

DATA-FIRST THINKING

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# THE DIGITAL WEALTH AGENDA: ADVANCING THE ADVISORY CLIENT EXPERIENCE

An LSEG Business

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# INTRODUCTION

**Advisory wealth management firms could have experienced a milestone year in 2020. Challenged for years to prove their value in an environment of fee and margin compression, many quickly identified the unique opportunity to improve relationships with their clients.**

As clients' access to and reliance on online investment platforms accelerated, and their interest plus need for advice in new sectors grew, so did the value they placed on their wealth relationships.

Yet the findings from our global research study suggests that all did not go to plan. Not only are Advisory clients underserved at critical moments in the platform experience, a lack of access to data and digital capabilities is testing their loyalty to their financial providers.

Ironically, relationships with their advisor are weakening at a time when they are in greater need of investment advice than before. For a minority of investors, these frustrations will eventually lead them to switch elsewhere.

Rather than simply wanting more data and information, clients seek better contextualization, so they can connect market data and events to their own portfolios and objectives. Advisors require tools to filter information, whether news, new investment ideas or research, so they can quickly pinpoint the most relevant opportunities for their clients.

And while fixing pain points will be the first hurdle for wealth management firms to overcome, they should not lose sight of the innovation goal. To really strengthen their position in clients' minds, providers should consider new data and analytics. In wealth, as much as elsewhere in financial markets, data is the new oil.

Platforms still have a window of opportunity to address the gaps between expectations and experience. They will need to focus on equipping advisors with content, data and analytics, combined with the right tools, to deliver an optimal client experience.

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**Empowering wealth advisors with new foundational data, tools and digital capabilities to help streamline and share insights will be essential to build trust with clients and continually provide value regardless of the market environment.**



**Christopher Sparke**  
Global Head of Advisory Solutions  
Refinitiv



# KEY FINDINGS

Based on the findings of 427 Advisory clients, resident across nine global financial centers including Australia, Canada, China, Hong Kong, Japan, Singapore, Switzerland, the U.K. and the U.S., this research report finds:

**43%** believe they need investment advice now more than a year ago

**58%** think news analytics (a form of alternative data) could be a game-changer for their analysis

**20%** of Advisory clients would consider switching providers as a result of their platform experience, twice as much as the Self-Directed segment

**53%** say their advisor's recommendation would be their most trusted source of environmental, social and governance (ESG) information

**38%** of millennial advisory clients are considering switching providers as a result of their experiences

**85%** say that real-time data would improve the quality of their analysis

**43%** agree that better asset class coverage is a viable switching driver

**46%** are more interested in ESG investing than six to 12 months ago



## GETTING CLOSE TO ADVISORY<sup>1</sup> CLIENTS

After a turbulent 12 months, wealth management platforms at the start of 2021 are likely to be observing two divergent trends in relation to their Advisory clients.

First, while there is no such thing as a typical Advisory client, our study underlines a theme of diminishing loyalty to financial providers. Net Promoter Scores<sup>2</sup> (or loyalty scores) from this cohort are mediocre, indicating an at-best neutral view of their wealth relationships, suggesting Advisory clients are no more attached to their providers than the Self-Directed segment.

Conversely, they have also been profoundly impacted by market fluctuations and the economic uncertainty of 2020 and are now more likely (than before the COVID-19 crisis) to perceive value in high quality investment advice.

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**43%** of Advisory clients agree they are more likely to need investment advice now than a year ago

Perhaps increased dependence on their advisors over the course of the crisis has accentuated the shortcomings. Or investors with more time on their hands wanted to do their own research and analysis. Whatever the reason, the comparisons with the Self-Directed segment that is more distant from firms due to fewer points of interaction are striking.

Advisory clients are twice as likely to consider switching providers than Self-Directed investors (20% vs. 11%) in the next 12 months and as a result of their platform experiences, with switching propensity particularly high among millennials (38%) and across Asia Pacific (27%).

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**Advisory clients are TWICE as likely to consider switching providers than Self-Directed investors**

<sup>1</sup> In this study, 'Advisory clients' refers to investors who rely on financial advisors for input when making investment decisions.

<sup>2</sup> NPS stands for Net Promoter Score, a metric used in customer experience programs. NPS measures the loyalty of customers to a company. NPS is measured with a single question survey and reported with a number from -100 to +100 (a higher score is desirable).



