technology?

Barry Neilson (BN): Our industry is significantly behind other consumer facing industries in using technology to engage with clients and to provide not just the same old propositions more efficiently but also more innovative, more modern client solutions. There is so far little sign that technology is being used to design and create new propositions that offer a deeper and digitally engaged level of service.

Kevin Russell (KR): Technology is only one of a number of enablers to help wealth managers provide a service which delivers value and is relevant to clients, as well as being compelling and differentiated. Technology is not therefore front and centre of the mind-set for most wealth managers, other than a select few who see their technology capability and experience as a specific point of differentiation. That said, technology, including digital technology, has a significant role to play in addressing some of the challenges faced by wealth managers.

Stephen Gazard (SG): At one end of the spectrum, we have

those individuals who are still largely paper-based with no web or social media presence and no real understanding of the changing environment. At the other end, I see a number of Bankhall clients who have fully embraced the digital landscape with web, social media and automated advice strategies that are really paying off for them. We still lag depressingly behind a number of professions though.

Barry Neilson:
"The interesting work that we are seeing is in challenger banks space. Businesses such as Monzo and Tandem are reinventing personal banking services from the ground up. These businesses are focused on the individual needs of the client, both in terms of proposition and communication."

Michael Taggart (MT): It feels like we're in the midst of revolution, not evolution. Everywhere I look, wealth managers are rolling out innovations to help their clients – new ways for them to talk to their advisers, to ingest information to understand how their actions are linked to their goals.

What types of digital innovation are they good at?

SG: One thing that can be said

for our industry is that we are adaptable. One of the areas we take for granted now is in the administration of policies. When I was involved in my first adviser practice, we had a team of administrative assistants whose sole role was ringing providers for valuations and policy details. All of this is now available at the touch of a button – we just see that as hygiene now.

Michael Taggart:
"Digital innovation is best when it's either removing an obstacle or nurturing a dream."

MT: Digital innovation is best when it's either removing an obstacle or nurturing a dream. Taking the former, there's Coutts' video conferencing service that allows clients to 'see' an adviser at any time. That's important – the best human interactions revolve around facial expressions and body language, which is a giant leap from phone calls. And, to the latter, I love Brewin Dolphin's attempts to think beyond products and services and offer gardening experiences, including a blog and Facebook competitions (which my agency MRM has worked on). Brewin knows that gardening is loved by a significant number of its clients so it's using digital to connect with them around a topic that gives them fulfilment and pleasure.

Andrew Fay (AF): They are good at providing certain information to customers and



presenting it professionally. This can be seen with product literature, fund performance, building a financial plan, providing transactions and other financial information.

BN: Cashflow modelling tools like Voyant are effective as they have helped create a much more collaborative financial planning process which has the potential to fundamentally improve the client experience.

What are they not so good at? Andrew, how do you see it?

AF: There is a need to improve the quality of relevant and consumer-focused information. Consumers want information which relates to them and their situation. Consumers also want to receive help in a way that is easy to understand.

MT: There are few, if any, wealth managers nimble or brave enough to genuinely communicate with clients in a public sphere. They could certainly be conversing around prevailing issues, like tax

or the effects of a declining currency. Yet, archaic internal compliance rules often make attempts to do this turgid and slow.

Stephen, what do you think?

SG: Planners still have an instinctive need to jump in the car and go and see someone. With the significant advances in technology this quite frequently isn't required; better use of instant chat and video could deliver far more cost effective and efficient services and actually reflect what a lot of people want right now.

For those that are not embracing digital technology, what's holding them back? Barry, what are your views on this?

BN: There are two things here, the first being comfort zone. Advisers have traditionally focused on face to face relationships and it clearly needs a reimagining of the

entire client experience to move some or all of those service elements to digital. Currently there's also an issue surrounding the inability to integrate efficiently the data from the different tools and technology that an adviser uses although this should improve materially in the coming years.

Andrew Fay:
"A good digital experience is now becoming a common part of a service and if you don't offer something which embraces technology, you can potentially be seen as being behind the times. The image of the business can also suffer if you are perceived as not embracing technology."

