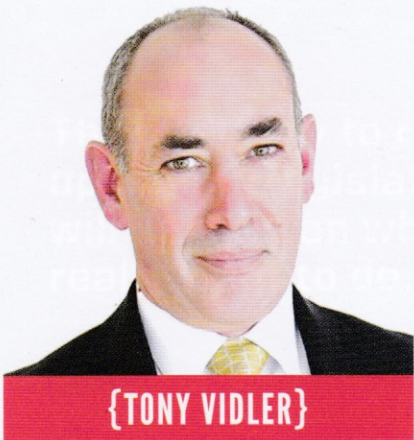


The next adviser opportunity: The robo-practice

Raw information and research has become more accessible to consumers so this is not the death knell for human financial advice, Tony Vidler writes.



{TONY VIDLER}

We are living and working through a period where there is a permanent and fundamental shift in consumer buying behaviour.

For years the financial services industry has worked with theories such as "insurance is sold, it is not bought", or "investment products

are too complex for consumers to research for themselves" and certainly for an extended period of time these beliefs were largely true. The "supply" side of the industry (product manufacturers as well as distribution) has enjoyed the benefits of information asymmetry for literally decades.

Put simply: We had more, or better, information than the customers did, and were in the position of greatest power or influence.

Well, those days are gone already. Raw information and research is abundantly available to any consumer with internet access and a smartphone, and that happens to be just about every person whom advisers might want as future clients. Overseas research is beginning to reveal the extent to which consumers are embracing and actively using their access to this information. This for example from the USA: See below.

Financial products are nowhere near as baffling and confusing to many consumers as we like to believe. They are figuring stuff out for themselves when it comes to deciding on

product solutions.

How consumers access information has changed forever. How consumers assess the merit of product solutions is rapidly changing. How they access, consider and utilise advice is already a blend of technology-based solutions and human interaction. Swiss Re put together the following research-based graphic of how consumers are using multiple research, manufacturer, opinion and advice sources to purchase insurance products: See Fig 1.

These roboadvice models are not however signalling the imminent commercial death of humans involved in delivering financial advice.

Technology that delivers higher accuracy in diagnosis and bypasses the need for further hasn't killed off the business of medical practitioners - if anything there is an increasing demand for advice in that arena. Recent surveys and research is increasingly suggesting that millennials - who we all presume will choose technology-based solutions over us - actually prefer a hybrid approach of information access via technology solutions and humans for increasing complexity.

The question for advisers then is not "how do I compete with roboadvice?", but "how do I incorporate a roboadvice offering successfully into my business?"

Our thinking needs to shift from trying to figure how to compete head-on with a demand-driven technology solution and move to a situation where we can make the demand-driven technology solution work for our clients in a way that still enables us to be the people that educate and coach the right behaviours and strategic choices for them.

The solution is the robo-practice.

The robo-practice will blend technology-driven delivery of simple product solutions in a direct-to-consumer model together with systems which identify complexity triggers that indicate the need for personalised advice.

