

# The Next-Generation Wealth Advisor

Harnessing data and technology to drive business



In 2017, ESI ThoughtLab and Broadridge completed a landmark study on digital transformation in wealth management, surveying 1,503 investment providers worldwide in different sectors, including 250 wealth advisors. The study followed up on ESI ThoughtLab's 2016 survey for Broadridge of 2,000 investors and 500 wealth firms globally. We have drawn on data from these surveys for this paper.

## An industry in flux

The convergence of economic, demographic and technological shifts has turned the investment industry upside down. These shifts will have major implications for wealth advisors, who will need to adapt to the changing expectations of their clients to thrive—and even survive—in the tumultuous times ahead.

Globalization is leading to more competition, economic volatility and regulatory complexity for investment advisors. But it is also leading to more opportunity. As investors around the world embrace virtual communication and smarter technology, advisors will have the ability to serve clients outside their immediate areas—including emerging markets.

ESI ThoughtLab research shows that 41% of advisors see globalization and 38% see emerging markets as having the most impact on their businesses over the next five years (see Figure 1). Moreover, investors across wealth levels are increasingly international, holding assets in more than one country.

### FORCES OF CHANGE OVER THE NEXT FIVE YEARS

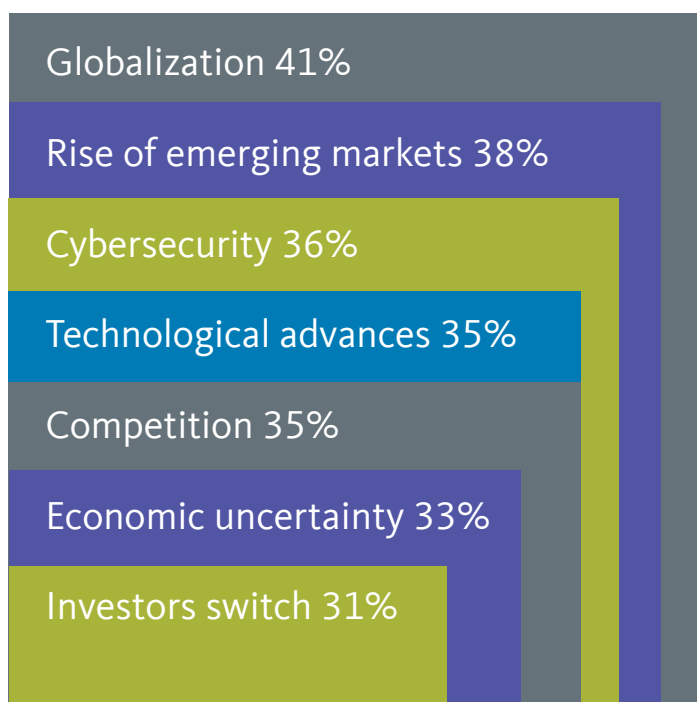


Figure 1: Changes that investment advisors expect will have the most impact on their firms over the next five years



Another driver is demographic change, which includes not only greater investor diversity, but the rise of Millennials, who are expected to inherit \$30-40 trillion over the next 15 years. For advisors, Millennials not only represent the future of the industry, but strongly influence the attitudes and expectations of older generations, particularly regarding digital adoption.

This has helped to drive the most crucial change for investment advisors: the inexorable shift toward digitization. Investors across generations and wealth levels look to manage their money in the same way they now shop, socialize, communicate and learn—using a range of digital tools, social media and mobile apps.

As a result, investors are expecting much more from advisors and their firms: They now want the same 24/7 seamless customer experience from investment providers that they are receiving from Silicon Valley. This includes reaching their advisors by mobile, email and text and having online access to full, up-to-date account information (see Figure 2). However, ESI ThoughtLab research shows that investors also increasingly seek “high-touch,” personalized advice that considers their broader life goals.

