

Elevating the Client Experience

How top-performing advisors leverage technology to drive growth

THOUGHT LEADERSHIP FROM A TECHNOLOGY LEADER



The latest Adviser Technology Study from InvestmentNews found that the most successful and most innovative firms focus on the client experience when evaluating their technology decisions. This paper explores how technology is transforming the client experience and how firms are positioning themselves to capitalize on this trend.

78%

Percentage of advisory firms that offer a client portal—but do they all meet the test of today's digital-minded clients?

Technology and the affluent: Changing expectations

A major shift has taken place in how affluent individuals interact with technology in all aspects of their daily lives. That shift is affecting how, when, where, and how often clients want to meet or connect with their advisors. As a result, advisors need to evaluate whether they are using technology as effectively as possible to deliver an engaging client experience.

Increased competition on a number of fronts, from financial supermarkets to pure digital investment management platforms, is disrupting the playing field that independent advisors once dominated, while raising the stakes on what clients expect of their financial service providers. At the same time, forward-thinking independent firms are leveraging

advances in advisor technology that have created opportunities to enhance the advice process and strengthen client relationships.

In the 2017 InvestmentNews Adviser Technology Study of 292 independent advisors, 36% of respondents said that investing in new and emerging technologies would be critical to achieving their goals for growth. Firms identified as “top performers” in financial terms or as “technology innovators” based on a combination of metrics tend to give greater consideration to the impact of their technology decisions on the client experience. In the following pages, we'll take a closer look at how firms are leveraging technology to create a differentiated client experience, based on data from the InvestmentNews survey, along with insights from other contemporaneous reports.

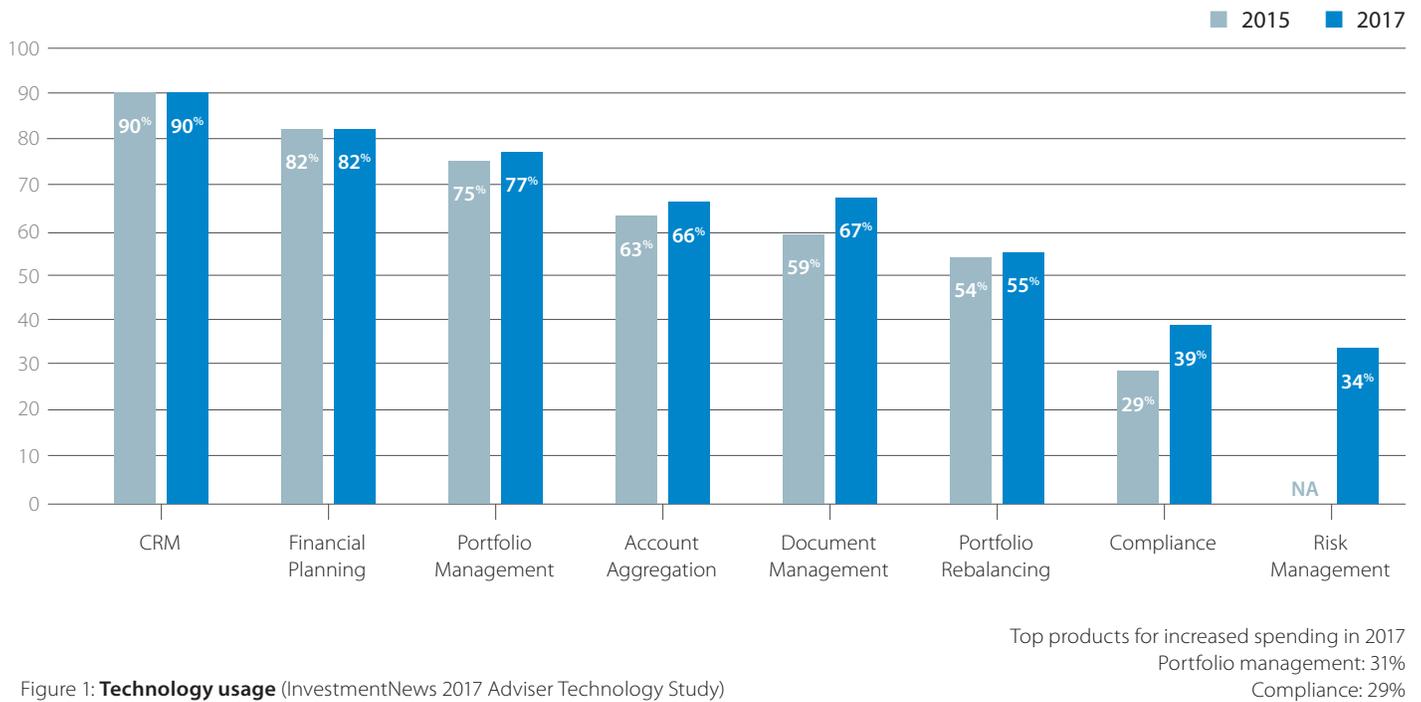


Figure 1: **Technology usage** (InvestmentNews 2017 Adviser Technology Study)