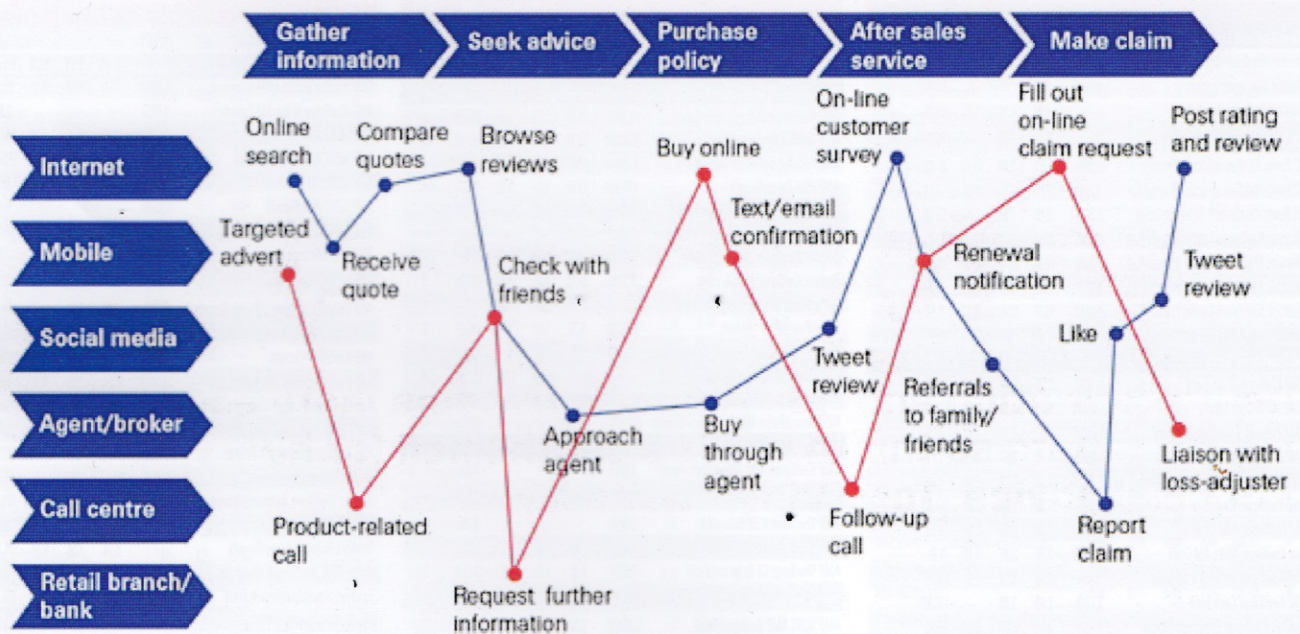
There are times in people's lives where their financial services needs are actually very simple. No job...no dependents...no worries...

Investment shoppers used on average 8.9 sources of information to help them make their purchase decision



For any one source, on average 20% of shoppers used it.

Figure 1: The increasingly complex buying journey for insurance: Multiple touch-points



Note: The red line shows an example buying journey initiated by a mobile advert, and the blue line a purchase experience via online search.

Source: Swiss Re Economic Research & Consulting based on insights from "Powering the Cross-Channel Customer Experience with Oracle's Complete Commerce", Oracle (2012)

what do they need at that point? Not a lot, really. Delivering a high-cost financial plan is rather excessive for the majority at this stage. Equally, the retiree with sufficient capital and a plan already in place to see them through their likely last days will typically experience diminishing need for expensive and time consuming solutions.

For those consumers who somehow find themselves in the position of spending more time at work and with increasing responsibility, and who are experiencing the joys of a young family and a large mortgage, and who are maybe even thinking about becoming self-employed at some point...well their lives are pretty complex.

So too are the financial decisions that they have to grapple with. There is competing demand for every dollar they can generate and finding the right balance of debt repayment, provision for the future, ensuring certainty for the family becomes tough for busy people who are focussed on any number of things that are more urgent and pressing than going online to research insurance products or retirement savings funds performance histories for example.

A robo-practice will be one where there is a strong online presence together with an abundance of DIY tools and content for consumers, together with transactional facilities for simple product solutions.

Those facilities already exist in NZ through a few institutions in the insurance and KiwiSaver

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areas whereby they have technology solutions that are fast, inexpensive and efficient for consumer use, and can essentially be backed into an advice practice.

In simple terms, these are consumer product solutions which are already built in the fintech arena here in NZ, and the adviser practice merely needs to provide a portal for any consumer of theirs to access those solutions. The point in highlighting that is to

illustrate that an adviser doesn't have to create the technology to incorporate the model into their practice.

The portal - your website - now becomes something more than a mere online advertising billboard to a transaction facility. Moreover, it is a transaction facility that captures business and revenue in the short term, but which also creates opportunity for the long term.

By incorporating great data capture on these transactional consumers and building great interpretative and analytical skills internally there is an opportunity to begin to learn the triggers that indicate complexity is occurring in consumers lives. That in turn presents opportunity for highly personalised and highly valued advice solutions.

Fintech, or roboadvice, does not present the threat of extinction that the doomsday folk predict. It is not a revolution, but an evolution.

Practices which evolve their model to cater to the shifting research and buying behaviours of consumers, and who also understand how to incorporate technology-driven solutions for simple needs, will still have ample opportunity to provide advice in complex areas for busy consumers. **A**

Tony Vidler is an adviser to financial advisers, helping them to grow their businesses via his coaching firm, Strictly Business.