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*“There are fewer and fewer geographic limitations on the clients that advisors can work with.”*

– Kevin Darlington  
 Vice President of Product Management  
 Broadridge Advisor Solutions

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### MARKET SHIFTS WILL RAISE CLIENT EXPECTATIONS

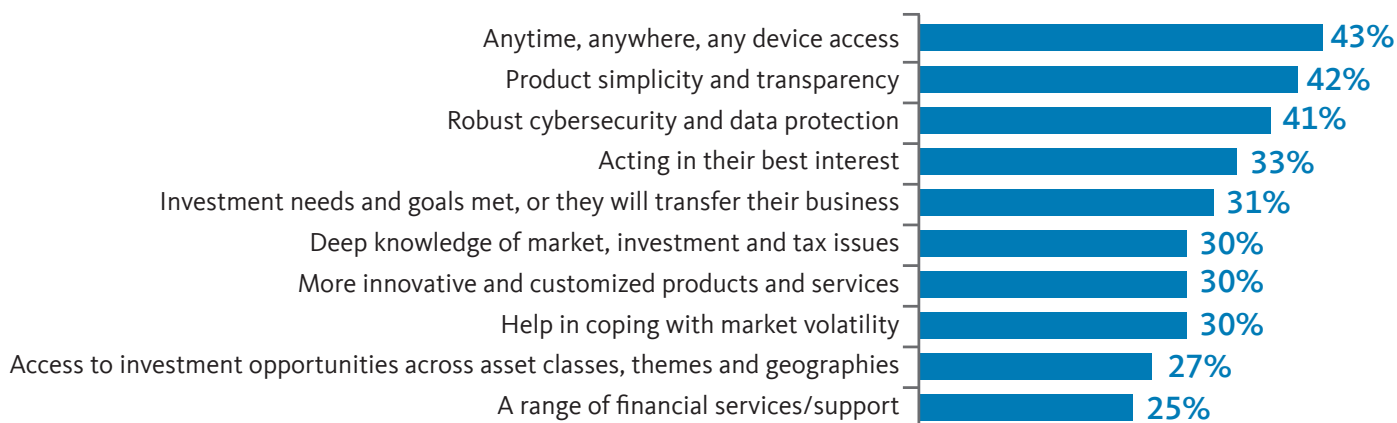


Figure 2: The biggest changes investment advisors see in client expectations over the next five years

### ARE ADVISORS PREPARED?

These developments have huge implications for investment advisors and their firms, many of which are struggling to keep up with the speed of change. ESI ThoughtLab’s research shows that a significant minority of them are not well prepared in many crucial areas.

These include shifting from commission to fee-based services (48%), adding low-cost smart beta products (43%) and providing more holistic goal-planning advice (43%) (see Figure 3). If advisors don’t meet these shifting investor expectations, they risk losing out to lower-cost robo and passive investment services.

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*“The majority of advisors are not really prepared—they simply haven’t been operating their businesses with a digital mindset.”*

– Steve Scruton  
President  
Broadridge Advisor Solutions

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### MANY ADVISORS ARE NOT PREPARED TO MEET CHANGING CLIENT EXPECTATIONS

