How RDR is prompting a technology review

Many advisers are rightly focused on the most pressing aspects of RDR – the qualification requirements and shift to adviser charging. But a firm's client communication strategy will be increasingly important in the post-RDR world.

In the midst of some of the largest economic and regulatory upheavals in the history of financial advice, an adviser's Twitter strategy may be the last thing on their mind. However, social media is just one example of how the next generation does things differently and how advisers may have to adapt. As advisers are re-engineering their businesses, there are a number of ways progressively to incorporate changing client communication needs.

The Inheritors

Many advisers will say that they are fully focused on their retiring babyboomers, who still like the old-fashioned way of doing business – face-to-face, at an appointed time, with a trusted adviser. But the children who will inherit that wealth will also need advice. They are likely to gravitate naturally to the same advisers as their parents as long as they appear to be serving their needs. Not having the business processes in place to service that next generation – the 'inheritors' – risks missing out on potentially lucrative business.

In a very short time advisers will be faced with a potential client bank that at the very least uses internet banking and is possibly extremely technically literate. The annual portfolio updates issued by life companies are likely to look archaic at best. Newer clients will almost certainly want to look at portfolios with greater regularity, or at least be able to receive relatively instant valuations. This is only available through improved technology.

The introduction of wrap can be part of that strategy. Equally, however, many advisers are finding that their existing systems have this capability; they just need to put time and resources into ensuring they are used properly. Ultimately, any system should be able to help advisers understand the profitability of each client and help them service that client more effectively.

Engaging

Advisers also have to be aware of the other information
being provided for to their clients. For their retiring clients, advisers may have been the only source of information. Younger clients increasingly have a wealth of information at their fingertips, but need a knowledgeable guide to negotiate it. This requires a slightly different skill, but having access to the most accurate information about their clients should give advisers a strong advantage.

Social media can provide an opportunity to engage with a wider potential client base, particularly for smaller advisers. Through Twitter, or LinkedIn or other networks, they can spread their message far wider than they might otherwise. This helps them to compete for clients with larger advisory firms. It also provides a cost-effective way to communicate with existing clients, or even generate referrals.

Social media strategies are relatively easy to implement. It helps if advisers are clear on their own business, the type of people to whom they want to appeal and the type of expertise they want to be seen to provide. There are a number of examples of advisers who have made a success of social media – Martin Bamford of Informed Choice, for example.

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As well as appealing to clients, social media can provide a good forum for collaboration. A strong working example of this is the PanaceaIFA.com LinkedIn site (www.empoweringifas.com). Smaller IFAs meet virtually to share ideas and best practice. Advisers are a natural community. IFAlife (www.ifalife.co.uk) also provides a forum for advisers.

Sharing Best Practise

This collaboration is likely to become particularly important as business transition progresses. Many advisers have found that forging partnerships with their peer groups can help encourage best practice and share costs. For example, one adviser found that implementing a new computer system was costing valuable adviser time. He was able to share the costs of a paraplanner with another adviser.

Of course, social media can only ever supplement the way advisers communicate with investors, but it is a useful shop window for services. It can also liven up an otherwise flat, corporate website. T

The next generation is used to having many things at their finger-tips and operating different, more flexible working practices. They are likely to apply this approach to financial advice. As part of an adviser's business re-engineering it may be worth considering how to build at least some of these new practices into an advisory business, so that the business can accommodate changing patterns of behaviour when it needs to attract the next generation.