

DATA-FIRST THINKING

THE GOLD STANDARD OF WEALTH MANAGEMENT: THE RACE FOR DIGITAL DIFFERENTIATION

An LSEG Business

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INTRODUCTION

The digital revolution that the COVID-19 pandemic unexpectedly ushered in has opened a window of opportunity for platforms. Wealth management firms that had been trying for years to digitalise investor touchpoints faced the twin challenges of risk aversion from their organisations and skepticism about client preferences. Almost overnight that changed, as digital became the only way to get things done, offering new possibilities for innovation.

However, there have also been some unintended consequences. Having spent much of 2020 navigating their primary investment providers' platforms, many investors say they don't like what they see. For most investors, this was not a stellar experience and has only pinpointed digital shortcomings.

Our global research study reveals that investors think the multiple channels they use to access their investment accounts vary in quality. Products are not easy to find. Information relevant to their portfolios is dispersed and fragmented. Real-time data (or even up-to-date historical data) is not always available, making performance analysis challenging. And clients who rely on their advisors need the easy access they have come to expect offline to be replicated in their digital experience.

Wealth management firms are understandably reluctant to rush into decisions to enhance their platforms, given the related risks and expenses. At the same time, they can't afford to delay. Investors can harbor frustrations and switch loyalties. Millennials and advisory clients appear particularly restive, ready to be attracted by firms willing to innovate.

A gold-standard platform experience is going to be required to attract new assets, as well as cement existing relationships. Firms will need to enhance the existing platform capabilities and add new technologies to keep pace with digital experiences from other industries.

The consequences of COVID-19 have emphasized just how vital it is to have a robust, customer-centric digital experience enriched with deep insights and analytics. Rather than settling for digital transformation progress in 2020, platforms should set their sights higher and deliver a digital experience that really impresses.



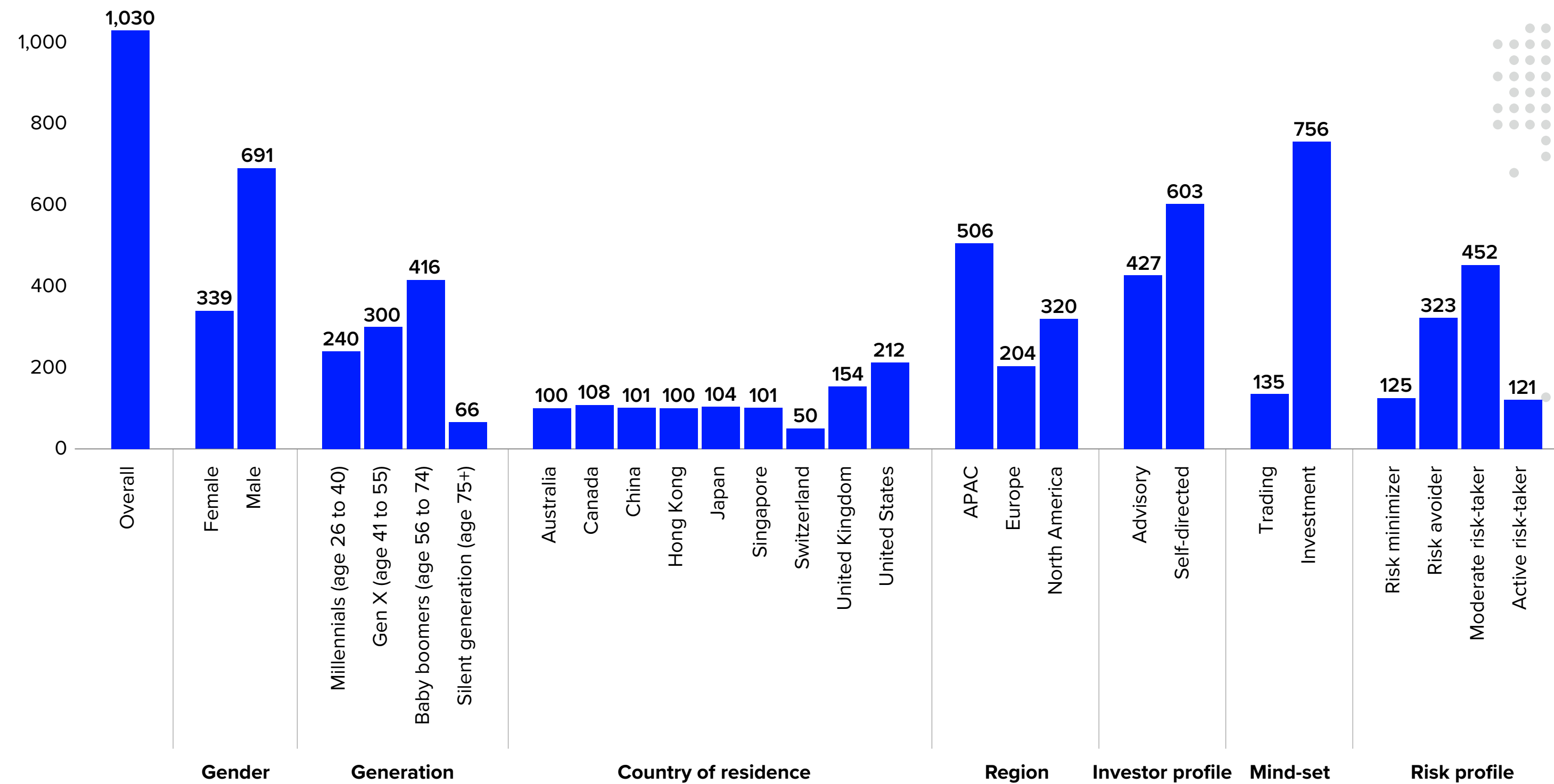
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ABOUT THE RESEARCH

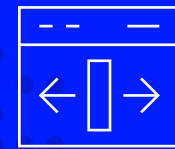
The Race for Digital Differentiation is based on research commissioned by Refinitiv that surveyed 1,030 self-directed and advised mass affluent investors in September 2020, located in nine global financial centres: Australia, Canada, China, Hong Kong, Japan, Singapore, Switzerland, the UK and the U.S. Our study examines how investors' trading activities, data needs and digital expectations are likely to evolve in the future.

All survey participants were independently sourced, and needed their own investment portfolios of at least US\$50,000 in investable assets (excluding their primary residence) to be eligible for the study.



