



The Great Enabler

Enhancing Wealth Management Tech in the Time of the COVID-19 Pandemic



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INSIDE, YOU'LL DISCOVER:

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In Brief

The Rise of Remote Work: In lieu of viable alternatives, the importance of effective remote work capabilities is clear. This shift appears to be transformational; many expect that a significant portion of work will continue to be conducted remotely, even once the pandemic has passed.

Shifts in Wealth Management Tech: Wealth Management firms have made changes to their technology in response to this environment, to ease the burden on their associates and improve their client experience. However, initial reactive changes have left opportunity on the table.

Eyes on the Prize; See the Big Picture: Which enhancements today will further your long-term goals while addressing short-term needs? Which will improve your digital maturity and overall tech enablement?

Next Steps: Consider enhancements to improve your lines of communication, scale your operations, and improve your client experience. Explore new channels and leverage features that offer easier, warmer, and more personal engagements from afar and at scale.

Force Multipliers to Keep in Mind: Explore investments in high value and widely applicable capabilities, such as enhancements to team collaboration and cohesion, research and analytics, and overall cybersecurity capabilities.

1. The Lasting Importance of Remote Work Capabilities

Since the onset of the global COVID-19 pandemic, and throughout the ensuing lockdowns across the country, the vast majority of working Americans have been forced out of the workplace. About a quarter—primarily essential workers—have remained in the workplace. Another third have been unable to work, and the rest have been working from their homes, with varying degrees of success.

Those working from home—largely consisting of more highly educated and compensated workers, such as managers, professionals, and financial workers—account for two-thirds of economic activity. As detrimental as the pandemic has been to the overall economy and countless individual businesses, it would've been much worse had these workers not been able to adapt to these conditions and continue to conduct business remotely, and relatively effectively, while social distancing. Their ability to access the information and resources that they need, in order to deliver value to their clients from anywhere, has been a differentiator for those businesses, and for the overall economy.¹

Researchers at Fidelity expect that this work from home experience will have a lasting impact on our society, including a distinct shift to remote-first experience design. Already, 74% of CFOs responding to an April 2020 Gartner survey confirmed their intent to shift more work remote, in light of the pandemic experience. Further, 23% of them expect to keep at least 20% of their workforce remote going forward.²

The demand for remote work capabilities isn't going away. This experience has demonstrated the value of flexibility—alongside reliability—in cultivating resiliency. And, technology has been the critical enabler of this flexibility, reliability, and overall resiliency, in the face of epic adversity.

To the extent that businesses rely on the secure and convenient interchange of information to work, it is the technology that connects us—to our systems, our clients, and each other—that can mitigate or harness disruption, and foster the innovation that we need in these kinds of transformative times.

2. Rapid Adaptation in Wealth Management Tech

Within the wealth management industry, these broader trends seem to hold true. Fidelity recently commissioned a survey that found that 89% of advisors were working from home. Further, advisors reported that only 3 in 10 clients were eager to return to in-person meetings.³

In a recent series of wealth management firm roundtables on the pandemic experience, common themes emerged. In the initial shift to remote work, firms made a number of technology changes to fill gaps, maintain business continuity, and enhance the productivity of their associates. These include:

- Deployment of hardware, including laptop computers, cameras, and microphones
- Adoption of communications software, including video conferencing platforms and internal collaboration tools
- Enhancement of remote access capabilities, including VPN bandwidth upgrades and shifts to VOIP phone systems
- Incremental digitization of operations, including greater usage of e-signature

While these quick adjustments helped to buoy firms during the initial displacement, opportunities beyond them persisted for many firms. Here are a few examples:

- Though most firms seem to have rolled out and promoted video conferencing tools, associates haven't significantly utilized them. In fact, while the use of video has increased four-fold during the pandemic to 12% of interactions, 57% of client interactions are still happening over the phone.³
- During the lockdowns, a number of firms found themselves forced into the office to handle mail and hardcopy paperwork—tasks that would be eliminated by the full adoption of tools such as e-signature/ docusign and remote check deposit.
- Firms have also noted challenges in maintaining efficiency and team cohesion in the remote environment. These challenges, of course, don't have as clear and singular a solution as the others. However, these are areas where the right technology can have a significant impact. Solutions that digitize service, integrate symbiotic platforms, and streamline workflows will help alleviate inefficiencies, both behind the scenes and in the client experience. And, embracing internal digital communication and collaboration tools will help enable the connection and culture needed to foster the teamwork, morale, innovation, and loyalty that will be ever more important in this new landscape.

True digital maturity is not derived from the widest breadth of solutions, but from the depth of a firm's alignment behind, and commitment to, technology solutions that accelerate the achievement of your goals.

3. The Big Picture Around Tech Enablement

It's clear that technology will play a critical role in the success of wealth management firms over the coming years. However, few firms can afford to pour substantially greater resources into their technology in uncertain times. Fortunately, this is not about maximizing your tech portfolio; it's about optimizing

your investment to enhance your client experience, provide scale, and ultimately, drive organic growth, deepen client relationships, and reduce expenses.

