Closing the Gap
How Tech-Savvy Advisors Can Regain Investor Trust
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Accenture recently released key findings from our research on an emerging US investor population coined Generation D (Gen D), where the D stands for Digital. This heterogeneous group—which spans multiple demographics and represents more than 75 million people with $27 trillion in assets—is differentiated by their broad adoption of technology, particularly in their deeply ingrained use of digital and social channels in almost every aspect of their lives.

These digital behaviors will have a growing impact on the relationships these investors have with financial institutions and advisors—relationships that are currently undermined by a lack of trust in the financial system. This is particularly true for the Millennials of Gen D, who will become an increasingly key demographic as their income and assets grow over time.

A tandem Accenture study of financial advisors revealed a Gen D advisor profile that closely corresponds to the investor segment. In fact, 75% of advisors currently share the same command of digital technology as Gen D investors, integrating use of digital and social channels into their daily lives. The majority (60%) has daily contact with clients through social media, some likely flouting their firms' current policies against this type of activity. With 54% citing that they found or converted clients using these channels, it’s clear that the tech-savvy Gen D advisor realizes the importance of digital tools in attracting and retaining clients, and understands that this is increasingly becoming a key differentiator for success.

Chart 1. Financial Advisor Participants by Business Type or Company Division

<table>
<thead>
<tr>
<th>Business Type or Company Division</th>
<th>Tech Savvy (n=300)</th>
<th>Non-Tech Savvy (n=100)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Private Client Office/ Multi-Family Office/ Single-Family Office</td>
<td>28%</td>
<td>29%</td>
</tr>
<tr>
<td>Independent Broker/Dealer</td>
<td>17%</td>
<td>16%</td>
</tr>
<tr>
<td>Direct</td>
<td>10%</td>
<td>12%</td>
</tr>
<tr>
<td>Wirehouse, A national firm with a large advisor force</td>
<td>10%</td>
<td>11%</td>
</tr>
<tr>
<td>Insurance Broker/Dealer</td>
<td>10%</td>
<td>10%</td>
</tr>
<tr>
<td>Regional Broker/Dealer</td>
<td>7%</td>
<td>7%</td>
</tr>
<tr>
<td>Bank Broker/Dealer</td>
<td>7%</td>
<td>7%</td>
</tr>
<tr>
<td>Dually Registered Advisor</td>
<td>6%</td>
<td>6%</td>
</tr>
<tr>
<td>RIA</td>
<td>4%</td>
<td>3%</td>
</tr>
</tbody>
</table>

Total FAs (n=400)
Overall, the research provided a number of revelations regarding the relationships between Gen D advisors and their clients, which can be summed up in three key learnings.

1. A surprising disconnect exists

In comparing investor and advisor responses to our research questions, Accenture identified significant perception gaps that clearly need to be addressed by the financial community.

The erosion of investor trust since the recent financial crisis has led to an increased need for investors to understand and feel in control of their investment decisions. Yet, advisors tend to seriously overestimate investor knowledge, believing 42% are extremely knowledgeable about investing, while only 12% of investors actually see themselves as extremely knowledgeable. As a result, what FAs intend as clear and valuable communications to investors are often perceived as promotional—and possibly beyond their level of investment knowledge. Investors are seeking education, and if advisors don’t offer what they need, they are likely to look for that information elsewhere, resulting in missed opportunities.

In another significant disconnect between investors and advisors, FAs tend to misunderstand their clients’ investment style, assuming their clients want to invest more aggressively than is often their preference. This is particularly true with Millennials, who are by far the most conservative in their attitudes toward investing. (See Chart 2.)

FAs also were found to overestimate the strength of their relationships with clients, while underestimating the importance of the relationship itself. This manifests itself differently, however, with the three generational cohorts within Gen D. The traditional relationship model still seems to work well for Gen D Boomers, but Gen X-ers and Millennials tend to be less trusting and perceive their relationships with advisors as less personal, more transactional, and primarily results-driven. (See Chart 3.)

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**Chart 2. The Gap in Investment Style Perceptions**
(The approximate percentage of client base categorized as Conservative Investors, Aggressive Investors, or Moderate Investors)

- **Aggressive**
  - Total FAs (n=400): 28%
  - Total Gen D Investors (n=1005): 13%
  - Gap +15%

- **Moderate**
  - Total FAs (n=400): 34%
  - Total Gen D Investors (n=1005): 51%
  - Gap -17%

- **Conservative**
  - Total FAs (n=400): 38%
  - Total Gen D Investors (n=1005): 36%
  - Gap +2%

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**Chart 3. The Gap in Relationship Perceptions**
(The extent to which each statement describes your current relationship with your clients/with your FA)

- **Takes time to know me/client**
  - Total FAs (n=400): 42%
  - Total Gen D Investors (n=1005): 67%
  - Gap -25%

- **Personal relationship**
  - Total FAs (n=400): 38%
  - Total Gen D Investors (n=1005): 63%
  - Gap -25%

- **If FA moves, client moves too**
  - Total FAs (n=400): 49%
  - Total Gen D Investors (n=1005): 31%
  - Gap -18%

- **Clients care ONLY about results**
  - Total FAs (n=400): 40%
  - Total Gen D Investors (n=1005): 19%
  - Gap -21%
Good news coming out of our research is that the erosion of investor trust can be addressed through increased—and skillful—use of digital/social tools. They offer FAs unprecedented opportunities for more frequent interactions with their clients, helping them forge deeper, stronger relationships. They also allow FAs to draw from a broader, richer referral and acquisition network.

