



Simply the best?

Aligning target customers
to business model and
platform selection



Altus
MAKING FINANCIAL
SERVICES FASTER

About us



Altus Consulting is a specialist provider of consultancy services to the Financial Services sector.

We help clients achieve propositional and operational excellence and improved returns via a combination of proven industry models, technology expertise and market insight.

For more details of these services please visit our website altus.co.uk or contact us on 01225 438 000.



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With thanks to Tina Turner's discography for chapter heading inspiration!



Steamy Windows

Demand for financial advice has never been higher. Yet almost twenty years since the first platforms emerged in the UK, a disappointingly high 32% of advisers cite back-office administration as their primary business challenge, according to NextWealth research¹, putting the adviser community under immense strain. In fact, a whole raft of independent research studies on platforms report limitations on the very things that advisers say are most important to them.

While the adviser industry has almost uniformly adopted platforms, favoured CRM / back-office systems, and implemented a whole plethora of digital tools to (supposedly) make advisers' lives easier, quicker, more efficient, and / or lower cost, it would appear that, according to the users (the advisers themselves) we've collectively failed to deliver on the promise.

“Adviser businesses have to ‘make do’ with a patchwork of systems. Valuations, cashflow planning, reporting and other everyday tasks could be made more efficient if there was better integration between back-office software and platforms. Time not spent on double entry could be time spent with clients or on business development.”

Research in Finance,
February 2019



“Poor operations can cancel out the benefits of implementing shiny new client experiences.”

Bravura Adviser
Technology Trends
Roundtable, 2019



It is not surprising then that the recent Defaqto report² highlighted that 25% of advisers had changed their preferred platform in the past 12 months. Within this group there is now a number of advisory firms who:

- are dissatisfied with current offerings and want a more straightforward platform that is well integrated to the other technologies and systems they use, or
- have a segment of clients with less complex needs, and again want a more simple, streamlined platform proposition, no frills, which does the basics right.

According to Bravura Solutions, the focus has shifted from the ‘advice gap’ to addressing the ‘capacity gap’ – increasing the ability for advisers to work with more clients (should they wish to) and thereby improving access to advice. Part of this can be addressed by introducing efficient working practices to reduce the administrative workload on advisers.

A new type of platform – streamlined, simple, efficient – has emerged to meet this need, and advisers are responding. For platforms that can get it right – even if they are new entrants or currently just a second or even third choice with advisers – the future is rosy.

¹ Research for Fidelity FundsNetwork, February 2019

² Platform Service Review, 2019



We Don't Need Another Hero...

...Or do we? Scale is often cited as the Holy Grail in the platform market. While that may be the case for some, with increasing layers (and cost) of project management and IT expertise, big is not always best if it doesn't deliver on the underlying business efficiency and service promises. On this premise, a number of smaller, more streamlined businesses with a more defined focus have entered the market.

Hubwise has signed deals with Tenet and Fidelius, with others in the pipeline, Quai has secured a deal with Punter Southall, while SECCL has signed up P1 to its custody service.

Meanwhile, Embark has quietly gone about its strategy of snapping up SIPP and platform businesses and quality research houses. The platform is now rapidly gathering assets from its target adviser market where it focuses on simplicity and efficiency rather than bells and whistles, recognising that for a number of individuals a simple, lower cost solution is likely to meet their requirements.

Interestingly, Embark is underpinned by a simpler version of the FNZ software which caught a cold in the Aviva re-platforming saga. Perhaps a case of knowing your target market and focusing ruthlessly on delivering to them, rather than getting caught up in a race to offer shiny new tools. Everything that glitters does not turn to gold!

“We feel that independent research tools and our back-office system manage [reporting functionality] far better than the actual platform technology, and allows us to maintain our independence from the platform itself.”

Chris Daems, Director, Cervello
Financial Planning,
in Money Marketing,
January 2018



“Simple can be harder than complex. You have to work hard to get your thinking clean to make it simple. But it's worth it in the end because once you get there, you can move mountains.”

Steve Jobs, former CEO
and co-founder of Apple Inc.