Take time to step back, be thoughtful and deliberate, and consider each new potential tech solution in the context of your firm's goals. Technology capabilities are only of value to the extent that they offer a better client experience and better results for your firm. True digital maturity is not derived from the widest breadth of solutions, but from the depth of a firm's alignment behind, and commitment to, technology solutions that accelerate the achievement of your goals.

McKinsey and Company developed the concept of a Digital Quotient® (DQ™) to measure a company's digital maturity, across four areas:

- DQ™, of course, evaluates a company's technology capabilities. Do you have the tools you need to reach your goals?
- It also considers a company's technology strategy. What vision, goals, and approach lead your technology development initiatives?
- Next, what organizational elements—structures, processes, and talent—will ease the execution of your strategy and integrate an affinity for technology into everything you do?
- Finally, how well is your culture grounded in principles that foster the behaviors and mindsets necessary to not just use your technology, but truly embrace it? What accountabilities will help drive adoption?⁴

In light of the dramatic changes happening within this industry and across the globe, it may be time to reconsider your strategic business plan and the role that technology will play in manifesting it. Focus on your clients, and consider how technology can enable your firm to better support them. Apply this lens to your technology decisions to ensure that, while we're all scrambling to find solutions to new problems in this environment, the solutions in which you invest are not just reactive, short-term fixes to short-term problems, but well-considered moves to further both tactical and strategic interests.

It's with this context in mind that, over the following pages, we've proposed consideration of some capabilities that could become technological table stakes for the post-COVID wealth management firm. We recognize that some firms already maintain exceptional capabilities in these areas. Many others, though, will find significant opportunity here, and we hope that nearly all will find some value in these pages.

In some ways, it may actually be easier to connect with clients and prospects within these remote engagements, as the inherently personal experience of virtually meeting with someone in their home can help you to build trust, humanize your services, and deepen relationships.

4. Enhancements to Consider: Lines of Communication

First, let's revisit the focus of your initial reactive enhancements: external lines of communication. These capabilities are critical to the wealth management industry, and the shift to remote work has proven to be a significant disruption. Firms have largely been able to stay in touch with clients by phone, but effectively deploying emotional intelligence and really connecting with clients can be a challenge in this channel. In the not so distant future, tech applications such as virtual and augmented reality will enable more personal client connections from afar. In the meantime, firms should consider how well their digital tool set enables warm and meaningful engagements with clients and prospects.

1-to-1 Communications

- During the pandemic, the share of client interactions happening over video conference jumped from 3% to 12%, and moving forward, advisors expect to permanently shift 7% of client interactions from in-person meetings to video conference. In spite of this dramatic rise, overall usage of this channel remains low in contrast to traditional phone and email

channels. This may mark an opportunity for firms as the beginning of a continued shift towards video conference, as familiarity with this channel grows.³

- It may be a while before most clients and prospects feel comfortable meeting in person again. Some may never return, and those who do may still opt to keep some or all of their meetings virtual for the sake of convenience. What portion of your clients, and prospective clients, will come to expect the option to meet remotely? To successfully serve this segment, firms must continue to enhance remote communication capabilities and close the experience gap between in-person and virtual meetings.
- To accomplish this, firms should consider fully embracing and building upon their video conferencing capabilities. Explore supplemental tools that could enhance the experience—such as screen sharing and whiteboarding tools—and drive adoption of the channel. This could include advisor education on the functionality and benefits of the platform, as well as policy levers such as a firm-wide shift to video conferencing as the default means of remote client conversations. In some ways, it may actually be easier to connect with clients and prospects within these remote engagements, as the inherently personal experience of virtually meeting with someone in their home can help you to build trust, humanize your services, and deepen relationships.

1-to-Many Communications

- In this industry that has so heavily relied on in-person meetings, especially for client acquisition, how are we to bolster our prospecting efforts without this option? Two-thirds of advisors report reduced prospecting activity during the pandemic, but many who maintained their efforts are reporting normal or better results. Additionally, advisors who take a multi-channel approach reported more success, leading us to wonder where firms may consider expanding their use of non-traditional channels.³ Firms feeling the loss of traditional event marketing may consider shifting their event model to the virtual realm.

- Very few advisors are conducting webinars or other virtual events right now. In fact, only 13% of advisors indicated that they've even used video conferencing technology with groups.³ While many firms have at least a basic video conferencing capability at this point, that capability alone may not provide them with the tools they need to successfully design, plan, and execute a virtual event. This is especially true of smaller firms. Consider leveraging a webinar or external collaboration platform, separate from your core video conferencing technology, that provides the additional functionality and support that you need to overcome inertia and begin hosting meaningful and engaging virtual events.
- More than two-thirds of advisors are now using email to prospect, but that may not include 1-to-many email campaigns, and only about a quarter of advisors are using social media to prospect in this environment.³ Significant opportunity remains to unlock the value of this channel to drive engagement and develop an appealing online presence. Consider the utility of social media, as a scalable business communications platform, and as an opportunity to build trust and engagement in the market.