## EMPOWER THE INVESTMENT PROCESS

In a digital-first environment, platforms must fully understand how Advisory clients are making investment decisions.

The positive news is that they are deeply reliant on their advisors' expertise to identify high-quality investment opportunities. Our study finds that 22% of these investors agree their advisors' recommendation is their most important source of new portfolio ideas, far ahead of other leading options including fundamental security analysis (15%) or technical indicators such as volume and price moves (11%) [Figure 1].

Given this reliance, it shouldn't come as a huge surprise that facilitated access to their advisors, through new channels – such as offering a meeting scheduling option or the ability to talk live via video or secure chat is perceived as a helpful improvement.

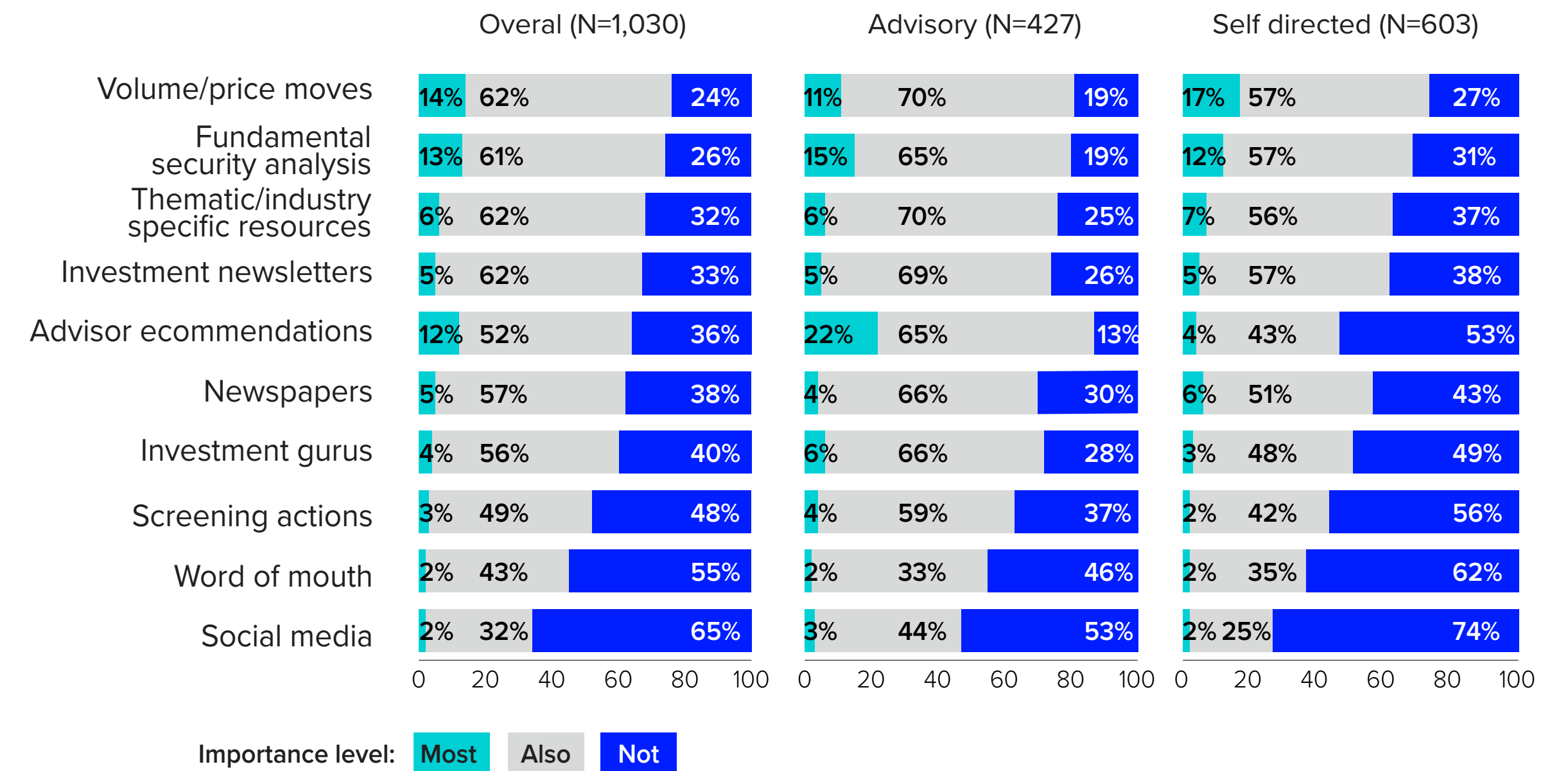
**22%** say advisor recommendations are their most important source of new portfolio ideas

They want reassurance that despite the accelerated pace of digitalization, professional advice is just as easily available to them as ever, at the click of a button.