EXECUTIVE SUMMARY

Our research study finds that self-directed and advisory clients' needs are rapidly changing in this new, more digitally oriented operating model. In the future, they will need new data and digital capabilities to take advantage of promising investment opportunities and avoid potential risks, supported by more advanced tools that allow for better digital collaboration and personalisation of the experience.



All clients are looking for more dynamic content, integrated into their digital experience.

43% of investors use mobile applications to access their investments

and

72% of investors say better integration of news updates is a key area for improvement by platforms

Investors are looking for an improved investing experience and additional content to help them evaluate their investment decisions in areas such as news, media sentiment and ESG.

80% of investors say real-time data would enhance their analysis

and

20% of investors are not receiving alerts they would find helpful

Investors want this new and differentiated data to be updated continuously and they want to be alerted to news and industry insights that are relevant and personalized to them and their portfolios.



Platforms today have significant gaps in digital capabilities compared to investor expectations.

29% of Millennials are willing to switch providers compared to 10% of other investors due to digital capabilities

This weak client loyalty is a result of legacy platforms lacking the tools and capabilities to engage clients digitally and personalize the client experience.

Only 37% of investors globally give their platforms top scores for the digital experience

Clear gaps exist against investor expectations, including a lack of personalized insights, limited visibility into portfolio impacts based on market trends and news sentiment, lack of digital collaboration tools and a rich mobile experience that can keep pace with online.



Advisory clients have higher expectations for the fees they are paying and expect a premium experience.

20% of Advisory clients will consider switching providers compared to 11% of self-directed investors

However despite the difference, both segments prioritize new and differentiated data, analysis and digital tools, and both claim to be under served by providers. Providers need to personalize the digital experience to different investment mandates.

DIGITAL EXPERIENCE IS THE NEW NORMAL

While many observers had commented before COVID-19 that the wealth management industry was long overdue in executing digital transformation, few could have predicted the breathtaking pace of change triggered by the pandemic.

Across the globe, and in some cases overnight, clients who had previously interacted with their wealth management firms in a mixture of an in-person and digital relationship, had no choice but to embrace online and mobile platforms as their only means of managing their investments. The scope of digital interaction between clients and their wealth provider spans the entire engagement model, from on-boarding through to investing, analysis and reporting.

Financial providers quickly found that the investor platform experience was in the spotlight – and clients have concluded that what is on offer is nowhere near gold standard. As a result, very few investors are willing to rate their platforms with excellent satisfaction scores.

Only 37% of investors globally give their platforms top scores for the digital experience

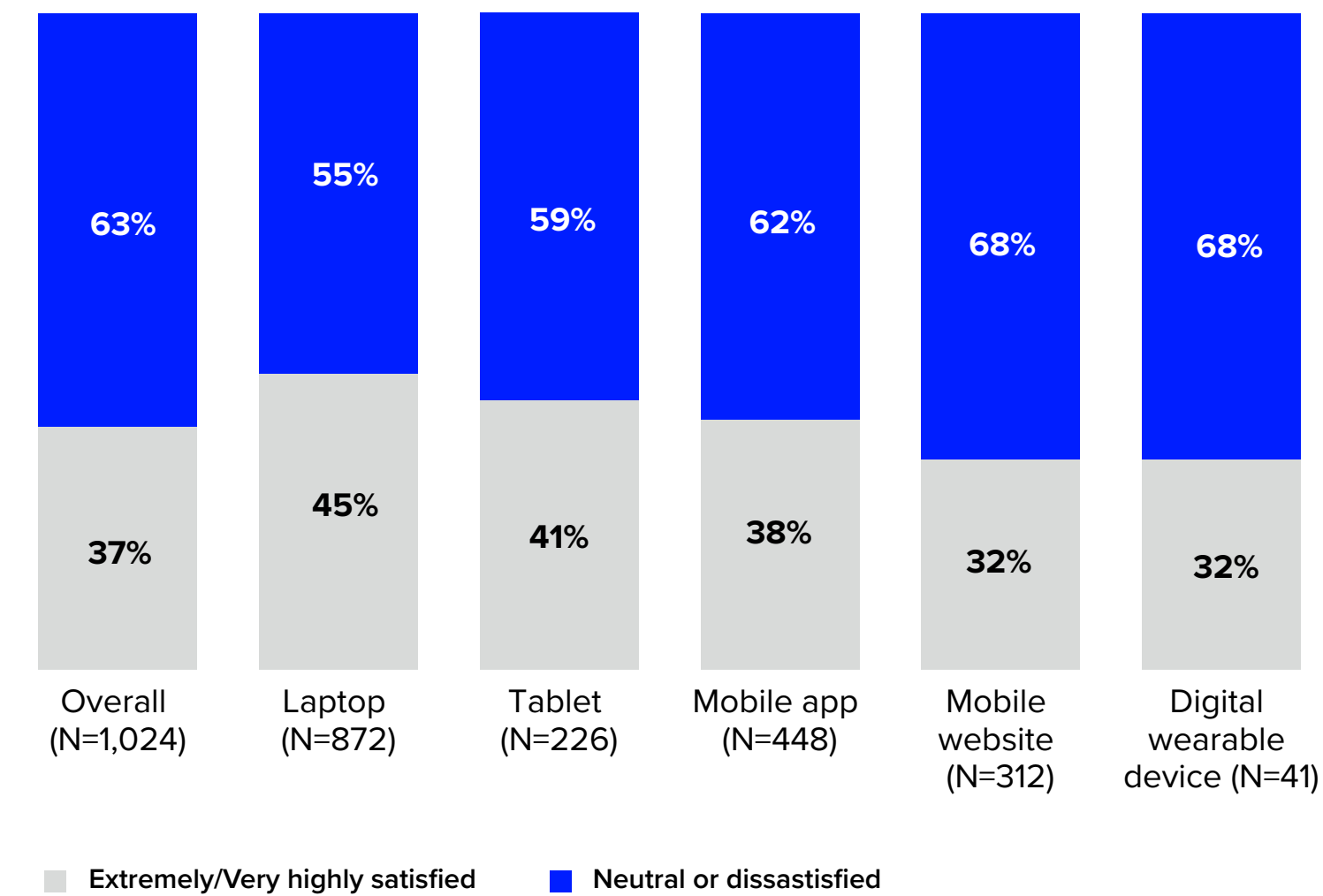
Survey respondents based in prominent Asian financial centres are least likely to give top marks, especially those in Hong Kong (13%), Japan (21%) and Singapore (18%). Investors across Asia have accelerated their use of diverse digital channels faster than other regions: 58% now use apps to access their investment accounts and 40% are reliant on mobile websites.

