# THE DIGITAL INVESTOR

IT'S HOW WE CONNECT

# FOREWORD

Welcome to Telstra's latest financial services thought leadership report: The Digital Investor. This report is the eighth in my series of thought leadership reports and has been produced in collaboration with some of Australia's leading wealth management researchers.

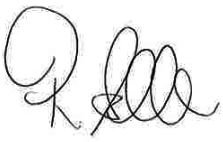
The wealth management industry is facing two major tectonic shifts. Firstly, the industry is facing the greatest inter-generational transfer of wealth in history from Baby Boomers to Generations X and Y. This reality presents two major strategic issues. On the one hand, how do wealth managers maintain the loyalty and assets of the Boomers? On the other, how do they develop propositions of relevancy to the younger generations. The second shift relates to the digitisation of the way we live, work and play and the industry's response to this technological transformation. Gen X and Gen Y have grown up in an environment where ubiquitous connectivity, collaboration and social media is deemed as essential as food and water and many traditional forms of interaction have been replaced with virtual communication.

This report examines what Gen X (referred to in the report as the 'Digital Affluent') and Gen Y (referred to as the 'Digital Heirs') expect from their wealth managers.

The research analyses their attitudes toward a range of digitally enabled wealth management experiences. We then explore the impact on customer experience design and provide perspectives on the orchestration of media and communications technologies to choreograph greater personalisation, context awareness and prediction in wealth management services and their associated delivery.

These tectonic shifts will foster a new period of industry innovation and transformation creating the opportunity to translate growth potential into a much larger serviceable addressable wealth management market. With digital communication technology at the epicentre of the new 'Digital Investor' era, I hope this report provides the necessary insights to shift digital from being an adjunct to your strategy to a core component of your business architecture.

To the many industry contributors to this research, I thank you for your insights.



**Rocky Scopelliti**
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# 1.0 EXECUTIVE SUMMARY

OVER THE NEXT 20 YEARS, THE SHARE OF FINANCIAL ASSETS HELD BY GENERATIONS X AND Y WILL GROW FROM 36% IN 2010 TO APPROXIMATELY 70% IN 2030. THE SIGNIFICANCE OF THIS WILL BE FELT ACROSS MANY ASPECTS OF AUSTRALIAN SOCIETY.

## 1.1 THE WEALTH MANAGEMENT INDUSTRY IS UNDERGOING A DIGITAL TRANSFORMATION

Over the next 20 years, the share of financial assets held by Generations X and Y will grow from 36% in 2010 to approximately 70% in 2030. The significance of this will be felt across many aspects of Australian society. For example, today, 60% of Australian Micro Business owners (those that employ between 1-5 people) are Pre Boomers (20%) and Baby Boomers (40%) and as Social Analyst Mark McCrindle writes "Succession planning is already a key issue (for SMEs) – yet by 2020 40% (145, 786) of today's managers in family and small businesses will have reached retirement age. We are heading towards the biggest leadership succession ever."[1]

This shift in assets from the older generations to the younger generations will have significant consequences for the wealth management industry for a variety of reasons – changes to asset preferences, importance of investment objectives, risk propensity, and technology adoption to name but a few. The new generation of investors will require management in very different ways. Whilst there have been considerable advances in the wealth management industry recently, including an increasing push into digital customer management, the industry still has considerable opportunities to further leverage technology. This will open up a range of new revenue models for the astute wealth manager, whilst threatening the businesses of those who cannot or will not adapt. Welcome to the era of the Digital Investor (see Section 2.1).

## 1.2 THE 'DIGITAL AFFLUENT' GEN X AND 'DIGITAL HEIR' GEN Y ARE THE MASTERS OF DIGITAL TECHNOLOGY

As pioneers of the modern digital era, the Digital Affluent investor (Gen X) has been intimately intertwined with three key technological revolutions: the introduction of the personal computer (dominated by Microsoft and Apple – both companies which happened to be founded in the 1970's), the unstoppable rise of the internet and lastly, the mobile revolution. The Digital Affluent are the backbone of the Australian employment – representing 44% of the Australian workforce in 2012. They also hold 25% of total assets and they carry the largest share of the total debt at 47%.

The Digital Heir investors (Gen Y) represent the most highly educated, connected and media saturated generation in history. They are also driving revolutions such as the explosive rise of social media, which has fundamentally re-written the 'rules of the game' for how people and organisations interact. Digital Heirs have become accustomed to the rapid rise of companies such as Google, Amazon, eBay, PayPal, Twitter, YouTube and Facebook, whose origins straddle the change in millennium. By 2020, Gen Y is predicted to represent 35% of the Australian workforce. Whilst today they may only hold 11% of total assets, they are predicted to be major benefactors of the transfer of wealth from their Baby Boomer parents. They expect to start their economic life in the same prosperity in which they've seen their parents finish theirs (see Section 2.2).

## 1.3 THE DIGITAL AFFLUENT AND DIGITAL HEIRS HAVE DRIVEN THE SHIFT IN THE 'PATH TO PURCHASE' FOR WEALTH MANAGEMENT PRODUCTS AND SERVICES

As at December 2012, the Digital Investors collectively held 71.6% of the total market debt, whilst only holding 36.1% of the total market assets signifiying their reliance on debt to accrue assets. Their appetite has been reflected in the market for wealth management products with the proportion of Australians (14 years and over) holding wealth management products increasing gradually from 68.5% in 2008 to 71.1% in 2012. During the same period, the proportion of Digital Heirs holding wealth management products surpassed that of the previous benchmark-setters, the Baby Boomers.

Whilst the face-to-face channel is still the major channel used to purchase wealth management products, there is a significant shift toward the internet, particularly for Digital Investors. Importantly, the internet is now the primary media used for searching and selecting finance and investment products (see Section 3.2).

## 1.4 DIGITAL MASTERY AND APPETITE FOR WEALTH MANAGEMENT HAVEN'T TRANSLATED INTO CONFIDENCE IN MANAGING FINANCES

Despite their confidence with, and even mastery of, digital technologies and the fire hose of information and services these technologies provide access to, almost half of the Digital Affluent and Digital Heirs (46% and 45% respectively) don't feel confident managing their finances (see Section 2.2).

In fact, the Digital Investors are the least confident of all age groups when it comes to managing their finances – only 17% strongly agree that they feel confident about managing finances. This highlights an ongoing and valued role for professional advice with regard to management of personal finances and investments (see Section 3.2).

## 1.5 WEALTH MANAGERS ARE HOLDING ADVISERS BACK

Over the past five years, technology has significantly appreciably transformed advisers' practices and will play a far greater role into the future. Conversely, advisers are increasingly frustrated with what they perceive as a failure on the part of wealth managers to keep up with technological evolution. Mobility is critical to advisers with almost half (47%) conducting their work from home at least a few times per week and 41% reporting working from multiple locations.

Financial planners have embraced tablets with one in three using an iPad when working on the go. The need for wealth managers to cater to the growing tablet market is highlighted by the fact that 12% of advisers use only a tablet when working away from the office. Of those, 25% use the tablet as a replacement for a laptop computer.

Despite the technological sophistication of advisers, wealth managers are failing to deliver with only a third satisfied with their dealer groups use of technology and innovation with technology/software/ applications (see Section 3.3).

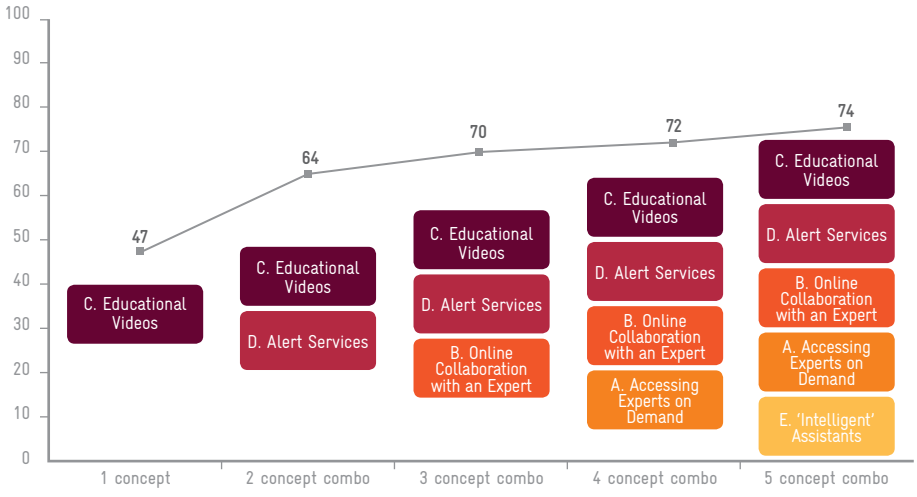
## 1.6 THE DIGITAL AFFLUENT AND HEIRS WANT THEIR WEALTH MANAGERS TO PROVIDE DIGITAL SERVICES TODAY – AND DOING SO, WOULD SUBSTANTIALLY IMPROVE PERFORMANCE

We presented Australian Digital Affluent and Digital Heir consumers who are open to wealth management solutions with five digital technology concepts and tested these for both appeal and business impact. Overall the concept scores were high, with each being found appealing by between around one quarter to one half of respondents. For each concept, more than one in six Digital Investors indicate a propensity to use the concepts (see Table 1). The majority (70% on average) of those interested in the concepts (i.e those who found the service appealing and would like to use) would like to access these services through laptops.

Other preferred devices were smartphones (59%), tablets (54%) and desktop computers (48%). In terms of preferred channels of connecting to the services, an overwhelming majority (80% or more) mentioned websites as a preference. YouTube shows good potential, most notably for Educational Videos (48% preference). Social media sites also show good potential with, on average, a third (31%) of potential concept users preferring to connect to the services through social media.

To better understand the relationships between the subgroups that found the various concepts appealing, we analysed which combination of the digital technology concepts ensured the greatest reach. The proportion that finds at least one concept appealing increases from 47% for one concept to 74% for all five concepts (see Chart 1).

**Chart 1:** % Appeal of digital wealth concepts and combinations results[2]




Important note: These levels of appeal are based on specific concept combinations as shown.

For the individual concepts, the proportion of Digital Investors who are interested in the concepts (i.e. those who found the service appealing and are likely to use) and who indicated that the concept was likely to increase their satisfaction with their financial services provider ranged between 14% and 31%.

The proportion indicating the concept would increase their likelihood to recommend the provider to family, friends and colleagues varied from 14% to 29% – showing the potential of these concepts to impact advocacy as well as satisfaction. Between 13% to 27% of Digital Investors who are interested in the concepts indicated that based on the concepts, they would be more likely to consider a provider when opening a new account and 13% to 26% would consider them when switching provider – indicating such tools could help providers build their customer base (see Section 3.4).

## 1.7 EMERGENCE OF VIDEO, MOBILE AND COLLABORATION WITH EXPERTS AS KEY DIGITAL CHANNELS

The score card in Table 1 shows the overall key performance indicators for each concept. Overall, Educational Videos have the broadest appeal (47%) followed by Alert Services (44%) then Online Collaboration with an Expert (38%). Intelligent Assistants were weakest on appeal (23%) – likely due to their relatively recent emergence into mainstream market consciousness through Apple's Siri (see Section 3.4).

Respondents were asked to rate each concept on a number of attributes – these ratings were then compared to the same attributes ratings for their current main financial services provider, financial planner/adviser or wealth manager/adviser.

The concepts Educational Videos and Accessing Experts on Demand were shown to be likely to improve ease of understanding products. Educational Videos and Online Collaboration with an Expert are likely to fundamentally improve the distribution of information, with significant improvements across several dimensions (ease of access to information, convenience and engaging way of providing information). Access to financial experts when needed was also significantly improved by the two concepts offering access to a real person (Accessing Experts on Demand and Online Collaboration with an Expert) (see Section 3.4).

## 1.8 CHOREOGRAPHING PERSONALISED, CONTEXT AWARE, PREDICTIVE INTERACTIONS TO THE 'CONNECTED, COLLABORATIVE, SOCIAL' INVESTOR

The Digital Affluent and Digital Heirs are the most informed, media saturated and connected generations ever. Smartphones, tablets and laptops are the key access points for these consumers and, just as importantly, they are also key devices for their advisers. Being connected anywhere at anytime to any media on any device has trained these generations to expect immediate, well considered, well designed, and well informed service interactions.

By effectively employing information, media and communications technologies wealth managers can choreograph customer experiences that meet these high expectations. In doing so, they can not only create engaging services, but can also extend their reach and substantially reduce the cost of interacting with customers.

Through this strategy wealth managers and financial advisers have the opportunity to both grow their addressable market and capture a greater share of it. Creating Digital Ecosystems that embody personalisation, collaboration, social media, context-awareness and predictive analytics are all important enablers for these interactions.

Their delivery can be orchestrated through modern cloud-delivered ICT such as unified communications, IP multichannel contact management, content management and distribution systems, and integrated messaging. Finally, we show a glimpse of the emerging future of Virtual Personal Agents and intelligent personal assistants, which can be seen as a logical extension to today's offerings, and bring all of these technologies together through a single, unified and natural interface (see Section 4).

**Table 1:** Summary of digital enabled services appeal and business impact[3]

| Concept/Impact Score Card | *A. Accessing Experts on Demand (%)* | *B. Online Collaboration with an Expert (%)* | *C. Educational Videos (%)* | *D. Alert Services (%)* | *E. 'Intelligent' Assistants (%)* |
|---|---|---|---|---|---|
| | 33 | 38 | 47 | 44 | 23 |
| APPEALING AND LIKELY TO USE | 24 | 27 | 47 | 37 | 34 |
| CONCEPT APPEALING, LIKELY TO USE AND RESULTS IN | | | | | |
| MORE SATISFIED WITH WEALTH PROVIDER | 20 | 24 | 31 | 28 | 14 |
| MORE LIKELY TO RECOMMEND | 21 | 23 | 29 | 27 | 14 |
| MORE LIKELY TO CONSIDER WEALTH PROVIDER WHEN OPENING A NEW ACCOUNT | 20 | 23 | 27 | 27 | 13 |
| MORE LIKELY TO CONSIDER WEALTH PROVIDER WHEN SWITCHING | 19 | 22 | 26 | 25 | 13 |

# 2.0 MAJOR WEALTH MANAGEMENT INDUSTRY CHALLENGES

## WE BEGIN OUR EXPLORATION BY CONSIDERING TWO MAJOR CHALLENGES FACING THE WEALTH MANAGEMENT INDUSTRY TODAY.

The first is an inter-generational transfer of wealth occurring on an unprecedented scale. The second is the fundamentally different expectations of the Digital Investors who will be the recipients of that wealth. These issues and the way the industry responds to them, will forever change wealth management.

### 2.1 INTER-GENERATION WEALTH TRANSFER

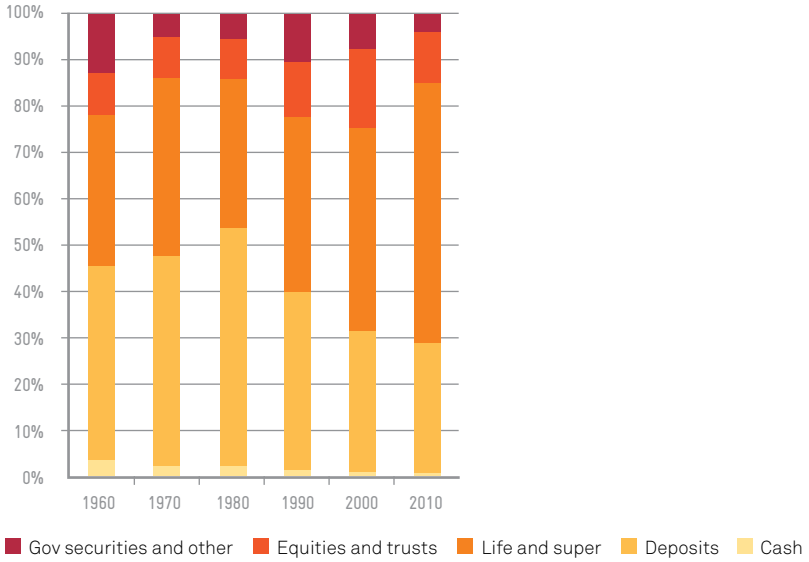
**2.1.1 Trends in wealth transfer**

Australia is a wealthy, highly developed nation and a good proportion of its population holds considerable investable financial resources across a range of asset classes. Throughout history these assets have been passed from generation to generation, with little change in how the major asset classes are invested or managed from one decade to the next – although recent developments in compulsory super contribution and increased personal debt levels have had some impacts (see Chart 2).

