



Unlocking the Wealth within the Advisor-Investor Relationship

Whitepaper

Abstract

How do investment firms ensure they are more in touch and engaged with their clients? How do they ensure that they have empowered advisors who deliver a superior customer experience at every touchpoint—from prospecting to cementing a long-term relationship with the firm? The answer rests in digitally enabled advisors with integrated organizational systems, which can provide prospects and clients alike a superior experience at every stage of the customer life cycle. In an increasingly complex and evolving business environment of regulatory changes, shifting customer expectations and operational challenges, it is imperative that advisors are optimally equipped with digital tools to seamlessly interface and function between the clients and the firms.

The Digital Chasm: Gaps in the Investor-Advisor Relationship

The demand for wealth advisory and management is growing manifold. The continuous growth is driven by an aging demographic, new wealth created in emerging economies, and increasing financial investment options. There are approximately 75 million individuals in the US—comprised of the Baby Boomers, Gen X, and Millennials. Many of these investors represent Generation D, the digital generation. They are educated and digital literates who represent \$ 27 trillion in net worth. Of these, 35% are advice-driven, 41% are self-directed, and only 12% have investment knowledge and know-how. Also, they are more comfortable using digital tools. These factors are making wealth management more complex and driving change in the existing service model.

The opportunities in investment and wealth management are obvious, and so is the demand for wealth management services. The global wealth held by High Net Worth Individuals (HNWIs) was expected to grow 6.5% annually to \$ 55.8 trillion by 2015. The Asia Pacific region was expected to grow at a Compound Annual Growth Rate (CAGR) of 9.8 %, the Middle East at 6.8%, Europe at 6.2% and North America at 5.7%.

As financial institutions strive for business growth, they face multiple challenges today with an increasingly complex business environment. Competition is intensifying and there is a marked shift to discount

brokers and Registered Investment Advisors (RIAs) while regulatory control has increased. An increased churn of investor(s) per advisor has added to the margin pressure that has persisted due to successive global financial crises.

In this volatile environment, wealth management firms need to adopt innovative and disruptive technologies to provide financial advisors with better tools so they can understand, service, and communicate better with their clients. Many firms are leveraging social media, mobile technology, cloud computing, and data analytics. However, they are still searching for effective wealth management business models—ones that can consolidate and add value to the investor-advisor relationships, with a ripple effect on investor and advisor retention, an increase in return on investment (ROI) and business growth.

Financial Advisors from Generation Cohorts

- ◆ 17% Boomers, 52% Gen X, 24% Millennials

Heavy Technology Users

- ◆ Computers: 94%
- ◆ Smartphones: 93%
- ◆ Tablets: 80%

Advisors using Digital Channels (when available) with Clients / Peers

- ◆ Daily social media contact with clients – 51% (54% found/converted clients)
- ◆ 54% (vs 35%) say clients prefer those channels
- ◆ Build/connect with referral sources – 61%
- ◆ Online engagement with industry peers – 54%
- ◆ High connect rates at all digital touchpoints: Facebook (>28%), IM (>24%), Text (>16%), Twitter (>33%), LinkedIn (>19%), Skype Video/Chat (>34%)

And Handle More Accounts with More \$

- ◆ 50% total account value > \$ 20 million (+130%)
- ◆ 90+ clients on average (+13)
- ◆ 57% “dedicated” clients (+8%)
- ◆ 65% with clients in \$ 5 million - \$19.99 million (+20%)
- ◆ 44% with clients in more than \$ 20 million (+10%)



One Degree of Separation: Digital Technologies Enhance Firm-Client-Advisor Relationship

Full-service wealth management firms are no strangers to digitalizing investment services. They spend huge amounts to establish direct online connections with advisors and clients. These big brokerages, private banks, life insurers, and investment firms

- Spend millions building advisor platforms. Merrill Lynch, for example, is widely reported to have spent \$1 billion developing its wealth management workstation, which seamlessly integrates account data, customer records, transaction systems, and planning tools that financial advisors need to run their businesses.
- Spend millions enabling their clients to self-serve online. These include building, supporting, and maintaining secure client websites, mobile apps, and back-end integration systems. These are smart investments, as 80% of affluent adults in the US visit their investment firms' websites at least a few times a year. However, these firms barely spend on digitally supporting the advisor-investor relationship. While direct connections between a firm and its advisors/clients are critical, the most valuable relationship at a full service firm is between the client and the advisor, which needs better digital support from the firm.

Digital solutions for advisors greatly improve wealth management services by substantially improving the client-advisor relationship. Top of the list of functions that advisors always want on their mobile devices is access to Customer Relationship Management (CRM) systems. They also want broker workstation functions, portfolio management systems, and research systems. These functions are highly important, and digital technologies can effectively embed these functions within client interactions.