The perception of mediocrity is also widespread across different digital channels, although laptops and tablets are widely considered superior to mobile websites and apps [Figure 1]. With investors accessing their investment portfolios via multiple digital channels, ensuring a consistent experience will be crucial.

Figure 1: There is poor satisfaction with the digital experience today

Overall, how satisfied are you with the digital interface provided by your investment provider across the different channels you use?

Satisfaction with channels



Source: Refinitiv

It may be tempting to downplay these conclusions for platforms, since few rate their experiences with the lowest scores (i.e. 1 to 6 out of 10). While true, this shouldn't encourage complacency. Net Promoter Scores reveal another damaging consequence of not focusing enough on digital delivery.

A poor digital experience results in weak loyalty to platforms [Figure 2]. Millennials and Generation X give Net Promoter Scores (11 and 8 respectively) less than half as good as Baby Boomers or older generations (21 and 22 respectively) – just over a quarter of these younger clients (26%) agree they would recommend their main firm to their wider network.

Only 26% of Millennial investors would recommend their investment provider

Surprisingly, advisory clients – who by definition enjoy a more collaborative relationship with their financial providers – are not much more loyal than self-directed investors (49% vs. 47%).

What's the significance of this? Low Net Promoter Scores, reflecting passive relationships, indicate that platforms won't be able to rely on referrals for revenue growth. Instead, platforms will have to fight to keep their business and face an uphill struggle to improve their share of assets over time and the investor experience, otherwise they risk losing out to the competition.

The picture clearly looks different by region. The average Net Promoter score in Europe is just 17, less than half as good as the equivalent score in North America, where providers seem to enjoy an abundance of clients willing to promote them. But demographic change certainly adds complexity, as many American and Canadian clients plan to transfer wealth to their children and grandchildren in the coming years. These inheritors may think and behave similarly to Millennials in other markets.



43% of investors use mobile applications to access their investments

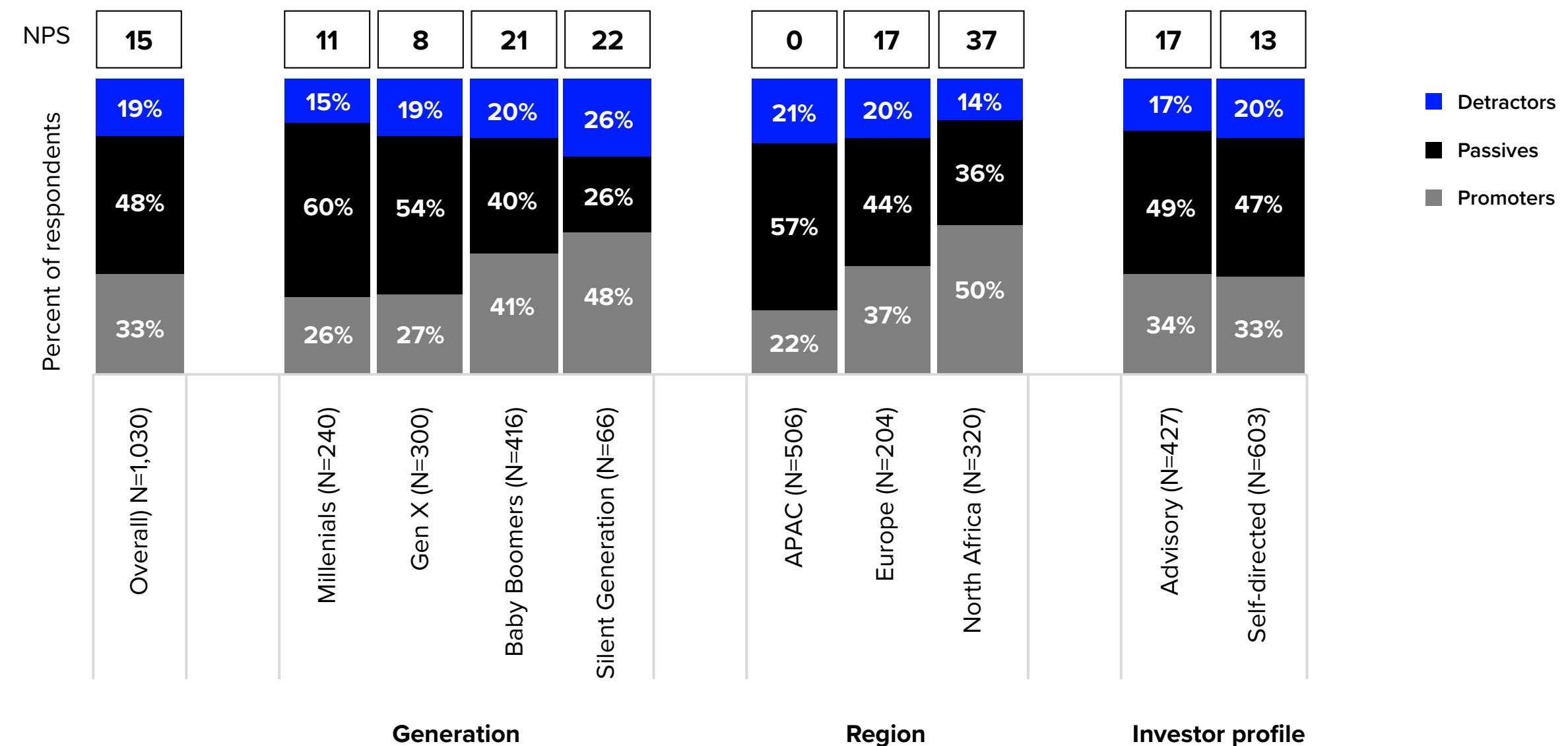
As we look ahead to a post-pandemic world, it is likely clients will continue using multiple channels to manage their investment accounts. They are already adept at navigating different channels for portfolio activities (43% of the global audience now use mobile applications, for example). Digital engagement will likely accelerate as familiarity grows.

Platforms simply don't have the luxury of deferring decisions on digital. Access, control and customisation are already widespread expectations.