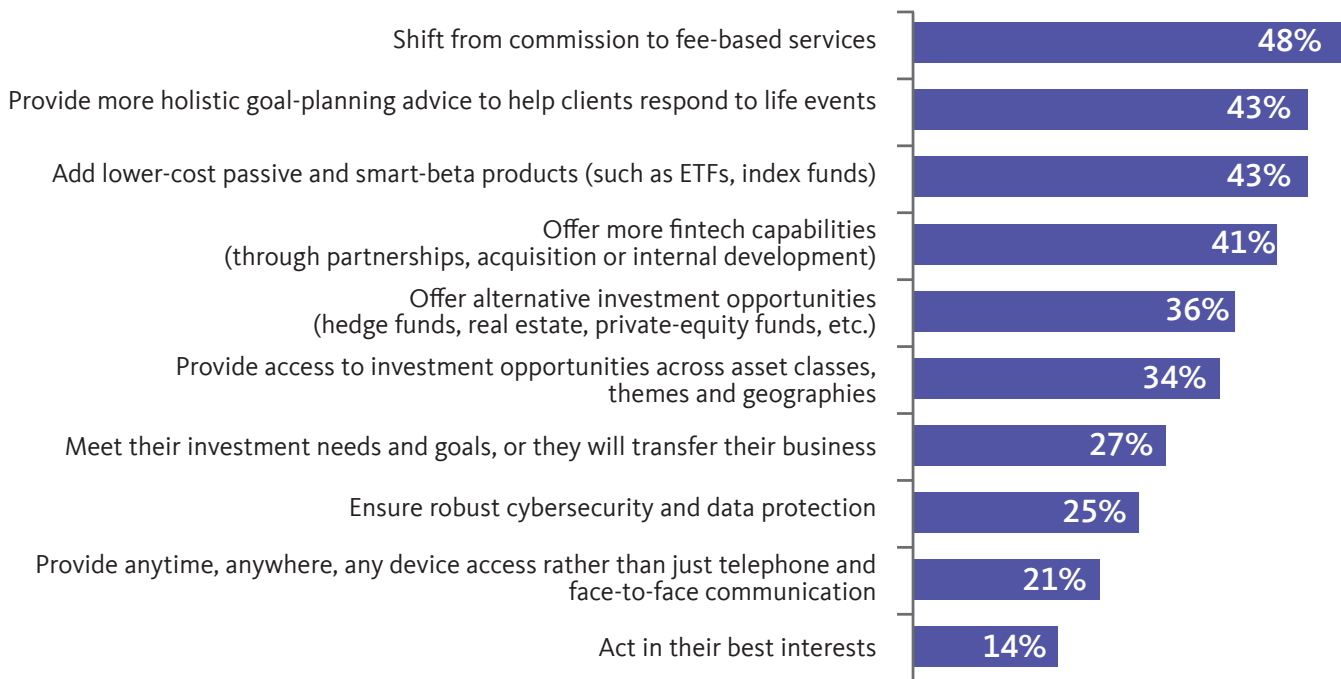


Figure 3: Percentage of investment advisors unprepared to meet client expectations

## The next-generation advisor

To stay relevant in a fast-digitizing marketplace, wealth advisors will need to rethink their roles and how they drive value to investors, finding innovative ways to combine high-tech capabilities with high-touch personal service. To do this successfully will require a new breed of advisor that is bionic, data-enabled, laser-focused on clients, holistic and 24/7.

### 1. BIONIC

Next-gen advisors will excel at using technology to enhance every aspect of their businesses, from targeting, attracting and on-boarding new clients to engaging, servicing and upselling existing ones. This will boost advisor productivity—a necessity in an industry where margins are under pressure and advisors need to find fresh ways to streamline costs and expand their customer bases.

ESI ThoughtLab’s research shows that by 2022, for many investment activities, advisors will set a more even balance between the roles of humans and machines (see Figure 4).

And while machines can automate some of the more routine client servicing tasks—such as sending out communications to clients—they can’t offer the personal hand-holding that clients seek in times of turmoil.

### 2. DATA-ENABLED

Data is the lifeblood of the next-generation advisor. Tomorrow’s successful advisors will leverage a wide variety of internal and external data to put together a 360-degree picture of their existing and prospective clients. This data will include financial information on clients held across the enterprise, as well as demographic, psychographic, behavioral and social media data from external sources. It will enable advisors to reduce the time they need to prepare for client meetings, more accurately target their advice and reach out to clients in response to life events.

### 3. LASER-FOCUSED ON CLIENTS

Leveraging technology and data will help wealth advisors become more laser-focused on clients. Using data for micro-segmentation, advisors can better target their marketing and client interactions. Perhaps most importantly, micro-segmentation allows advisors to focus their efforts by finding a “micro-niche” where their skills, experience and interests can add value.

This is where artificial intelligence (AI) comes most into play, helping advisors generate sales leads and business development opportunities. AI software can analyze large sets of marketing, demographic, psychographic and public record data—as well as social media—to target consumers. Once advisors have these leads, they can use AI-powered software for content marketing and measuring results.

