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The Impact of the Coronavirus Crisis: Challenges to the Asset Manager and Financial Advisor Value Chain

By Tracy Needham and Jason Dauwen



INVESTMENTS & WEALTH INSTITUTE®

Challenges to the Asset Manager and Financial Advisor Value Chain

THE IMPACT OF THE CORONAVIRUS CRISIS

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A crisis exposes the strengths—and weaknesses—of any business. When trying to pivot to a new set of rules outside a firm’s immediate control, it soon becomes evident where a business could have better prepared for challenging conditions and where a more attuned investment in technology may have made for a smoother transition. The quality of the relationships a firm has formed with its customers becomes especially clear. High-quality relationships will keep a business afloat through a crisis—and help it to grow in the aftermath.

A NEW NORMAL

We have been actively surveying advisors about the changes in their current clients from their clients three years ago.¹ Additionally, we have been paying careful attention to the relationship between advisors and asset managers.

As a result, we believe three key factors will affect how financial advisors deliver advice in 2021 and beyond:

1. COVID’s acceleration of the digitalization of the advisor-asset manager relationship
2. Evolving investor behaviors and preferences
3. New business models of next-generation advisors

DIGITALIZATION—MORE REMOTE MEETINGS, FEWER IN-PERSON MEETINGS

Financial advisors have changed how they feel about meeting remotely—including meeting via videoconference. They plan to increase the frequency of remote sessions and decrease the frequency of in-person meetings (see figure 1). The virtual meeting is used primarily with asset management

salespeople with whom they do not already have an established relationship. Just more than a third of advisors said they would be willing to meet in person in some capacity when a relationship doesn’t already exist, compared with more than 65 percent when there is a relationship—which makes prospecting a challenge.

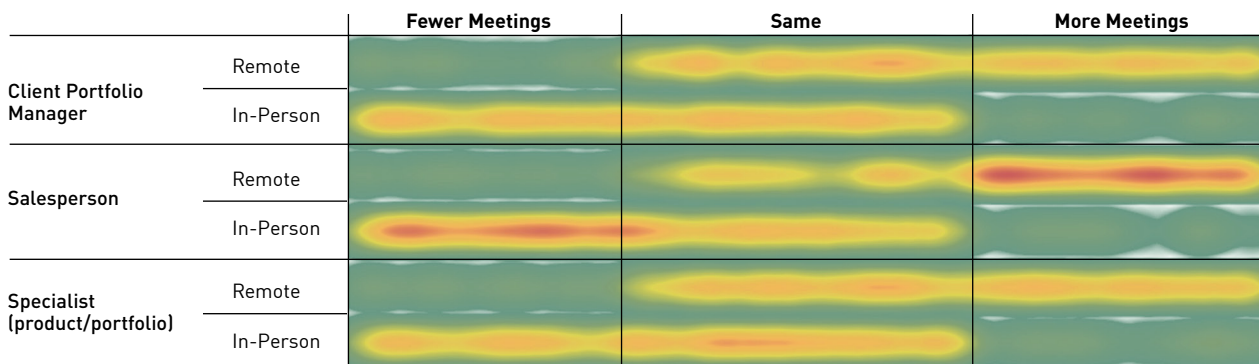
More than half (53 percent) of advisors in our survey said the frequency of remote meetings with salespeople would increase post-COVID. Eighty-three percent of these advisors also said they expect in-person meetings with salespeople to decrease. This indicates that advisors expect a shift from meetings held in person before the pandemic to remote interactions in the future.

As for financial advisors and clients, it is too early to tell how COVID-19 will

Figure 1

ADVISORS EXPECT MORE REMOTE AND FEWER IN-PERSON MEETINGS

QUESTION WE ASKED: When business returns to some sense of normal (post-COVID), how will the frequency of the following meetings compare to the frequency before COVID? (n=468)



KEY: Number of advisor responses for each combination or role, meeting format, and frequency ranging from low, to moderate, to high

Source: SS&C Advisor Insights Survey: Remote Selling, in association with Horsesho, 2020

change these interactions permanently. Before COVID-19, clients' digital experiences with e-commerce and other tech-savvy companies were fueling investors' expectations for online interactions and resources, as well as greater accessibility and convenience.

