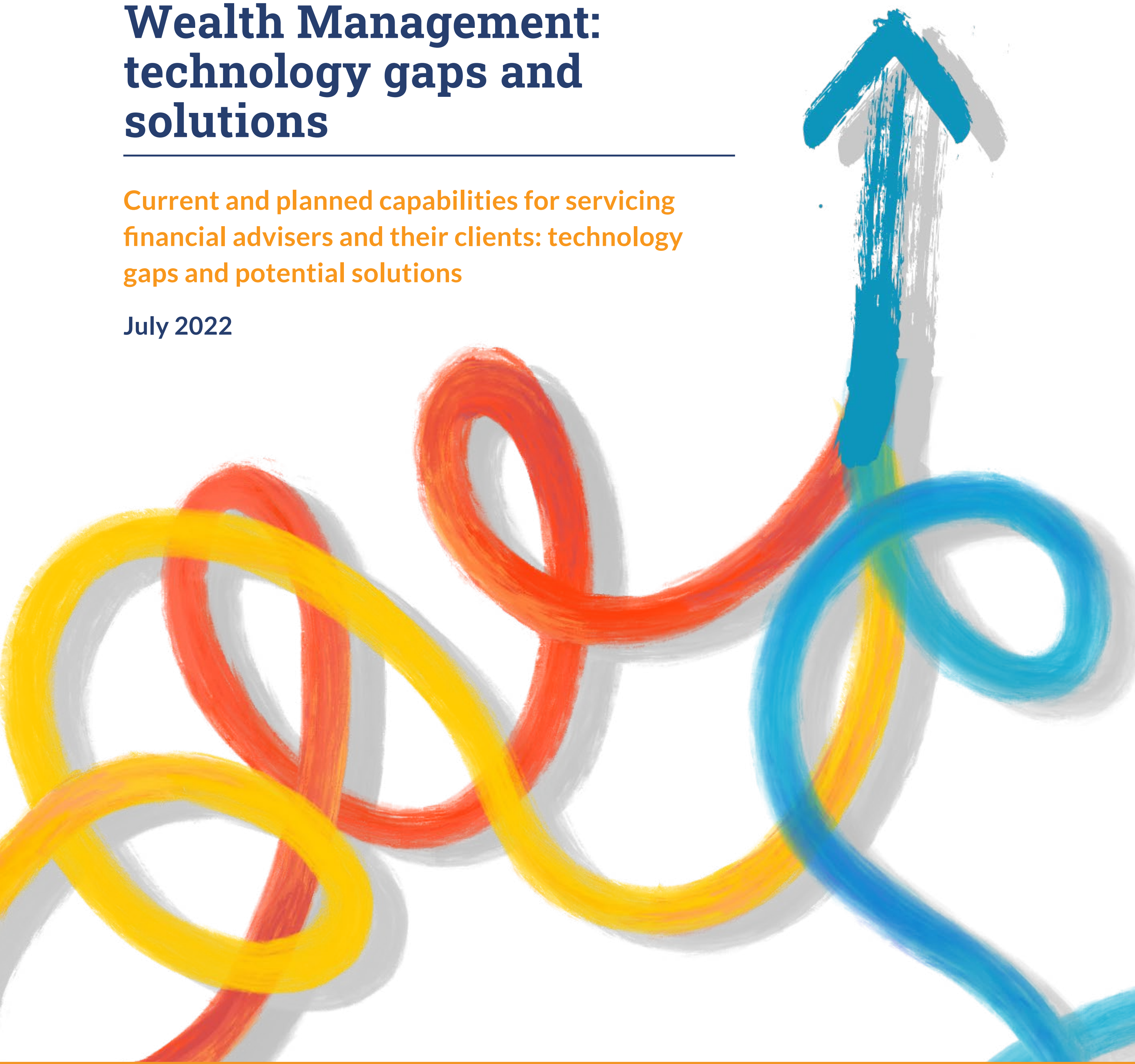
NEXTWEALTH

Digital Integration and Wealth Management: technology gaps and solutions

Current and planned capabilities for servicing financial advisers and their clients: technology gaps and potential solutions

July 2022



fluido
an Infosys company

Executive Summary

Financial advice businesses are inefficient — but it's usually not their fault. They rely on disparate systems from providers and mostly use email to communicate. They are spending four days a month on manual tasks (such as collating information across systems) and they spend nearly a day a month on hold!

Looking ahead, they want online portals through which to communicate securely with providers. However, their preferences may change as technology evolves. In the words of Steve Jobs, "People don't know what they want until you show it to them."

Technology innovation is moving quickly: based on today's available tools, portals are the preferred future method of communication.

Providers say they want to innovate and change but there are few planned enhancements in the works. Our research suggests it's worth the investment — too much time is spent on manual tasks, and freeing up adviser time could allow them to reach more clients.

Financial advisers are spending too much time on manual tasks:

4 days is the average time spent each month doing manual tasks.

6 hours a month is spent on hold to providers. 1 in 5 financial advisers spend more than a day a month on hold.

Simple activities, such as obtaining a factsheet or submitting new business, can be completed within a day. More complex queries can take a week or longer.

Financial advisers' back offices are inefficient and poorly integrated:

They use an average of 5 tools.

Only 2 of these are usually integrated (able to send and receive information).

Financial advisers currently rely on email when communicating with providers:

Email is used most to communicate with providers, followed by online portals.

Phone and post are not used much.

Executive Summary

Providers offer more digital options for placing new business than managing existing business:

Most providers accept email and allow advisers to self-serve through their website.

