SHIFTING CONSUMER TRENDS CREATE NEW OPPORTUNITY FOR INVESTMENT ADVICE

Consumer behaviors and expectations are shifting in ways that are challenging investment advisors to redefine their priorities, and even transform their distribution models. To help map and describe these changes, Accenture’s 2017 Financial Services Global Distribution & Marketing Study gathered the views of more than 32,000 customers across 18 markets. The research provided valuable insights into how customers want to interact with their providers of investment advice, and where innovation must play its part. But establishing a new basis for trust with customers, and securing their loyalty, will require far more than a digital-first approach. In the post-digital battleground, advisory firms must define their proposition in relation to both digital innovation and traditional value-added services to meet their customers’ needs.

This sector is seen as a prime candidate for disruption through automation and other innovative technologies.
OUR STUDY, WHICH FOCUSED ON CONSUMERS OF INVESTMENT-RELATED PRODUCTS AND SERVICES, IDENTIFIED SIX EMERGING CUSTOMER TRENDS THAT HAVE PROFOUND IMPLICATIONS FOR THE SECTOR:

1. DATA AS A CURRENCY
Consumers are willing to share more of their personal data with their advisors, but there is a clear trade-off—they understand the value of their data and expect to receive benefits for sharing it, in the form of more tailored products or better pricing. Globally, 67 percent of respondents said they would grant investment advice firms access to more personal data in return for such benefits.

2. YOUNGER CUSTOMERS SEEK NEW MODELS
Google, Apple, Facebook and Amazon (collectively known as GAFA) and other platforms (such as the “robo-advisors”) are providing attractive alternatives to traditional investment advice firms, especially among younger generations. While 38 percent of consumers would consider purchasing investment advisory services from an online provider, such as Google or Amazon, this rises to 46 percent among Gen Y respondents. This underlines the attraction of the highly responsive, tailored service consumers have become accustomed to on these platforms.

3. AUTOMATED SUPPORT IS WELCOME
Investment advisory customers are open to receiving entirely computer-generated support, provided it can deliver the tailored information they need. More than three-quarters (78 percent) of investment advisory customers, for example, say they are willing to receive automated support regarding asset allocation.

This is clearly viewed as a route to greater control over their investing experience: The potential for improved speed and convenience is cited as the main reason consumers will turn to automated support.
4. PERSONALIZATION AT EACH STAGE OF LIFE

In return for sharing their data, consumers will demand more personalized advice about investment products and services. But the returns do not stop there. Nearly three-quarters (73 percent) of customers want advice and product information that is relevant to their life stage, financial needs, and medium- and long-term objectives.

Customers seeking investment advice, however, want to ask questions and seek advice at an individual level, with 28 percent saying the ability to ask direct questions and obtain personalized advice is what they value most from human investment advisors. This offers them the possibility to collaborate with their advisor and validate his/her investment recommendations.

5. A NEW ROUTE TO TRUST

As consumers open up to an increasingly data-driven service, personal relationships are no longer the main driver of trust. Rather, the most commonly cited factor in building loyalty for investment advice customers is a high level of trust that advisors will act in the customers’ best interest, cited by 41 percent of respondents. In addition, 35 percent of respondents said that confidence their firm will protect their personal data is a key driver of loyalty.

6. A CHANNEL AGNOSTIC ENVIRONMENT

Across financial services, consumers are willing to receive support and information online, via mobile devices, through social media, and through traditional in-person meetings and phone calls. Most respondents (59 percent) said they don’t mind which channel they use to communicate with their investment advisor; the important thing is making sure that the experience is easy, seamless and effective.
Three distinct consumer personas emerged within our research findings, each with specific characteristics related to what they value most from their investment advisors, how they want to access investment services in the future, and how they would like their advisory firms to embrace digital innovation. The key drivers of loyalty are cost; customer service (defined by high quality and responsiveness); trust (particularly that providers are acting in their best interest and protecting their data); and the appetite or willingness to consider new digital models.