## THE RACE AGAINST THE MACHINE

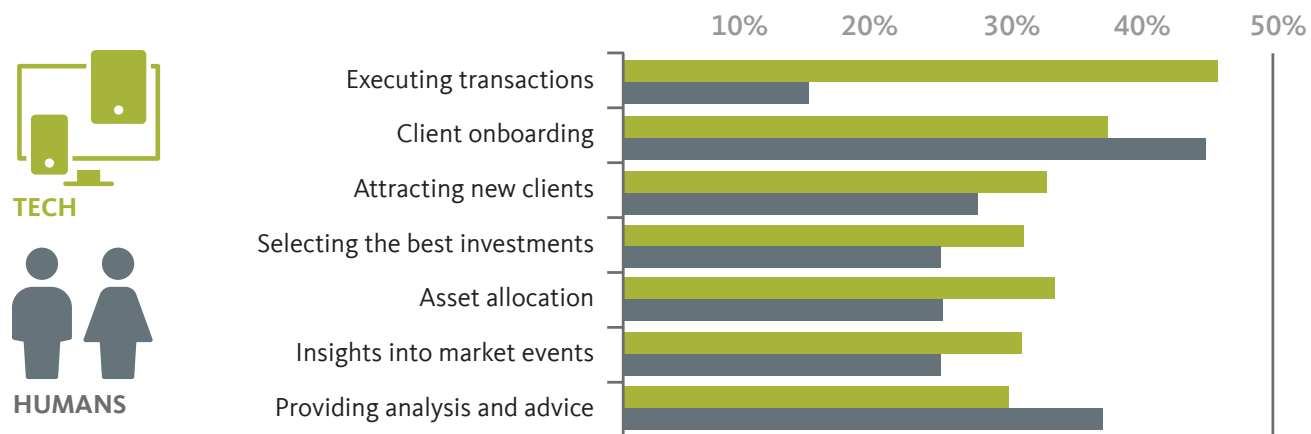


Figure 4: Tasks respondents expect to handle through technology vs. humans over the next five years



## WHAT IS MOST IMPORTANT TO INVESTORS WHEN SELECTING A WEALTH ADVISOR

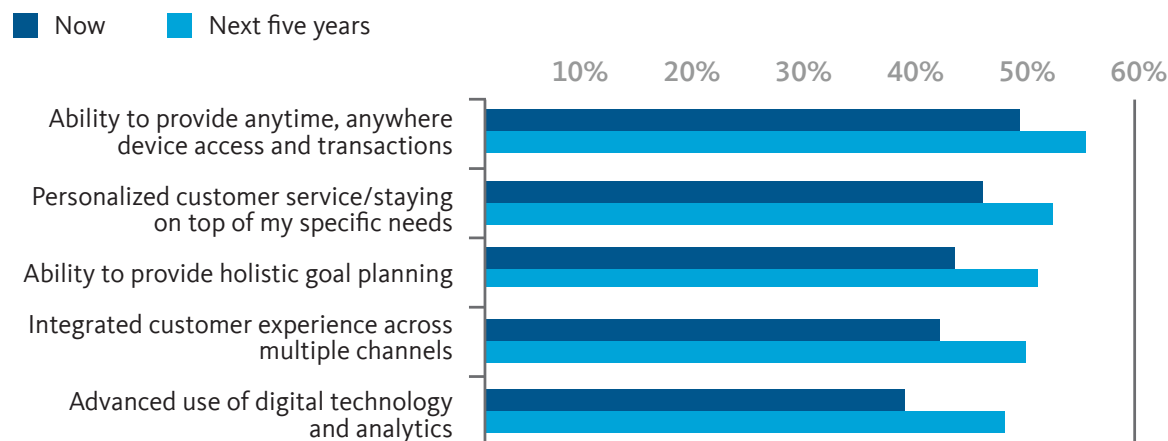


Figure 5: Percentage of investors citing each attribute as highly important when selecting a wealth advisor

### 4. HOLISTIC

As technology simplifies routine investment tasks, clients will look to advisors as financial life coaches that can provide personalized and specialized support geared to their broader financial needs. ESI ThoughtLab’s research shows that by 2022, over 50% of investors will consider the ability to provide holistic goal planning as one of the most important criterion in selecting a wealth advisor (see Figure 5).

