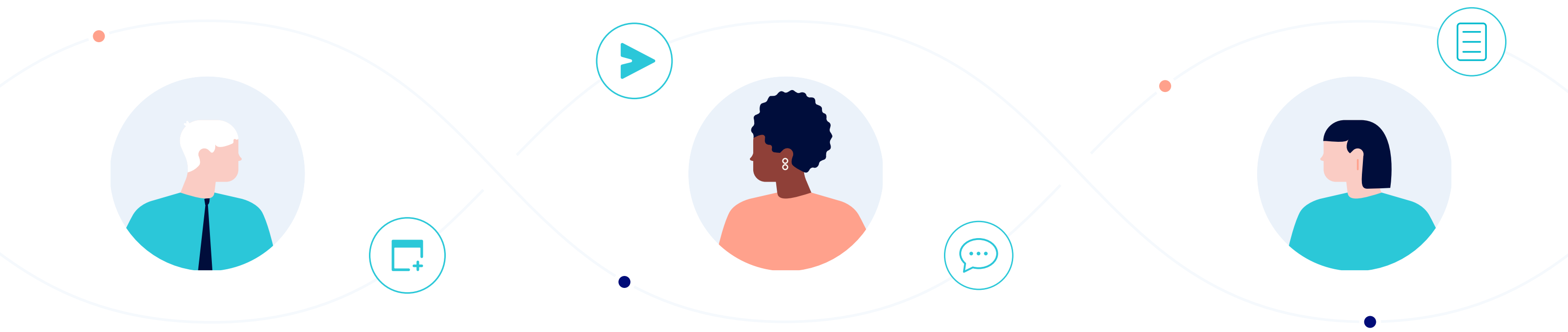
Practifi | eBook

THE INNOVATIVE RIA

Why Unifying Data Is The Key To A Great Client Experience

How to unify data and empower teams to deliver an exceptional client experience



It’s no secret that the world in which wealth management firms operate has become increasingly digital. Recent global events have sped up this change. Virtual meetings have replaced in-person client meetings as a more popular and accepted way to engage with investors. Digital document sharing and signing have also risen as preferred methods for servicing clients quickly and efficiently. As digital transformation rushes in, wealth management firms have to think about how to leverage technology to meet the needs of today’s investors.

A 2022 InvestmentNews study shows that in addition to regular communication, there are a few key services that clients expect from their financial services providers over the next few years. These include better ways to estimate their future income, greater personalization of services and more coordination among their accounts. In fact, investors consider these services more valuable than facetime with an advisor. However, the reality is that many wealth management firms are not ready to deliver these services, let alone through a digital experience.

> “RIA firms that considered themselves ‘tech-embracers’ had higher three-year compound annual growth rates in assets, clients, and revenue when compared to those who didn’t identify as a tech-embracer.”
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> FIDELITY: RIAINTEL (2023)

As clients demand more personalized, visual and collaborative experiences, wealth management firms need to think about how they want to deliver this with their technology. In the same study, 65% of survey respondents said the digital client experience is very or extremely important to their success, up from 55% in 2020. However, 57% also said a lack of integration between core software applications is a top hurdle in their tech process. So, where should wealth management firms start?

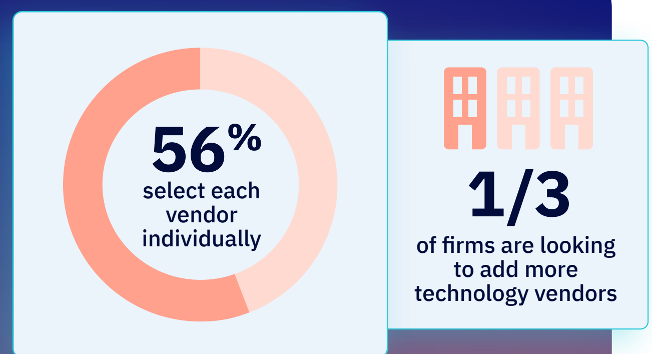
The Importance of Unifying Data

Every company's journey to growth relies on complete and accurate data — data that lives in various tools and systems. The truth of the matter is that regardless of how many industry-leading technology providers a firm may use, if client data isn't unified, the client experience will suffer. This is true for any industry, however, this is a challenge for the wealth management industry because the technology landscape is particularly fragmented.

There are over 350 technology solutions listed in Kitces Financial AdvisorTech Directory, and this list grows every year. While it's great to have access to new tools and use best-of-breed technology, if client data isn't integrated or centralized in one platform, then teams will struggle to increase efficiency and firms won't be able to meet growing client expectations.