Whatever You Want

06

Research in 2018³ confirmed advisory firms and wealth managers are embracing outsourced or hosted technology solutions. The three biggest drivers to use an outsourced or hosted solution are:

1. Improved efficiency
2. Improved service quality
3. Reduced operational risk

Other drivers include improved scalability and lower costs.

Each of these drivers provide absolute confirmation for platform providers – if any were needed – about where they should concentrate their efforts to win the battle to secure the support of advisory firms... and while the proposition development teams won't like it, when it comes to priorities, there's not a bell or a whistle in sight!

“Failure to engage users often leads to over-complication, including bells and whistles that don't add any real value.”

Kevin Russell, Proposition Director, SEI

SEI

Getting the basics right and delivering impeccable execution is – and should be – expected, especially where the functionality is commoditised, or where the technology partner offers functionality or a service that becomes critical to the advisory firm proposition and business model. As we have seen with the host of recent high-profile re-platforming debacles, trust can be all too easily lost and brand damage long-lasting.

As the regulatory burden increases, advisers continue to look for new ways to drive efficiencies underpinned by a consistent, robust approach across each part of the value chain, while simultaneously aiming to find better ways to add value and serve their target clients.

With slick digital channels now expected in every sphere of our day-to-day lives, any advisory firm that doesn't have this high on their agenda will become – over time – increasingly irrelevant, as will the platforms and technology firms fighting for their business.

“Platforms don't necessarily need to offer all the bells and whistles (advisers get these from their practice management systems / financial planning tools), but they must do the basics well and provide a good level of customer service and support. And to provide this fast, efficient and reliable service at a reasonable price, investing in straight-through processing is crucial. Using modern technology to integrate data from the platform into an adviser's back-office system is a 'must' that cuts the workload of both the adviser and the provider's customer support team.”

David Simpson,
CEO, GBST

 **GBST**

The first step for many is to carry out an ‘as is’ audit – what technologies, processes and systems have been bolted together in the past, and how does this ‘fit’ the vision and ambition of the business, and the capabilities that will be required. While business owners will undoubtedly want to maximise past investment, it’s also crucial to take an objective look to see whether past decisions are still appropriate in the current (and future) marketplace.

Some firms will aim to shortcut the process:

- no proper audit of what they’ve already got
- not thinking through what the future operating model (and capabilities required) needs to be
- not carefully designing the business from a technical perspective

How are all the different parts of the business going to ‘talk’ to each other, to reduce or remove the ‘wrinkles’ to get to a frictionless, efficient business model?

While this may save money in the short-term, the longer term impact is very obvious:

- less efficient processes
- lower profitability
- frustrated advisers, paraplanners, and other staff
- poorer service and outcomes for clients

Replacing ‘old’ technologies can be a painful exercise – both in terms of money and time – but getting a business onto a modern footing will provide payback many times over when done correctly, reducing complexity and risk, and improving efficiency, profitability and engagement from both staff and clients.

“Good online functionality and efficient administration rank highly among advisers’ platform priorities. Yet these are hygiene factors, almost expected of an established provider. We find that it’s the customer service experience that can create a lasting positive (or, indeed, negative) impression of a platform. Speedy issue resolution and knowledgeable phone support staff are fundamental to this.”

Research in Finance





Connecting Hearts

08

The decision on what to keep in-house vs outsource depends on the advisory firm's proposition, its target market, its business mix, its investment proposition, and its pain points. That said, a well-chosen platform outsource partner, closely integrated into the overall proposition, can help deliver real operational efficiency, which not surprisingly is also one of the top three motivators for adviser firms to drive technology innovation⁴.

The adviser firm, of course, must decide how best to achieve this to fit their business model and for their end-clients. Some adviser firms will utilise the tools and functionality on their client management systems (for example Intelliflo IO or Iress XPLAN) to help shape and define the client solution, and pass data into their platform of choice to execute the plan.

“Re-keying data is a particular irritation to advisers and it increases business risk.”

NextWealth research,
February 2019



NEXTWEALTH

Others prefer the platform to host a range of tools, particularly those where client holdings and transactions are critical to accuracy, a good example being Nucleus's Narrate CG capital gains tax tool, which can help drive efficiencies into the adviser business while reducing costs for the client.