There are straightforward changes that clients prioritize to smoothen some of the bumps in the platform experience. For instance, investors would have better portfolio visibility and insights if the way their investments are displayed on account dashboards is improved. Platform navigation was also highlighted as a key area for improvement. A more investor-friendly experience could simply mean firms introducing better ways to signpost products and facilitate product comparisons.

**Figure 1: Advisor recommendations are the critical source of new investment ideas**

Over the last six months, which information sources did you rely on for investment ideas?



Source: Refinitiv



## BURNING NEED FOR MORE DATA

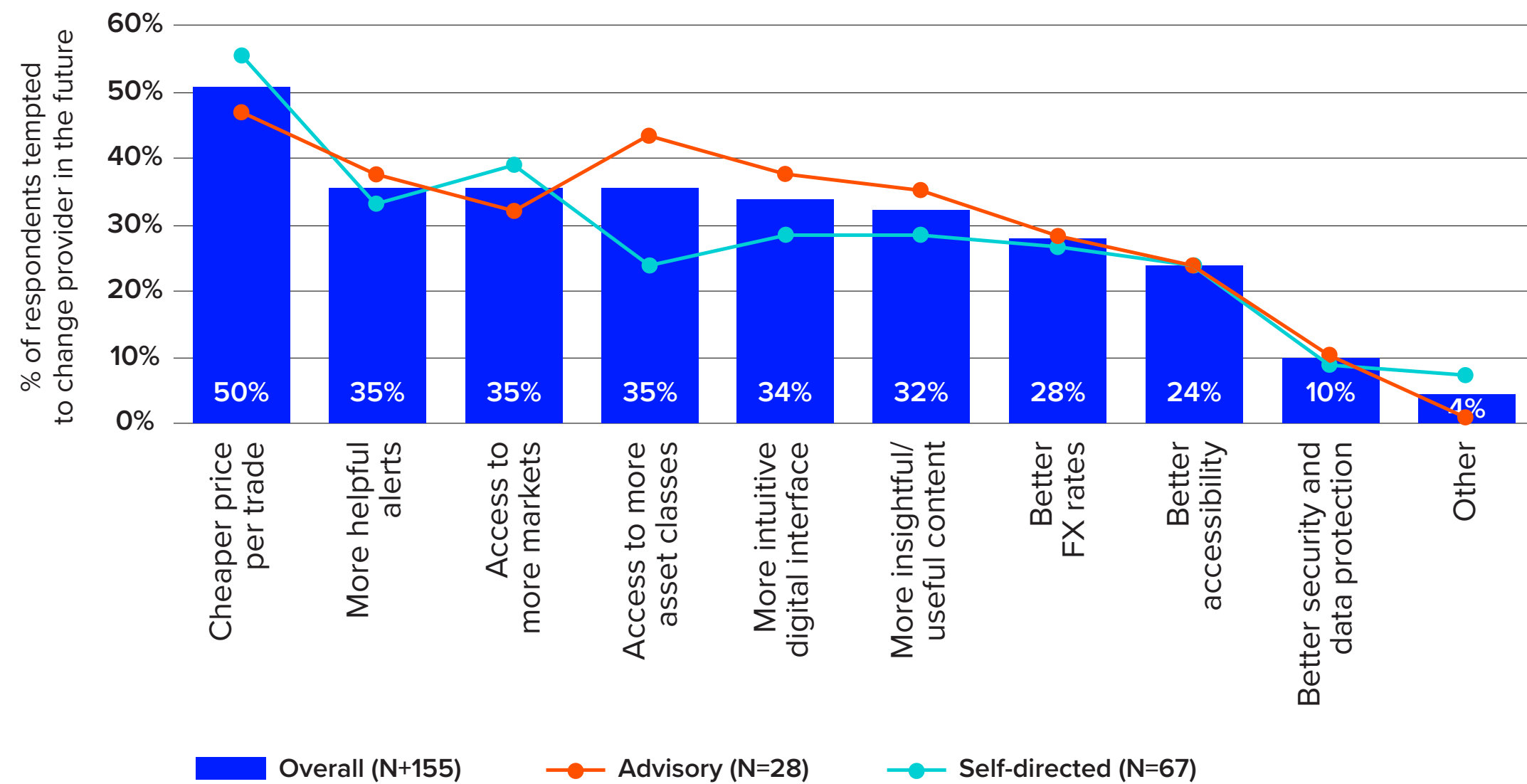
Price competition has become severe between platforms, which have used the rise of algorithmic investing to undercut their competitors relentlessly. While cheaper robo advice platforms could tempt any client away – and nearly half (47%) of those willing to switch say pricing is an important factor – it is not the only lever platforms have at their disposal [Figure 2].