Figure 2: Net Promoter Scores are weak, suggesting loose loyalty to platforms

From all of your experiences with your investment provider, how likely is it that you would recommend the firm to a friend, family member or colleague?

Net Promoter Score



Source: Refinitiv

MEETING NEW EXPECTATIONS

Any attempt at technological innovation comes with risk, making it imperative to focus first on changes that will quickly bring tangible benefits to clients.

Investors are pointing towards some of the quick wins. There are straightforward changes that would improve trust and transparency, such as offering clearer product navigation and better visibility of all their investments, including those held with other firms [Figure 3]. Importantly, investors want to be able to contextualise their holdings and portfolio activities with other data (whether social media, market data or news insights), so they can identify next best actions to take.

24% of investors say clearer product navigation would improve the platform experience

For advisory clients – who are both highly valued and rather underwhelmed – the next action is usually to seek guidance on their portfolio activities from their advisor. That's why they prioritise facilitated access to these investment experts. They have a growing need for advice, and put a higher premium than other segments on being able to schedule online meetings quickly (24% vs. 15%).

There are ways to win back younger investors who, as referenced earlier, report some of the lowest NPS scores for their primary platforms. They want to visualise and compare all the information relevant to their portfolios in one place. Providing a single dashboard showing market data, portfolio holdings and recommendations will help create a superior platform experience and win the loyalty of investors.

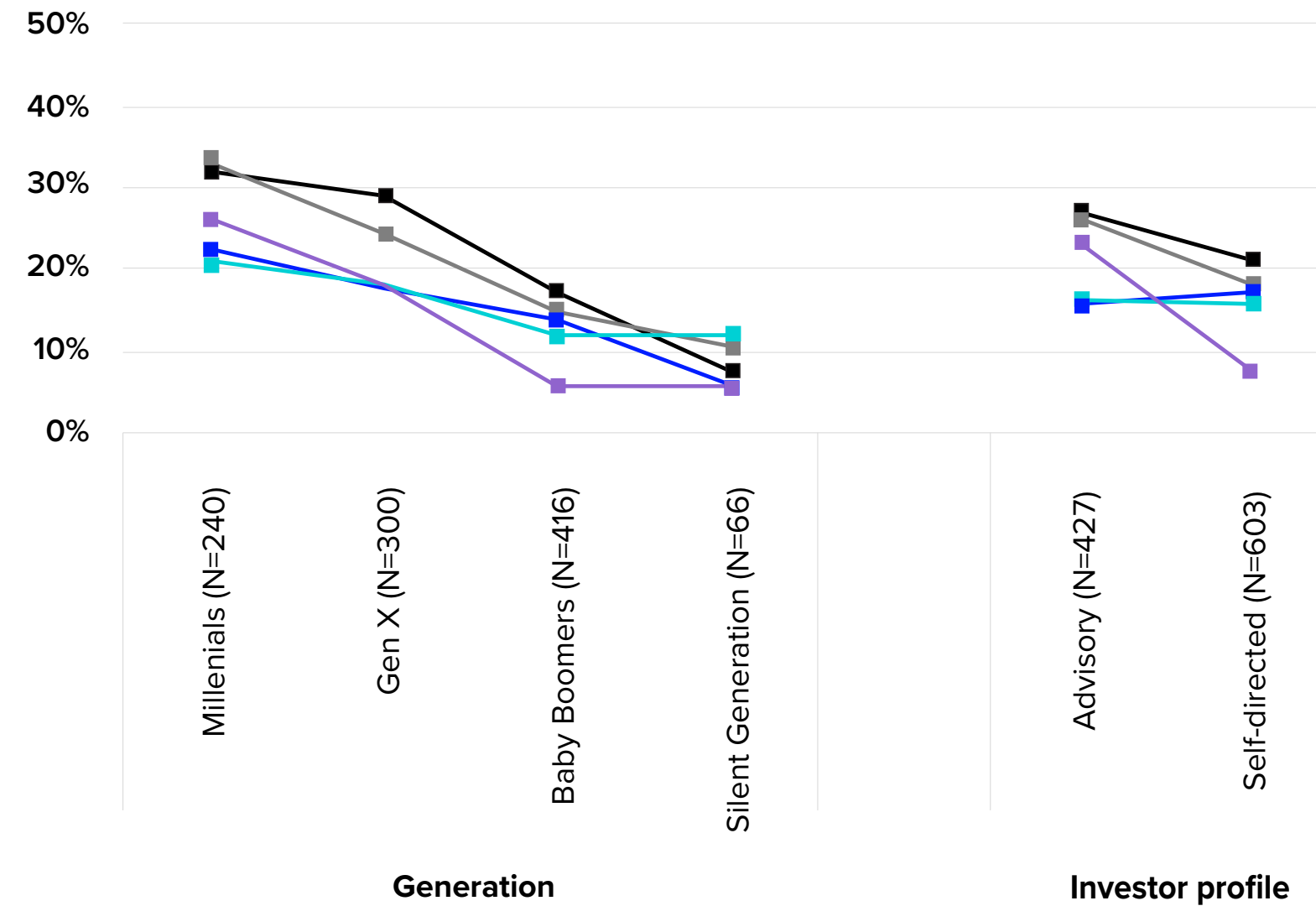
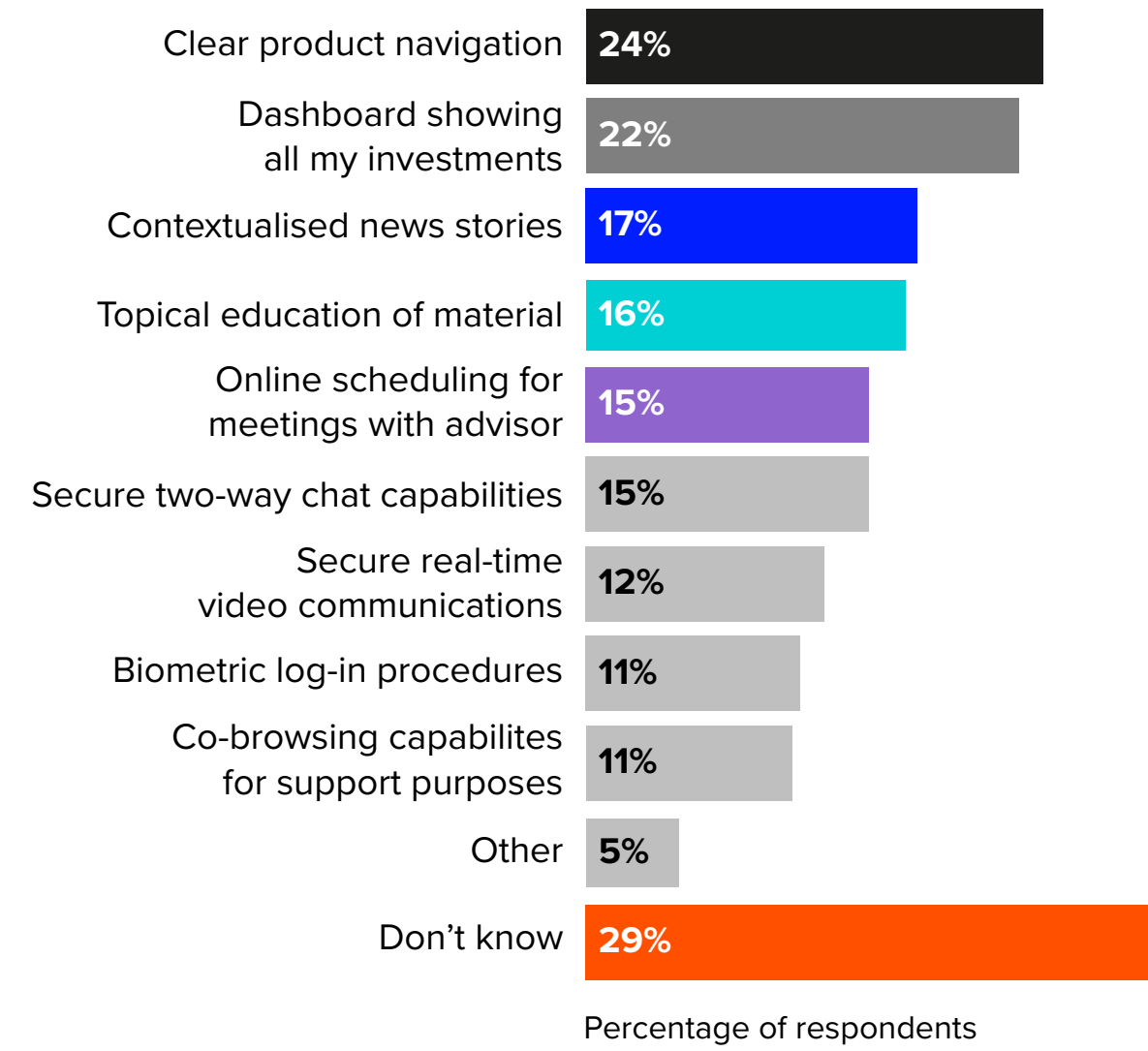