Next-gen advisors will need to build trust with clients, spending time listening to their concerns and advising on a variety of topics. These deeper relationships will enable wealth managers to give more proactive advice in anticipation of life changes and to bring in specialists to discuss non-investment financial products, like insurance.

### 5. 24/7

The next-gen advisor will need to be always on, available to clients when needed. ESI ThoughtLab’s research shows that over the next five years, having anytime, any device access to their advisors will become crucial to investors: 56% of investors surveyed cited this as a top criterion when selecting an advisor (see Figure 5). Wealth advisors will need to stay informed and connected—as well as always on the lookout for how market developments will affect each of their clients.

While much of this can be accomplished with technology, client expectations for “on-call” advisors may be a challenge, particularly for smaller firms. To become 24/7, advisors may need to work as a team or with outside partners. Teams also make it easier to provide clients with more personalized and specialized advice, when required.

## Driving transformation through technology

For wealth advisors, technology is both a disruptor and a panacea. Digitization is raising investor expectations for low-cost, frictionless service, but at the same time providing forward-looking advisors with new ways to meet client needs, make decisions and drive business.

ESI ThoughtLab's research shows that advisors derive a myriad of benefits from digital technology. 42% are already seeing higher revenue growth and 37% have found that technology is improving their planning and decision making. They are also seeing improved productivity, customer acquisition, cost savings and market share (see Figure 6).

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*“Given the mounting pressures for fee-for-advice and lower-cost investment vehicles, advisors will need to service more clients to achieve the same income as they earned in the past.”*

– William Fayerweather  
Vice President of Strategy  
Broadridge Advisor Solutions

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### IMPACTS

### % OF INVESTMENT ADVISORS



Figure 6: Positive impacts investment advisors are seeing from technology now



Although the benefits of digital transformation are clear, most wealth advisors are currently less digitally advanced than the average investment firm. For example, ESI ThoughtLab research shows that most advisors currently offer digital tools for getting account information and personalized advice, but only a minority offer them to support most other investor activities, such as tracking performance against life goals (38%), getting a consolidated view of accounts (29%) or connecting and interacting with their advisors (35%) (see Figure 7).

Advisors are also behind in other digital practices, particularly in leveraging data and analytics to understand clients. ESI ThoughtLab research reveals that only 26% of advisors leverage data and analytics, whereas 35% of all investment providers and 62% of digital leaders do.