With the Australian economy booming over many decades, assets in many classes have grown substantially. To name but a few, rising property and land values, commodity-fuelled growth, major resource projects increasing income levels and mandatory superannuation contributions have all contributed to huge increases in personal wealth (see Chart 3).

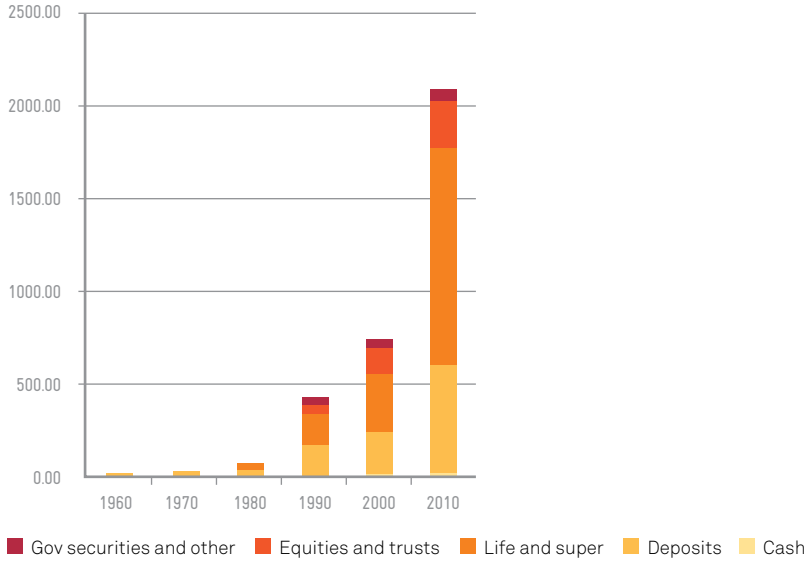
However the rapid adoption of quickly evolving digital technologies means the wealth management industry is about to experience significant change. Older generations, historically slower adopters of technology are now embracing digital in increasing numbers. They are also about to pass their wealth to a generation who have grown up in an environment where ubiquitous connectivity is deemed as essential as food and water and where many face-to-face interactions have been replaced with digital communications (see Chart 4).

**Chart 2:** Asset classes[4]



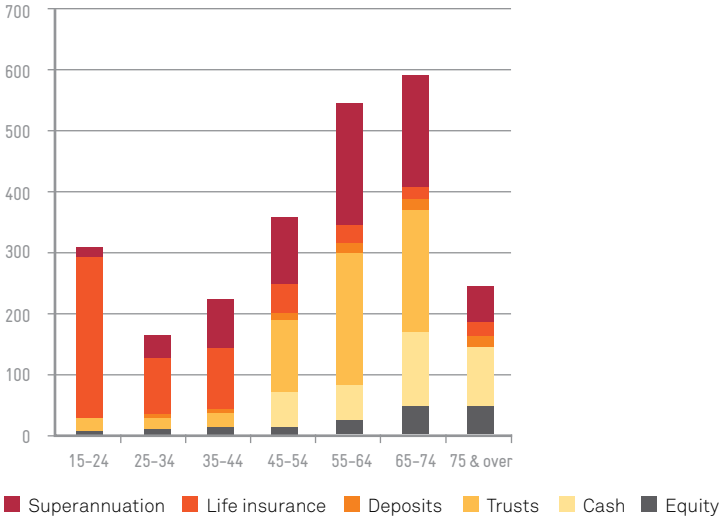

**Note:** Treasury data has been used up to Year 2000. From 2000, the figures are based on various RBA and ABS data and are therefore estimates only.

**Chart 3:** Total wealth held in $bn per asset category, 1960 to 2010[5]




**Note:** Treasury data has been used up to Year 2000. From 2000, the figures are based on various RBA and ABS data and are therefore estimates only.

**Chart 4:** Median wealth held in $000s by different age groups in 2012[6]




Whilst Gen X and Y currently hold about 36% of total assets, a process of wealth transfer is underway that will see these generations holding an estimated 70% of wealth by 2030. This has significant implications for the wealth management industry. Customers, old and young, are becoming more self-directed in managing their wealth, partly a result of the Global Financial Crisis. Although they are demanding more control of their investments and immediate access to exercise that control, the number of customers wanting quality paid-for investment advice is growing and as outlined in Section 3.2, an increasing number are happy to receive this advice through digital channels. Combine this with a new era of globally linked economies, diverse investment options, increasing demand for social and ethical investment options and greater visibility of the performance of both investments and those who manage them, and it becomes clear that both the opportunities and the risks for wealth managers are substantial.

### 2.1.2 Implications for wealth management

Wealth management companies, like those in many other industries experiencing digital disruption, need to adapt quickly and pragmatically to determine their digital strategy. They need to balance the increasingly sophisticated needs of the digital investor with the cost and complexity of execution, all within the constraints of a highly regulated, cross-border financial environment. Some of the major implication areas to be considered in such strategies are:

- Investment categories
- Regulation
- Expert advice
- Wrapped reporting
- Data analysis
- Addressability.

#### Investment categories

A typical investor will be balancing a range of investments across a number of asset classes, each with different management requirements – from super funds whose management approach is less day-to-day through to the higher involvement equity transactions, and high frequency trading and derivatives trading. In order to manage a complex heterogeneous portfolio, investors require access to information that is accurate, highly relevant and on the right time scale in the context of each class of investment.

#### Regulation

The regulatory environment in Australia and globally is complex and whilst efforts are being made to make the regulations more uniform, their obligations must be satisfied regardless of the channel used for wealth management. This will become even more important when the FOFA reforms become mandatory from 1st July 2013.

Despite this complexity, digital investors assume that regulatory requirements are being managed for them, either by their wealth manager or through the digital channels they use to invest.

In fact, digital channels provide a huge opportunity for regulatory compliance since all interactions and investment activity can be monitored, stored and reported to the relevant authorities – provided the platforms used keep up to date with compliance requirements. By working with compliance technologies, wealth managers can actively support regulatory adherence on behalf of their clients, and reduce their own compliance risk for both foreign and domestic investments.

#### Expert advice

The modern investor requires a range of information services and advice and will aim to minimise face-to-face, time consuming interactions where possible. Wealth managers must continue to manage their customer relationships, or risk losing their business. However, wealth managers must also manage the cost of customer contacts on their various channels. The effective use of channels such as online investment reports, video advice, email and social feeds allows them to build the relationship with their customers in an economically sustainable manner.

# 2.0 MAJOR WEALTH MANAGEMENT INDUSTRY CHALLENGES (CONT.)

**Wrapped reporting**
With the complexity and diversification of investment options continuing to increase, the need for investors to be able to access and visualise their entire portfolio in an easy-to-digest format has never been greater. Investors ideally wish to see all their investments in one place, and then to be able to drill into specific investment categories and decision-making options that are tailored both to them and to the nature of the investment. This also allows them more easily to manage their investments, risk profile, total financial exposure, tax reporting and regulatory compliance.

**Data analysis**
Digital channels provide a wealth of data regarding investor's interests, decisions and their behaviours. The insights that can be gleaned from that data are potentially very valuable. Wealth managers should work with their clients and with analytics advisers to mine that data for insights into the market, for opportunities to provide client-specific advice and for opportunities to cross-sell or up-sell products and services in a highly targeted manner.

**Addressability**
With investors ever more mobile and ever more connected, they need instant access to information and advice anytime, anywhere. Marketing talks of the 'always addressable customer' – the flip-side of that equation is the customer's need and expectation that those who service them are also 'always addressable'. The requirement for 24x7 access has never been greater and wealth managers need mechanisms and strategies in place to address that requirement.

## 2.2 THE DIGITAL INVESTORS – GENERATION X AND Y

The second major structural challenge facing the wealth management industry relates to creating services that meet the needs of the Digital Investors – the Generation X and Y customers to whom the wealth discussed in the previous section will be transferred.

As explained in my report in 2009, 'ICT as a driver to improve service to Generation Y for financial services', all generalisations about 'generations' need to be treated cautiously as does specifically locating them within birth time periods. While it is true that each generation is shaped by the powerful cultural influences in their childhood and adolescent years, there is inevitably a large range of individual differences in their responses to those formative influences. However, broadly based observations about the influences that are likely to have shaped their emerging attitudes, values, motivations and expectations can still be made.

In this section, we will summarise four important dimensions relating to their technological, demographic, employment and financial environment to help provide insights into their expectations today.

### 2.2.1 Generation X 'The Digital Affluent'

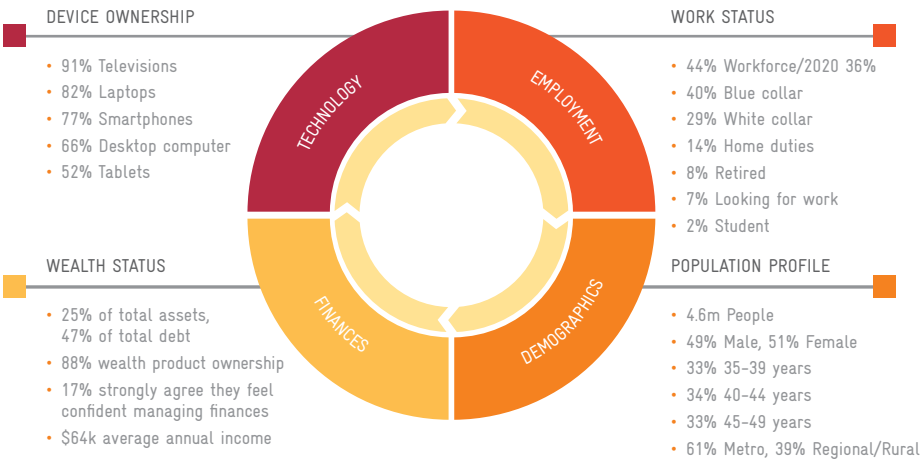
Generation X – those broadly born between 1961 and 1975 – were in many respects, the pioneers of the modern digital era. They were the first to experience the tsunami of new technologies that fundamentally changed the way we live, work and play.

They witnessed the introduction of the personal computer, the introduction of personal media devices such as the Sony Walkman and VCRs. They've also been swept along by the rise of the Internet and the birth of the mobile revolution.

Today, Gen X holds 25% of Australia's total wealth, earns an average annual income of $64,044, and represent the largest proportion of the workforce (approximately 44%). For the purposes of this report, I have labelled them the 'The Digital Affluent'.

This generation grew up in times of economic prosperity yet only 17% strongly agree they feel confident managing their finances. Unlike their parents, Gen X believes in work-life balance and is a driving force behind key workforce trends such as remote and flexible working. One of the most notable social and economic shifts emerging from this generation is the dual-income family. Today over two-thirds of partnered mothers with children under 10 years are currently participating in the workforce[7] (see Figure 1).

**Figure 1:** Generation X profile[8]

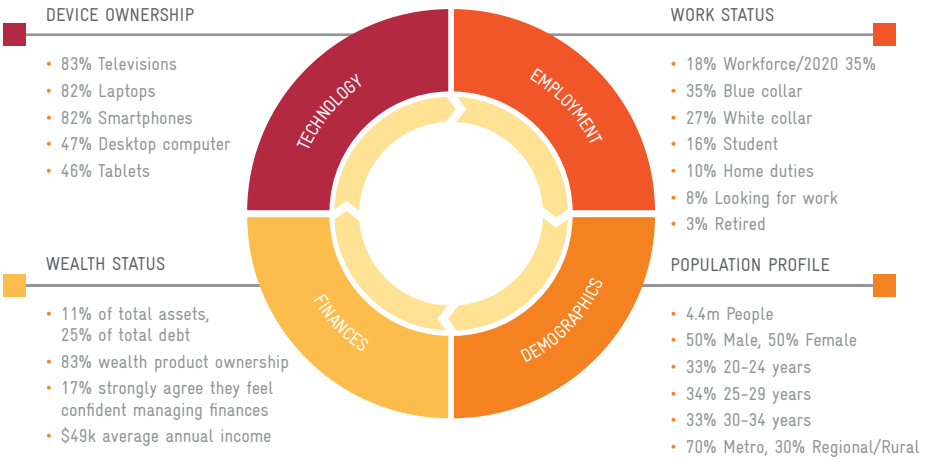


### 2.2.2 Generation Y 'The Digital Heirs'

Generation Y are those broadly born between 1976 and 1990. They are sometimes referred to as millenials and by writers such as Mark Prensky as 'Digital Natives'. They are the first generation to have only known the world technologically. This generation sees information technology, particularly mobile devices and the Internet, simply as extensions of themselves. Gen Y's are the most highly educated, most connected and most media saturated generation in history. They are also accustomed to the constant replacement of technology and the rapid evolution of new ways to interact, as seen with the explosive rise of social media. They witnessed the birth and adolescence of Twitter, Facebook and YouTube and they've seen the likes of Google, Amazon and eBay grow from start-ups to global empires.

Today, Gen Y hold 11% of Australia's total wealth and earns an average annual income of $49,784. They represent approximately 18% of the Australian workforce and by 2020, are predicted to grow to 35%. So for the purposes of this report, I have labelled them the 'The Digital Heirs'. The upheavals of recessions in the 80s and 90s, coupled with the more recent global financial crises, have taught this generation that economic change is like the air they breathe. To them, an accelerating rate of change seems normal rather than threatening. Yet some studies indicate they are losing confidence in the economy and management of their finances. Perhaps the fact that the Australian Gen Y has never experienced a recession as adults is the reason McCrindle found that 82% of Gen Y rank a recession as the issue they fear most. A key aspect of Gen Y is described as 'expectation inflation' – expecting to start their economic life in the manner in which they have seen their parents finish theirs (see Figure 2).

**Figure 2:** Generation Y profile[9]




## SUMMARY

- Over the next 20 years, the share of financial assets held by Generations X and Y will grow from 36% in 2010 to 70% in 2030.
- The wealth management industry is under-going fundamental change as investors increasingly adopt digital channels to manage their growing assets.
- This change represents a huge opportunity for those wealth managers who can innovate quickly and provide their customers with intuitive, high value solutions to aid their investment decisions.
- By acting quickly, investors will continue many of their existing wealth manager relationships and will continue to invest more of their expanding asset base with those who offer them the best service – both physically and digitally.
- The Digital Affluent today holds 25% of Australia's total wealth and represents 44% of the workforce. This pioneering generation has seen notable social changes such as the dual income family and technological developments such as personal computing, the internet and mobile that defines modern day Australia.
- The Digital Heirs today hold 11% of Australia's total wealth and whilst today they represent 18% of the workforce, they are predicted to represent 35% by 2020. This generation has largely created the social media organisations that now define the digital landscape globally.

# 3.0 CONSUMER, FINANCIAL PLANNER AND DIGITAL INVESTOR RESEARCH

## WITH A GOOD UNDERSTANDING OF TWO OF THE MOST SIGNIFICANT CHALLENGES THE DIGITAL ERA WILL PRESENT TO THE WEALTH MANAGEMENT INDUSTRY, WE TURN OUR ATTENTION TO THREE KEY QUESTIONS RELATING TO THE DIGITAL AFFLUENT AND DIGITAL HEIRS:

1. How are they changing the path to purchase?
2. How technologically equipped are the advisers who serve them?
3. How ready are they for digital services from their wealth providers, and what services would they respond to?

## 3.1 METHODOLOGY

This report includes three main sources of research as outlined below. Variation on age classification exists between the different research streams in this report and as such, age classifications have been broadly applied.