The signal points of a better digital experience are visible. Improvements will not go unnoticed by clients, who are now conducting even more of their wealth management online.

Figure 3: Straightforward platform enhancements could improve the digital experience

Are there any areas where you would like to see your investment provider make improvements to the platform experience offered to you?

Improvements to the platform experience



Source: Refinitiv

Providing a single dashboard showing market data, portfolio holdings and recommendations will help create a superior platform experience and win the loyalty of investors.

THE TIME FOR TRANSFORMATION IS NOW

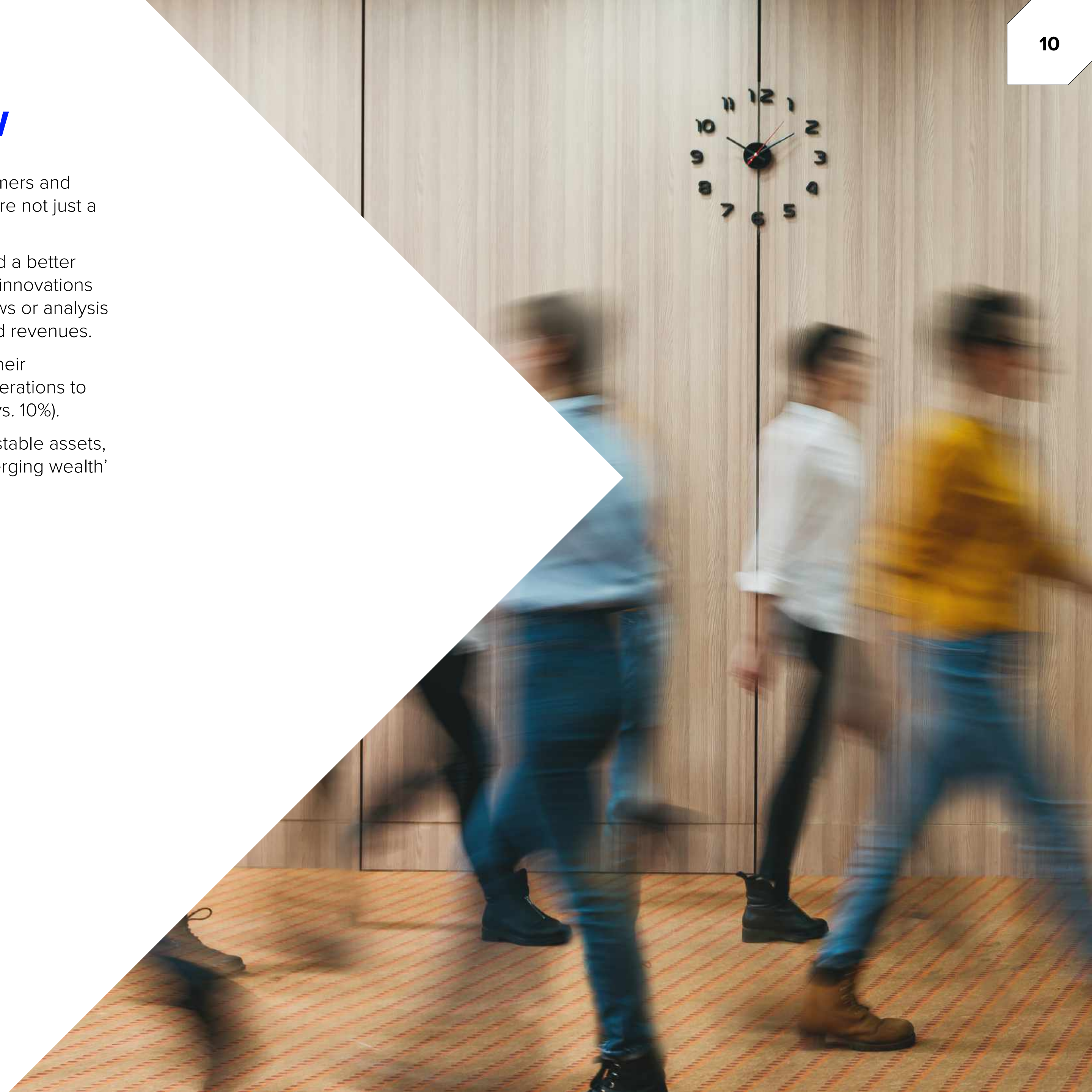
For the most forward-looking firms, digital can be a differentiator, attracting new customers and cementing the loyalty of existing ones. This means best-in-class platform capabilities are not just a nice to have for investment providers. They are a revenue generator.