Processes are more digitised for submitting new business.

Fund managers are using data integrated into the CRM to better target marketing content to financial advisers. This makes content more relevant and improves ROI of marketing activities.

Looking ahead – advisers want portals, providers have scant plans to develop offerings:

Advisers want to shift away from email and phone towards online portals to communicate with providers. 41% of advisers say their preferred communication channel with providers in future is online portals, nearly twice the current level.

Provider plans are not aligned with adviser demand – future servicing options remain unchanged.

This exacerbates frustrations as servicing options demanded by advisers aren't available or don't work.

Portals need investment to close the gap:

There are clear gaps between advisers' preferred communication methods and servicing options available from providers. There are challenges to closing the gap, including:

Updating portal functionality to reduce the need for manual clarification and confirmation.

Updating case management functionality to provide realistic timeframes, particularly for error resolution and service requests.

Ability to securely share data to certain roles and functions within an organisation, such as holdings data and voting records.

Letter from Fluido

As a Salesforce Summit partner since 2010, Fluido has the opportunity to access and observe how businesses from many different sectors truly transform the way they operate, deliver services and enhance experiences for their people and clients. More often than not, this transformation comes as a complete transition from legacy solutions and a co-existence with the trading or operating platform. Why are these successful? Because these businesses play to the strengths of the offerings from different parties in their technology provision and use the transformation as a catalyst to evolve business processes and ways of working.

For too long and too often, the route to digital change in Wealth Management is via in-house solutions. These typically aren't as good as what's on offer by third party solutions and only add to the need for maintenance and ongoing upgrades, as well as manual effort from limited integration. One of the main reasons for the in-house route is a lack of awareness of what's available outside the traditional providers of financial technology: this is the catalyst for this research, for starting this conversation. We must play to strengths and leverage capabilities that are available now.

There are many areas in this research which are not surprising, such as limited access to channels of engagement, transparency and real-time updates, or even to queries and requests. By far the biggest challenge is the lack of integration and the excess of manual effort. These can easily be addressed with engagement platforms such as Salesforce, a quicker route to enabling modern channels, case management and enhanced reporting. This has been proved time and time again in sectors such as Retail, which is now setting the standard and raising expectations for us all. By addressing these pain points in the Wealth Management industry, there is a real opportunity to drive efficiency into the provision of advice, while reducing operational overhead and creating capacity for more valuable interactions with clients. Taking it a step further, the opportunity to reduce the advice gap becomes a reality — making advice more affordable, and delivering enhanced services and experience through an efficient and profitable business model.

The response to some of the challenges outlined in this paper is often to recruit more staff to take on the manual effort generated by limited capabilities in the market. This is merely papering over the cracks and doesn't trigger the step-change and innovation needed in the wealth management market. I hope that this research generates conversation and disturbance in the market, and that then converts to action. The capabilities all exist and continue to evolve at pace — as do the expectations of clients.

Duncan Muir is Global Industry Lead for Financial Services at Fluido, a Salesforce Summit partner

Contents

Methodology

The findings in this report are based on a survey 100 financial advisers as well as interviews and data from 11 investment providers undertaken by NextWealth during April 2022.

1. Scene setting: the case for a better adviser back-office tech suite

Financial advisers have been poorly served by the technology supporting their back office. There are also gaps in provider service models that exacerbate inefficiencies. In this section, we quantify the impact this has on financial advisers and their businesses.

1.1 Time spent doing manual tasks per month

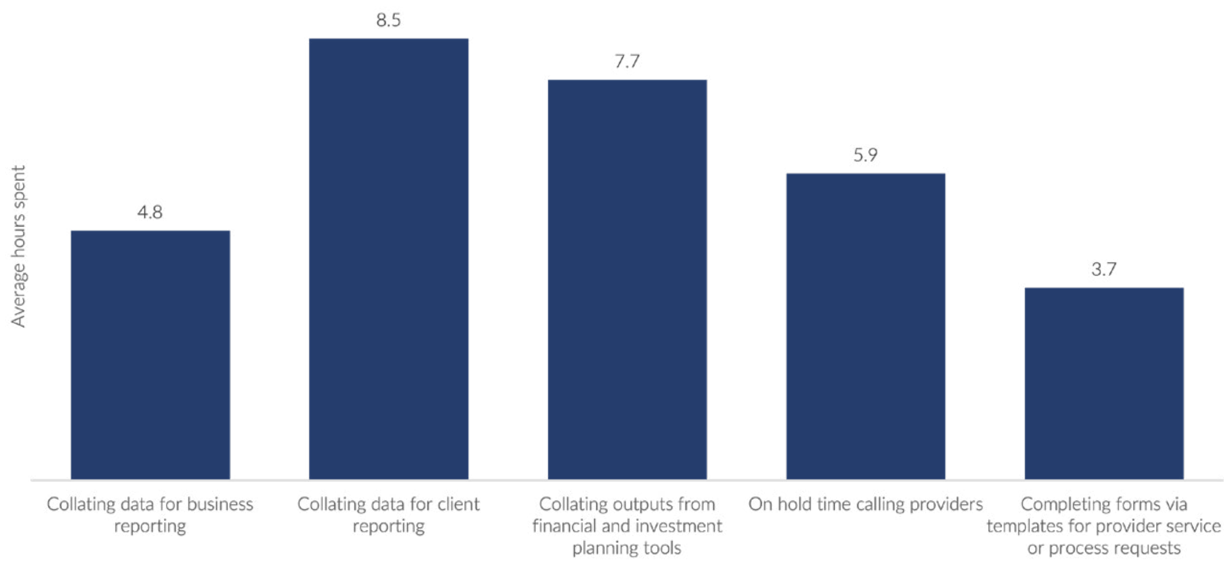
Financial advisers often express frustration at how much time they spend on manual tasks that could and should be automated.