**Section 3.1.1 Roy Morgan Consumer Single Source**

Roy Morgan Consumer Single Source has been designed and engineered to represent the ideal single source model. It provides an integrated understanding of consumers: what they are like, what they consume, what they buy, what they think, what they want, and what they watch, read and listen to.

In Australia, Roy Morgan Consumer Single Source incorporates over 50,000 interviews face-to-face in both city and country areas each year with people aged 14+ of which over 32,000 have superannuation. Weekly interviewing is conducted continuously allowing for trending of data. A further 20,000 self-completion surveys provide enriched detail of consumption habits and attitudes.

All interviews in this survey are conducted face-to-face via CAPI (Computer Assisted Personal Interviewing).
Roy Morgan's experience has shown that show cards are a major advantage in quantitative financial market research due to the complexity of product definitions, and considerations which must be given to respondent confidentiality.

Interviews are conducted continuously over a 12 month period with results being weighted to reflect the geographic, age and gender distribution of the population according to the latest data from the Australian Bureau of Statistics.

**Section 3.1.2 Wealth Insights Financial Planner Research**

Quantitative results were captured during four online surveys conducted with financial planners across Australia. The surveys were conducted in February, March and April 2013, and June 2012 with sample sizes of 272, 859, 381, and 843 respectively. Qualitative findings are the result of eight focus groups conducted with financial planners – two of which focused on technology trends in general, and six of which focused on the wealth manager's service levels, including their digital product offerings.

**Section 3.1.3 Telstra's Digital Investor Study**

This study consisted of 1,019 online surveys with a representative sample of the Gen X and Gen Y (online) population who are open to wealth management services. The online surveys were conducted from February to March 2013. The complete dataset was weighted to the ABS Census data for state, gender and age to ensure that the profile of the target group is representative of their distribution within the online population.

## 3.2 GENERATION X AND Y WEALTH MANAGEMENT RESEARCH – HOW ARE THEY CHANGING THE PATH TO PURCHASE?

**3.2.1 Net wealth**

The topics of household debt, superannuation adequacy, home ownership, direct investments and savings all play a part in understanding the real financial position of households. Net wealth of households is what will determine the financial wellbeing of Australian households into the future and particularly their ability to cope with debt and to cover financial needs throughout their life journey and into retirement.

From the graphs in Charts 5 and 6 we note that as a proportion of net wealth, Gen X and Gen Y have increasing debt levels. At December 2012 Gen X and Gen Y had 71% of the total market debt, whilst only holding 36.1% of the total market assets.

In 2008, Gen X and Y had 66% of the total market debt, whilst holding 33.5% of the assets highlighting the utilisation of debt in order to build wealth.

**3.2.2 Product ownership**

As shown in Chart 7, ownership of wealth management products by the total Australian population (14 years and over) has increased over the last five years, rising from 68.5% in December 2008 to 71.1% in December 2012. As at December 2012, 66.7% of Australians have either work-based or personal superannuation, 4.5% have managed funds other than super and 4.7% have pensions/annuities. Interestingly, Gen X and Gen Y have shown greater ownership levels in the last five years, with Gen Y overtaking Baby Boomers in late 2010 as holders of wealth management products.

**Chart 5:** Net wealth – Gen X[10]

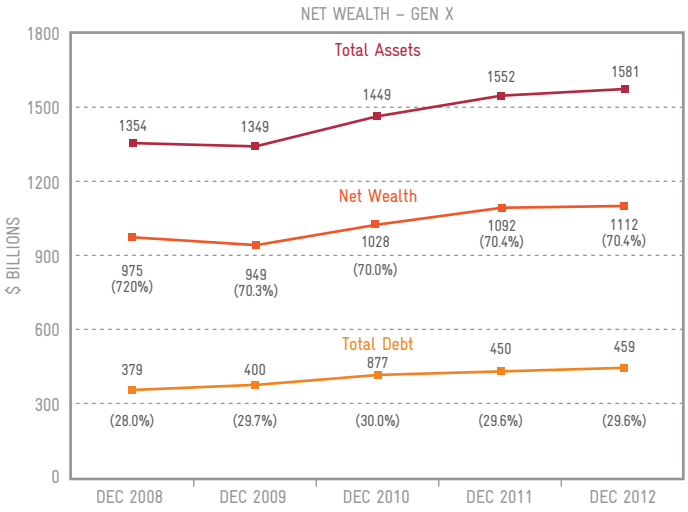



**Chart 6:** Net wealth - Gen Y[11]

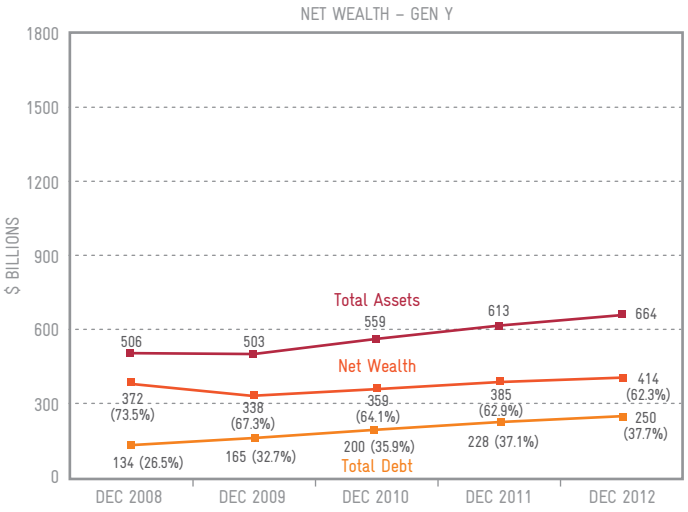
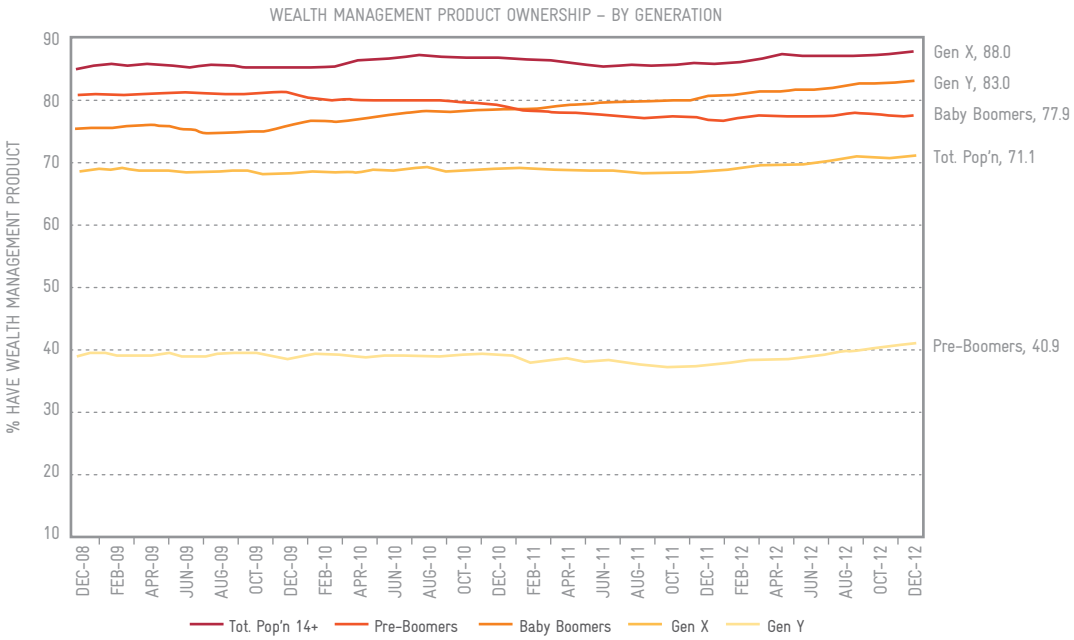



**Chart 7:** Wealth management product ownership[12]



# 3.0 CONSUMER, FINANCIAL PLANNER AND DIGITAL INVESTOR RESEARCH (CONT.)

**Table 2:** Wealth management product purchasing channel[13]

| HOW WEALTH MANAGEMENT PRODUCT WAS PURCHASED – 12 MONTHS TO DECEMBER 2012 | TOTAL | PRE-BOOMERS | BABY BOOMERS | GEN X | GEN Y |
|---|---|---|---|---|---|
| Over the telephone | 5.5 | 3.1 | 4.8 | 6.6 | 11.6 |
| Over the internet | 4.8 | 1.6 | 4.4 | 5.8 | 9.6 |
| Face-to-face | 86.6 | 93.6 | 87.7 | 84.8 | 71.3 |
| Via direct mail (i.e an offer was sent out without being asked for) | 1.4 | 0.8 | 1.2 | 1.5 | 3.9 |
| Not applicable | 3.2 | 1.7 | 3.6 | 3.1 | 5.9 |
| Some other method | 1 | 0.9 | 1.2 | 1.1 | 0.8 |
| Can't say | 0.5 | 0.4 | 0.6 | 0.4 | 0.2 |

**Base:** Those obtained through Financial Planner or Accountant.

**Table 3:** Media used to select finance/investment product[14]

| MEDIA MOST USEFUL FOR SELECTING FINANCE/ INVESTMENT PRODUCTS – 12 MONTHS TO DECEMBER 2012 | TOTAL | PRE-BOOMERS | BABY BOOMERS | GEN X | GEN Y |
|---|---|---|---|---|---|
| Newspapers | 16 | 34 | 21.4 | 14.8 | 11.1 |
| Magazines | 4.3 | 5.9 | 5.1 | 4.4 | 3.9 |
| Catalogues | 2.8 | 2.4 | 2.2 | 2.8 | 3.3 |
| Radio | 2.8 | 2.5 | 2 | 2.8 | 2.7 |
| Television | 10.5 | 12.1 | 9.8 | 11.1 | 9.3 |
| Internet | 65.2 | 38.4 | 57.7 | 67.5 | 73.1 |
| Yellow Pages | 4.3 | 9.8 | 6.7 | 3.3 | 2.4 |

**Table 4:** Switch super in past 12 months and sought advice[14]

| % OF THOSE WHO SWITCHED SUPER FUND MANAGER IN THE LAST 12 MONTHS WHO SOUGHT ADVICE | ALL OF THOSE SWITCHING | GENERATION SWITCHED SUPERANNUATION | | | |
|---|---|---|---|---|---|
| | | PRE-BOOMERS | BABY BOOMERS | GEN X | GEN Y |
| | 65 | 73 | 71 | 65 | 62 |
| HOW WEALTH MANAGEMENT PRODUCT WAS PURCHASED – 12 MONTHS TO DECEMBER | ALL THOSE SEEKING | PRE-BOOMERS* | BABY BOOMERS | GEN X | GEN Y |
| Financial planner or adviser | 35 | 55 | 52 | 38 | 22 |
| Accountant | 13 | 19 | 19 | 15 | 8 |
| Financial planner/adviser or accountant | 45 | 73 | 66 | 49 | 28 |
| Employer | 35 | 11 | 16 | 31 | 51 |
| Friend or family | 18 | 7 | 14 | 16 | 23 |
| Financial institution directly | 8 | 8 | 9 | 10 | 6 |

*Due to small sample size, figures should be treated as indicative only.

### 3.2.3 How Gen X and Y purchase wealth management products

Wealth management products obtained through a financial planner or accountant continue to be purchased via the face-to-face channel, however there is a shift amongst the younger generations toward the Internet and the telephone (see Table 2).

### 3.2.4 Media Gen X and Y use in selecting finance/investment product

For each generation, the Internet is the media most used for selecting finance and investment products. However, it is interesting to note that Gen X and Gen Y rely on the Internet to a much greater degree than older generations and eschew traditional print media (see Table 3).

### 3.2.5 Seeking advice and switching

Given that over two thirds of Australians have a superannuation product, switching fund manager is a choice that will face many Australians during their working lives. Overall, 65% of people who had switched funds in the 12 months sought advice when doing so. Pre-Boomers were the most likely to seek advice (at 73%), while Gen Y (62%) and Gen X (65%) were less likely to do so.

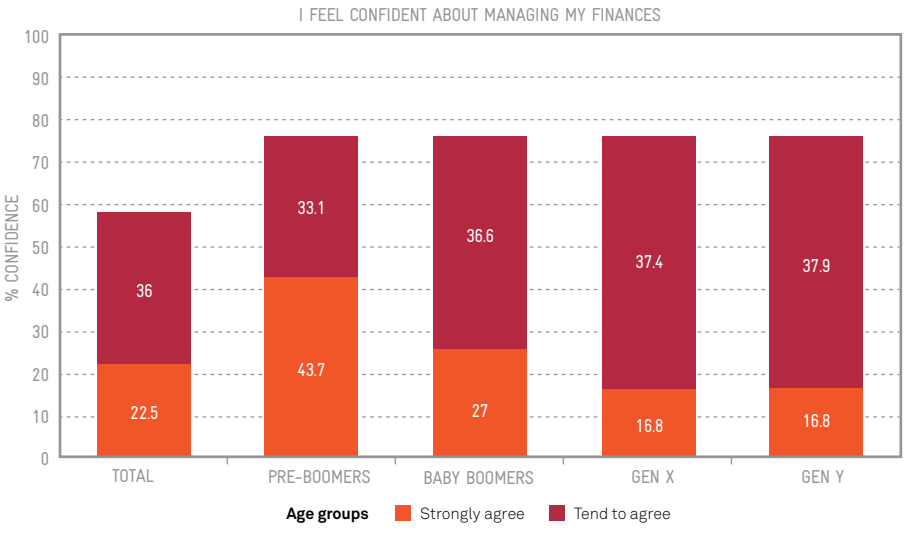
While the majority of Australians continue to seek some advice when transferring their superannuation to a new fund, the source of that advice varies greatly by generation. Pre-Boomers rely on professional advice, with 73% seeking advice from a financial planner or accountant. In comparison, only 28% of Gen Y's sought professional advice, instead relying on the advice of employers (51%) and friends and family (23%) (see Table 4).

Overall, in their Research Retirement Planning Report[15], Roy Morgan found that consumers' knowledge of superannuation is generally poor, heightening the need for those switching to obtain professional advice.

### 3.2.6 Confidence about managing finances

More than three quarters of the Australian Pre-Boomer population (76.8%) "Feel confident about managing their finances" (either strongly agree or tend to agree), well above the level for the total Australian population (58.5%). However, for Gen X and Gen Y, the level of confidence drops markedly (54.2% and 54.7% respectively) even compared with Baby Boomers (63.6%). Only 16.8% of Gen X and Gen Y strongly agreed they feel confident about managing their finances compared with 22.5% for the population overall. This highlights a need for professional advice with regard to managing finances and investments (see Chart 8).

**Chart 8:** Confidence in managing finances 12 months to December 2012[16]




**Base:** Australian population aged 14+.

## 3.3 FINANCIAL PLANNER RESEARCH – HOW TECHNOLOGICALLY EQUIPPED ARE THOSE THAT SERVE THEM?

### 3.3.1 Devices used for work

In the past few years, advisers technology use has evolved substantially. Unsurprisingly laptops and smartphones are used by around 80% of advisers but the rapid take-up of tablets is noteworthy. Tablets are a relatively new form-factor yet they are currently used by over half (54%) of financial planners (see Chart 9).

### 3.3.2 Taking advantage of technology

Practices that leverage the latest technological advances have helped planners become more productive and deliver better client experiences and improved products and services. Technology is also undoubtedly having a positive effect on their lives.

#### Improved mobility

The mobility that modern personal device technology facilitates has resulted in greater flexibility for many planners. While the number of hours that planners work has remained constant (or even increased) technology has provided them with the flexibility to work in different locations and facilitated and improved their work/life balance. Advisers can take longer holidays, spend more time with their families and some advisers can even delay retirement.

The nature of financial planning combined with advances in technology allows planners to work from multiple locations (see Chart 10).

Almost half of advisers (47%) conduct work from home at least a few times per week, if not daily. 41% of advisers report that they work from other locations at least a few times per week (for example, a client's home or office or 'on the go') (see Table 5).

