

CORE|DATA



THE SHOCK OF THE NEW

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The financial services industry is in a state of flux. As competition heats up and companies scramble for market share, there are some new kids on the block threatening to shake up the market – as well as incumbents adopting innovative approaches to the traditional ways of doing business.

CoreData spoke to those at the helm of four such businesses to find out what makes them different and what's in store for the future.

What they do

Koda Capital (Koda) provides boutique financial advice for ultra high net worth (HNW) clients, including wealthy families, executives of public and private companies, and not-for-profit organisations and philanthropists. Koda currently has 20 partners and \$3 billion of assets under advice.

Who they're taking business from

Private wealth businesses in the major investment banks.

What they do differently

Client-centric independence

Koda offers independent financial advice, allowing clients to choose their preferred fee structure. Often, this is a flat fee. Koda does not collect product commissions from manufacturers such as the major investment houses, nor volume rebates typically paid by fund managers to advisers who invest large amounts of client funds in the former's products. This position means higher costs for the client, but Koda's client base of ultra HNW individuals and families are willing to pay.

Clients have increasingly demanded independent advice, particularly after confidence declined in the big brand investment banks to act in their clients' interest after the global financial crisis. Such banks are perceived by many HNW individuals to use their private banks as simply a distribution arm, but "vertical integration" has rapidly fallen out of fashion.

Technology has also improved such that such large brands no longer have the monopoly on sophisticated capital market products that demand a substantial investment in complex platforms.

Partnership culture

Unlike other financial planning licensees, Koda fosters a tight knit partnership culture. Its advisers are also its owners, and operate under the Koda name and staff. The ownership structure is similar to that of major accounting firms, with Koda debunking established wisdoms that such structures are unprofitable. The company's adviser/owners receive both revenue and dividends from the firm as well as contributing to infrastructure costs.



UNLIKE OTHER
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A TIGHT KNIT
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CULTURE



Koda also demands a culture of collaboration, where advisers must commit to giving time to sharing and supporting each other through their accumulated experience and expertise.

What's next?

Koda currently has 20 partners, and aims to become a 50-partner firm.

In 2009, nine of the 10 biggest investment banks operating in Australia owned or were significant owners in a wealth management business. Koda says now only three have retained private banking businesses, and that could drop to just one by 2020, so the firm will be there to take advantage as the trend continues towards independent advice.

Koda believes vertically integrated institutions that both manufacture and distribute products will continue, serving those with less complex advice needs and for whom independence is not a major concern. Koda, however, will continue to target ultra HNW clients with complex financial needs.

This includes catering to the rise in philanthropy amongst Australia's ultra HNW, which could be transformative for the wealth management industry over the next 10 years. Developing its advisers' understanding of the wider not-for-profit sector as well as the structure of charitable foundations is a priority.

What they do

Uno provides a digital mortgage service. Customers can search for mortgages on the Uno online platform and consult with Uno staff via online chat, phone or email. Uno also handles the manual loan application process all the way to settlement.

Who they're taking business from

Service providers at every stage in a borrower's mortgage process, including:

- Loan comparison sites
- Mortgage brokers
- Lenders

What they do differently

Access to broker-grade tools

When consulting with a traditional broker, borrowers often wish they could just spin the monitor around to see what the broker does; Uno says its platform gives the borrower exactly that.

Brokers would not use a system such as a comparison site since it might present a rate to a lender that they may later discover is out of date, so Uno has staff dedicated to maintaining the up-to-the-minute accuracy of the platform. Uno's site also incorporates lender policies and borrower data that a comparison site lacks but that can affect final rates – or even whether a loan will be granted at all.

Breadth of options

While a broking brand may officially offer a choice of loans from say, 16 different lenders, Uno says in reality individual brokers will offer just two or three. Not only may they be receiving a larger commission from those lenders - or customers suspect as much - but it's difficult for any broker to be equally familiar with 16 different credit policies.

Uno says its research shows borrowers consider most comparison sites tainted because they offer "featured" or "sponsored" results.

Accessibility

Uno staff are available for much longer hours than most financial services providers such as major banks or brokers: 8AM - 10PM on weekdays, 8AM - 6PM on weekends. The company often uses "tag-team" shifts to cover these hours so that a customer tends to deal with no more than two staff, but knows a larger team is looking after them.

The Uno team culture is an important ingredient - the company does not pay commissions to individual staff for "closing a sale", which it claims would not only privilege sales staff above others but reduce the incentive for teamwork.

Digital convenience

Uno says mortgage brokers are particularly poor at reducing the customer's paperwork and hassles in the digital age, with many still requiring them to set up face-to-face appointments, or find fax facilities to sign and/or submit documents.

Comparison sites also let go of a customer's hand after a loan has been selected, with borrowers then required to start the separate application process with the lender. At Uno, staff handle the paperwork including bank negotiations all the way through to settlement.

What's next?

While Uno is still continuing to improve the customer experience in terms of its "front end", that's not where the company's long term focus lies. The business says the interface of their sites, and other third party sites it expects to proliferate, will eventually become a level playing field. Instead, Uno intends to focus on improving the product and pricing behind the scenes, particularly in reducing costs to the customer to give them confidence that they have selected the best possible product.



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What they do

Fortnum is an independently owned financial advice licensee, with 100 advisers and over \$5 billion in funds under advice across a nationwide group.

Who they're taking business from

Other licensees, particularly those where the product manufacturer also owns the distribution channel of financial advice businesses.

What they do differently

Independence

Fortnum charges a flat fee for services and does not receive a commission for any products. It also is 100% owned by its advisers, managers and staff. The desire by clients for independence in the industry has grown following a series of advice scandals involving companies such as the Commonwealth Bank.