- Financial advice businesses recruit operations and admin staff to manage these manual tasks. About one quarter of hired staff in financial advice businesses are in operations support roles. More financial advice firms plan to hire additional operational and support staff than client-facing financial advisers. One of the main drivers of this recruitment push is to take the admin burden away from more costly advisers.
- The average time financial advisers spend on manual tasks per month is 28 hours — equivalent to 4 days.
- One fifth of advisers spend a day (7.5 hours) or more on hold to providers every month.
- On average, advisers spend a day collating data for client reporting and a further day collating outputs from financial and investment planning tools.

4 days each month spent doing manual tasks

1 in 5 spend more than a day a month on hold to providers

Figure 1: Hours per month spent doing manual tasks



Why this matters: Research by NextWealth for Fidelity in 2021 found that if advisers had more time due to better functioning technology, one fifth would devote more time to working with new clients and one fifth would spend it more time working with existing clients.

Addressing the operational inefficiencies of the adviser back office could help the limited number of financial advisers in the UK to reach a larger number of clients.

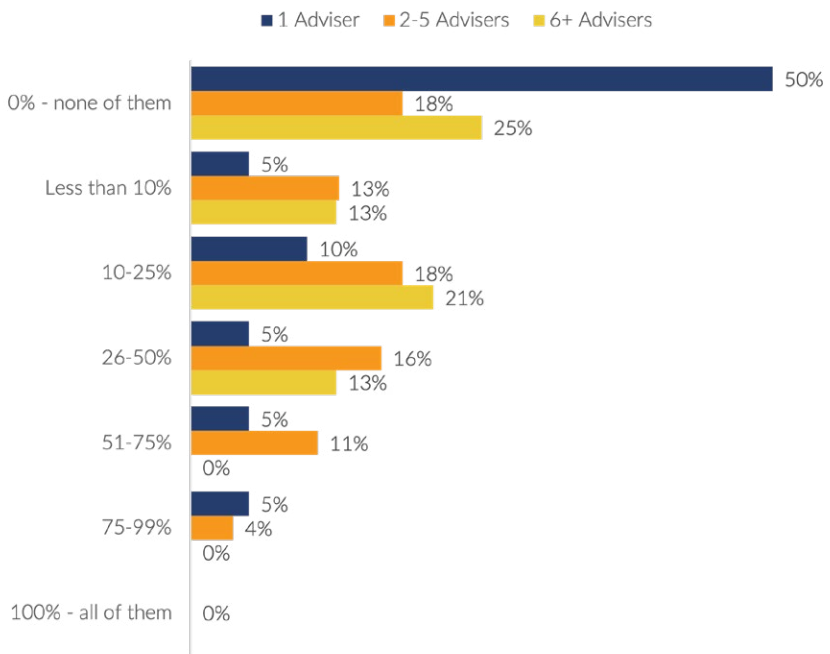
1.2 Integration of tools

Financial advisers use an average of five tools or tech applications a week to support the delivery of financial advice.

Most (54%) say that only a quarter of these tools and applications are integrated and able to share or send information from one system to another.

Mid to large sized firms have slightly better integration. Sole traders are particularly poorly served by existing tech infrastructure — half say that none of their tools integrate.

Figure 2: Percentage of applications that are integrated, by firm size



Quality of integrations typically scores lowest in NextWealth's Advice Tech Leaderboard. Based on reviews from thousands of financial advisers, platforms, cash flow modelling tools, client portals and suitability/risk profiling providers all get their lowest scores for integrations. The issue isn't just the time taken to re-key, the bigger issue is risk reduction. The more times something is manually entered, the greater the risk of error.

2. Channels used to communicate today

We collected information from fund managers and platforms on approaches to servicing and supporting financial advisers. We also asked advisers about how they typically contact providers and their level of satisfaction with the support provided.

2.1 Channels advisers use today

- Financial advisers typically communicate with providers by email or through an online por-tal.
- Email is used most for service requests, complaints, placing new business and new business documentation. Online portals are currently used most for placing new business, new busi-ness documentation and processing updates.
- Physical mail is used by less than 1% of advisers to communicate with providers.
- On average, less than 10% say they engage with providers by phone for these tasks. Alt-hough according to providers phone is commonly used to clarify complex requests.
- Some activities such as obtaining a factsheet, placing new business and submitting a new document or eSignature can take less than a day. However, more complex queries can take up to a week or even longer. Dealing with complaints, processing updates and contracting and pricing proposals can all drag on for prolonged periods. Advisers are looking for better, more 'real time' updates from provid-ers on complex issues without having to chase.
- Limited access to real time updates results in a chaser culture with staff in financial advice firms calling firms to get status updates.