Financial planners have embraced tablets more enthusiastically than other Australian consumers. One in three advisers uses an iPad when working 'on the go' or vacations, while 13% use some other type of tablet. Just over a quarter of advisers use an iPad when working at home while 10% use another tablet.

This is significant as most tablet users see tablets as a device on which they consume media rather than devices used for work purposes.

Because many planning practices rely heavily on one or two key principals, vacations for those principals have traditionally been of short duration. Advisers report that they can now take vacations spanning several weeks, and sometimes months, because new technology allows them to work remotely. Planners with children at home report that during their busy times they can now leave the office at a reasonable time and spend quality time with their family before resuming work. Interestingly, some advisers assert that technology facilitates a longer working day (as they now frequently work with laptops at home in the evening – sometimes while watching TV). Instead of retiring/selling their businesses, other planners are choosing to wind down their practices gradually, using technology to facilitate working from home, or as one planner told us, from his mobile home as he travels around Australia with his wife, smartphone and laptop.

The ability to remotely access work documents and files has significantly contributed to this trend in the past few years.

*"You don't have to stay in the office 'till midnight."*

*"You may work longer in the day, but you have more flexibility."*

*"I used to be able to work from home, but now I can access documents and data via the web which means I can complete my work without having to go back into the office."*

**Chart 9:** Use of devices for work[17]

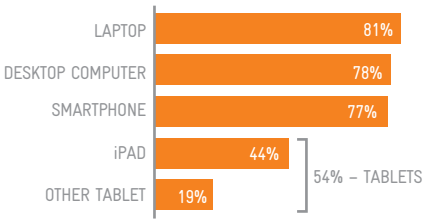



**Chart 10:** Working locations[17]

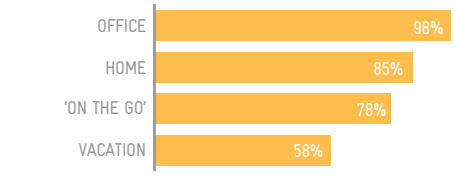



**Table 5:** Use of devices at different locations[17]

| | CONDUCTING WORK | | | |
|---|---|---|---|---|
| | **At office** | **At home** | **'On the go'** | **On vacation** |
| Laptop | 43% | 60% | 29% | 22% |
| Desktop computer | 73% | 24% | 1% | 1% |
| Smartphone | 38% | 47% | 65% | 43% |
| iPad | 12% | 27% | 27% | 23% |
| Other tablet | 3% | 10% | 9% | 7% |

**Offering different solutions to different clients**
Technology enables advisers to offer their clients a more sophisticated and complete service through the commoditisation of many products such as direct share trading – with the result that costs have fallen. Smaller practices have particularly benefited from such advances because it is much easier and cost effective to provide direct share offerings, access to hybrid products or to Australian money markets than it was just a few years ago. Technology has enabled advisers to offer a tailored value proposition relevant to a range of clients with different preferences and behaviours.

**Better client experience**
Planners also contend that the latest technologies have provided clients with a better experience when visiting their practice. Instead of tediously talking through a Statement of Advice (which was commonplace a few years ago) advisers will utilise planning software to demonstrate the plan to their clients using graphs and slide-bars to explore scenarios, such as illustrating how depositing a certain amount of cash each week will affect their plan.

Planners maintain that this type of technology projects a sophisticated and proficient image when clients visit their office.

**Making the core business more efficient**
Advisers' report that advances in technology, particularly on some platforms, financial planning software and web-based insurance forms has greatly increased the productivity of their office, which directly relates to their staff costs. Technology has greatly reduced paperwork and has streamlined processes. For example, advisers can now send a link to a client asking them to complete an insurance form.

The insurance company will then advise the planner once the form has been completed so the adviser can check and submit it. Frequently a life-insurance application that previously took days of work, spread over months, can now take less than 30 minutes of an adviser's time.

Advances in information and communication technologies have also facilitated efficiencies by enabling the outsourcing of back-office services (whether in Australia or offshore).

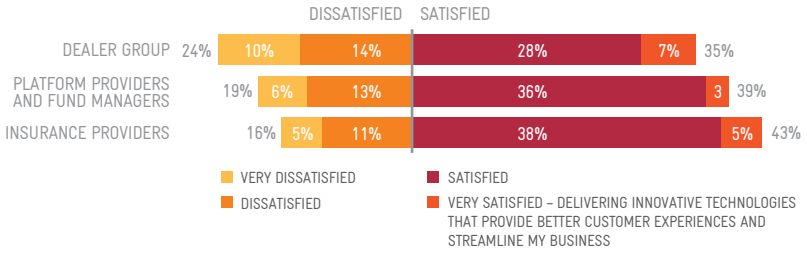
Planning practices are mostly small businesses (85% of practices have between 1-5 professionals working in the business). These practices are characterised by a propensity to adopt any new technology provided that it will improve productivity or the quality of the services offered and, due to their small size, the agility to adopt such technological advances quickly.

However, the majority of advisers assert that wealth managers are lagging a long way behind planners and behind other industries in terms of their adoption, development and deployment of new technologies. In short, planners see a technology gap with the wealth management industry providing sub-standard financial planning software and platforms, inefficient processes and under developed technology. Planners see this gap as a key inhibitor to their performance.

### 3.3.3 Wealth managers failing to deliver

When we asked advisers how satisfied they are with the wealth management industry with regard to innovation in new technology/ software/applications and so on, the results were startling. Barely one third (35%) of planners are satisfied with their dealer group's use of technology – and if we look at just the Gen X planners, this figure drops to 25% (see Chart 11).

**Chart 11:** Satisfaction with wealth managers[17]



The same is seen with financial planning software such as XPLAN and Coin, with less than half of planners (43%) expressing satisfaction with the primary planning software that they currently use (see Chart 12).

Similar results are seen with the master trusts/wraps offered by wealth managers to advisers, with half receiving negative Net Promoter Score (NPS) (and an average NPS score across the industry of zero). Additionally when advisers rate wealth managers, IT functionality and satisfaction, most receive ratings that are below seven out of 10 which is a serious concern for wealth managers.

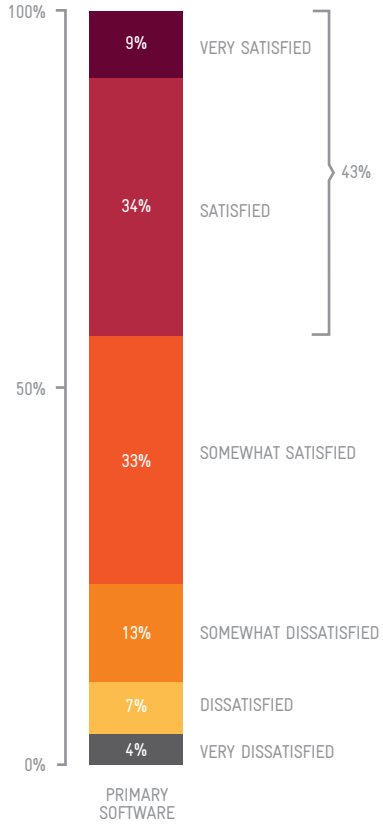
*"Wealth managers are 50 steps behind us."*

*"They [wealth managers] just don't get it."*

*"Most of them [wealth managers] are dinosaurs when it comes to technology."*

*"I can't believe that BDMs still turn up with a laptop – doesn't that tell you something about who they work for."*

**Chart 12:** Satisfaction with planning software[17]




### 3.3.4 A technological future: 'game changer'

Planners can imagine how technology will be game-changing in the future. One example cited was 'TelePresence' (and similar virtual meeting room technologies) that would 'revolutionise' the way advisers interacted with clients. Advisers contend that clients often don't wish to travel to their planner's office at the end of the working day for a brief one-on-one meeting.

As one adviser put it, for both clients and advisers 'time is money'. However advisers find that phone calls are often insufficient to explain difficult concepts, especially when visual props or aids are needed. Additionally advisers unanimously agree that 'face-to-face' is still important. Planners claim that virtual meeting room systems would reduce 'barriers of access' to clients throughout Australia as the population is so geographically widespread.

*"I would suggest a very high percentage of clients would be happy to sit home at 6pm and say 'let's talk (TelePresence)', rather than a phone-call . . . if I'm going to have a chat about bonds, it is difficult to waffle on over the phone. With TelePresence you could show the client your screen – shared desktop, it is very intimate."*

*"The whole point of technology needs to be to enhance the ability to communicate."*

*"Face-to-face is important. You won't be able to take away that interaction."*

Planners mentioned a host of other technology improvements/innovations that they feel are needed, such as pre-populated on-line forms, better client engagement tools, apps specifically developed for tablets (not simply websites with some tablet optimisation), more intuitive websites, portals and platforms that are intuitive and easy to use, and so on.

Planners are all aware that tablets in their current form are a new form factor as smartphones were long before that. However they are eager to take advantage of any new technologies/devices that are currently in the pipeline. As has been reported previously, some advisers are already substituting lower cost products for wealth platforms and managed funds and wealth managers can expect their core business models to continue to be challenged by digital transformation.

## 3.4 THE DIGITAL INVESTOR STUDY – HOW READY ARE THEY FOR DIGITAL WEALTH SERVICES?

The research assessed whether five proposed technology-enabled concepts appealed to Gen X and Gen Y who are open to wealth management solutions and met certain net worth criteria, and whether those concepts had the potential to increase satisfaction, advocacy and loyalty with financial institutions.

For the purposes of this study, net worth was defined as the total value of investments and assets, including superannuation, property held, shares, term deposits and high interest savings accounts (all less the amount of loans held).

### 3.4.1 Concepts tested

The following five concepts were evaluated by all respondents during the study (see diagram below).

Respondents were first asked to rate how appealing they found a concept. Those who found a concept extremely or somewhat appealing were asked about their likelihood to use the concept.

The next section provides detailed information on the performance of each concept mainly amongst those who are potential users (i.e. those who find the concept extremely or somewhat appealing and are extremely or somewhat likely to use the service).

### 3.4.2 Who found the concepts appealing?

Across most concepts, appeal was particularly high amongst males and the mass affluent[18] segment. For two concepts – Online Collaboration with an Expert and Alert Services – white-collar workers exhibited significantly higher appeal levels.

While those in metropolitan areas show consistently higher scores across concepts on appeal and likely use, Online Collaboration with an Expert shows potential amongst those in regional and rural areas. This is likely due to limited access to financial experts and branches in more remote areas, and highlights how these digital wealth management services can assist in overcoming this limitation.

| | |
|---|---|
| A. ACCESSING EXPERTS ON DEMAND | **Accessing Experts on Demands for advice on financial planning and wealth management services**<br>This service would allow you access to a specialist, e.g. a financial planner/adviser or relationship manager, using video. The video would be accessed either in a branch, via your computer, your tablet, your smartphone, your TV or at a kiosk, a photo type both (e.g. at your workplace) where you could access your account over the internet while having a video interaction with a specialist. |
| B. ONLINE COLLABORATION WITH AN EXPERT | **Online Collaboration with an Expert**<br>This service would allow you to communicate with a financial planner/adviser or wealth manager/adviser online (using chat, video or voice) while completing documentation for financial products/services. This service would also allow you to receive news, information, articles and reports from a financial expert online. |
| C. EDUCATIONAL VIDEOS | **Educational Videos explaining financial topics**<br>This service would allow you to learn about financial topics (e.g. optimising on investments) by watching online videos rather than reading written information. |
| D. ALERT SERVICES | **Alert Services**<br>This service would allow you to receive alerts on your mobile or tablet device on financial market activity or how your investments are performing. |
| E. 'INTELLIGENT' ASSISTANTS | **'Intelligent' Assistants accessed using speech**<br>This service would allow you to use speech/voice recognition technology to perform common banking and wealth management activities, for example, using your voice to ask how your share portfolio, superannuation or managed fund is performing. The service would be accessed on smartphone, tablet or computer. |

### 3.4.3 Preferred devices/channels/mediums for wealth management service concepts

The majority (70% on average) of those interested in the concepts would like to be able to receive these services through laptops. The next most preferred devices were smartphones (59%), tablets (54%) and desktop computers (48%).

In terms of preferred channels of connecting to the services, an overwhelming majority (80% or more) mentioned websites as a preference. YouTube shows good potential, most notably for Educational Videos (48% preference). Social media sites also show good potential with, on average, a third (31%) of potential concept users preferring to connect to the services through social media.

### 3.4.4 Concept A. Accessing Experts on Demand

Accessing Experts On Demand appealed to a third (33%) of respondents. Almost three quarters (74%) of those who find this concept appealing say they are extremely/somewhat likely to use it.

The concept has the potential to have a positive impact on financial institutions, with more than eight in 10 potential users saying it would improve their satisfaction (85%), advocacy (86%), likelihood to consider when opening a new account (85%) and likelihood to consider when switching (81%) (see Chart 13).

When analysed thematically, the key themes to emerge on the appeal of the concept were convenience of accessing information and advice.

### 3.4.5 Concept B. Online Collaboration with an Expert

Overall, two in five (38%) find this concept appealing. Just less than three quarters (72%) of those who find this concept appealing indicate that they are extremely/somewhat likely to use it.

Nearly nine in 10 (88%) of potential users indicated that Online Collaboration with an Expert would improve their satisfaction with their financial institution. Just over eight in 10 potential users indicated this concept would improve their advocacy (85%), likelihood to consider financial institution when opening a new account (84%) and when switching (82%) (see Chart 14).

When analysed thematically, the key themes to emerge on the appeal of the concept were ease of use/convenience, being informative and saving time.

**Chart 13:** Concept A. Accessing Experts on Demand results[19]

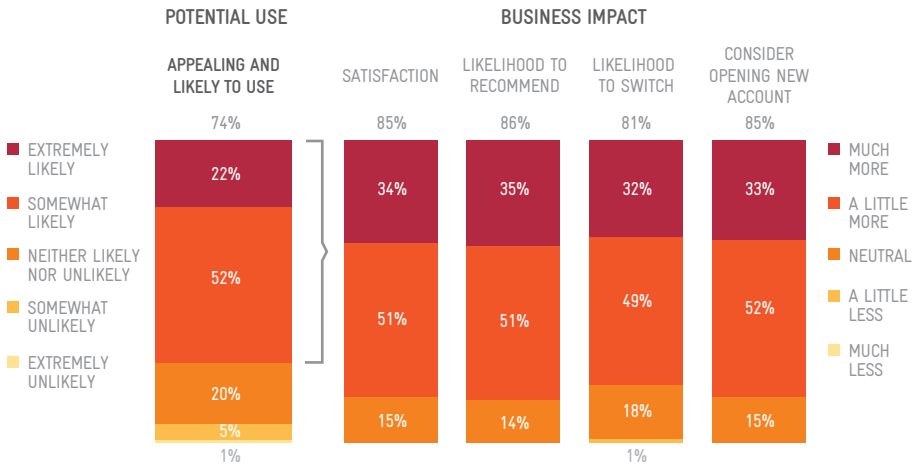
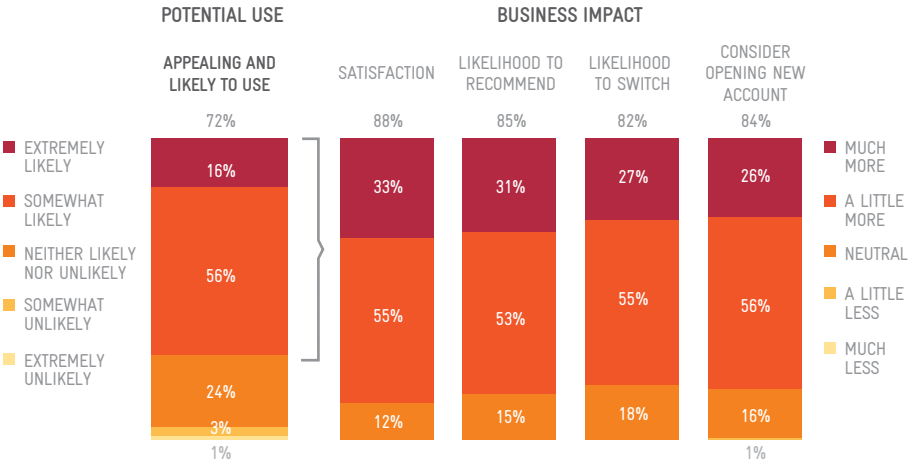



**Chart 14:** Concept B. Online Collaboration with an Expert results[20]



### 3.4.6 Concept C. Educational Videos on financial topics

Educational Videos on financial topics have the greatest overall appeal, with nearly half (47%) finding them appealing. Amongst those who find it appealing, more than three quarters (78%) indicated they were extremely/somewhat likely to use the service.