Whichever model the adviser prefers, the end goal the adviser is aiming for is the same – ideally no wet signatures, STP, and full integration with all of the different technologies used in the adviser firm ecosystem. A win:win for both the client and themselves.

“It's no longer acceptable to cobble together different technology solutions. Advisers expect integration between technologies to deliver STP, facilitate the execution of timely instructions, and produce quality adviser and client reporting.”

Kevin Russell, Proposition Director, SEI

SEI

⁴ Technology and Operations Trends in the Wealth Management Industry, 2018



What You Get Is What You See

Whether the adviser firm is looking for a simpler platform proposition for those customers with less complex needs, or a platform with a wider range of functionality for more complex portfolios, one thing's for certain – in both cases the platform must get the basics right to generate efficiencies. And if it doesn't, as we've witnessed with the re-platforming traumas of a number of major platforms, reputation – and assets – can be easily lost. So, what are some of the 'non-negotiable' basics?

Buying units

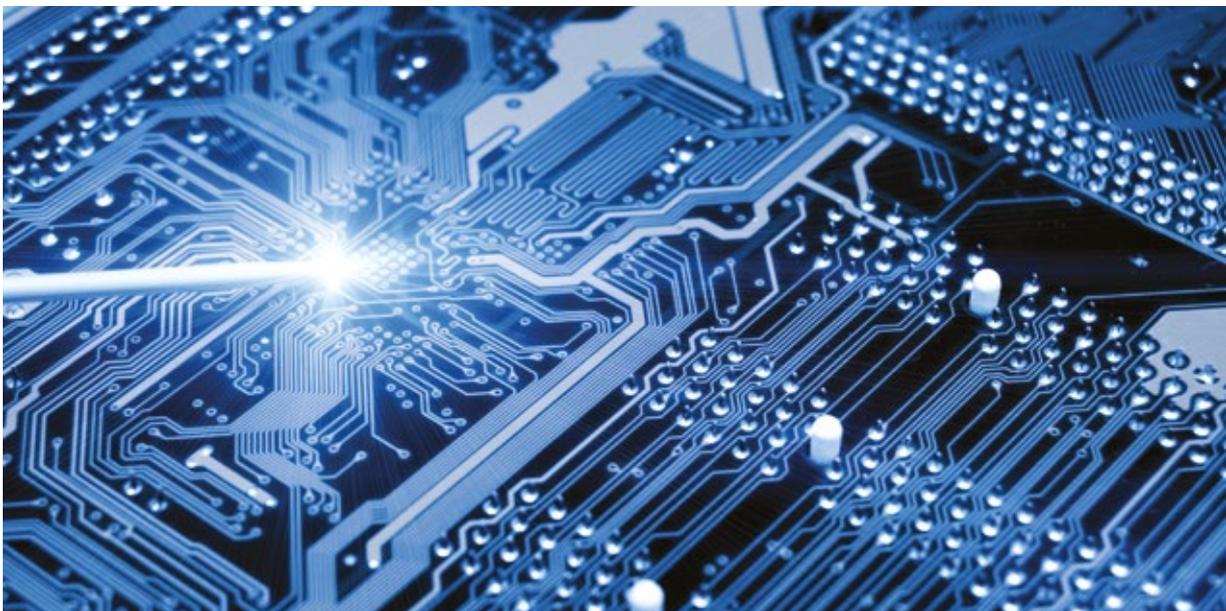
The ability to buy units in a fund or shares in a company is a core function of any platform, so it must be fast and efficient. Efficiency will be influenced by a range of factors, including market connectivity and aggregation of individual client trades within short timescales. Altus platform research⁵ shows a wide range of operating costs, reflecting various levels of STP. Costs for a market trade range from under 20 pence to over £3, and this is important knowledge when negotiating an outsource deal.

Reconciliation

Similarly, reconciling client money and client assets is a major focus of all platforms, and Altus research again identifies vast differences in annual reconciliation costs, ranging from an eye-watering £420 per asset per annum, down to just £30 per asset line (over 90% lower!). The key, of course, is automation, and suppliers such as AutoRek and SmartStream are increasingly part of the UK platform landscape.