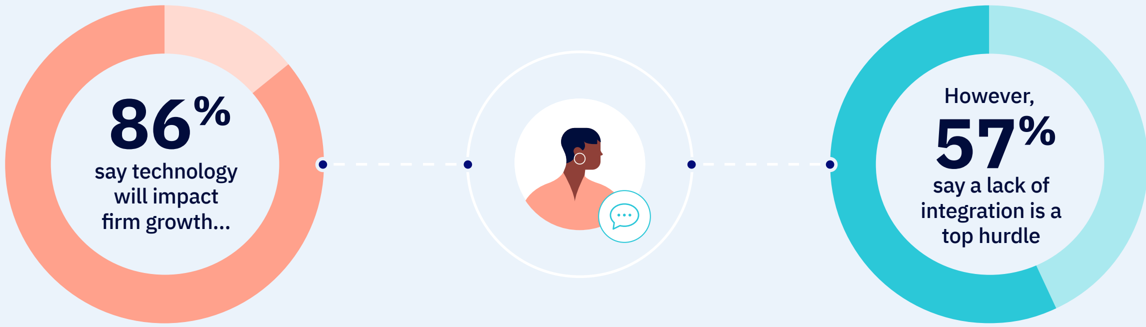
"56% of respondents said each vendor they use is selected individually; the typical firm uses five different technology vendors, and a third of firms are looking to add more."

INVESTMENTNEWS (2022)



So which tool should you use to centralize your client data? The recent InvestmentNews Advisor Technology Study shows that CRMs are the preferred tool to unify data within wealth management firms. In addition to being a client database by nature, CRMs are also the most well-integrated tools in the industry. However, it's no secret that CRMs don't have the best user adoption rates.

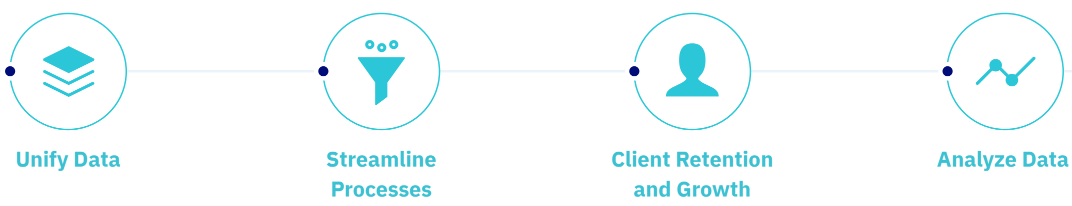
Most financial services CRMs are made only with financial advisors in mind and neglect the needs of other teams. As such, it's more important to unify client data in a platform that is not only well-integrated but also caters to non-advising roles. This is particularly important for larger wealth management firms with multiple teams. When advisors, client servicing staff and management can easily access accurate client personal and financial information, see active services, and view recent communications, then progress is being made toward delivering more personalized client experiences.



Building Your Ideal Tech Stack

In addition to bringing efficiency, profitability and growth opportunities to firms, integrations are crucial to achieving the first step in the process: unifying client data. In a 2022 industry survey, 86% of respondents say technology will play a big part in firm growth, however, 57% said a lack of integration between core software applications is a top hurdle in their tech process.

The typical advisory firm uses five technology providers and a third of firms are considering adding a new one this year. Very few firms indicate they will be using less technology providers going forward, however around half of the firms say poor integration is slowing them down. Around 75% of firms have open architecture and choose technology providers individually, so with new tools being introduced every year, integration issues will likely persist unless data is more closely considered.



So in a sea of options, how do firms build a tech stack that unifies all client data? The reality is that you may not be able to unify 100% of it, but if you focus on unifying the data that helps your teams and business provide a better client experience, that's a great start. In terms of which technology to use, that's also going to look different for each firm. Budgets, firm size and preferences aside, the most important things to think about are where you want to centralize data and whether this "center" integrates well with the tools from which you want to unify data.

"Technology is at the center of modern wealth management. Today's firms and wealth professionals work in several systems," says Adrian Johnstone, CEO at Practifi. "From onboarding and portfolio management solutions to CRMs and planning software, firms should focus on using best-in-class tools that will help them deliver their unique client experience."

The Impact of Siloed Data

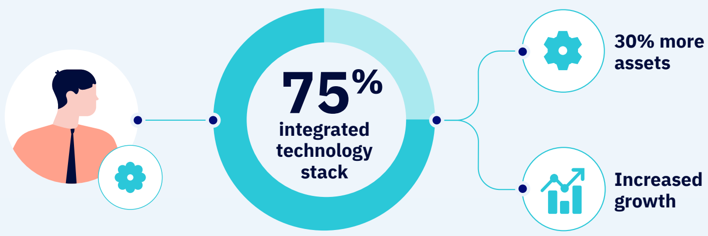
Disconnected data has far-reaching consequences across the entirety of wealth management businesses. Overall, firms with siloed data struggle to provide personalized client services and scale operations, whereas firms with unified data are able to provide consistent, proactive advice and automate work so teams can focus on growing the business.

Firms with siloed data	Area of impact	Firms with unified data
Clients don't receive personalized, consistent and/or high-quality advice, increasing chance of churn	Clients	Clients receive consistent, personalized advice that help them achieve their financial goals
Staff have to flip between multiple systems to view client data and there's little to no process transparency	Staff	Staff can easily find client data in one platform, see the stage of each process and who is responsible for each task
Simple tasks are manual, inconsistent, prone to error and take a long time to complete	Operations	Data is automatically shared between platforms, reducing data re-entry and improving overall efficiency
Manual processes, undocumented activities and inconsistent data lead to increased compliance risk	Compliance	Processes are documented and recent client activities are easy to find in one central location
Little to no ability to analyze client data. As a result, decisions are made by intuition rather than real data	Analytics	Executives better understand the firm and advisors can analyze data to provide personalized client value

If you assess the current state of your business and feel like parts or all of your firm are struggling with disconnected data, your tech stack may need a review. By unifying data, integrations bring efficiency, profitability and growth opportunities to firms.