Advisory clients are nearly twice as likely as Self-Directed clients to reference better asset class coverage (43% vs. 24%) as a missing element that would be valued in a new provider. This is a notable point in an environment where most traditional asset classes look unappealing from a valuation perspective and where fear of inflation is starting to drive meaningful rebalancing.

**Figure 2: 43% of Advisory clients would switch providers for access to more asset classes**

*Which factors would be/were most important when deciding whether to switch elsewhere?*

Important factors when deciding whether to switch providers



Source: Refinitiv





Advisory clients' average asset allocation today offers hints about where their interests lie and how portfolio construction improvements could be targeted.

Just under a fifth of the average Advisory client portfolio is allocated to alternatives, including real estate (9%), hedge funds (5%) and commodities (5%). Either they appear to find alternatives more compelling than the Self-Directed cohort whose comparative allocation level is only 14%, or their advisory channel gives them better access to these asset classes. Self-Directed investors' exposure to equities is much higher, at 43% compared with Advisory clients' 35%.

There are other capabilities that could be introduced in parallel to maintain engagement in the investment process. For instance, Advisory clients are adept at analyzing performance and market data to form their own conclusions, but most want reassurance that they are working with data that is continuously updated, which is why 85% are calling for real-time data to improve their analysis. This real-time data should be made available across the platform and not just on trading and security pages.

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**85%** say that real-time data would improve the quality of their analysis

Context is key here, as Advisory clients are eager to benefit from better integration of news updates (81%). Flexibility will be important for firms catering to international audiences, with up-to-date historical data more important to Advisory clients in North America and in-built indicators popular in Europe.



## ESG DATA CAN UNLOCK FUTURE GROWTH

Clients clearly value their advisors' expertise and they want to receive proactive guidance about topics they care about. One area of focus is ESG investing, which nearly half of these clients favor more than before (compared to just 26% of Self-Directed investors).

**46%** of Advisory clients are more interested in ESG investing than six to 12 months ago

Asked to identify the driver of change, Advisory investors point to the increased emphasis on good governance in companies and the better-than-expected performance of ESG investments since the start of the COVID-19 crisis.

ESG 'converts' (those who already invest with an ESG lens) convey how important an advisor's educational role could be: 53% say their advisor's recommendation is their most trusted source of ESG information.

To live up to the expectation, advisors should be equipped with tools that enable them to streamline new ESG ideas alongside their own conviction lists, research and market data. This should mean they can filter and distribute customized content quickly. Given there is a spectrum of interest in ESG and a range of underlying motivations, information (charting) must be customizable, intuitive and granular, so clients are not overwhelmed and can instead choose to dive deeper as they become more familiar with ESG and sustainable investing analytics.

