

Advisors Urged to Boost Online Outreach

Article published on June 29, 2009

By Tom Stabile

High-net-worth clients are demanding more access to their financial advisors in the wake of the market mayhem last year, but this increased contact may not require more phone calls and personal meetings. Instead, electronic communications and more robust online account management tools might satisfy clients – if these tools are applied wisely, say veteran market watchers and studies from Fidelity Investments and Merrill Lynch-Capgemini.

Using technology to streamline and improve client communications is not a new tactic, but applying these tools more wisely and efficiently could sate the rising demand for attention from high-net-worth investors, says Craig Iskowitz, managing director for Ezra Group, a strategic consultant based in East Brunswick, N.J. That can be challenging in an era when many big firms have cut back on marketing and other types of support for advisors as they slash expenses to match lower revenue, he adds.

But advisors should also avoid any temptation to slough off most client contact to e-mails and online sites. Instead, they should strategically weave in electronic communications. “Having an overall strategy for better and more frequent communication is even more critical today,” he says.

A recent Fidelity survey, conducted online with 1,000 households that had \$1 million or more in investable assets, found an uptick in high-end investors seeking contact with their advisors compared to a similar survey in 2008. In last year’s sampling, 20% of the millionaire respondents wanted to hear from their advisors weekly or more often; that share rose to 29% in this year’s survey. A similar statistic reinforces the point: 26% of the respondents this year wanted the least frequent option of quarterly communications, compared to 34% last year.

“Millionaires were telling us loud and clear: they want to hear from advisors more often,” says Katia Walsh, v.p. of market research for Fidelity. “This has been exacerbated by the financial crisis specifically.”

Walsh says the survey also showed that advisors might be able to rely on electronic means to meet some of this new demand, with a finding that 27% of the millionaire respondents “prefer” to communicate with their advisors via e-mail, up from 22% last year. “This tells advisors that it doesn’t have to be on the phone,” Walsh says. “There is a need for a blend of high-tech and high-touch.”

The survey tracked how advisors can handle client communications rather than investment transactions, Walsh says.

The survey also underscores an often-misunderstood attribute of high-net-worth investors: they are far more technology-savvy than most advisors think, Walsh says. They tend to be first-adopters of new technologies, primarily because they see the tools as useful to “get things done,” and they were among the first ones to “go online, buy things online, and invest online.”

Walsh says another important trait to take note of with high-net-worth investors is their “insatiable appetite for financial information.” Advisors might be smart to set up informational pages for their clients with news feeds about the markets and robust menus of investment outlook research. And tools for checking account balances and net worth are critical, she adds; the survey found that the millionaire respondents spend an average of two hours per week checking their net worth.

Merrill also is seeing more interest from investors in having greater access to their financial information, says Dan Sontag, president of its global wealth management unit. He spoke last week at the presentation of data from Merrill’s joint annual World Wealth Report with Capgemini, a strategic consultant.

“We’re finding that clients really want to be able to access their accounts... 24-7 – and they want it in real time,” he says. Sontag says the firm is delivering that access through a newly launched site, MyMerrill.com, that provides real-time account information and data anytime, as well as a feature that allows advisors to create monthly statement-like reports on demand for clients.

“They don’t want to wait right now for a monthly statement,” Sontag says. “They want to know on June 24 at 11 o’clock in the morning, ‘How am I doing’... It is getting tremendous usage from our advisors.”

Sontag says Merrill is urging its advisors to communicate with their clients “broadly and often,” while stressing the importance of using online access and tools in the effort.

The wealth report stresses that advisors must combat the specter of client attrition – noting that 25% of high-net-worth investors withdrew assets at some level from their current advisors – by committing to “more open and transparent client communications, [enhanced] information on risk factors, and increase[d] levels of client service.”

The Merrill-Capgemini report – based on surveys of more than 1,350 advisors, more than 200 high-net-worth clients, and more than 60 wealth management firm senior executives – found various “perception” gaps between clients and advisors on communications issues. One example is how “online access and capabilities” were considered “very important” to 66% of clients but only 32% of advisors. Similarly, statement and reporting quality was very important to 63% of clients but deemed so by only 39% of advisors.

A study issued last week by Novarica, a New York-based strategic consultant, also urges advisors and wealth management firms to “enable” all communication tools – including “e-mail, instant messaging, and RSS [news feeds] to give clients immediate alerts to situations developing with their investments.”

These types of tools are not new but getting “renewed attention” in part because advisors are serving larger rosters of clients than before, says Robert Ellis, a senior analyst for Novarica and author of the 2009 Wealth Management Overview report. But he, too, warns about overreliance on technology, especially generic group communications.

“Automated communication devices and tools are useful, but no substitute for the real thing,” he says. “An advisor must be careful not to over-rely on them, as they weaken the value proposition.”



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