

Technology Roundtable

How can IFAs harness technology to their clients' best advantage?

Part two of AT8's recent Technology Roundtable, sponsored by Sammedia, sees industry figures discussing the ways in which consumers use IT to manage their finances

Ross Dunlop, head of retail e-commerce at Standard Life, kicked off the second part of the discussion by saying technology is not just about the initial product purchase, and there is substantial benefit for the use of technology in servicing clients.

Verona Smith, Cofunds head of proposition, agreed. She said: "Viewing information on the product is important. It is about using the technology to empower the consumer to stay up to date with the status of the products, and to make changes when they want to."

This sentiment was echoed by Tessa Lee of Sammedia. She said: "It is about the accessibility of the product that has been purchased. Servicing face to face or remotely builds the long-term relationship, particularly for IFAs if they can deal across multiple product providers, giving the client a single place to go to for their information."

Aligning services to needs

Adrian Bishop, head of e-commerce at Scottish Widows, illustrated how he felt it was possible to align the services correctly to the clients' needs to both reduce costs and improve service.

"Last year, as with most product providers due to market turbulence, we had a huge surge in queries about the value of clients' policies," he said. "Through guiding people to our electronic contract valuations, we were able to show clients their position as it stood that day. This actually is a one-call opportunity to rebuild the customer's faith in the company and product in an environment where companies have traditionally not proactively provided data and know they can't afford the call to stay on the line too long before the profit from that product has gone.

"Providing information and context to explain the position calmed the situation and gradually the nature of the queries changed from: 'I need a valuation to cash in my product' to being more about where the client could find different types of information to keep them informed of the situation. There has been a continued growth in the number of existing clients accessing information online, particularly over the past year where they wanted to see what the changes in the stock market has meant to their financial position."

Bishop added that any restriction of that growth across the industry was due to a lack of supply not a lack of demand.



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Scottish Widows

He said: "It is important to provide the information to the clients in a manner the customer is already familiar with engaging on a regular basis. So, from Lloyds' perspective we know customers are coming online regularly to look at banking transactions, so we need to bring the investment products into this same environment, not in a separate product silo."

The self-serve model

As the discussion progressed, it was clear the product providers in the room did not see a self-serve business model conflicting with the advice model. Self-serve may be direct with the product provider but was equally seen as accessing data through an IFA. Even when it was direct with the product provider, it was considered to be in synergy with the IFA channel.

It was generally felt there are plenty of customers who use both advisers and self-serve. It is tempting to think this is at the high-net-worth end of the market, but the group believed if you

dug beneath the surface, it does go beyond this particular segment. Where clients are confident in their need and product solution, as with ISAs, they will be willing to self-serve. But where they need advice they still go to their trusted adviser.

Benefits of online finance

Why should IFAs and other distributors use technology to engage clients? Technology was seen as helping not just with sales and servicing but to identify and attract clients in the first place.

Ross Dunlop explained: "Technology offers the potential to generate leads, even where the execution may still happen via the adviser or on the phone. Social Media can, for example, be a big help here. Online advertising is where the money is now going: spending has now overtaken television advertising and is expected to overtake printed media soon."

Bishop said: "It is about inclusion verses exclusion. Consumers simply expect to be able to connect with their advisers electronically. They use

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technology in all other aspects of their life, so why can't they in finance?"

LV= head of pensions Ray Chinn said: "Using technology to provide an ongoing service also helps them with their TCF requirements to demonstrate the ongoing service to clients when receiving an ongoing fee. It is not a 'get out of jail free card', but if they are adding value to the client through technology it will be far easier to justify fees: it de-risks their business in many ways."

Danny Wynn, L&G's commercial director, felt the most valuable thing we can do on the internet is education because: "It is what the internet is good at."

He added: "At the moment, our education approach is that we have a product, and this is why you should buy it: nothing about explaining a need, and it is full of industry jargon, too."