5. Enhancements to Consider: Scale and Usability

While enhancement of advisor touch points with clients and prospects may be the top priority, firms shouldn't lose focus on digital touchpoints and overall operational efficiency. In addition to connecting people and enabling deeper client relationships, the promise of better tech is about scaling your capabilities to reach more clients, to retain more profit, and to shift focus to more value-added activities.

The pandemic experience has prompted a rise in the use of digital tools among wealth management firms; however, plenty of opportunity remains to digitize and streamline operations, to improve efficiency and usability.

If you haven't already, consider the following:

- Adoption of some basic digital solutions can save time and money and deliver a better client experience. Especially now, in light of the challenges that handling mail and hardcopy paperwork has presented for some firms otherwise trying to shift to fully remote work, consider adding tools such as remote check deposit and e-signature/docuSign to your set. Form pre-fill capabilities can also reduce client errors and improve the client experience.
- The ability to integrate your core technologies can significantly improve the operational outcomes and experiences for clients and associates alike. This includes experiences related to new client onboarding, money movement, and account maintenance. Connecting your technologies to each other in this way can improve operational quality, reduce costs, and simplify a wide range of tasks, including demands on your clients.
- Enhancing the self-service capabilities that you offer on your client portal, for desktop and mobile users, can bolster satisfaction for tech-savvy clients. Additionally, depending on how you design and integrate your self-service workflows into your operations, offering these capabilities can reduce your operational burden by distributing the workload between your back-office staff and your clients.
- Segmentation of your client base and service offering will allow you to better tailor your services and fees to your clients' needs. This will help you to remain focused on your clients and deliver on your value, at competitive price points. This approach allows you to scale your advisory services with digital tools to offer more efficient solutions to appropriate clients, while freeing you to refocus your advisors on higher-value services.

6. Timeless Value, Including Team Cohesion, Analytics, and Cybersecurity

Finally, beyond specific capabilities, consider where certain enhancements to your technology could broadly benefit your business. Some fundamental capabilities are so universal in their value that continued focus and enhancements of those capabilities should be part of a tech-enabled firm's guiding principles. The examples provided here are not intended to be absolute or exclusive; the principles of greatest value to your firm may well differ. Simply, take time to explore where certain technology improvements could have an outsized impact on your firm.

Please consider the following ideas to get you started:

- *Team Cohesion*: Even in a normal environment, maintaining optimal team cohesion can be a challenging and rewarding goal. In this relatively disjointed remote-work environment, enabling easy and effective communication and collaboration among team members is all the more important. Consider capabilities that can enhance these lines of communication, simplify collaborative workflows, promote idea-sharing and innovation, and foster community. Collaboration and communication tools, along with resources such as online learning platforms, can offer significant advantages over traditional approaches—especially when those approaches involve an over-reliance on email or messaging solutions.

- *Feedback and Analytics*: The more progress we make in digitizing our operations, the more potentially valuable data we create. The key to unlocking that value is developing analytics capabilities that can efficiently harvest insights from that data. This could include quantitative data around adoption rates, workflows, results, and operational efficiency, as well as qualitative data on the client and associate experience. It is imperative that we take this opportunity to enhance our feedback loops and maintain an accurate pulse on all of our stakeholders. Candid feedback will add color and depth to your ongoing analysis and enhancement efforts.
- *Cybersecurity*: While your wealth of data can certainly be an asset, it can also be a liability. Cybercrime and data security concerns are long-standing issues, but the disorienting effects of the pandemic and an increased consumer and regulator focus on data privacy have combined to amplify these concerns. Keep software up to date, prioritize ongoing awareness of threats, and take active steps to mitigate risk.

This experience is changing our business. It has redefined resiliency and highlighted the value of technology in adapting to new challenges, bringing people together, and refocusing on what matters. Consider how enhancements today can help you to not only weather the storm, but also bring you closer to attaining your long-term vision for your business.

For additional support, including access to our technology consultants, as well as technology solutions from our integration exchange and third-party alliance programs, please contact your Fidelity relationship manager.

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Endnotes

¹ How working from home works out. June 2020 Policy Brief. Nicholas Bloom, The Stanford Institute for Economic Policy Research.

² Gartner, Inc. survey of 317 CFOs and Finance leaders on March 30, 2020.

³ The 2020 Fidelity Financial Advisor Community—May COVID Crisis Study. The study was an online blind survey (Fidelity not identified) and was fielded during the period between May 15 and May 21, 2020. Participants included 408 advisors who manage or advise upon client assets either individually or as a team, and work primarily with individual investors. Advisor firm types included a mix of banks, independent broker-dealers, insurance companies, regional broker-dealers, RIAs, and national brokerage firms (commonly referred to as wirehouses), with findings weighted to reflect industry composition. The study was conducted by an independent firm not affiliated with Fidelity Investments.

⁴ McKinsey & Company, Digital Strategy Assessment, 2020.

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