Underserved segments are clearly less loyal and won't hesitate to switch when offered a better alternative. Platforms that can rise to investor expectations and introduce some of the innovations they want – whether a more transparent overview of their portfolio, contextualised news or analysis related to their company holdings – will see the returns from new clients and improved revenues.

Consider Millennial investors, who are both digital natives and highly transactional in their perspective on providers. Millennials are nearly three times more likely than older generations to consider switching in the next 12 months because of their platform experiences (29% vs. 10%).

While Millennials may not be the most valuable clients to advisors based on their investable assets, their earning potential over time, and their higher frequency of trading, represent 'emerging wealth' that firms should be reluctant to lose.

Millennials are 3 times more likely to consider switching platforms than other investors.



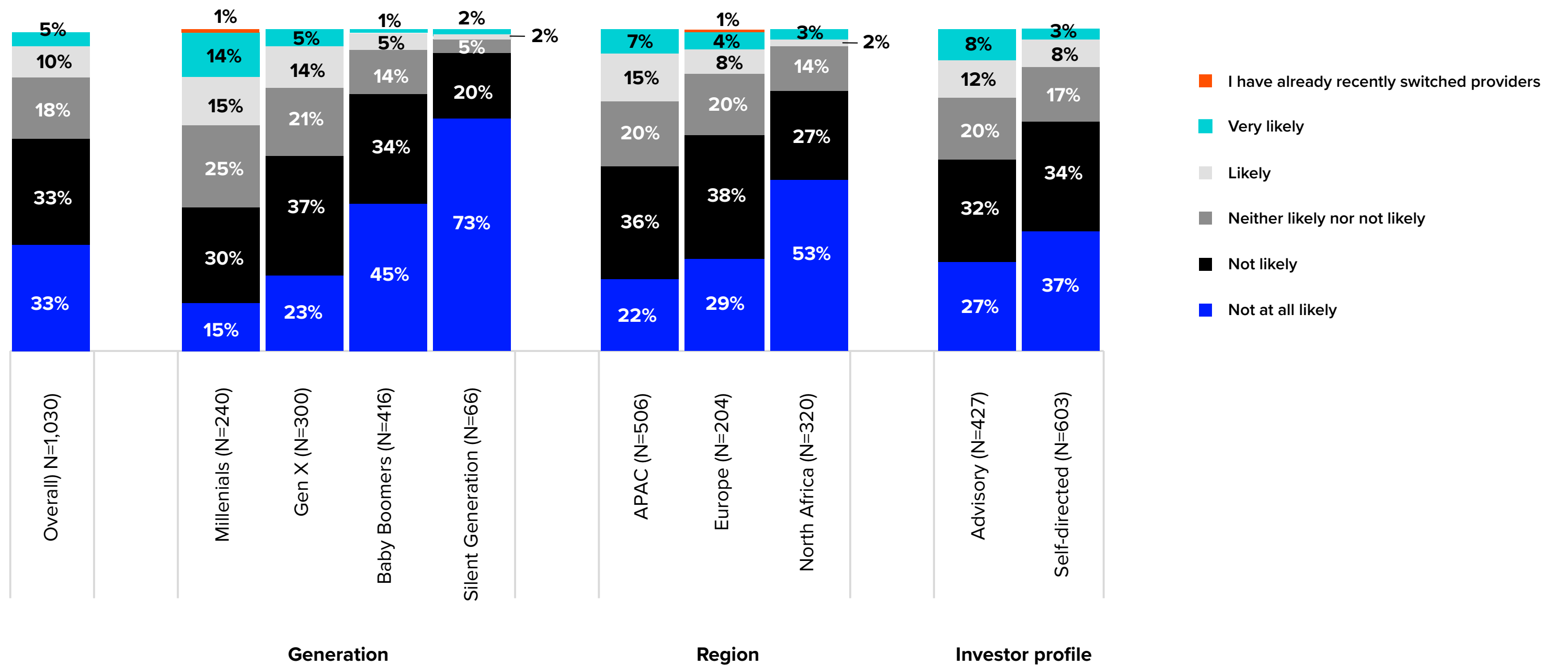
However, the situation with advisory clients is more immediately concerning. These should be lucrative relationships, given their closeness and frequency of collaboration, but they are not rock solid. In reality, 20% of advisory clients would be willing to switch firms within a year as a result of their digital experiences, nearly twice that of self-directed investors (11%). [Figure 4].

Therefore, despite the environment of fee compression, cheaper trades are not the only factor encouraging mass affluent investors to consider other providers. A gold standard digital experience could also influence the decision of which firm to work with.

Figure 4: Millennials are far more likely to switch platforms in the next 12 months

How likely are you to consider switching providers in the next 12 months as a result of your platform experiences?

Likelihood to switch providers in the next 12 months



Source: Refinitiv

CREATING AN END-TO-END EXPERIENCE

Data is the critical success factor in the present environment. With market events and updates happening at speed, investors are reliant on high-quality information for their account management, risk analysis and performance evaluation.

The impetus is on platforms to integrate the capabilities they want, starting with access to real-time data, which 80% agree is important [Figure 5].

80% of all investors believe real-time data is a priority enhancement to portfolio analysis

However, the demand for data doesn't stop there. Investors completing their own performance analysis also rely on access to up-to-date historical data – updated at least weekly (and ideally daily). Data that is updated daily is particularly important in the U.S. and Canada.