### LESS THAN HALF OF ADVISORS USE DIGITAL TOOLS TO SUPPORT MOST INVESTOR ACTIVITIES

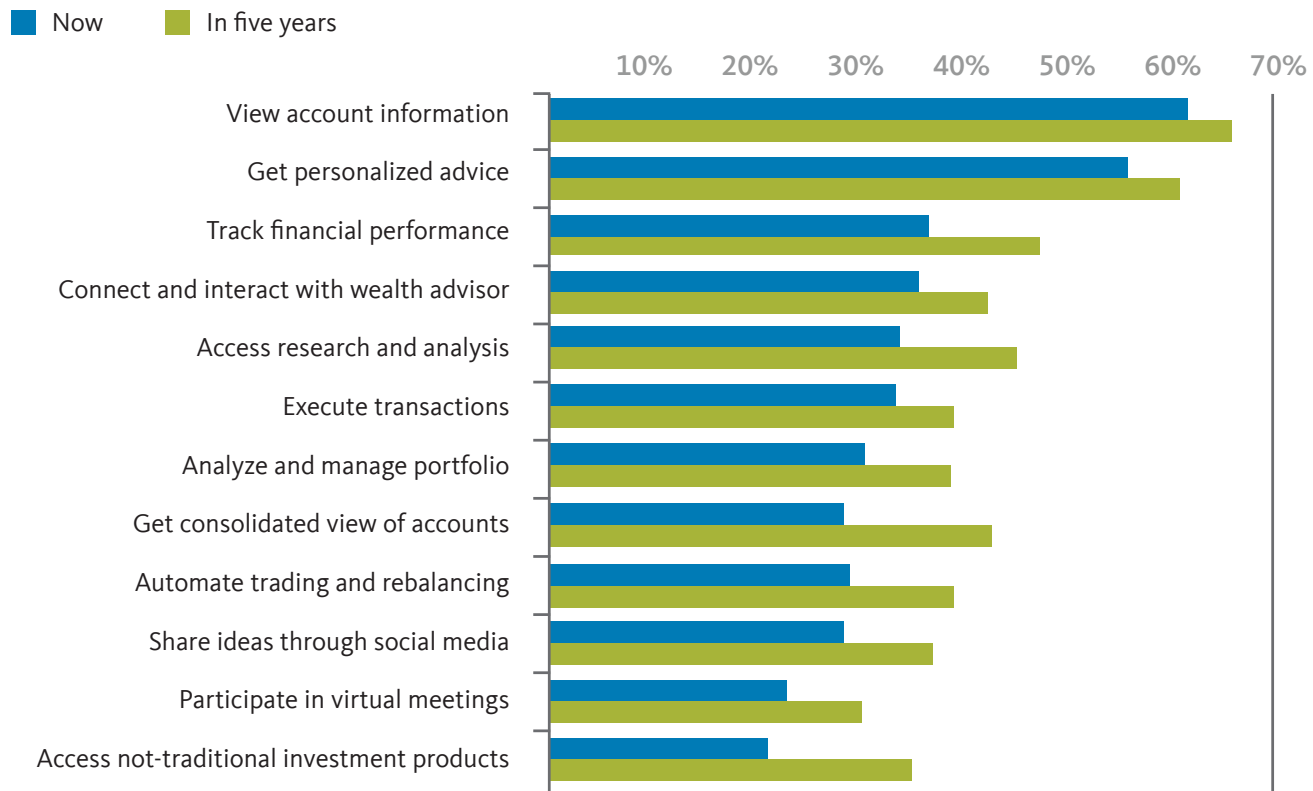


Figure 7: Percentage of investment advisors supporting investor activities with digital in 2017 and that expect to do so by 2022