AF: A lack of capital to invest is a common issue and generally there is not a clear digital strategy. They also struggle to understand their customers' wants and needs and are

normally behind the curve in their digital thinking.

SG: The knee-jerk response you hear on this is 'fear', but I don't think that's actually fair. I think it's down to time and knowledge. Planners are busier than ever and rarely have time to 'work on their business' rather than 'work in the business'.

KR: Many don't have the scale or experience needed to invest in and maintain technology that supports their client proposition and operating model. The total cost of ownership makes this prohibitive and the need to employ professionals that don't directly serve clients can create conflicts.

Opportunities and threats

What are they missing out on by not embracing digital technology?

BN: Technology allows planners to engage with certain client segments that historically may not have been profitable, such as younger clients. But also, as more of the advice process ends up online, then we'll end up in a world where geographical barriers get broken down and clients will choose to engage with an adviser for their particular specialism rather than local geographical convenience. Even though I may choose an adviser that I will never see face to face, I'm happy trusting with my financial affairs because I can see very clearly they've got very relevant experience to my specific needs.

KR: For those who see technology as a key enabler to turn threats into opportunities, there are significant opportunities. It can be deployed to deliver a range of benefits, including access to new clients, particularly younger ones, new markets, lower costs via automation and improved control through integration and straight through processing. However, to achieve these, firms need to be clear why they see technology as an enabler and what the expected results are.

AF: Customers want convenience and a service which is easy to use; technology can deliver this incredibly well. A good digital experience is now becoming a common part of a service and if you don't offer something which embraces technology, you can potentially be seen as being behind the times. The image of the business can also suffer if you are perceived as not embracing technology.

SG: The capture of 'acorn' clients is the key one for me. Many customers now see social media as the natural first port of call for advice on anything. Information is cheap – in many cases free now – and during the early stages of life, there may not be sufficient complexity to encourage potential clients to engage versus 'self-serve'. Technology can help engage with this group to establish a relationship for when their worlds become more complex. We've been really slow as a profession to engage in this way. As a comparison, the charity I'm involved with has engaged with over 28 million people via social media in the last nine months.

Is introducing more technology into businesses only

appropriate for specific segments of the market? Gareth, can we start with you?

Gareth Johnson (GJ): There seems to be an assumption at times that technology and the appropriateness to customers is a simple demographics play, with technology being regarded as crucial for younger clients but not for older age segments. Segmentation in this way is misguided. Instead, we need to look at what it is the customer is trying to do. How do we use technology to make this easier and faster and more relevant to those individuals? What adds value to the relationship between business and customer and how do we use relevant technology to enhance that?

MT: There is no section of society that is not broadly moving into a digital age. Ultra-high net worth individuals are Googling more than they used to. The wealthy are increasingly more interested in reading about their investment classes online. The mass affluent and 30-something first-time savers alike, insist on keeping up to date with their accounts on-the-go, every day on fun and easy-to-use apps.

Gareth Johnson:

"There seems to be an assumption at times that technology and the appropriateness to customers is a simple demographics play, with technology being regarded as crucial for younger clients but not for older age segments. Segmentation in this way is misguided."

KR: All segments can benefit. It is however essential to tailor the solution to your client value proposition and align it to your business objectives. In this way it becomes an enabler in achieving strategic objectives, rather than a competing priority.

BN: Traditionally advisers have segmented their audience by level of wealth, but I think increasingly, they'll have to consider new streams of service proposition: a more traditional one and a more digitally led one.

If they don't make changes and become more digital, what is the outlook for firms?

BN: With the rise of online wealth management and other options for people to gain financial advice, then those who don't embrace technology may come under more competition which, at best, could lead to pricing pressure and, at worst, may lead to them losing clients and assets.

AF: It will eventually impact on efficiency, deliver a less responsive service, seem less

dynamic and gradually over time appear behind the times to new and existing clients. It is likely to be harder to stimulate efficient growth and remain as competitive.