"Advisors with 75% of their technology stack integrated have 30% more assets and are expected to grow faster than peers."

RIAINTEL (2023)



Tackling User Adoption

It's one thing to build a well-crafted tech stack, but it's another challenge altogether to get your staff to use it. It's no secret that utilization and user adoption of technology in most wealth management firms is less than optimal. To provide a great client experience, employees need to be empowered to do so. However, most core platform technologies aren't built with the needs of multiple teams in mind. For example, many CRMs cater to advisors but neglect the needs of client servicing, compliance, and operations teams who are also essential.

> **"38% of respondents said staff adoption is a technology pain point. Core technology is largely in place at most advisory firms, but utilization rates remain less than optimal. Only with greater adoption and usage among advisory teams can technology deliver on its promise to provide greater efficiency."**
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> INVESTMENTNEWS RESEARCH (2022)

Another challenge firms face with user adoption is internal change management. People hate change, it's just a part of being human. And when it comes to implementing new technology and updating old processes, this becomes very obvious, which is why a standardized framework for change management is key. It's also important that trainings are relevant to each person, and this is easier with a platform that caters to different roles. Firm leaders also need to fully commit to change management, especially when it comes to implementing critical platforms like a CRM. Employees should trust that the firm's executives, directors, and department heads are leading the firm in the right direction, so when it's clear that the leadership team is in full support, it's easier to get other employees to buy in and attend training sessions.

Industry-specific technology that unifies data and teams positively impacts adoption because it's inherently more relevant and usable. Add in thoughtful change management and tailored training and users will build their understanding and feel more empowered to use the technology. They'll extract greater value which will translate to their own work and how they service clients.

> **"You truly get what you put into new processes and technology. If you make it a priority to educate and train staff on these updates, then it'll be easier to get them to buy into those changes. With a clear strategy, tailored training and leadership support, firms can consistently get the most value from their critical technology solutions."**
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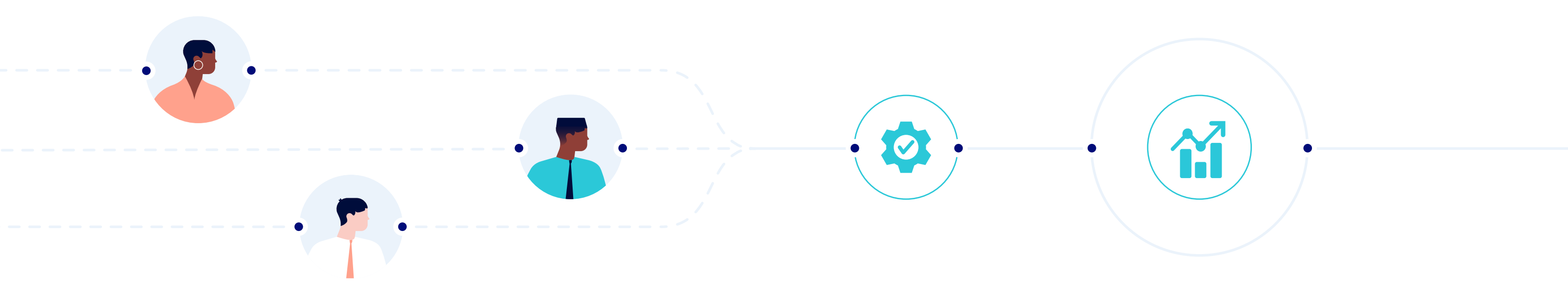
> SETH MARISTUEN, EP WEALTH ADVISORS



Putting Clients at the Heart

Empowering advisory teams isn't the only benefit of unifying data though; firms with unified data also benefit from greater transparency, accountability and can truly put clients at the heart of every decision. Client loyalty, at its core, is often a matter of taking the time and effort to understand client needs and provide value in a way they didn't expect. Exceeding their hopes and delivering a top-quality experience is a way to cultivate loyalty that can't be won with good investment performance alone, and data makes it possible for advisory teams to do this.

> "For most companies, digital transformation requires a shift away from traditional thinking and toward a more collaborative, experimental approach."
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> ACCENTURE

By using a core platform that unifies a client's personal and financial data and enables advisory teams to quickly see this data alongside active services, processes in progress and who's responsible for each task; staff become responsible for client outcomes. As a result, decisions are made with holistic client data and advisory teams can begin to "wow" clients with personalized advice.

For wealth management firms who want to deliver exceptional client experiences, it's imperative to consider how your technology is (or isn't) empowering your teams with the right data and capabilities. This may require a new way of thinking, but it's necessary to meet the evolving needs of today's investors. By unifying data in one platform, forward-thinking RIAs can build a strong technical foundation that makes processes easier, drives client growth and retention and helps teams provide exceptional client services.

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