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Client Communications

Emerging from the Shadow of Client Reporting

The Journey from Client Reporting to Client Communications

Client communications can be used to describe a variety of tools and channels where information is distributed, largely, but not exclusively with external parties. The client communications function has evolved over the last decade or more from a disparate group of departments and needs. In general, the epicentre of this evolution has been the client reporting function—certainly from a technology perspective. In today's world, client reporting is but one function of client communications. The key difference now being that firms are looking to consolidate systems and utilise central processes that can generate consistent data and components to cover all communications interfaces (including sales, marketing, client services and regulators), in this way leveraging the technology investment across the business and beyond.

Whilst at face value this single platform concept is a significant leap forward in communications, the evolution has left many challenges that the industry needs to address. Of these challenges, by far the most significant is the profile and the level of investment. Although most firms would be loath to fully accept this, many client reporting functions are provided not to add value to the brand and the customer, but because they are considered a pre-requisite or a compliance function.

Most reports are functional, uninspiring and produced because of client agreements or regulation; they are not deemed to be key tools in developing and growing business. A large proportion of the report content is not read and communications are rarely changed or re-designed. New requests are usually just added to existing reports and little time and effort is spent understanding the clients' underlying needs and making communications focused and easy to consume.

It is rare to see client reporting and communications used as a key competitive weapon, which is a short-sighted strategy. If this is a consistent, industry-wide misconception then it is not a significant issue, but once the market starts to move forward and realises client reporting's full potential, then many investment managers will be left behind.

Due to this staid approach, the level of investment in client reporting and the profile of the department is very low; it is one of the most under-invested areas of investment management. The culture within the reporting function has historically been to avoid mistakes and meet expectations; consequently, firms tend to manage the department accordingly, with uninspiring output, little or no client interaction, scant innovation, a risk averse approach and excessive manual intervention. Technology has been largely deployed to automate existing workflows, not to bring innovation and change. This approach will not allow firms to develop their business to meet market requirements, change their business model, exceed expectations or develop a source of competitive advantage.

With the emergence of digital business models and more demanding clients, however, communications will quickly evolve and become fundamental to developing the client experience. In this way, communications will be powerful tools for competition and differentiation, and the client experience will potentially differ from firm to firm as new digital business models emerge. Investment managers have a clear requirement to manage all client communications centrally, to provide controlled and harmonious information and to develop a consistent brand and client experience across a multiplicity of communication lines. Given the diverse communities of consumers involved and the increasing diversification of these needs, client communications will need to be underpinned by a powerful and agile technology platform. Without a true appreciation of the future business value that client communications can provide, raising the appropriate levels of investment to truly excel will be impossible.

Moving the Perceptual Needle

The key reason why client communications is currently an under-invested area within investment management operations is predominantly due to the value that firms associate with the function. Due to the nature of the development path in this area (i.e. a gradual evolution as opposed to a single 'big bang' moment), few, if any, firms have stopped to re-evaluate their investment. Asset managers should undertake a review of their current and future state needs, then create a vision for their entire communications strategy. These processes should be closely aligned to the business plan for the operation.

As part of this review, firms should take time to understand and segment their current and future client bases. Most senior executives see that the customer experience (CX) will soon become a critical area of competitive differentiation; however, the CX will vary considerably by customer segment. Business to business (B2B) relationships, such as institutional asset managers, will have a completely different CX to a business to consumer (B2C) business such as wealth management. Typically, a B2B customer relationship will be built around a portal, with large data sets being exchanged on an 'as needed' basis. A B2C relationship will be geared more to giving the customer the right amount of information in a digestible format and via a platform of choice. It is also likely that some B2C CXs will change more rapidly, therefore flexibility will be needed and firms will need to design strategies for each of their client segments.

It has become evident that a significant proportion of investment managers do not regularly review and evaluate their client communications model. At present, most will match client communications with a client mandate or regulatory directive. It is rare for firms, however, to analyse each key area of communication and assess its purpose, the value it brings to the consumer and the value it brings to the investment manager. Unless firms appreciate the real purpose of their communications, they will be unable to truly evaluate them and create the appropriate level of investment. It is also important for ongoing management of the function to ensure that effectiveness is regularly assessed. As businesses start to focus and compete more around CX, this ability to gauge the value and raise the appropriate investment will be critical to success.

The last and perhaps most important element of enhancing the perception of client communications is the involvement of senior stakeholders. The range and variety of departments now actively involved in this area has expanded significantly over the last five years, including portfolio management, data management, performance measurement, client services, product management, and marketing. Unfortunately, this dispersion rarely involves active and regular involvement from the c-suite. Once these senior executives appreciate the importance of client communications in shaping and leading future business change, this situation will rapidly alter.

A New Dawn for Operations

As discussed, the impact of client communications within investment management is largely constrained by its current perception and mode of operation. Alongside raising its profile as a critical function and measuring the true value that it delivers, firms will also need to design and build new operating models to meet future client and regulatory demands. One of the key drivers here will be enhanced agility and scalability, in tandem with the appropriate controls and consistency. The need for effective communications governance is not to be underestimated.

