



AI

The Evolution of Client Engagement Models

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The Evolution of Client Engagement Models

Trusting, meaningful engagement between advisors and clients serves as the bedrock of the financial services industry. Opportunities to expand how we engage and provide value have never been greater than they are today.

To leverage these opportunities, we must migrate from the Systems of Record (SOR) that have served us well for their time and evolve to Systems of Engagement (SOE). SOE's are digital experiences that increase the value of services,

strengthen brands, create efficiencies and economies of scale, identify opportunities for growth and, most importantly, build trust between the advisors and clients.

A Historical Look at the Where's, How's and When's of Engagement

Traditionally, advisors connected with clients either face-to-face or person-to-person. Advisors met prospects at networking events or via referrals. Relationships formed over the kitchen table. Advisors passed along educational materials they believed relevant to the client's current mindset. Account forms were signed in blue ink and financial plans delivered in three-ringed binders. Advisors provided guidance solely on the accounts they personally managed. Held away assets may as well have been on a different planet.

Traditional engagement models were direct and personal. But they had some significant drawbacks. They were labor-intensive, myopic, prone to errors, difficult to scale, and limited the potential for advisors to expand their service offerings.

Fast-forward to today, and engagement takes on an entirely different meaning. Social networks, experiences with digitally native

companies like Amazon, and the ongoing integration of technology into daily life have reshaped where, how and when clients expect engagement from their advisors.

Consider, for example, the family who wants to go to Disney. They go to an alluring website, plan their trip, and make reservations. They buy dining and fast passes, map out the attractions they want to visit, and get wait time estimates on their mobile devices. They can even get wristbands to buy food, get into their hotel room, and access character interaction photos.

While clients probably do not yet expect the "Disney level experience" from their advisor, a bar has been set.

In order to meet the new thresholds in client engagement, the financial services industry has to up its game. We must develop strategies to seamlessly integrate the human and digital experience while aligning

branding across sales, marketing and service channels, on-demand education, and value-added service offerings. According to McKinsey, over half of all customer interactions happen during a multi-event, multi-channel journey. The marriage of online/offline advice is especially important to affluent clients; 65 percent said they would leave their advisor if a tech-integrated experience were not provided.¹

Someone who can book a flight, haircut, or last-minute reservation at the hottest restaurant in town might become impatient with having to call or email their advisor for a meeting.

¹ Wealth management in the Digital Age, CapGemini

Can We Get There From Here?

The technology platforms most financial service companies rely on prohibit them from creating a Disney-like omnichannel client experience.

Those platforms, which we will call Systems of Record (SOR), served a now-limiting purpose. They were designed to support a person-to-person engagement model which doesn't reflect today's consumer preferences and behaviors.

SOR platforms traditionally documented interactions and transactions and gathered data for historical and regulatory documentation and analysis. Built using closed-architecture, the data in a SOR platform is static and held in one place. The technology in the traditional SOR ecosystem was to play a behind-the-scenes, back-office role, leaving client experience entirely to the advisor.

SOR's were designed to help companies respond to regulatory requirements and more efficiently conduct business operations. They were not built to reflect the way people think about their financial lives, nor were they designed to uncover opportunities and foster market insights.