Introduction of this concept is likely to have a positive impact on satisfaction with more than four in five potential users (85%) indicating that they would be a little/much more satisfied with their current financial institution if this service was implemented. Similarly, advocacy is likely to benefit, with four in five (79%) at least a little more likely to recommend their financial institution to friends, family or colleagues. The concept also lends itself to acquiring customers either entering the market or switching their account, with around three quarters more likely to consider a financial institution with this concept (75% and 72%, respectively) (see Chart 15).

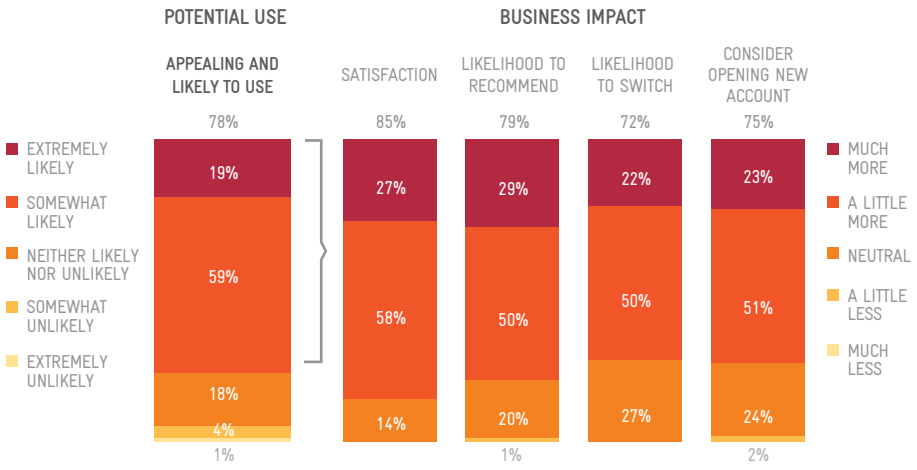
When analysed thematically, the key themes to emerge on the appeal of the concept centres on the value of conveying information in an easy way. Analysis of verbatim comments show that the top three benefits are considered to be convenience, informative, and relative ease of watching and listening rather than reading.

### 3.4.7 Concept D. Alert Services

Alert services are seen to be extremely/somewhat appealing by over four in 10 (44%). Amongst those who find the concept appealing, just over three quarters (78%) indicated intent to use the service (extremely/somewhat likely to use).

This concept is likely to improve satisfaction, with more than four in five potential users (83%) saying that Alert Services would make them a little/much more satisfied with their current financial institution. Advocacy is also likely to benefit with more than three quarters (78%) at least a little more likely to recommend their financial institution to friends, family or colleagues.

**Chart 15:** Concept C. Educational Videos on financial topics results[21]




The concept is likely to acquire customers considering opening a new account, with four in five (81%) more likely to consider a financial institution offering this service. Similarly, around three quarters (74%) would be more likely to consider a financial institution offering this service when they are switching their accounts (see Chart 16).

The dominant theme from analysis of the comments relating to the appeal of the concept is the ability to keep up-to-date regularly.

### 3.4.8 Concept E. 'Intelligent' Assistants

Whilst 'Intelligent' Assistants had the lowest appeal ratings of the five concepts tested, it's important to consider that this technology has only been available for approximately 18 months. The concept's relatively low appeal is likely due to the relatively low levels of experience and knowledge of 'Intelligent' Assistants in the market. In spite of this, it was still seen to be appealing by almost a quarter of respondents (23%). Of those that do find the concept appealing, 72% would also make use of the service if it was made available to them.

Introduction of the concept is likely to have a positive impact on key measures for financial institutions, with just over four in five improving satisfaction and advocacy (83% for each). Acquisition is also likely to be positively impacted with three quarters more likely to consider the financial institution when opening a new account (77%) or switching (78%) (see Chart 17).

The core benefit of this concept when analysed thematically is ease. When analysing reasons why the concept is found to be appealing among respondents, the themes of convenience and efficiency are the most prominent.

**Chart 16:** Concept D. Alert Services results[22]

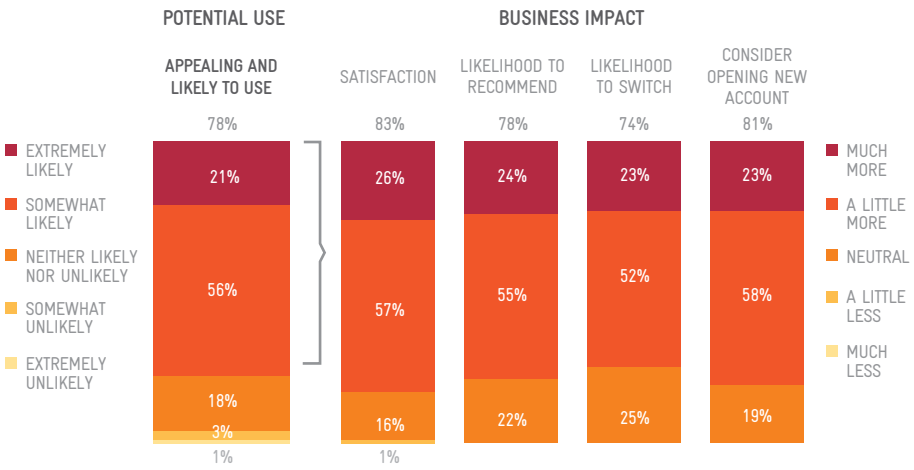
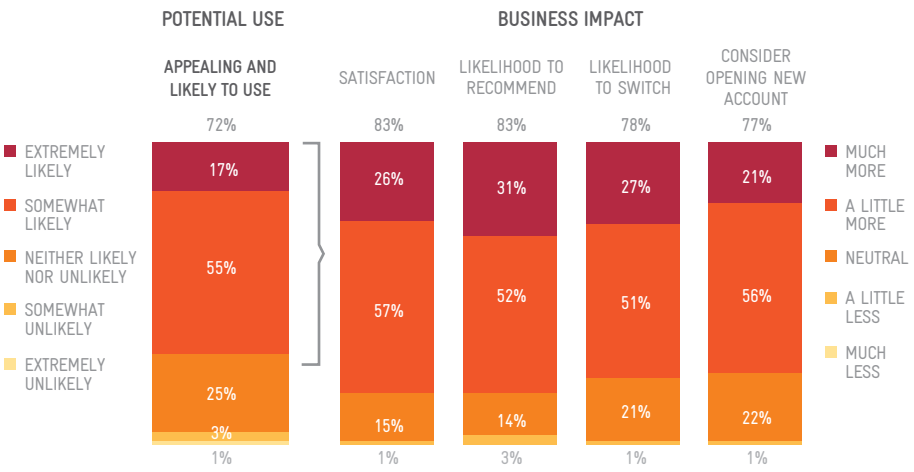



**Chart 17:** Concept E. 'Intelligent' Assistant results[23]



# 3.0 CONSUMER, FINANCIAL PLANNER AND DIGITAL INVESTOR RESEARCH (CONT.)

## SUMMARY

- At December 2012, Gen X and Gen Y have 71.6% of the total market debt, whilst holding only 36.1% of the total market assets. In 2008, Gen X and Y had 66% of the total market debt, whilst holding 33.5% of the assets.
- Gen X and Gen Y have shown greater ownership levels in the last five years, with Gen Y overtaking Baby Boomers in late 2010 as having higher levels of wealth management product ownership.
- For each generation the media most useful in selecting finance and investment products is the Internet. What is interesting to note, is the degree to which the Internet is used by Gen X and Gen Y when compared with newspapers for the older generations.
- The level of confidence in managing finances for Gen X (54.3%) and Gen Y (54.7%) drops well back compared with Baby Boomers (63.6%). This highlights their need for professional advice on managing finances and investments.
- Financial planners and advisers have been quick to adopt technological developments into their practices and expect it to continually improve their business performance – particularly productivity, better client experiences and improved products and services. However, advisers feel that wealth managers have failed to keep up and capitalise on such technological developments.
- Technology is undoubtedly having a positive effect on the adviser's lives particularly in terms of improving work/life balance and remote working.
- Technological developments such as the use of video are seen as game changers as they can fundamentally improve the client experience, productivity and reach of advisers.
- Across most concepts tested, appeal was particularly high amongst males and the mass affluent segment. For several concepts – Online Collaboration with an Expert and Alert Services – white-collar workers show significantly higher appeal levels.
- The majority (70% on average) of those interested in the concepts would like to be able to receive these services through laptops. The next most preferred devices were smartphones (59%), tablets (54%) and desktop computers (48%).
- In terms of preferred channels for connecting to the services, an overwhelming majority (80% or more) mentioned websites as a preference. YouTube shows good potential, most notably for Educational Videos (48% preference). Social media sites also show good potential with, on average, a third (31%) of potential concept users preferring to connect to the services through social media.
- The proportion that finds at least one concept appealing increases from 47% for one concept to 70% for three concepts. This indicates that some of these concepts appeal only to specific population targets; by implementing the optimal combinations, reach can be maximised.

# 4.0 TECHNOLOGY AND THE DIGITAL INVESTOR

## AS WE HAVE SEEN IN SECTION 3, INVESTORS TODAY HAVE VASTLY MORE INFORMATION AVAILABLE TO THEM, MORE WAYS TO ACCESS THAT INFORMATION AND MORE TOOLS AT THEIR DISPOSAL TO ANALYSE AND ACT ON THAT INFORMATION THAN EVER BEFORE.

However, the Digital Investors are the least confident about managing their finances. They have a great need for professional advice – in fact, The Australian Financial Planning Association reported a 40% increase in visitors to their 'Find a Planner' service over the last 12 months[24]. Wealth managers and advisers therefore need to consider the following issues:

- How to actively engage with and support Digital Investors when they do require direct advice; and
- How to play a value adding role in supporting Digital Investors as they do their own research and planning.

Judicious exploitation of modern information and communication technology can help address both of these issues.

The changing nature of the market for wealth managers, driven by generational change, is evident in the explosive growth in self-managed super funds; in fact, Digital Investors now make up 71% of new SMSF members[25]. But there is evidence that the market is underserved by financial advisers. Only 16% of Digital Affluent and Digital Heirs surveyed in our Digital Investor Study reported currently using a financial planner/adviser or wealth manager/adviser. This finding is consistent with other markets; for example, a substantial Forrester survey in late 2009 showed only 27% of Europeans and Americans had ever accessed any form of financial adviser[26]. Information and communication technologies have the power to both extend organisations reach and substantially reduce the cost of interacting with customers.

Wealth managers and financial advisers have an opportunity to substantially grow their addressable markets and to take a greater share of them.

In this section we will begin by interpreting the technology environment of advisers and clients outlined in Section 3 and examining how that technology is used today. Based on that knowledge we look at the key themes that wealth managers need to address as they seek to harness ICTs to service the evolving needs of those who will become their most critical market – the Digital Affluent and the Digital Heirs.

## 4.1 THE CONNECTED INVESTOR

The market for personal devices shows an insatiable thirst for mobility. Chart 18 shows that shipments of mainstream mobile devices are predicted to grow rapidly over the next few years. Most of this growth will be in small screen devices – a market rapidly being dominated by the smartphone. The Digital Investor Study shows smartphone ownership amongst the Digital Affluent and Digital Heirs at 80%[27] is higher than for the general population.

Australian Digital Affluent and Digital Heirs appear even more attracted to large screen mobile devices, with 82% reporting having a laptop in their household and 48% having a tablet in their household[31]. The concentration of tablets amongst financial planners is even higher at 54%, as highlighted in Chart 9. Overall, as Chart 20 depicts, Digital Heirs are more slightly more smartphone-centric, while the Digital Affluent are somewhat more PC centric. Interestingly tablet ownership is fairly even between the two generations (see Chart 20).

The desktop and laptop PC remain the main devices that financial advisers use for business, as we saw in Chart 9, but tablets are now used by more than one in two advisers, and usage has grown spectacularly.

We also see this thirst for mobility in terms of device connections. Virtually all smartphones, tablets and notebooks feature at least Wi-Fi, typically used for mobile connectivity at regularly visited fixed locations such as home and office. Over the next few years, Wi-Fi speeds will increase rapidly[33]. Of course, many of these devices are also connected to mobile broadband networks. Ovum report more than 30 million Australian mobile network services – a penetration of 133.7%. Chart 21 shows the rapid growth of mobile broadband connections for devices other than handsets. Mobile broadband connections are also migrating towards faster connectivity, such as LTE as Chart 21 indicates[34].

And where are people using these connected devices? Figure 4 provides a useful way of understanding usage patterns – where various devices are used today based on Yahoo7 analysis of the devices visiting their various web assets[37]. One interesting feature of Figure 4 is that the tablet has mainly been used in the home to date. This picture is changing rapidly. We've already shown that small businesses, such as planning practices, are rapidly adopting tablets. However, now many enterprises are beginning to build tablets into their workforce mobility strategies.

Other organisations are moving to a Bring Your Own Device (BYOD) model, where employees provide their own devices for use at work. In fact, the tablet seems to be the flagship BYO device – Forrester reported in 2012 that two thirds of people using tablets in the workplace bought the device themselves[38].

Let us turn our attention to what these devices are being used for. According to Nielsen, Australians now spend an average of 23 hours and 18 minutes online per week[39] – 21% of that on the mobile Internet[40]. In fact the number of mobile page views in Australia grew 216% between June 2011 and May 2012[41]. Nielsen also report Australians spent six hours and 10 minutes watching online video[42], while Roy Morgan report one hour 32 minutes spent on social media per week[43]. The pattern of social media usage is interesting. Although Gen Y has traditionally been the heaviest users of social media, usage is increasing fastest among Gen X[44].