Consolidation

Transfers and consolidating assets have become key to achieving AuA targets for many platforms. Until recently the transfer of assets was typically a traditional human plus paper process – slow and expensive, and with the out-of-market risk, too. The development of open standards for transfers has helped streamline the process, and electronic transfer systems, such as Altus ATG, have slashed the time it takes to transfer a portfolio from weeks to a few days, and costs down to as low as £1 per transfer.



⁵ Altus benchmarking study, 2018



Total Control

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Wealth Managers, often dealing with larger portfolios and traditionally reliant on personal relationship management skills, share similar challenges to advisory firms, reporting⁶ that their top five most acute inefficiency areas of portfolio management are:

1. Compiling investment performance reports
2. Re-balancing
3. Initial portfolio construction
4. Model management
5. Reconciliations

With personalised portfolios becoming too expensive to manage for all but their most wealthy clients, not surprisingly an increasing number of Wealth Managers and advisory firms are adopting centralised investment propositions (CIPS) and/or centralised retirement propositions (CRPS).

Significant manual work is still often required to deliver a quality proposition, with administrators (or the adviser) having to move from system to system (or even spreadsheet) because the business systems are not properly integrated.

“Workflow automation and straight through processing are the magic dust. Get this right and low cost, low risk, and high service follow.”

Phil Smith,
CEO, Embark

embark
platform

The objective of course is a fully-integrated portfolio management system where STP is a reality, not just marketing spiel. Digital Wealth Managers operating in the direct to consumer sector, such as Wealthify or Nutmeg, were designed with this in mind from day one, while in the adviser platform space most platform propositions now support a choice of investment propositions – funds, investment trusts, ETFs, and range of model portfolio services – giving the adviser total control over their investment proposition. The latest platform to launch a range of DFM models is low-cost platform Embark, whose ‘pre-packed’ models include funds, ETFs or a mixture of the two.

While not the investment approach for all advisers (some advisers still aim to add value by stock-picking in search of alpha, and love the ability to have thousands of funds to choose from), for many the model portfolio route gives them a robust, outsourced process, flexible enough to cope with volatile markets, and enabling them to concentrate on what they do best: building trusted relationships and providing financial planning advice.

The adviser’s approach to client segmentation is, of course, critical. While investable assets are important, so too is life stage, and the life events and client needs that must be taken into consideration. A proposition comprising multiple platforms, a robust investment proposition (potentially including well-defined CIPS and / or CRPS), and different advice services to meet the needs of each client segment is now a minimum basic requirement.

⁶ Technology and Operations Trends in the Wealth Management Industry, 2018



“You’re simply the best, better than all the rest”.

So sings Tina Turner. But is simple the best? Or do advisers really want as many bells and whistles as platforms can develop with their hard-gotten development budgets, because “all advisers’ clients have complex needs”⁷?

While that may be the case for some, most adviser firms have a breadth of clients with varying needs – some complex, and some far simpler. Multiple research studies indicate that advisory firms typically use two or three platforms to meet the needs of their different clients.

Platform providers – the key learnings

For the platform providers, growth will come down to which platforms best meet adviser needs, which platforms continue to listen, and which platforms are easiest to do business with.

Platform adoption – the decision-making process

Applying retailer psychology research to the platform world, we find adviser platform and technology decisions are both logical and emotional:

If the answers are mainly ‘negative’, the solution is unlikely to be adopted; mainly ‘positive’ and there’s a good chance.

Further, once sign-up to use a platform is achieved, it’s then critical for platform providers to help advisers to embrace adoption by understanding:

1. How the platform is aligned to their actual day-to-day routine and work processes
 - Gain adviser input upfront (and via user groups) to ensure the design meets their needs
2. How to ensure relevant and accurate positioning communications during deployment
 - Communications must be in ‘adviser language’ and reflect the way an adviser works
3. How to provide training to use the platform functionality to accomplish their tasks [the area that advisers say is their most important training need]
 - Use ‘digital influencers’ and adopters in the adviser business to support ‘digital laggards’.

Logical Decisions	Emotional Decisions
“Does this solution meet my needs today?”	“How does this solution make me feel?”
“Does this solution offer better features [that I need] than others?”	“Is everyone around me using this solution?”
“Is this solution worth the monetary cost [or could I get the same for less]?”	“How will this solution make me look to others?”
“Is this solution worth the time investment?”	