Today, advisers communicate with providers by email and through online portals

Figure 3: Current approaches advisers take to contacting provider

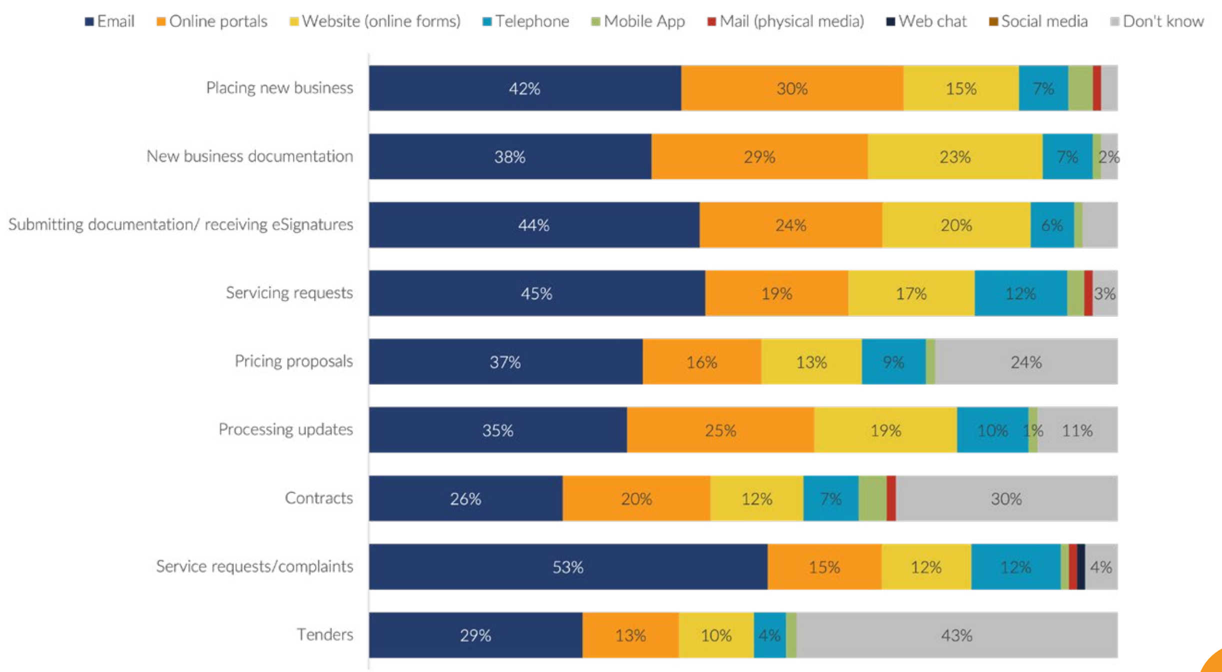
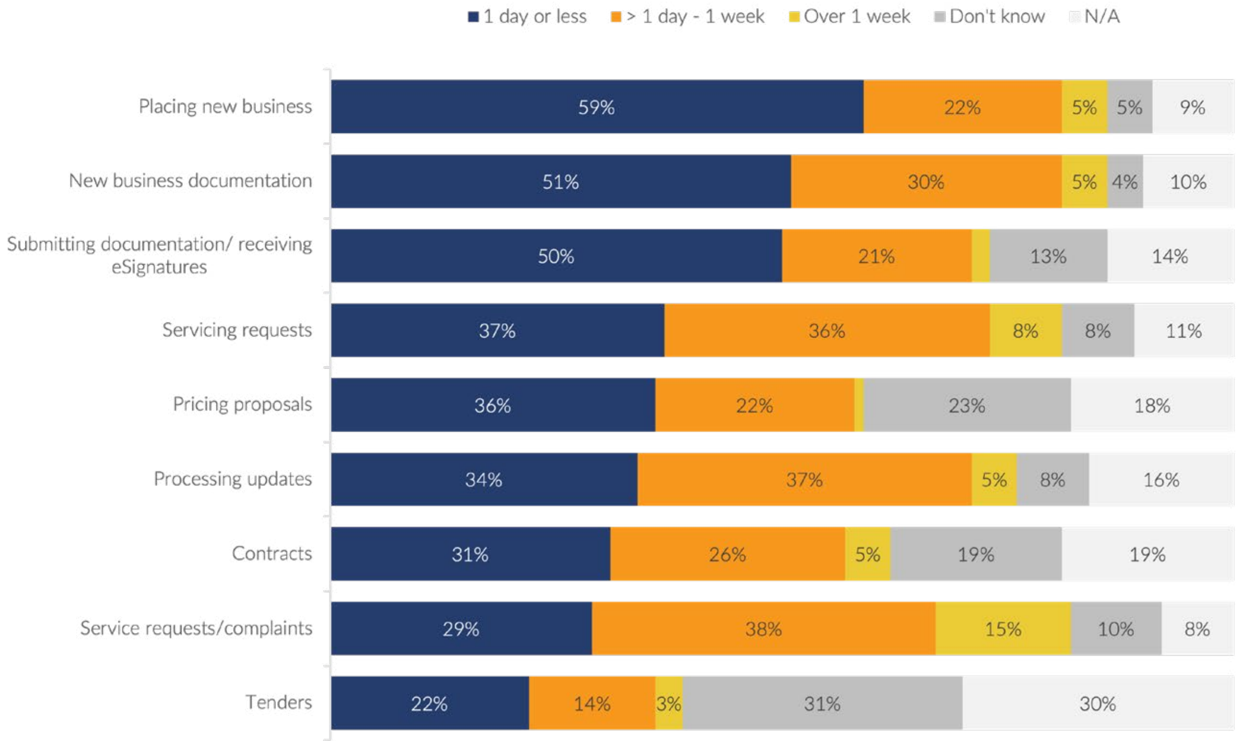