**Figure 3:** Device type proportions[28]


**Chart 18:** Australian mobile device shipments[29]

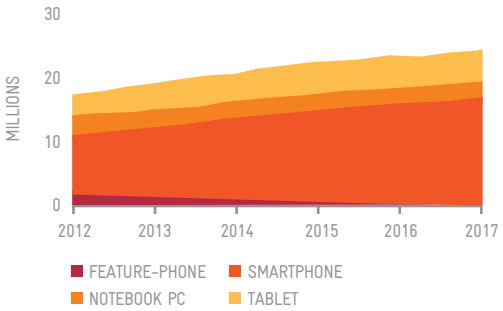



**Chart 19:** Global large-screen mobile device shipments[30]

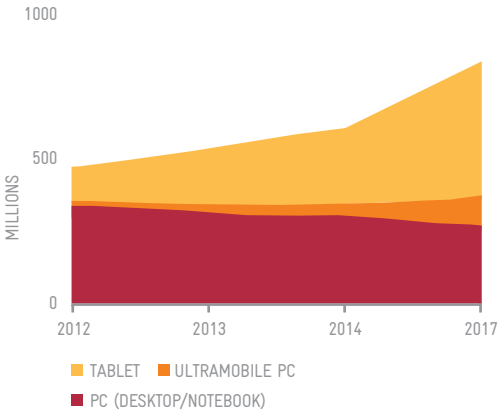


**Chart 20:** Device ownership for Australian Digital Affluent and Digital Heirs[32]

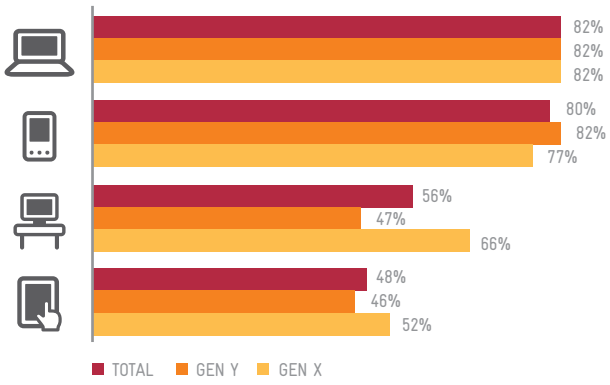



**Chart 21:** Australian mobile services by technology[35]

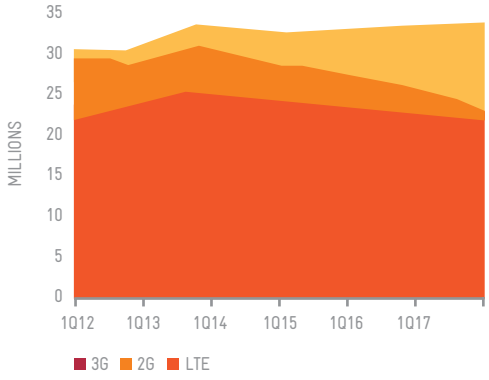



**Chart 22:** Proportion of mobile services which are not handsets[36]

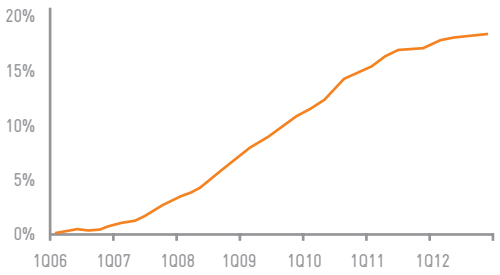
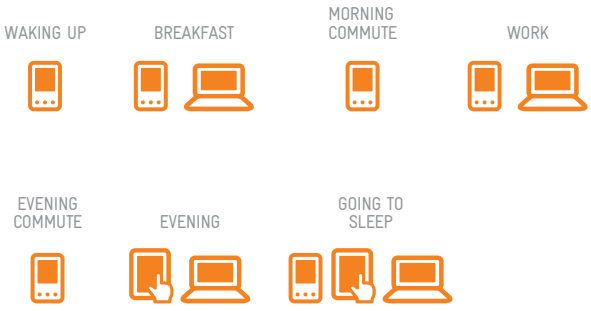
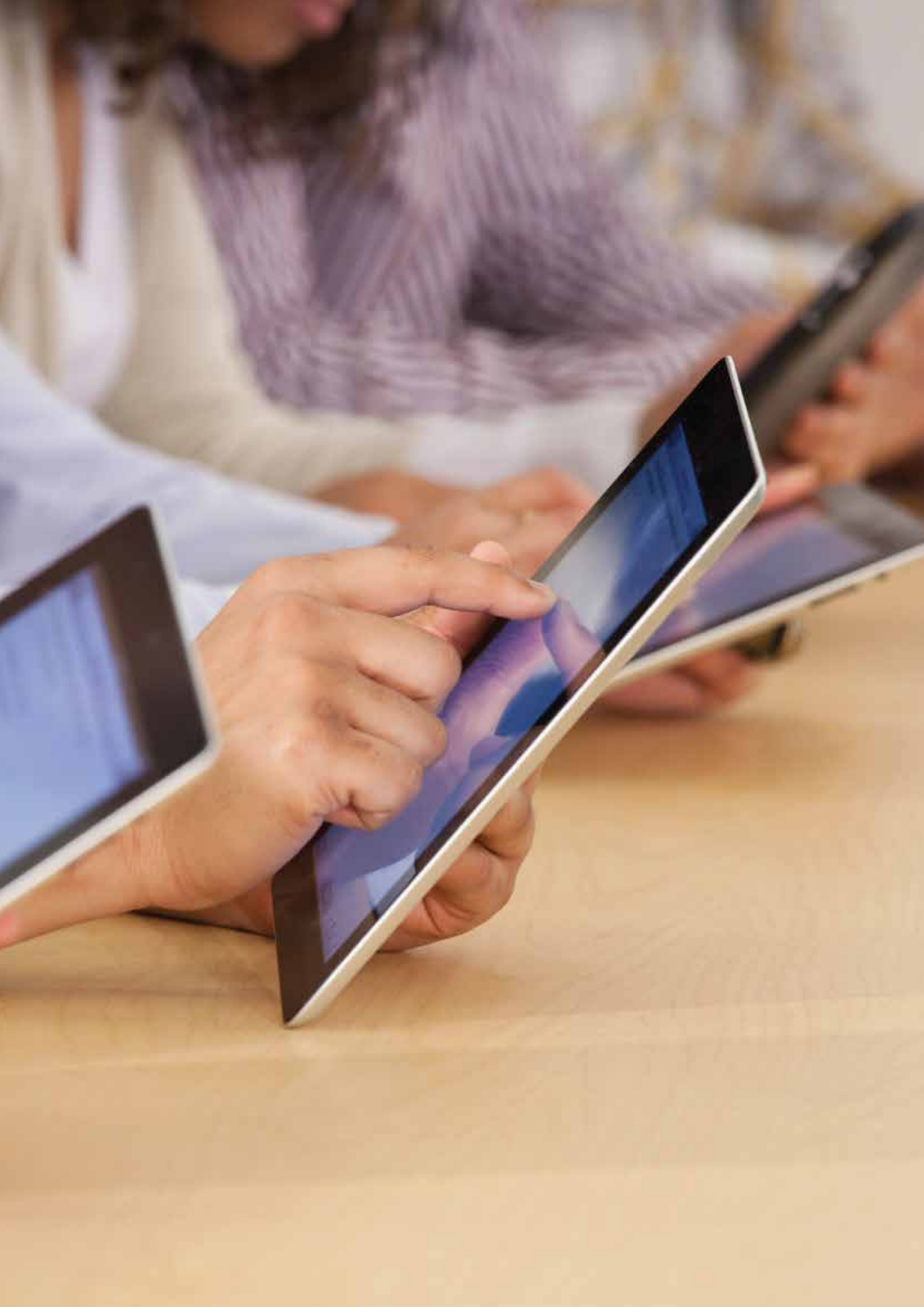



**Figure 4:** Mobile device usage throughout the day





# 4.0 TECHNOLOGY AND THE DIGITAL INVESTOR (CONT.)

An indication of just how willing people have become to regularly use their smartphones for all sorts of tasks is to look at 'heavy users'. Chart 23 shows how the proportion of those using their phone at least once a day for activity not traditionally associated with mobile phones has grown rapidly[45]. It appears that an increasing range of traditional online tasks is becoming mainstream on the smartphone. But interestingly, all of the tasks identified are highly transactional in nature. This highlights a point often overlooked when talking about the rise of mobile technologies. While they have fantastic potential for accessing information and for automating transactional tasks, their greatest strength is as communication tools. This point is particularly important for the wealth management industry as we've already shown that the most technologically savvy and self-service-oriented generations in history show a strong (and apparently largely unmet) demand for expert advice from skilled advisers.

But the nature of how consumers want to access that expertise and the organisations that provide it is shifting radically. Chart 25 details results from a U.S. study of customer service channels and provides a graphic example of the scale of this shift. While the telephone is still king, four of the nine top customer service channels reported in 2012 were essentially unused just three years earlier. Chart 24 and Case Study 1 show how mobile devices already play a growing role in management of people's personal finances, just as Section 3.2 showed the growing role of mobile devices for financial advisers.

**CASE STUDY 1: INTUIT SNAPTAX**

In 2010, Intuit launched a smartphone application called SnapTax. SnapTax allows certain classes of U.S. taxpayers to manage records, prepare and file their income tax on iOS and Android smartphones and tablets. SnapTax also integrates with Intuit's cloud-based TurboTax system. To date, over one million people have downloaded SnapTax.

**Chart 23:** Growth in heavy users of smartphone activities between 2010 and 2012[46]

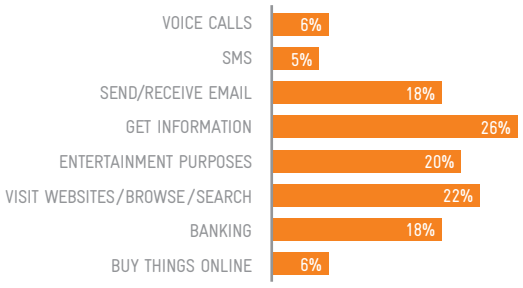



**Chart 24:** Mobile device usage in personal investment

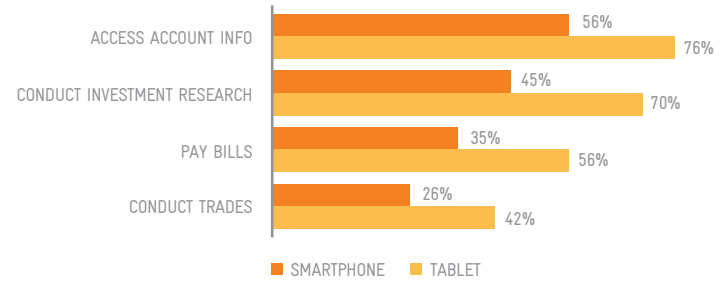
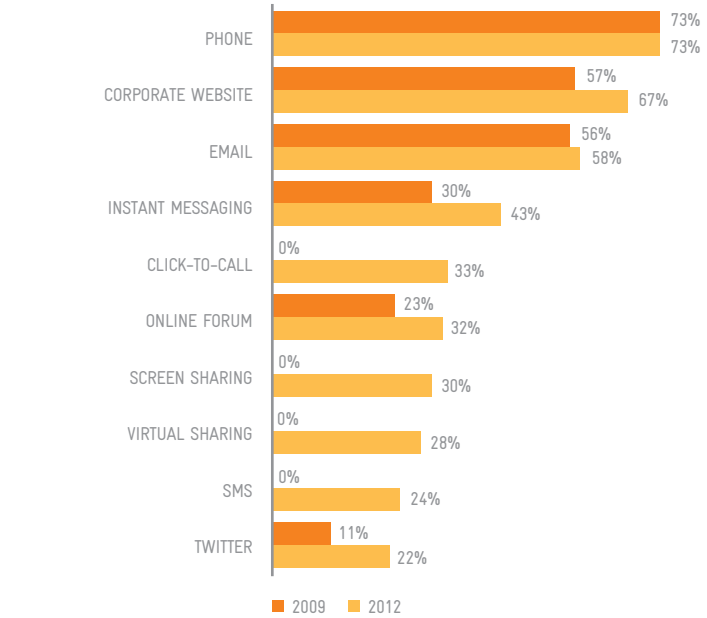



**Chart 25:** Communication channels for customer service[47]



Responding well to these changing usage patterns and expectations cannot only improve customer experience and satisfaction – it can also have a direct, bottom line impact. Forrester Research conducted a survey of over 1,000 U.S. individuals with more than $1M in investable assets who use investment advisers. They looked at how frequently advisers interacted with these clients, the channels they used and the fees the adviser derived from that client. They found the number of contacts on digital channels (social media and instant messaging in particular) was much more strongly correlated with fees derived than interactions on more traditional channels such as face-to-face or phone interactions (see Chart 26).

Having established the relentless shift of the Digital Affluent and their Digital Heirs towards mobile devices and the services that can be offered through them, we look at several major trends in how technology can be applied by financial services organisations to respond to that shift. In particular, we look at:

- The collaborative investor
- The social investor
- Personalisation and context-awareness
- Intelligent, predictive customer service.

## 4.2 THE COLLABORATIVE INVESTOR

As reported earlier, although the Digital Affluent and Digital Heirs are comfortable with the transactional aspects of managing their finances, they need greater access to expertise to help manage their wealth. Look at Chart 27, showing their response to collaboration-centric concepts (Experts on Demand and Online Collaboration). For those customers who find the concepts appealing and are likely to use the service, the services have strong potential to impact satisfaction, advocacy, likelihood to churn and to open new accounts (in fact, this was the highest impact of the five concepts tested). This suggests collaborative services like those depicted in Scenario 1 can be very strong differentiators.

These collaborative services are underpinned by technologies such as video calling, document collaboration, screen sharing and application sharing.

### SCENARIO 1: COLLABORATIVE CUSTOMER SERVICE

Vanessa is working at home when a message appears on her notebook indicating video call from Tyler, a highly valued client. They've been discussing a possible investment and Tyler wants to continue the conversation.

Vanessa's enthusiasm convinces Tyler, who wants to initiate the investment right away. Through the app, Vanessa is able to share control of Tyler's tablet while they complete the relevant forms together on-the-spot. Vanessa can pull the required certificates from the online document safe her company maintains for its clients.

**Chart 26:** Relationship between contact channels and fees[48]

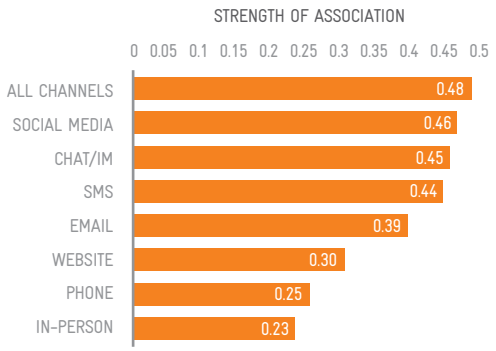
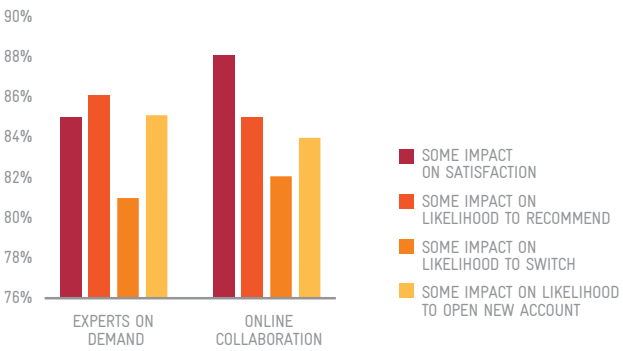



**Chart 27:** Positive impact of collaborative concepts[49]



# 4.0 TECHNOLOGY AND THE DIGITAL INVESTOR (CONT.)

We've shown that the Digital Affluent and Digital Heirs are comfortable consuming video online. They are also comfortable using video calling to replace some face-to-face interactions. Our research indicates 52% already use video calling services, with 21% of those using video calling for business[50]. In fact the Digital Investors are actively seeking to incorporate video calling as a channel to their advisers as Chart 28 shows. Video calling offers the ability to create richer interactions with clients at lower interaction cost and with greater scalability than face-to-face interactions.

Today, most consumer video calling uses standalone services such as Microsoft's Skype and Apple's FaceTime (see Chart 30) which, although useful, lack features and extensibility that organisations require. Many enterprises seek to integrate all of their contact channels – including video with key business applications such as CRM and lead management to improve the productivity of their workforce, the quality of their customer information and the consistency of experience they provide for their clients. Other organisations require contact recording either to manage the quality of client interactions, to prove regulatory compliance or to reduce repudiation risk. Recording of voice and text interactions in contact centres is now mainstream and new tools can extend recording beyond the contact centre to mobile-centric workers. Finally, many organisations wish to deliver a better customer experience by embedding contact features such as video calling into existing customer touch points, including branded apps and websites. Modern customer contact management platforms offer these capabilities already – although integration of B2C video is relatively immature. Solutions combining these platforms with enterprise Unified Communication (UC) systems and with bridging services to common B2C video calling services are maturing rapidly. Additionally, developments of web-centric video communication standards, such as WebRTC promise to reduce the complexity of embedding video calling features into sites and applications.