Fortnum says almost 90 per cent of advice frameworks are engineered and/or owned by product manufacturers, but has decisively cut its ties with big banks. Fortnum bought out ANZ's stake in the business in 2014 and also took CommSec off its Approved Product List despite the latter being a sponsor of Fortnum's conference.

The independence is nominally more expensive for clients because advisers do not receive commissions from product manufacturers and hence must pass costs on, but Fortnum's clients are willing to pay for such independence as part of a wider trend away from financial planners who are perceived to be partial towards the product manufacturers.

The company spurns traditional professional advice frameworks, which it believes are focused on compliance and product distribution because they have been developed by institutionally-owned dealer groups. Instead, Fortnum has built a framework that focuses on client needs and in particular, deeper engagement to improve both outcomes and manage risk.



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Features include a Working Document function for advisers to document any research, information and analysis used to form an advice recommendation, which helps protect advisers against potential complaints or claims.

Collaborative team approach

Anyone joining the 100+ advisers at Fortnum is expected to work collaboratively with other advisers, such as business development managers sharing knowledge about how to run financial advice businesses. Fortnum's Academy professional development programs include conferences, workshops and specialist peer groups.

Fortnum also leverages its increasing size to negotiate lower product fees and better service standard agreements, and has benefited from an increase in advice practices under its licence to 54 from 27 over the last three years.

What's next?

The company sees its business model as compatible with any requirements stemming from the Federal Government's Future of Financial Advice reforms, and also sees growth opportunities in an end-to-end solution for clients, noting the trend of accounting firms merging with financial planners.

Fortnum hopes to consolidate its reputation in advice, portfolio construction, execution and improve its ability to help advisers with succession planning. The company also expects to improve its client engagement tools, such as outcome-based advice software.

EQUIPSUPER AND CLOVER



What they do

Equipsuper (Equip) is a superannuation fund with 49,000 members and \$7.3 billion of funds under management.

Who they're taking business from

Super funds to whom Equip members might roll to, who benefit from general employee indifference towards their choice of fund if switching to a workplace where Equip is not the default fund.

What they do differently

Customer experience focus

Rather than focusing on low fees and higher returns, aspects commonly marketed by super funds, or brand recognition earned through advertising and membership numbers, Equip focuses on customer engagement and satisfaction to reduce churn from members who are changing jobs.

Equip's focus on customer experience considers a member's frame of reference as not other super funds but all other online services that a member might use including finance, online banking or shopping.

Proactivity

Super fund members are traditionally disengaged, particularly at younger ages when experiences such as travel are a priority. For the last two years, Equip has collected and analysed behavioural member data, rather than merely demographic data and/or assumptions based on a member's current investment choice option. This richer data allows staff to contact customers with relevant suggestions and better understand what promotions work.

Data collected includes a member's visits to the Equip website, click through rates on email marketing campaigns and attendance at the fund's financial education seminars. Two years of such accumulated behavioural data can alert staff when a member is approaching retirement or about to change jobs, so Equip can, for example, promote its financial planning service by triggering an outbound call campaign.

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Appropriate financial advice options and Clover

The fund focuses on encouraging members to more thoughtfully consider investment options, using EquipMyMoney, its robo-advice service custom-built from the automated investment service fintech startup Clover to use a goals-based approach for financial advice and portfolio construction.

Clover's robo-advice offering demands relatively little investment in time or money from the member compared to traditional financial advice, but is more sophisticated than a typical calculator. Once the Clover platform makes a recommendation, it also can seamlessly process any investment choice switches, rather than requiring the member to start a separate product change process.

To provide a member with confidence to take such action, the service also shows members what difference extra super contributions could make to their retirement income, and eventually will also show how a member's choice compares to others in their peer group.

The platform will also be able to encourage a member to examine their contribution to premiums for the insurance built into their super, such as Total and Permanent Disability (TPD) cover. This strategy targets younger members who may be somewhat apathetic towards their retirement benefits, but conscious of immediate family responsibilities.

What's next?

Equip will continue to invest in data to improve insights to the point of "absolute clarity". This includes using segmentation to personalise each member's website, and to determine their preferred channels for interacting with Equip, such as when a member should be moved from light touch solutions such as Clover to face-to-face meetings with a financial planner as they move towards retirement and their needs evolve.

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Uno

Vincent Turner, *CEO*

About us

CoreData is a global market research consultancy and unique collaboration of research, media industry and marketing professionals. Since 2002, we have provided research-driven insights to companies to support growth and transformational change.

While our roots are in financial services, where we have a deep understanding of banking, superannuation, financial planning, insurance, funds management, investment platforms and mortgage broking, we now help businesses across a broad range of industries to reach their potential.

CoreData Group has operations in Australia, the United Kingdom, the United States of America, Singapore, South Africa, South America and the Philippines. The group's expansion means CoreData Research has the capabilities and expertise to conduct syndicated and bespoke research projects on six different continents, while still maintaining the high level of technical insight and professionalism our clients demand.

CoreData Research provides clients with both bespoke and syndicated research services through a variety of data collection strategies and methodologies, along with consulting and research database hosting and outsourcing services.

We provide both business-to-business and business-to-consumer research, while the group's offering includes market intelligence, business intelligence, customer intelligence and customer engagement.

Together our team combines their years of industry experience with primary research to bring perspective to existing market conditions and evolving trends.

Our core expertise includes:

- Industry-leading research methodologies
- Experts in financial services research
- Deep understanding of industry issues and business trends
- Growth partners

Our team understands the importance that customer research plays in driving business growth and transformation. We are continuously in the market through a mixture of qualitative and quantitative research methods and mystery shopping, providing actionable intelligence and rapid execution to businesses around the world.



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