The adoption of digital technologies enhances the way services are provided to clients. Although traditional HNWI private banking relationships already deliver a seamless experience, technology can radically re-define and enhance those relationships. Firms that focus on providing a connected experience through digital technologies will enhance client experience, client engagement, and retain profitable client relationships.

Creating a Differentiated Customer Experience

Digital solutions offer substantial benefits as they assist advisors in carrying client data, regulatory guidelines, product information, market data and news, and portfolio details. There is, however, tremendous value in considering the dynamics of an advisor's circadian events in designing digital solutions relevant to the wealth industry.

Investments in next generation digital technologies allow financial advisors to

- Efficiently identify client needs
- Avoid or mitigate poor customer experiences
- Offer customized solutions
- Provide transparency in executing transactions
- Build lasting relationships with clients

These value additions help advisors differentiate themselves and their firms from competitors. Once managing and improving client experiences and relationships is recognized as a value proposition and key challenge, we can see various client service functions in a different light.



The Digital Storyline: How Digital Enables the Advisor

Consider Jeff, a wealth advisor targeting Vice Presidents (VPs) at a prominent start-up in Silicon Valley, and Dan, one of the prospects.

1. **Introduction and Referrals:** Jeff discovers using marketing analytics, that one of his clients at Microsoft is associated with the same community board as Dan. Jeff requests his client for an introduction to Dan.
2. **Financial Assessment:** Jeff manages an introduction and uses social media and analytics tools to study Dan's personality and social behavior. He creates a storyboard for the meeting. Dan likes Jeff's approach and readily shares his risk tolerance profile. He provides income statements and documents for image capture using his tablet.
3. **Proposal Presentation:** Based on Dan's profiling, Jeff uses investment assessment tools to analyze Dan's current portfolio and identifies investment options that can optimize returns within his risk tolerance and manage tax efficiency. Jeff generates an interactive proposal supported by firm and third-party research that shows the impact of conflicting goals, and calculates financial projections.
4. **Portfolio Design:** Jeff reviews and adjusts his proposal to optimize returns-to-risk-tolerance using an investment design tool.
5. **Account Opening:** E-Onboarding solution takes Jeff's final proposal and obtains provisional approval. Jeff confirms the provisional terms, captures images of Dan's Social Security Number (SSN) Card and a funding check, and initiates the account opening process with his e-signature, while fulfilling compliance requirements.
6. **Portfolio Management:** Jeff relies on service management and tracking tools to alert him on any developments in the transition and reinvestment of Dan's assets.
7. **Service Profile:** Jeff works with his team to set up intelligent alerts and service preferences for Dan. Dan grants Jeff access to his external assets aggregator.
8. **Client Relationship:** Jeff regularly contacts Dan with investment ideas triggered by firm and third-party research. Dan shares investment reports with other VPs at work, and helps arrange a meeting to

introduce them to Jeff, leading to future referrals and cross sales.

9. **Portfolio Review:** Dan is pleased that Jeff conducts the quarterly portfolio reviews through interactive video conferences. He is able to discuss performance effectively with Dan by making sure key facts are automatically emphasized with interesting graphics. Jeff presents investment alternatives on the fly, and shows Dan his improved risk/return profile (what-if scenarios) based on decisions taken during the meeting.

Wealth advisors, in performing their daily work, can only be about 60% efficient due to the extensive number of applications they use and limited integration between the applications. This has generally been the desktop experience. Also, as clients demand more transparency and information about their holdings, and direction for their investments, advisors need complete and more sophisticated information.

Open Sesame: Unleashing the Power of Digital Enablement

There is widespread perception that the winners in the wealth management space will be those who move from paper to online and mobile channels, from spreadsheet to visualization, from a limited view to 360-degree client relationship data; in other words, firms that can improve each client interaction experience. This will result in enhanced advisor productivity, which in turn will help clients increase the wallet share of assets managed by the firm.

Here we discuss some key ways to implement a digital enablement strategy.

Enhance the advisor-client relationship with digital analytics: As wealth firms integrate their systems for data capture, analytics, automation, and multi-channel presentation, a new class of 'thinking' digital solutions have emerged. These intelligent solutions collect and analyze data, and provide conclusive and effective recommendations that advisors and clients can easily access.

