corporate insight

CONSULTING INSIGHTS

Summer 2015

In This Issue

www.corporateinsight.com

Bridging the Technology Gap Between Advisors and Clients

The advice industry faces many challenges today, from the potential of a sustained bull market to a host of demographic shifts (e.g., a rapidly aging client base and workforce) and new competitive threats (e.g., startups and hybrid brokerages). Our latest research paints a picture of an industry in flux, one that isn't prepared for the change that's coming but that still has the time and potential to alter course and to succeed given the right mix of people, processes and products.

Corporate Insight's newest study, **The Changing Face of Financial Advice: 2015 and Beyond**, shares findings from two surveys we conducted in February 2015 – one of investors with at least $100K in investable assets and one of advisors – and explores the gaps in perception between these two groups. One recurring theme throughout our report is the role that technology currently plays in the advisor-client relationship and how it will have to adapt to meet clients' evolving expectations.

> *"Client-facing technology will increasingly become the metric by which financial services firms are compared to their peers."*

Unfortunately, most advisors fail to take advantage of the wealth of resources available in today's marketplace. Fewer than half of the advisors we surveyed use customer relationship management (CRM) software or account aggregation technology to see their clients' full financial lives. Most FAs use social networking, but their activities have little bearing on client service and don't affect efficiency in their day-to-day account management role. Most significant from a client-facing technology standpoint, though, is that the major full-service brokerage firms offer sub-par mobile and online capabilities, which will make it difficult for them to satisfy Generation X and Y clients.

Full-Service Firms Still Undervalue Customer-Facing Technology

Many advisory firms treat the customer website and mobile platform as an afterthought. Our survey data reflects this reality, showing clear differences in how financial advisors and investors rate these technological aspects of the overall customer experience. This disconnect is indicative of an industry that is failing to adjust as client expectations rise.

Financial advisors recognized that their clients' satisfaction with their consumer-facing technology was low, with only 14% indicating that their clients were "very satisfied" with their firm's website, and 11% with their firm's mobile offerings. When we asked advisors what changes their firm could make to increase client satisfaction, "improve the customer website" (31% of respondents) and "improve customer mobile offerings" (23%) were the first and third most popular answer choices, respectively.

While advisors recognize that their client-facing technology is weak, they tend to underestimate the importance of these offerings. For instance, only 27% of advisors said their firm's mobile platform was "very" or "extremely" important to clients, making this the least important customer

(continued on page 5)

New Mobile – and Wearable – Capabilities Emphasize Access

The mobile channel is an increasingly important means for consumers to interact with financial services providers. A case in point: according to the Federal Reserve, 51% of all smartphone owners have used mobile banking in the last 12 months, and interest among non-users suggests this number will continue to rise. The Fed found that the number of consumers making payments or depositing checks from their mobile phone is increasing as well.

Surveys – Corporate Insight's own, and the Federal Reserve's – have consistently shown that account information is a priority for mobile finance users, and one of their most commonly-used features. Over the last year or so, the clear trend in the mobile channel has been to make key account data more easily accessible. Firms have kept this concept in mind as they add new features to existing mobile apps, and design the first wearable apps for devices such as the Apple Watch.

Expediting Mobile Access

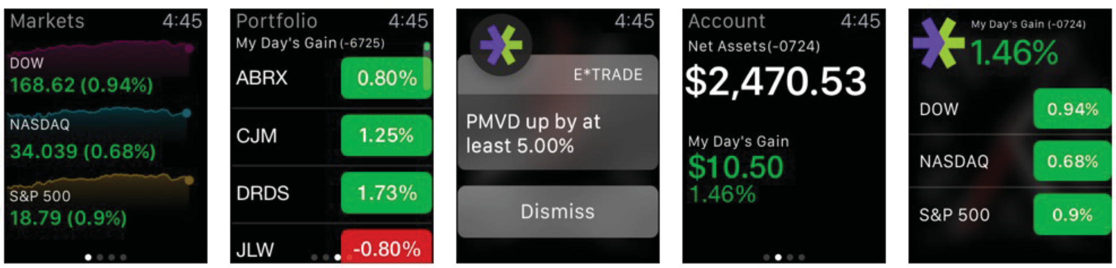
While login standards are typically the same between the online and mobile channels, firms have acknowledged that it can be more difficult to type a strong username and password – often requiring mixed-case alphanumeric characters – on a mobile touchscreen keypad. There are a few ways to expedite the login process, including save username features, substituting a PIN or even biometrics. However, a growing number of firms now allow clients to bypass login entirely to view basic account details.