**53%** say their advisors' recommendation is their most trusted source of ESG information





With most Advisory clients using multiple data sources to make investment decisions, they may soon expect alternative data as a standard offering. Already, 25% agree ESG signals would be useful, with enthusiasm even higher in Asia (35%)

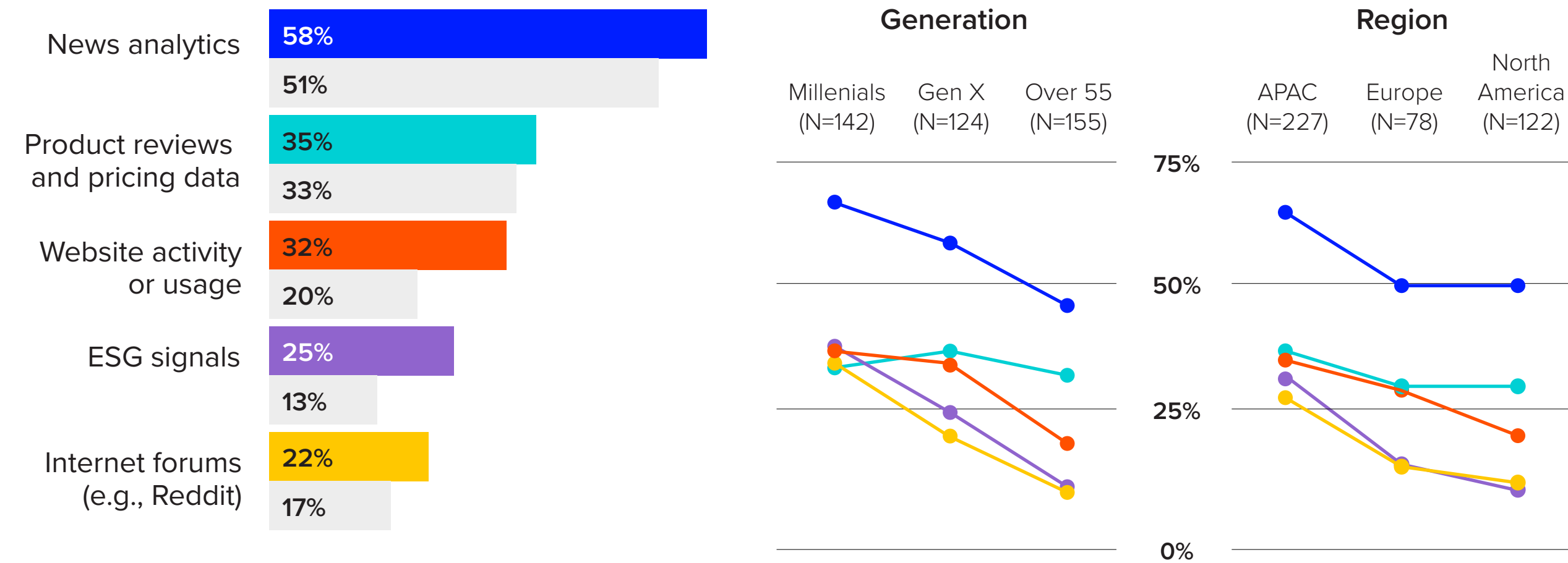
**[Figure 3].**

Echoing the theme of contextualization, advisors could become more integral to the investment process by offering metrics that provide multiple lenses on company performance. This was confirmed by 58% of advisory clients who want to see news analytics introduced, along with more product reviews and website activity amongst others.

**Figure 3: ESG signals are more likely to resonate with Advisory clients**

*Are there any alternative sources of data (i.e., not commonly used today) that you would find useful as you make investment decisions?*

Top five alternative sources of data that would be useful



Darker shades in left hand chart denote Advisory clients (N=427). Lighter grey shades denote Self-Directed Investors (N=603).

Source: Refinitiv



# CONCLUSION

Advisory clients continue to trust and rely on their investment advisors for portfolio guidance, but a sometimes poor digital experience has undermined their loyalty to firms.

There are multiple paths to addressing these challenges. Data combined with digital capabilities will help rebuild trust. Advisory clients believe that alternative data and new asset classes add a powerful new dimension to performance. 2020 and a wide variety of alternative data such as traffic patterns, pollution data, cell phone tracking, etc. have provided information that helped improve the markets understanding of real-time economic activity.

Advisory clients are already beginning to highlight cutting-edge functionality and non-traditional sources of data that they believe could improve future decision-making – and it will not take long for today's cutting edge to become tomorrow's baseline expectation. Providers should avoid the trap of deferring decisions until such capabilities become mainstream as investors expect to see continued investment and improvement by platform providers.

At a time when loyalties are loosening, empowering advisors with new foundational data and the tools to help streamline and share insights could remind Advisory clients why they place a premium on the relationship.





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