## THE USE OF ARTIFICIAL INTELLIGENCE AMONG INVESTMENT ADVISORS

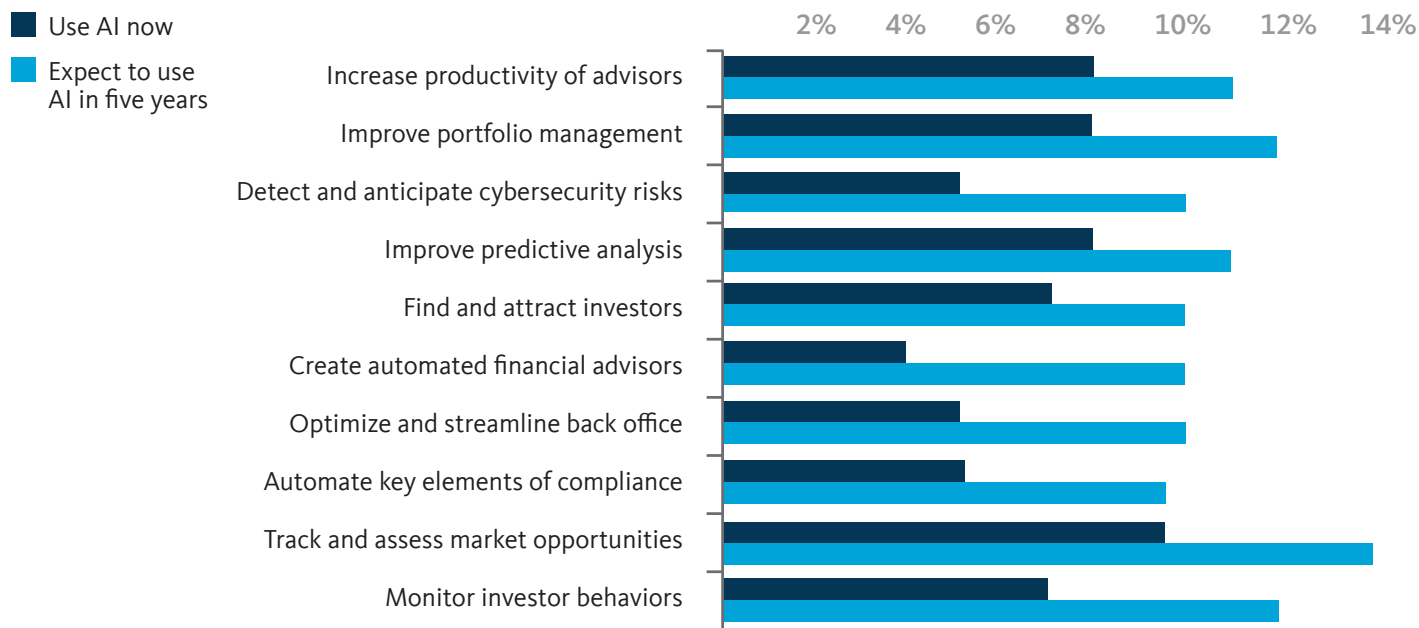


Figure 8: Percentage of investment advisors using AI for different purposes now, and that expect to use it in five years

Optimizing the use of their own and third-party investor data will soon require advisors to use artificial intelligence technology, at least at a basic level. Unfortunately, wealth advisors lag other investment providers in using AI. While more expect to employ AI in the next five years, the percentages remain very low (see Figure 8).

### THE ROI OF DIGITAL INNOVATION

Although getting up to speed on technology can be challenging, the payback can be significant. According to ESI ThoughtLab’s survey of 250 investment advisors, the use of digital technologies over the last year increased revenue by 6.9%, AUM by 4.6%, productivity by 10.6% and market share by 4.3% (see Figure 9).

Wealth advisors expect these returns to grow over the next five years. Specifically, they expect going digital to boost revenue by 9% a year, productivity by 14%, AUM by 5.5% and market share by 6.1%.

Wealth advisory firms that move too slowly not only will miss out on these benefits, but they will pay a “laggard penalty” in the form of poorer performance. To calculate a laggard penalty, ESI ThoughtLab determined the difference between the financial results of advanced firms and beginners. For investment advisors, this penalty works out to be a loss equivalent to 5.2% of revenue.

*“The penalty for moving too slowly is early retirement.”*

– Steve Scruton  
President  
Broadridge Advisor Solutions

### TECHNOLOGY IS BOOSTING ADVISORS’ PERFORMANCE

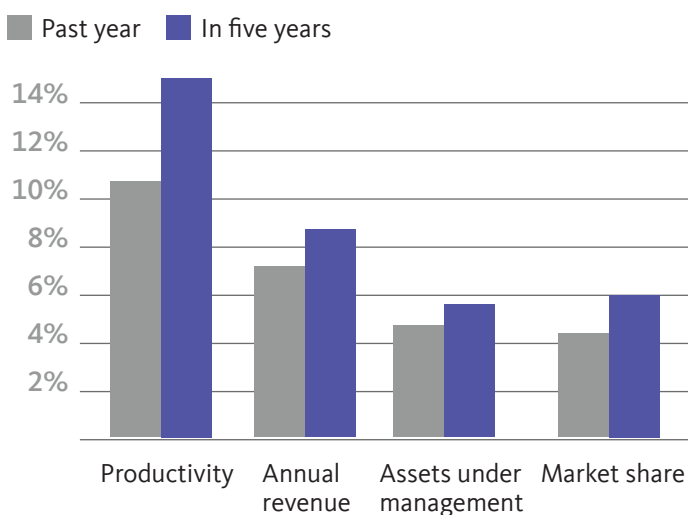


Figure 9: The impact of technology on investment advisor performance over the past year and expected in five years



## Calls to action

Based on ESI ThoughtLab's research and input from Broadridge experts, we have framed six calls to action to help investment advisors adapt to new market realities:

### **1. CONSIDER YOUR NICHE AND WHERE YOU ADD VALUE**

Technology enables investment advisors to cast a wider net beyond their own local areas. By broadening their reach, they can concentrate on clients with whom they have an affinity or for whom they can add more value through specialization. Honest self-analysis is key for advisors in understanding their practices and key strengths.