Responding to their clients’ desire for investment education—and their openness to using digital tools such as virtual meetings, online seminars, and online communities—FAs can explore the effectiveness of various digital channels for delivering this information in an engaging environment.

Digital tools can be equally important for creating digital social networks within financial firms, providing channels for connecting FAs with specific expertise and providing feedback on work-related issues. These internal social networks, which are becoming increasingly prevalent, can also help FAs become more comfortable with the use of digital tools for connecting with clients and referral sources. When asked whether they would expect to use an internal social network provided by their firm, 85% of FAs agreed that if you build it, they will come.

There is a growing perception among advisors that digital/social tools will become highly functional table stakes for both external and internal communications—and for current and future career satisfaction and success.

2. Digital/social tools are becoming table stakes
3. Gen D advisors are seeing results

With real results validating their efforts, tech-savvy FAs understand that they need to employ digital/social tools to communicate effectively with Gen D investors. More than half believe their clients want, or even demand, digital interaction.

Their responses also demonstrate advisors are having significant success using these channels for client acquisition, with 40% indicating they’ve gotten new clients through Facebook, 25% through LinkedIn, and 21% through Twitter.

While most FAs acknowledged a number of benefits to using social media channels, the top reasons cited included:

- Getting answers to clients quickly and easily (59%)
- Increasing their touchpoints with referral sources (58%)
- Keeping up to date on industry news (58%)

Social media utilization has also helped FAs achieve their key professional goals. Among all FAs surveyed, 77% affirm that it helps with client retention, 74% agree that it helps them increase assets under management, and 73% say it has led to an overall increase in client interactions. As Chart 4 shows, tech-savvy advisors are even more positive in their assessments of how well these tools are helping.

Chart 4. Positive Assessment of Social Media

<table>
<thead>
<tr>
<th>Social media has led to an increase in client transactions</th>
<th>Social media helps with client retention</th>
<th>Social media use has led to assets under management</th>
</tr>
</thead>
<tbody>
<tr>
<td>Non-Tech Savvy (n=100)</td>
<td>Tech Savvy (n=300)</td>
<td>Total FAs (n=400)</td>
</tr>
<tr>
<td>True for Me</td>
<td>Not True for Me</td>
<td>True for Me</td>
</tr>
<tr>
<td>49%</td>
<td>51%</td>
<td>46%</td>
</tr>
<tr>
<td>81%</td>
<td>19%</td>
<td>15%</td>
</tr>
<tr>
<td>73%</td>
<td>27%</td>
<td>23%</td>
</tr>
<tr>
<td>True for Me</td>
<td>Not True for Me</td>
<td>True for Me</td>
</tr>
<tr>
<td>54%</td>
<td>46%</td>
<td>47%</td>
</tr>
<tr>
<td>85%</td>
<td>15%</td>
<td>83%</td>
</tr>
<tr>
<td>77%</td>
<td>23%</td>
<td>73%</td>
</tr>
<tr>
<td>Not True for Me</td>
<td></td>
<td>Not True for Me</td>
</tr>
<tr>
<td>27%</td>
<td></td>
<td>26%</td>
</tr>
</tbody>
</table>
Digital/social use offers a clear advantage

Consistent and effective use of digital tools and social channels is becoming increasingly necessary for financial advisors to remain relevant to Gen D investors who already represent a large and viable market segment. Millennials, who are now most skeptical toward FAs, will drive this trend as their wealth—and importance—grows.

Financial advisors with digital savvy are successfully using digital tools for attracting, building, and retaining relationships with Gen D investors. They understand there are not only client-facing advantages to these tools, but also benefits inside their professional spheres.

It is critical, however, that they understand and begin to address the perception gaps that may be undermining their effectiveness with investors. The use of digital tools and social media offers solid opportunities for delivering the financial education their clients want and need, and for building stronger, more robust relationships with multiple touchpoints.

Financial firms need to evolve their businesses to serve the needs and preferences of Gen D investors, whose ranks will soon dominate the total investor population. Accenture will be releasing detailed reports in the coming months with implications and next steps for:

- Finding, attracting, and retaining Gen D clients
- Evolving the customer experience to meet their expectations, behaviors, and preferences
- Defining the new role of FAs and identifying new practices to help them remain relevant in the digital age
Notes

1 Population estimates and projections are the product of publicly available population estimates from the US Census (2011 data), Pew Internet and American Life Project estimates of the online population (2011-2012), and the conditional incidence rates observed in the quantitative study. US Census data were used to estimate the size of the population that falls within the Millennial, Gen X, and Boomer age ranges. The resulting US population estimate was multiplied by the midpoint of the proportional estimates of online households from both the US Census and the Pew Research study to arrive at an estimate of the Online Millennial, Gen X, and Boomer population. The resulting figure was, in turn, multiplied by the conditional qualifying incidence figures from Accenture’s Gen D Investor survey, which required respondents to participate in or fully control financial decision-making for their households (which disproportionately affected Millennials), required incomes of no less than $30k for Millennials and $75k for Boomers and Gen X-ers, and either some form of current investment (including 401k, any stock or bond) without regard for amount, or (for Millennials) a stated intent to begin investing in the next three years.

Asset projections were the product of median self-reported total asset levels taken from the survey and the population estimates. Medians were used to mitigate the impact of the very small, but disproportionately wealthy respondents whose asset levels would have skewed the projections upwards.

2 Enterprise collaboration (or social collaboration) refers to the process of infusing social computing technology and principles within a firm—for example, providing advisors with internal social networks similar to Facebook within the firm. Companies industry-wide are successfully using these networks to improve internal collaboration and the way employees work with each other while supporting customers.

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