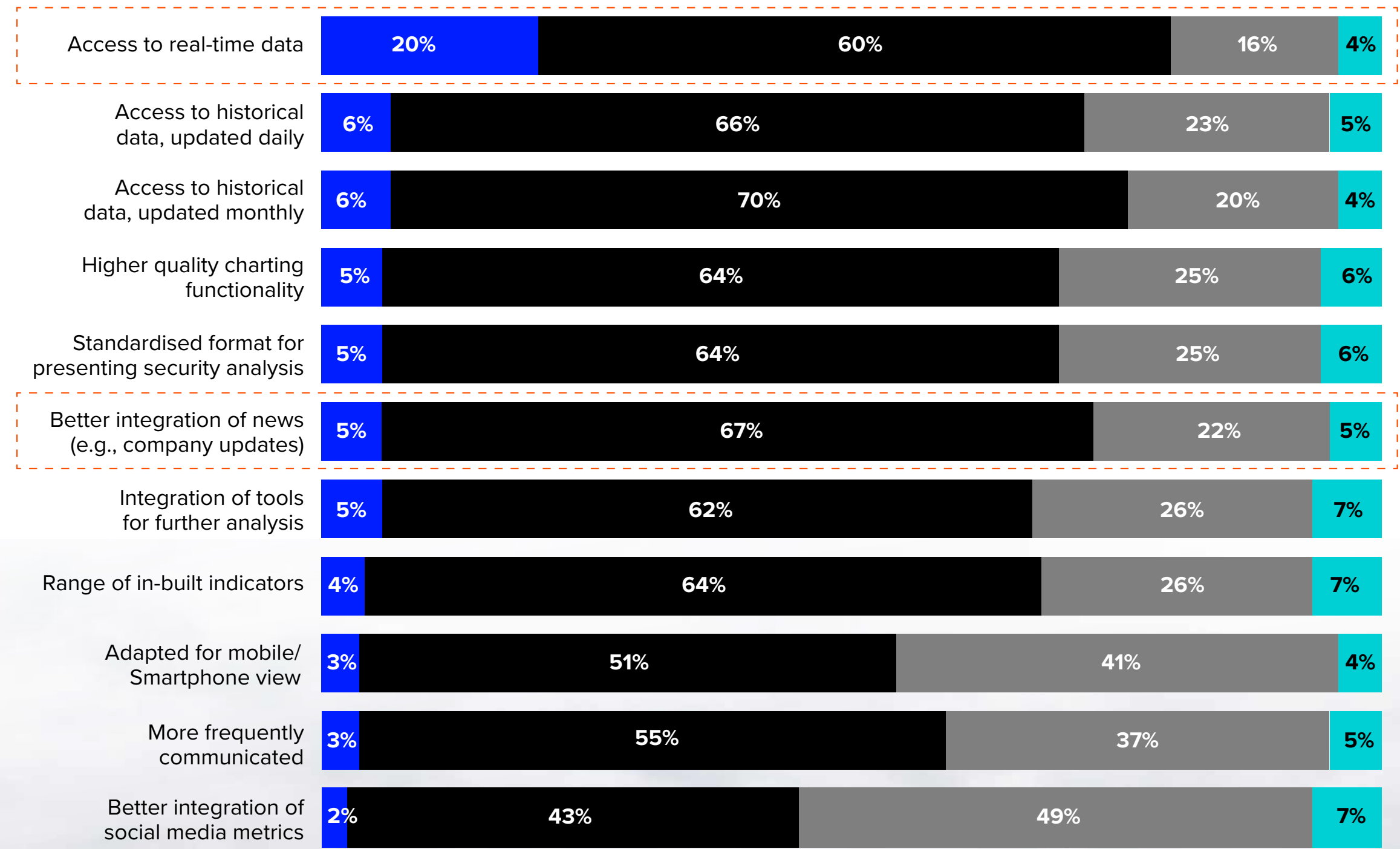
Echoing a theme evident in other parts of the survey results, clients want support with contextualizing the information they are analyzing. That's why nearly three-quarters (72%) of respondents state a secondary priority for better integration of news, including company updates.

In Asia – where more than 80% say that news updates are important – platforms will be under the most pressure to figure out how to provide this quickly.

Figure 5: Real-time data is a missing 'brilliant basic' for investors

In what ways, if any, could the analysis provided to you by your investment provider be improved?

Improvement priorities

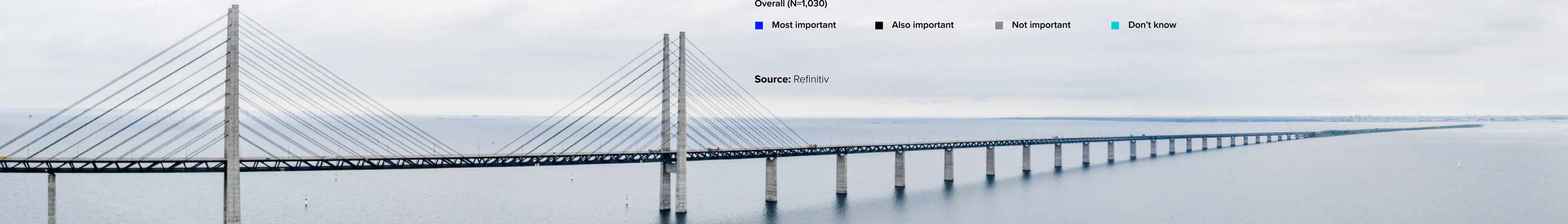


Overall (N=1,030)

■ Most important ■ Also important ■ Not important ■ Don't know

Source: Refinitiv

Percent of respondents



New tools are also needed for effective portfolio management in the current environment. Investors must make decisions quickly, but also need peace of mind that they are doing so based on all the available data and market context.

Platforms can empower them with alerts, which investors have come to depend on since the increasing volatility in financial markets. Typically, they respond to either three or four alerts during periods of heightened turbulence, with the release of new economic data, breaking news or changes in market sentiment most likely to provoke a portfolio change.