The robo effect

When automated investment platforms or “robo-advisors” first emerged, many pundits predicted the end of the traditional advisory model as we know it—particularly as this trend coincided with the aging out of high-net-worth baby boomers and the emergence of a new generation of tech-savvy investors. Those dire warnings have yet to prove true. As the InvestmentNews study points out, “the adviser-client relationship is where the business premium lies, and algorithmic investing and advice face a very long road in their attempt to replicate or replace what is fundamentally a relationship business.”

Nonetheless, advisors would be remiss to ignore the appeal of a self-service, interactive client experience, 24/7 portfolio access and greater transparency. In that regard, automated platforms hold an instructive lesson for advisors—where and to what extent can they automate their offerings, short of asset allocation and investment selection, while retaining the personalized service that defines their value?

The study points out that some of the robo providers have begun offering higher-priced options that include more human contact and planning advice in an effort to attract more substantial investors. Most have also introduced white-label solutions for advisors who want their own digital offerings. In theory, this provides advisors with a platform for profitably serving new, lower-minimum segments. These might include next-generation wealth builders who have grown up with interactive technology, as well as children of established clients. In reality, however, only 7% of advisors had actually implemented a robo-advice offering at the time of the InvestmentNews study—more than double from two years prior, but still a small number. Another 19% said they planned to do so in the next six to 12 months. But for the majority of advisory firms, it’s not a near-term priority.

Meanwhile, the automation trend has progressed further down-market, into the realm of “micro-investing,” where small savers can open accounts for as little as \$5.00 with help from AI-powered virtual

assistants or “chatbots.” A report from global equity research firm Autonomous Research calls this the “5th stage of digital wealth management,” as the original robos have matured and are now competing with the traditional advice model at the upper end of the market.

The connected client

Even if automated offerings have not caught fire among traditional advisors, the robo effect alerted advisors to the need to up their game technologically. Accordingly, much of the investment in technology in recent years has focused on connecting with clients more effectively. In a few short years, online account access for clients has gone from nice-to-have to must-have—78% of firms surveyed offer some kind of client portal, up from 73% in 2015. Moreover, 21% say their typical client uses it once a week, 35% once a month and 22% once per quarter, indicating fairly substantial adoption on the part of clients.

If having a client portal is now the norm rather than the exception, where is the opportunity for differentiation? The

answer lies in the depth and variety of information available, the extent of genuine personalization, and the overall quality of the online experience. Clients should be able to see not just their current holdings and latest performance, but also their progress against goals and alignment with the advisor's strategy. A portal should also give clients a convenient means of exchanging documents, signing and submitting forms or simply asking questions of their advisor.

Account aggregation can further enhance the portal experience by enabling clients to view their entire wealth picture through a "single plane of glass," regardless of where assets are domiciled. Around 66% of firms surveyed have deployed account aggregation software.

Given the ubiquity of the smartphone across all demographic boundaries, mobile connectivity and a "mobile-first" user experience have become necessities as well. In the InvestmentNews survey, 69% of firms said their websites are optimized for mobile use, a sharp increase from 44% in 2015.

Technology is also helping reduce the need for in-person meetings without compromising relationships—a convenience for the advisor and client alike. Enterprise video conferencing is in use at 65% of surveyed firms, while 34% use consumer video chat apps such as Skype or FaceTime.

Planning to succeed

Against this changing technological backdrop, financial planning is becoming more important to investors and advisors alike. Investors today are bombarded with noise and information about the economy, political events, market swings, global developments, and more. As a result, demand is increasing for help and guidance in financial planning and investing, delivered in a personalized and efficient manner through multiple touch points.

For advisors, goal-oriented financial planning represents the opportunity for true differentiation from automated asset allocation and portfolio construction platforms. The ability to demonstrate value beyond investment management and quarterly performance is critical to winning and retaining clients. Providing an interactive planning experience that engages the client is becoming a requirement. You also need to demonstrate a deep understanding of each client's situation and risk appetite to make appropriate recommendations.