Before 2014, only two firms Corporate Insight tracks gave clients the option to enable pre-login balances: Barclaycard Peek and Discover Quick View. Five more firms – mainly in the bank and card space – added such features over the course of 2014. These tools generally offer just basic account balance information, with only Citi Mobile Snapshot going so far as to display recent transactions as well. Methods of access vary somewhat, from clear links on the login screen to more subtle swipe controls.

Widgets provide another convenience for mobile users, allowing them to access some information without launching and logging into the app itself. Existing Android widgets generally focus on market information (e.g., quotes for indices and watch lists) rather than account data. In 2014, USAA became the first firm to offer login and account info via an Android widget. At the same time, the first iOS 8 Notification Center widgets came to market and offered some account capabilities. For instance, Discover's Quick View widget shows credit card balance, payment due date and Cash-back Bonus amount.

Wearables Epitomize the Concept of Accessibility

In the Fall 2014 issue of *Consulting Insights*, we pointed out, "The launch of an Apple-branded smartwatch may be the catalyst needed to spur smartwatch app development by major financial services firms." By the time the first Apple Watches reached consumers in April 2015, six of the 24 firms tracked by our *Mobile Monitor* service had updated their iPhone apps to support the Apple Watch: Charles Schwab, Citi, Discover, E*TRADE, Fidelity and USAA. In comparison, only Fidelity (Pebble) and USAA (Android Wear) have apps for smartwatches that were earlier to market.



E*TRADE's Apple Watch app offers market data, account information and alerts.

Watchapp capabilities will obviously differ between that diverse set of banks, brokerages and credit card issuers, but account information is a priority for all clients regardless of their line of business. In most – but, unfortunately, not all – cases, clients can use their Apple Watch to monitor their accounts by viewing balances and receiving notifications. Design also varies, as firms use different techniques to condense detailed information displays for a much smaller screen. Often, this means new graphs, charts or other visualizations.

Making Smart Development Decisions

Mobile use patterns have clear distinctions from online, with the small touchscreen and on-the-go use case impacting the selection of tools and their design. Today, smartwatches bring those factors to the extreme. The inherent limitations of these progressively smaller interfaces push developers to rethink how users interact with devices to accomplish key tasks, designing effective "micro-interactions." The industry response thus far has been positive, but many firms have room to improve the account information accessibility on their mobile and wearable apps. ci

Bringing Credit Card Rewards to Everyday Life

Rewards programs have long been a means for credit card issuers to attract new customers and show appreciation for valuable clients. In essence, these programs return some percentage of overall spending back to card holders in the form of cash, miles or points. These bonuses encourage clients to use their card for a greater portion of purchases, making a strong rewards program a positive investment. It is no surprise that rewards feature heavily in credit card marketing and advertising campaigns.

Some loyalty programs focus on rewards through partner companies like airlines or hotels, but today, most major credit card issuers have their own branded rewards program, e.g., American Express Membership Rewards, Chase Ultimate Rewards or Citi ThankYou. Competition in the credit card industry is fierce, and improving websites and other technology have continually raised standards in the rewards space. In the last few years, this trend has manifested in an array of new, innovative rewards options that turn points from an occasional luxury into a part of everyday spending.

Cash: Immediate Gratification

The simplest and most versatile rewards currency is cold, hard cash. Most rewards programs have always offered some way to redeem points for checks or statement credits. Advanced offerings include direct deposits – more immediate than waiting on the mail or monthly statement cycle to see the financial reward. A unique advance came in February, as Wells Fargo announced that customers can use ATMs to redeem rewards as cash withdrawals, or as deposits or payments to other Wells Fargo accounts.

Other changes to cashback rewards tend to be smaller-scale. Some firms improved ease of use; for instance, this year, Bank of America enabled automatic redemptions when the rewards balance hits a certain level. Others made cash rewards more accessible, as last year when Discover removed its $50 minimums, which were high by industry standards. Overall, this emphasis on easy cash rewards fits with the trend toward more effortless rewards processes.