Figure 4: Response time from investment providers by activity



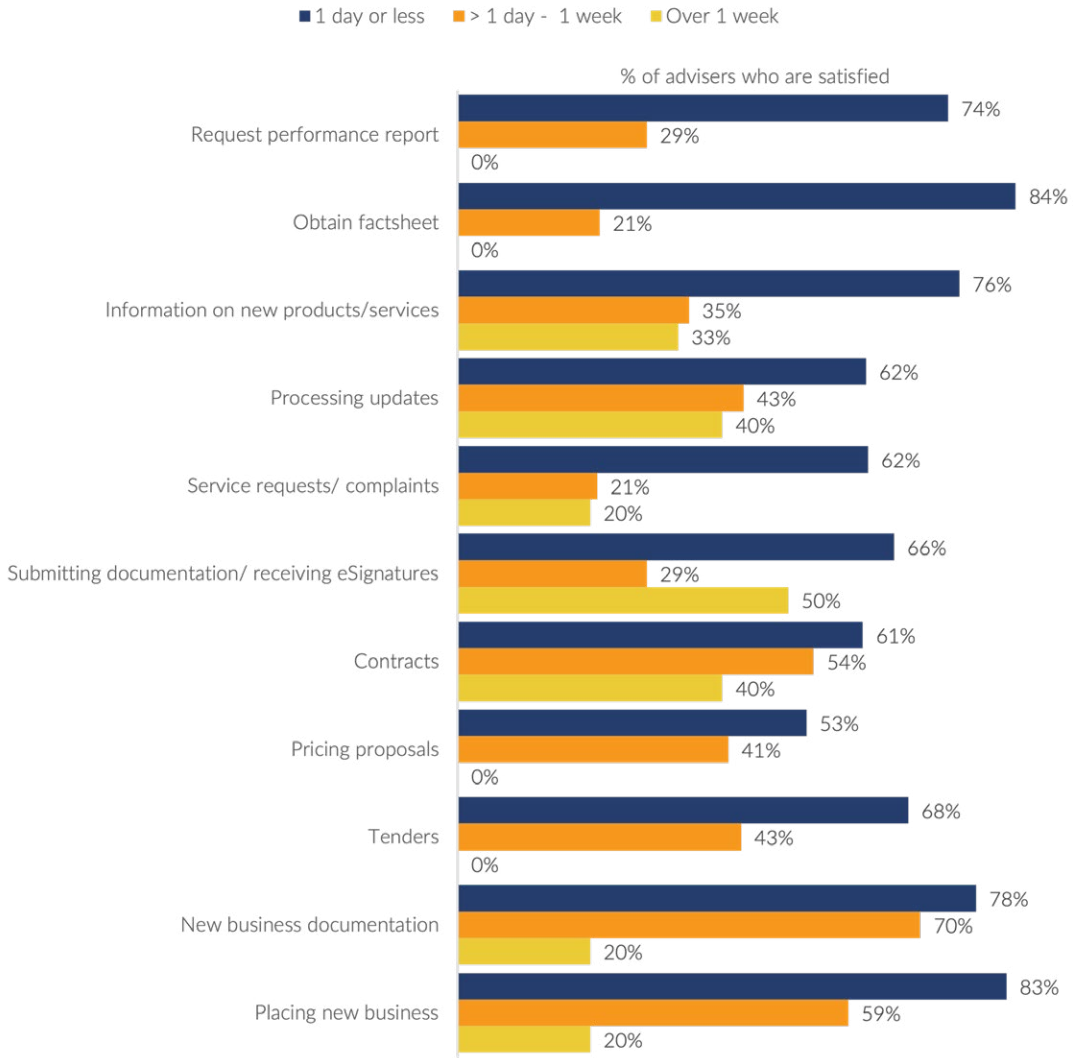
We compared satisfaction levels to turnaround time of requests:

- Overall, less than half of advisers say they are satisfied with provider turnaround times.
- Naturally advisers are more satisfied with a speedier response from investment providers.

In fact, the results show that advisers who have responses to requests delivered in a day or less were always significantly more satisfied. Advisers are looking for quick turnarounds and we see satisfaction drop significantly when responses take longer than a day.

Less than half of advisers are satisfied with provider turnaround times.

Figure 5: Speed of investment platform response by satisfaction



2.2 Channels providers use today

We have seen that financial advisers tend to communicate with providers by email and through websites. We asked providers the options they make available to advisers for communications. Responses were received from 11 firms for most questions and 12 for some. We present results in percentages to make comparisons easier.

- All but one accepts emails. All but one allows advisers to self-service through the website.
- Consistent with adviser experience, processes are most digitised for new business documentation.
- Most providers utilise social for marketing but less so for service requests or complaints.
- Few providers offer live chat; none offer chat bots.