The varying needs and priorities of these groups provide insight into how investment advisory firms may need to reshape their proposition, both to secure the loyalty of existing customers and to reach out to new consumers.
**NOMADS**
Highly digitally active group, ready for a new model of delivery and relationship. Will select an advisor after extensive online “shopping”

- Nomads are not tied to traditional financial services providers
- They value digital innovation and want new ways of accessing services and advice
- They are very open to receiving advice that is exclusively computer-generated

**HUNTERS**
Searching for the best deal on price

- Hunters are driven by receiving value for money
- Human advisors remain crucial for Hunters—they cannot live with computer-only advice
- They want to use traditional investment advice providers

**QUALITY SEEKERS**
Looking for high quality, responsive service and data protection

- They want providers who will put their interests first and keep personal information secure
- More than half of Quality Seekers will share data with trusted providers but they remain cautious
- Quality Seekers would value a more data-driven relationship but need the right assurances about security
<table>
<thead>
<tr>
<th>Response</th>
<th>NOMADS</th>
<th>HUNTERS</th>
<th>QUALITY SEEKERS</th>
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<tbody>
<tr>
<td>Searching for the best deal on price</td>
<td>27%</td>
<td>48%</td>
<td>18%</td>
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<tr>
<td>Loyalty is driven by trust their personal data will be protected</td>
<td>32%</td>
<td>36%</td>
<td>39%</td>
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<tr>
<td>Say high quality customer service is key in keeping loyal</td>
<td>36%</td>
<td>40%</td>
<td>44%</td>
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<tr>
<td>Consider using alternative online providers of investment advice</td>
<td>60%</td>
<td>6%</td>
<td>8%</td>
</tr>
<tr>
<td>Agree that good personal relationships drive loyalty to investment advisor</td>
<td>34%</td>
<td>40%</td>
<td>46%</td>
</tr>
<tr>
<td>Willing to share personal data with investment advisor</td>
<td>68%</td>
<td>67%</td>
<td>64%</td>
</tr>
<tr>
<td>Willing to share data with a third party for relevant services</td>
<td>71%</td>
<td>54%</td>
<td>58%</td>
</tr>
<tr>
<td>Willing to use automated support on/for investment choices</td>
<td>87%</td>
<td>66%</td>
<td>65%</td>
</tr>
<tr>
<td>Conduct more investment activities on their own than through an investment advisor</td>
<td>49%</td>
<td>33%</td>
<td>33%</td>
</tr>
<tr>
<td>Would like investment advisors to use webinars to educate them</td>
<td>60%</td>
<td>31%</td>
<td>33%</td>
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THE INVESTMENT ADVISOR RESPONSE

The shifts in consumer behavior and expectations identified by our study have a host of implications for investment advisors as they shape their value proposition for the future:

1. RE-THINK AND RE-INVENT THE ROLE OF THE ADVISOR

The roles of professional investment advisors may need to be reshaped, so that they provide value-added services. Automated support may help free up advisors to become more proactive, building stronger relationships and avoiding commoditization.

Investment advisory firms targeting Nomads, in particular, should be exploring the potential (and the limits) of automated support and service, determining where automation should stop and human intervention should enter into the equation. These customers need to have benefits clearly articulated, with services delivered in a way that builds loyalty and “stickiness.”

A hybrid model—with human advisors for the less digital savvy, combined with digital advice and support for those comfortable receiving it—may prove an effective approach for Quality Seekers. This can ensure traditional measures of service remain a top priority, while enabling investment advisory firms to reach a higher number of customers more cost effectively.

2. MAKE BETTER USE OF THE DATA CONSUMERS ARE WILLING TO SHARE

Investment advisory firms should be putting in place the tools and analytics that enable them to capitalize on this willingness to share data, and provide a more tailored service in return—one that is aligned with the consumer’s financial goals and broader lifestyle considerations.