Shopping: Beyond the Rewards Site

Although significant changes to cash rewards have been relatively rare, the model of using rewards points for shopping has been massively shaken up in recent years. In the last year or so, firms including American Express, Bank of America and Discover have scaled back or removed their rewards programs' proprietary merchandise catalogues. Instead of this increasingly outdated approach, many rewards programs now let clients convert points for use when shopping on or through third-party websites, most commonly Amazon.com. Firms such as American Express, Chase, Citi and Discover use these partnerships to offer an immense breadth of merchandise for convenient redemption, leaving other firms' programs severely limited in comparison. American Express also stands out for other unique partnerships, including with Uber.

Citi invested in additional innovations in applying rewards points to card holders' spending. A recent series of program enhancements introduced Rewards Account Numbers usable for all online shopping, Select and Credit to cover previous purchases, Online Bill Pay with Points, and PointWorthy charitable donations. Many of these options are housed on the main card management website rather than the rewards site, making them easier to find and use.

Mobile: Growth, and Setbacks

As with other areas of financial services, credit cards have been impacted by the rise of mobile. After all, how convenient can rewards really be if users must be in front of a computer to redeem them? Unsurprisingly, the last few years have seen a growth in redemption options available through mobile websites and apps. Not all experiments have caught on, though. For instance, Citi launched a ThankYou Rewards app in 2011 that enabled in-store redemptions at partner Best Buy, but it has since been discontinued. Even with all the excitement and interest around mobile technology, there are no guarantees of success.

Understanding Client Needs

Corporate Insight has tracked credit card rewards for years, and the activity in and around 2014 has clearly shown an increase in innovation. One area that hasn't seen as much change is travel, a traditional application of rewards points to fund vacation getaways. The option remains, but has seen fewer recent modifications than cash and, especially, retail shopping. Individual clients' mentalities toward their rewards points will vary – some will still see them as an occasional luxury splurge, a mindset appropriate for travel rewards. Others, though, will eagerly embrace the trend toward versatile, fungible rewards points that are more closely integrated with their everyday spending. ci

---

For more information on Corporate Insight's **credit card rewards** research, please contact **Grace Lei** at **glei@corporateinsight.com** or **(646) 929-5148**.

Wells Fargo's credit card rewards program includes a new option to redeem points at an ATM.

Social Media Update: Improve Your Content Visibility

The pace of change and innovation across the social media landscape is staggering. Social media platforms are being updated with new features on a daily basis and valuable new social networks emerge without warning. For social media marketers, it is imperative to stay up to speed with the latest enhancements and trends in order to optimize your social strategies.

It is particularly important to stay current with these changes to maintain the visibility of your social content in order to increase reach and drive engagement. Here are three updates from the April 2015 edition of our *Social Media Update* that will help you understand the latest factors that affect content visibility on different networks:

Facebook Updates Its Newsfeed Algorithm

Facebook adapted its News Feed algorithm to balance content from friends and content from Pages and publishers. After considering recent feedback, Facebook implemented the following changes:

- Users will now see multiple posts from the same source more frequently in their News Feed.
- Content from close friends will appear higher in users' News Feeds than before.
- Users are less likely to see when their friends like or comment on posts.

This update can lead to a decrease in reach for some Pages, as posts may appear lower on users' News Feeds than more vocal users or close friends. Posts will also have less visibility if followers simply like or comment. The new algorithm reinforces the importance of posting relevant, engaging content for your target audience to encourage social sharing.

Twitter Improves Embedded Tweets for Websites

Twitter previewed a redesign of its embedded Tweets with a number of improvements, including support of full-width photos and videos. Pages with the new embedded Tweets will also load faster, as Twitter reduced their weight and rendering time. Finally, Twitter will now automatically select the best-sized photos and videos for embedded Tweets on mobile devices, regardless of display area size and pixel density. It's widely known that photos and videos receive the most attention from social media users, and this update can help add high-quality visuals to your website and mobile app.

New Embedded Tweets support full-width photos and videos and feature a new "Follow" button and icons for "Favorites" and "Retweets."