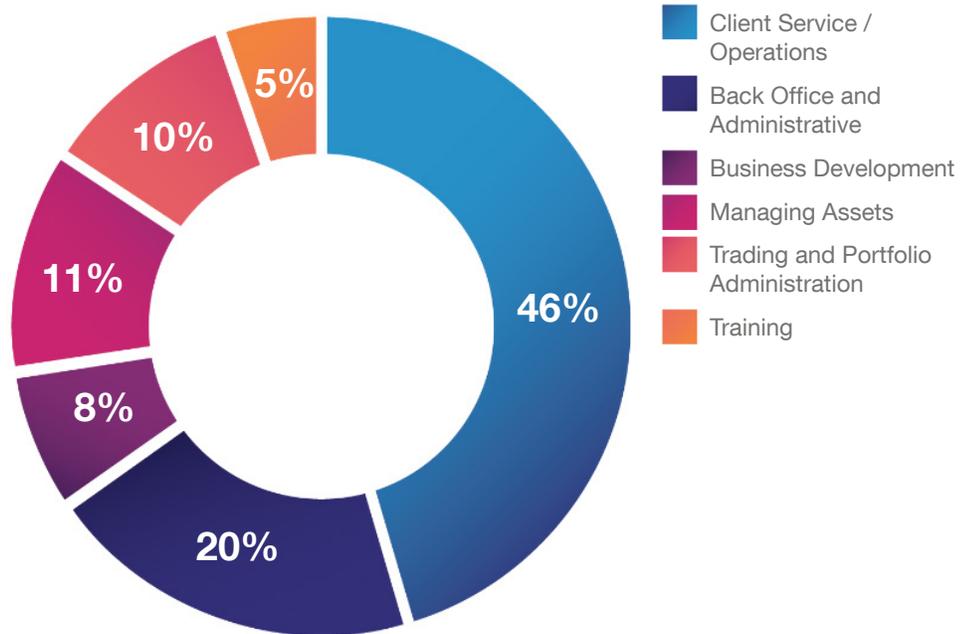
The Evolution of the SOR

As digital trends and customer expectations evolved, companies innovated their SOR's by layering on new applications. For example, wealth management platforms evolved allowing advisors a more integrated approach to managing money, resulting in a better financial planning experience for clients. Data aggregation tools, document sharing, and digital vaults facilitated collaboration. Financial reporting functionality provided more timely insights. Innovations in onboarding tools and electronic statements reduced errors and paper respectively.

The fintech spate of innovation, however, has come at a cost. New technology generally exists in siloed app stacks causing inefficiencies.

These inefficiencies add to the already heavily burdened advisor.

Advisor Time Spent on Non-Value Added Tasks



Percentage of time spent — typical lead advisor

Firm size: \$100M to < \$250M AUM

Source: Cerulli Associates, U.S. Advisor Metrics 2016

In addition, the disparate app stacks produce uncorrelated experience sets, leaving clients with a disjointed experience. For example, a slick financial planning tool creates a great impression; however, the client probably has to wait for a static quarterly performance report to determine the impact of market fluctuations on goals.



Another challenge created by a network of siloed apps is that they generally don't allow clients to update, interact or engage via a mobile application. Therefore, their ability to satisfy client needs are somewhat limited. The digital experience is only as strong as its weakest link. Third-party failures to innovate or perform as promised risk tainting the experience.

Many firms using SOR's with layered on app stacks have now come out with single sign-on capabilities which is a positive development, but it now creates branding issues. When signed-on clients get ported out to any number of custodians, TAMP providers or reporting engines for account access. The brand of those sites delivering the data experience mute the advisor's voice and brand.



Clients are bombarded by the client with multiple brands and experiences



Creating one brand voice and seamless experience is critical to developing an optimal client experience

Disparate experience sets cause another significant challenge.

It makes data collection, analysis, and the design of holistic solutions a game of drinking from the fire hydrant.

Satisfying the IWWIWWIWI mentality

In the book *Decoding the New Consumer Minds*, Dr. Yarrow describes the increasingly prevalent “I Want What I Want When I Want It” (IWWIWWIWI) mentality. Overwhelmed by the volume of information thrust upon them, consumers ignore it until they need it, at which time they expect immediate solutions. The IWWIWWIWI mentality describes financial services clients as aptly as it does retail customers.

Advisors must now engage with clients and prospects across the kitchen table, across the country, and in the middle of the night. According to a McKinsey report, clients who engaged with a

company via a mobile app (thus satisfying their IWWIWWIWI urges) were 3.5 more likely to move assets to an advisor who provided mobile access than those using any other channel.²