Many firms have already embarked on building 'centres of excellence'; centralised functions that will build and maintain communication tools. This trend will continue and, in line with emerging technologies, will give rise to components that can be used across the enterprise, providing consistent, customisable data. Users will increasingly be categorised as either 'manufacturers' (building and managing central components) or 'consumers' (those who use these components to build the required communication tools / deliverables).

Careful analysis of the current and future state of client communications (alongside a value assessment) will also encourage investment managers to look at processes that can be outsourced. Over time, communications that are necessary, regular and consistent but bring little value to the client experience will increasingly be outsourced. Where communications are of value, varied and adaptable, it is likely that these will be kept in-house.

As outsourcing overtakes the more mundane elements of communication, internal attention will move to the more dynamic, valuable CX activities. This shift, in line with increased focus on customer needs, will garner the growing use of technology to innovate and enhance the customer experience. Firms that gain an understanding of how technology can assist in transforming their business will perceive software as an enabler in delivering many elements of their strategic plan and vision. These firms will increasingly seek to work closely in partnership with key technology providers. This partnership will be stronger and more dynamic than is typically the case at present, due to a greater awareness of the value and impact of communications on the overall business.

Technology will need to bring two key elements to the business; the ability to innovate and constantly change, and the facility to interoperate with other front and back office platforms (both internal and external). As client communications processes continue to digitise, change and interoperability will feature highly in competitive positioning.

The final (and perhaps most critical) element in delivering a new approach to client communications is the people involved. Currently, many staff involved in client reporting and client communications are change averse and lack a significant profile within the firm. Some of these teams can adapt and become part of the future operation but some will not be capable of adjusting quickly enough to an evolving environment. It will be important to assess the resource, skills and attitude of those involved to ensure that unnecessary barriers do not emerge. Senior stakeholder involvement will be important in championing this shift, but the most important stimulant will be change itself. Moving to a state of flux from a largely static environment is not easy and can only be done with total commitment and honesty. Change in this area of the business can be a force for good, but only if it is part of an organised ongoing plan and vision.

Sharing the Vision

Any new strategy for client communications can contain both offensive and defensive elements. Typically, a defensive strategy would be built around maintaining the current levels of business as a base point for growth. Here, focus would be on existing and known needs of clients and consumers, ensuring that these are as effective as possible. An offensive strategy would be based around business growth and in extreme cases would be looking to disrupt certain elements of the business model to bring increased competitive advantage. Any client communication strategy needs to be cognizant of both approaches, and will need to address the specific needs of the identified customer segments.

Once a new client communications strategy is in place, it is important to have a clear and considered strategy to inform and engage with the key stakeholders—both internal and external. Whilst the views of existing consumers are an important input when building a client communications strategy, it is also important to ensure that they are not over empowered to influence the decision. Many external voices may be better used to validate specific ideas rather than influencing the broader strategy.

As with all change programmes, many reasons can be found to delay and procrastinate but given the increasing competitive importance of client communications this would be a mistake. Firms must look to build a strong client communications culture, one which is nimble and able to react and adjust quickly. Focus needs to change to providing the consumer with thoughtful, well designed and valued collateral, providing the information they need, when they need it and in a way that they wish to consume it.

The channels and formats of client communications are growing all the time as firms look to differentiate and make their outputs more compelling—for example, the use of video is growing as a communication tool and there's reason to believe interactive communications will also start to emerge. Firms needs to be open minded and build capability to efficiently add new channels and communications formats. Client communications has grown and expanded significantly in the last decade and the pace of change is accelerating. As firms focus increasingly on building digital business lines and improving their customer experience, they should view this as an ongoing journey and not a one-off upgrade.

Summary

Client communications has evolved greatly, expanding its remit from its client reporting origins. In almost all cases, this evolution has not been planned and as a result the current state of client communications in most firms does not follow a clear strategy, is built upon a legacy approach and most importantly, is significantly undervalued and lacking the appropriate level of investment. It is now time to reappraise client communications strategies to drive through greater efficiencies and enable true and dynamic advances. The investment plan needs to be built on future needs and not, as it is at present, on historical precedent.

About SimCorp Coric

This report is sponsored by SimCorp.

To provide investment managers with unbiased insight into the key considerations involved with client communications, SimCorp has enlisted the help of Citisoft. The report was sponsored as part of an ongoing research initiative into client communications. This initial report highlights the journey from client reporting to client communications and the key challenges facing the industry today.

SimCorp Coric is a best-in-class enterprise client communications and reporting solution for private wealth and institutional asset management firms to automate their end-to-end reporting processes and enhance client service. The solution integrates with virtually any investment management solution, drawing data from any source into a consistent and transparent form across all client communications. SimCorp Coric is fully owned by SimCorp, a leading provider of integrated investment management solutions for the global financial services industry, listed on NASDAQ Copenhagen.

About Citisoft

Since 1986, we've solved complex technology and operations challenges for the investment management industry. With a team of over 100 dedicated consultants in North America and EMEA, we're committed to working with asset managers and asset servicers globally on projects of every scope. From guiding complete business transformation programs to on-the-ground delivery, our team is equipped to fulfill any strategic or tactical need.

To learn more about our Advisory and Delivery Services or to leverage the legacy scale in your organization, contact us at insights@citisoft.com or visit us online at www.citisoft.com.

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