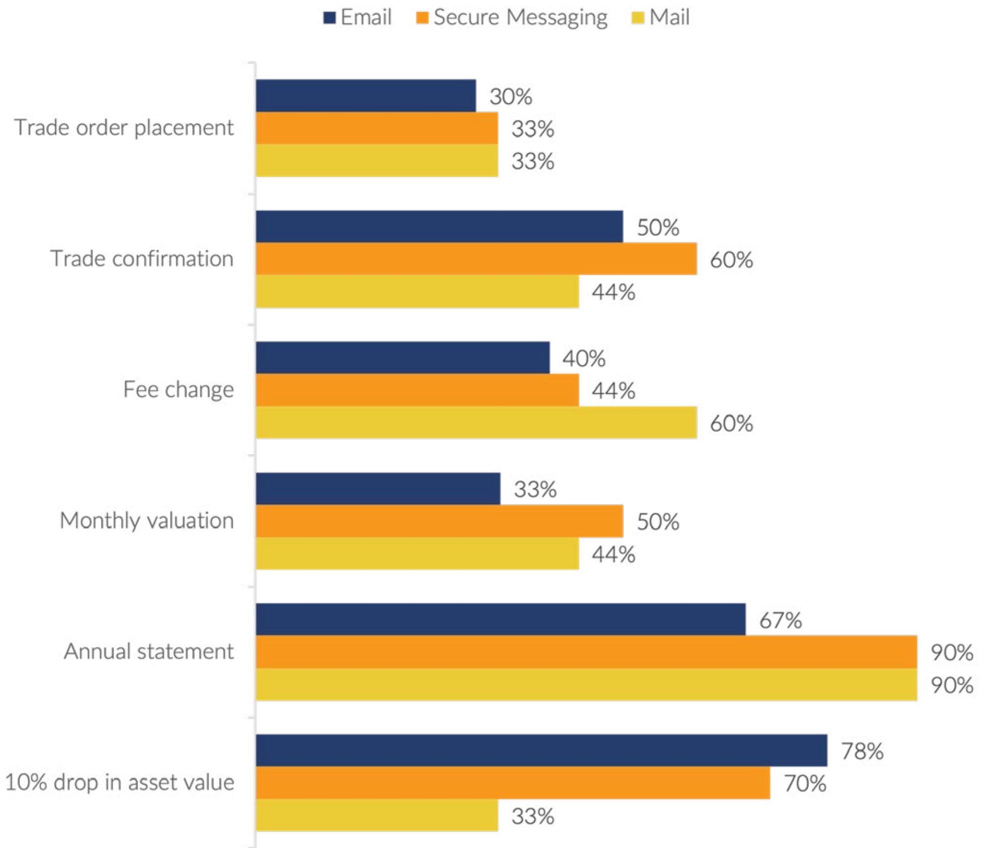
Table 1: Provider communication options available to advisers and clients

Technology	Communication	Currently	In the future
Email	Direct person to person email	91%	91%
	Online email forms	82%	82%
Telephony	Legacy telephony	64%	64%
	Computer Integrated Telephony (CTI)	82%	82%
Chat	Live Chat	27%	↑ 36%
	Chat Bots	0%	0%
Website	Reference content only	91%	91%
	Self Service	91%	91%
	Web to case	55%	↑ 64%
	Web forms	73%	73%
Community portals	Knowledge articles/content	73%	73%
	Case management	64%	64%
	Processing updates	73%	↑ 82%
Social channels	Marketing only	91%	91%
	Service requests/complaints	64%	64%
eSignatures	All documentation	45%	↑ 64%
Electronic document management	Contracts	73%	73%
	Pricing proposals	55%	55%
	Tenders	36%	36%
	New business documentation	91%	↑ 100%
Mobile app	Reference content	45%	45%
	Servicing requests	45%	↑ 55%
	Business placement	55%	↑ 64%

We specifically asked platforms about their approach to issuing required communications to clients, such as trade confirmations, fee changes and 10% drop notifications.

- Platforms typically send fee changes and annual statements by post to clients. Most also offer the option to receive the annual statement through a secure portal or email.
- For more automated unscheduled communication, and where there is a requirement for disclosure within a stated period, such as informing on a 10% drop in asset value, email is the majority option.

Figure 6: Platform notification methods



2.3 Fund marketing sophistication

One area where we heard of growing sophistication in analytics and use of digital technology was in fund marketing communications. Fund managers are trying to be more targeted in their proactive marketing communications to target based on interest and behaviours, rather than blanketing advisers with content.

"Advisers sometimes feel there is too much content going out from us and everyone else. They want us to tailor to them. They only want to hear about a fund if it's on panel, for example... We use a lot of cookies – trace who opens – see if someone opens on a consistent basis – if a hurdle of interest is met, the team gets a sales lead email to follow up. It's all tracked in Salesforce."
– Asset Manager

Firms also have access to more third-party data, including from networks with details of advisers recommending relevant products to clients. This allows firms to more closely track ROI of marketing spend and allows for far better targeting of marketing efforts.

"One thing that changed over the past couple of years is the data you can get from SimplyBiz and Defaqto and soon DT. Groups will charge a fee each quarter and we'll get a list of the top 100 for multi asset. You can then email them, and you know if they bought funds of a certain risk level, how they're filtering, and you can see where you fell out in the process."
– Asset Manager

3. Looking ahead to preferred future methods of communication

We saw in Figure 3 that advisers mostly communicate with providers by email and websites. These channels are readily available today. But looking ahead, gaps in provider servicing solutions become evident.

