

Is Defaqto the 'de facto' standard for research?



Continuing his exclusive series for *Professional Adviser*, Mark Loosmore from technology consultancy AT8 Group analyses Product and Funds tools for advisers. In the next few weeks, Mark will select a tool currently available to UK IFAs and assess its strengths and weaknesses. Our aim is to help advisers compare and contrast solutions so they can identify the tools that may be most suitable for their businesses. **This week: Defaqto Engage**

The RDR has once more brought into clear focus some of the polarisation issues in the financial services market. Those distributors that wish to retain the truly 'independent' label will now need to show they have reviewed and assessed products from across the whole of the market – not just a few preferred providers.

To do this, and to demonstrate having done so, the product and funds research tools are likely to gain increased prominence. AT8 recently undertook a review of a number of the major solutions in this technology area. One such tool was Defaqto Engage from Defaqto and we will be covering others in the coming weeks.

Defaqto is an established company that has been in operation since 1994. However, it went through a substantial change three years ago when it had a change of management and launched its core product Defaqto Engage. It now has 7,000 users from 3,500 firms and sees itself as the market leader.

Breadth of research

Part of Defaqto Engage's appeal is undoubtedly its breadth of research. As we had expected, it covers life, pensions and investments, but it also covers banking products and it claims to be one of the only research tools to provide general insurance comparisons at a product level rather than price. The breadth of its research is made possible through its 60-strong research team – many of whom are from previous roles in financial services, including advisers.

The product takes the user through five stages of research:

- Collection of client information
- Product type selection
- Product analysis
- Product selection
- Report creation

The data collection and

product type selection are straightforward processes that are quickly passed through. The level of data collected can be very minimal and the product type selection is a simply tick list. Therefore, to get to the product analysis section only takes a few minutes.

The product analysis stage is a little more complex but can still be quite quick. However, there is a very long list of items that can be brought into the comparative analysis, to be used or switched off depending on what the adviser believes is important to a customer's product selection.

That having been said, it is also possible to create benchmark templates of items upon which to apply current and future reviews (determined at the company level or at adviser level). In order to sift/filter the products that will be considered, it is then possible to rate and weight by degree of importance, so for example consider financial strength, or administration service etc.

There are two ways the products can be compared – first a straightforward factual feature comparison, the second they call data numerical analysis (DNA). The DNA comparison is a proprietary Defaqto methodology that enables points to be allocated to the different features and then provide rankings to be made from calculations run against these points – for example select the products with more than 30 points.

Once the sifting criteria is defined the selection routine is run and a list of the products meeting the criteria is displayed. These lists can be displayed as textual data or they can be compared graphically. They can be further refined by tightening the criteria at product or at fund choice and/or performance level.

Information gathered through



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the system, such as the lists of products, the graphs or the selection criteria can be clipped and added to the final report. Defaqto has links with the adviser's preferred portals (although Weblines was not on the list). When the analysis is complete, the system will create a final personalised report for the client.

In addition to the Defaqto report, Defaqto has signed a partnership agreement with ATEB Consulting, which markets a suitability report tool enabling the distributor to create its own suitability letters quickly and efficiently.

Integration

It is worth mentioning a few

value adds beyond the core functions of Defaqto Engage. Defaqto has recognised the importance of integrating their solution to other parts of a distributor's infrastructure. We have written many times about the frustrations of stand-alone tools that force users to rekey data. Defaqto has therefore integrated its solution to several of the leading Back-office solutions including 1st, Plum, Bluecoat, CCL and Quay, as well as the portals integrations mentioned earlier – namely Exweb and Assureweb.

Another value add that Defaqto promotes is the research papers it produces. The research teams regularly cover a range of topics, such as multi-manager

funds, and these are provided free of charge to clients.

A logical choice

Defaqto Engage is a comprehensive product that shows the strength of its research heritage acquired over many years and so provides real benefits to IFAs. It isn't the most engaging tool visually, but it does what it needs to in a logical way, though there are some aspects of its complexity in selecting the 'issues' and sifts that may put some people off.

However, to a practiced user, it will provide a quick way of adding real value to clients wanting to deliver ad show that they provide whole of market advice.

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