LinkedIn Introduces Content-Sharing Tool for Employees

LinkedIn Elevate is a new product meant to help companies empower their employees to be social professionals. The tool uses algorithmic recommendations from LinkedIn Pulse and Newsle to provide employees with relevant content to share on LinkedIn and Twitter. It also allows employees to use LinkedIn's intelligent scheduling to share content when their networks are most active. Finally, the product provides analytics for individual employees and companies to see how their shared content affects followers and job views, as well as hires, leads and sales.

People trust friends and colleagues more than they trust companies, so employee sharing has the potential to drive more engagement than company sharing. According to LinkedIn, employees tend to have 10 times more connections than their company has followers, and this new tool gives businesses an easy and authentic way to promote their products among new networks. When employees share content on LinkedIn, their employers can hope to receive more company page followers, page views, job views and conversions.

Creating Smart Social Content

These three prominent social networks all have their own distinct audiences, and engagement strategies will naturally have to vary between them. However, these new algorithms and tools have the same fundamental purpose – to deliver high-quality, relevant content to users. As the social web continues to evolve, it will reward firms that understand both the broader concepts of effective social communication and the technical details that help elevate their content above the noise.

Social Media Update

To subscribe for regular updates on social content visibility and other important social media changes, please contact Grace Lei at glei@corporateinsight.com or (646) 929-5148

(Bridging The Technology Gap Between Advisors And Clients from page 1)

experience element in the advisor's mind. This probably reflects the fact that wealth management firms have been slow to embrace mobile, just as they were initially slow to embrace the web. Though only 21% of advised investors gave mobile a top-two-box rating, younger generations showed higher interest: 32% of investors under 50 gave the same rating. In our December 2013 survey, 57% of Millennials gave top-two-box importance rating to having access to their brokerage account via a mobile device.

FAs think the customer website matters more than the mobile platform, but still isn't all that important. Just 42% said the client website was "very" or "extremely" important, in contrast to advised investors (55%). Unsurprisingly, younger investors put more value on web offerings (59% below 50 years of age, versus 54% above). Regular website users also place higher value on the online experience. In December 2013, we surveyed advised investors who had used their firm's website at least once in the past six months. We found the importance of the web channel was significantly higher, with 92% giving it a top-two-box importance rating.