### **2. BE DIGITAL FIRST, BUT NOT DIGITAL ONLY**

Becoming a next-generation, bionic advisor means leveraging technology as much as possible, while continuing "high-touch" personal contact where it is really needed. While client service, client communications and prospect marketing should be digitally-enabled, it's important to meet with clients in person from time to time and to reach out to them when they experience major life events.

### **3. MAKE THE CLIENT YOUR NORTH STAR**

How advisors choose to deploy technology should hinge on a deep understanding of what clients need and want from them. Wealth advisory firms should consider the client/advisor lifecycle and determine what good service and a good client relationship looks like, then apply technology and AI to make them more effective. Building an integrated, cross-channel customer experience is key.

### **4. BECOME DATA-DRIVEN**

Advisors should take a lesson from Silicon Valley companies like Amazon: Gathering and leveraging customer data is essential to becoming a next-generation advisor. Advisors and their firms need to put the right technology in place to harness data from internal and external sources to get a 360-degree view of their clients. The winners will be those advisors that go beyond traditional data on wealth and age categories to understand their customers' changing attitudes, expectations and behaviors.



## 5. HARNESS ADVANCED TECHNOLOGY

Next-generation advisors should use newer AI-related technologies like robotics and machine learning to boost their productivity and turbocharge their marketing efforts. Automating many routine tasks can free up advisors for relationship building, servicing and finding new clients. If advisors don't apply AI in their business models, competitors will.

## 6. CONSIDER A TEAM APPROACH

As clients raise their expectations for 24/7, specialized service, a single advisor—even one enabled by data and technology—may not be enough. Next-gen advisors and their firms should be creating client service teams or partnering with other firms and advisors to ensure they have the right skills and resources in place to meet client needs whenever they arise.

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*“The purely virtual won’t overtake the in-person experience any time soon. There’s only so much clients are going to get via a video share, phone call or email.”*

– Kevin Darlington  
Vice President of Product Management  
Broadridge Advisor Solutions

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## ABOUT ESI THOUGHTLAB

ESI ThoughtLab is an innovative thought leadership and economic research firm providing fresh ideas and evidence-based analysis to help business and government leaders cope with transformative change. We specialize in analyzing the impact of technological, economic and demographic shifts on industries, cities, financial markets and business strategies.

Our in-house team of over 40 thought leadership, economic and subject matter specialists excel at creating valuable decision support that combines visionary thinking, analytical excellence and innovative content formats. We draw on a global network of economists, journalists and industry experts, together with in-country analysts and research partners, to deliver a full range of thought leadership services—from surveys, executive panels and interviews to interactive infographics, indexes, performance benchmarking tools and economic models.

ESI ThoughtLab is the thought leadership arm of Econsult Solutions, a leading economic consultancy. We have an exclusive partnership with the National Institute of Economics and Social Research, Britain's first research institute, and close links to Wharton Business School, Drexel, the University of Pennsylvania and Penn Institute of Urban Research.

## ABOUT BROADRIDGE

Broadridge, a global fintech leader with \$4 billion in revenue, provides communications, technology, data and analytics solutions. We help drive business transformation for our clients with solutions for enriching client engagement, navigating risk, optimizing efficiency and generating revenue growth.

[broadridge.com](http://broadridge.com)

Broadridge provides a diverse range of wealth management solutions—from practice management marketing and desktop solutions to back-end processing capabilities. Powered by data and analytics, our tools enable advisors to educate and communicate with customers and prospects across print and digital channels, as well as create financial planning content, including customizable websites, search engine marketing and newsletters.

By seamlessly connecting customers with relevant content across the channels they prefer, transactional, marketing and regulatory communications can drive efficiency, engagement and results. With more than 50 years of industry experience, our suite of integrated wealth management and advisor solutions supports more than 225,000 financial advisors and numerous wealth management firms.

## Ready for Next

Communications  
Technology  
Data and Analytics