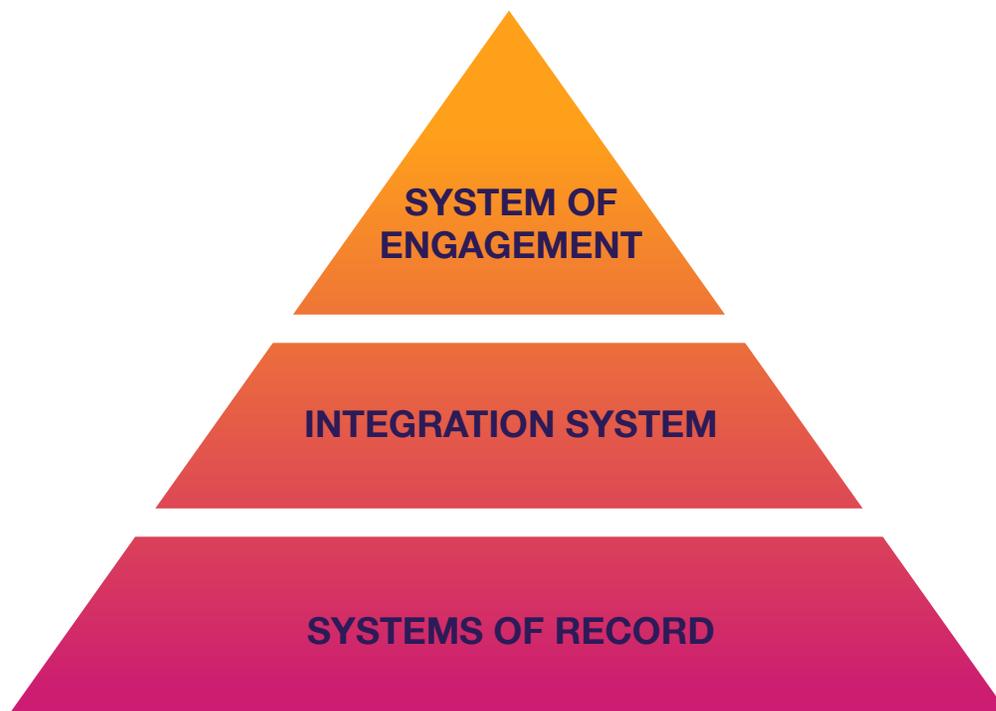
Creating a great mobile app tied to old ways of thinking about client experiences, however, won't solve the underlying issues.

Uber didn't become a massive disruptor of the transportation industry because it had a slick app. Uber exploded on the scene because it reimaged the entire rider experience. It didn't fix one aspect of the taxi system; Uber addressed the entire rider experience from

mobile hailing, digital payments, lower pricing, optional tips, better cars, social networking that allows users to rate drivers and request rideshares.

The digitally native Uber and the 95-year-old Disney company have the ability to offer a seamless digital experience because they have created networks of interrelated engagements (Systems of Engagement, or SOE). A SOE is built on an open architecture platform, making it possible to share data between databases and allowing for the seamless integration of third-party partners and apps.

Evolution of Platforms



¹Key trends in wealth management - and what to do about them, By David Schiff and Adele Taylor. October 2016

The network-effect created in a SOE provides flexibility to meet the new where, when and how's of client engagement, and better serves client and advisor needs in a variety of ways:

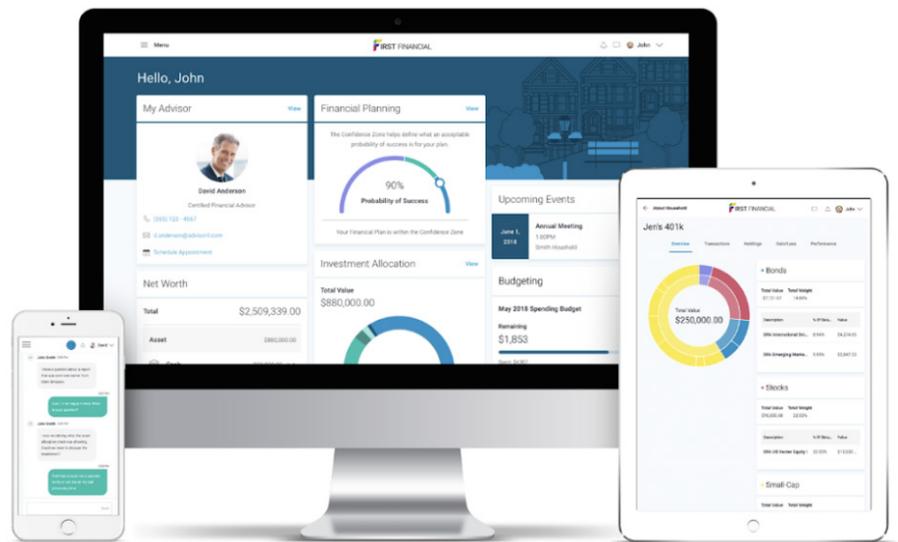
- ➔ **Builds trust.** Clients trust technology when the applications they interact with are well-designed, intuitive, transparent, accurate and mobile-accessible
- ➔ **Provides transparency.** Users get information they want, when and where they want it
- ➔ **Fosters meaningful conversations** and deepens relationships
- ➔ **Personalizes and simplifies** the digital experience
- ➔ **Enables advisors** to demonstrate value-add in an expanded advisory capacity
- ➔ **Increases advisor efficiency** and productivity
- ➔ **Provides value** for the time spent on the app thus encouraging the sharing of more information
- ➔ **Drives** predictive analytics
- ➔ **Helps clients** better appreciate how daily actions impact longer-term goals
- ➔ **Merges all aspects** of the client's financial life, allowing for a more streamlined intersection of data and the opportunity to apply Artificial Intelligence