Source: adapted from ‘Five Psychology Tactics that will help retailers win customers’ hearts and minds’, Liraz Margilit, 2015

⁷ Myth – no they don’t!



Simply the Best

Focus on core functionality

Platforms should focus on the core functionality that advisers and paraplanners use every day to service their clients; get those right before turning attention to additional tools and specialist functionality, and then get user input to make sure functionality and design meet the user need. Reducing the number of platforms and technology solutions reduces the operational complexity within a business.

Trust and integrity

Whether we deal with people or businesses, trust and integrity is all-important. Great technology and low cost 'count for nowt' once a brand reputation is damaged, and this can take a long time to repair. Just ask those businesses going through challenging transformation projects, or witness the ongoing negative media attention given to previous fintech darling, Revolut.

Balancing regulatory and compliance requirements with innovation

Regulatory and compliance requirements continue to squeeze the profitability of adviser firms, and while this undoubtedly impacts firms' strategic IT investment, those that are able to manage this tricky balancing act are positioning themselves well for the future.

“A lot of platforms are running scared and adding tools that they think will appeal to clients. Some of them do it well, some of them do it badly.”

Bella Caridade-Ferreira,
CEO, Fundscape



A willingness to change

As we become ever-more accustomed to frictionless and delightful functionality so beautifully and simply presented in other sectors – whether it's to order goods online, accommodation via AirBnB or an Uber – platforms and advisory firms must not believe they are somehow immune from change, and that their clients just aren't interested. And importantly, providers must recognise that a compelling, straight-through digital experience is not age-dependent!

Having the systems architecture to introduce new, integrated technology solutions and capabilities (such as Open Banking) simply and quickly, along with stability and robust business controls in place to minimise business risk, will help stop costs spiralling out of control. This, combined with a willingness to change, to adapt to the social environment we live in, will separate the future winners from the losers.

“We think the main driver of productivity improvement at advice firms is likely to be Open Banking. Open Banking could dramatically reduce the cost of providing advice, potentially making it more attractive for advisers to service clients with smaller assets.”

Bravura Solutions,
Adviser Roundtable,
2019



Aligning capabilities to target market

For platform providers thinking about their business model, a good approach is to think about who they're targeting, what their needs are, and how best they can meet them... and the role that technology can play. Technology providers can build the greatest tool, adding more bells and whistles, but if advisers don't know how to use it properly it means absolutely nothing.

Back to where we started: is simple simply the best? The answer, of course, is 'yes' (for some advisers and investors), and 'no' (for others). Simple isn't for everyone, and that's fine. But for those where simple works, and is suitable, they'll benefit from a fast, efficient process at a competitive price.

“PROD requires advisers to adopt a framework to consider their entire advice process and evidence a truly client-centric offering, ensuring the cost and service is appropriate for the intended client segment,”

Abbie Knight,
Managing Director,
DISCUS



“In many ways it has never been a better time to be a financial adviser. Demand for professional financial advice is high and on the rise. But that is not to say that financial advisers aren't under immense strain. Providers can make a real difference in the life of advisers by making systems work together.”

Heather Hopkins,
Managing Director,
NextWealth



So what's the right price-point and level of functionality for clients with more simple needs, perhaps for those with a portfolio size of £50k to £150k, rather than a 'typical' £150k plus? A simple proposition, delivered at a more competitive price (25 bps or less) compared to the all-singing, all-dancing platforms (often at 2-3 times the cost, or more), is – for some – the right answer. Such a solution enables advisers to embrace PROD, deliver the right solution for specific 'lower value' client segments. It also avoids any possibility of being hauled over the coals for 'shoe horned' clients onto a more expensive platform with functionality that just won't be used or needed, or into an inappropriate one-size-fits-all CIPS solution.

As the old adage goes, you get what you pay for, except where you're paying for functionality that you don't need. Then you – and your client – are paying too much!

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‘The High Cost of Freedom’ examines the impact of the introduction of pension freedoms on the UK population.

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‘Rise of the Machines’ explores the theme of digital robo advice and looks past current implementations to the future of a smart-connected, personal financial management, well-being and lifestyle digital adviser.

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