**Chart 28:** Proportion of meetings with advisers that investors would prefer via video[51]

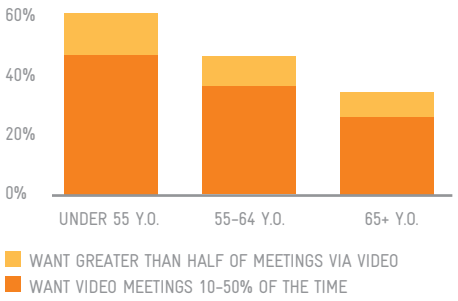



**Chart 29:** The willingness of the "emerging wealthy" to change advisers based on availability of video services[52]

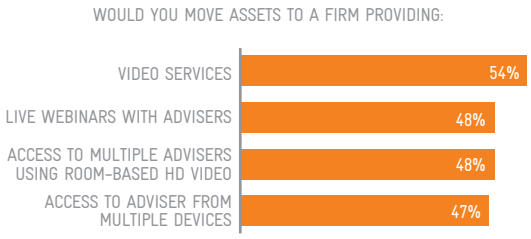
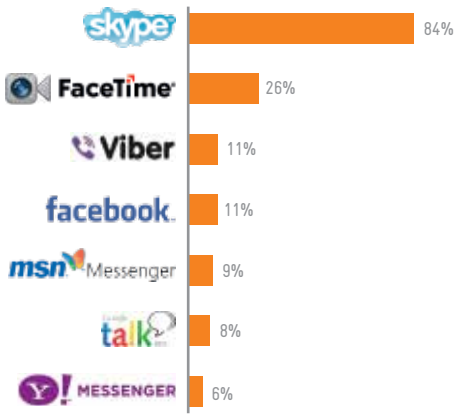



**Chart 30:** Gen X and Y usage (%) of video calling services[53]



Typically one of the times investors have the greatest need of advice is when interacting with unfamiliar or complex tools, forms or documents. Many financial service organisations implement systems to support their clients at such times. Companies such as Merrill Lynch and Credit Suisse provide clients with virtual document safes where clients and their advisers can securely upload and share documents and forms. Other companies utilise screen-sharing utilities, which allow clients and advisers to share single applications or a complete computer desktop. Another common approach used in contact centres is co-browsing, which allows a contact centre agent to see and, subject to permissions, control the client's browser as they interact with the company's website.

## 4.3 THE SOCIAL INVESTOR

The rise and rise of social platforms such as Facebook, LinkedIn and Twitter has been one of the headline technology changes of the last decade. The uses and conventions of social platforms are still evolving; however they are already an important channel for investors. A joint study by Cogent Research and LinkedIn reported that more than five million North American high net worth individuals use social media as part of their research for financial decisions[54]. However, there appears to be a disconnect between investors, (52% of whom indicate willingness to interact with their advisers on social platforms), and advisers of whom only 4% indicating willingness to interact with clients that way.

When we mention social platforms, most people immediately think of open global social platforms such as Facebook and Twitter. In fact many social platforms are closed networks restricted, for example, to the employees of a particular company (e.g. Yammer) or to the customers of a particular firm. Case Study 3 provides an illustration of how financial services organisations can utilise private social networks. Figure 5 depicts how a social media ecosystem may be incorporated within a service environment.

### CASE STUDY 2: GLOBAL SOCIAL NETWORKS

In 2013, Morgan Stanley Smith Barney allowed 17,000 financial advisers to begin using Twitter and LinkedIn professionally. During a one-year trial with 600 advisers, 240 advisers indicated they'd garnered new customers through Twitter and LinkedIn. Over 140 advisers indicated they'd gained customers with assets worth more than $1M[55].

### CASE STUDY 3: PRIVATE SOCIAL NETWORKS

An integral part of the trading platform offered by U.S. brokerage TradeKing is the Trader Network – a private social network where TradeKing customers can converse and share information. Forrester Research reports that traders who share trading performance with other users, trade 70% more[56].

## 4.4 ORCHESTRATION AND CHOREOGRAPHY – DIGITAL CHANNEL ECOSYSTEM

It is apparent that wealth managers and financial advisers are faced with a rapidly changing ecosystem of digital channels on the one hand and with rapidly rising customer expectations of service delivery on those channels on the other. We've shown that today the real and present challenge for wealth managers and financial advisers is to integrate social media, video and collaborative capabilities. Figure 5 provides a high level view of the ICT capabilities that will enable organisations to meet that challenge.

However, architecture like that depicted is not only about meeting today's challenge. The last two decades have taught us that new contact channels will continue to rise to prominence, often astoundingly quickly and largely unpredicted. When this occurs, a traditional ICT response simply creates yet another contact silo. Worse, it inevitably generates a later challenge to integrate that silo with enterprise tools such as CRM, lead and offer management and contact quality management in order to generate efficiencies and ensure consistent managed customer experiences.

The combination of a new generation of all-IP multichannel contact management systems and modern enterprise unified communication and collaboration platforms actually provide an answer to this rapid channel churn by greatly reducing the effort required to on-board new channels and to develop the business logic and handling rules unique to each channel.

## 4.5 PERSONALISATION AND CONTEXT-AWARENESS

In the first part of this section we showed how people are more connected, more of the time than at any time in history. However, perhaps as a reaction to this, they are much less accepting of information, offers and services that are not relevant to them in their current context. The Internet means that both good and bad customer experiences are much more visible and can be instantly and widely shared. The end result is that customers are much less accepting of sub-optimal service. The Digital Investor has been trained to expect for services that:

- Understand who they are
- Utilise all available information to understand the task they are trying to achieve
- Adapt to enable them to achieve that goal as simply, quickly and efficiently as possible.

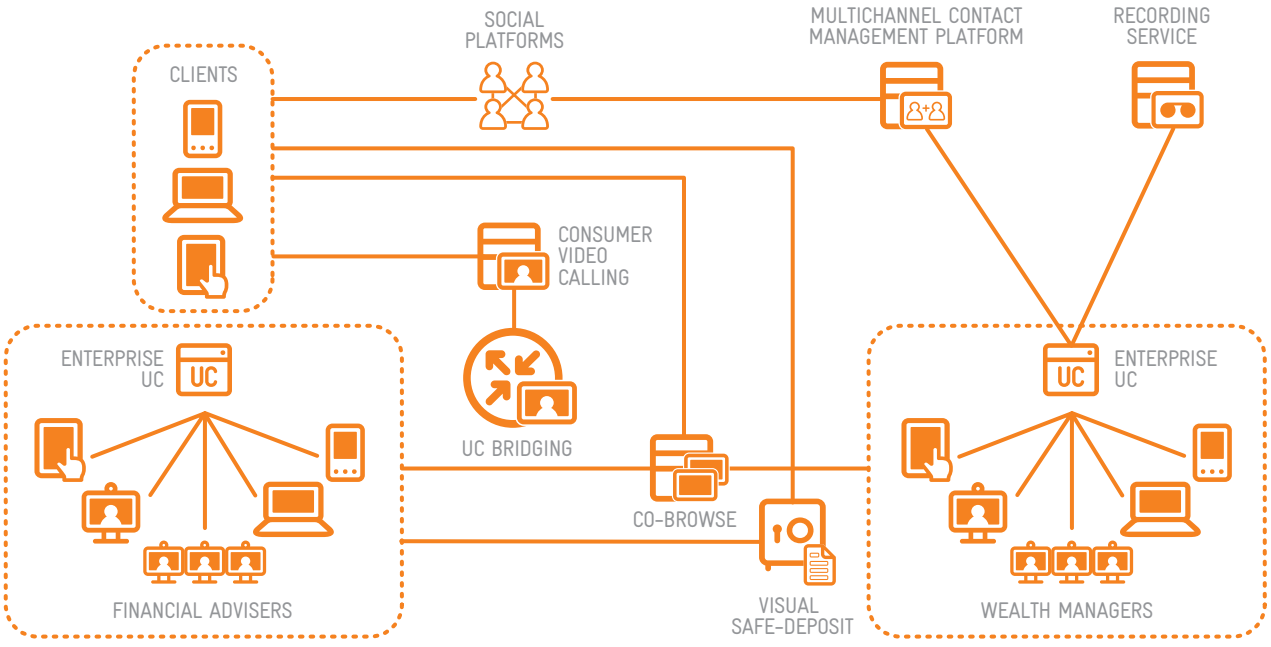
They expect personalised, context-aware service delivery and this is underpinned by information about the person being served and data regarding the context of that service. As Figure 6 depicts, context and personalisation data can be derived from many sources.

- Mobile devices are replete with sensors including positioning systems, magnetometers and accelerometers.
- Most organisations retain ever increasing amounts of information regarding their customers. In fact, integrating all of the various pieces of information regarding a customer is often both a key priority and a great challenge for most enterprises.
- The network provides information about the nature of the connection as well as some useful positioning information.
- Third party aggregators and brokers collect and collate vast amounts of information from a wide variety of sources and organisations to build integrated profiles of individuals and groups.

Of course, in financial interactions, establishing the identity of the client or user is vitally important and thus personalisation must be based on strong identity evidence. There has been substantial innovation in the mechanisms through which mobile devices can help with the identification process. We already see mobile handsets, laptops and tablets with on-board biometric features including fingerprint readers, facial recognition and retinal scanning. Additionally, mobile services can access network services such as voice biometrics and behavioural profiling to provide very robust factors for identification.

Access to identify and contextual data is only a necessary condition for a personalised, contextual interaction. However the rules and heuristics translating that data into good customer experiences are the most critical component.

**Figure 5:** Anatomy of a connected, collaborative, social digital ecosystem



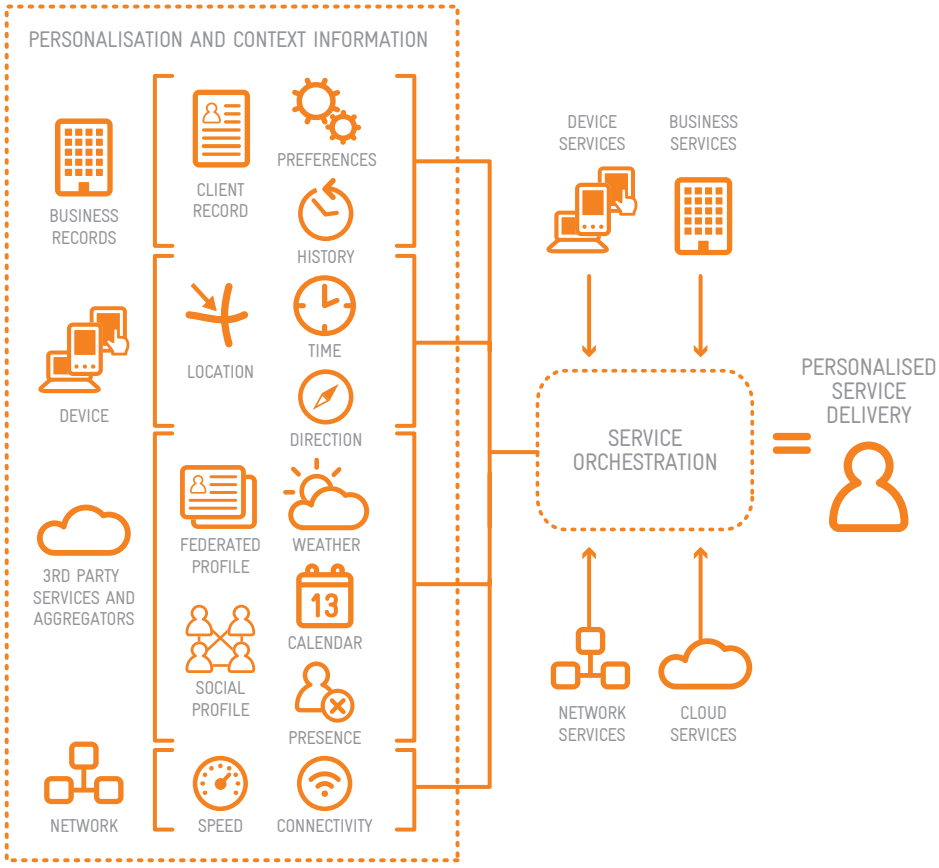
Scenario 3 shows a hypothetical example of a personalised, context-aware wealth management interaction. Now imagine if the alert mentioned was not actually relevant, or the application suggested advisers in another state. The user would rapidly consider the system unreliable or 'spam-ridden'.

This highlights the flip side of our desire for personalisation and context-awareness – consumers have a very low tolerance for mistakes in using or interpreting personal or contextual information – particularly for proactive contacts or services.

### CASE STUDY 4: SIGFIG

U.S. start-up SigFig provides personalised portfolio management service including iOS, Android and Windows apps. Users register the details of the various investments in their portfolio and SigFig continuously monitors the performance of those investments. Once registered, users can manage their portfolio on smartphones, tablets and PCs. They can also receive customised alerts and reporting on how each investment is performing against the portfolio and against similar investment vehicles. For example, SigFig can alert a user when performance of particular investments slips below a threshold level.

**Figure 6:** Anatomy of a personalised, context-aware mobile service




## SCENARIO 3: PERSONALISED, CONTEXT-AWARE SERVICE

Ari's smartphone vibrates with an alert from the app provided by his wealth manager. His wealth manger constantly analyses Ari's portfolio and his profile to make sure Ari only gets alerts that are highly relevant to him.

Ari says "show me the details". Using cloud-based speech processing, the app not only understands what Ari is asking for, but uses voiceprint analysis to authenticate him at the same time.

A pending tax change means Ari could benefit from a change to one of his investments. Since Ari has no experience with the proposed changes, the app offers a few options:

- Show an educational video on the topic – already formatted for his phone.
- Organise a video meeting with a specialist adviser familiar with the new regime. Using Ari's LinkedIn profile, the app has identified two advisers who service Ari's acquaintances and whose calendars indicate they are free at suitable times – one of them, Tim is even available right now.

Ari says "Can I speak to Tim?" On Tim's notebook a message comes up from the app provided by the wealth management group he works with. Since Tim doesn't yet have a relationship with Ari, the alert indicates a cold call and suggests it is likely to involve the pending tax change.

Tim agrees, accepts the call and a second later a video call begins. As Tim and Ari chat, Ari feels comfortable, so five minutes later they've organised a time for an online collaboration session to plan the changes and do a health check of Ari's portfolio.

## 4.6 INTELLIGENT PREDICTIVE CUSTOMER SERVICE

This antipathy for misunderstanding or misinterpreting identity and context mentioned can be problematic. Customers want an experience that is relevant, efficient, effective and engaging. These are underpinned by rules and heuristics based on hard won customer insights. However people's experiences, expectation and behaviour vary over time. So a perfectly acceptable action today may produce a negative experience tomorrow. The next level of maturity is to use techniques such as machine learning and behavioural analytics to continually monitor and adapt the logic behaviour of the service to satisfy the customer. These techniques rely on very sophisticated analysis of large amounts of data that is certainly beyond the capabilities of both end-user devices and most organisations. Accordingly, such services typically leverage cloud-based services.

Another feature of intelligent customer service solutions are natural language interfaces. Traditional interfaces are restricted to a command-response model with a restricted set of commands, each resulting in a predefined outcome. Natural language interfaces mimic aspects of human conversation, including building discovery dialogues to help establish a shared 'understanding' of the goal of the interaction. Scenario 4 compares the same transaction using a command-style interface and a natural language interface.

Most organisations are aware of the benefits that can be achieved when interactions are successfully automated, including reduced cost per interaction, removal of queues and wait times, reduced error rates, greater reach and a greater consistency in the customer experience. However, traditional interfaces have limited automation to fairly simple interactions and transactions. Natural language interfaces, machine learning and big-data behavioural analytics create a seismic shift in our ability to automate more complex interactions whilst providing an acceptable or even compelling customer experience.

For example, many organisations have implemented virtual agents to support their customers. Virtual agents are pieces of software that replicate some of the capabilities of a human contact centre agent. The most basic virtual agents mimic IVRs with a simple command-style interface. However, the new generation of virtual agents exploit natural language technologies and machine learning techniques to participate in a guided conversation with the customer. Using this new generation of virtual agents, Gartner estimate that more than 1,500 large enterprises globally will be able to automate at least 50% of their customer interactions using virtual assistants by 2015[57].