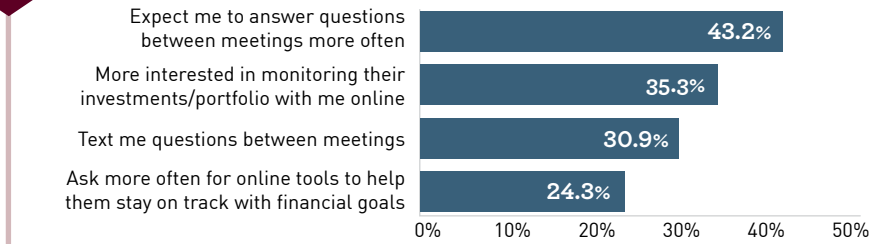
Four in 10 advisors said one of the biggest changes over the past three years has been clients more frequently asking for help between meetings (see figure 2). The ease of sending an email or opening a live chat has fed investors' impatience and willingness to break the walls of a traditional meeting. Access to information immediately is seen in every aspect of our lives; even doctors have portals now that enable patients to ask questions between appointments.

More remarkably, nearly as many advisors—three in 10—said clients also are more likely to use text messaging to ask questions between meetings. In general, text messages are more demanding than e-mail—you expect a professional to answer an e-mail within the day, but you expect a recipient to respond to a text message in real-time.

One-third of advisors said more clients are asking for the ability to monitor their accounts online, and one-quarter said clients are asking more often for online financial tools to help them stay on track with goals and plans. Clients may have similar features with banks or 401(k) providers—or they are seeing the online brokerages and robo-advisors offer them—and they like the convenience and transparency of these tools.

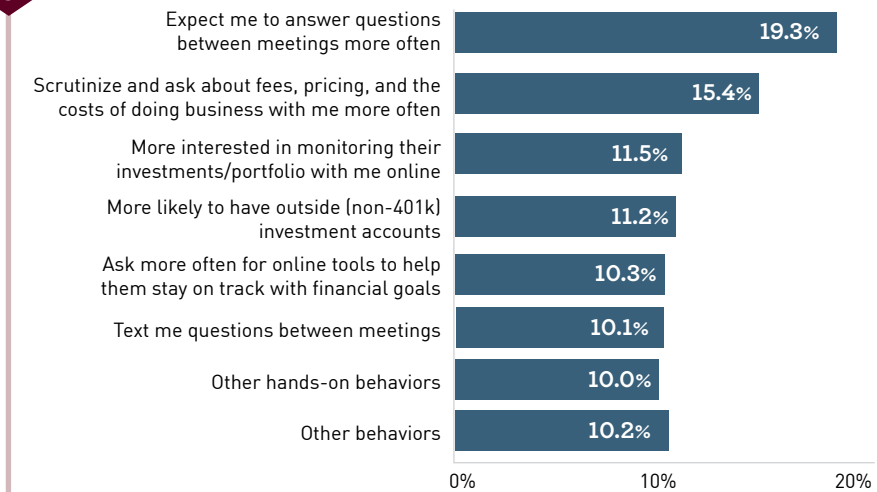
Even more important is the shift in traditional advisor-client activities (see figure 3). Although three in five advisors said the number of in-person meetings they're having with clients has remained the same over the past three years, 21.7 percent said the number has decreased. Two-thirds of those advisors said meeting frequency has decreased because either the clients prefer to meet by phone and/or video

Figure 2 TOP DIGITAL-RELATED CHANGES IN CLIENTS VS. THREE YEARS AGO



Source: SS&C Research, Analytics, & Consulting Investor Needs Survey, in association with Horsesmouth, 2020

Figure 3 NUMBER-ONE CHANGE IN CLIENTS FROM THREE YEARS AGO



Source: SS&C Research, Analytics, & Consulting Investor Needs Survey, in association with Horsesmouth, 2020

chat (38.2 percent) or the advisor does (23.5 percent).

Note that these numbers don't account for the COVID-19 pandemic. Advisors responded to the survey during the early weeks of shutdown—when experts were promising that it would just be a couple of weeks. So advisors mainly seemed to answer based on pre-COVID-19 practices.