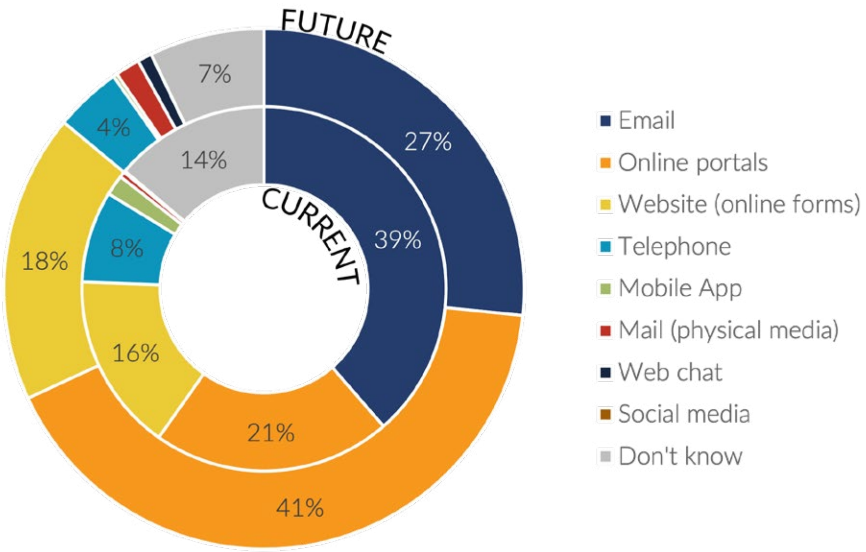
3.1 Adviser preferred methods of communication - Future

Combining the preferred future methods of communication for advisers, a clear pattern emerges between the status quo and expected future methods of communication.

- 41% of advisers say their preferred communication channel with providers in future is online portals, nearly twice the current level.

2x more advisers want to communicate via online portals

Figure 7: Current and preferred future methods of communication for advisers and providers



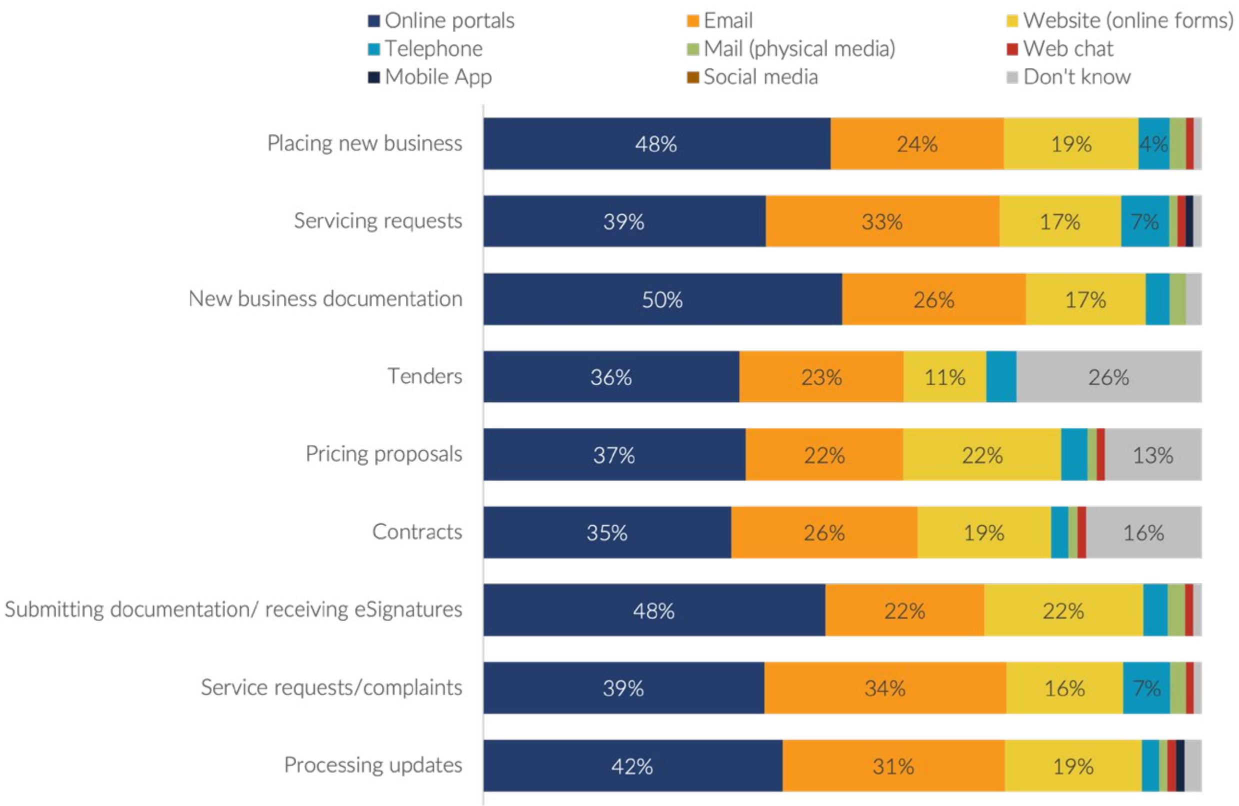
Looking at the future preferred communication methods with investment platforms (See Figure 8), we note:

- There was a remarkable level of consistency across all factors considered. The share of advisers that say they would prefer to use an online portal in future increased for every factor while the share that would prefer email decreased for all factors.
- For the following activities, the share of advisers that would prefer to use an online portal in future

more than doubled: processing updates, service requests, submitting documentation/ eSignatures, pricing proposals and tenders.

- Advisers want to decrease the use of telephone support by half overall and they would like to reduce the use of phones for every activity.

Figure 8: Future preferred communication methods with investment platforms



3.2 Provider methods of communication - Future

Despite adviser demand, providers are still not aligned in shifting to a digital communication protocol. Looking back to Table 1, we see little planned change to provider service offerings. Two will start to accept eSignatures for all documents (from 45% to 64%). Otherwise, planned future servicing options remain unchanged.