Supporting new engagement models

The next wave of fintech innovation addresses digitally influenced client expectations and fresh thinking on the where's, how's and when's of engagement.

By creating just one unified portal with access to various data points, the client gains the complete financial perspective. It will allow the advisor to serve as the centerpiece of both online and offline interactions. Evolving to an SOE platform means the advisor will not have to forsake “best of breed” tools and solutions to benefit from the power of integration.

The goal of this innovation is to deliver a consistent, integrated, open framework that leverages client engagement to drive better results.



Building blocks for the new engagement models:

➞ **Making customer-experience and engagement the engine that drives innovation.** According to landmark research on the value of the client experience, companies that take a deliberate client-centric approach in shaping the prospect-to-client experience are well rewarded by consumers and investors alike.³

Wealth & Asset Management Customer Experience ROI Analysis

10-Year Stock Performance of Customer Experience (CX) Leaders vs. Laggards (2008-2017)



➞ **Questioning all assumptions about what advisors and clients want/need from the platform, refracted through the lens of emerging digital behaviors and expectations.** For example, do clients still want to talk to a live person for routine service matters, or would they rather self-service? By offering performance reports only on a quarterly basis or providing a static financial plan annually, are we preventing day-to-day angst over market fluctuations? What triggers need to be present for advisors to demonstrate a value-added expansion of services?

➞ **Providing a framework for user data and insights to gain market insights and drive future innovations.** Some of the most game-changing insights are brought about by observing people in their natural settings. Traditionally, advisors have been polled to discuss future innovations. Today, we still need to hear from advisors, but we can also learn a great deal from digital footprints. For example, no one at Twitter instructed people to retweet and add keywords and hashtags to proliferate their messages. Users figured it out helping Twitter to become one of the world's leading communication tools.

➞ **Reframing the client experience to integrate online and offline components** and accommodate when, where and how clients now want to be engaged.

➞ **Owning the connective tissues that unifies third-party technologies** and allows the firm's brand voice to be heard throughout the entire value chain.

➞ **Seeking innovative third-party technologies** and providers who are equally committed to digital engagement and will not put the unified client experience at risk.

³2019 Customer Experience ROI Study, Wealth Management Industry Edition, Watermark Consulting

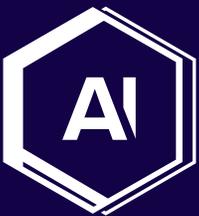
Race to the future

The financial services industry has spent decades building software to power our business models, but emerging client behaviors and changing expectations have rendered those models somewhat obsolete. In addition, potential disruptors threaten to lead the way because they don't rely on outdated SORs, giving them the freedom to design an innovative and integrated

digital experience. The race is on to see which providers can create a SOE that improves client experience and drives top-line growth. Even small improvements on client retention, loyalty, and wallet share will have a significant impact on revenue. But the benefits don't stop there. Advisors who can provide a consistently positive online/offline experience also become

more efficient, effective, and gain the ability to expand their service offerings, all the levers necessary to drive growth.

We're putting our bets on the clients as the clear winners of the race.



Advisor Innovation Labs is the creator of a system of engagement that weaves existing FinTech tools together to create meaningful engagement and improve connectivity and communication among platforms.

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