Another important and related element is building trust about data—particularly for firms targeting Quality Seekers, as 39 percent say confidence that their personal data will be protected is a top loyalty driver. Investment advisory firms need to be transparent about how data is collected and used, ensuring the right protection measures are in place and that these are communicated to the consumer. Firms should explain the benefits of the data they are collecting and make sure consumers understand that investment decisions are aligned with their personal objectives and life stages.

3. DELIVER THE RIGHT LEVEL OF PERSONALIZATION WITHIN THE RIGHT COST STRUCTURE

Many firms are coming under pressure from their customers (especially Hunters) to deliver more for less. To respond to this challenge, investment firms need to look carefully at their processes to ensure they are lean and can support a more value-oriented model without compromising quality or returns, automating the more effort-consuming activities.

Firms should establish which services should be low-cost and low-touch, and which should be more complex and costly. Customers now expect a range of different services, so firms need to ensure they are allocating resources to the right services, so they are not over-servicing in some areas, and under-servicing in others.

Digital offers firms the ability to square the circle of low-cost, high-value service delivery, so firms need to ramp up their digital offerings to cater to Hunters, while still maintaining higher-touch, higher cost services to those customers who may demand them.
INVESTMENT ADVICE NOMAD ATTRIBUTES

WANT THE PERSONAL TOUCH

Seeking enhanced personalization

DATA SHARING MUST DRIVE PERSONALIZATION

68% are willing to share more personal data with their advisor. But 69% say this must drive more personalized recommendations.

Firms targeting Nomads should be able to provide specific offerings related to financial situation and stage of life.

DIGITAL ALTERNATIVES ARE MATCHING THE AGENT AS A SOURCE OF INFORMATION

Only 20% say their advisor is excellent at tailoring support to their personal investing goals.

Firms hoping to attract Nomads should be able to listen, both in person and through data collection, to what the customers are saying.
Nomads are open to non-traditional sources for investment advice. Firms targeting Nomads need to get automated options in place if they have not done so. To reach Nomads, firms may need a mix of human and digital support.

**WOULD TURN TO GOOGLE OR AMAZON FOR INFORMATION ON HOW TO INVEST**

- **60%** would consider using Google or Amazon for support in making investment decisions.
- Only **6%** of Hunters would consider this.

**WILL MAKE INVESTMENT DECISIONS BASED ON AUTOMATED SUPPORT**

- **48%** are very willing to use automated support for investing. A further **39%** are somewhat willing to do so.

**DIGITAL TOOLS ARE A Viable OPTION**

- **55%** expect their use of digital investment management support tools to increase in the next 12 months.
- And while **37%** say financial advisors are the most useful source for investment support, **26%** cite online tools.

Firms targeting Nomads need to get automated options in place if they have not done so. To reach Nomads, firms may need a mix of human and digital support.
LOOKING FOR SELF-SERVICE
Already self-serving where possible

PREPARED TO DO IT ALONE

49% are undertaking more investing activity by themselves than through an advisor

Only 12% are undertaking more investment-related activities through their advisor than by themselves

Firms working with Nomads should be offering self-service options for education and basic transactions

VALUE DIGITAL SUPPORT TOOLS
More likely to respond favorably to digital tools and services

73% view digital tools for both simple (account monitoring) and complex (financial planning) tasks as good or excellent

Nomads feel comfortable with online tools being offered to them, but are open to more offerings and greater complexity

COMFORTABLE USING ONLINE TOOLS FOR INVESTMENT ADVICE
INVESTMENT ADVICE HUNTER ATTRIBUTES

WANT BEST DEAL ON PRICE

Primarily driven by getting the best deal on price

COMPETITIVE PRICING IS KEY

48% of Hunters say competitive pricing is key in keeping them loyal to their investment advisor.

Firms targeting Hunters should be taking aggressive action to reduce costs.