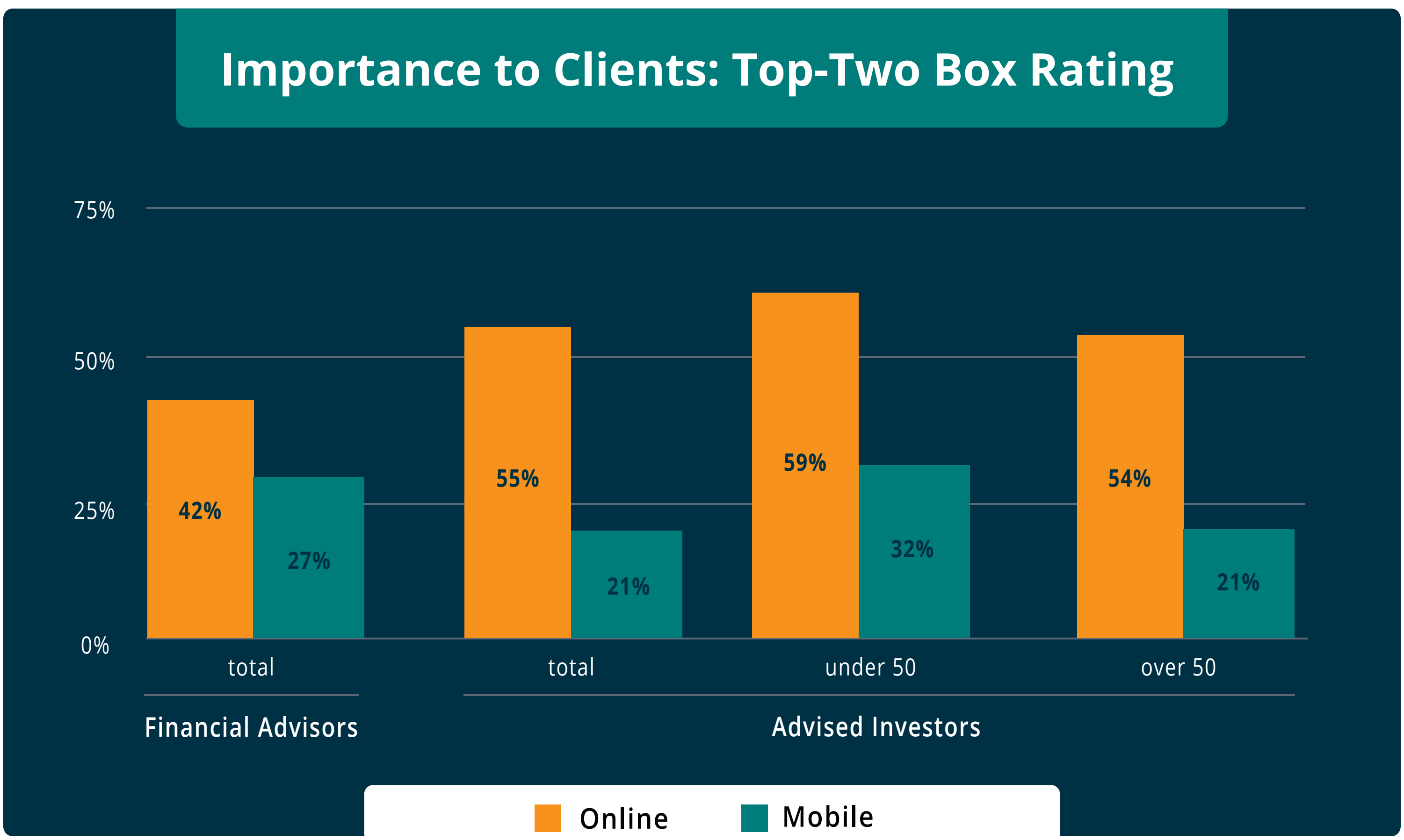
Technology Will Play an Increasingly Important Role in New Client Acquisition

While digital financial management is important to investors of all ages, this is particularly true of younger segments like Gen X and Gen Y. Our research indicates that an advisory firm's technology offerings will impact its ability to win new clients in the future, as we anticipate that client-facing technology will increasingly become the metric by which financial firms are judged or compared to their peers.

Despite the growing importance of technology to win younger investors' assets, only 22% of FAs indicated that they plan to invest in technology (e.g., mobile and web platforms) to target younger prospects, and even fewer (13%) stated that they will make improvements to their search engine optimization to increase their visibility in search engine results. If firms don't make the proper investments in technology and young client acquisition, they will find it exceedingly difficult to create a sustainable practice moving forward as their existing Boomer clients draw down assets.

Our full report further explores the issue of technology in the wealth management industry, addressing such topics as advisors' technology habits, investors' technological expectations and preferences, and the opportunities represented by the bevy of new fintech startups. Armed with this knowledge, full-service firms and their advisor teams should be able to better compete in an evolving marketplace. ci

For more information on the complete **The Changing Face of Financial Advice: 2015 and Beyond** report, please see the final page of this newsletter, or contact **Grace Lei** at **(646) 929-5148** or **glei@corporateinsight.com**.



The **Changing Face of Financial Advice: 2015 and Beyond** is our new, comprehensive study on the key demographic, technological and competitive challenges facing the financial advice industry today. In the study, we offer in-depth analysis of the industry's challenges and provide detailed recommendations to help wealth management firm executives plan for and succeed in the uncertain times ahead.

The full study includes:

- Key findings from our February 2015 surveys of 1,000 advised investors, 200 self-directed investors and 500 financial advisors
- Detailed analysis of the differences that exist between FAs' and investors' perception of overall satisfaction, communication preferences, the role of technology in the relationship and the appeal of non-traditional competitors
- Our assessment of the strategic implications of numerous internal and external challenges facing the advice industry
- Our perspective on the opportunities that exist for improving customer satisfaction and serving Generation X and Millennial investors

For more information and to order your copy of the full study, please contact Grace Lei at (646) 929-5148 or glei@corporateinsight.com.

CLICK TO DOWNLOAD THE STUDY PREVIEW