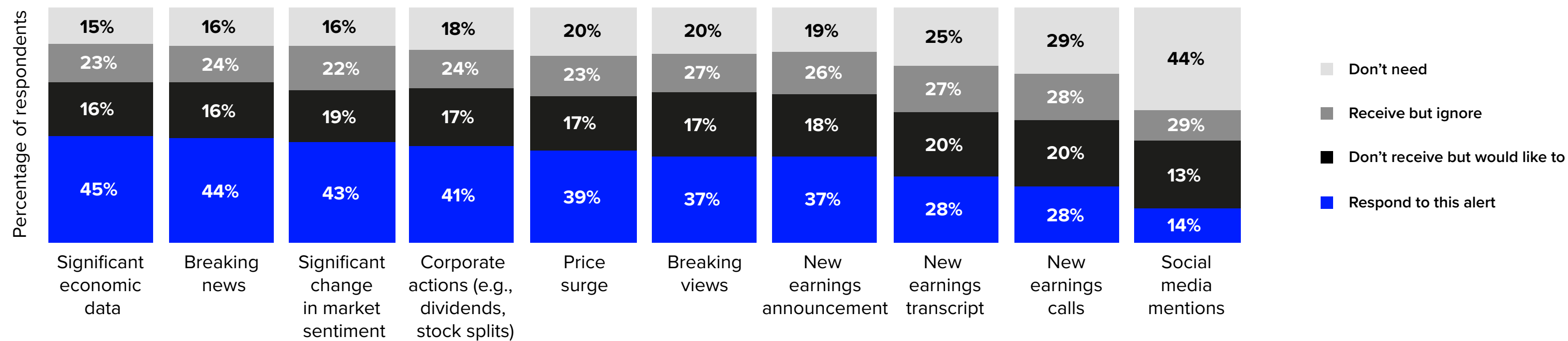
On average, investors respond to 3 or 4 alerts during periods of volatility

Alerts are also an obvious development area for platform providers that have not yet realised how important they are to their clients. Consistently, one in four investors receive alerts that they ignore, raising questions of how they could be better targeted. And 20% are not receiving alerts that they feel would be helpful, including company earnings calls and transcripts [Figure 6]. Alerts are another digital tool which, combined with comprehensive data and consistent multi-channel platform access, will help to enhance the investor experience.

Figure 6: Alerts on earnings updates could be a future focus for platforms

During periods of market volatility, do you review or make any changes to your portfolio as a result of alerts?

Changes made as a result of alerts



Source: Refinitiv

CONCLUSION

Since the start of the COVID-19 pandemic, investors have become far more familiar with their wealth providers' digital offerings, and are increasingly looking to other digital aspects of their lives as a benchmark for their investing experience.

The easy option for risk-averse firms, in the face of prolonged uncertainty and margin compression, is continuing to 'make do' with the platform functionality in place because it works, even if it doesn't deliver outstanding value to clients and build loyalty.

However, as we have seen, the likely outcome of this short-term mindset is to provoke the least loyal customers to look elsewhere for a partner who is more willing and able to provide the experience they now expect.

To be successful and remain competitive, firms will need to look at enhancing or incorporating altogether the following aspects to their wealth platform experience:

- **Personalisation:** With advisory clients twice as likely to consider switching providers than self-directed investors, it is clear the client experience isn't tailored to investment mandates and individual needs. Deliver a deeply unique experience to each individual user that keeps them coming back regularly.
- **Education:** Investors are comfortable completing their own analysis but want more support to contextualize data to their own investments. Provide the information, training and analysis users need to empower them to make educated decisions.
- **Collaboration:** Investors and especially advisory clients put a high premium on quick access to their advisors and investment advice. Enable users to collaborate with experts and advisors digitally via real-time chat, voice, video and support channels.
- **Navigation:** 24% say clearer product navigation would improve the platform experience. Design a simple and easy workflow for users to easily find the information they need via whatever digital channel they choose.
- **Insights:** Investors say they want to benefit from new and differentiated insights when making investment decisions. Embed advanced information and analysis into the platform that goes above and beyond the norm, such as news sentiment analysis, risk analysis and advice.

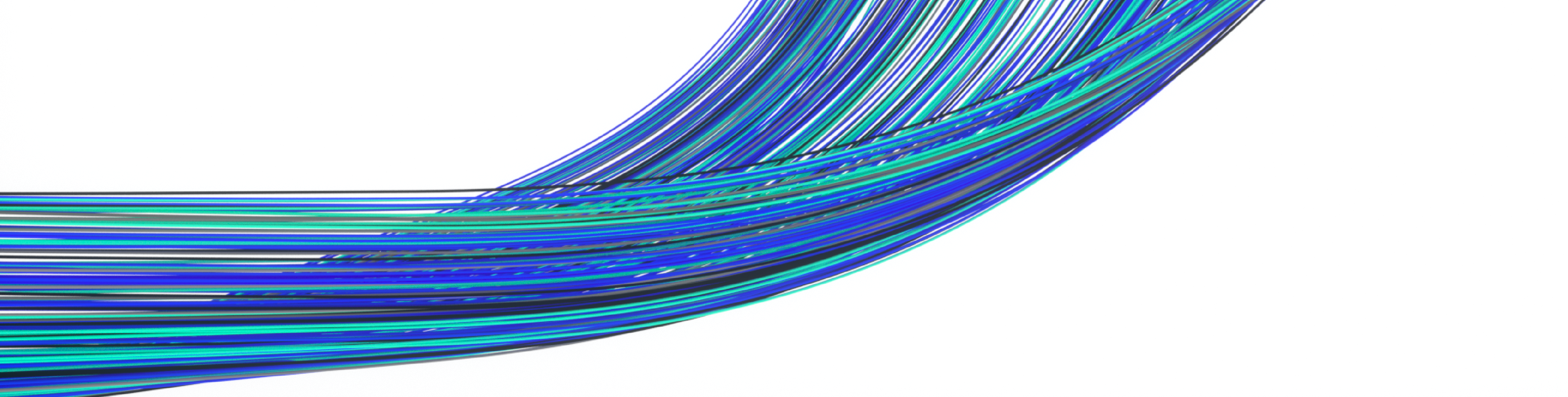
Early in 2020, financial providers rose to the challenge of delivering a fully virtual relationship out of necessity rather than choice. They should now seize the opportunity of listening and learning from investors to truly make digital their differentiator. Future enhancements could then be much more of a win-win for both sides - as long as they stay the course and continue to improve the investor experience. The time for change is now.

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Refinitiv has a rich history of servicing the Wealth Management industry, we have invested heavily in the business and are committed to bringing the most advanced solutions to the market. The ongoing industry transformation sees us working hand-in-hand with our clients to improve advisor workflow solutions and digital wealth experiences.

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