Most providers told us that they are agnostic to communication channels, but sales teams are often structured and set up to offer phone or face-to-face support, preferred channels for a small and ever-dwindling part of the adviser population. An executive at an asset management firm told us this about the firm's approach to servicing advisers:

> *"Client segmentation is relationship driven. We have several field-based sales teams, based on geographic regions. They are also supported by a team of telephone-based key account managers. As such phone, email and face to face meetings are the primary methods of client interaction and client servicing. Sales support will then pick up administration."*
>
> *– Asset Manager*

4. Challenges to closing the gap

This report has clearly identified gaps in adviser expectation and provider plans for future service models. There are challenges to closing those gaps, as we learned in our interviews with platforms and asset management firms.

For platforms, upgrades are needed for them to deliver on adviser and platform needs. For example, some are not setup as an efficient form of two-way communication so providers will typically look to move the conversation back to a phone call. As an executive at a platform told us:

> *"We do offer secure email on the platform. However, it is not good at enabling straight-through-processing or educating people. We sometimes find items submitted via secure email require telephone clarification. For example, if we get a message that says, 'Sell all these assets in this portfolio' and they don't add up to 100%, you have to make a phone call anyway."*
>
> *– Investment Platform*

- Online portal functionality needs to be upgraded, specifically around case management to support placing business and new business documentation. This is particularly true for platforms.
- Given the preference for portals, providers should upgrade website functionality. Specifically, these should address the most common queries in their entirety, without the need for manual intervention (such as a phone call). Portals should include ticketing systems to provide transparency of status of requests to relevant parties in the firm, not just the originator of the request.
- Mobile app support appears to be an area where investment providers are upgrading, but it is of limited interest to advisers as a channel at present.

For asset managers, demand is rising for holding level data and transparency of voting records. This potentially increases the need for secure channels, such as portals:

> *"Some advisers and the likes of Worthstone, the 3D guys at SquareMile are asking more for proxy voting. 'Can you show us on this fund where you voted to show active management?' We've gone through all stocks in the portfolio in the past 12 months to show we have voted at AGMs, to show active participation. We also get asked how many stocks in the portfolio are one out of five but working toward being a 3-4 to be a transition story. We have to report all of it thoroughly now."*
>
> *- Asset Manager*

While some asset managers report having sophisticated and joined up CRM systems, others say they need work to better support better client servicing:

> *"Pulling together information across different contact points is a manual process. The process lacks efficiency, and we miss out on client engagement opportunities."*
>
> *– Asset Manager*

> *"We don't use our CRM [Salesforce Lightning] with Marketing or other departments. Neither do we make full use of its power or capabilities. We might use it to arrange for an adviser to see an investment director and process the meeting through the CRM and update any relevant details. But much of this happens outside of the digital process. Not much collaboration that happens."*
>
> *– Asset Manager*

Communication between advisers, fund managers and platforms are unaligned and disparate. Quick turnarounds through a tailored channel is the key to drive more flows between advisers and providers. CRM is a strong solution to aligning communication.

> *"Our segmented, key clients get a lot of love, care and attention. This equates to c.1,800 firms. Therefore, we have some 4,000 firms not getting a bespoke and relationship-driven client servicing approach. We sometimes hear from these groups that we are challenging to deal with. Some of this is deliberate, as we need to give most attention to key clients...but it is also arrogant."*
>
> *– Asset Manager*

Conclusion: The importance of digital operational efficiency

The hope is that better integrated systems across the wealth management supply chain will lead to greater efficiencies, which will bring down cost and improve access to financial advice.

Platforms need to focus on building online portals with ticketing systems that support better self-servicing and also keep parties updated on progress of servicing requests. Advisers want things done faster but with visibility, so they can set client expectations appropriately, making slightly longer timeframes less of a concern.

The providers are broadly content with their communication frequency. Although few have specific service level agreements (SLAs) on response time they claim to resolve most requests within 24 hours. That said, there are some providers who have identified an issue in communication standards and are aggressively building standards to provide a faster and more robust service to advisers and their clients.

> *"Many companies have used Covid-19 to excuse poor service for too long. It's not good enough to leave clients waiting for weeks on end. So we have hired 120-130 staff to ensure that none of our clients ever have a poor experience."*
> *– Investment Platform*

But we must remind ourselves of where we started: financial advisers are spending almost a day a month on hold to providers. They are spending four days a month doing manual tasks. This is unacceptable and is reducing access to advice.

Looking ahead, financial advisers overwhelmingly want to deal with providers through online portals. They don't want to email or call their platform; they want to log in for an update and they want business processed quickly.

The goal is to spend more time with clients and less time on manual tasks. While the technology solutions may change, the desire to communicate securely and efficiently will remain. As Steve Jobs said: "People don't know what they want until you show it to them."

We look forward to seeing how technology supporting wealth management adapts and innovates to help clients, advisers and providers thrive.

About Fluido, a Salesforce Summit Consulting Partner

Combining the agility of a startup with the scale of a global enterprise

We help you reach your goals and create outstanding customer experiences using Salesforce technology. At the core of our expertise is a deep understanding of Salesforce solutions and our customers' businesses. Whether your focus is sales, marketing, or customer care, we can combine data, processes, and technology to drive your success.

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We offer Salesforce expertise across many industries, including manufacturing, retail, energy, higher education, financial services & insurance, healthcare, communications, and media & entertainment.

Together with Infosys and Simplus, we can provide comprehensive end-to-end capabilities across the various application stacks globally. Collectively, we have over 4,650 consultants, a 4.9 CSAT score, over 3,900 certified specialists, over 5,000 completed engagements, and over 1,000 consultants in MuleSoft and Tableau.

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