Furthermore, 15 percent of advisors said one of the top three changes from three years ago was more clients preferring to attend events such as seminars online instead of in person. Online seminars are more convenient and require less commitment to attend, which better suits clients' busy lives.

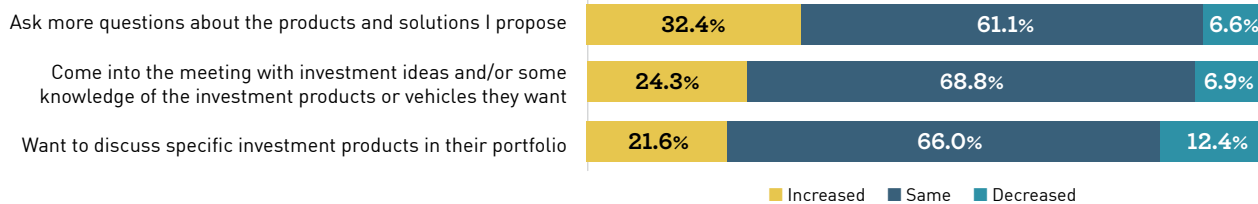
Given the extended length of the economic disruptions and advisors' increasing comfort with the technology and the

convenience it enables on both sides, we believe the trend toward virtual events and virtual meetings with clients will grow significantly in the next few years. Advisors will need to effectively engage and advance relationships with prospects and clients in digital environments such as videoconferencing and webinars.

When we zeroed in on the principal change advisors have seen now versus three years ago, 90 percent of the chosen responses indicate that clients are becoming more hands-on with their investment and financial planning decisions—such as asking more questions, scrutinizing costs, and wanting to monitor their portfolios online.

Many of the top hands-on behaviors they cited reflect the behavior of investors who are known as “validators” in different behavioral frameworks (see

Figure 4
ADVISORS SEE MORE VALIDATOR BEHAVIOR FROM CLIENTS



Source: SS&C Research, Analytics, & Consulting Investor Needs Survey, in association with Horsesho, 2020

figure 4). Validators are investors who seek advice from experts such as financial advisors—either human or automated—but do their own research and make their own decisions. Although estimates about their current share of the U.S. investor market vary, it’s clear that this group’s behaviors are becoming more common in advisors’ offices.

Advisors also confirmed that they see an increase in other types of behaviors that are hallmarks of validators. For example:

Investors are doing their own research.

One-quarter of advisors said more clients are coming to meetings with investment ideas or products already in mind, likely from visits to financial news or asset manager websites.

Investors are seeking a deeper understanding of what they are buying.

Validators ask more questions to understand better the who, what, when, where, why, and how of planning solutions and investment products the advisor proposes. One-third of advisors said more clients are asking these questions now. Of course, that push also includes scrutinizing fees, a behavior that’s already become more frequent. Although validators are savvy shoppers, they’re not necessarily fluent in the investment jargon and data often used in the product information. They need materials in plain English that address their questions and concerns.

Investors are continuing to evaluate post-purchase. They don’t stop validating a decision after the initial buy either; one in five advisors said more clients

want to discuss the specific products in their portfolios. And, as seen above, they want to check their accounts anytime, online.

As all of these behaviors show, validators have different needs and interactions with advisors than other clients. They’re driving the scope and cadence of the advisor relationship more than clients who are willing to delegate the research and decision-making to the advisor.

MORE SCRUTINY OF NEW ASSET MANAGERS

There always has been a difference in advisors’ receptivity to a salesperson they know versus a salesperson they do not know. In the future, the gap in receptivity on this distinction will only grow. Advisors’ willingness to meet in person with a salesperson with whom they don’t already have an established business relationship has decreased. Asset managers must find effective ways to do prospecting remotely or risk losing access to nearly 70 percent of financial advisors (the 20.2 percent of advisors who don’t want to meet with salespeople at all, under any circumstances, and the 49.3 percent who are only willing to meet salespeople remotely).

For more than seven in 10 financial advisors, replacing in-person meetings with remote meetings leaves more time to focus on growing and maintaining their businesses.