With an adoption rate of 82% among advisors, financial planning software is one of the most popular client-focused technologies employed today. Risk management software has not made similar inroads, with just 34% of firms having implemented it. This points to a significant untapped opportunity for firms to differentiate themselves and engage clients more effectively, using tools that enable them to quantify each client's risk tolerance and demonstrate to clients how risk is factored into their portfolios.

Know thy client

By far the most widely adopted client-focused technology is CRM, with 90% penetration among surveyed firms. Among those firms that didn't have a CRM system at the time of the survey, 40% planned to add one within the year. For firms defined in the survey as technology innovators, adoption climbs all the way to 100%.

Clearly, advisory firms have bought into the value of CRM. Simply having a CRM system is not the differentiator that it was five years ago. A firm can distinguish itself, however, in the way it uses CRM strategically to strengthen the client relationship and create a highly personalized client experience. Understanding your clients means much more than knowing when to send birthday cards. You need to know their life goals, family dynamics, and their desires for the future transfer of their wealth to succeeding generations. You need to know—and document—their risk tolerances, investment preferences and restrictions. And you need to know what your last conversation was about, even if it was months ago.

A key consideration in the selection of a CRM system is integration with the portfolio management system. The benefits of CRM are amplified when clients' personal, financial and legal information is easily integrated with their portfolio data, and both can be accessed anytime with a single sign-on. Integration between CRM and portfolio management streamlines workflows, saves time, and reduces the risk of errors in transposing data. It ensures consistency of client data, as updates in one system can be automatically reflected throughout the platform. Advisors and client service teams can more often answer client questions during the initial call, rather than having to get back to the client later.

Elevating the Client Experience



Putting it all together— The integration imperative

It's clear from the latest survey data and other indicators that advisors have a wide choice of technology solutions to help create a differentiated client experience. The trick isn't simply acquiring the right solutions, but making them work together and share data seamlessly, ideally through a single point of entry.

Many advisors today are relying on manual infrastructures cobbled together several years ago when the landscape was much simpler. In the meantime, consumer-facing technology has leapfrogged to the cloud, social media, and mobile devices. Advisors are often caught playing catch-up. Their disparate systems don't scale, are expensive and time consuming to maintain, and are impediments to growth.

What advisors need today is a single platform that integrates all the client-centric technologies outlined earlier, built around a core portfolio management and reporting solution with interactive client portal access. Integration is key to serving clients efficiently while delivering a high-quality client experience. However, it is often difficult and expensive to achieve. The InvestmentNews Adviser Technology study cites the need to improve integration of existing applications as one of the chief drivers of increased spending on technology consulting services over the past five years.

The good news is that you don't have to do it yourself. While 15% of advisors surveyed say they build their own interfaces in-house with "a la carte" software, 42% partner with a technology provider to integrate their critical applications. The percentages are slightly higher for firms identified as top

performers and as technology innovators. It pays to work with a provider that relieves you of the burden of integrating discrete solution components.

Mastering the technology- powered client experience

The opportunity to develop an outstanding end-to-end client service experience should be paramount in all advisors' business planning process. With purpose-built advisor technology, cost-effective solutions are at hand. A wealth management platform that integrates financial planning, risk analytics, CRM and online portal access into a comprehensive portfolio management system can deliver the efficiencies and enhanced client experience necessary in today's more competitive and complex environment. Feature-rich, cloud-based and mobile-ready systems can free advisors to spend more time on client-facing activity, increasing the frequency of communication through the channels of the client's choosing.

A differentiated client experience can potentially lead to increased referrals and business growth, both from client loyalty and by freeing professionals to focus on business development. Moreover, through efficiencies that come from complete wealth platforms, technology integrations and automated processes, advisors can achieve scale and accommodate new client growth without having to hire new people.

The challenge for advisors is real. However, firms that employ technology strategically to deliver an outstanding client experience are already seeing significant positive results and leading the industry into the new era.

About the Black Diamond® Wealth Platform

With the Black Diamond Wealth Platform as the hub of your advisory business, you'll be able to leverage technology better to drive profitability, scale, and growth. In addition to performance reporting, rebalancing and client billing functionality, the platform encompasses daily reconciliation services, an award-winning client portal with mobile access, and integrations to several complementary solutions, including but not limited to financial planning, portfolio analytics, and CRM software, as well as access to traditional and alternative managed account strategies.

For more information

If you have questions about this paper, or would like to learn how the Black Diamond® Wealth Platform can support your business, call **1-800-727-0605** or email **info@advent.com**. You can also visit **blackdiamond.advent.com**.