SG: There is a real danger here that we will see a drive to lowest cost which would be a mistake. Those who don't adopt could get left behind.

Is digitalising a business a threat for firms as well as an opportunity?

KR: Yes it is. Digitalising a firm will amplify any imperfections already present in the business, so it cannot be looked at in isolation.

AF: Any business which strategically decides to invest in technology will venture into significant areas of risk, so a comprehensive plan incorporating the risks and key drivers will be critical. Also, any half-hearted approach will almost certainly not deliver the appropriate value back to the business.

SG: This is a risk if it's not done correctly. The choice of the

right technology is crucial but prior to that, you need a very clear understanding of what you want from it. I've also seen firms spend all their time designing and developing technology solutions and forgetting they still need clients.

Best practice

How can firms make efficient use of technology while also providing clients with a personalised service?

GJ: "Efficient use of technology" and a "personalised service" are not mutually exclusive. A great digital strategy harnesses the power of technology to improve the personalised service and should be seen as complementary.

BN: Indirectly, technology can be used to provide clients with a more personalised service by increasing efficiency and cutting down on the time spent doing basic administration. However, technology can



also be used to communicate with clients and provide the information that clients require in a much more segmented basis, by really considering the needs of audience micro-segments.

Stephen Gazard:

"There is a real danger here that we see a drive to lowest cost which would be a mistake. Those who don't adopt could get left behind."

SG: For me, technology is about delegating repeatable processes to free up time to spend on the real value adding aspects.

KR: There are a raft of solutions out there using technology simply to enable clients to buy an investment product, but more are emerging that offer the opportunity to understand investment options, explore financial goals, develop personal targets, implement solutions and track performance. The use of gamification and user centred design is making services more attractive to consumers, offering something they can also see as fun and easy to do.

Michael, what are your views here?

MT: This is like asking an 18th century industrialist how they can make use of steam power while continuing to manufacture. Both are necessary if one is to move with the times. Good use of prevailing technology will always pay dividends – in any industry – all other things being equal.

Where should wealth managers and

financial planners look for help in giving their businesses a digital overhaul?

BN: The interesting work that we are seeing is in challenger banks space. Businesses such as Monzo and Tandem are reinventing personal banking services from the ground up. These businesses are focused on the individual needs of the client, both in terms of proposition and communication.

KR: I think a digital overhaul paints too stark a picture of what is needed. Firms need to think about whether their existing operating model and proposition is sustainable, whether it will remain attractive to clients, and whether they can afford to run it and achieve their objectives. Looking at their business in this way will help to pinpoint areas where change could improve things and technology is one option open to firms to explore the contribution it can make.

Kevin Russell:

"Digitalising a firm will amplify any imperfections already present in the business, so it cannot be looked at in isolation."

GJ: Retail is an obvious example since we, as consumers, have moved away from shopping on the high street to more internet based shopping. Firms such as Boots have an enormous amount of useful data on their customers through their loyalty card scheme. They can then enrich that data with relevant offers to the customers but also, to product suppliers. Utilising big data in a way that enhances and provides a

more personalised service to customers would be a good start.

SG: The first step should be to engage with a consultancy firm who can help understand the opportunities that are out there and then work with them to embed the right solutions.

If there was just one thing that firms could do to become more digital what would it be?

BN: Firms should segment their client base, think about the different communication requirements and then use technology to vary their communications depending on the client segments.

KR: Wealth managers should start with their clients and understand how they want to be served. Explore options with them and take their feedback on board. You might be surprised what they tell you.

GJ: Firms should ensure that they have a Director of Digital influencing the very top of their business.

AF: Consider getting an independent assessment from an external company with a strong track record to help analyse the key deliverables which resonate with consumers' behaviour and their goals. A firm should avoid thinking they have all the answers and they know all the things customers need – because they most probably don't.



MRM is a multi-disciplined public relations consultancy, providing award-winning communications solutions for companies, organisations and individuals operating in and around the financial services sector.

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