A good illustration of how to address Wynn's point is Partnership's re-development of its website. It is currently rebuilding its web presence from the ground up, starting with a blank piece of paper. Partnership is challenging what words should be used and what shouldn't, replacing words with images, wherever possible. Again, it is focusing on keeping the information relevant, as suggested at the start of the debate.

Wynn added: "One of my big hopes is that technology can help look after the mass market, including those who are already engaged in the market but who may get disenfranchised if advice is priced beyond their reach and in helping the industry to engage effectively with new clients, too."

Another area where technology was seen to add value was in supporting group business. Bishop felt this was a growth area, saying that the Scottish Widows offering *MyMoneyWorks* is helping to address this.

"The technology emphasis here is less about selling product and rests heavily on education, which appeals to the adviser, employer and employee alike. Keeping the service relevant is again key to allow access to bank accounts, payroll information, and education is what is needed."

Smith concluded: "Technology should enable the adviser to deliver more by doing less."

RDR impact

At the moment, no roundtable discussion would be complete without discussing the impact of the RDR, so the group turned its attention to the market post-2012. There was a general consensus the high-net-worth clients would continue to need – and demand – face-to-face service post-RDR, and in general they would be willing to pay for the service. The question was posed about whether the mass market would also pay fees.

Wynn said: "Post-RDR there is real concern that many clients simply won't pay the fees therefore creating an underserved market. Legal & General has done extensive research in this area, and it is not as bad as some fear. When asked, 50 per cent of our clients said they would pay fees. This is in a world where fees aren't yet widely adopted. If we ask IFAs who have already made the transition and have already thought

about justifying fees, the drop-off is far, far less. Whether this will lead to an underserved class of clients depends on two factors: the ability of IFAs to position the value of advice and the exodus of IFAs from the mass market, because it is too costly to operate in that space.

"What is clear is that there are not enough high-net-worth clients to sustain the current number of advisers in the market and that post-RDR, advisers will need to continue to engage the mass affluent segments in some manner, too."

Tiered service levels

Dunlop stated, to the agreement of all, that this would lead to a tiered range of service levels. Wynn agreed strongly with this. He said: "We will see tiered service levels such as Platinum, Gold, and Silver, for example. At the top end, the clients will most probably want convenience and a high touch, face-to-face service. At the bottom end, advisers may be able to afford only to offer email newsletters and links to automated portfolio services, with a client visit limited maybe to once every three years. The pressure is to know your clients well enough to segment your client base, and few in the industry currently do this well enough."

The profitable touch points

A commercial overlay to the debate was added by Wynn. He said: "Some of the least profitable clients for product providers are those that have the most touch points: not only are they costly to support but they are often the clients that switch products and therefore have low persistency. Conversely, for the IFA, the clients that have the most touch points are usually the most profitable, as they develop the relationship and upsell more products."

Lee agreed. She said: "IFAs are positioned to



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Danny Wynn, L&G's commercial director (pictured right)

see the potential in those clients: the long-term value. If they can use technology to draw information from the clients, getting them to update their portfolios and understand their spending patterns, this becomes really powerful, because advisers can spot when clients move from one client segment to another."

Wynn cautioned: "The cost of maintaining a relationship of 10 or 15 years to get to the point a client has enough wealth to become profitable is discouraging many from building long-term relationships: £30 premiums just aren't cost justifiable."

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Improving client experience

There was general consensus in the debate that consumers increasingly want to use technology more when managing their finances. The benefits of doing so were thoroughly debated but rarely contested. The disappointment in the room was clearly over the level and relevance of technology solutions in the market today.

Product providers and IFAs were seen as being behind the times compared with other industries, and indeed when compared with the financial services sectors in other countries. The situation is clearly changing. Partnership's web offerings and MoneyInfo were held up as strong examples of simplifying traditional processes to improve the client experience.

As the opportunity and need for better online services becomes clearer, it will be fascinating to see how the UK finance industry responds.

The Aviva Wrap – offering over 1,500 funds from more than 80 fund managers – is designed to help you be ready for RDR.

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