### SCENARIO 4: COMPARING COMMAND-STYLE AND NATURAL LANGUAGE INTERFACES

**Command-Style Language Interface**

"Accounts" > "Select function"
"Balance" > "Select account"
"Mortgage" > "$12,045"
"Select function" > "Transfer"
"Select source account" > "Cheque"
"Select destination account" >
"Mortgage" "Select amount" > "$1,000"

**Natural Language Interface**

"I want to transfer some money onto my mortgage." > "How much would you like to transfer?"
"How much do I owe?" > "$12,045"
"OK. Take $1,000 from my cheque account."

## 4.7 ORCHESTRATION AND CHOREOGRAPHY – VIRTUAL PERSONAL ASSISTANTS

Picture a future in which we can bring together:

- The ability to precisely tailor interactions through personalisation and context-awareness
- The insights into customer behaviours, intentions and expectations enabled by new big-data approaches
- The power of intelligent, natural language interfaces to help shape and establish the user's goals
- The potential of personal mobile devices to provide access anywhere, anytime.

That picture is already emerging today in the shape of the Intelligent Personal Assistant (IPA).

An IPA is software, usually on a personal device and typically a mobile one, which draws on a wide range of context information, user history, profiling information and explicit preferences and uses heuristics, machine learning and behavioural analytics to orchestrate a wide range of on-device and cloud-based services to intelligently assist users in performing common tasks in much the same way a human personal assistant can. Today, probably the best known IPA is Apple's Siri (see Case Study 5). Like similar offerings such as Samsung S-Voice and Google Now (see Case Study 6) these general purpose IPAs allow people to use natural language speech to accomplish common tasks such as managing appointments and making calls or booking restaurants or flights.

While these IPAs are capable of highly advanced interactions, it is interesting to note that today they are still mainly used in a highly transactional command-response manner. Figure 7 may give some indication why – the social norms around conversing with IPAs in public may simply be evolving more slowly than the technology enabling them.

Today, most IPAs, such as those mentioned, are general-purpose tools that aim to help with common consumer tasks. However, specialised IPAs are beginning to emerge – tools aimed at specialised tasks and business processes (for example, see Case Study 7 and 8).

These point to the potential for IPAs to substantially boost the productivity of wealth mangers and advisers. They also give a glimpse of a future where wealth managers can differentiate by providing their clients with highly capable, highly personalised 'intelligent financial assistants' to complement their human financial advisers.

### CASE STUDY 5: SIRI FROM APPLE

Apple's Siri (released October 2011) is the best known IPA today. Using conversational speech, Siri users access common smartphone tasks such as calendaring, making calls, sending texts as well as tasks utilising Internet-based services such as making bookings, finding reviews and checking for nearby services or acquaintances. Currently most iPhone users utilise Siri, though infrequently and generally for local tasks such as voice dialling and sending text messages[58].

### CASE STUDY 6: GOOGLE NOW

Google Now, an IPA from Google, was released in the U.S. in 2012. Like Siri, Google Now provides access to a wide range of services both on the device and through Internet-based services. There has been significant discussion about the predictive capabilities of Google Now. For example, if a user has an upcoming meeting Google Now will plot a route to get there and monitor traffic conditions on the route so that it can issue a reminder in sufficient time to allow the user to arrive on time.

### CASE STUDY 7: SALES FORCE IPAS

In late 2012, two companies produced IPAs for the popular Salesforce.com CRM platform. Enterprise mobility specialist Taptera released Sophia and Angel Labs, now part of Genesys, announced Lexee. These IPAs allow members of the mobile sales force to use natural language speech to perform common tasks within the Salesforce.com's CRM platform.

### CASE STUDY 8: FINANCIAL SERVICES IPAS

SRI, the research institute who initially developed Siri and sold it to Apple, have worked with Spanish-based BBVA to create a virtual assistant named Lola. Lola allows people to use natural language to manage many features of their bank account.

**Figure 8:** Top three perceived benefits of using Siri[59]

- Hands free (78%)
- Saving time (59%)
- Multi-tasking (48%)

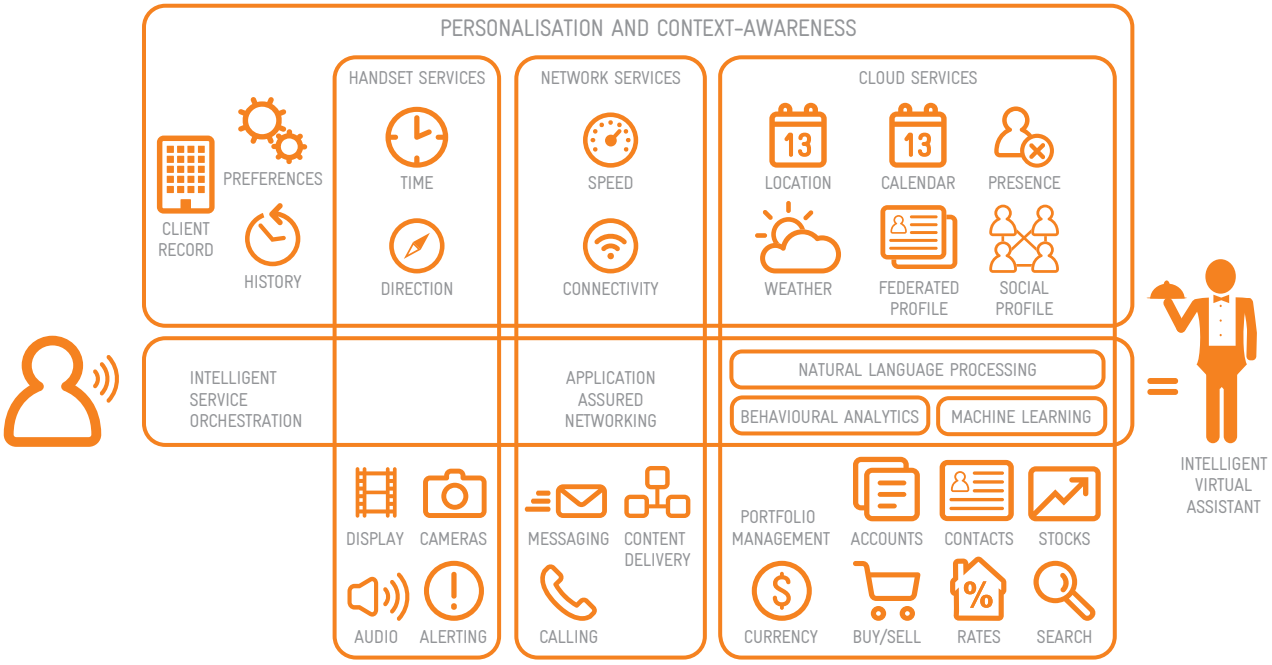
**Figure 9:** Figure 9: How people feel using Siri in public[60]

- 23% Positive (comfortable or proud)
- 34% Neutral
- 43% Negative (uncomfortable or proud)

**Figure 10:** Top three reasons for not using IPAs amongst Gen X and Gen Y[61]

- Don't have a need to use this type of software (36%)
- Concept of using intelligent assistants isn't appealing to me (22%)
- Don't have this type of software on my mobile phone/tablet/computer (25%)

**Figure 7:** Anatomy of a personalised, predictive intelligent virtual personal assistant



## SUMMARY

By utilising information, media and communication technologies to extend their reach and substantially reduce the cost of interacting with customers, wealth managers and financial advisers have the opportunity to translate the growth potential of a much larger serviceable addressable market.

**The Connected Investor:** The Digital Investor Survey shows a higher level smartphone ownership (in household) amongst the Digital Affluent and Digital Heirs at 80%. Australian Digital Affluent and Digital Heirs appear even more attracted to large screen mobile devices, with 82% reporting having a laptop in their household and 48% having a tablet in their household.

**The Collaborative Investor:** Our research shows the response of the Digital Affluent and Digital Heirs to collaboration-centric concepts (Experts on Demand and Online Collaboration) had the highest impact of the five concepts tested. We see that for those customers who find the concepts appealing and are likely to use the service, the service has a strong potential to positively impact satisfaction, advocacy, likelihood to churn and to open new accounts. This suggests a clear competitive advantage for wealth managers and advisers who effectively implement collaborative technologies such as video calling, document collaboration, screen sharing and application sharing to interact with clients.

**The Social Investor:** Social media is already a key channel for investors and advisers for information search and marketing. However, it appears that advisers see social platforms as primarily marketing tools with 50% of U.S. advisers indicating they would use social media as part of their marketing strategy, but only 4% indicating willingness to interact with clients on social media (despite the fact that 52% of investors surveyed indicating they are willing to interact with their advisers on social platforms).

**Personalised and Context Aware Interactions:** The Digital Affluent and their Digital Heirs have become accustomed to personalised, context-aware service delivery. Context data and data driving personalisation can be derived from many sources in a mobile scenario.

- Personal mobile devices are replete with sensors including positioning systems, magnetometers, accelerometers and thermometers to name but a few.
- Most organisations retain ever increasing amounts of information regarding their customers. In fact, integrating all of the various pieces of information regarding a customer is often a key challenge for most enterprises.
- The network they are connecting through provides information about the nature of the connection as well as some useful positioning information.
- Third party aggregators, collect and collate vast amounts of information from a wide variety of sources and organisations to build integrated profiles of individuals and groups.

**Intelligent and Predictive Interactions:** Customers want an experience that is efficient, effective and engaging and this must be underpinned by rules and heuristics based on customer insights. The next level of maturity is to use techniques such as machine learning and behavioural analytics to continually monitor and adapt the logic behaviour of the service to the customer.

These techniques typically rely on very sophisticated analysis of large amounts of data that is certainly beyond end-user devices and often beyond the capabilities of most organisations; for machine learning and behavioural analytics such services typically leverage specialist providers in the cloud.

Another feature of intelligent customer service solutions are natural user interfaces. These interfaces tend to mimic aspects of how humans interact with each other and with the natural environment. One of major thrusts of interface design over the last few decades has been the natural language interface.

A seismic shift is underway in our ability to automate more complex interactions whilst providing an acceptable or even compelling customer experience. Key to this shift is the accessibility of natural language interfaces, machine learning capabilities and big data behavioural analytics services.

Many organisations have implemented Virtual Agents to help support their customers. Virtual Agents are pieces of software that seek to replicate some of the capabilities of a human contact centre agent. The most basic Virtual Agents effectively mimic IVRs, using a simple static structure of options and command responses. However, the new generation of Virtual Agents exploits natural language technologies and machine learning techniques to participate in a guided conversation with the customer – helping to rapidly shape a shared understanding of what is to be achieved.

A picture is already beginning to emerge today in the shape of the Intelligent Personal Assistant (IPA). An IPA is software, usually on a personal device and typically a mobile one, which draws on a wide range of context information, user history, profiling information and explicit preferences and uses heuristics, machine learning and behavioural analytics to infer the user's intention. IPAs are intended to assist users in performing common tasks, much as a human personal assistant would.

# 5.0 CONCLUSIONS

This report has demonstrated that the wealth management industry has already entered into a period of major transformation. The significance of this transformation will only increase as the shift in assets away from Baby Boomers increases, coupled with the increasingly technological transformation occurring in the consumer markets. The key findings were:

- The Digital Investor requires a range of information services and advice and will increasingly aim to minimise face-to-face, time-consuming interactions where possible. However, wealth managers must continue to manage their customer relationships, or risk losing their business, so should utilise the contact made through a number of different channels – online investment reports, video advice, email, or social feeds – to build the relationship with their customers.
- The path to purchase has already changed and while today the face-to-face channel is still the major channel used to purchase wealth management products, there is a significant shift toward the Internet, particularly for Digital Investors. Importantly, the internet is now the primary media used for searching and selecting wealth management products.
- Over the past five years technology has appreciably transformed advisers' practices and in the future will play a far greater role. Conversely, advisers are becoming increasingly frustrated with the extent to which wealth managers are failing to keep up with technological evolution. Mobility is critical to advisers with almost half (47%) conducting their work from home and at least 41% working from multiple locations. Financial planners have embraced tablets with one in three using an iPad when working on the go. Highlighting the need for wealth managers to cater to the growing tablet market is the fact that 12% of advisers use only a tablet out of the office.
- Australian Digital Affluent and Digital Heir consumers clearly want video, mobile and collaboration digital wealth management services. The five digital technology concepts we tested demonstrated strong appeal and potential business impact on wealth management. Overall the concept scores were high, with at least one quarter finding each of the concepts appealing and over one in six of the target group also indicating a propensity to use the concepts. The proportion that finds at least one concept appealing increases from 47% for one concept to 74% for all five concepts, which indicates that some of these concepts appeal only to a specific population targets. By implementing the optimal combinations, reach can be maximised.
- We've shown how personalisation, collaboration and social media customer experience design delivered with context-awareness and predictive analytics – are all important enablers for these interactions. Modern cloud-delivered ICT such as unified communications, IP multichannel contact management platforms, and content management and distribution systems and integrated messaging can be used to orchestrate the delivery of these services. Finally, we've shown a glimpse of the emerging future of Virtual Agents and Intelligent Personal Assistants, which brings together all of these technologies into a single, unified and natural interface.

# 6.0 ABOUT THE AUTHOR

**Rocky Scopelliti**

*Group General Manager Industry Executive at Telstra Enterprise and Government*

Rocky is Telstra's thought leader in Financial Services and is also responsible for leading Telstra's team of industry specialists covering Media and Entertainment, Retail, Mining, Construction, Utilities, Resources, Manufacturing, Transport and Logistics.

Rocky has more than 20 years' senior management experience covering Product Development, Strategy and Planning, Business Development, Research and Strategic Marketing.

Over the past five years, Rocky has authored a number of thought leadership research reports that provide recommendations on technologies that financial services institutions can leverage in order to better serve customers, improve productivity and drive growth.

These include:

- ICT as a Driver to Improve Service to Generation Y for Financial Services
- Servicing Micro Businesses – What Financial Services Need To Know
- Mobile Innovation – The next frontier for growth and productivity for insurers
- 2012 for the Financial Services CIO – Why agile IT strategies are key to meeting the requirements of a new financial age
- The Digital Media Bank – how video can better engage your customers and workers
- Cross Industry Innovation – the secret may well be in another industry (co-produced)
- Towards a Clever Australia – Banking, Financial Services and Insurance Industry Insights Whitepaper.

Educated in Australia and trained in the United States, at Sydney University and Stanford University, Rocky has a Graduate Diploma in Corporate Management and a Masters in Business Administration.
He is also a Graduate and Member of the Australian Institute of Company Directors.

# 7.0 ACKNOWLEDGEMENTS


**Warren Jennings**

Warren Jennings is a Senior Emerging Technology Product Innovation Specialist in Telstra's Chief Technology Office. He has decades of experience in developing strategies, products and service offerings that combine emerging technologies and mature technologies from a wide variety of disciplines to solve real-world issues for organisations and their customers.

Warren has honours degrees in science and engineering from Monash University and a Masters degree in Electronic Commerce from Deakin University.

**About Deloitte**

Thanks/acknowledgement to Deloitte Digital and Deloitte Actuarial Services for their input.

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**About Roy Morgan Research**

Roy Morgan Research is the largest independent Australian research company, with offices in each state of Australia, as well as in New Zealand, the United States and United Kingdom. A full service research organisation specialising in omnibus and syndicated data, Roy Morgan Research has more than 70 years' experience in collecting objective, independent information on consumers.

In Australia, Roy Morgan Research is considered to be the authoritative source of information on financial behaviour, readership, voting intention, consumer and business confidence. Roy Morgan Research is a specialist in recontact customised surveys that provide invaluable and effective qualitative and quantitative information regarding customers and target markets.

**About Wealth Insights**

Wealth Insights is a specialist consulting and market research company focused exclusively on the Australian wealth management industry. It is Australia's leading provider of syndicated market research to wealth managers and also provides the full service offering of customised research.

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b) If 30-34 years old, Household income needs to be over $120,000 p.a. or need to have mortgage over $200,000

c) If 35-39 years old, household income needs to be over $120,000 p.a. or need to have a mortgage over $300,000

d) If 40-49 years old, household income needs to be over $150,000 p.a. or need to have a mortgage over $300,000

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