Help advisors identify, engage, and close more opportunities: Predictive analytics empower decision-makers to visualize and understand what tomorrow presents in the form of opportunities/risks. When developed correctly, analytics deliver real-time insights into customer behavior. Wealth firms can enable advisors to:

- Cross-sell—find the next-best offer for each client for the approaching sales period. Multiple channels can be used to contact these clients.
- Carry out sales system optimization—identify focus products and clients to maximize campaign success and ROI.
- Develop and support micro campaigns—leverage insights developed across a broad set of data sources

Enhance the service experience: Like every other industry today, customer experience is the chief driver in all investment purchase decisions. Understanding all aspects of client servicing thus becomes a key task in better wealth management, including

- Evaluating data, documents, and communication to identify overall or individual client service issues. These systems allow advisors to learn about poor interactions their clients had with their firm. These also help managers to address broader client service issues.
- Applying predictive analytics and adaptive learning

to generate recommended responses for advisors.

To improve client service levels, advisors will need to extract insights from client's preferences and risk tolerance, and connect these with relevant data on markets, news, peers, social and performance. Emerging technologies such as unstructured data analysis, big data, and cognitive computing can help achieve these objectives.

Bridging the Gap—Collaborative Technologies

Advisor solutions and client applications with identical or very similar feature sets can be empowering for advisors and clients alike. The functions that really enhance advisor-client collaborations are:

- Enabling the advisor to prepare by creating a storyboard for the meeting
- Generating a model portfolio and tentative proposal for the client
- Providing a digital signature feature so that documents can be lined up in the solution for the client's agreement
- Taking notes to carry out follow through actions after the client meeting
- Content management that allows advisor to line up what they want the client to view during the meeting (product details, videos and multimedia for new investment options, forms and proposals, investment research, compliance guidelines, etc.)
- One touch contact options, including phone, email, instant messaging and geo location for clients and wealth firm back-office staff
- Video conferencing to help an advisor engage and get help from office-based staff; for example, expert opinion about a portfolio 'overhaul', answers to product queries, and reviews of portfolio performance offline
- Links and sharing functions on social media can help better connect with clients who are using social media (e.g. LinkedIn, Twitter, Facebook) to ensure that advisor and client can keep in touch via social media after the meeting.



The Coforge Thought Board: Unlocking the Wealth within the Advisor-Investor Relationship

Why are Investment Firms Facing the Challenges of Retaining Clients and Growing their Business?

Clients churn due to gaps in the advisor-client relationship

Firms are not enabling advisors with integrated digital tools to help them keep pace with an evolving regulatory environment, increasing customer demands, changing product and process information

Lack of integrated digital tools result in operational ineffectiveness and inefficiencies resulting in client, employee, and advisor dissatisfaction

Longer prospecting and sales cycles, along with longer customer service cycles resulting in client, employee, and advisor dissatisfaction.

Why is Enabling Advisors with Digital Support such as Important Cog in an Investment Firm's Wheel in Retaining Clients as well as Growing their Business?

Advisors are the firms' interface with the client; most touchpoints of a customer lifecycle involve advisors

With rapid changes in regulatory environment, digital dissemination of guidelines is easier than offline training

With increasing customer demands from an informed and intelligent, and digitally active customer base, firms need to help advisors be on top of their game

From prospecting to after-sales servicing, advisors need access to information, processes and systems to deliver superior customer experience and cement their relationship

How do Firms Implement a Digital Strategy to Empower Advisors with the Necessary Tools and Organizational Systems?



Identify/recognize the pain points of clients, advisors, and operations



Analyze the process flows and identify what can be digitalized to provide better interaction experience and higher ROI



If needed, choose an IT partner with a track record of expert guidance and exemplary service in digital enablement of advisors and firms



Provide support and training to advisors on using the implemented digital tools



Catalyzing Business Growth

In a competitive and fast changing regulatory environment, a digitally empowered taskforce can be a significant differentiator. From prospecting, planning face-to-face meetings to post-call follow-ups, and from order processing to post-sales service, digital solutions can be designed to streamline and support every step of your business process.

We have expert knowledge, thousands of person-hours of experience, and a proven track record of efficiently and effectively enabling firms and advisors with digital tools that provide superior customer experience at every touchpoint of the customer lifecycle. We have established ourselves as preferred digitalization partners through:

- Identifying and foreseeing customer behavior, regulatory changes, technological advancements and process limitations
- Analyzing the challenges and needs of firms and advisors, as well as those of their customers
- Designing and delivering systems, tools, and apps that provide the support and facilitate advisors and their customers
- Reducing the length of sales/buying/service cycles—thereby increasing the number of selling/buying engagements in any given time frame, and providing a superior return on investment

Choosing the right digital tools and systems is a complex task—one best done in partnership with an experienced IT solutions provider with a masterly grasp of the domain.

For more information, contact information@coforgetech.com

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