THEY NEED THE HUMAN ‘VALUE-ADD’

40% say a strong long-term personal relationship with an advisor is crucial to keeping them loyal and reinforce their trust in the firm. They are open to the digital evolution, but the direct and personal service component remains essential.

Firms working with Hunters should be seeking ways to free up human advisors for value-added activities while keeping a close eye on costs.

Only 34% of Nomads say the personal relationship drives their loyalty.
Humans’ ability to cut through complexity is vital

HUMAN ADVISORS CANNOT BE REPLACED

The ability to ask direct questions and seek personalized service is most valued (33%)

30% value humans’ ability to explain complex topics, while 25% value knowing them well

Firms seeking to attract Hunters should be able to put them in touch with humans on a direct, convenient basis

THEY ARE PRAGMATIC ABOUT AUTOMATION HOWEVER

Only 26% are very willing to use automated investment recommendations for investing, and 18% for planning retirement funds

But a further 40% show some willing for automated channels, driven by convenience and lower cost

Firms working with Hunters should be experimenting with automated support

OPEN TO SHARING DATA

Will share data for more competitive pricing

HIGHLY DRIVEN BY PRICE BENEFITS FOR SHARING DATA

67% will share more personal data, though 80% want more competitive pricing in return

Firms targeting Hunters should be testing personalized, data-driven investment services
INVESTMENT ADVICE
QUALITY SEEKER ATTRIBUTES

INTEGRITY IS KEY
Driven by service quality and trust

TRADITIONAL MEASURES OF SERVICE TOP THEIR PRIORITY LIST

- 49% Trust in the integrity of their investment advisor keeps them loyal (49%)
- 44% are driven by high quality service and 46% by a good personal relationship

Firms working with Quality Seekers should focus on basics of service and personal contact

HUMAN ACCOUNT MANAGERS ARE THE GO-TO SOURCE FOR RECOMMENDATIONS

- 58% say their advisor is their most useful source of investment advice. Only 20% say this about their advisor’s online sites and tools

Firms targeting Quality Seekers should emphasize selection, training and motivation of account managers
LOOKING FOR TAILORED ADVICE

Will share data if it delivers personalization

SEE ROOM FOR IMPROVEMENT IN PERSONALIZATION

Only 18% say their advisor does an “excellent” job of tailoring advice to them.

To attract Quality Seekers, firms should look at hybrid offerings combining human contact with data-driven analysis.

RECOGNIZE A MORE DATA-DRIVEN RELATIONSHIP COULD HELP DRIVE THIS

64% will share more of their personal data with their advisor, but 77% demand more personalized advice in return.

Firms hoping to work with Quality Seekers should have personalized offerings ready.

OPENNESS IS VITAL

Looking for greater transparency

67% are satisfied with the overall relationship, but only 61% say this about transparency around fees.

Firms seeking to work with Quality Seekers can gain an edge by communicating more clearly and in more detail.

Only 60% think the quality of communication around new opportunities is good enough.
ABOUT THE CONSUMER STUDY

Accenture surveyed 32,715 respondents across 18 markets including Australia, Benelux, Brazil, Canada, Chile, China (Hong Kong), France, Germany, Indonesia, Ireland, Italy, Japan, Nordics (Finland, Norway, Sweden), Singapore, Spain, Thailand, the United Kingdom and the United States. Respondents were consumers of banking, insurance and investment advice services; they were required to have a bank account and an insurance policy and were asked if they used an independent financial advisor, wealth manager or asset manager (investment advisory responses totaled 9,987). Respondents covered multiple generations and income levels. The fieldwork for the survey was conducted during May and June, 2016.

Visit www.accenture.com/FSConsumerStudyInvestmentAdvice

Visit www.accenture.com/FSConsumerStudy for more information on financial services results
References

References

1 Generational groups were specified as: Gen Z = 18-21; Gen Y = 22-34; Gen X = 35-50; Baby boomers = 51-64; Senior = 65+

About Distribution & Marketing Practice for Financial Services

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