But half of the advisors said these time savings left more time in the day for activities that could benefit asset

managers, too. Of these advisors, three in four refocused this time toward learning about investment products they weren’t yet familiar with, and about four in 10 said they spent the time researching asset managers they do not yet do business with. More than four in 10 said they used the time to see what else asset managers they already do business with had to offer.

NEW BUSINESS MODELS OF NEXT-GENERATION ADVISORS

A smaller but increasingly important factor will be change driven by younger financial advisors joining the profession. A decade ago, robo-advisors emerged to reinvent the financial advice model and fix many of the things the next generation saw as wrong with traditional advice services. Those issues included:

- the inconvenience of in-person meetings
- hidden and confusing fees
- fewer options for people who are starting or who want to do their own investing
- a lack of relevancy, focusing on building long-term wealth and little focus on achieving short-term goals

Financial advisors from the next generation also have seen the opportunities to win the loyalty of their peers by changing the way advice is delivered. For the past few years, millennial-aged advisors have been introducing new business models for advice that rely heavily on virtual meetings to work with clients all over the United States. Even meetings with prospects are held via video chat.

One firm offers a wide variety of financial coaching and financial planning packages. Each package is tailored to meet the younger generation's specific needs, such as saving for a home and managing student loans. Clients meet virtually with their CFP®-certified financial advisors every three to four weeks and have access to online software to track their progress.

And because the next generation is keen on transparency, this firm's website clearly shows the pricing and outlines the financial planning process it will take clients through, step-by-step, over the next year. A separate page on investment philosophy discloses the firm that custodies assets and explains why that firm was chosen.

Finally, becoming a client is as easy as buying a product from an online retailer, because there is a shopping cart that clients can use to sign up and pay before leaving the site.

Although the ranks of younger advisors are still small, they are growing. A subscription-based, virtual-only business model enabling them to work anywhere, with clients from anywhere, likely will attract more of them to the profession.

CONCLUSION

We don't know precisely how much will change for wealth managers and asset managers, but COVID-19 has presented unique challenges because every firm has been required to pivot to a sales environment none of us expected before 2020. Now is the time to look forward and begin positioning for a new normal that will increase the use of remote meetings and decrease the use of in-person meetings across the industry. Renew your focus on understanding your clients and being able to personalize the experiences you offer them. Most importantly, look at your overall strategy for responding to disruption—COVID-19 has taught us that unanticipated external forces can completely change the way you do business. ●

LESSONS LEARNED DURING THE CORONAVIRUS PANDEMIC

Relationship building: Spending time instilling trust and well-established relationships have helped with engagement during the pandemic. For example, having a client's or an advisor's cell phone made outreach much easier.

Data and technology maturity: Asset managers and financial advisors who had established agile business intelligence and sales enablement technology infrastructure have found it easier to identify and engage clients and potential prospects.

Brand awareness: Asset managers who had established a reputation of expertise in markets and portfolio building found advisors took their calls more readily.

Availability of investment content and market commentary: Asset managers who had built easy-to-access and easy-to-use portals for investment content and market commentary could more efficiently support advisors.

Ability to react quickly to changing market dynamics: Asset managers and advisors who promptly responded to events early in the coronavirus crisis—those who put out relevant content to address concerns and made decisions quickly about how

they would respond—were better positioned to meet the needs of their clients

Focus on the customer experience: Asset managers and advisors who were viewed as partners, rather than purely sales relationships, were rewarded with greater engagement. For example, simple acts such as a call to ask, "Are you okay?"—without a sales pitch—often were much appreciated.

PRACTICAL TAKEAWAYS FOR ADVISORS

- A data and analytics strategy, including a well-maintained customer relationship management tool, can be beneficial well beyond enhancing sales.
- Technology can be your saving grace when you need to change how you do business dramatically.
- Cadence—when and how frequently outreach occurs—is critical in crunch time.
- The customer experience throughout the customer lifecycle makes a huge difference even in the hardest of times, and quality interactions do not have to take place in person.
- Empathy is a meaningful way to build stronger relationships.
- Providing access to experts and specialists can open doors.

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ENDNOTE

1. Source: SS&C Research, Analytics, & Consulting Investor Needs Survey, in association with Horseshoof, 2020. We surveyed 422 financial advisors in Q2 2020 about their investor clients' needs and preferences.



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